Economic Outlook:
World, Emerging Markets, and Latin America

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A more favorable global growth environment

(Output growth rate projections)

	World	Advanced economies	United States	United Kingdom	Japan	Euro Area	EMDE	China	India	Brazil	Russia
2003–07	5.1	2.7	2.9	2.8	1.7	2.2	7.7	11.7	8.8	4.0	7.5
2010	5.4	3.1	2.5	1.9	4.2	2.1	7.4	10.6	10.3	7.5	4.5
2016	3.2	1.7	1.6	1.8	1.0	1.8	4.3	6.7	7.1	-3.6	-0.2
2017	3.5	2.0	2.1	1.7	1.3	1.9	4.6	6.7	7.2	0.3	1.4
2018	3.6	1.9	2.1	1.5	0.6	1.7	4.8	6.4	7.7	1.3	1.4

United States: Growth driven by continued consumption growth and a cyclical rebound in investment

United States: Key Macroeconomic Aggregates
(Percent)

	2016	2017	2018	2019	2020
GDP growth	1.6	2.1	2.1	1.9	1.8
Private consumption	2.7	2.2	1.9	2.0	2.0
Investment	0.7	4.3	4.0	2.9	2.4
Net exports	-0.1	-0.3	-0.2	-0.2	-0.2
PCE inflation (eop)	1.4	1.7	2.2	2.3	1.8
Core PCE inflation (eop)	1.7	1.7	2.0	2.2	2.0
Unemployment rate	4.9	4.3	4.3	4.4	4.7
Current account balance (% of GDP)	-2.4	-2.5	-2.9	-3.0	-3.0

United States: Investment and Consumption
(Percent)
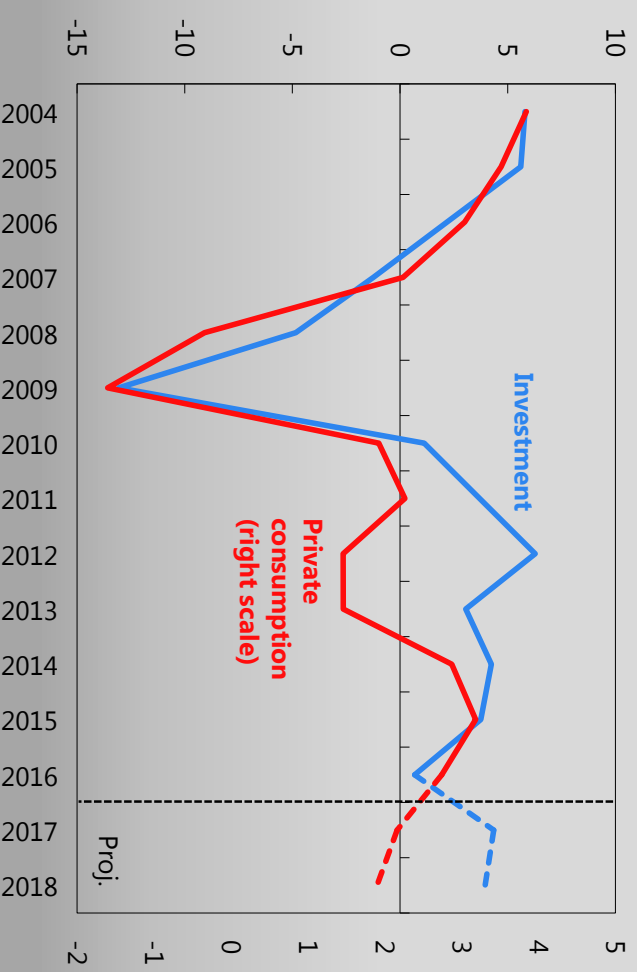
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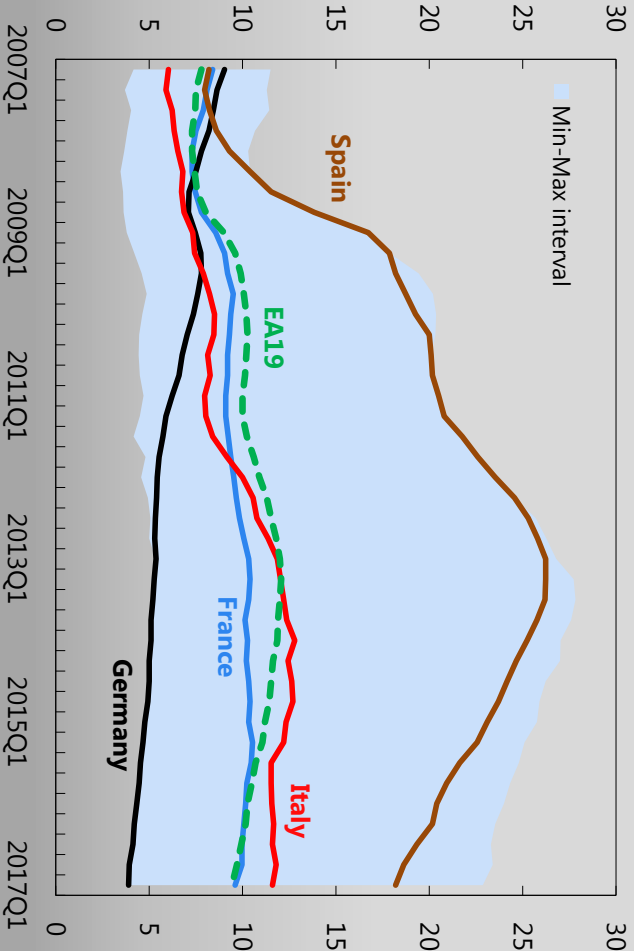# Euro Area: Recovery strengthened but with large variation across countries

Euro Area: Real GDP Level
(Index: 2007Q1 = 100)

Germany

France

EA19

Spain

Italy
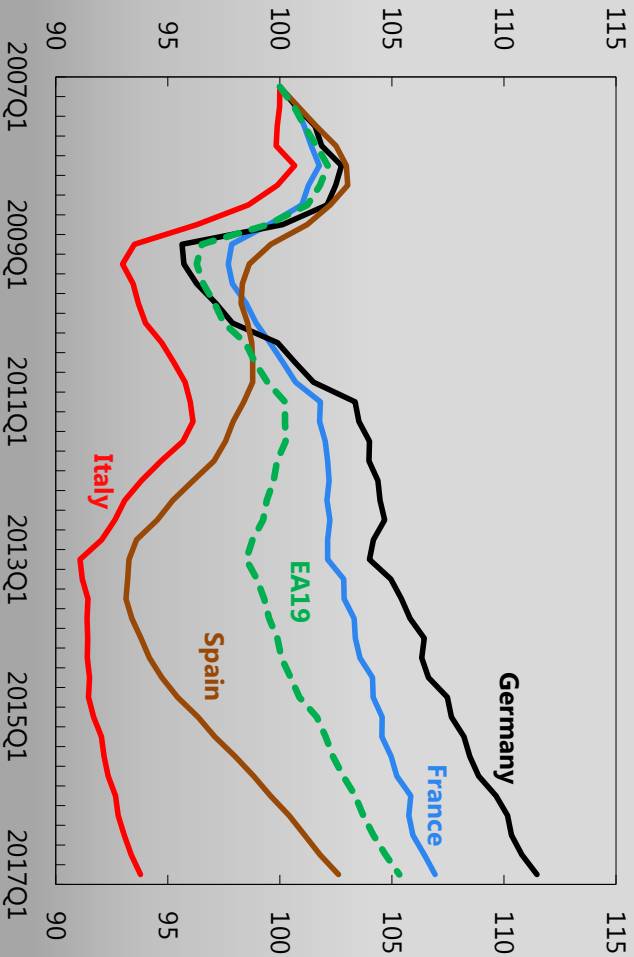
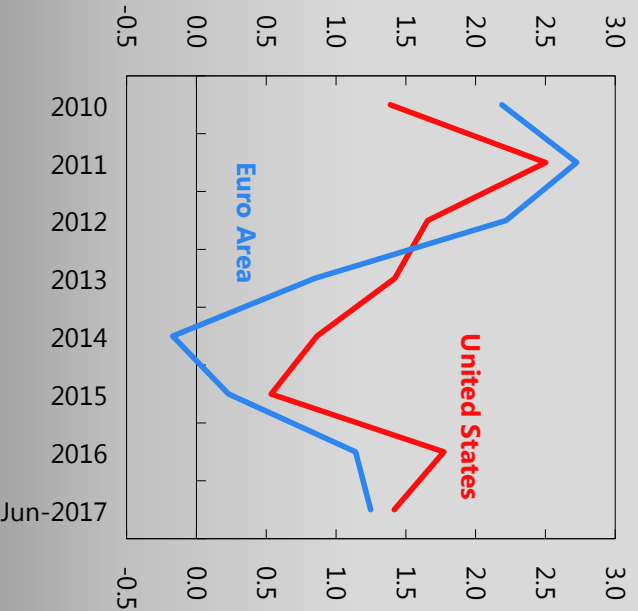**Euro Area: Unemployment Rate**
(Percent)

