



Outlook for Latin America and the Caribbean

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Presentation Outline








- I. Global Outlook and the Pandemic
- II. Regional Outlook, Risks and Policies

Global Outlook

Global growth upgrade reflects stronger-than-expected momentum in 2020H2, vaccine-powered strengthening of activity in 2021H2, and additional policy support in a few large economies

Global Growth

(Year-over-year percent change)

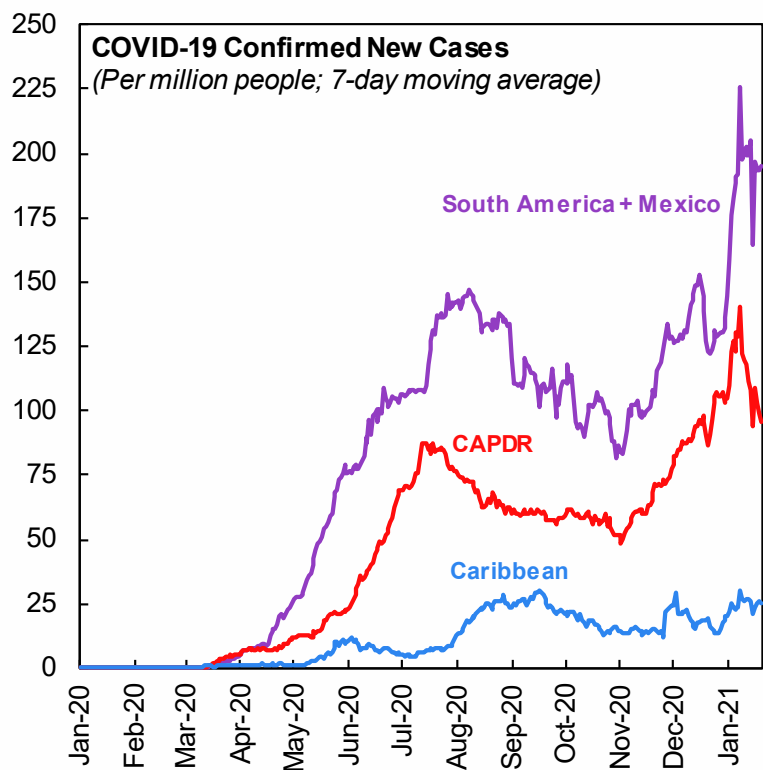
							
	World	United States	United Kingdom	Euro Area	Japan	EMDE	China
2020	-3.5	-3.4	-10.0	-7.2	-5.1	-2.4	2.3
October 2020	-4.4	-4.3	-9.8	-8.3	-5.3	-3.3	1.9
June 2020	-4.9	-8.0	-10.2	-10.2	-5.8	-3.0	1.0
2021	5.5	5.1	4.5	4.2	3.1	6.3	8.1
October 2020	5.2	3.1	5.9	5.2	2.3	6.0	8.2
June 2020	5.4	4.5	6.3	6.0	2.4	5.9	8.2
2022	4.2	2.5	5.0	3.6	2.4	5.0	5.6
October 2020	4.2	2.9	3.2	3.1	1.7	5.1	5.8
June 2020	4.3	3.1	3.5	3.3	2.0	5.2	5.7

Source: IMF, World Economic Outlook database.

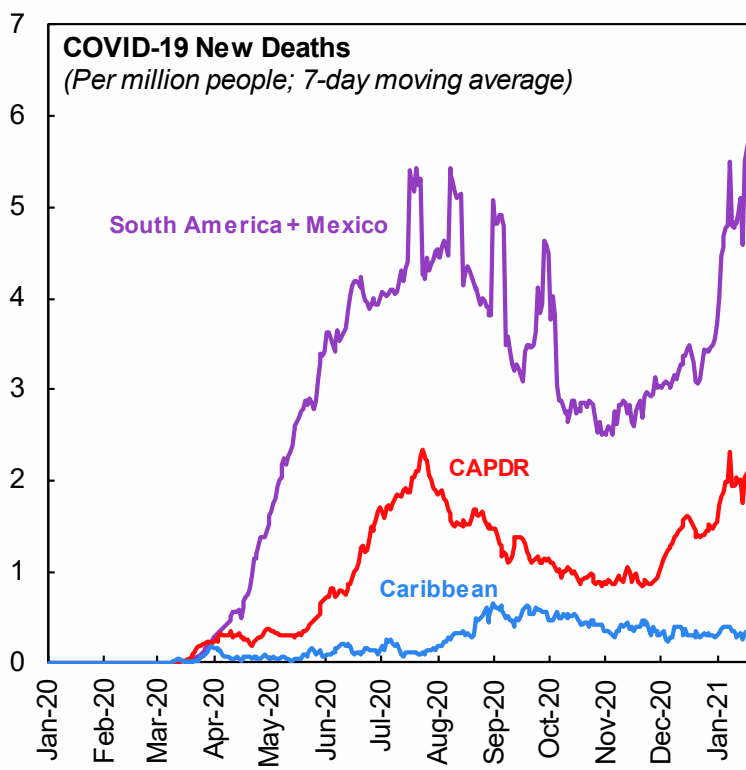
Note: Numbers in **bold** are from the [January 2021 WEO Update vintage](#). EMDE = emerging market and developing economies.

New COVID cases and deaths in South America and CAPDR are reaching new peaks and total death toll in LAC remains high

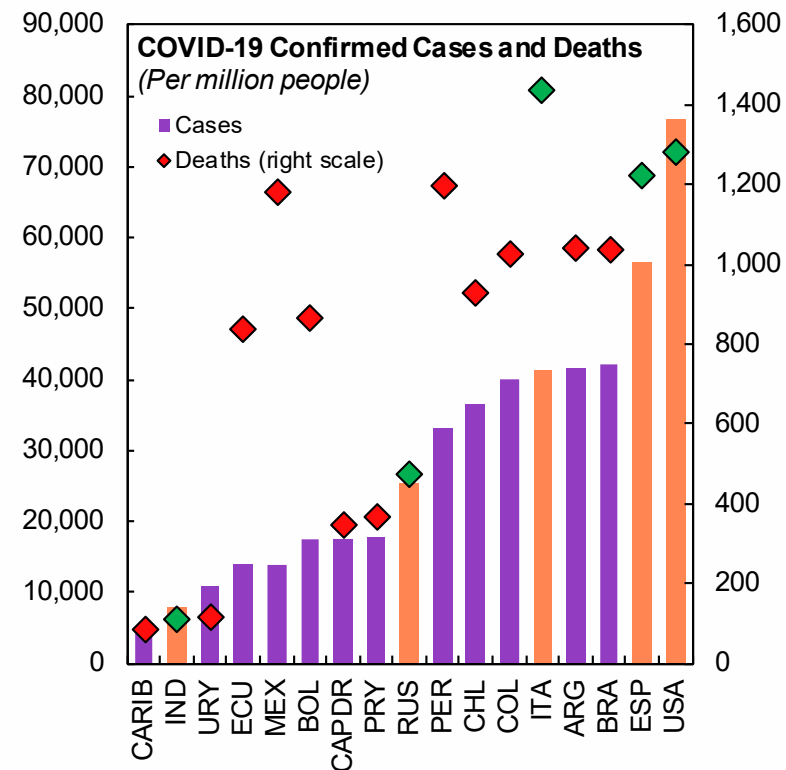
New cases are increasing again in South America and CAPDR...



... and so are new deaths



The largest LAC countries have some of the highest case and death counts



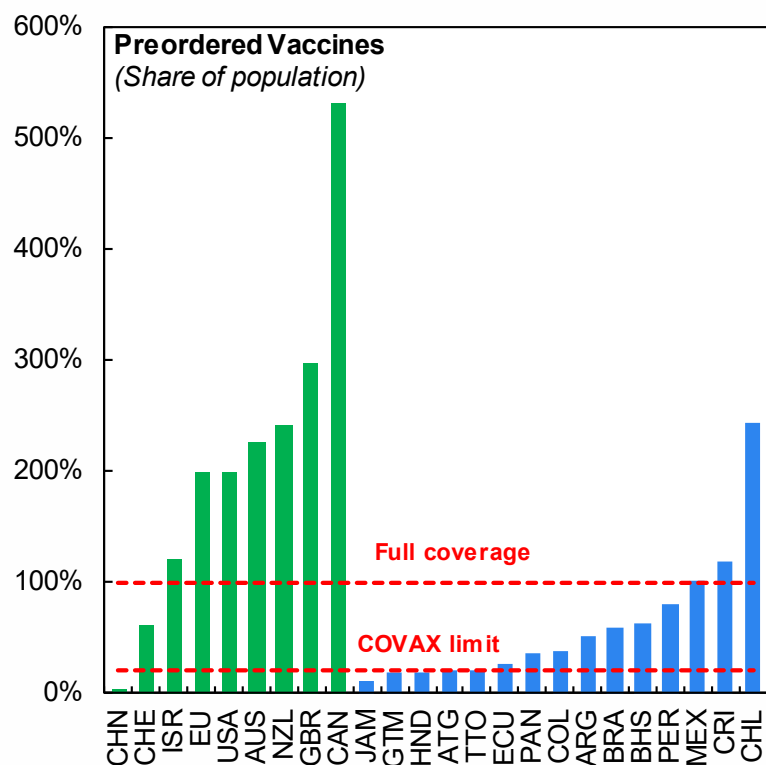
Sources: Johns Hopkins University; and IMF staff calculations.
Note: Data as of January 26, 2021.

