



Latin America Outlook

Humberto Lopez
The World Bank

The Latin American outlook is mixed: 2019 & 2018

LAC growth in 2019 is expected to remain at a similar level to 2018

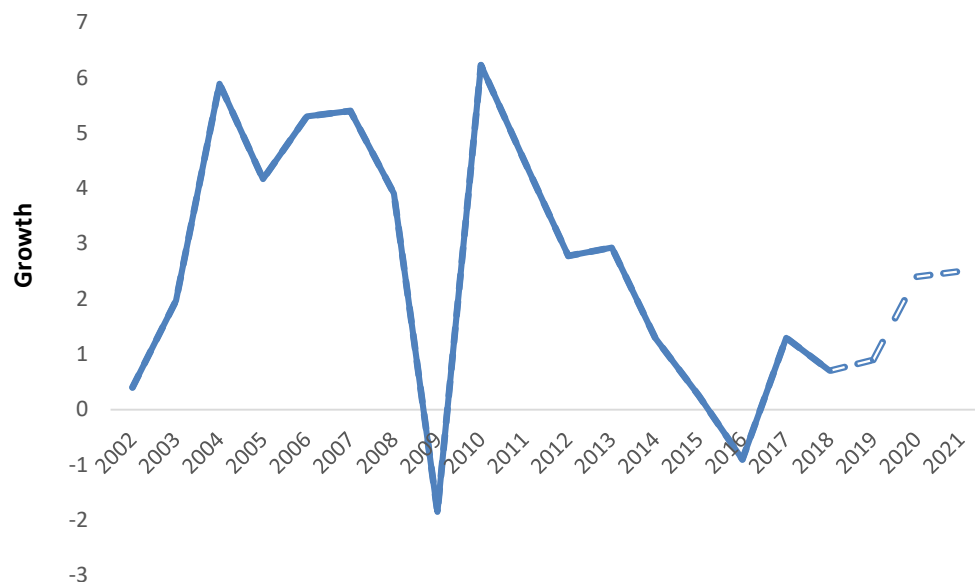
	2016	2017	2018e	2019f	2020f	2021f
LAC	-0.9	1.3	0.7	0.9	2.0	2.4
South America	-2.5	0.8	0.1	0.4	2.3	2.4
Central America	3.9	3.7	2.7	3.4	3.5	3.5
Caribbean	2.7	2.6	4	3.2	3.6	3.8
Brazil	-3.3	1.1	1.1	2.2	2.5	2.4
Mexico	2.9	2.1	2	1.7	2	2
Argentina	-1.8	2.9	-2.5	-1.3	2.9	3.1
Venezuela	-16.5	-14.5	-17.7	-25	-10*	-5*

Source: The World Bank

- Growth in Latin America and the Caribbean was disappointingly weak in 2018, and lower than previously expected.
- This reflected the impact of Argentina's currency crisis, a complex macro situation in Ecuador, policy uncertainty in Brazil, a sharp contraction in Nicaragua, and worsening conditions in Venezuela.
- January projections expected growth to pick up to 1.7 percent in 2019, but have now been corrected to 0.9 percent.
- Moreover, downside risks continue to dominate.

The Latin American outlook is mixed: 2020 recovery?

Latam growth is expected to recover in 2020

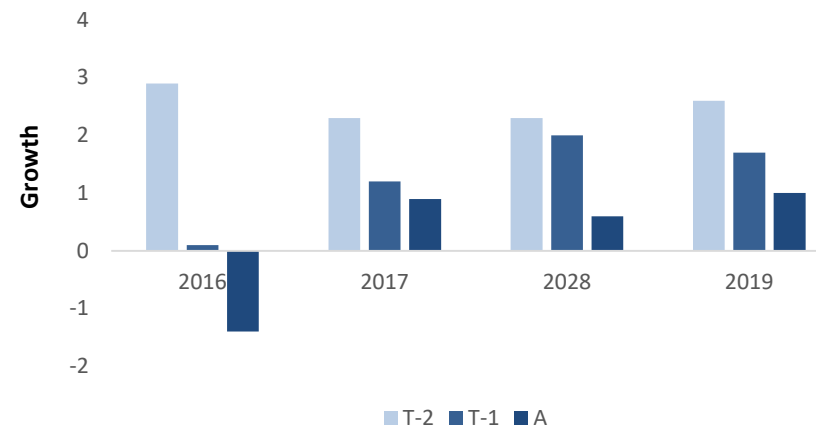


- The 2020 growth pick up should be driven by a recovery in Argentina, a consolidated recovery in Brazil, and a somewhat better outlook for Venezuela.
- Yet, risks remain on the downside. Global growth in 2019 is likely to be softer than expected earlier this year; sudden shifts in market sentiment can be amplified by existing macro vulnerabilities.
- Situation in Venezuela is extremely volatile.

- Moreover, it appears that in recent years we have been overly optimistic in our projections.

