International Monetary Fund
March 2018

Global and
Regional Outlook

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Presentation Outline

I. **Global Outlook**

II. LAC Outlook

Growth Projections: Advanced Economies
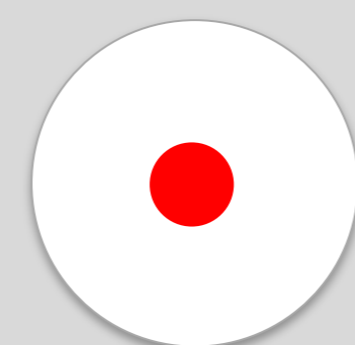## *(Percent change from a year earlier)*
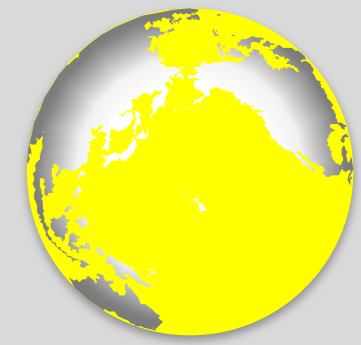
	World	Advanced Economies	U.S.	U.K.	Japan	Euro Area	Germany	Canada	Other Advanced Asia
2016	3.2	1.7	1.5	1.9	0.9	1.8	1.9	1.4	2.3
2017	3.7	2.3	2.3	1.7	1.8	2.4	2.5	3.0	2.6
Revision from Oct. 2017	0.1	0.1	0.1	0.0	0.3	0.3	0.5	0.0	0.1
2018	3.9	2.3	2.7	1.5	1.2	2.2	2.3	2.3	2.7
Revision from Oct. 2017	0.2	0.3	0.4	0.0	0.5	0.3	0.5	0.2	0.0

Source: IMF, World Economic Outlook database.

Growth Projections: Emerging Markets and LIDCs
(Percent change from a year earlier)

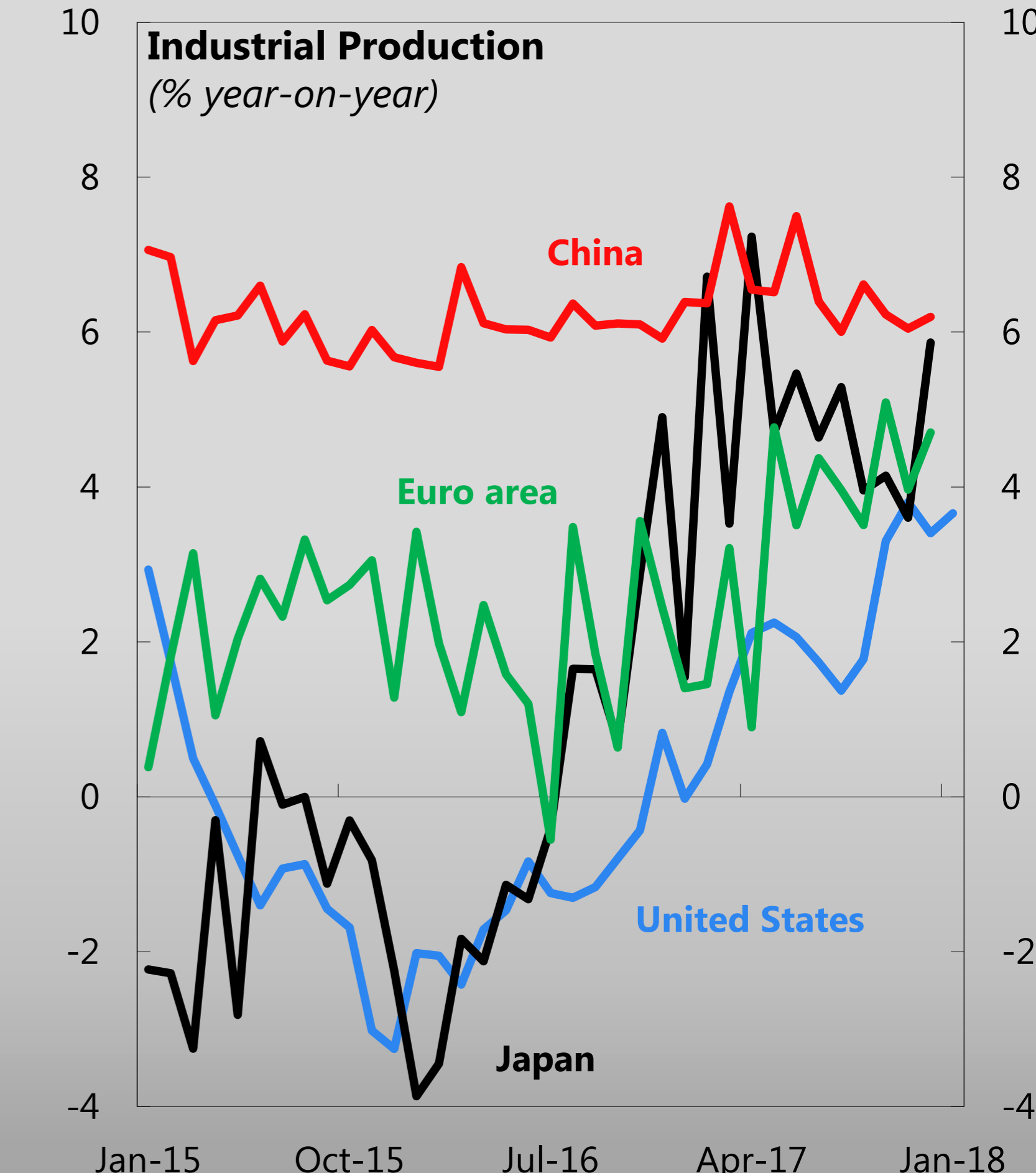|	World	Emerging Market and Developing Economies	China	India	Brazil	Russia	Commodity Exporting Economies	Sub-Saharan Africa
2016	**3.2**	**4.4**	**6.7**	**7.1**	**–3.5**	**–0.2**	**1.5**	**1.4**
2017	**3.7**	**4.7**	**6.8**	**6.7**	**1.1**	**1.8**	**2.3**	**2.7**
Revision from Oct. 2017	0.1	0.1	0.0	0.0	0.4	0.0	0.1	0.1
2018	**3.9**	**4.9**	**6.6**	**7.4**	**1.9**	**1.7**	**2.9**	**3.3**
Revision from Oct. 2017	0.2	0.0	0.1	0.0	0.4	0.1	0.1	–0.1