Min-Max interval

Spain

EA19

Italy

France

Germany

Inflation and wage developments in the United States and Euro Area
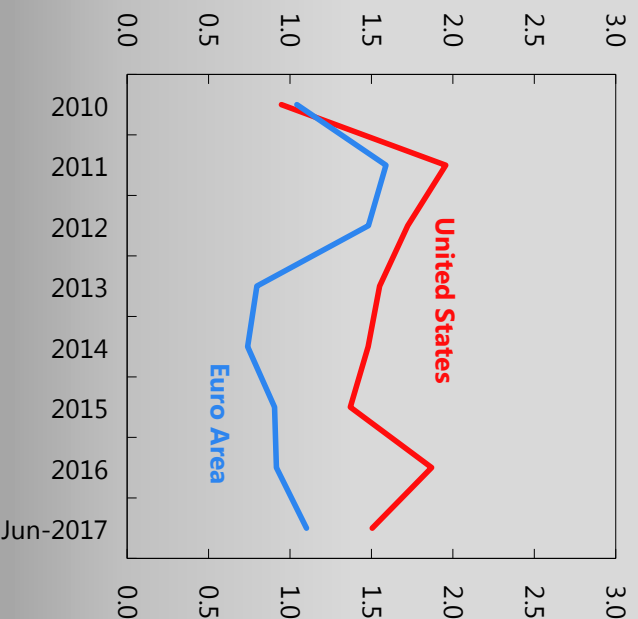
United States and Euro Area: Headline Inflation
(12-month percentage change; eop)

Euro Area

United States

United States and Euro Area: Core Inflation
(12-month percentage change; eop)

United States

Euro Area

United States and Euro Area: Nominal Wages
(4-quarter percentage change; eop)
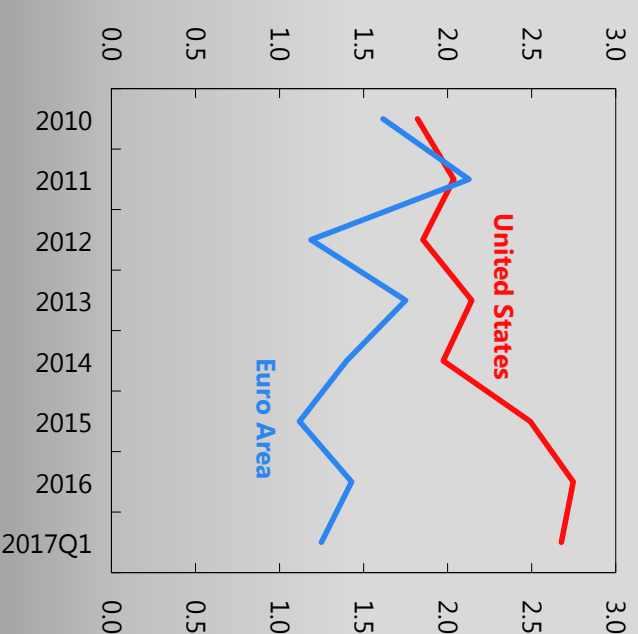
United States

Euro Area

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China: Growth outlook revised up and rebalancing continues

China: Upward Revision to Path of Real GDP Growth
(Percent)

2016 Article IV

2017 Article IV
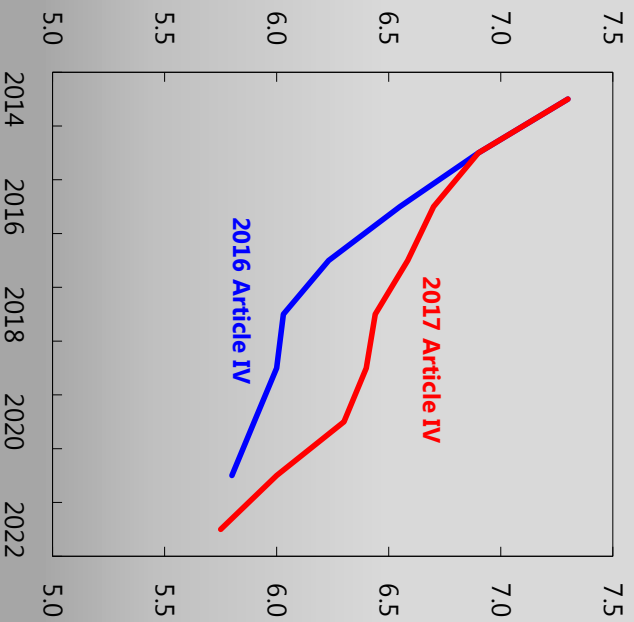
China: GDP by Production
(Percent of nominal GDP)

Industry

Services
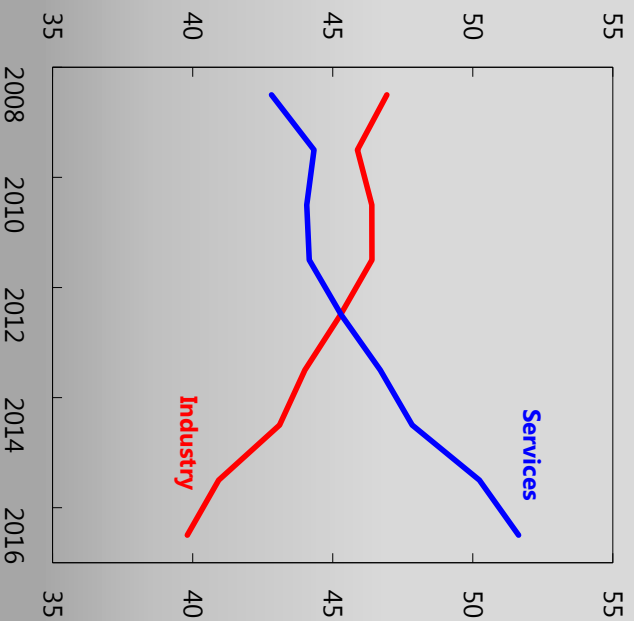
China: Employment by Sectors
(Percent of total employment)

Secondary

Primary
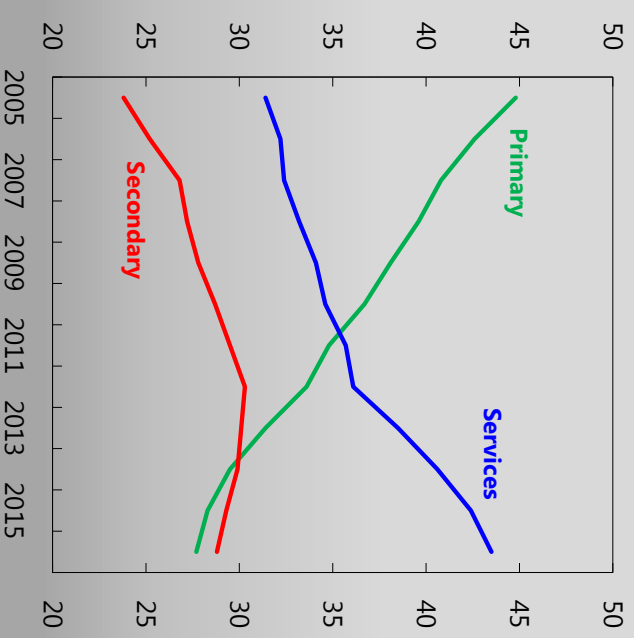
Services

China: Increasing downside risks with rapid build-up of public and private debt

Nonfinancial Sector Debt: High and Rising
(Percent of GDP)

