



OXFORD
ECONOMICS

LATIN AMERICA ECONOMIC OUTLOOK

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Oxford Economics

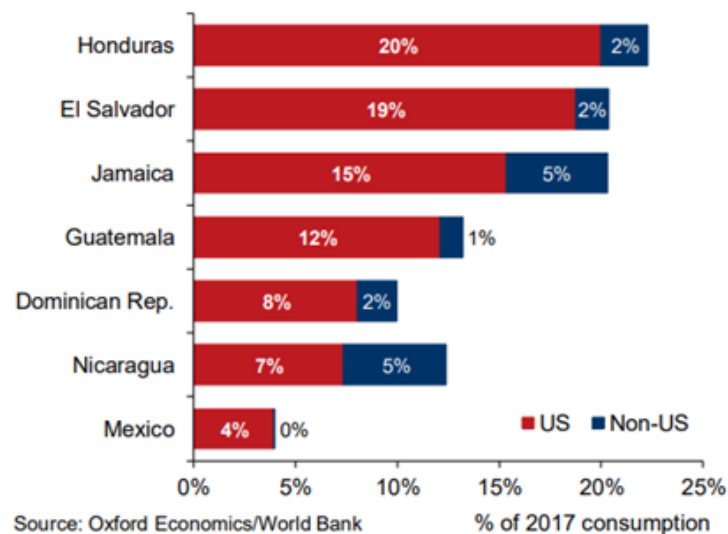
October 2019

Regional growth is anticipated to cool this year in line with deteriorating conditions in major economies, soft commodity prices and US slowdown.

Key drivers of short term regional growth include:

- **Commodity prices**—countries such as Bolivia, Colombia, Honduras, Nicaragua and Paraguay are reliant on agriculture and mining for export revenues, and are therefore susceptible to swings in global commodity prices.
- **US growth and policy**—the US economy is important for trade and worker remittances. US threats to the TPS status of migrant workers and wider trade protectionist policies weigh on the regional outlook.
- **Regional slowdown**—Slow growth in other major regional countries such as Argentina will impact external demand.
- **Inflation and fiscal space**—slowing inflationary pressures and a dovish tilt by the US Fed should provide more flexibility for central banks to cut interest rates. Large government deficits will constrain fiscal policy in Bolivia, Costa Rica and Nicaragua.
- **Political turmoil**—Corruption and security risks can lead to social unrest, hitting confidence and investment.

Remittances as share of consumption by origin





Growth to settle at around 2% in all key markets except Argentina.

Current situation

10 year outlook

US

- US economy is cooling.
- Rising trade tensions represent a non-negligible risk.
- Dovish US Fed to continue to implement easing measures.

- GDP growth around 1.9%.
- Strong real wage growth should support consumption.

Mexico

- Mexico to grow by 0.5%.
- A modest recovery in real wages, increasing consumer confidence.
- Stable peso suggests an easing of inflationary pressures.

- Growth around 2.2%.
- Uncertainty will underpin subdued investment.
- Stabilisation of the exchange rate should ease inflationary pressures.

Brazil

- Brazil to grow by 0.8%.
- Low inflation will prompt the Central Bank to cut interest rates.
- Consumption and exports remain key growth driver.

- Growth to remain low at 2%.
- Structural reforms needed to improve infrastructure and ease of doing business.

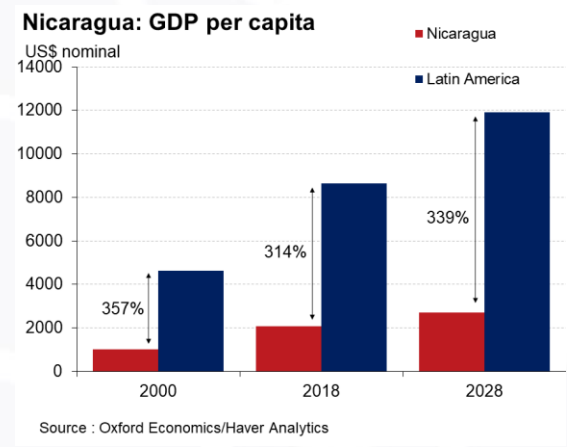
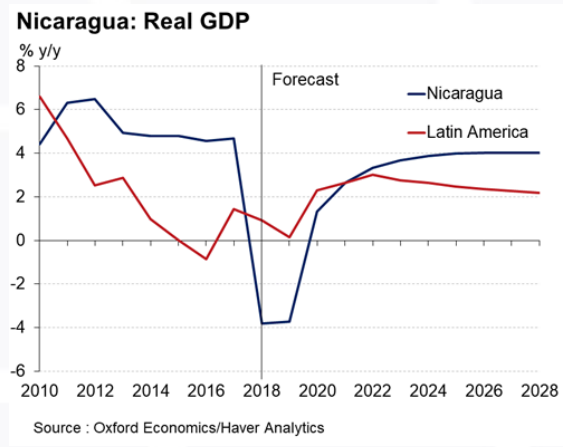
Argentina

- Economy to contract for three consecutive years (2018-20).
- Loss of market access and low FX reserves—more import compression required.
- Currency appreciation unlikely.

