

Outlook on Brazil and Southern Cone Economies

Americas Society / Council of the Americas

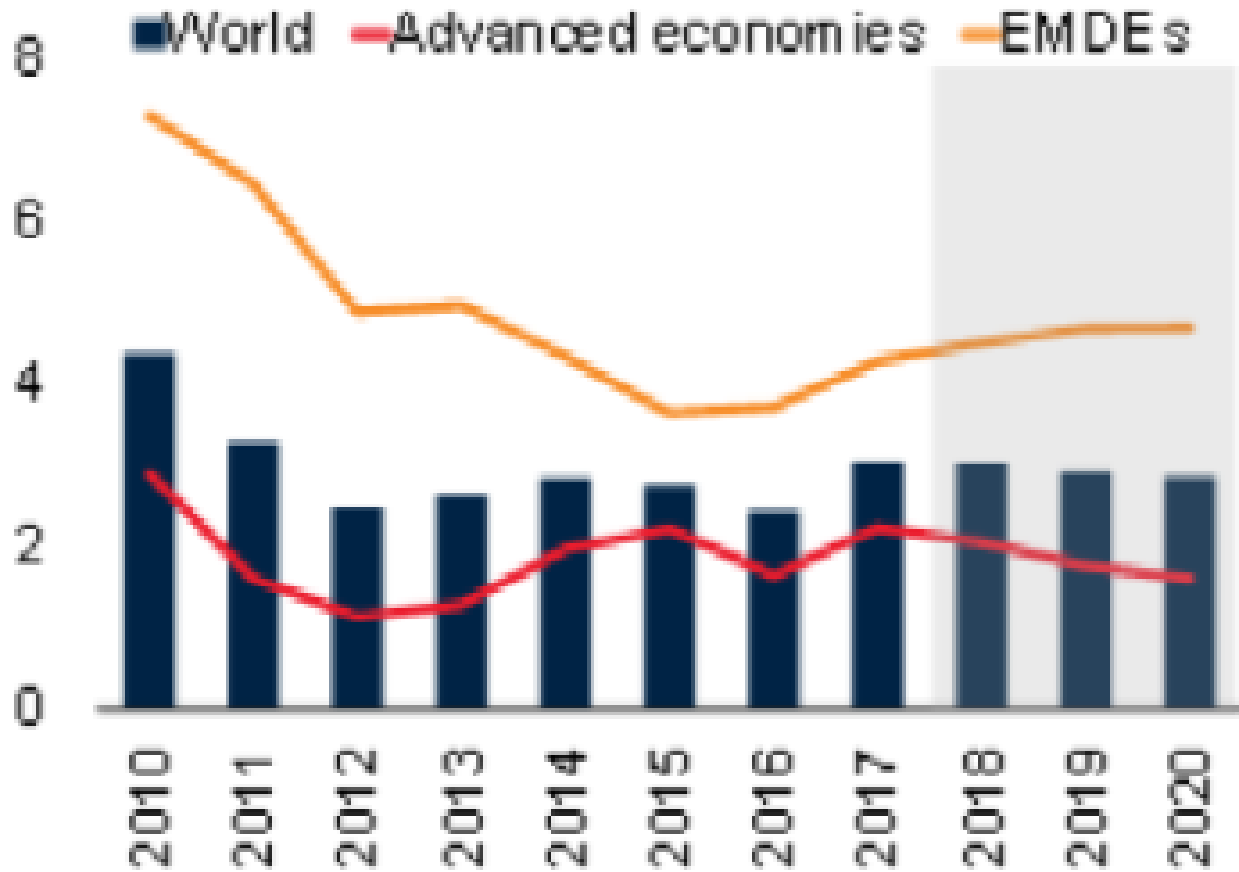
Washington, DC, February 6, 2018

Otaviano Canuto | World Bank Group

**Executive Director for Brazil, Colombia, Dominican Republic, Ecuador,
Haiti, Panama, Philippines, Suriname, and Trinidad & Tobago**

World Economy

GDP Growth (%)