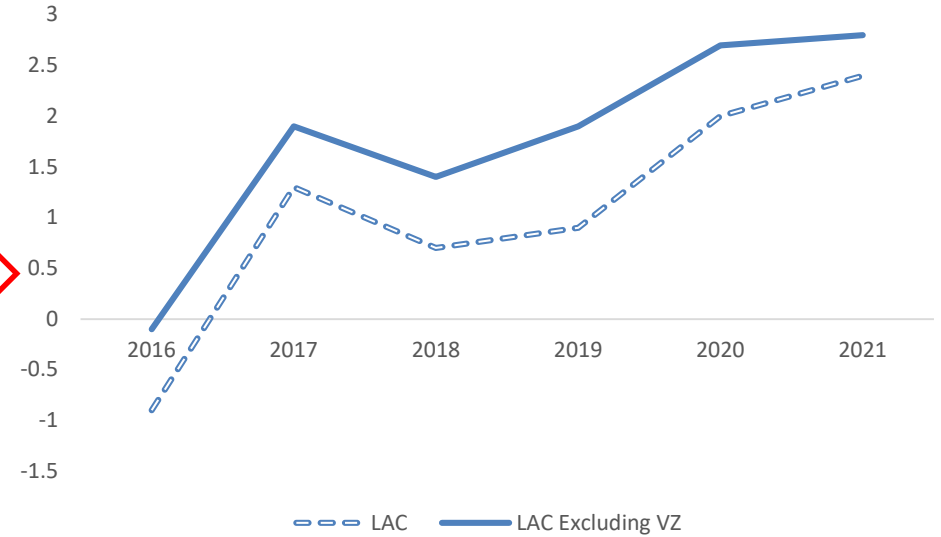
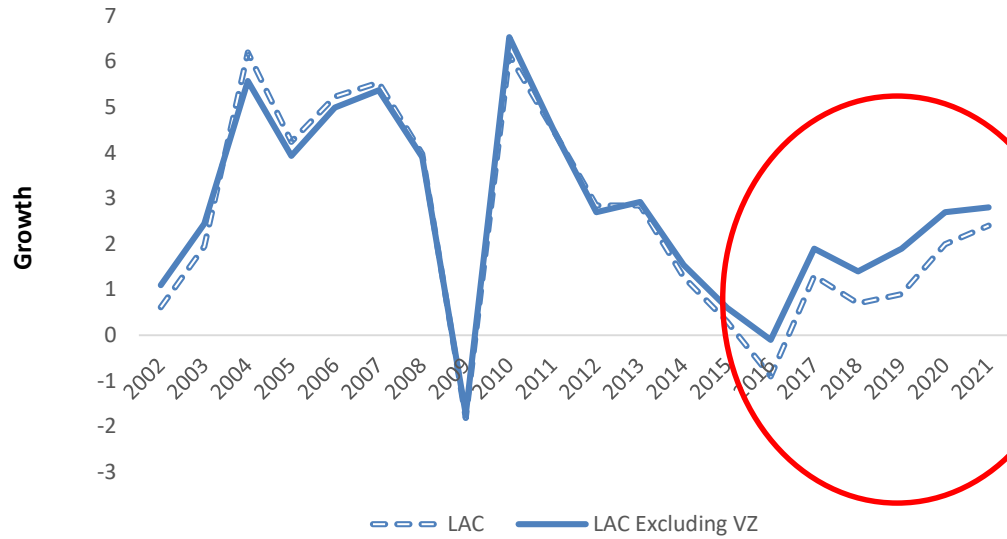


Evolution of LAC GDP growth projections between T-2, and T: 2016-2019

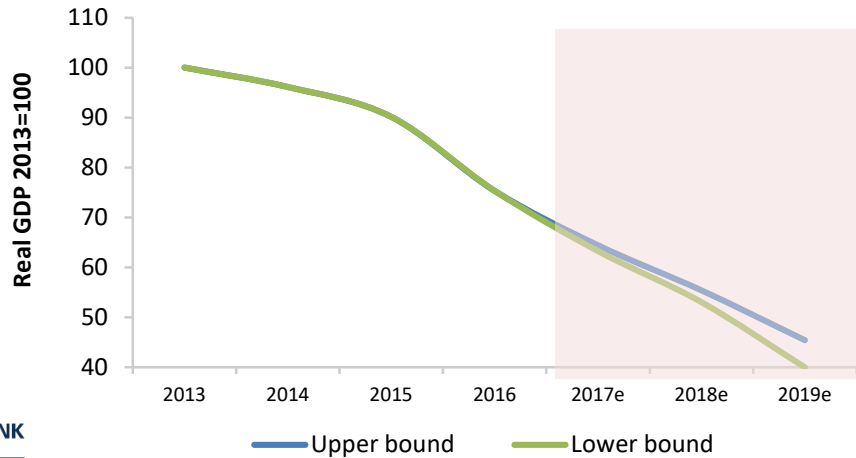


The Latin American outlook is mixed: with VZ or without VZ?

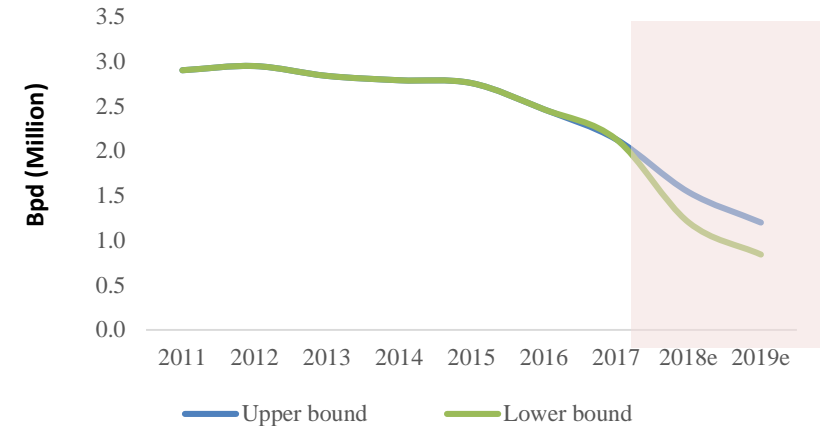
Recent Latam growth is heavily influenced by Venezuela