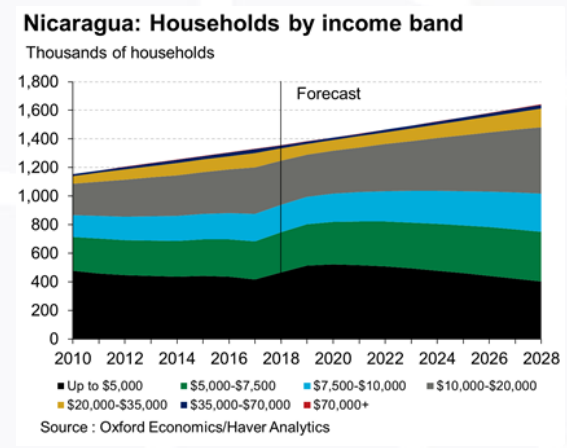
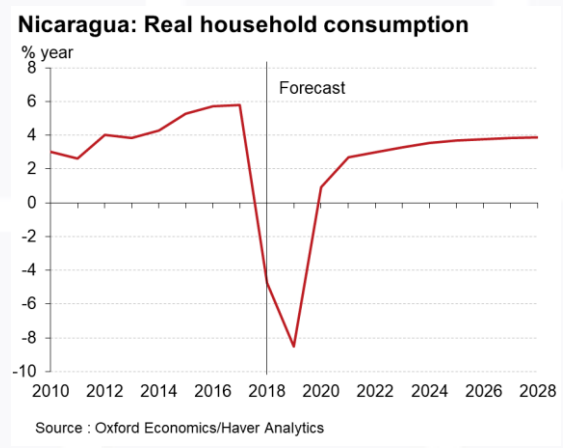
- GDP growth of around 1%.
- Populism return will deter foreign investment.
- Competitive currency one of few sources of growth potential.

Political crisis has crippled economic activity and hit confidence, with recovery contingent on crisis resolution and recovery in remittance flows.

Economic outlook

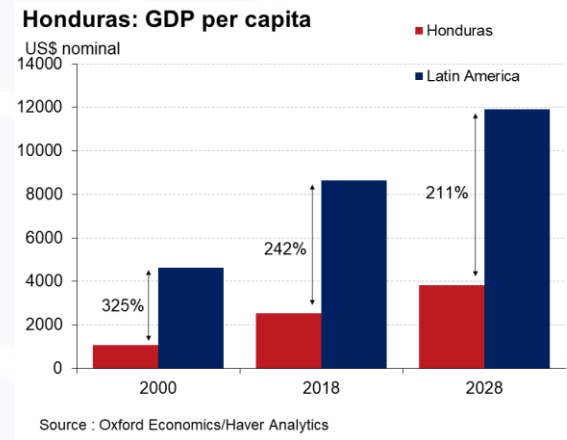
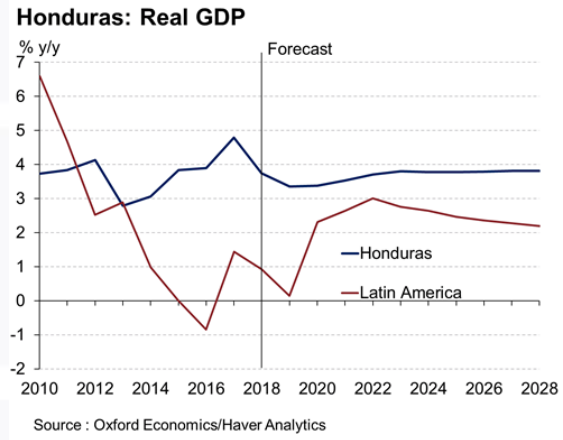


Consumer outlook

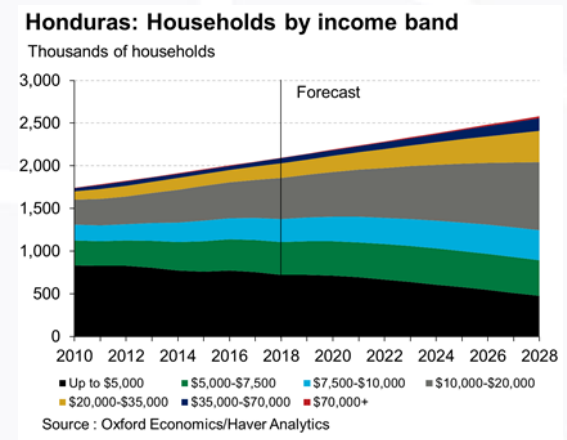
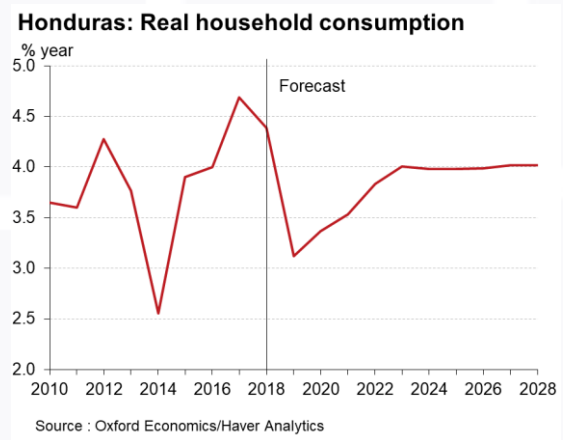


Domestic demand supporting strong growth outlook, supported by robust remittances, with significant catch-up potential.

Economic outlook

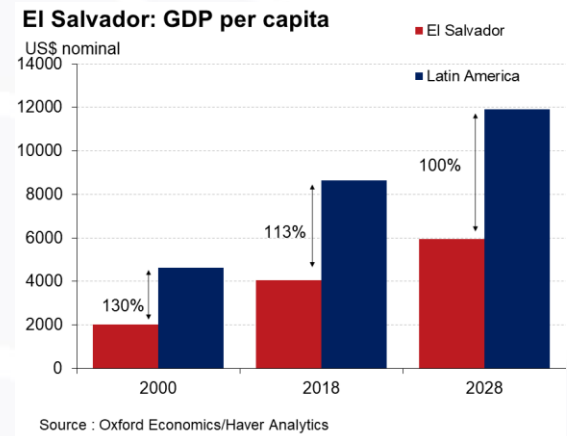
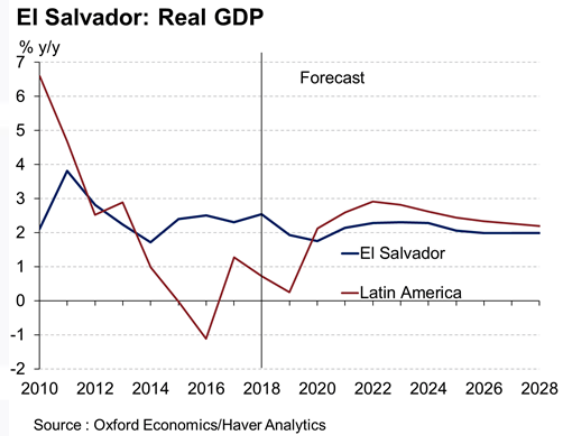