Projections

7
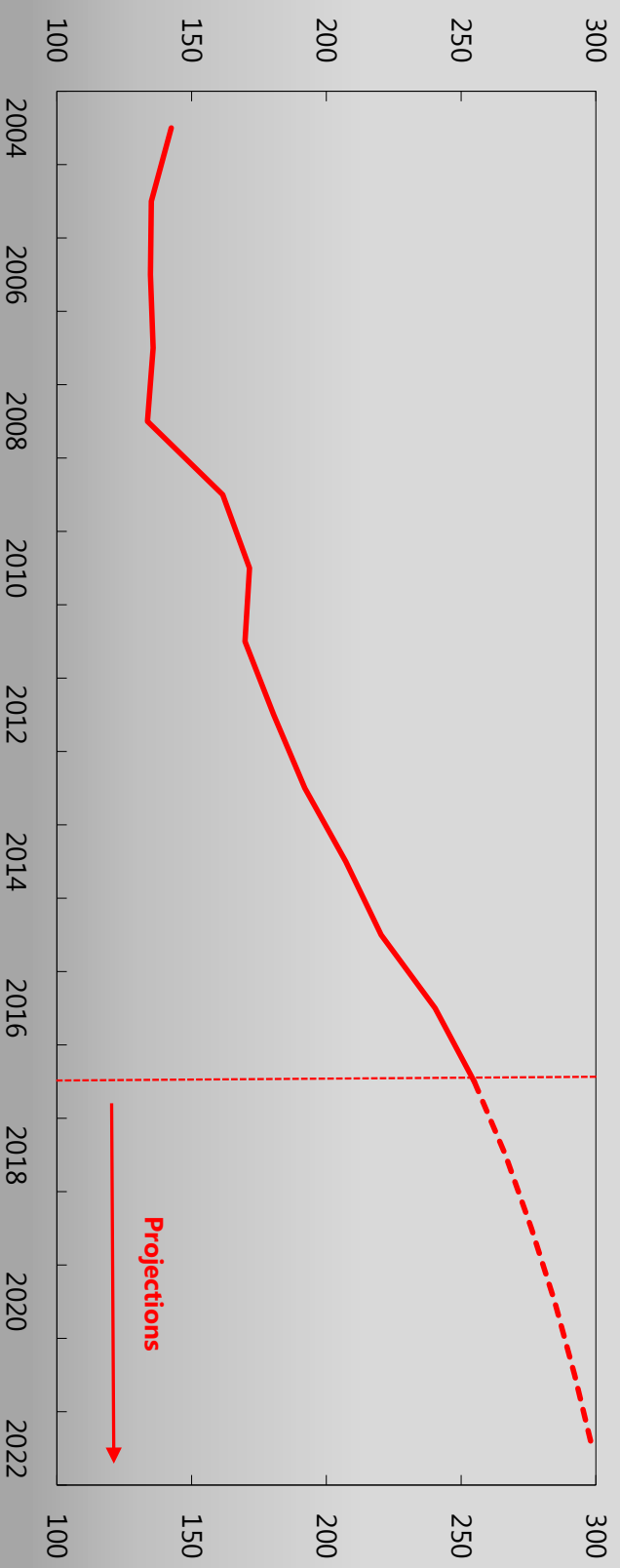
Medium Term Growth Prospects for EMDEs

Estimates of Medium-Term and Current Growth
(Year-over-year percent change)
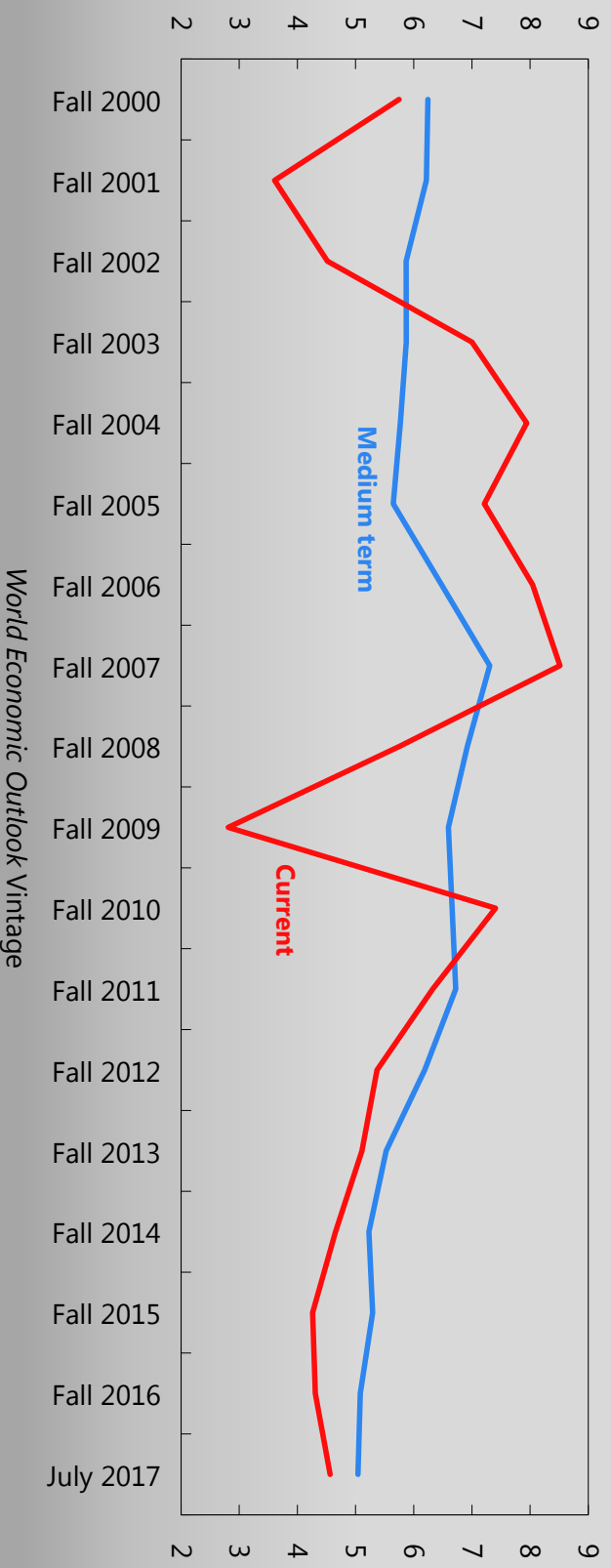
World Economic Outlook Vintage
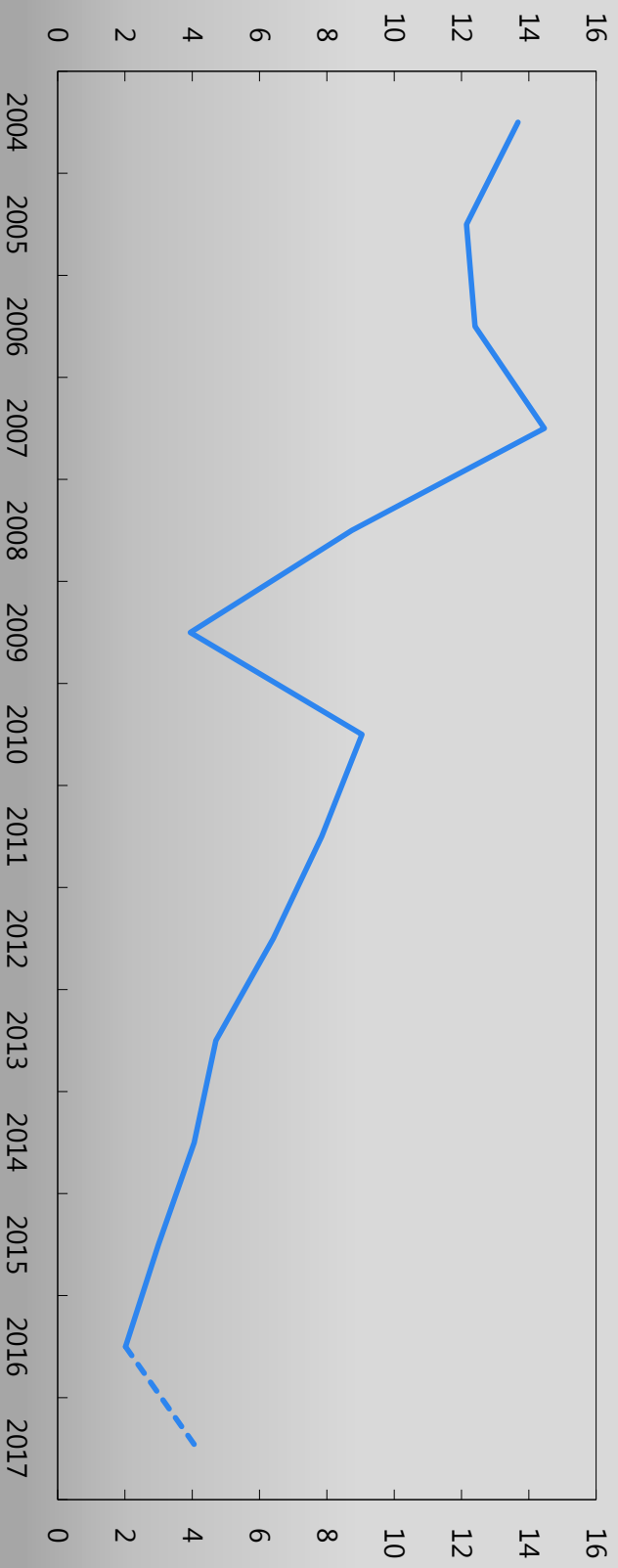
Investment Slowdown for EMDEs