Source: IMF, World Economic Outlook database.

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Continuing improvement in soft and hard indicators

Manufacturing PMI
(>50=expansion)

Euro area
United States
Japan
China

Consumer Confidence
(Jan. 2015=100)

United States
Euro area
Japan
China

Industrial Production
(% year-on-year)

China
Euro area
United States
Japan
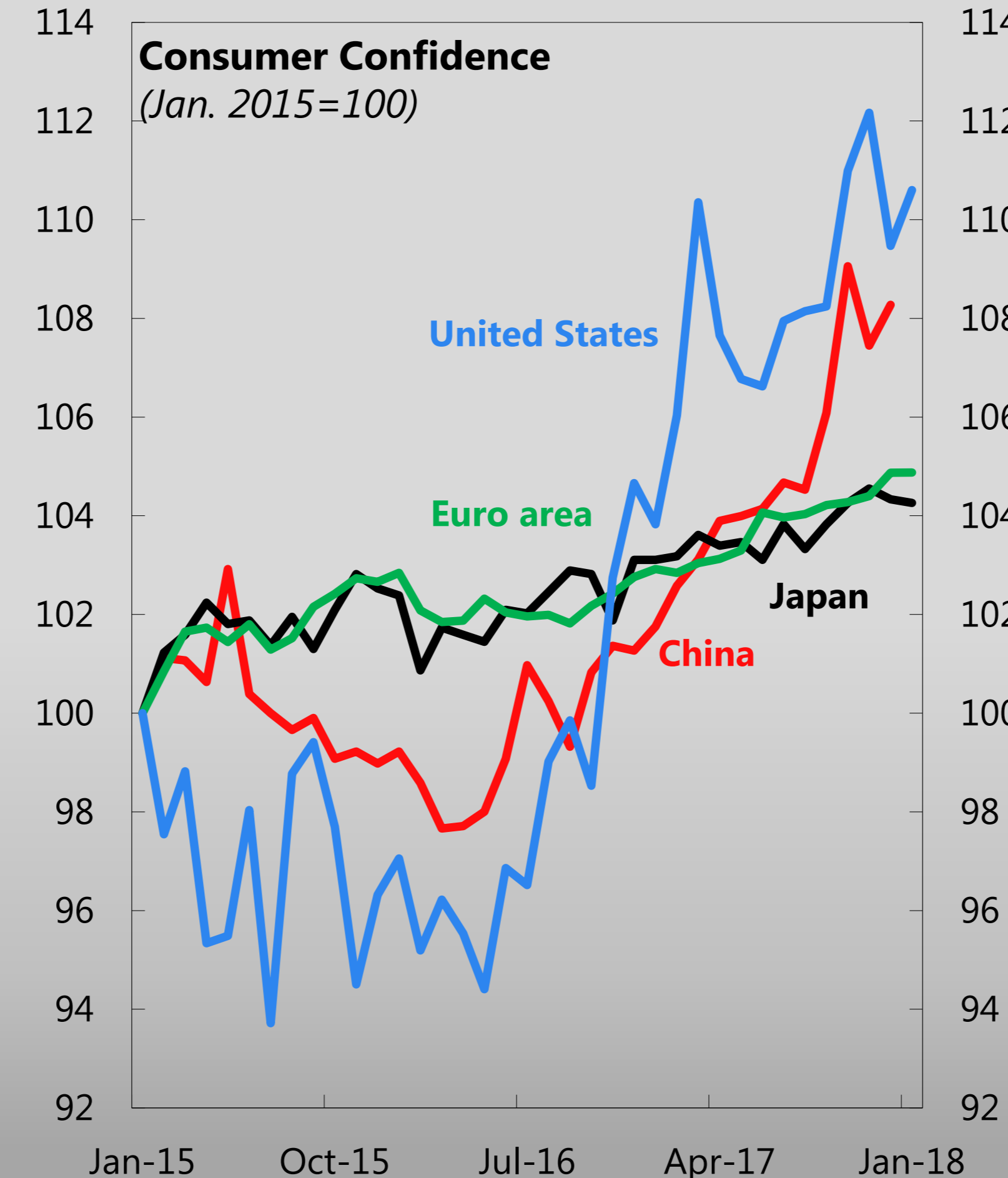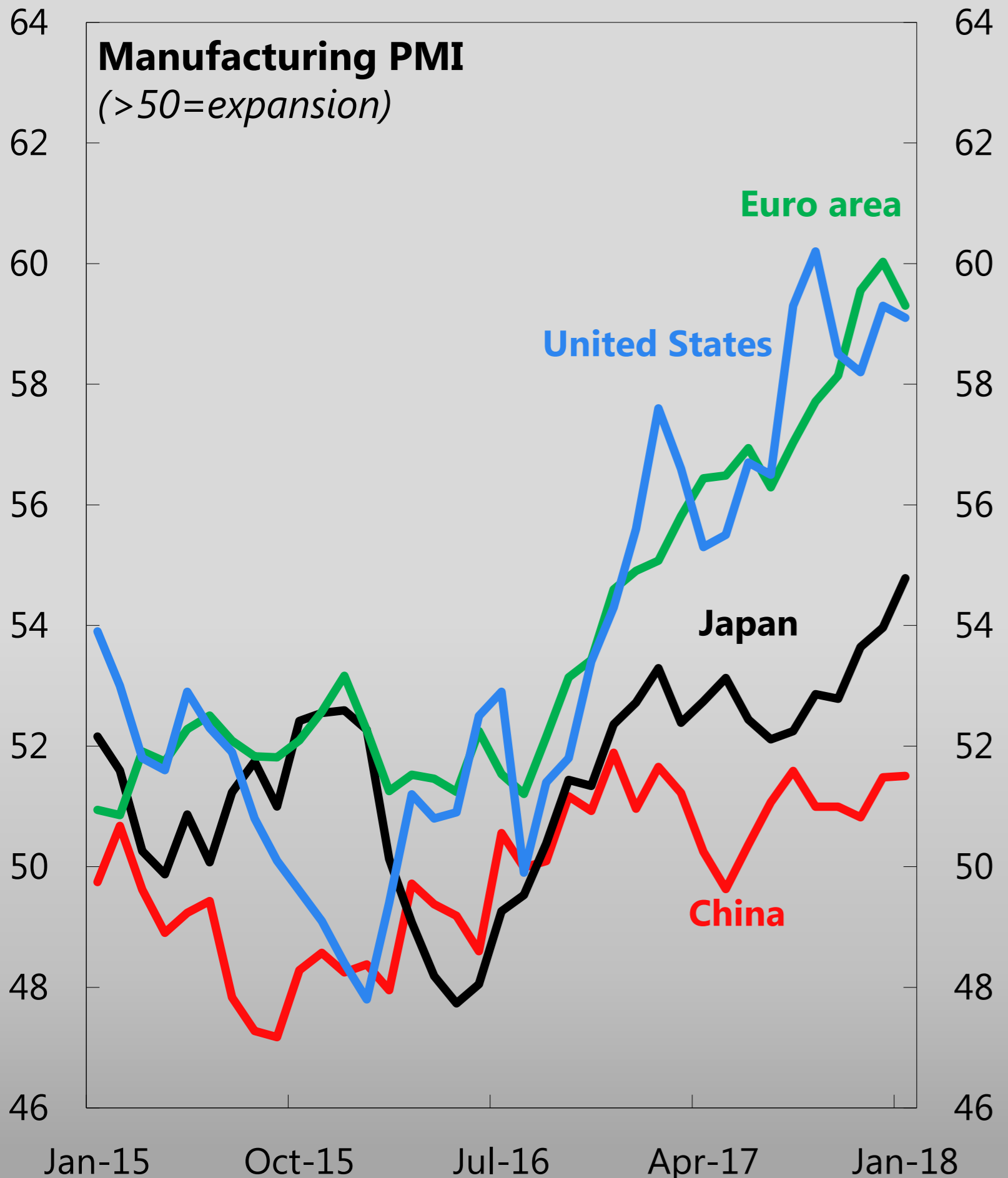
Sources: IMF, Global Data Source database; and IMF staff calculations.