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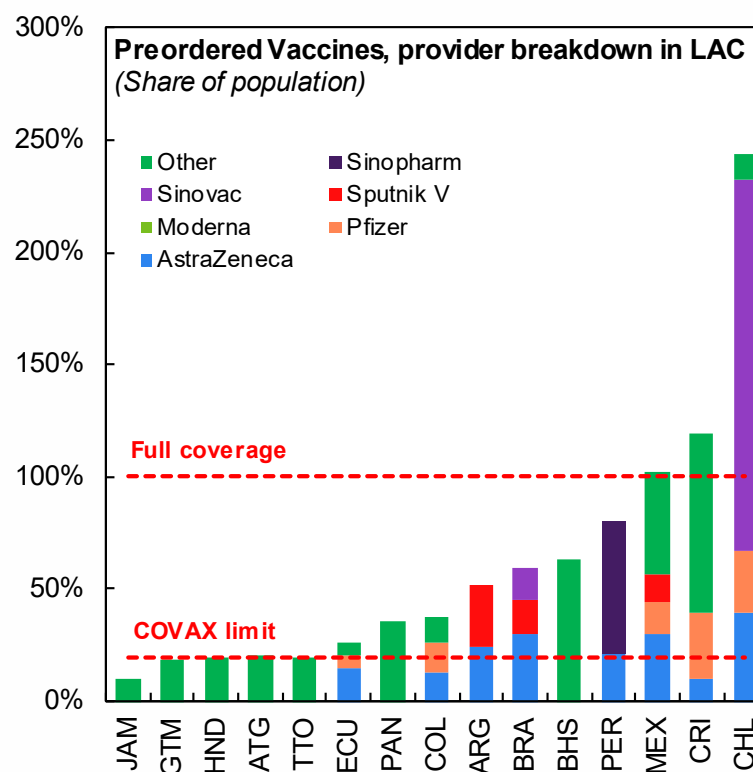
Sources: Johns Hopkins University; and IMF staff calculations.
Note: Data as of January 26, 2021.

Vaccination has started in some LAC countries, but vaccine procurement and administration are lagging those in AEs

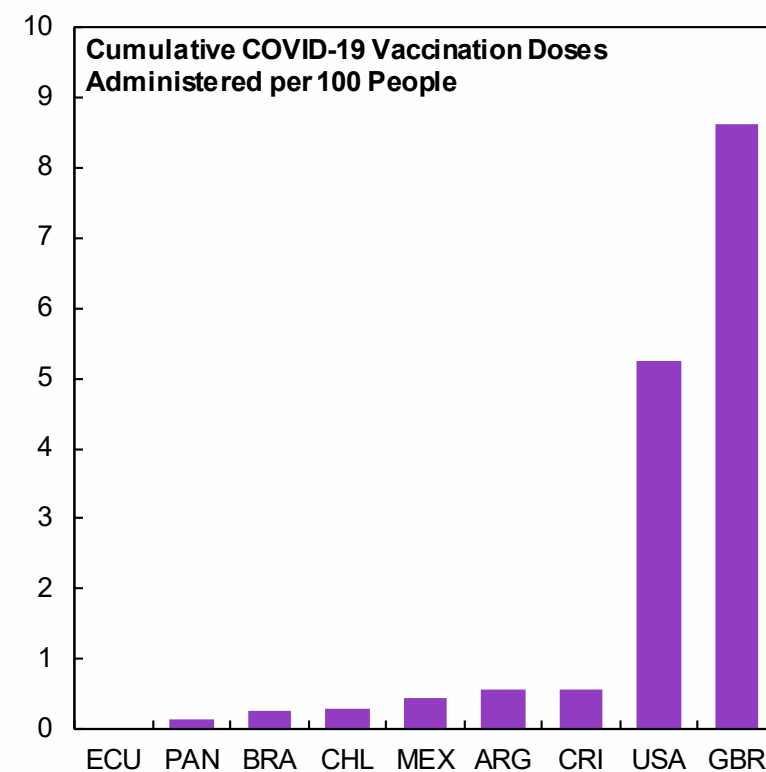
Vaccine procurement lags advanced economies



Vaccines are procured from diverse sources



Vaccination has started in several countries, still at an early stage



Sources: Duke Global Health Innovation Center (DGHC) and input from IMF country teams.

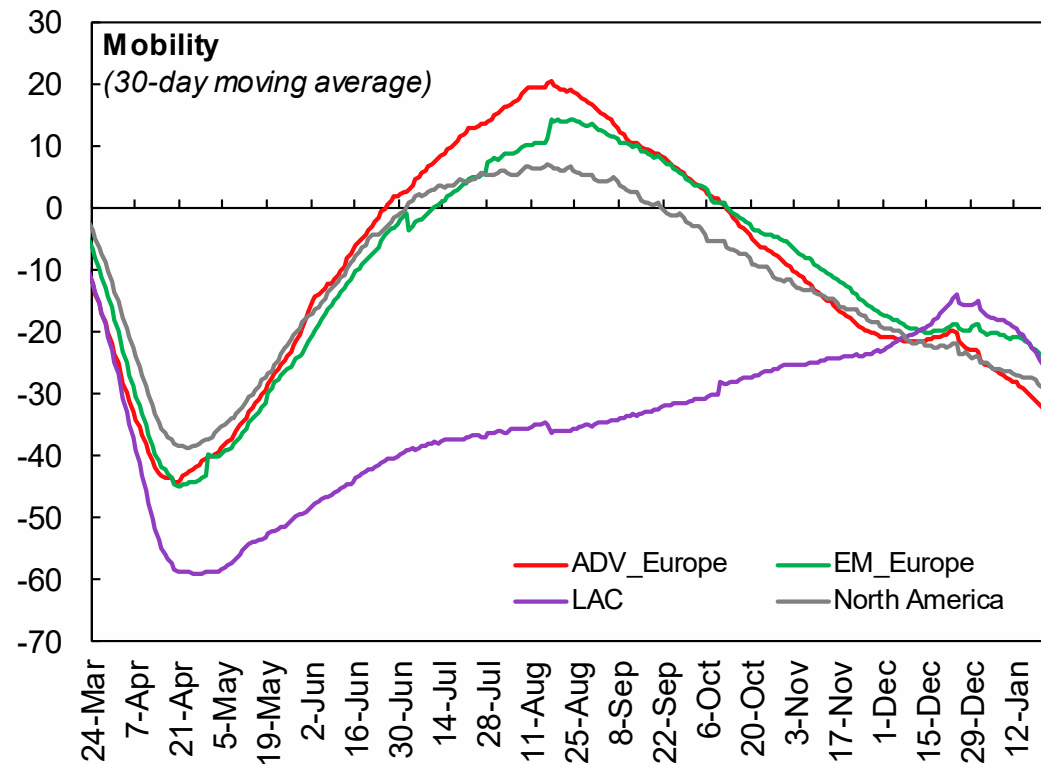
Note: Data as of January 15, 2021. The bars report only the vaccines that have been reported as preordered through COVAX or concluded bilateral deals. Countries that have announced plans to purchase vaccines but have not secured them yet are not reported.

Sources: Our World in Data database.

Note: Data as of January 17-23, 2021.