Venezuela's GDP collapse

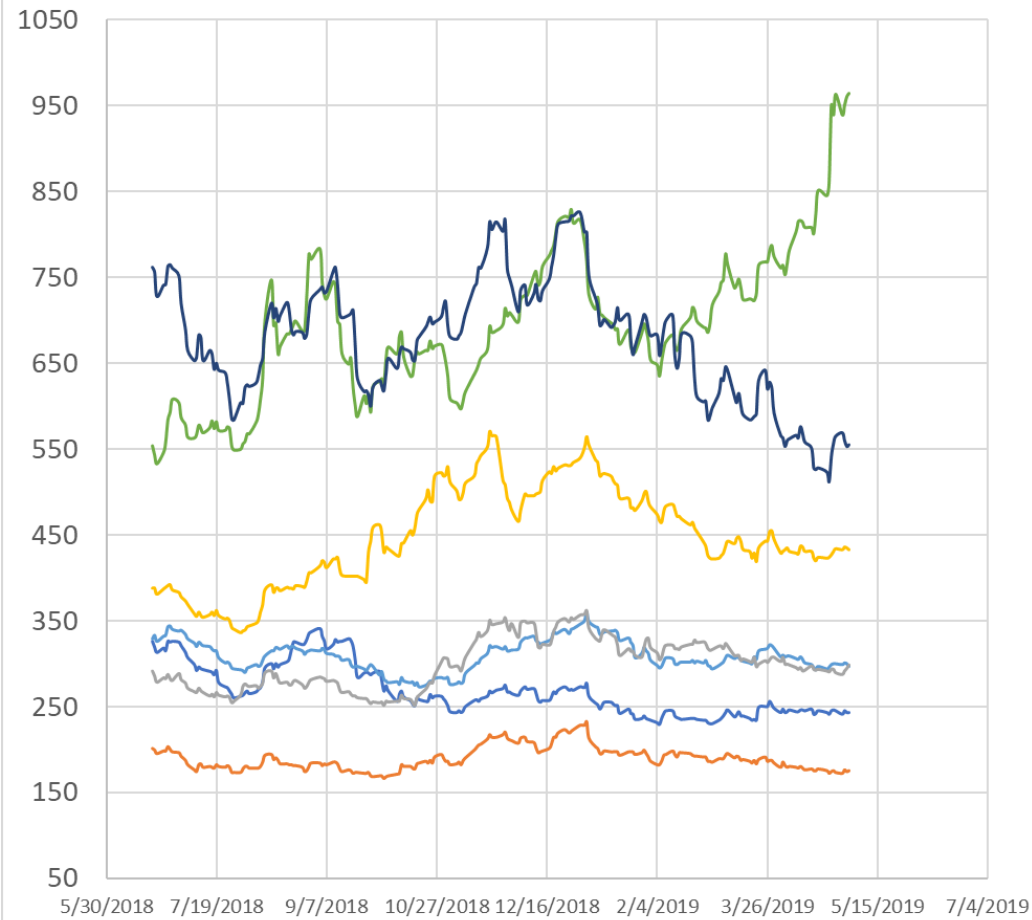


Venezuela's oil production

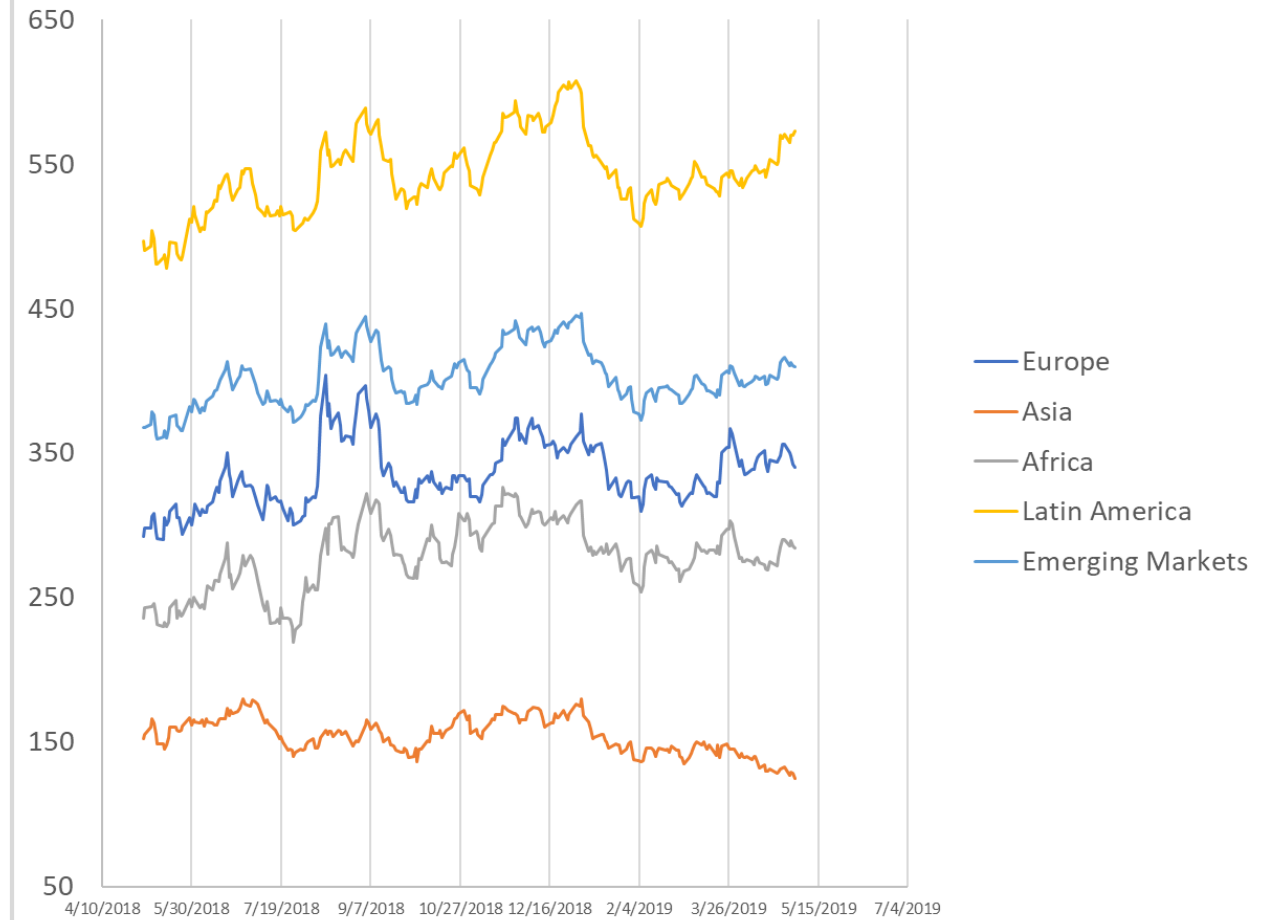


The Latin American outlook is mixed: market risk perceptions

LAC EMBIs



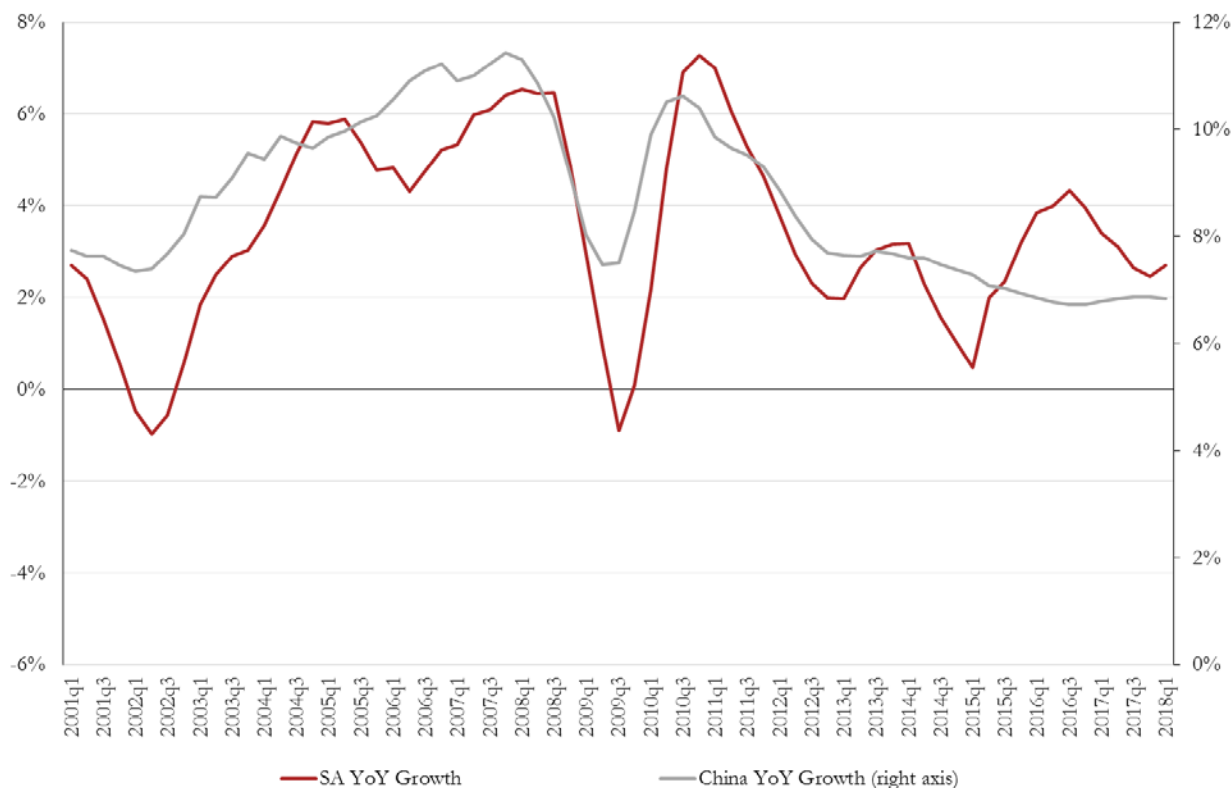
Regional EMBIs



The Latin American outlook is mixed: external factors

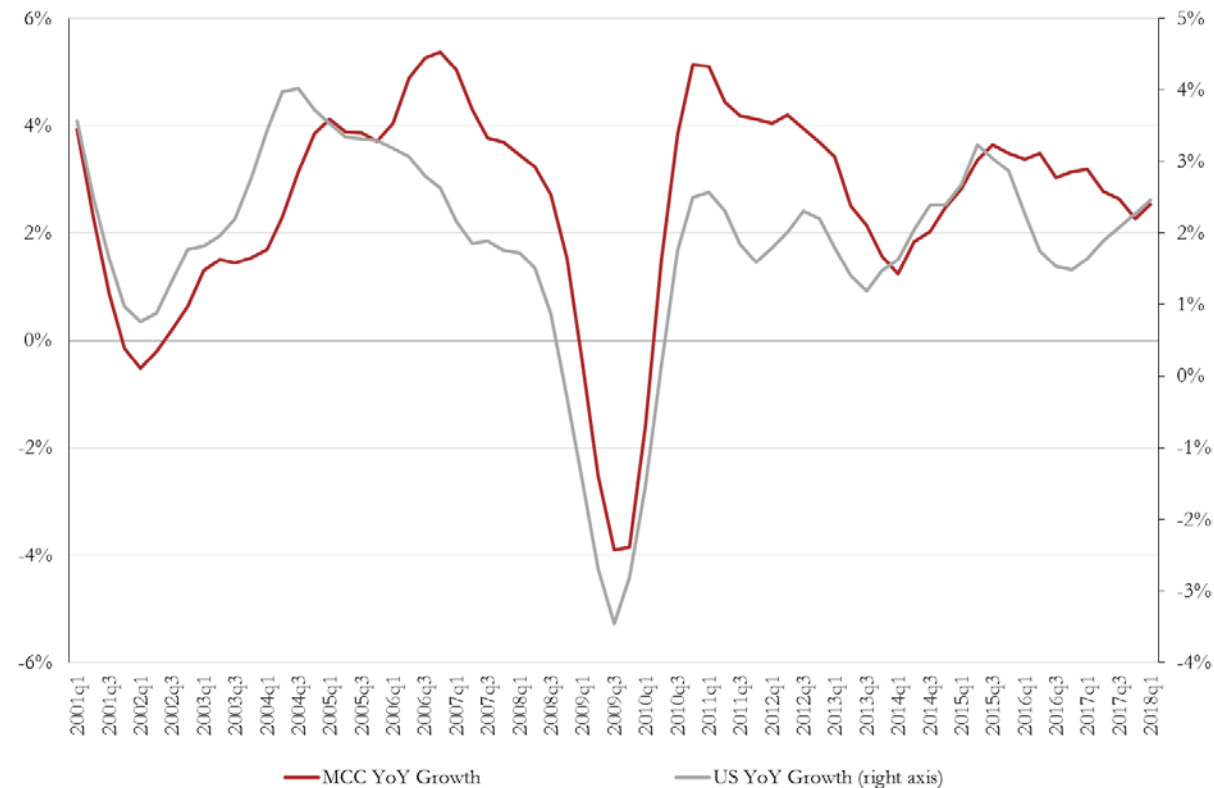