Broad-based upswing

Share of Countries with an Acceleration in Real GDP Growth
(% of world ppp weight or world population)

Population

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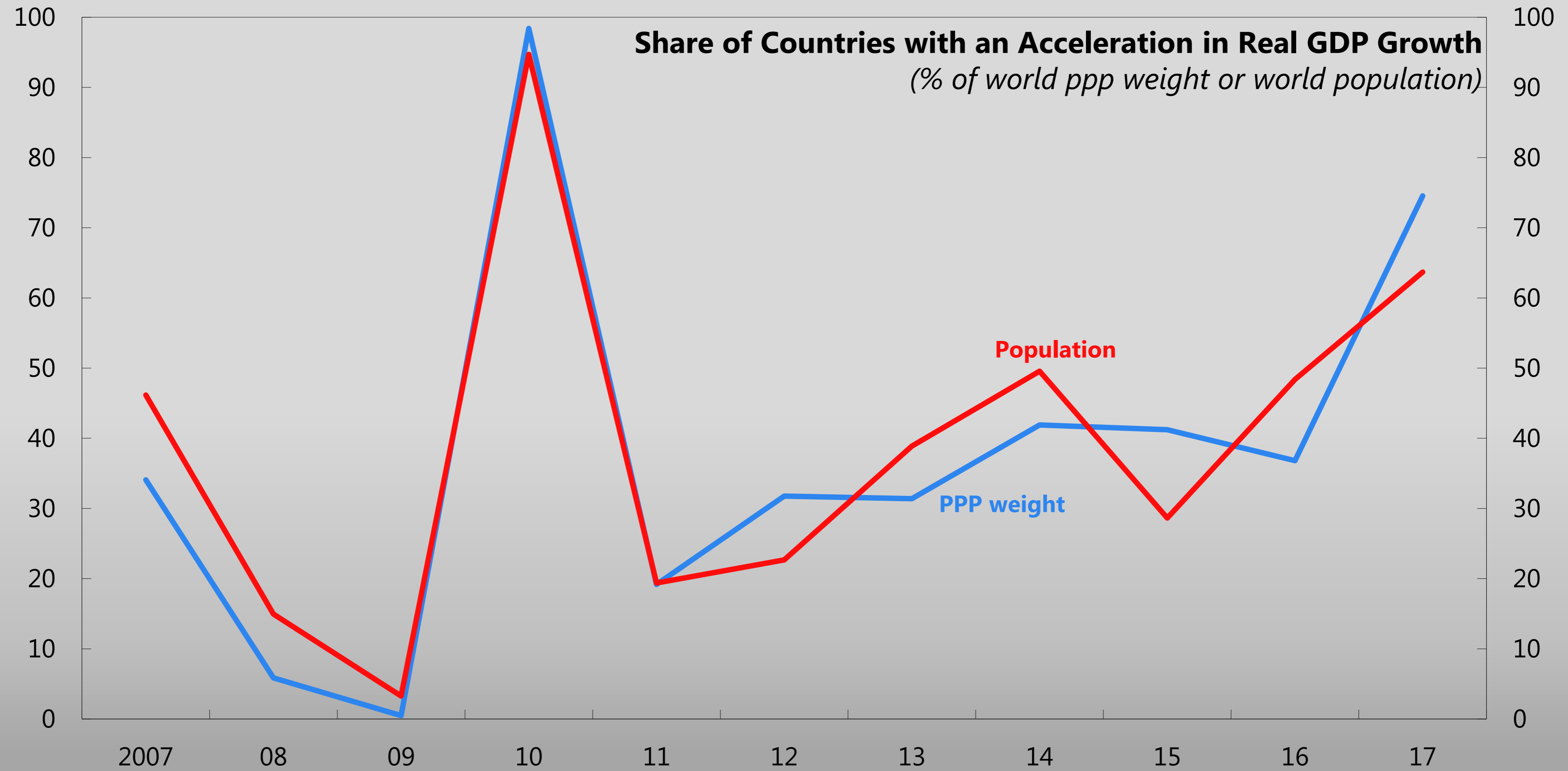
Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Low, but increasing inflation in both AEs and EMs

Advanced Economies: CPI Inflation
(% y-o-y)

Headline CPI

Core CPI

Emerging Economies: CPI Inflation
(% y-o-y)