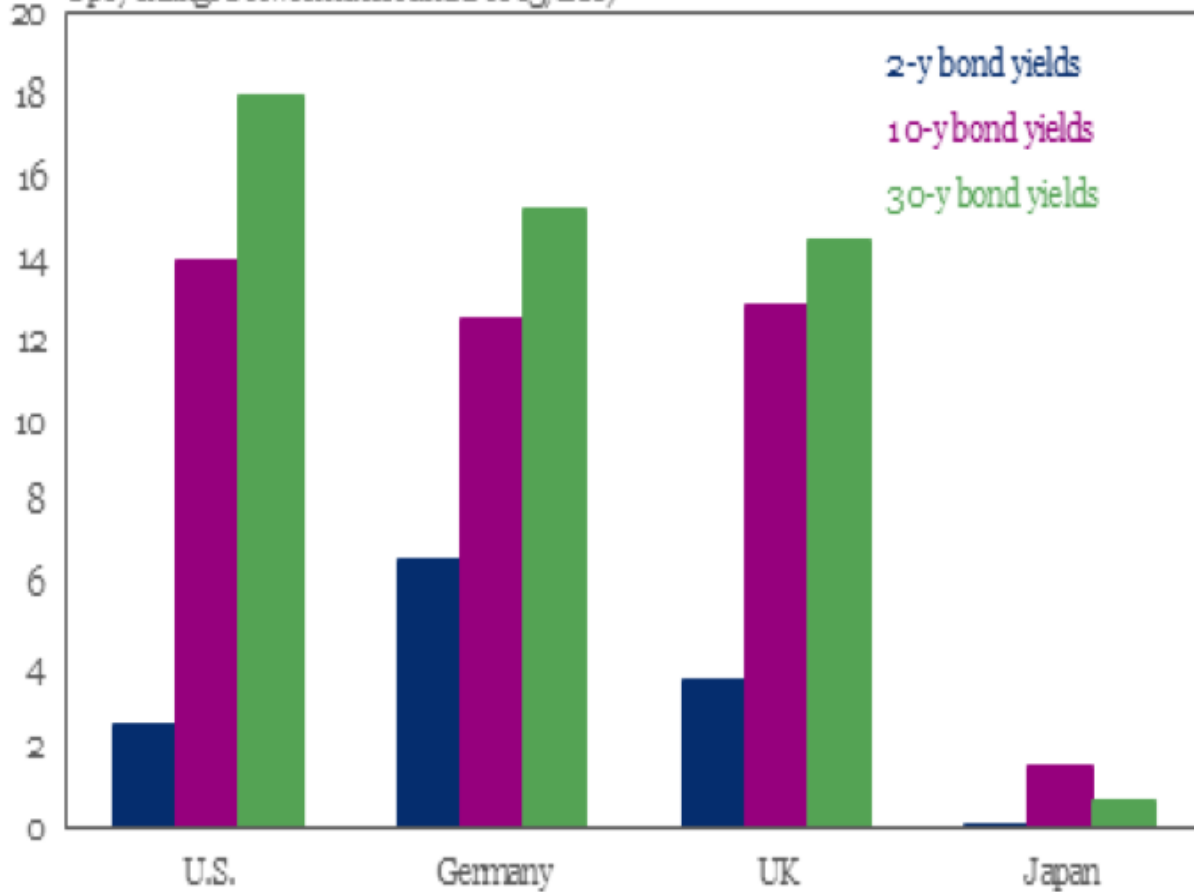
Output gaps (% of potential GDP)



Note: EMDEs = Emerging Market and Developing Economies
Source: World Bank, Global Economic Prospects, January 2018