South America and China

The South American Cycle: Following China
Weighted Averages



Mexico, Central America, Caribbean and the US

The MCC Cycle: Following the United States
Weighted Averages



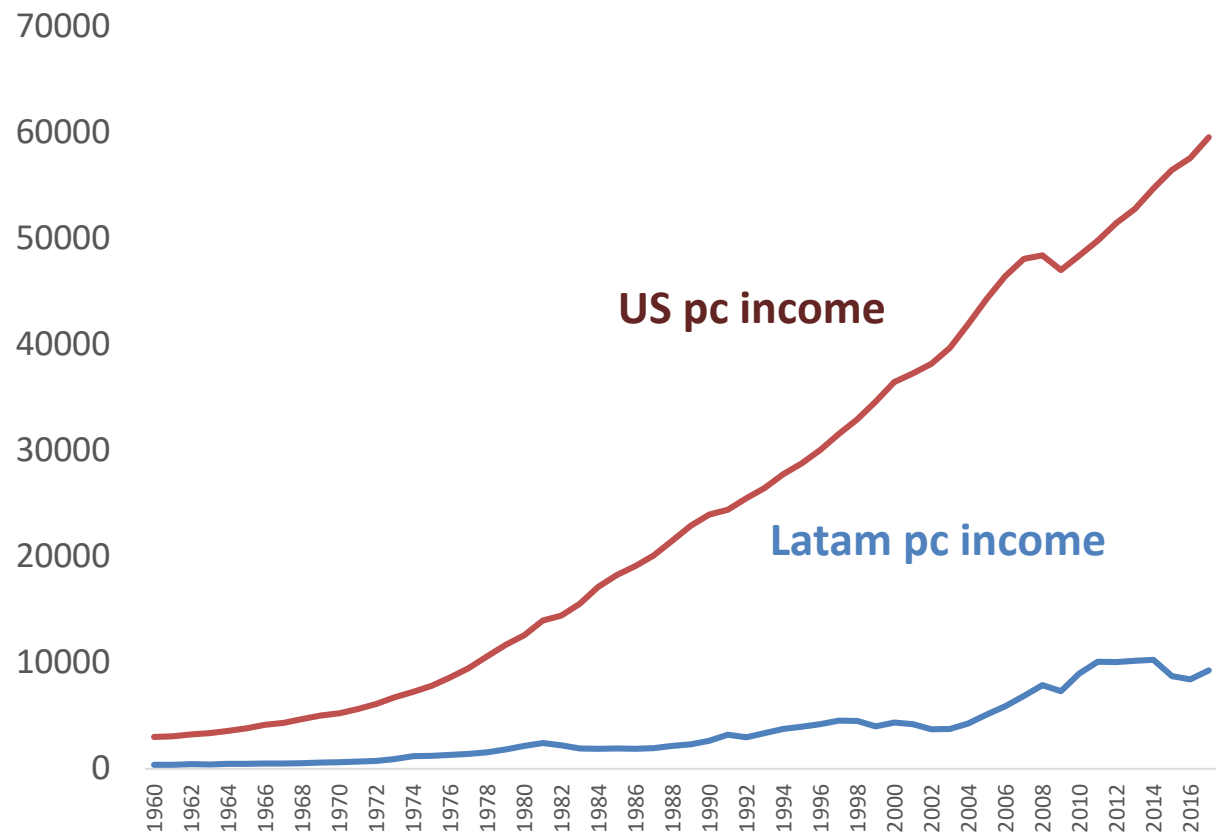
The Latin American outlook is mixed

- Growth in 2019 is expected to remain at about the same level of 2018 (<< 1 %)