The recovery in mobility in LAC has been halted on the back of virus resurgence

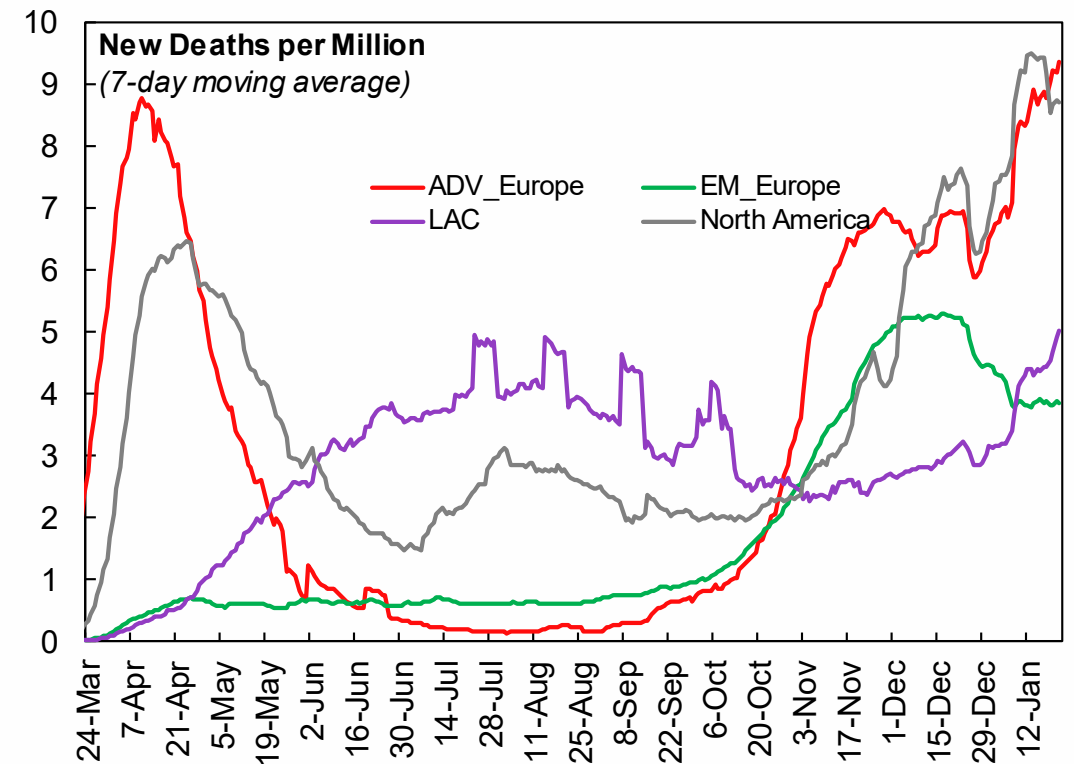
The recovery in mobility in LAC has been halted in early 2021 ...



Sources: Johns Hopkins University; and IMF staff calculations.

Note: Data as of January 22, 2021. ADV = advanced; EM = emerging market economies; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SSA = Sub-Saharan Africa.

... on the back of resurgence in new COVID cases and deaths

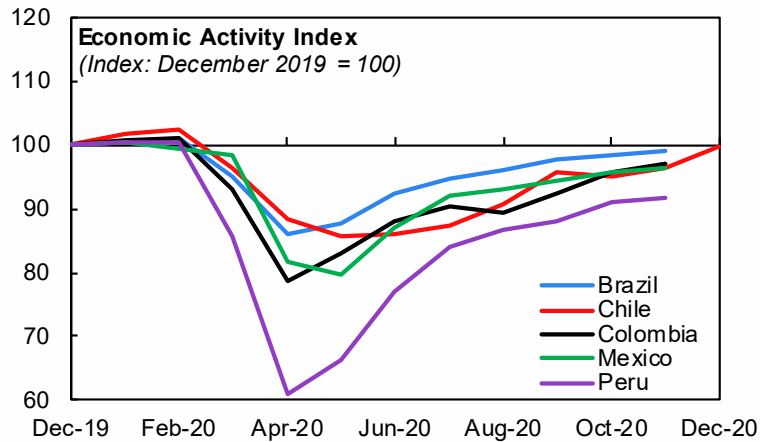


Sources: Johns Hopkins University; and IMF staff calculations.

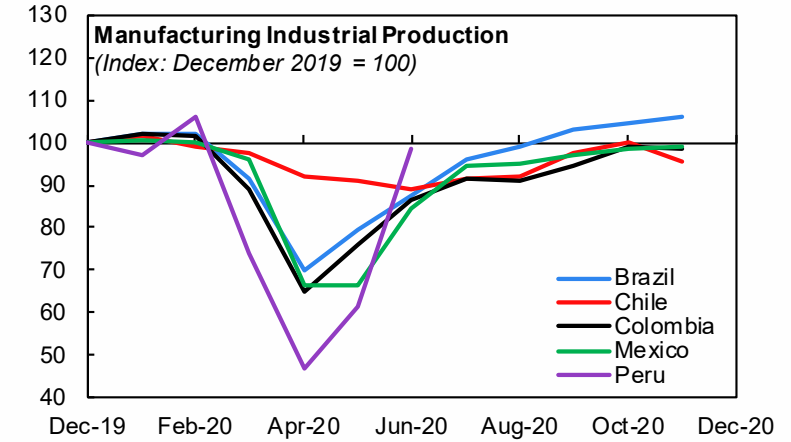
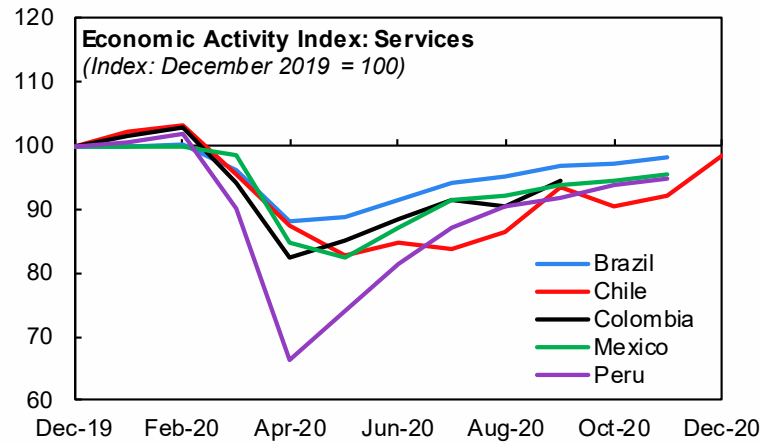
Note: Data as of January 22, 2021. North America includes USA and Canada. ADV = advanced; EM = emerging market economies; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SSA = Sub-Saharan Africa.

Monthly activity indicators suggest continued recovery in Q4

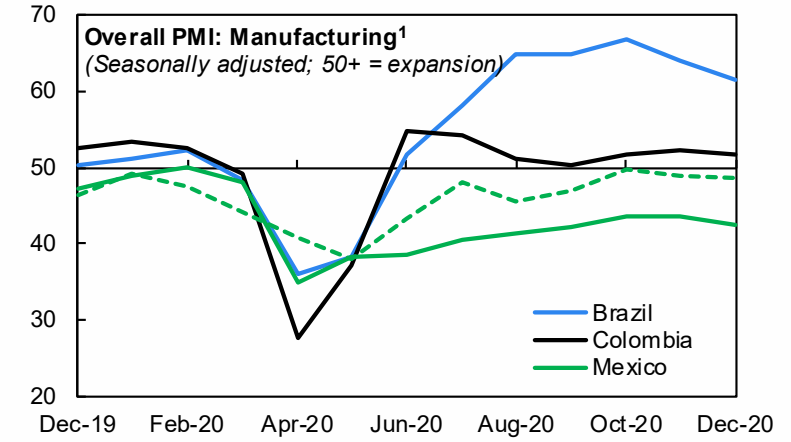
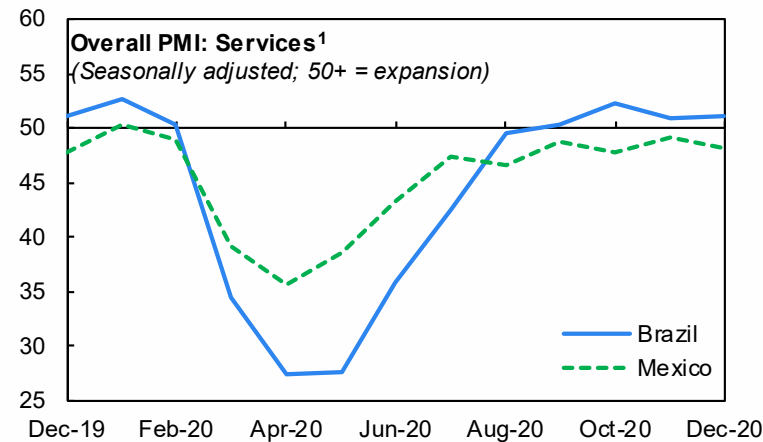
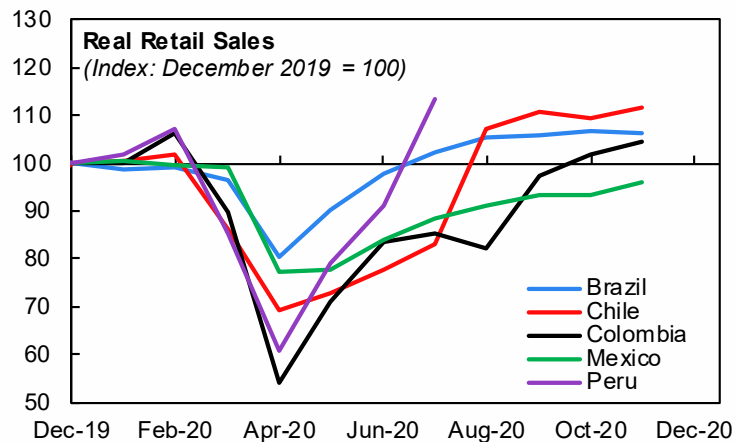
Economic activity recovered strongly in Q3 and continued recovering in Q4 though remains below pre-crisis levels