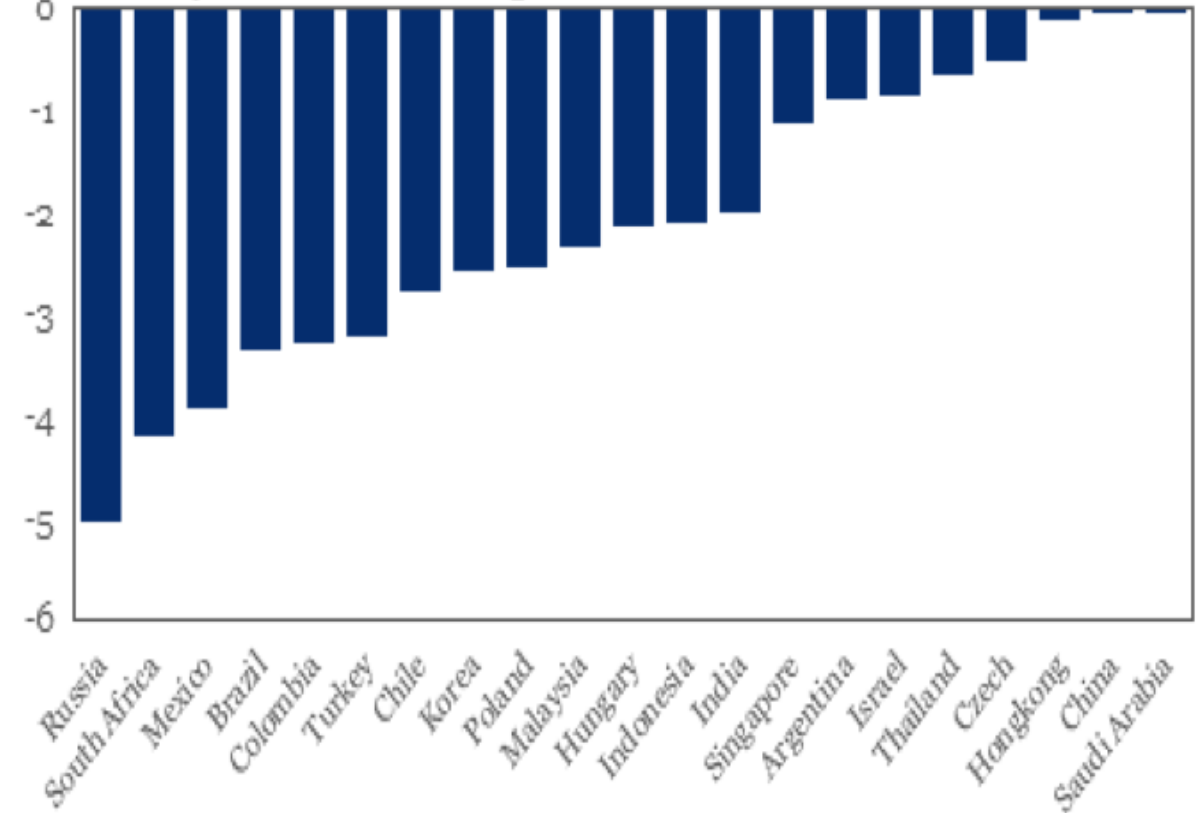
Downside Risks (Financial Markets)

Yield curves steepen sharply into year-end
bps, change between latest and Dec 15, 2017



Source: IIF, Bloomberg.

Higher vol could hit some EM currencies hard
sensitivity of EM currencies to changes in VIX



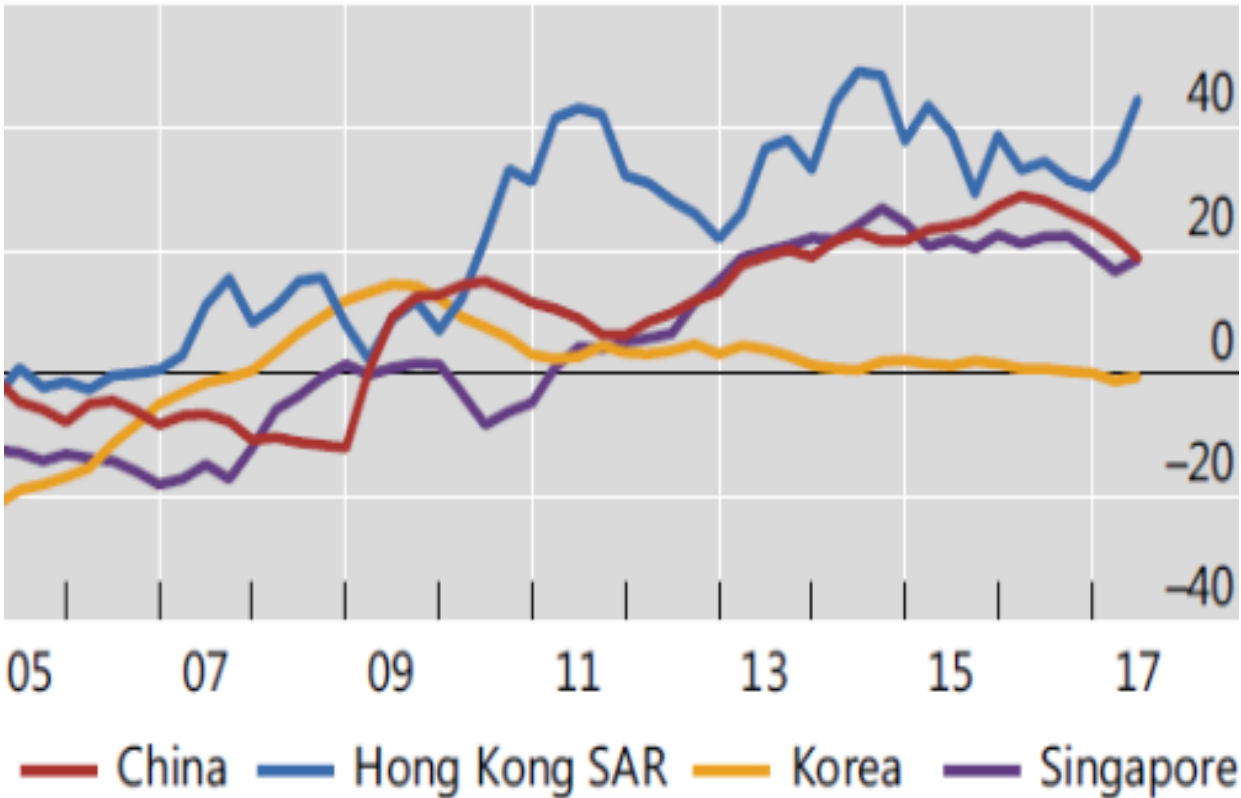
Source: IIF, Bloomberg; risk beta is computed by regressing weekly returns in LC/USD on a constant and weekly changes in VIX index.