Consumer outlook

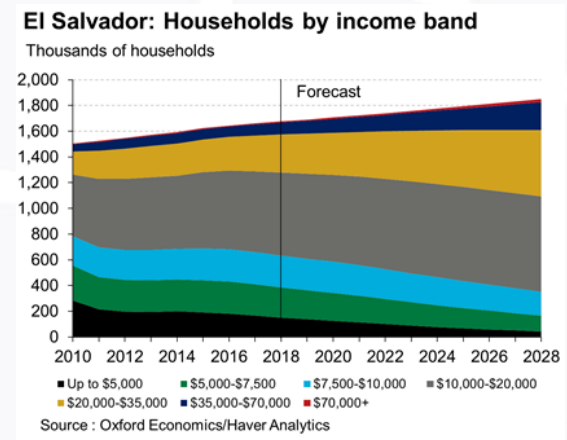
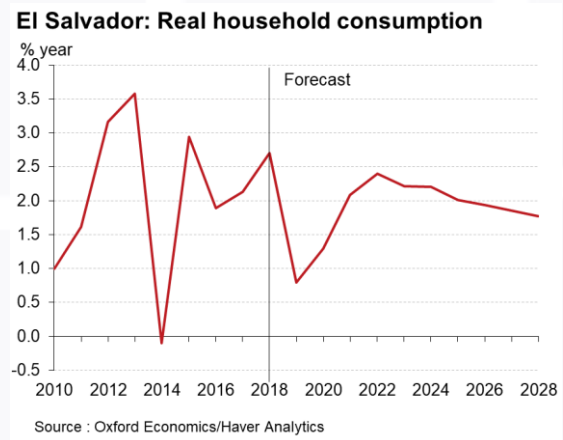


Stable remittance flows should support household spending, with long term growth forecast to settle at around 2% per annum.

Economic outlook

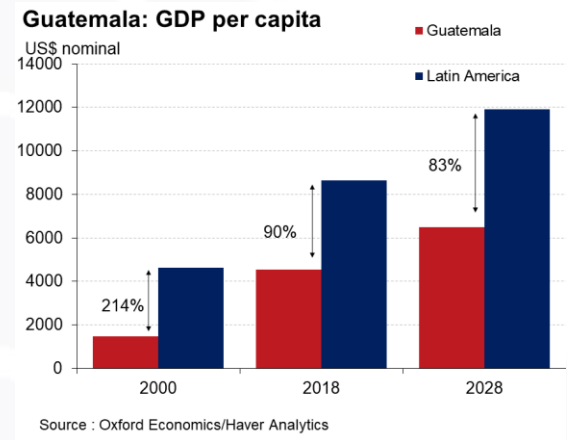
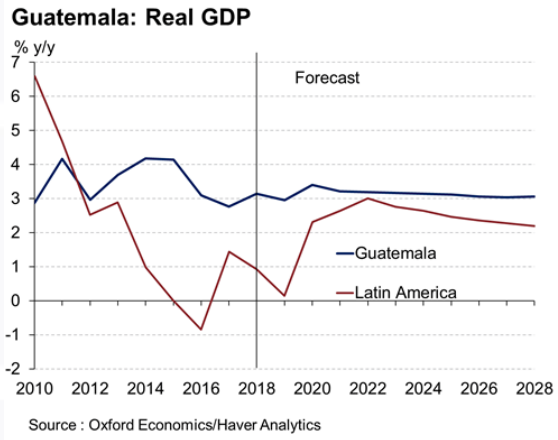


Consumer outlook

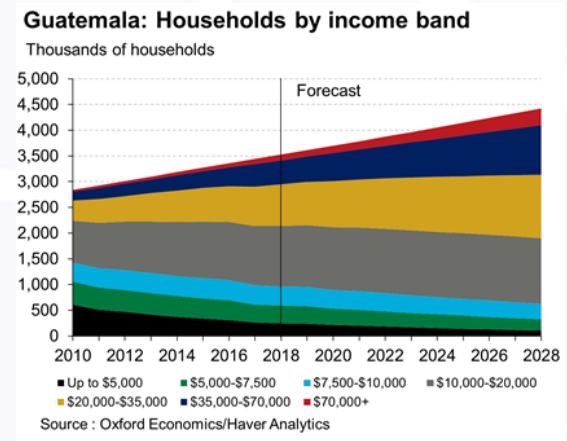
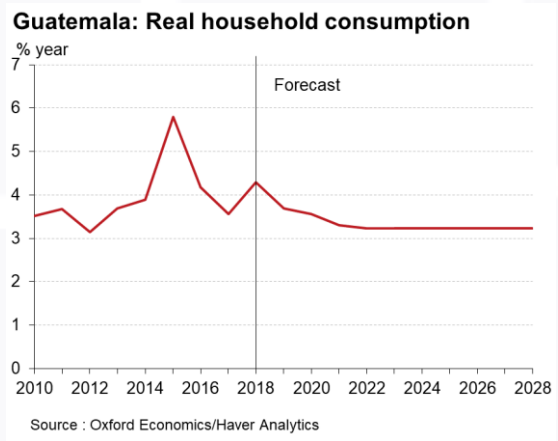


Steady growth forecast over long term, supported by a stable FX rate, with household spending settling at just over 3% per annum.