The recovery in services was slower than in manufacturing



Retail sales have returned to pre-pandemic levels in all LA5 countries except Mexico

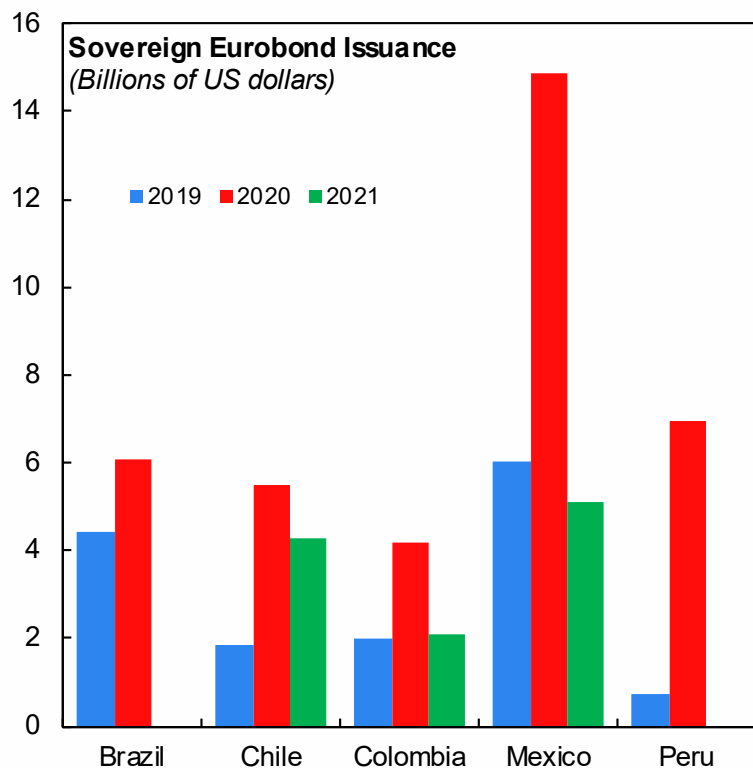


Sources: Haver Analytics; IHS Markit; Instituto Mexicano de Ejecutivos en Finanzas (IMEF); national authorities; and IMF staff calculations.

¹Dashed line for Mexico refers to IMEF business climate index. PMI = purchasing managers' index.

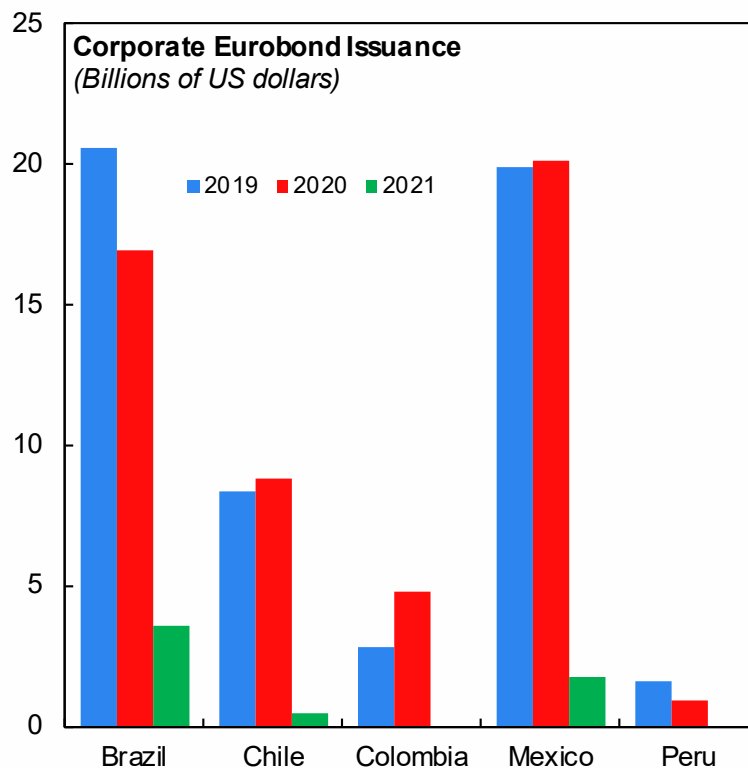
LAC sovereigns and corporates took advantage of the favorable global financing conditions

LA5 sovereigns took advantage of the favorable financing conditions in 2020...



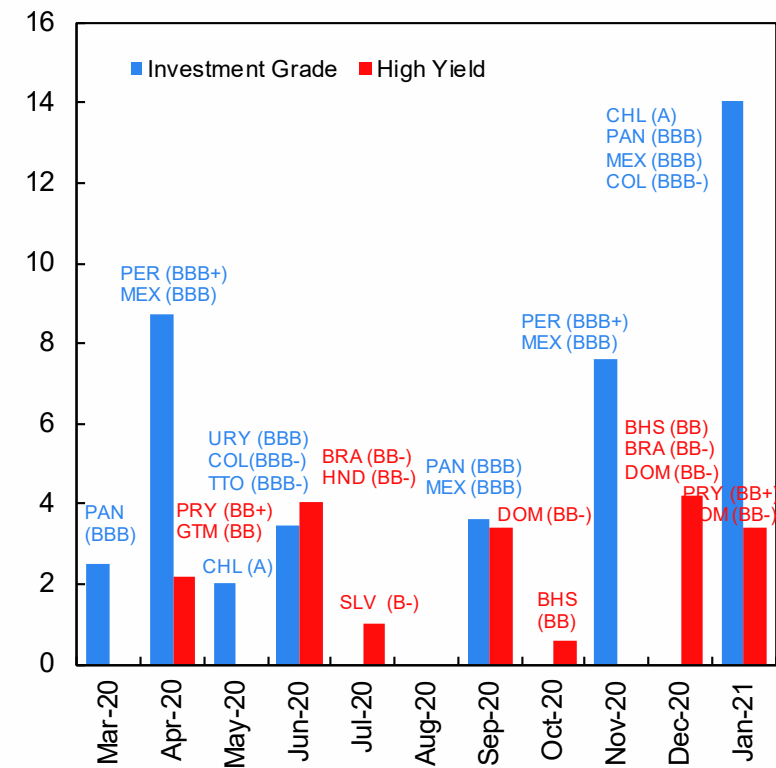
Sources: Bond Radar; and IMF staff calculations.

... and so did their corporate sectors



Sources: Bond Radar; and IMF staff calculations.

LAC: Eurobond Sovereign Issuance (Billions of US dollars)



Sources: Bloomberg Finance L.P.; Bond Radar; and IMF staff calculations.

Note: Sovereign credit ratings are based on the average of S&P, Fitch, and Moody's.

Regional Outlook

A partial recovery is expected in 2021; it would take up to 2023 to return to the pre-pandemic level of output

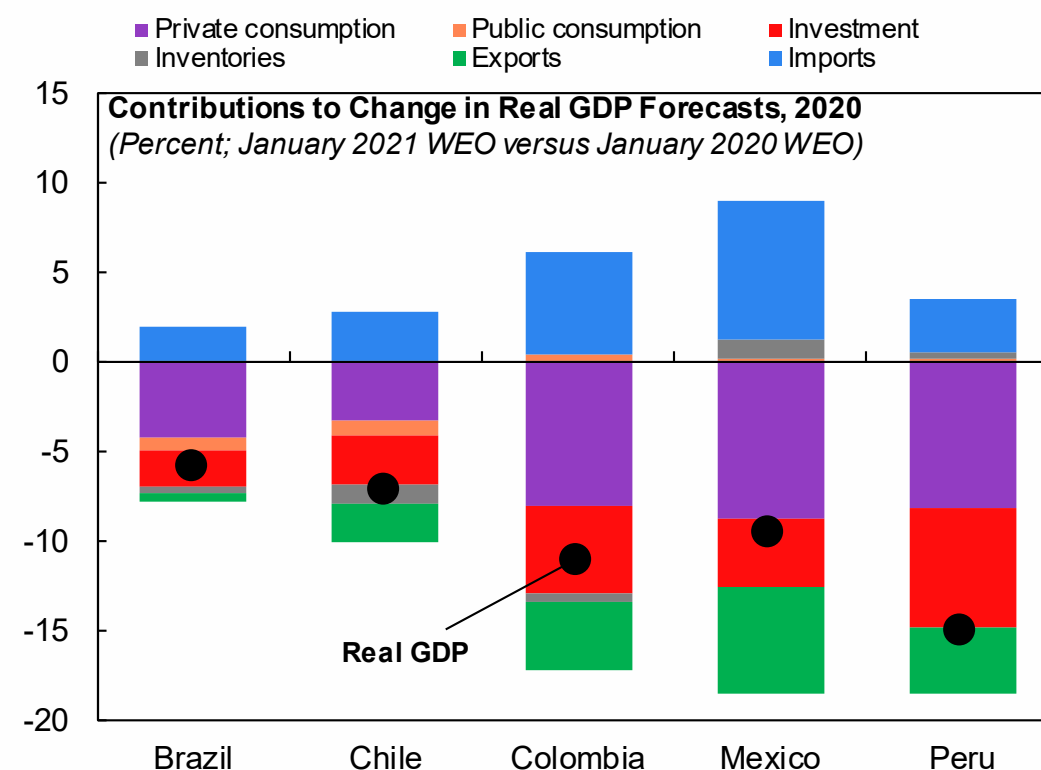
After deep recessions in 2020, LAC countries are projected to recover at varying speeds