Note: vol = volatility; EM = Emerging Markets

Source: Institute of International Finance (IIF), December 21, 2017

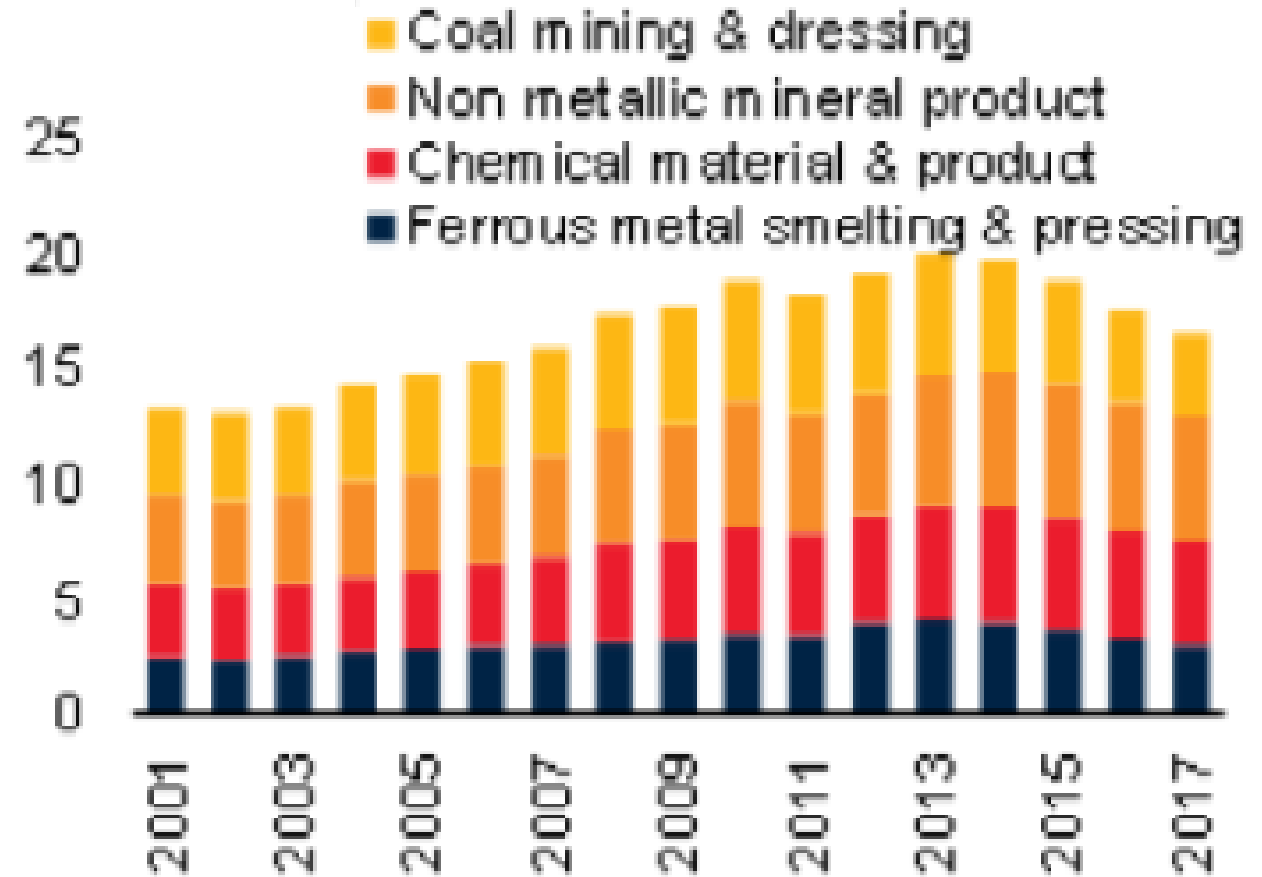
Downside Risks (China)