Economic outlook

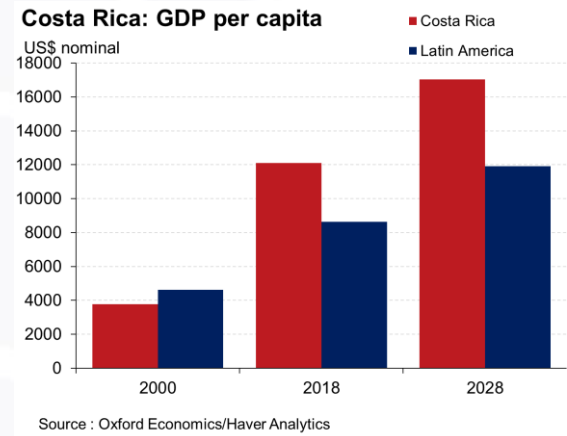
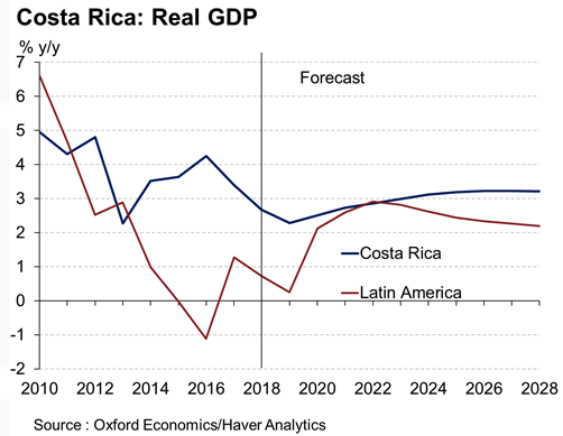


Consumer outlook

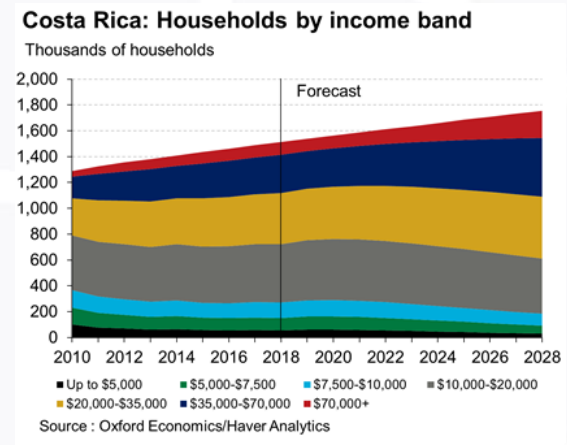
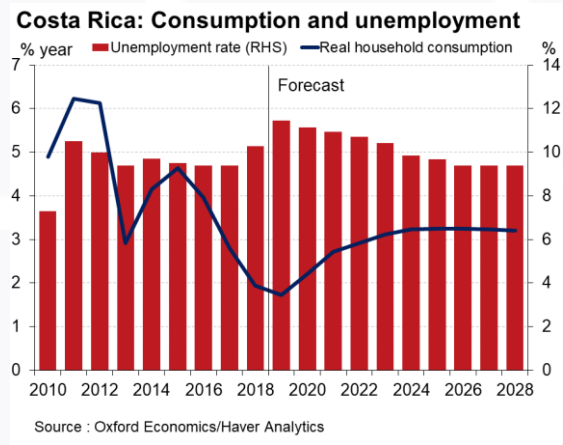


Pro-business government to drive structural reform and support long term stability, with income growth continuing to outperform region.

Economic outlook

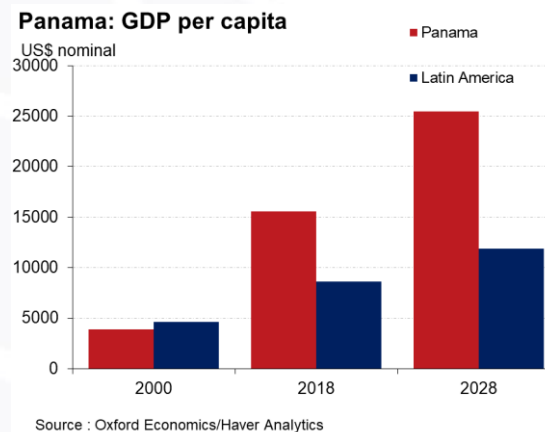
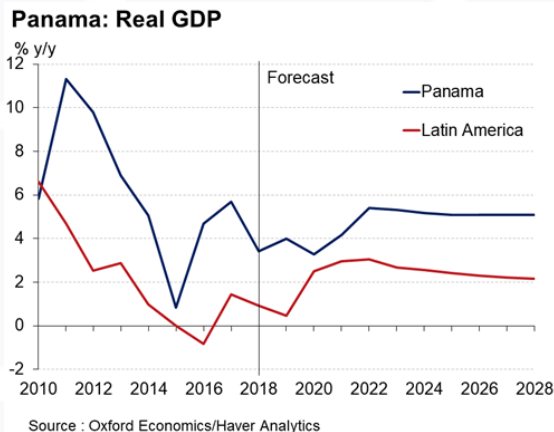


Consumer outlook

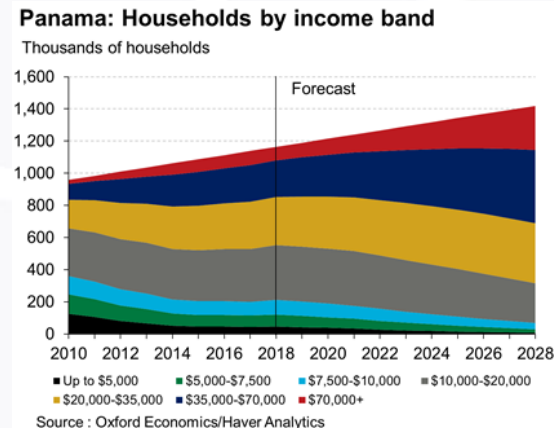
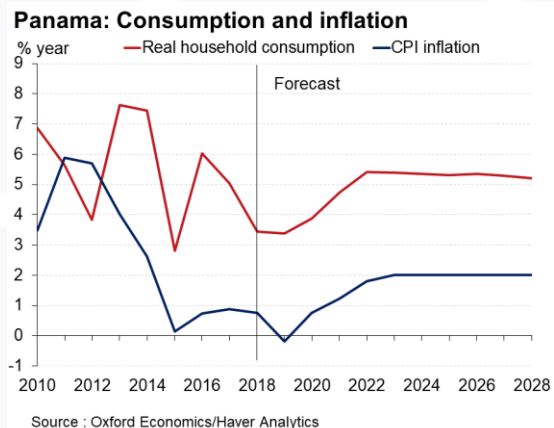


Stable environment to support long term growth, with high incomes supporting consumer spending, although outlook sensitive to world trade.