Gross Fixed Capital Formation
(Year-over-year percent change)

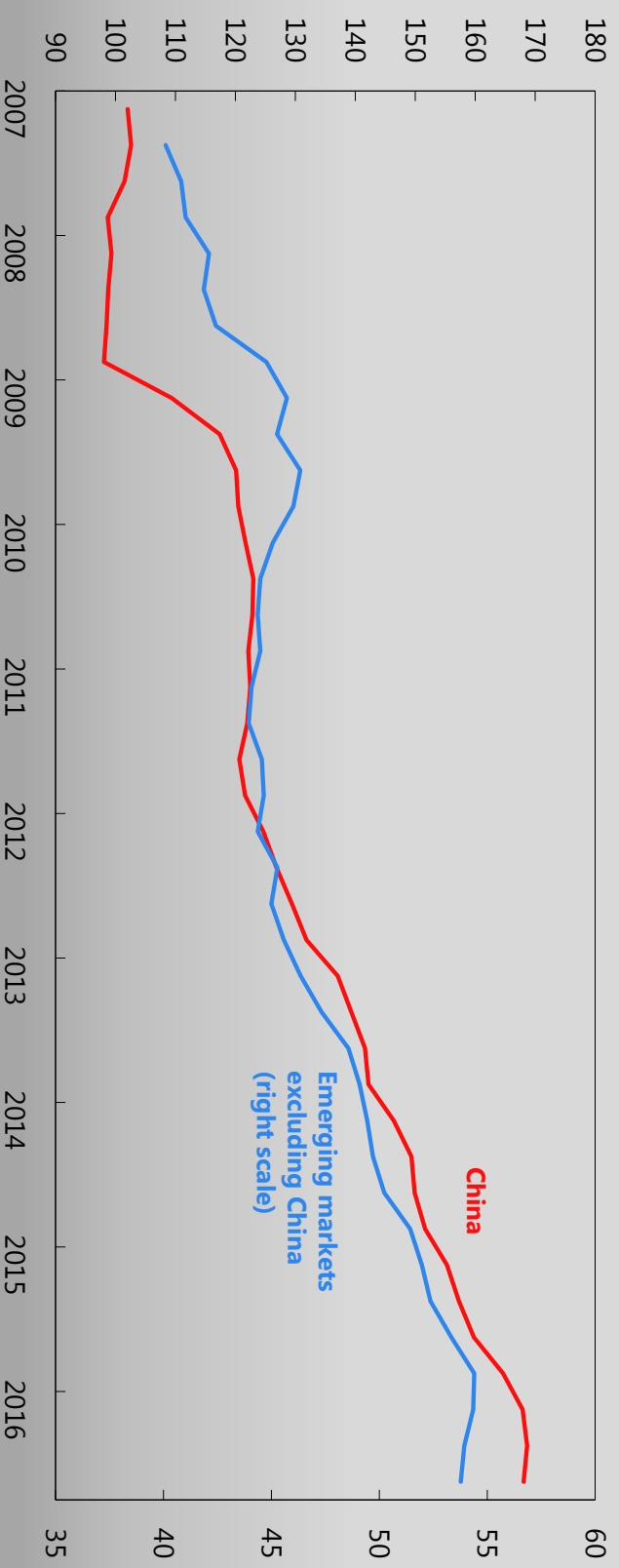# Rising Public Debt in EMDEs

Public Debt in Emerging Markets and Developing Economies
(Percent of fiscal year GDP)
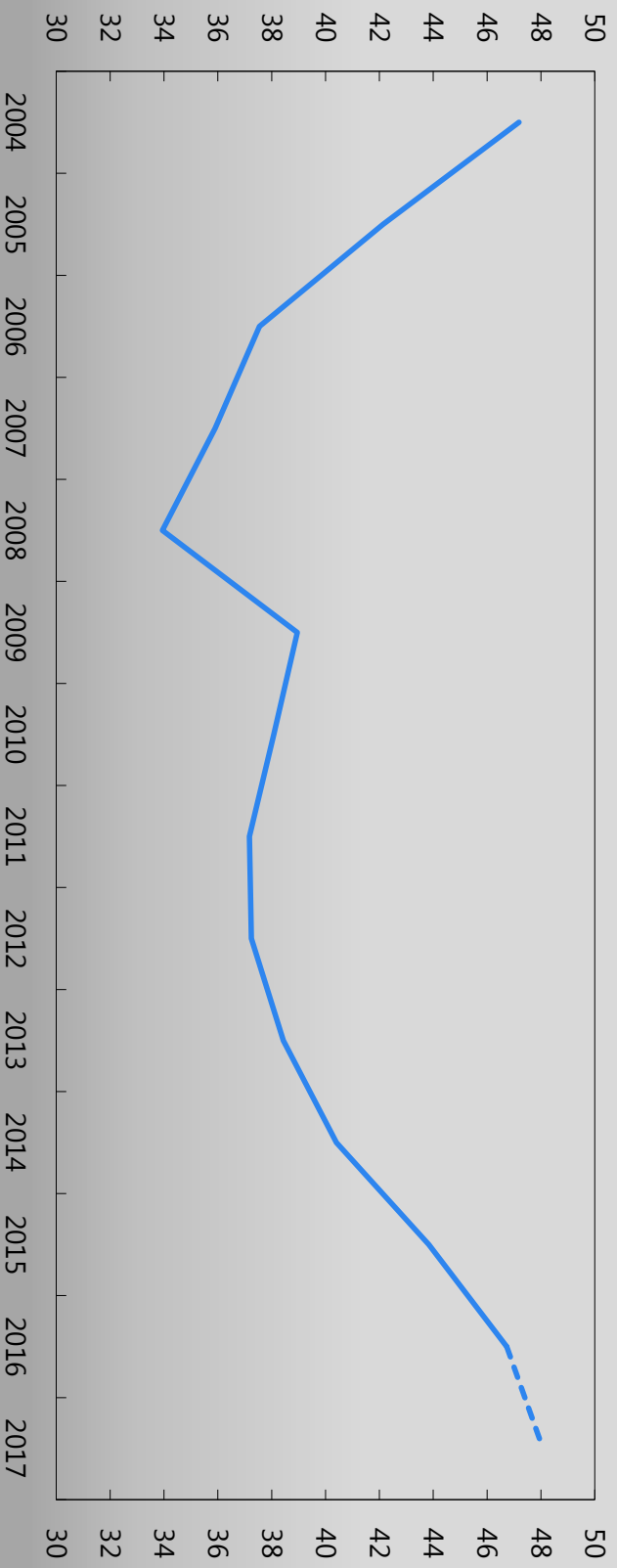
Source: IMF, World Economic Outlook (July 2017 Update) database.
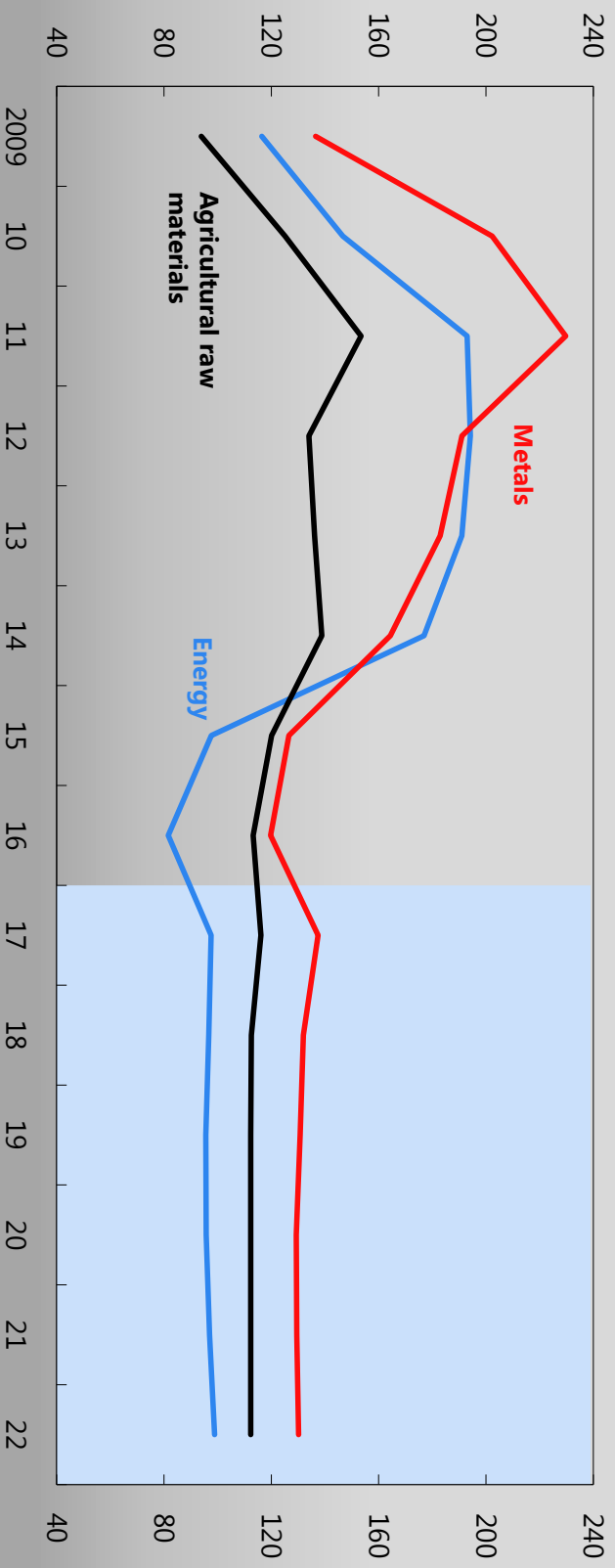
Corporate Nonfinancial Debt in Emerging Markets