Emerging Asia - Credit-to-GDP gap (%)



Source: BIS Quarterly Review, December 2017

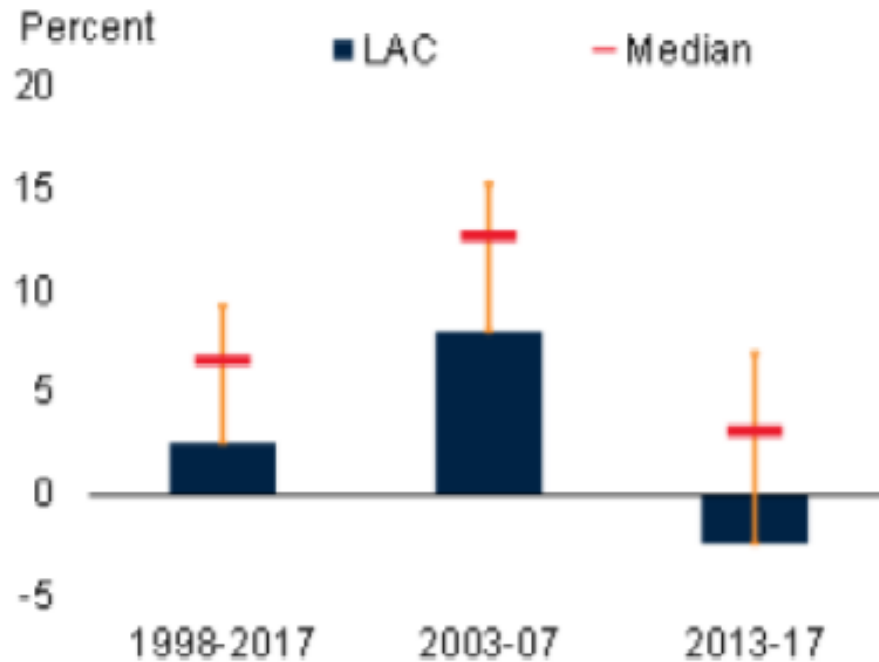
Employment in overcapacity sectors (million people)



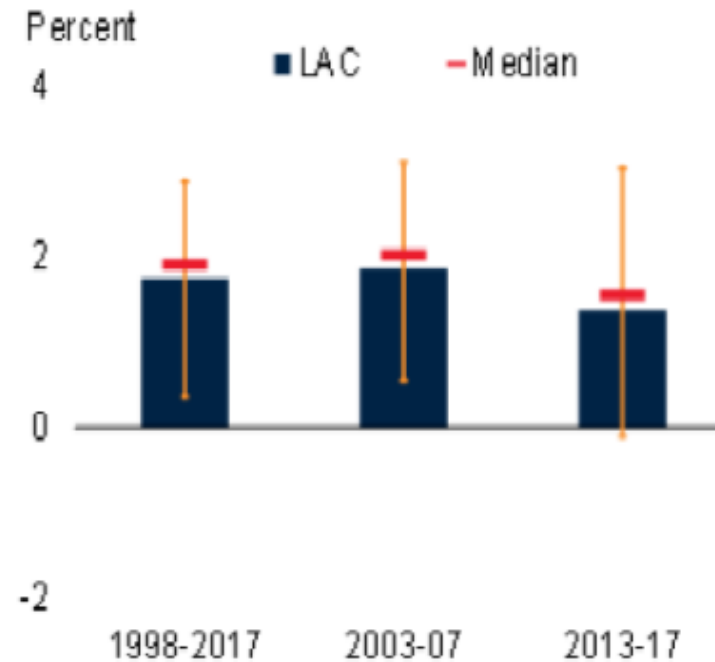
Note: EMDEs = Emerging Market and Developing Economies
 Source: World Bank, Global Economic Prospects, January 2018