Headline CPI

Core CPI
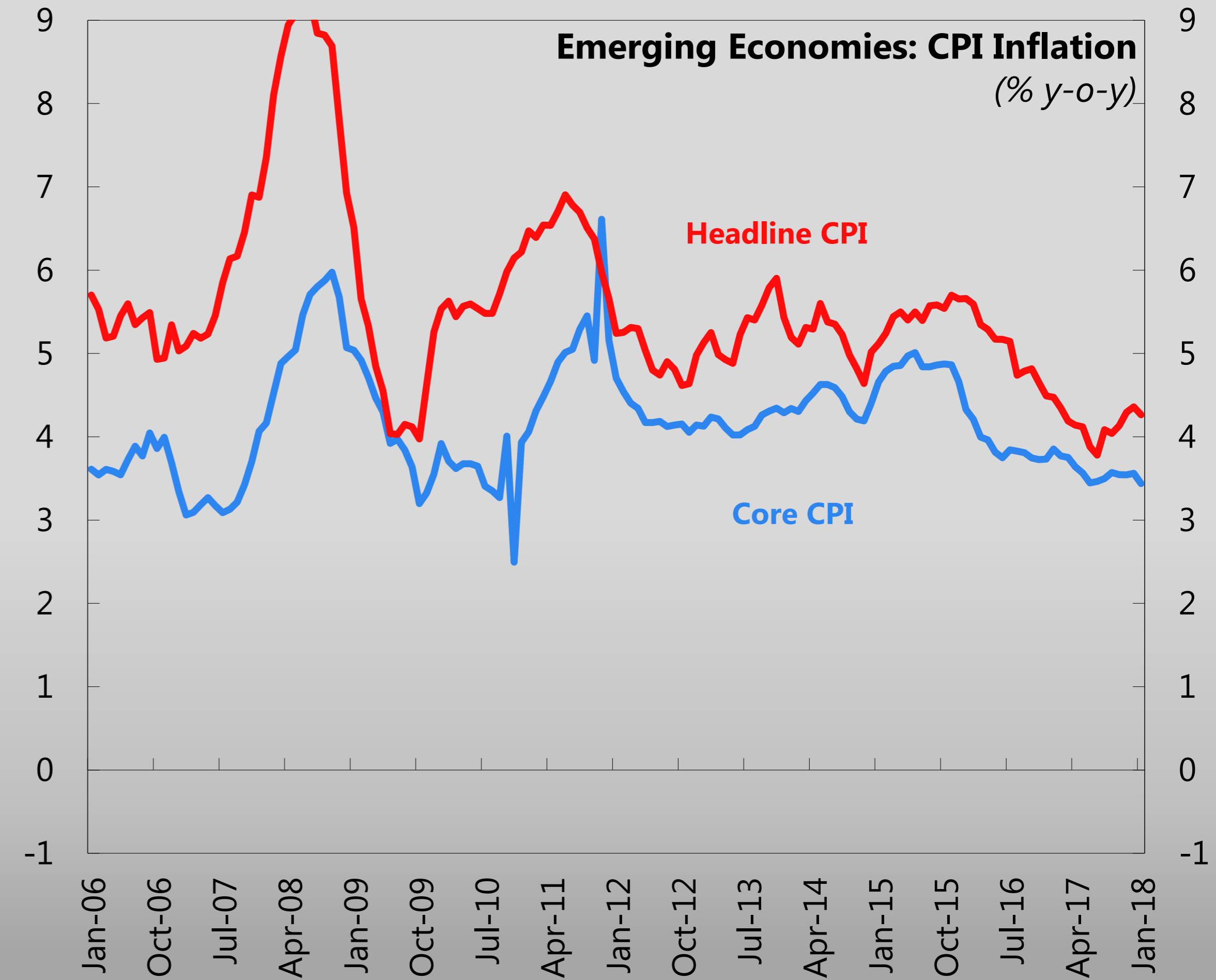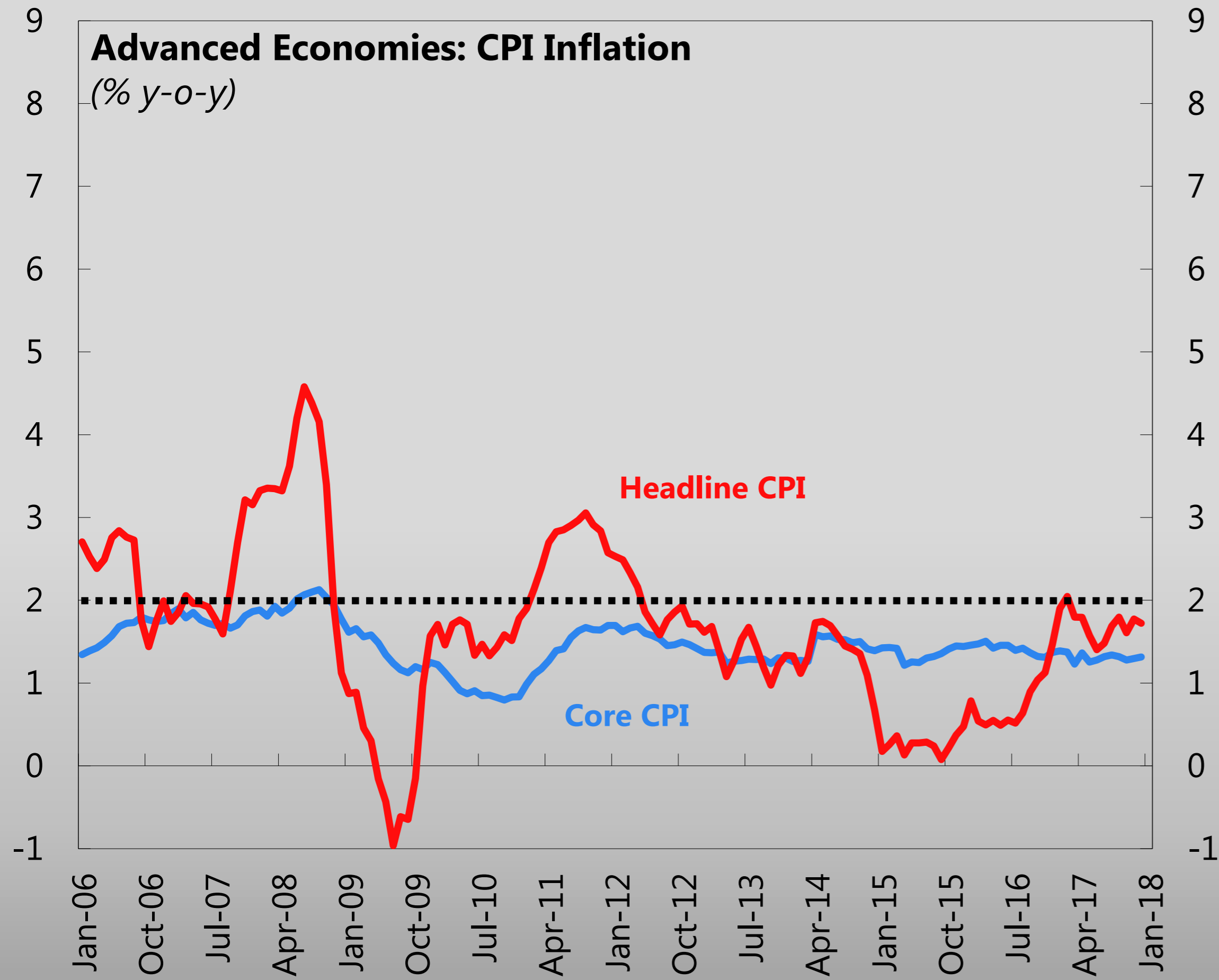
Source: IMF, Global Data Source database; and IMF staff calculations.