Corporate Nonfinancial Debt in Emerging Markets
(Percent of GDP)

Global Commodity Prices:
Expected to remain subdued

Global Commodity Prices
(Index: 2005 = 100)

Agricultural raw materials
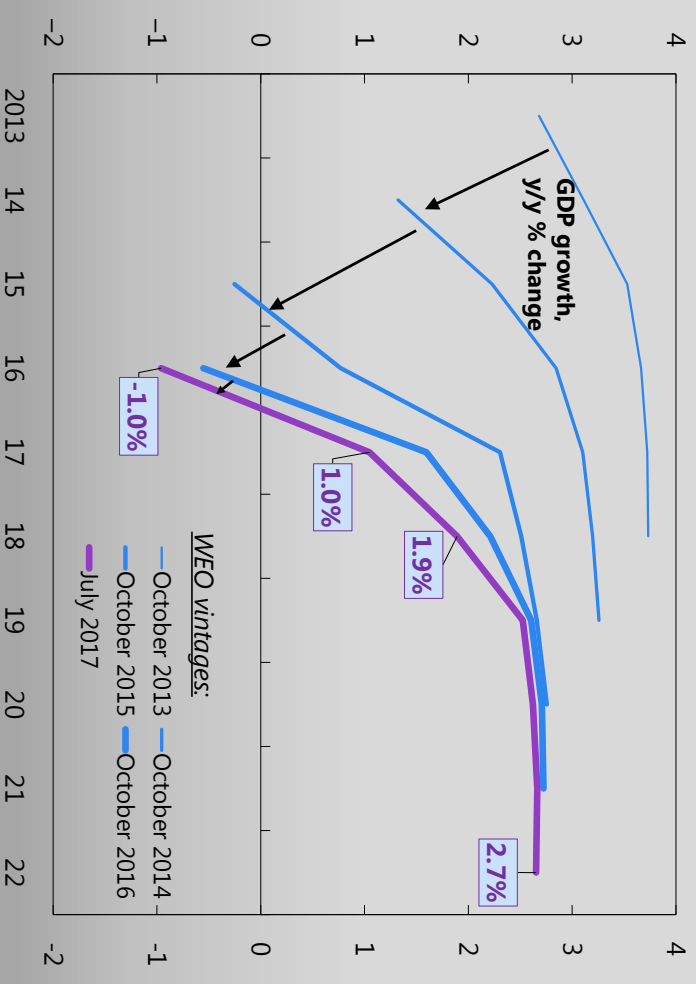
Metals

Energy

Source: IMF, World Economic Outlook (July 2017 Update) database.

LAC is slowly emerging from recession

Growth is positive in most countries...
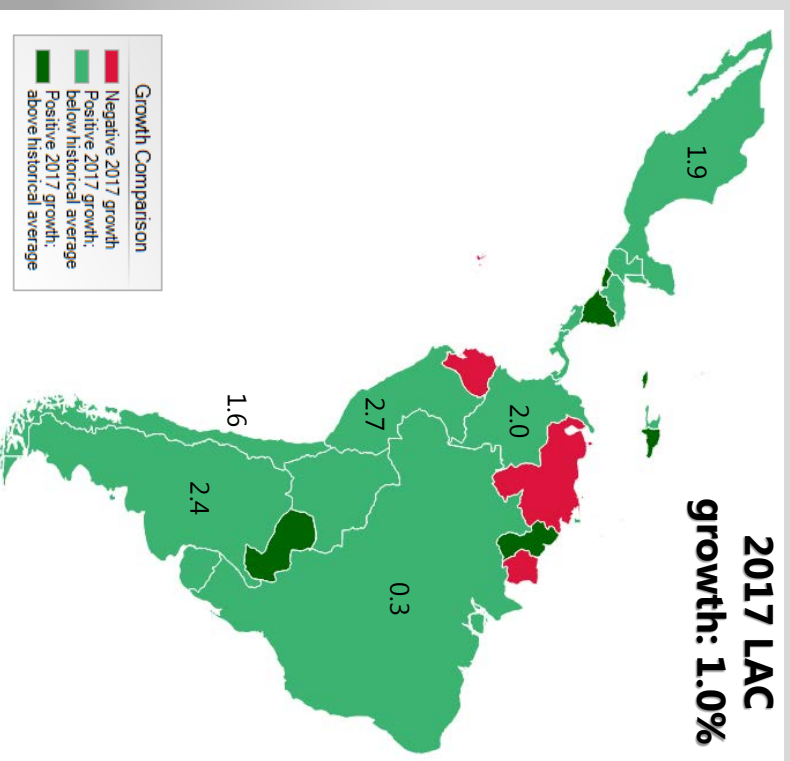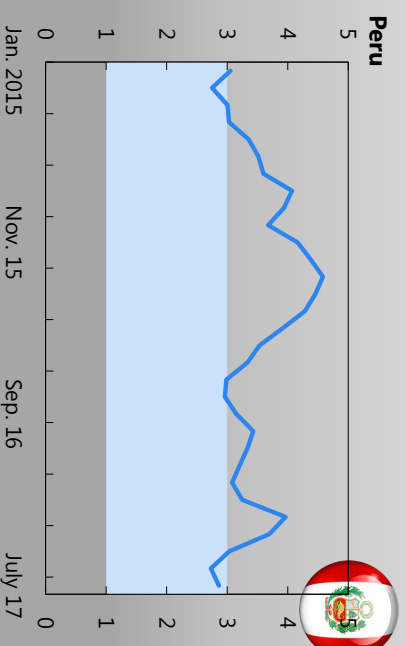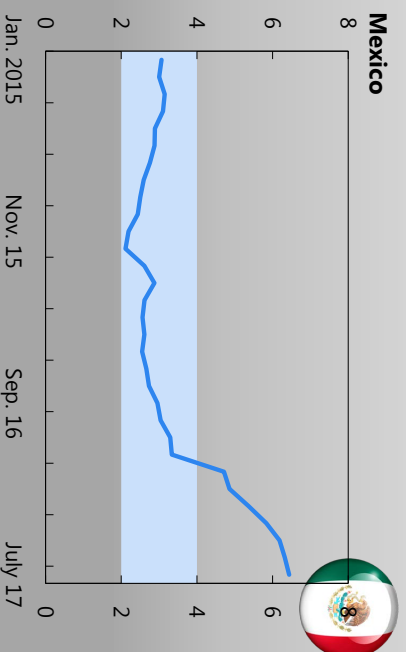
... but is weaker than previously projected.