Latin America and Caribbean

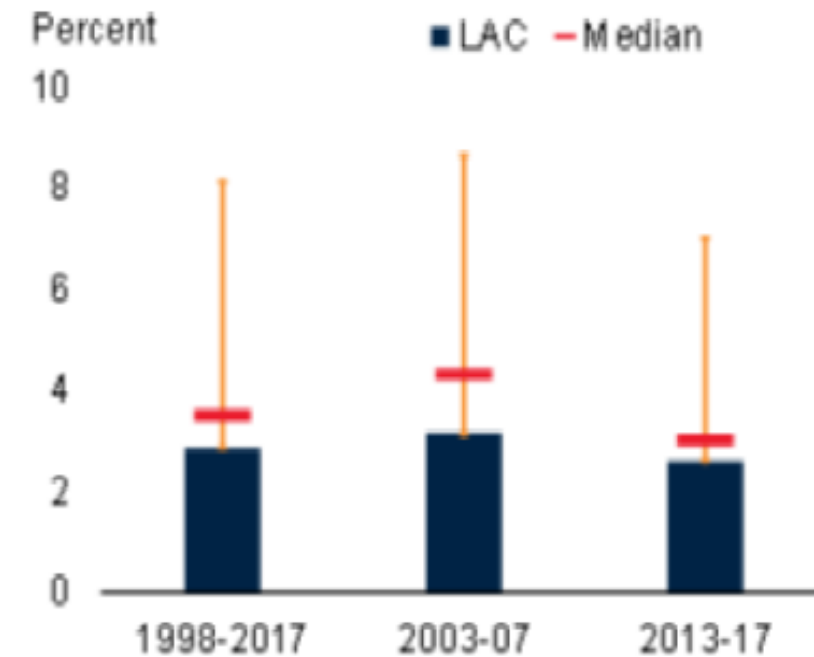
Investment growth



Working-age population growth



Potential growth

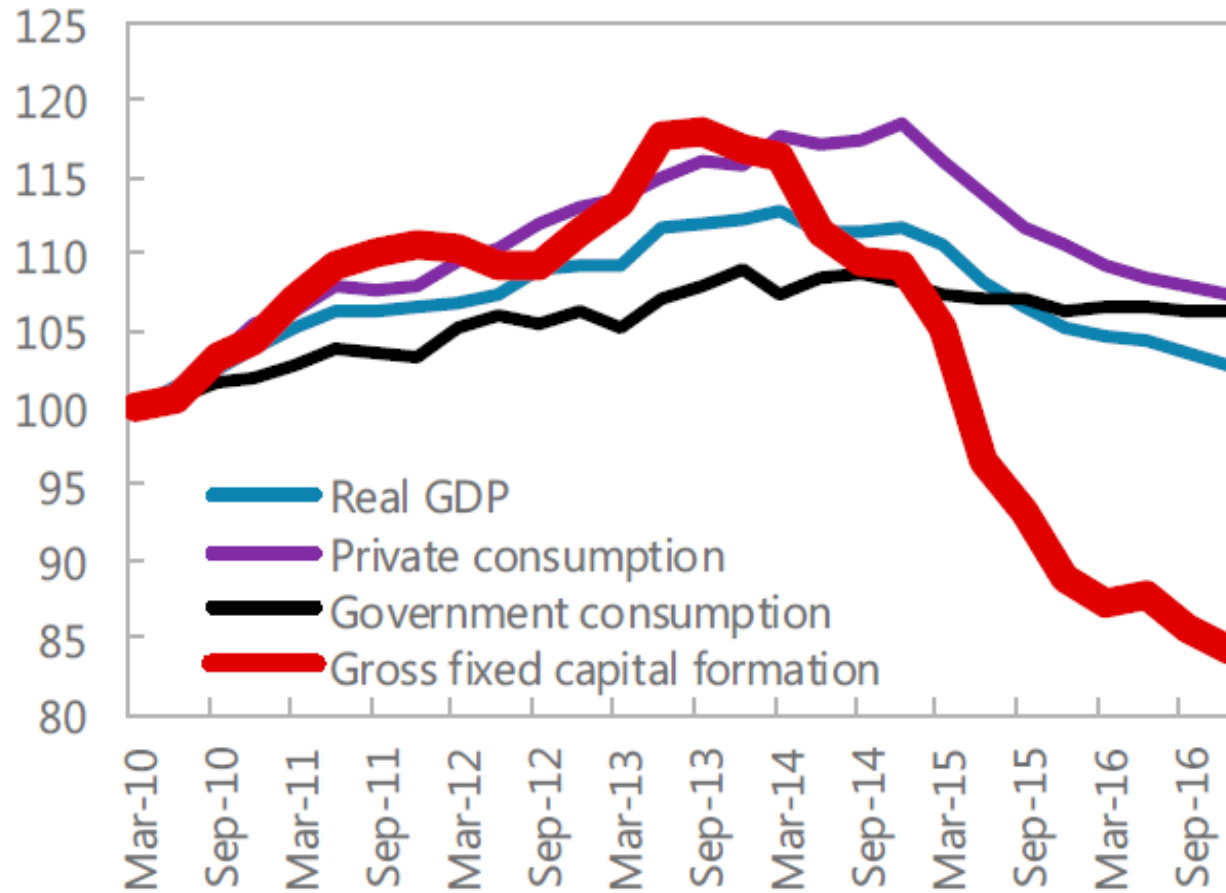


Note: Dark blue bars show GDP-weighted average of Latin American and Caribbean countries. Red