Latin America and the Caribbean: Real GDP Growth
(Year-over-year percent change)

	Actual					Projections	
	2017	2018	2019	2020	2021	Avg. 2022–25	
Latin America and the Caribbean	1.4	1.2	0.2	-7.4	4.1	2.6	
LAC excl. Venezuela	2.0	1.9	0.9	-7.1	4.3	2.7	
South America	0.8	0.5	-0.1	-7.1	4.1	2.5	
Argentina	2.8	-2.6	-2.1	-10.4	4.5	2.7	
Brazil	1.3	1.8	1.4	-4.5	3.6	2.2	
Chile	1.2	4.0	1.1	-6.3	5.8	2.9	
Colombia	1.4	2.5	3.3	-7.9	4.6	3.8	
Peru	2.5	4.0	2.2	-12.0	9.0	4.2	
Mexico	2.1	2.2	-0.1	-8.5	4.3	2.2	
CAPDR	4.2	3.8	3.2	-6.0	3.5	4.0	
Caribbean							
Tourism dependent	1.7	2.0	0.2	-9.8	2.4	2.9	
Commodity exporters	-1.0	1.3	0.2	-0.2	4.0	5.8	

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: PPP GDP-w eighted average. Green/red denotes upw ard/downw ard revision compared w ith the October 2020 World Economic Outlook forecasts.

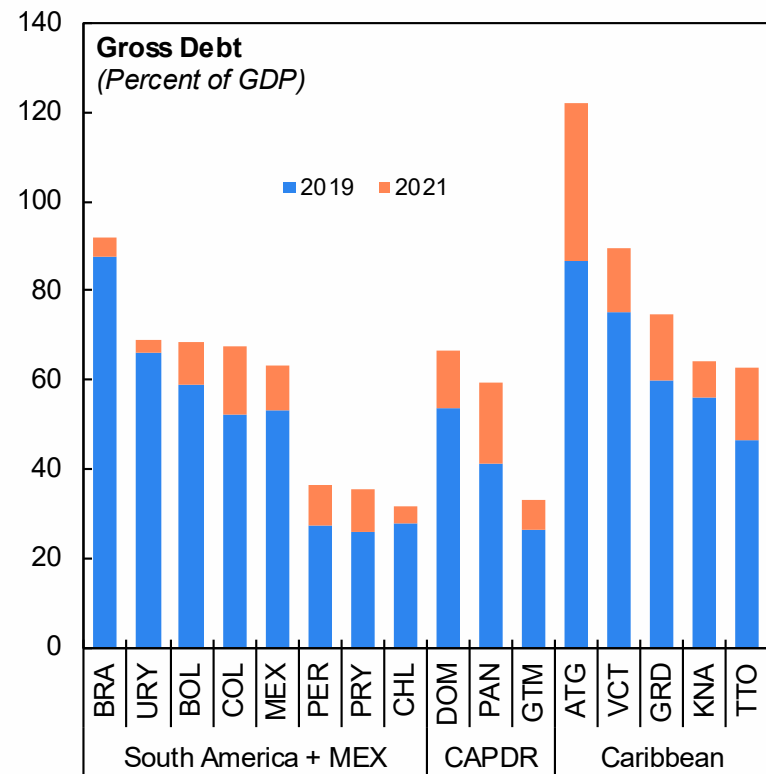
The decline in private consumption, investment and exports, compared to pre-COVID forecast has been more notable in MEX, COL, and PER



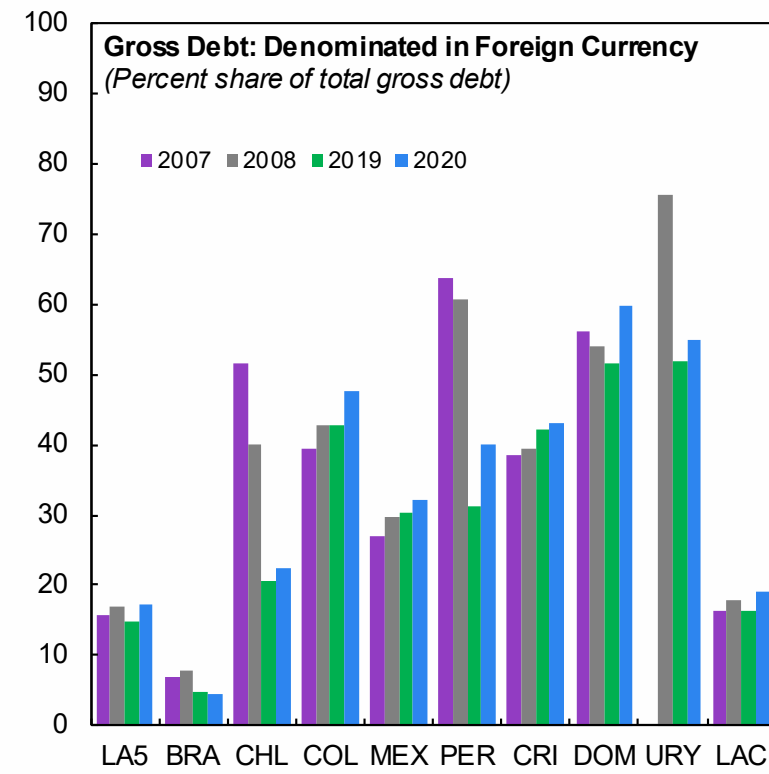
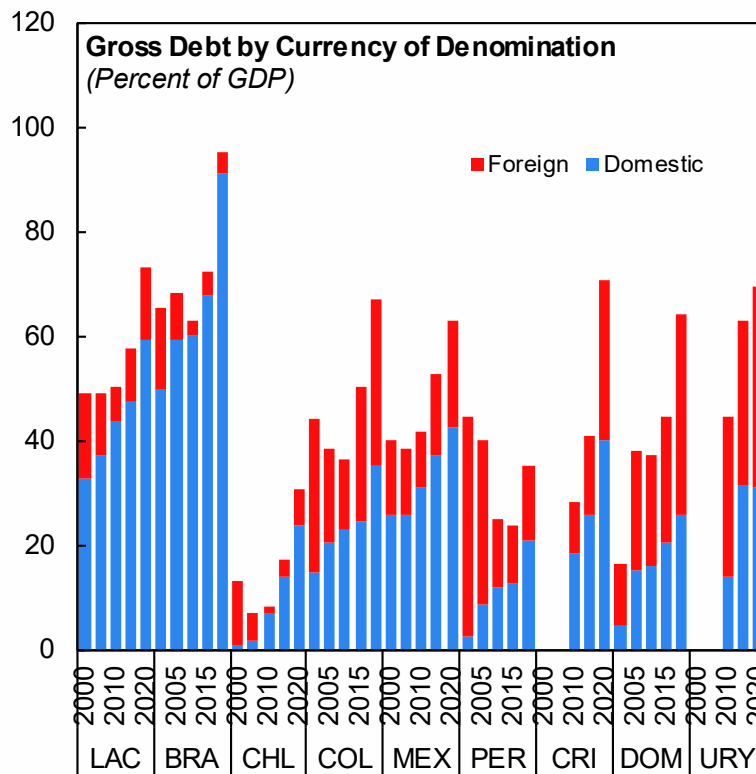
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Inventories include statistical discrepancies.