2017 LAC growth: 1.0%

Growth Comparison
- Negative 2017 growth
- Positive 2017 growth, below historical average
- Positive 2017 growth, above historical average

1.9
2.0
2.7
1.6
2.4
0.3

GDP growth, y/y % change

WEO vintages:
— October 2013 — October 2014
— October 2015 — October 2016
— July 2017

-1.0%
1.0%
1.9%
2.7%

2013 14 15 16 17 18 19 20 21 22

As inflation declines, more space for cuts in policy rates

Inflation
(Percent)
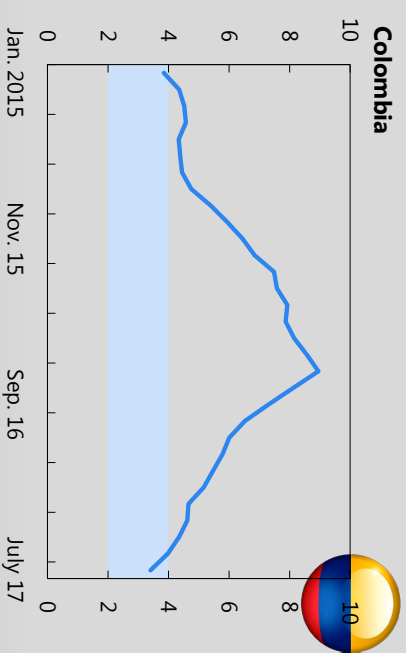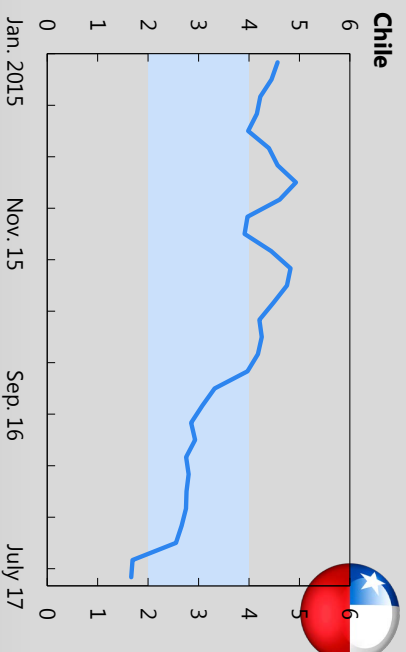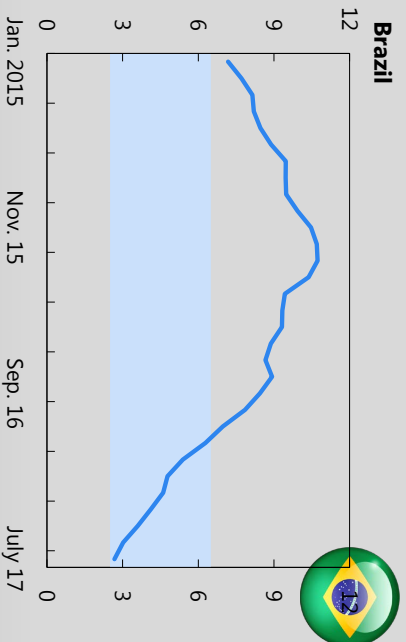
Brazil

Chile

Colombia

Mexico

Peru

Headwinds: Weak domestic demand and confidence
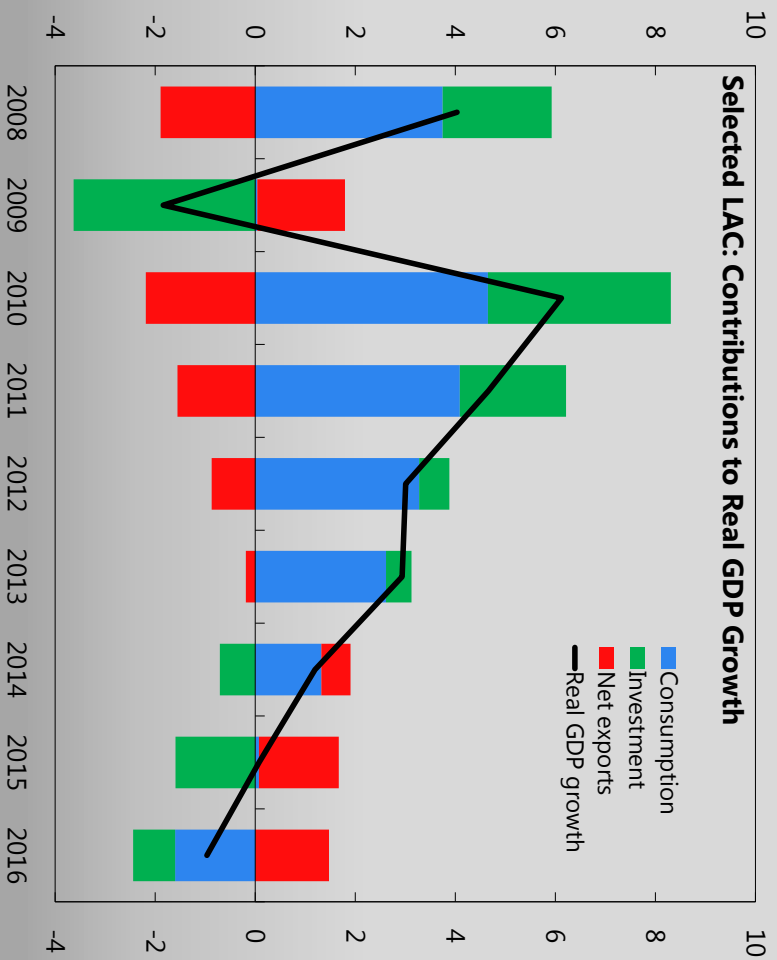
Selected LAC: Contributions to Real GDP Growth

Legend:
- Consumption
- Investment
- Net exports
- Real GDP growth

(Index: 2011 = 100)

- Business confidence index[2] (right scale)
- Consumer confidence index[1]
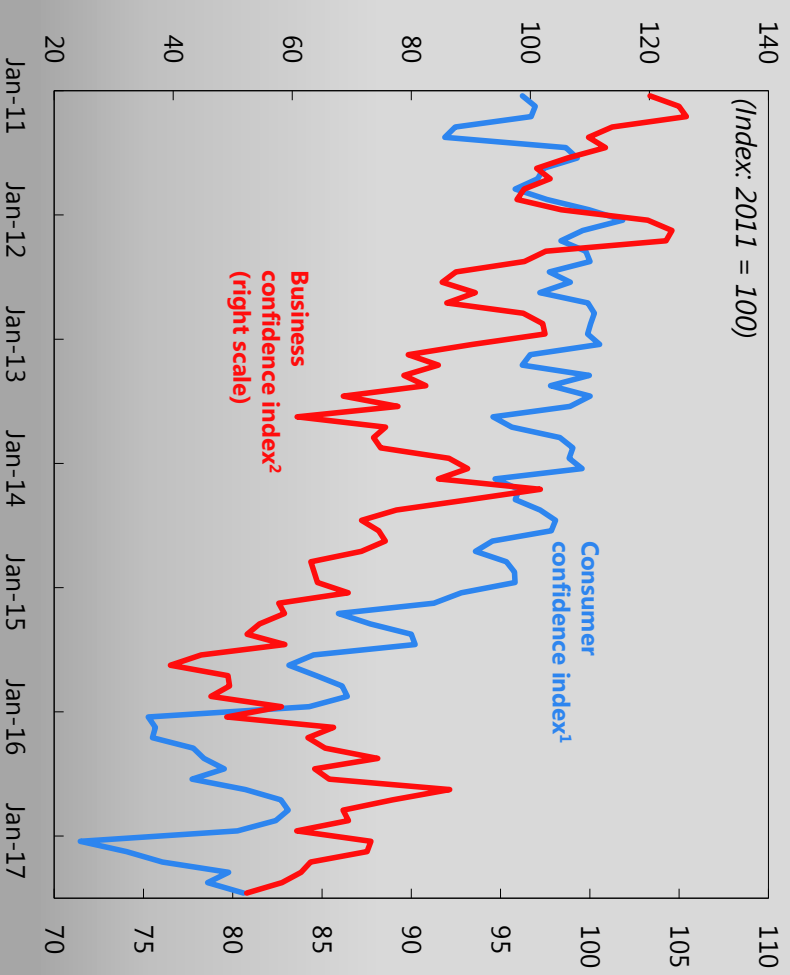
Corruption and electoral uncertainty among other factors are dampening investment in some cases