Source: IMF, Global Data Source database; and IMF staff calculations.

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Despite the recent bout of equity market volatility, global financial conditions remain easy

Volatility picked up after the recent equity market sell-off
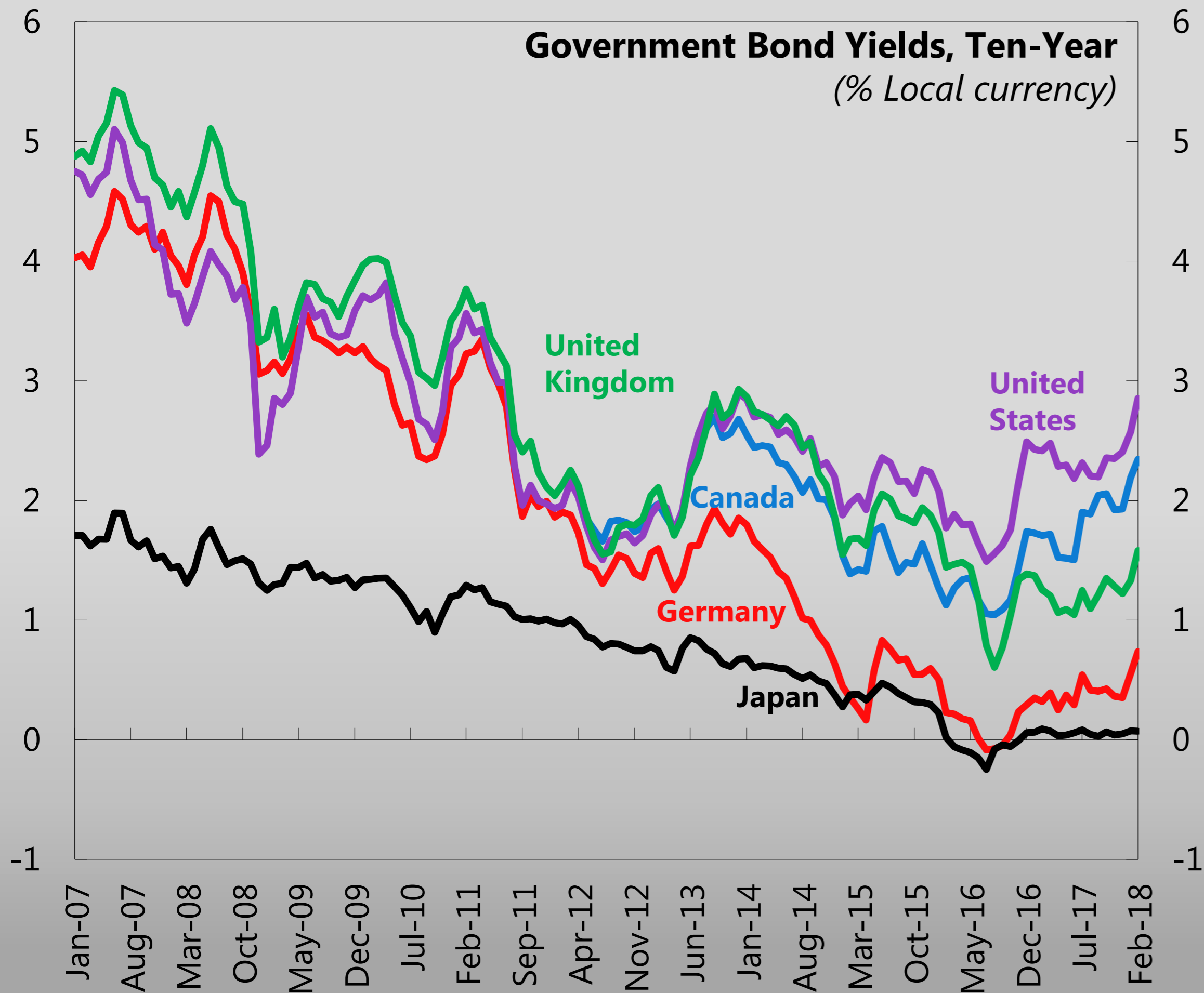
Equity indices remain at historic highs.