Economic outlook

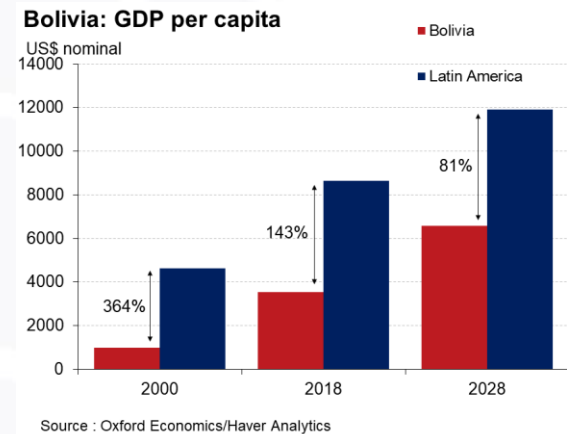
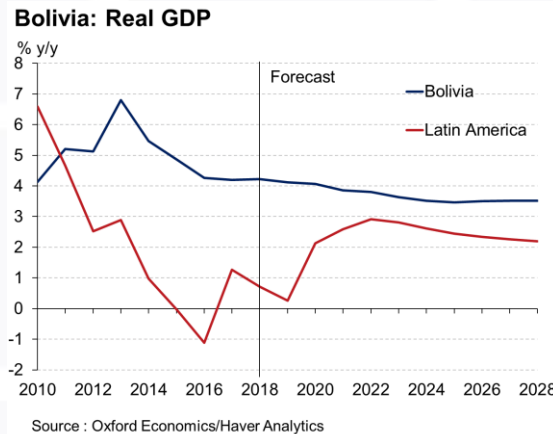


Consumer outlook

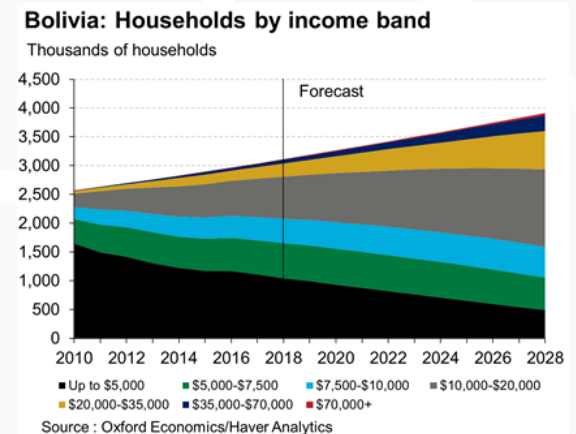
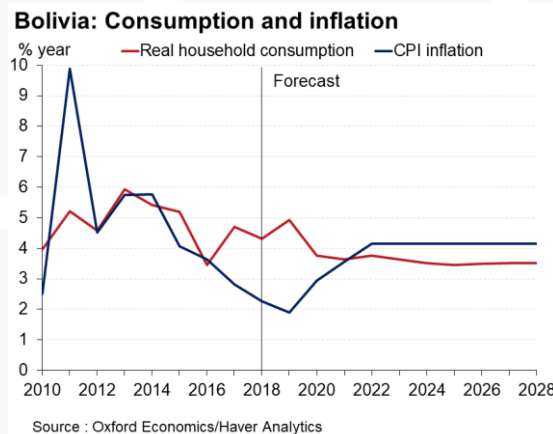


Growth expected to remain robust over the long term, with stable inflation and solid labour market gains supporting rising household incomes.

Economic outlook

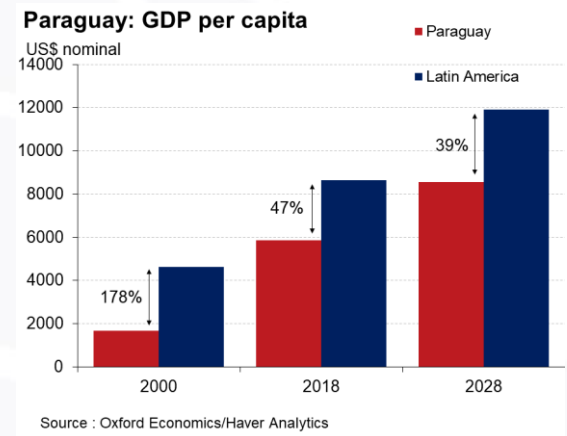
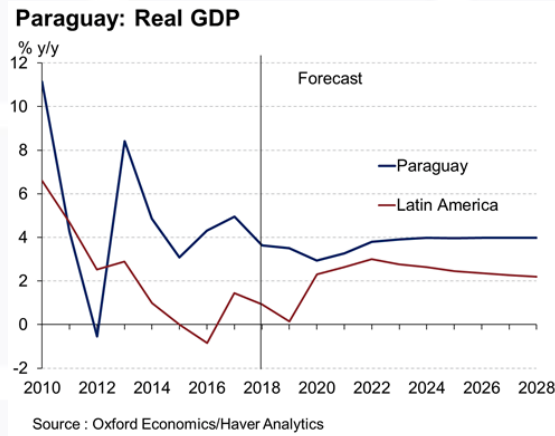