Large deficits and economic recessions are expected to lead to big increases in public debt though debt composition mitigates vulnerabilities

Large deficits and economic recessions are expected to lead to big increases in public debt



Currency composition of debt for LAC as a region is broadly similar to that at the time of the GFC though there is significant variation across countries



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

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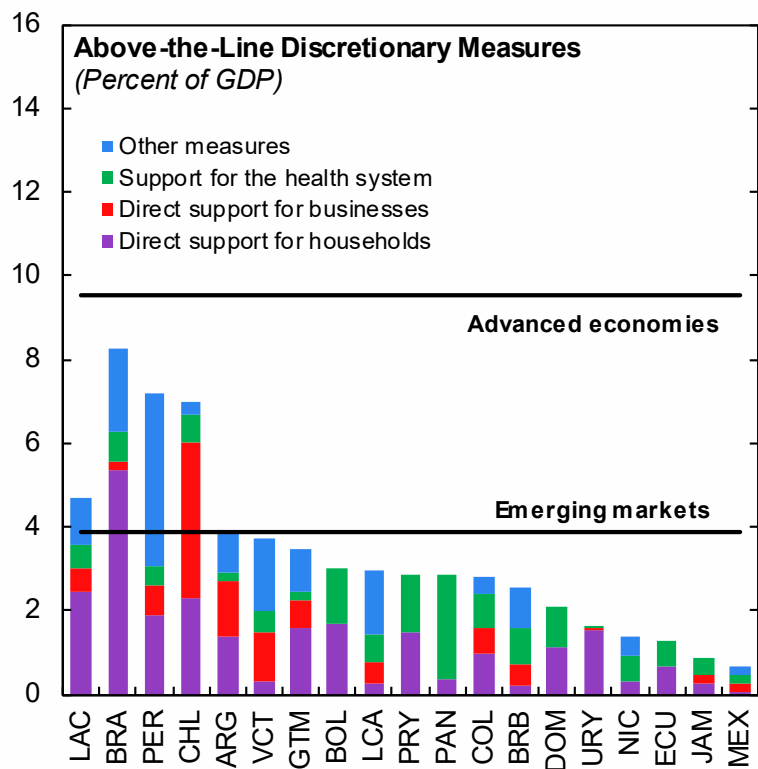
Note: LAC is fiscal year US dollar nominal GDP-weighted average of the countries shown in the chart.

Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Aggregates are fiscal year US dollar nominal GDP-weighted averages. LAC includes the countries shown in the chart. LA5 includes Brazil, Chile, Colombia, Mexico, and Peru.

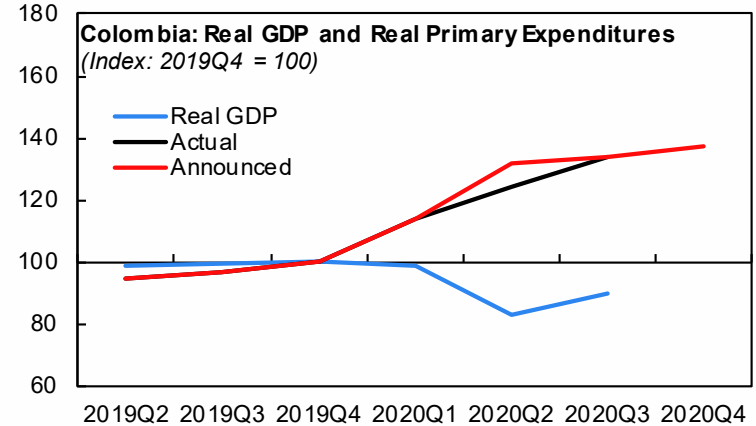
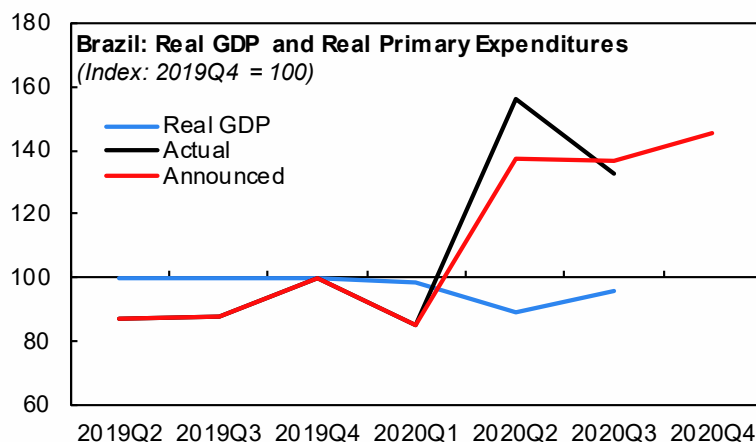
Fiscal measures contributed to support activity in 2020 but support was delayed in some cases (e.g., Peru, Chile)

Fiscal measures varied in size and composition across countries...

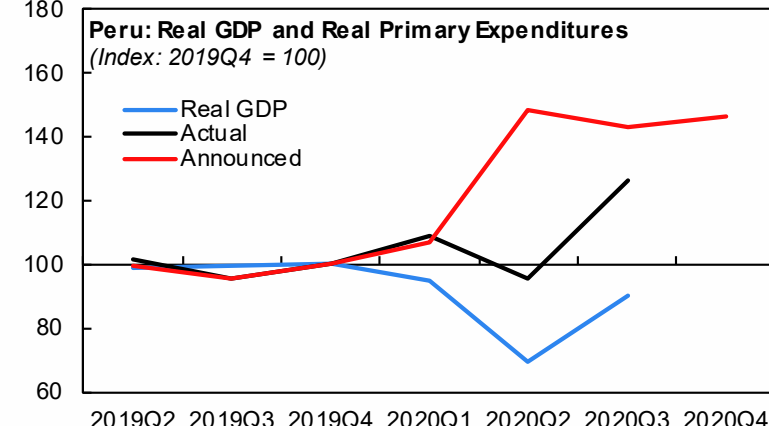
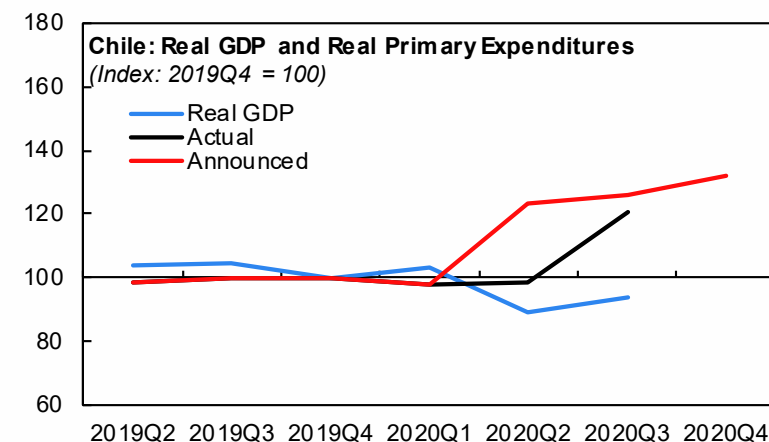


Sources: National authorities; and IMF staff calculations.
 Note: Advanced economies, emerging markets, and LAC are US dollar nominal GDP-weighted averages. Does not include tax deferrals and anticipation of benefits, which typically have small effects on an annual basis. In Peru, other measures include mostly capital spending, while in Brazil it mostly includes support to local governments.

... as well as in implementation speed



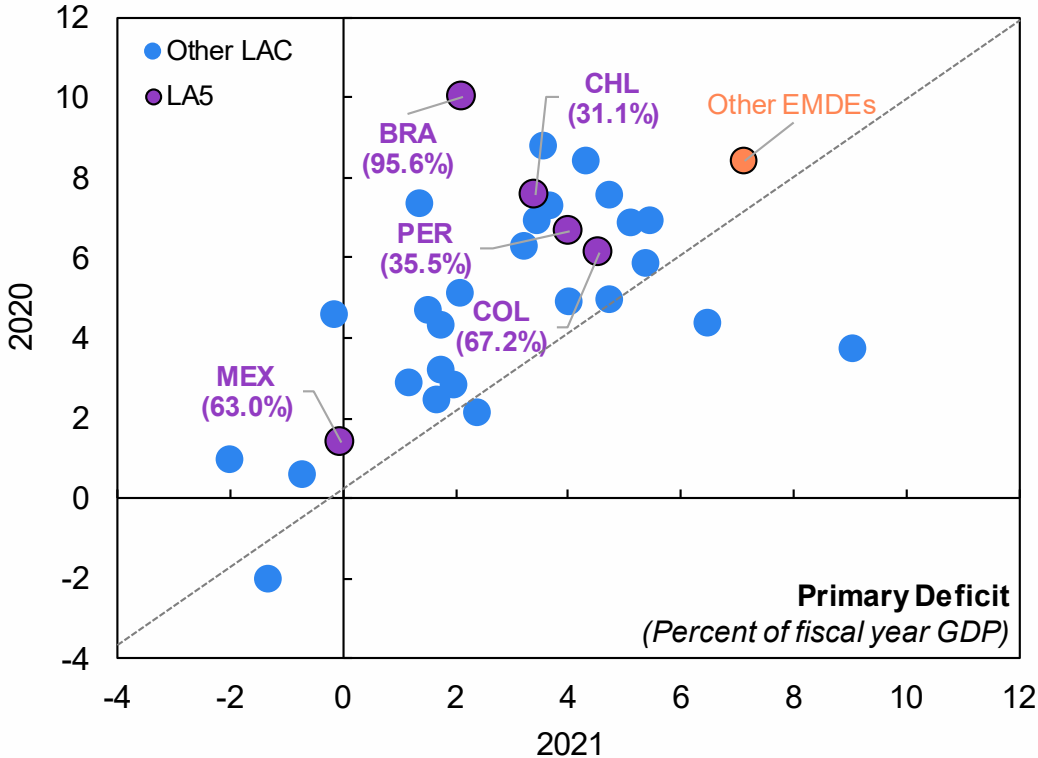
Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
 Note: Preliminary IMF staff estimates.