Corruption affects LAC economies to varying degrees, and is linked to level of development
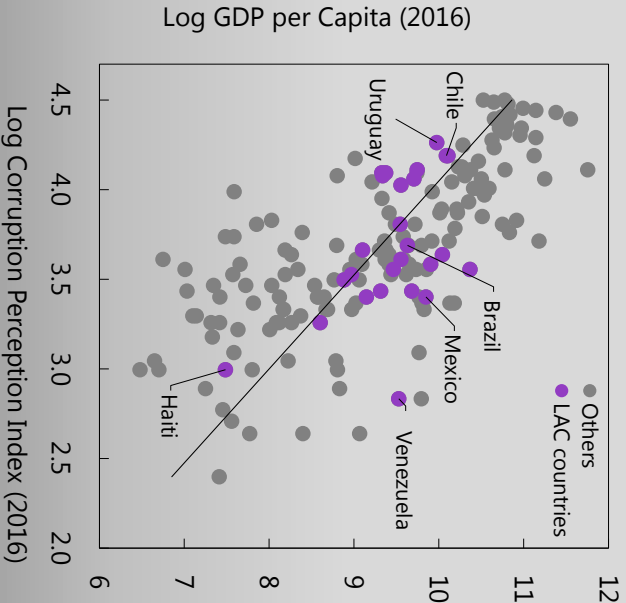
Log GDP per Capita (2016)

Log Corruption Perception Index (2016)

- Others
- LAC countries

Chile
Uruguay
Brazil
Mexico
Haiti
Venezuela
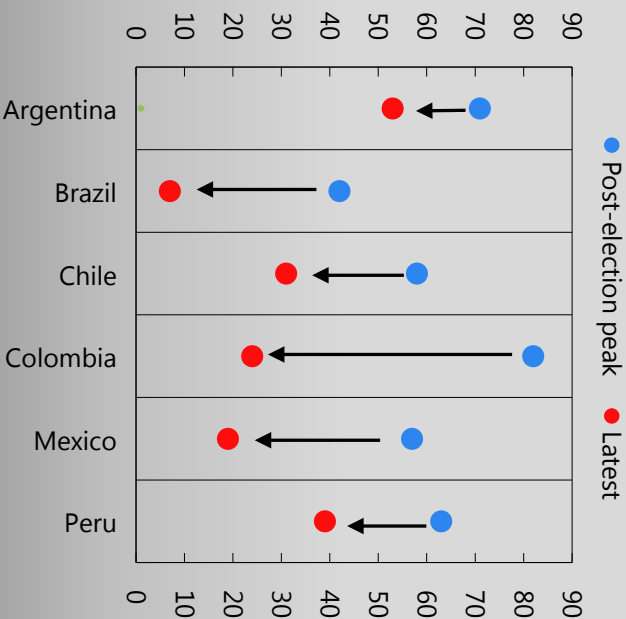
Presidential approval ratings have fallen to low levels

- Post-election peak
- Latest

Argentina
Brazil
Chile
Colombia
Mexico
Peru

Elections are scheduled to take place in many countries during 2017-18

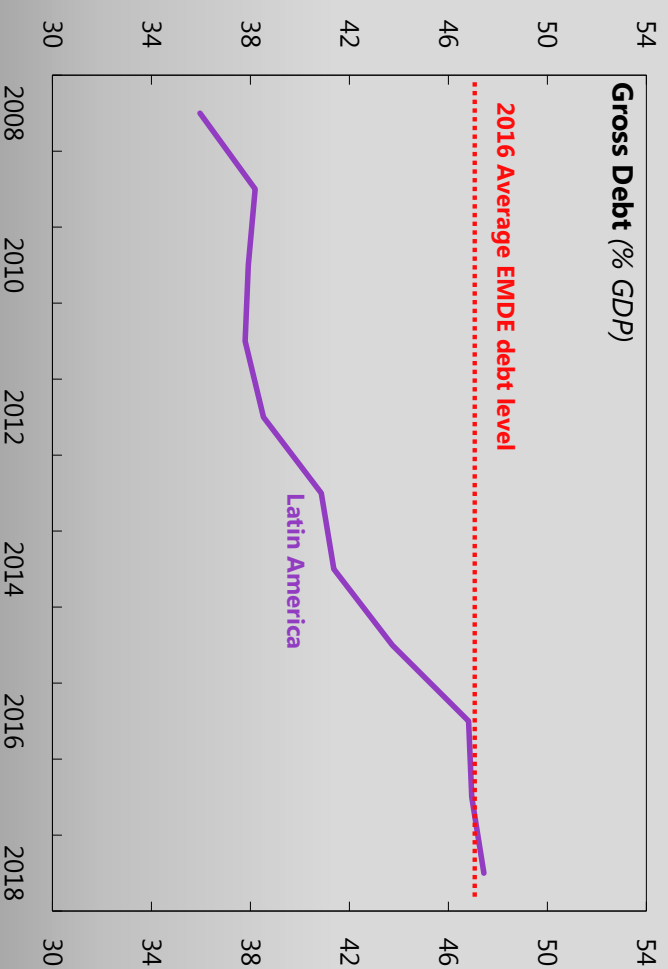| October 2017	Argentina	Mid-term legislative
November 2017	Chile	Presidential and parliamentary
April 2018	Paraguay	General
May 2018	Colombia	Presidential and parliamentary
July 2018	Mexico	General
October 2018	Brazil	General
2018-H2	Venezuela	Presidential (?)

Further fiscal adjustment required to stabilize debt

Primary deficits currently exceed debt-stabilizing levels...

Primary balance , 2016 *(% GDP)*

Colombia

Peru

Chile

Brazil

Uruguay

Mexico

Debt-stabilizing primary balance *(% GDP)*
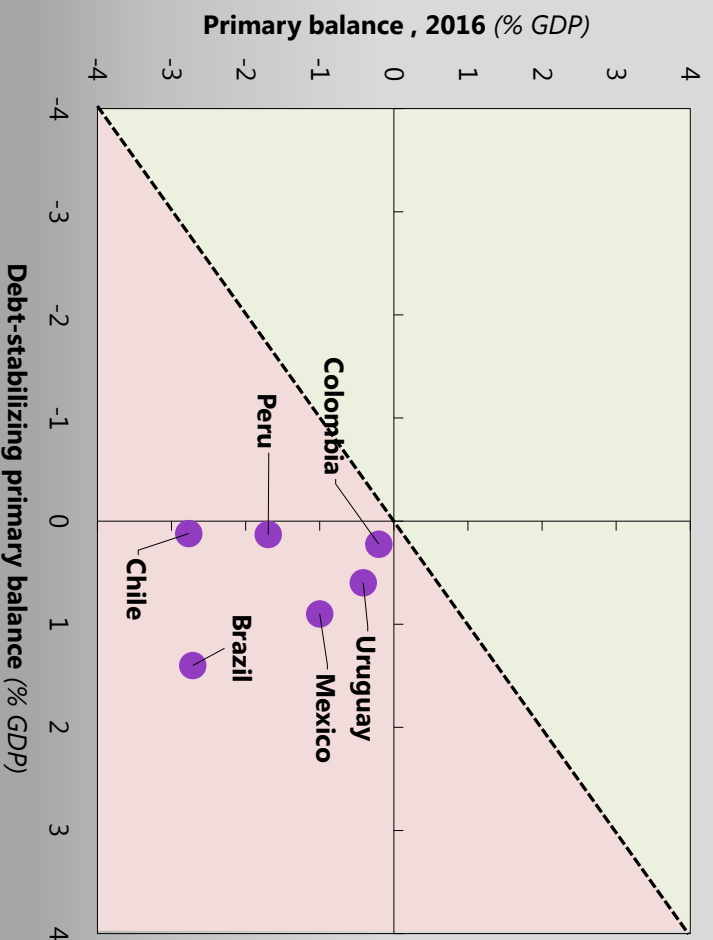
... causing rising public debt and eroding fiscal space.