- But projections for 2019, and by extension for 2020, are subject to great uncertainties.
 - Macro imbalances in some countries that need to be corrected.
 - Situation in Venezuela.
 - Risk perception by financial markets.
 - Global economy evolution.

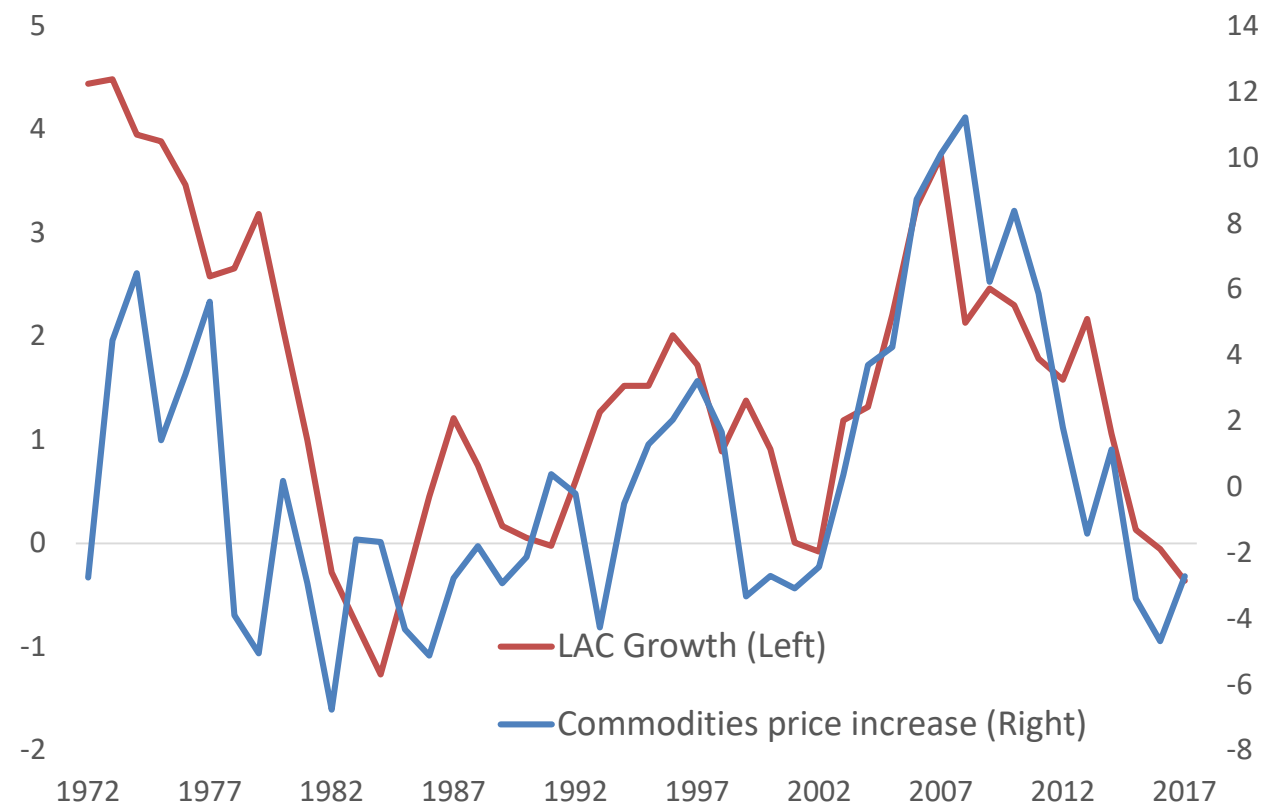
✓ **What can be done to be on the upper side of any projection range both over the short and long run?**