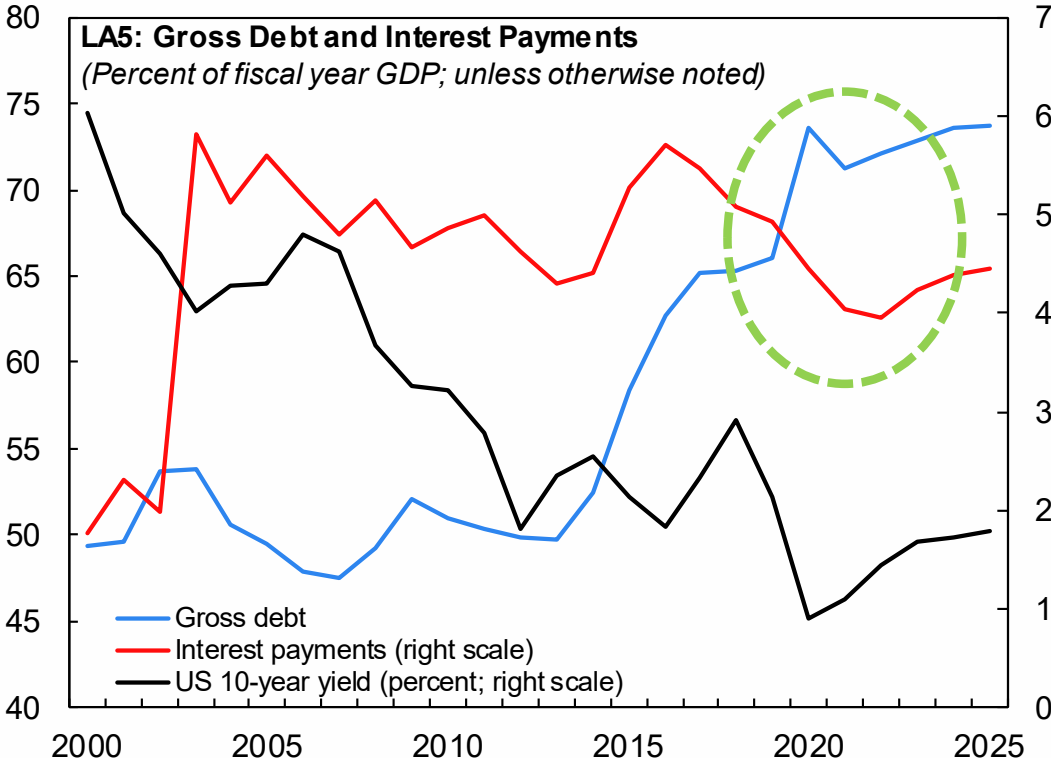
Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
 Note: Preliminary IMF staff estimates.

Low interest rates compensated debt increases and suggest fiscal space is still available in some countries in 2021

Countries in the region are expected to remove fiscal stimulus more than in other EMDEs due to low fiscal space...



... though space is endogenous and could be larger than suggested by debt ratios in low-rates environment

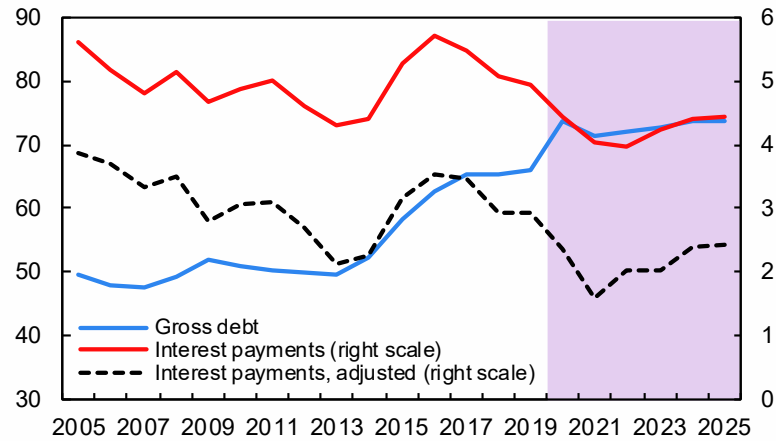


Source: IMF, World Economic Outlook database.
Note: Numbers in parentheses refer to 2020 debt-to-GDP ratio. Other LAC excludes Aruba and Jamaica. Other EMDEs excludes LAC countries.

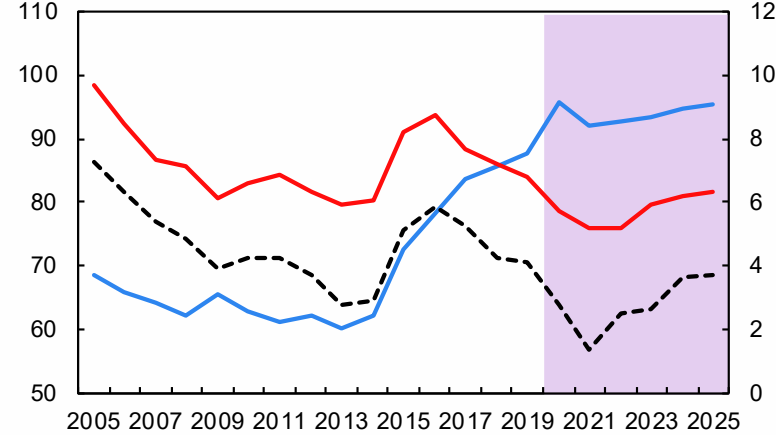
Source: IMF, World Economic Outlook database.
Note: LA5 is fiscal year US dollar nominal GDP-weighted average of Brazil, Chile, Colombia, Mexico, and Peru.

Despite rising public debt, interest bill is projected to continue declining or stabilize in LA5

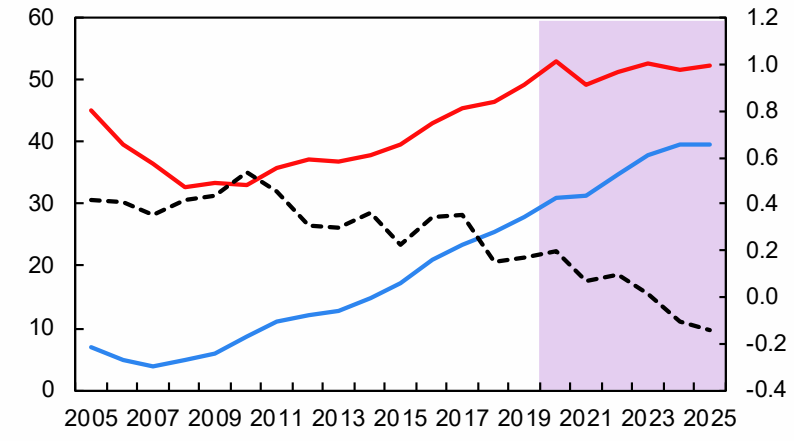
LA5: Gross Debt and Interest Payments
(Percent of GDP)



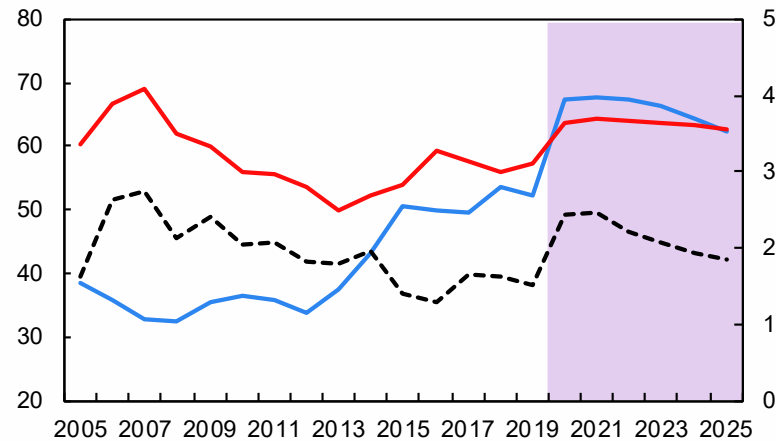
Brazil: Gross Debt and Interest Payments
(Percent of GDP)



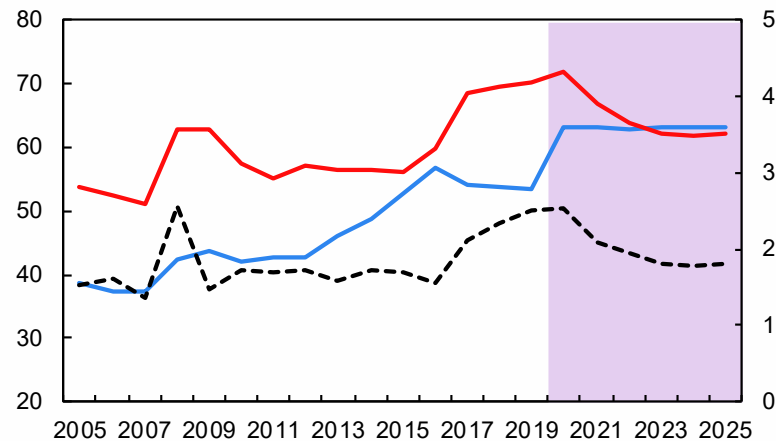
Chile: Gross Debt and Interest Payments
(Percent of GDP)



