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)*

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

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.
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

Preordered Vaccines, provider breakdown in LAC

Preordered Vaccines, provider breakdown in LAC

Sources: Duke Global Health Innovation Center (DGHIC) 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 in early 2021… 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. 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…

… and so did their corporate sectors

LAC: Eurobond Sovereign Issuance
(Billions of US dollars)

Sources: 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)

<table>
<thead>
<tr>
<th></th>
<th>Projections</th>
<th>Avg. 2022–25</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
<td>2018</td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>1.4</td>
<td>1.2</td>
</tr>
<tr>
<td>LAC excl. Venezuela</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>South America</td>
<td>0.8</td>
<td>0.5</td>
</tr>
<tr>
<td>Argentina</td>
<td>2.8</td>
<td>−2.6</td>
</tr>
<tr>
<td>Brazil</td>
<td>1.3</td>
<td>1.8</td>
</tr>
<tr>
<td>Chile</td>
<td>1.2</td>
<td>4.0</td>
</tr>
<tr>
<td>Colombia</td>
<td>1.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Peru</td>
<td>2.5</td>
<td>4.0</td>
</tr>
<tr>
<td>Mexico</td>
<td>2.1</td>
<td>2.2</td>
</tr>
<tr>
<td>CAPDR</td>
<td>4.2</td>
<td>3.8</td>
</tr>
<tr>
<td>Caribbean</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tourism dependent</td>
<td>1.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Commodity exporters</td>
<td>−1.0</td>
<td>1.3</td>
</tr>
</tbody>
</table>

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

Contributions to Change in Real GDP Forecasts, 2020
(Percent; January 2021 WEO versus January 2020 WEO)

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: PPP GDP-weighted average. Green/red denotes upward/downward revision compared with the October 2020 World Economic Outlook forecasts.

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.

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.

**Gross Debt (Percent of GDP)**

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

**Gross Debt by Currency of Denomination (Percent of GDP)**

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

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

**Gross Debt: Denominated in Foreign Currency (Percent share of total gross debt)**

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…

… as well as in implementation speed

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

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.


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