Some considerations: i) The weight of history

Latam is not converging...

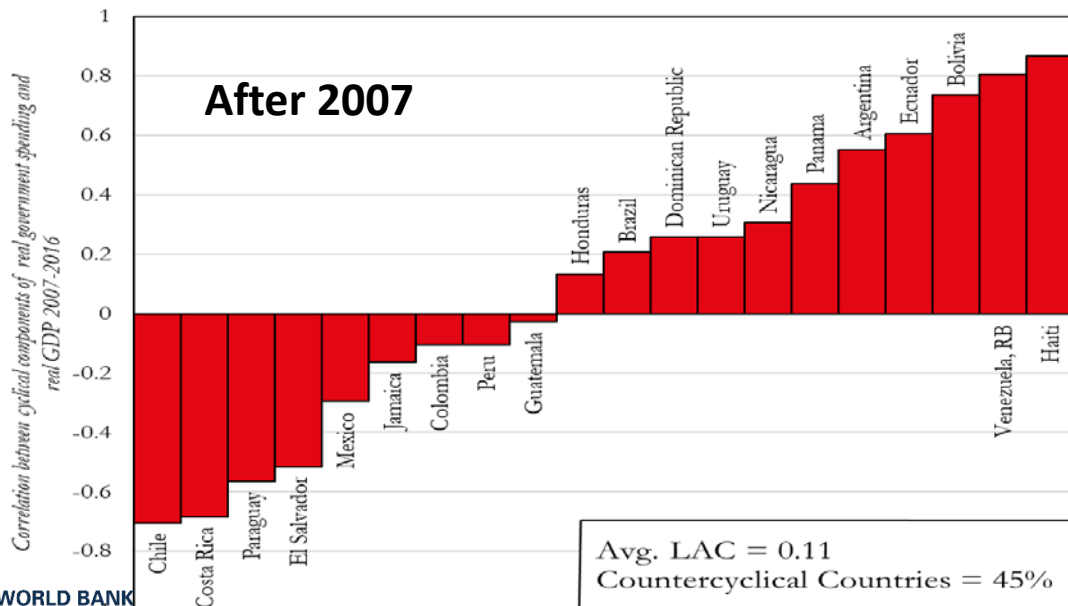
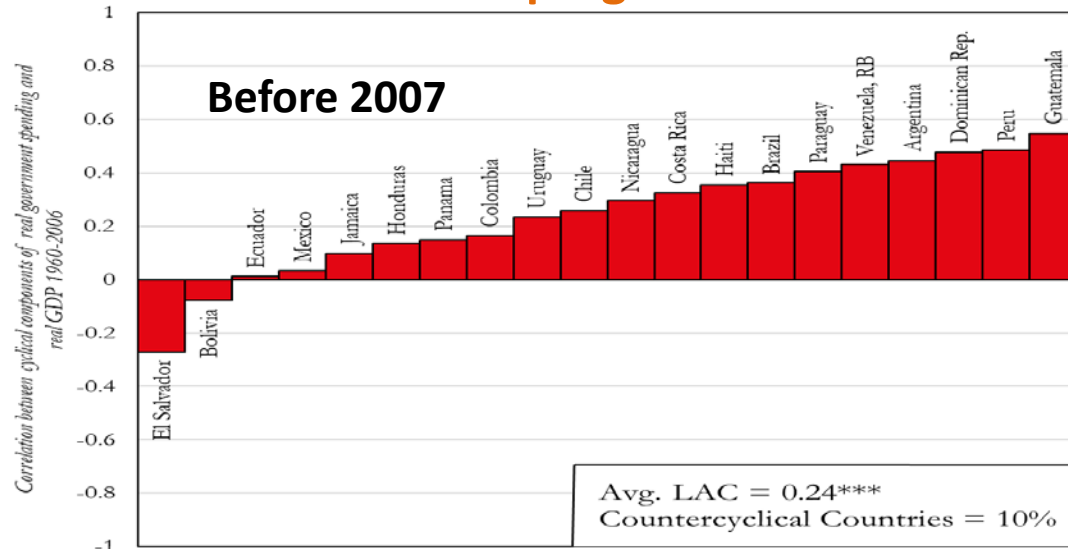


...and is highly dependent on commodity prices.