Gross Debt *(% GDP)*

2016 Average EMDE debt level

Latin America

Subdued Medium-Term Growth for LAC

Estimates of Medium-Term Growth by WEO Vintage
(Year-over-year percent change)

LA7 max-min range

Latin America and the Caribbean

World Economic Outlook Vintage

Social Progress in LAC

Poverty Headcount Ratio at National Poverty Lines
(Percent of population)

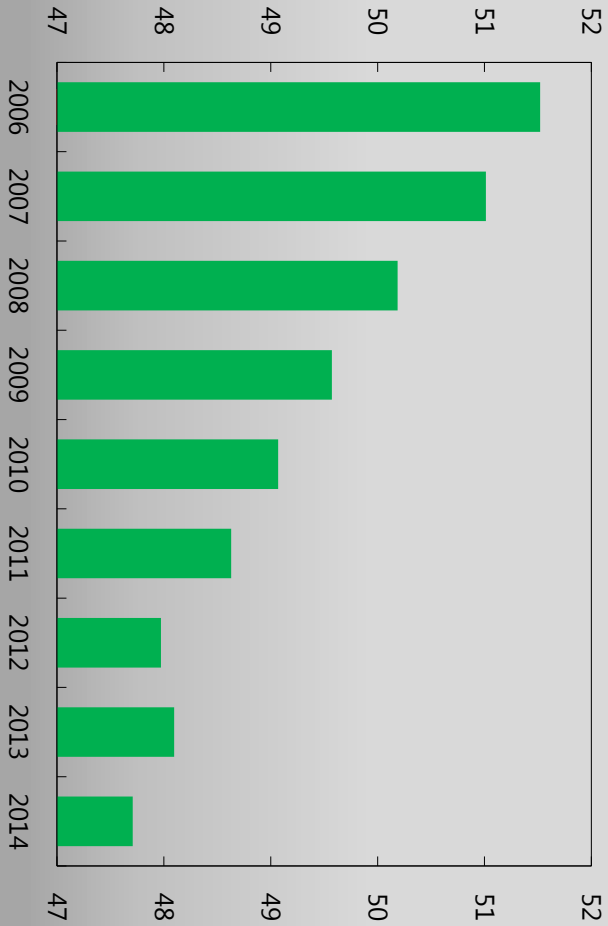Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: Simple average of Bolivia, Brazil, Chile, Colombia, Costa Rica (from 2010), Dominican Republic, Ecuador, El Salvador, Honduras, Jamaica, Mexico (from 2008), Nicaragua, Paraguay, Peru, Uruguay, and Venezuela.
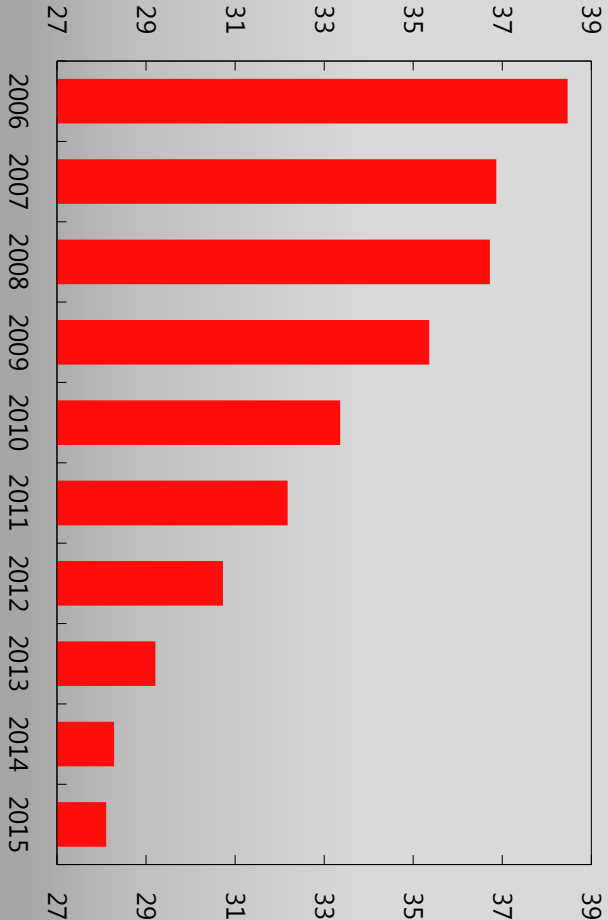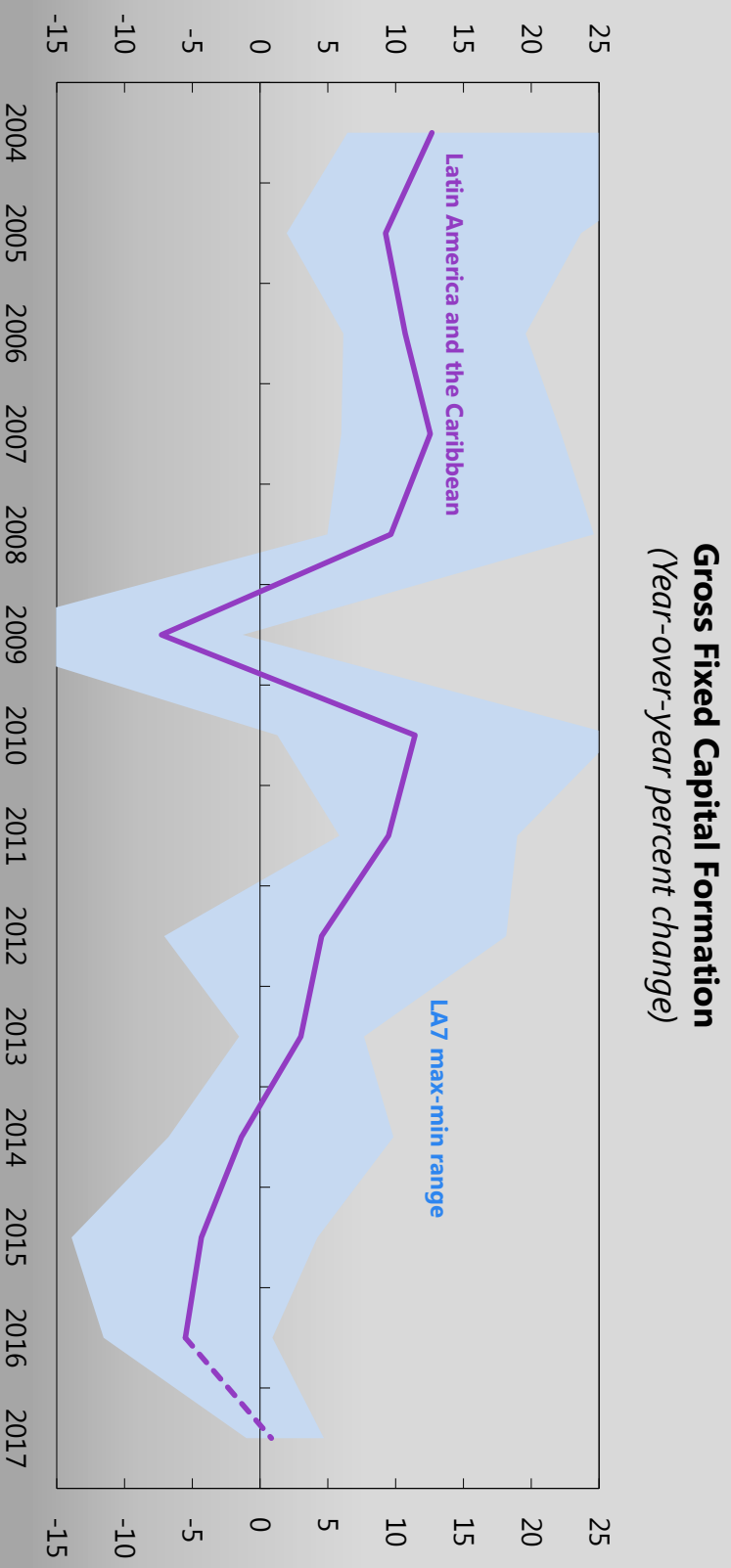
Gini Index
(World Bank estimate)

Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: Simple average of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay.

Investment Growth in Latin America and the Caribbean

Gross Fixed Capital Formation
(Year-over-year percent change)

Latin America and the Caribbean

LA7 max-min range

Bottlenecks to Long-term Growth

	Latin America and the Caribbean			EM Asia	Eastern Europe	Advanced Economies
	LA-7	Central Am.	Caribbean			
Trade openness						
GVC participation						
Financial constraints						
Control of corruption						
Violent crime						
Rule of law						
Sovereign default risk						
Ease of doing business						
Government debt						
Natural disasters						
Skilled emigration						