markers show median GDP-weighted averages of the six World Bank emerging market and developing economies regions and vertical lines denote range of regional GDP-weighted averages.

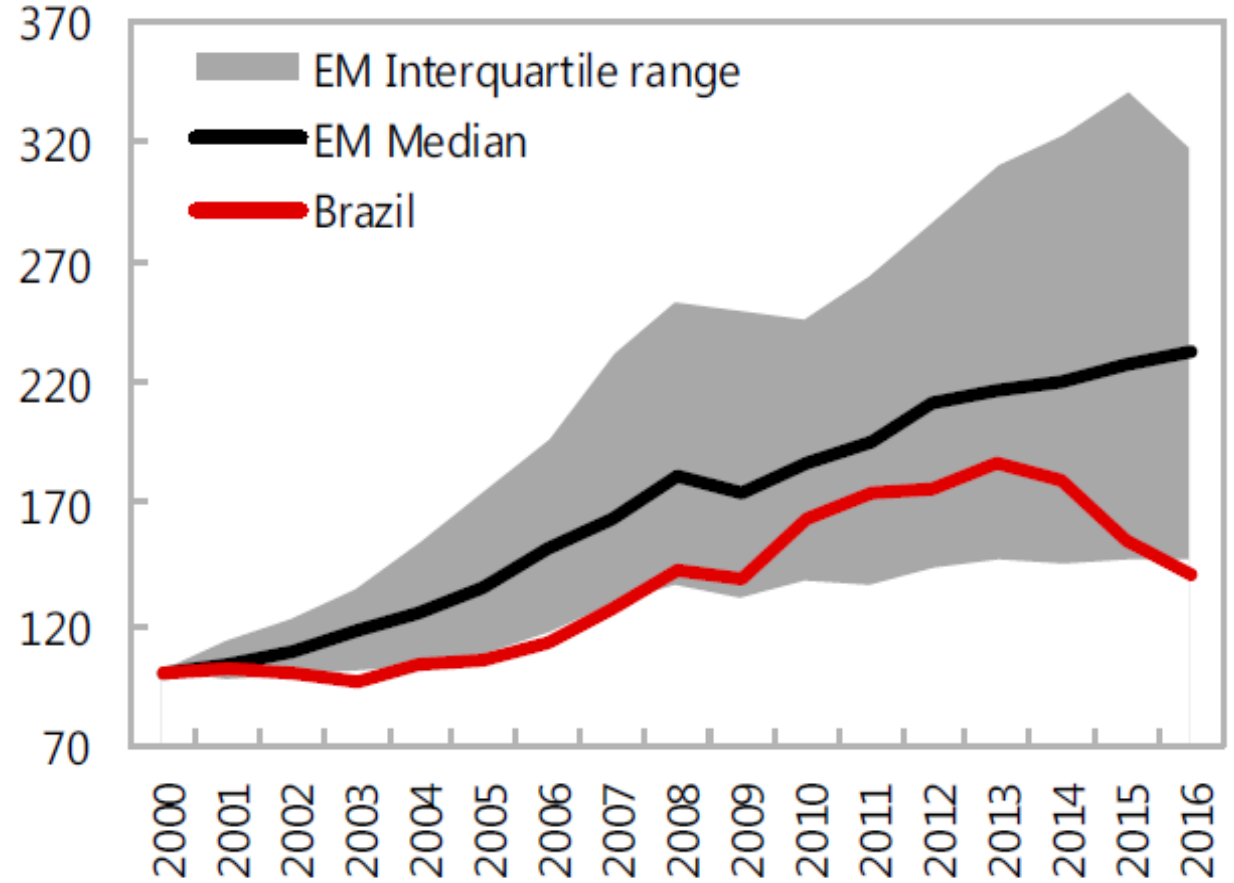
Source: World Bank, *Global Economic Prospects*, January 2018