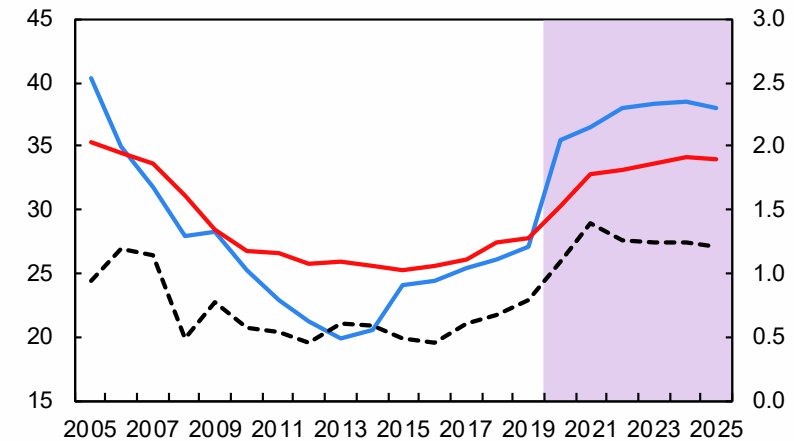
Colombia: Gross Debt and Interest Payments
(Percent of GDP)



Mexico: Gross Debt and Interest Payments
(Percent of GDP)



Peru: Gross Debt and Interest Payments
(Percent of GDP)

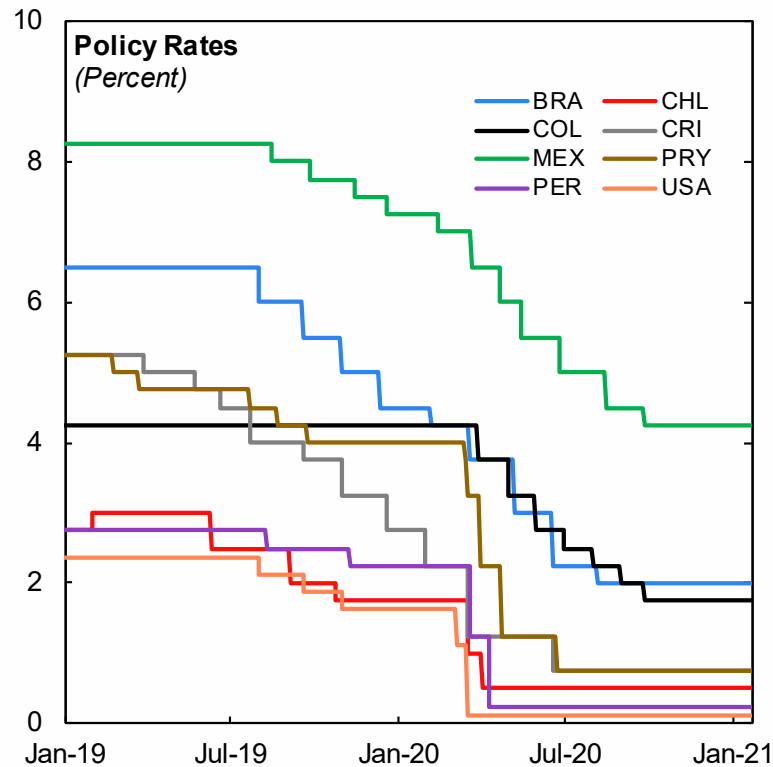


Sources: Consensus Economics; IMF, World Economic Outlook database; and IMF staff calculations.

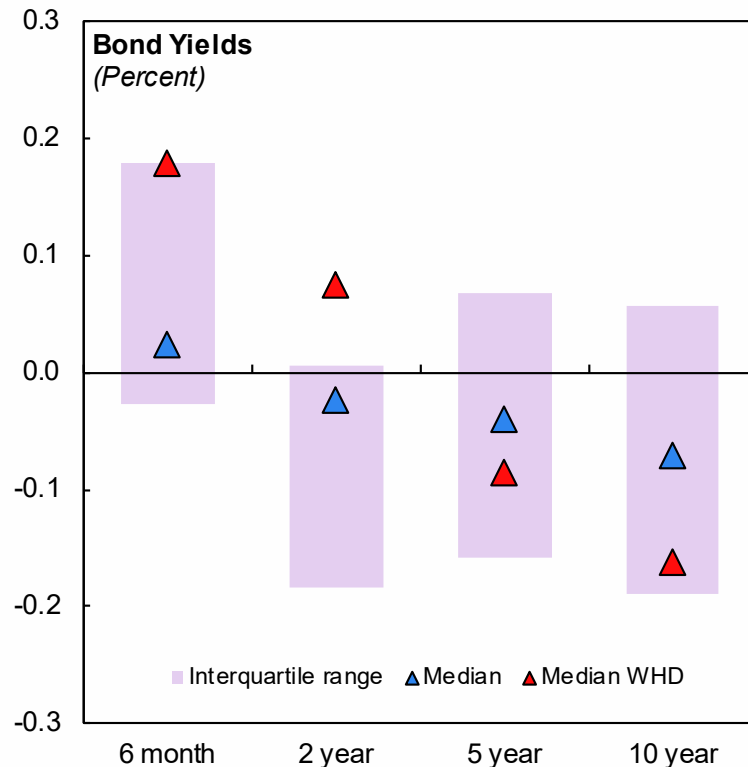
Note: LA5 is fiscal year US dollar nominal GDP-weighted average of Brazil, Chile, Colombia, Mexico, and Peru. Adjusted interest payments calculated using real interest rate (effective interest rate minus one-year ahead inflation expectations for 2005–20; minus WEO inflation projections for 2021–25).

Monetary policy should remain accommodative while heeding credibility in monetary policy framework

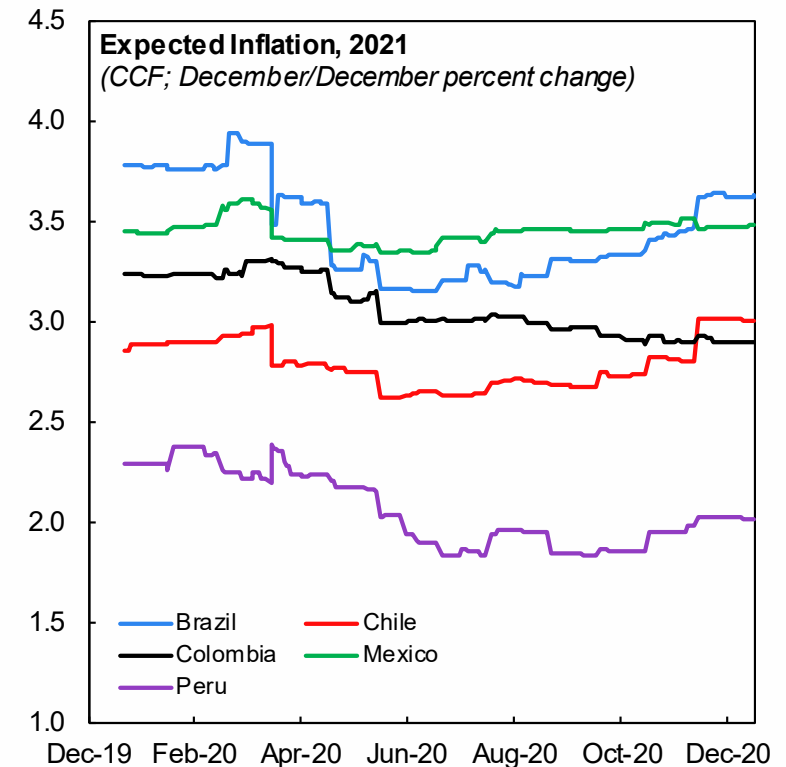
Countries have maintained low monetary policy rates...



... while asset purchase programs led to a decrease in long-term sovereign yields on impact...



... while inflation expectations remain well-anchored



Sources: Haver Analytics; national authorities; and IMF staff calculations.

Source: Fratto C., Harnoys-Vannier B., Mircheva B., David de P., and Poirson H., 2021. Unconventional Monetary Policy in Emerging Markets and Frontier Countries, IMF Working Paper (Forthcoming).
Note: 1-day change, starting on the day prior to the announcement date, and divide it by the historical unconditional standard deviations.

Sources: Consensus Economics
Note: Continuous Consensus Forecasts (CCF) replacement basis (prior monthly survey panel with subsequent new forecasts replacing old).

Thank You