Consumer outlook

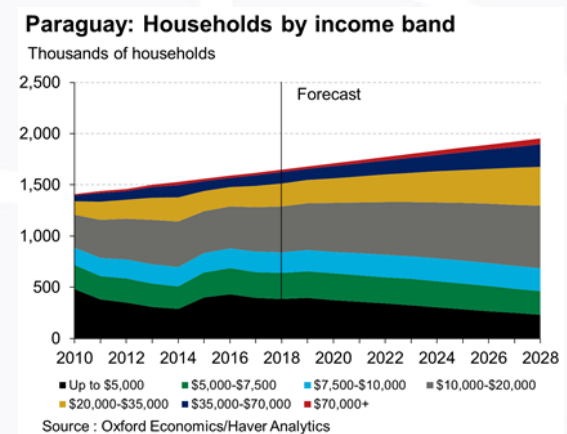
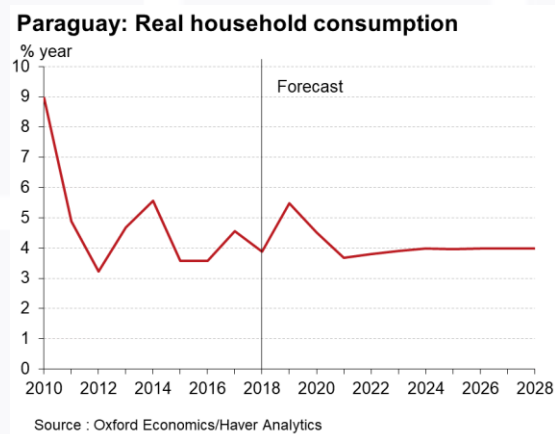


Macroeconomic and policy stability to support growth, with solid household spending growth of around 4% per annum forecast over long term.

Economic outlook

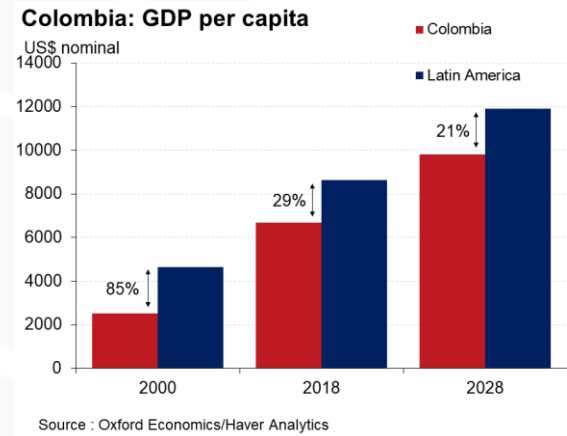
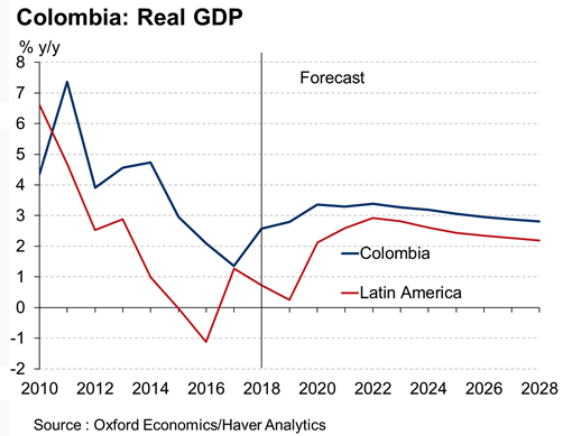


Consumer outlook

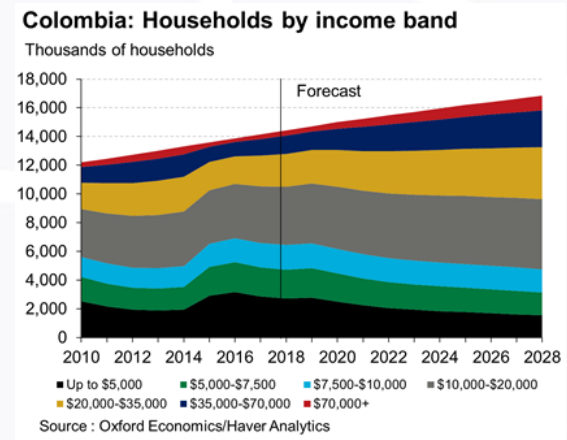
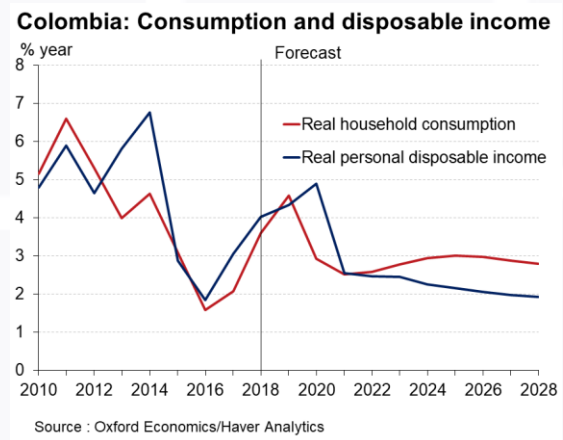


Growth picking up momentum as authorities grasp control of inflation, with income and household spending growth to remain robust.