Brazil

Brazil: National Accounts Components
(Index, 2010Q1 = 100)



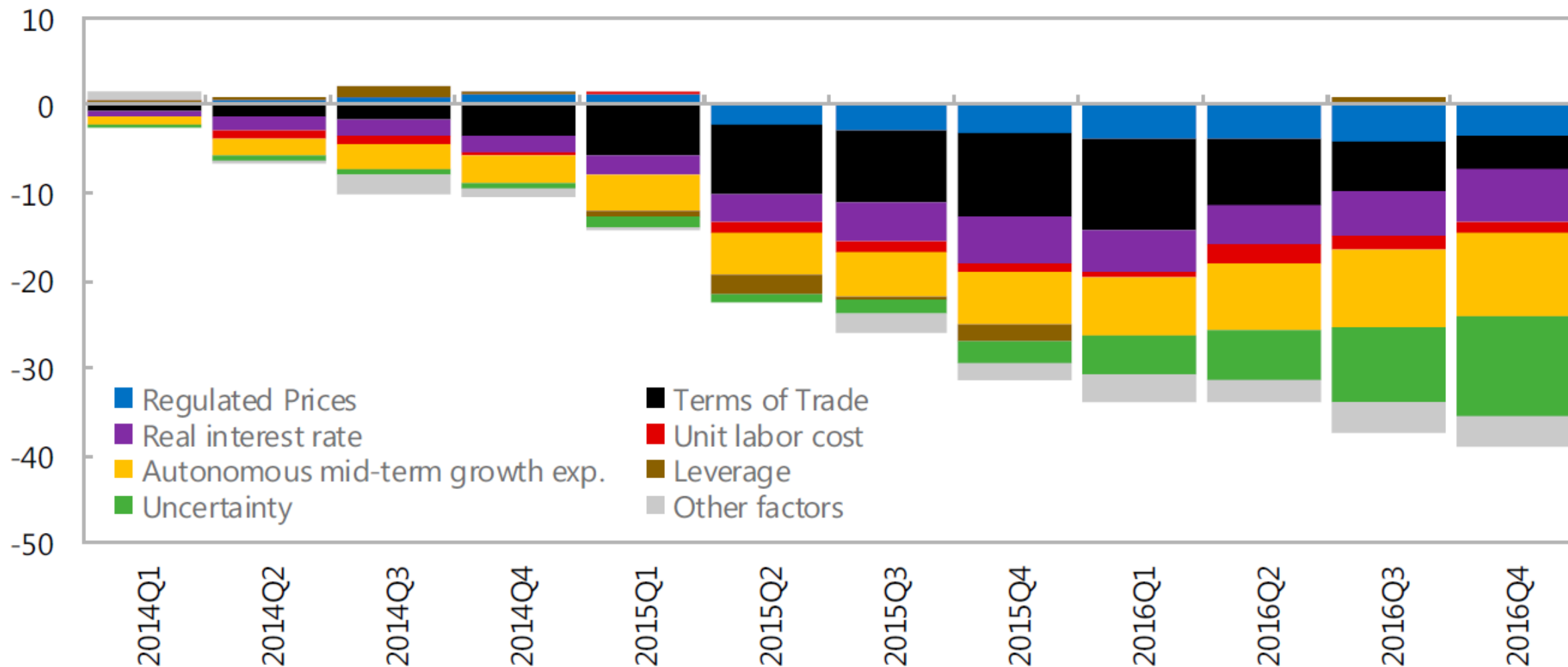
Brazil and EMs: Real Gross Fixed Capital Formation
(Index, 2000 = 100)



Source: Krznar, I. and Matheson, T. (2018). "Investment in Brazil: From Crisis to Recovery", IMF Working Paper WP/18/6, January

Brazil – determinants of investment

(Quarter-on-quarter growth accumulated since 2014Q1, deviations from avg, all variables demeaned)



Source: Krznar, I. and Matheson, T. (2018). "Investment in Brazil: From Crisis to Recovery", IMF Working Paper WP/18/6, January

Thank you!

www.worldbank.org/en/about/people/o/otaviano-canuto

https://en.wikipedia.org/wiki/Otaviano_Canuto

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