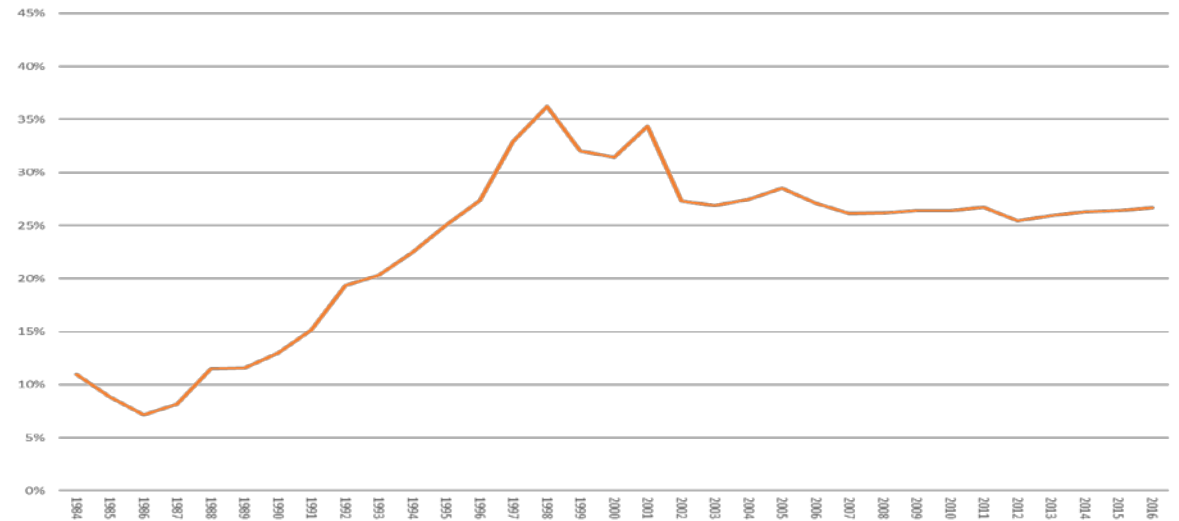


Some considerations: ii) Progress on the macro and structural fronts

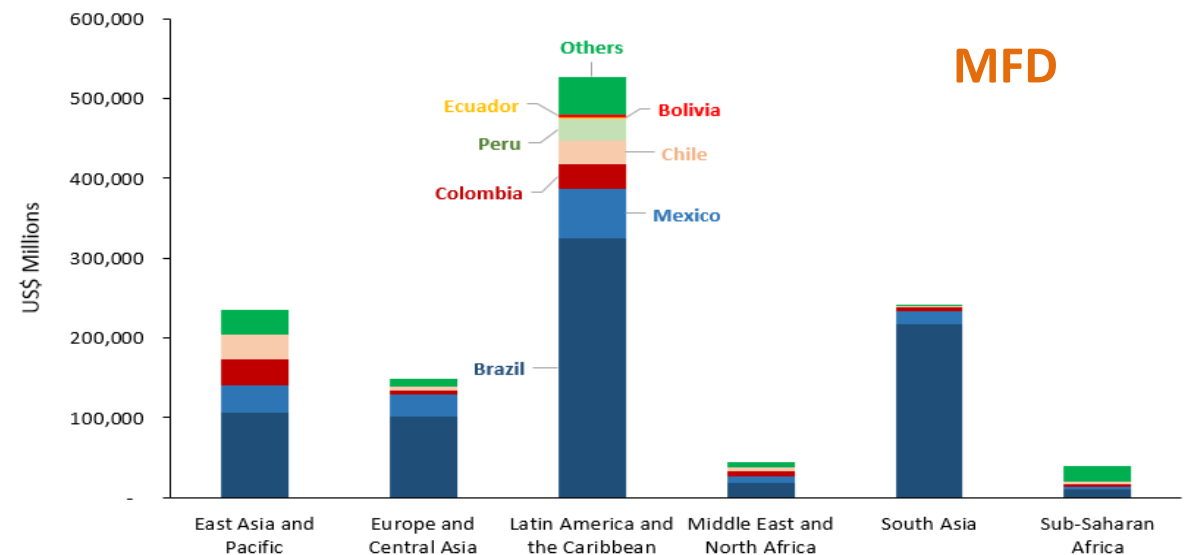
Macro progress



Structural reforms



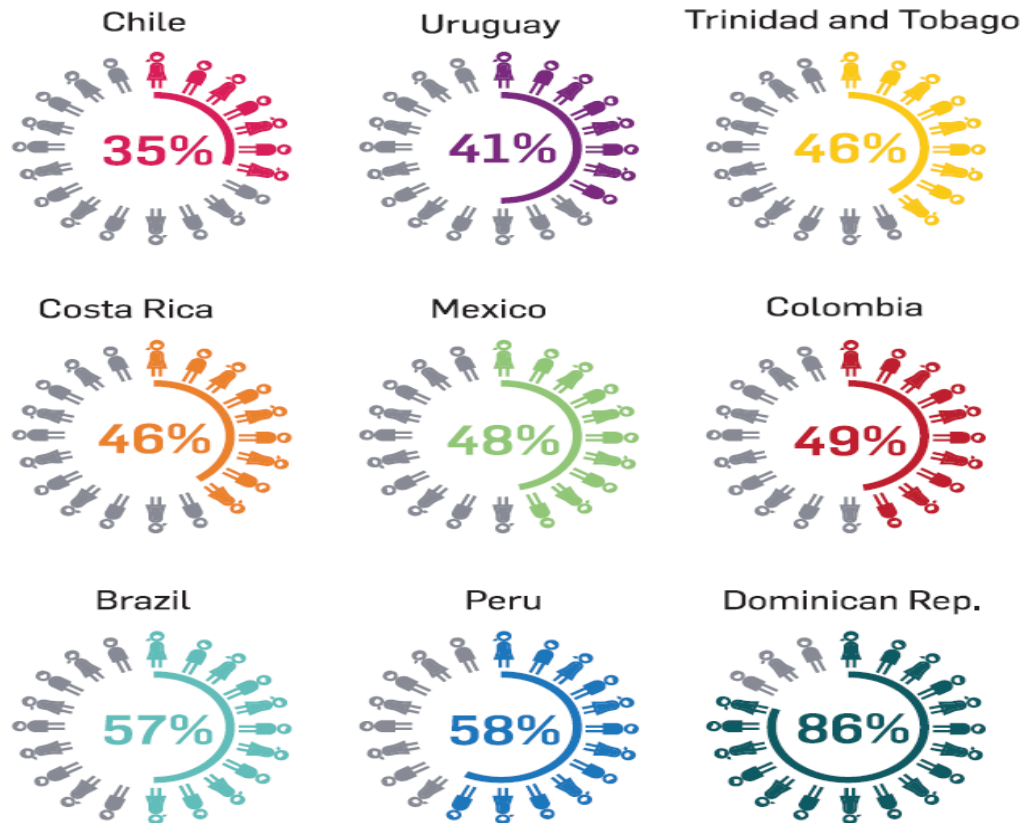
Stock of Active Investments in PPPs by Regions, 2016