Economic outlook



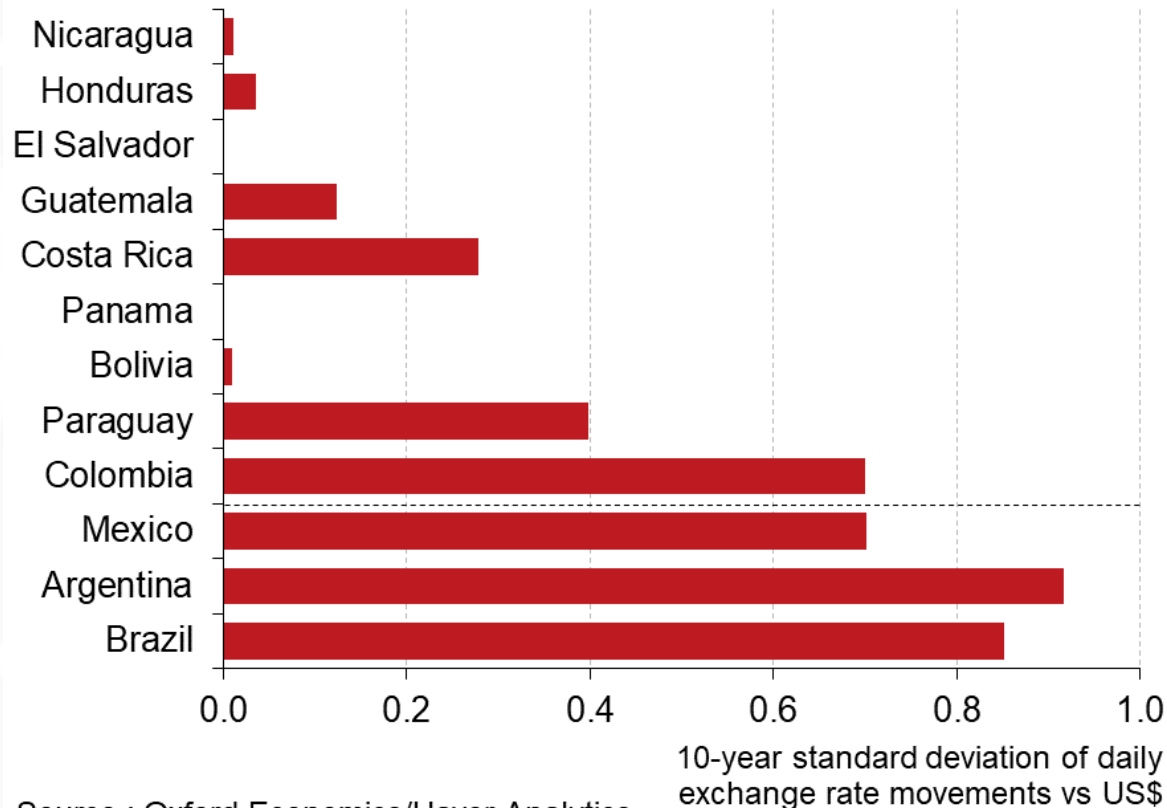
Consumer outlook





Active management of exchange rates has resulted in much reduced volatility over last decade compared with larger regional peers.

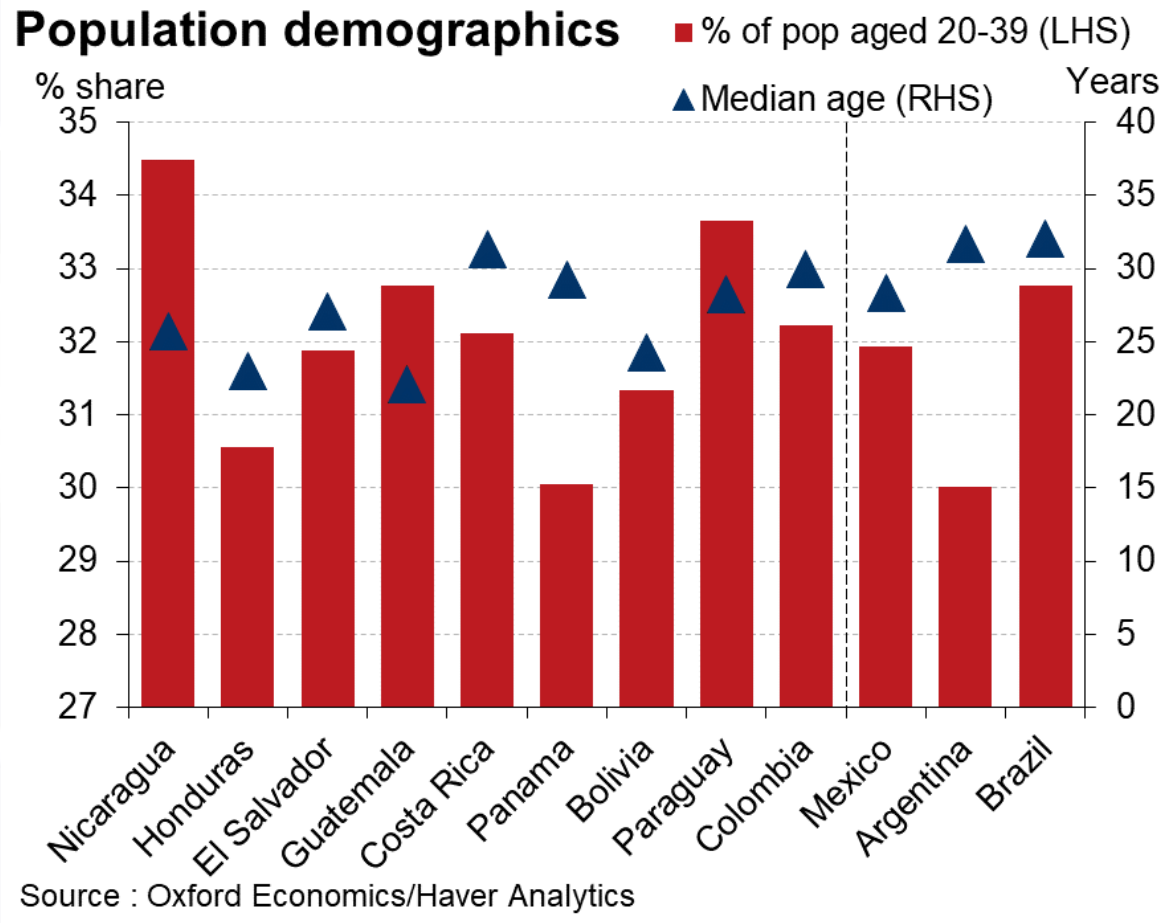
Exchange rate volatility since 2009



Source : Oxford Economics/Haver Analytics

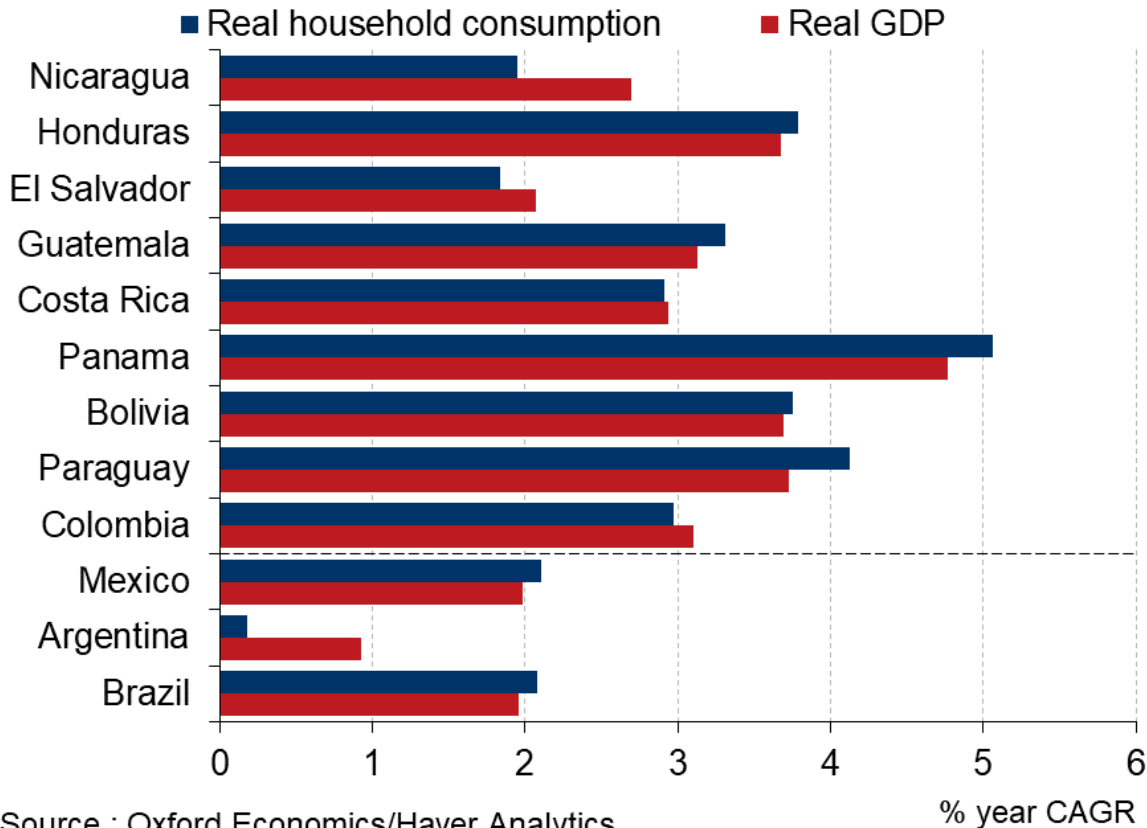


Economic growth will continue to be supported by a young and dynamic population over the next decade.



Robust growth in GDP and household consumption forecast over long-term, underpinned by significant catch-up potential.

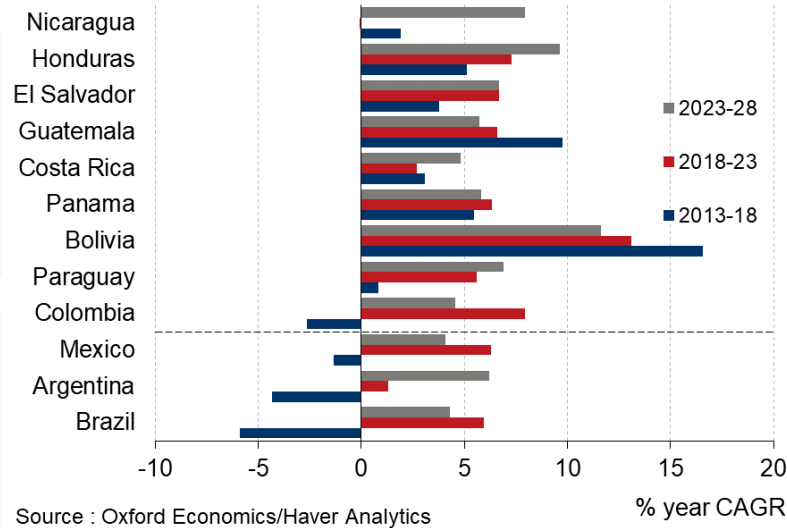
GDP and consumption forecasts 2018-2028



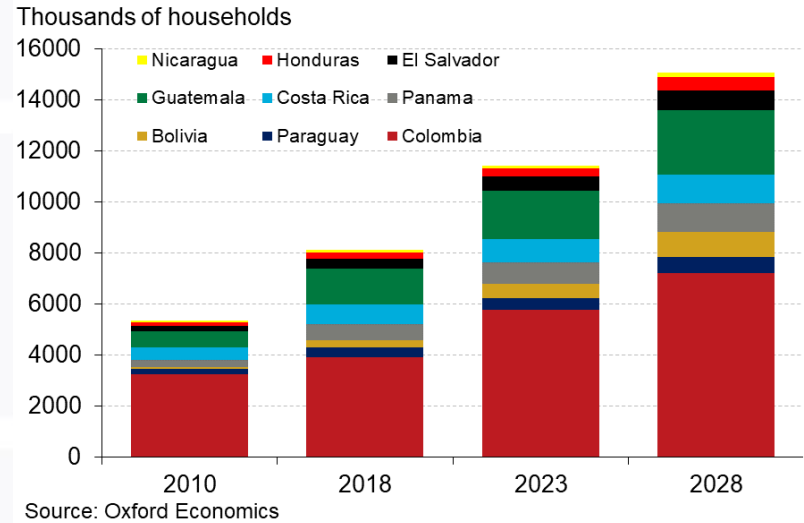


The number of households with annual income over US\$ 20,000 is forecast to grow at a robust 6.6% per annum on average over the next decade.

Growth rate of households with annual income over US\$ 20,000



Total households with annual income over US\$ 20,000





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