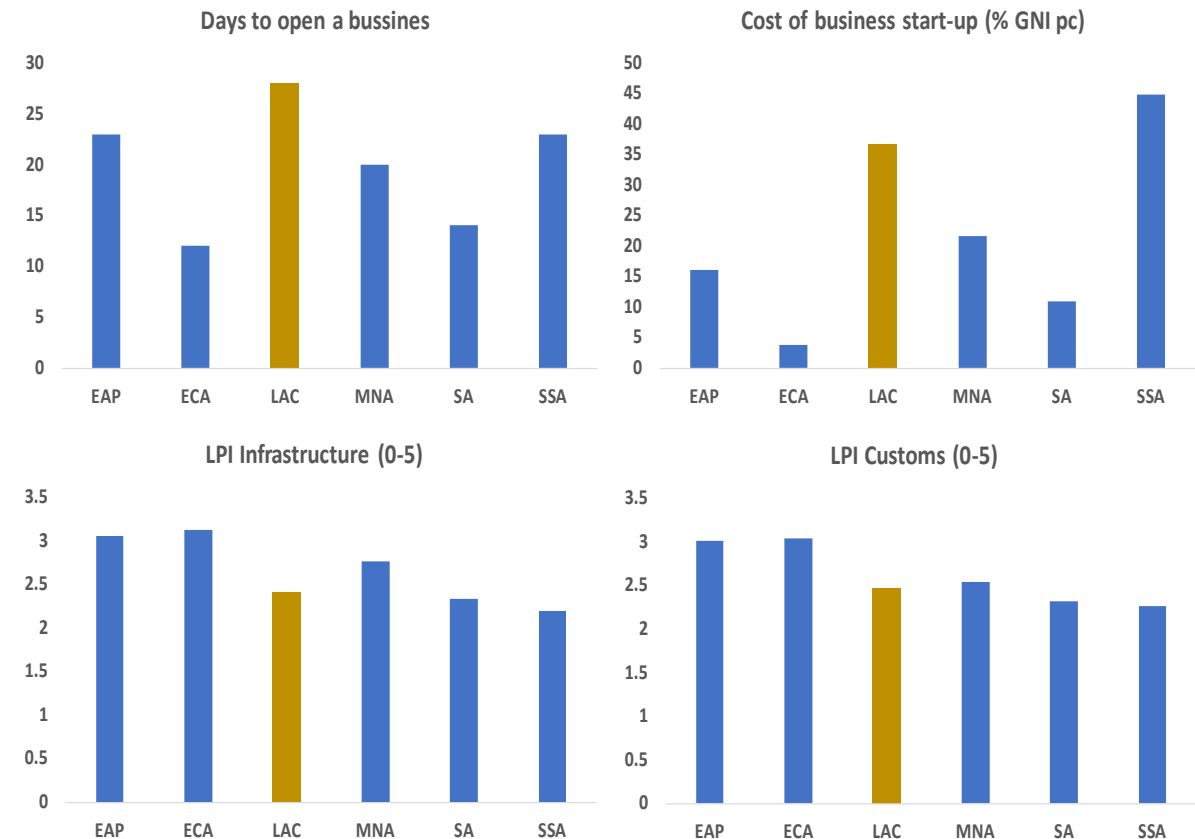
Some considerations: iii) with more progress to make

LAC trade has **stagnated** at around 6% of global trade since the mid-1990s (4% if Mexico is excluded), and the region also shows low level of participation in **Global Value Chains**. **Regional integration and an outward looking orientation** will be key to **diversifying exports** and develop a more knowledge-intensive export basket.

PISA RESULTS (% of low performing students in Science)



Investment Climate



WBG Strategic Framework

WBG priorities in LAC:
the WHAT



Address fiscal and external imbalances

Foster private sector development, innovation and jobs

Strengthen infrastructure services



Improve the quality of education

Improve the quality of health services

Modernize social protection systems



Manage Environmental Risks. Build Climate resilience

Manage Fiscal and Financial Risks


Manage Social Risks and health/epidemics



The role of the Private Sector

WBG engagement will build on an already strong private sector orientation

- In the past four years the WBG engagement in LAC was close to US\$50B, of which half was private sector engagement (IFC and MIGA)
- In addition, in the past 10 years, about 43 % of LAC IBRD/IDA lending went to PSD related activities
- Taking this into account, more than 70 % of the WBG commitments are directed to the private sector



Colombia Clean Energy Development Program. The IBRD and CTF Guarantees will help establish a long-term offtake market. IFC supported two banks in issuing green bonds.

Peru Water Security for Lima Guarantee - mobilizing long-term institutional savings. Implementation of a new PPP framework. Strong involvement of IFC PPP advisory and investments. MIGA PRI supporting lending operations in water sector.

Market Creation in Haiti. IFC supports Ayiti Leasing, the first leasing company in Haiti, to help create leasing market.

Financial Instruments for Brazil Energy Efficient Cities (FinBRAZEEC) creates innovative financial instruments to mobilize private financing for urban EE investments. IFC is engaging in a transportation PPP program in the state of Sao Paulo.

Argentina RenovAR
WBG working together to Create a Market for Green Energy

Multi-country Pacific Alliance CAT Bond. First-of-its kind bond issuance provides combined US\$1.36 billion in earthquake protection to Chile, Colombia, Mexico and Peru.

Thanks!