VIX
(index)

Equity Indices
(index: Jan-2008 = 100)

United States

United Kingdom

Germany

Canada

Japan
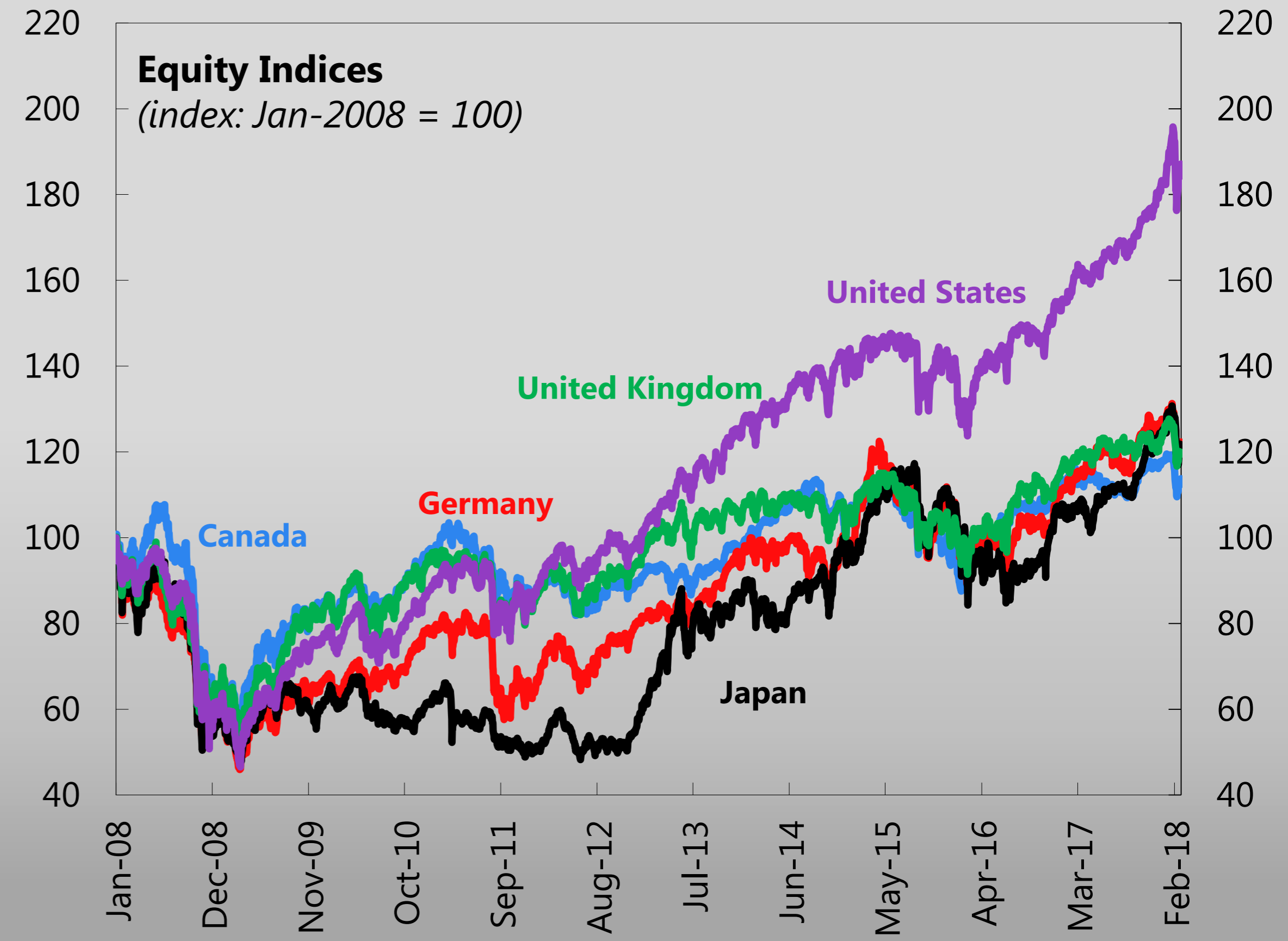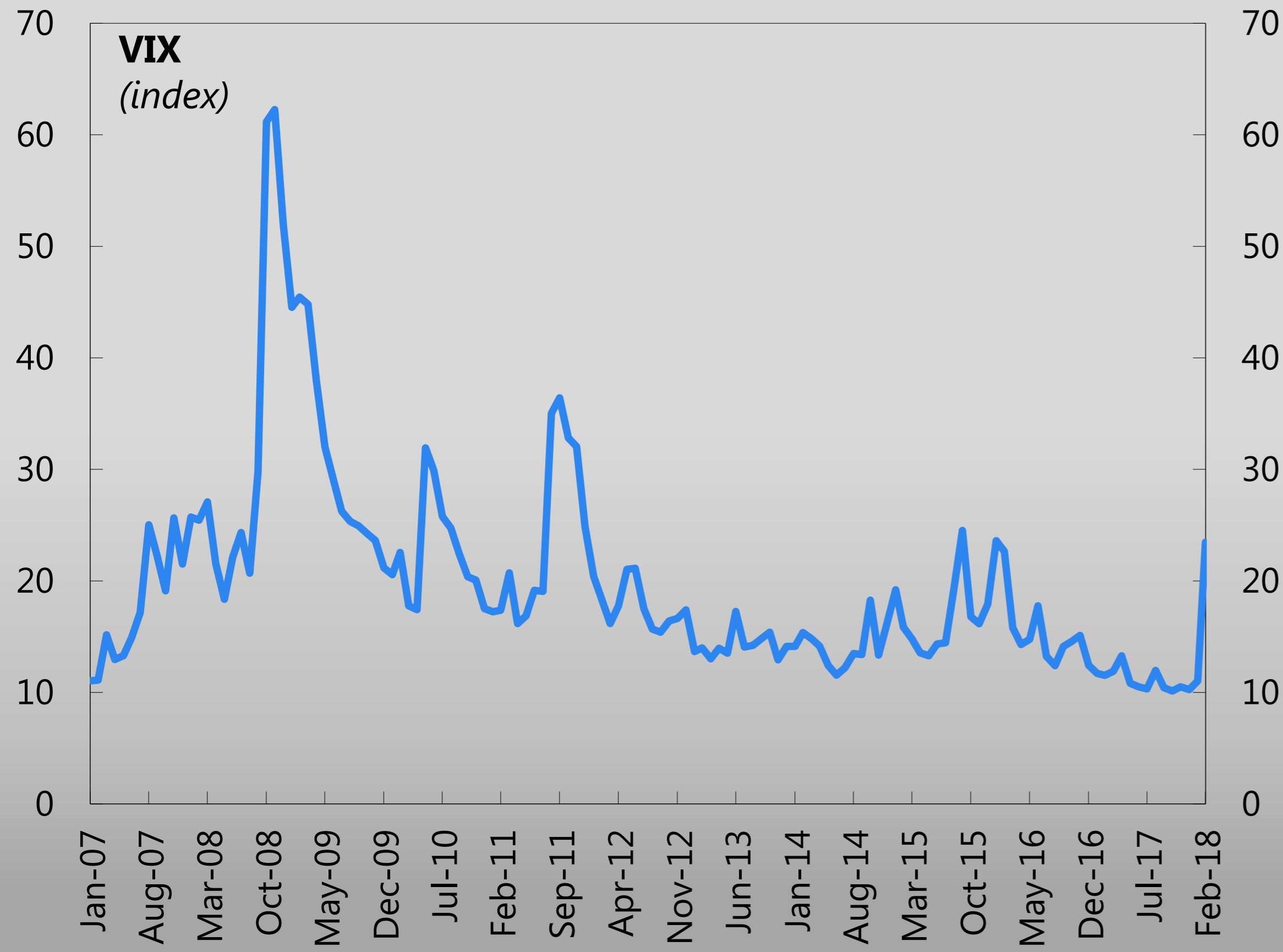
Source: Bloomberg Finance L.P.

Source: Thompson Reuters Datastream.

EM vulnerabilities remain

Bond yields are gradually increasing

Deleveraging started, but corporate leverage remains high

Government Bond Yields, Ten-Year
(% Local currency)

United Kingdom

United States

Canada

Germany

Japan

Total Debt to EBITDA, multiple
(%)

75th percentile
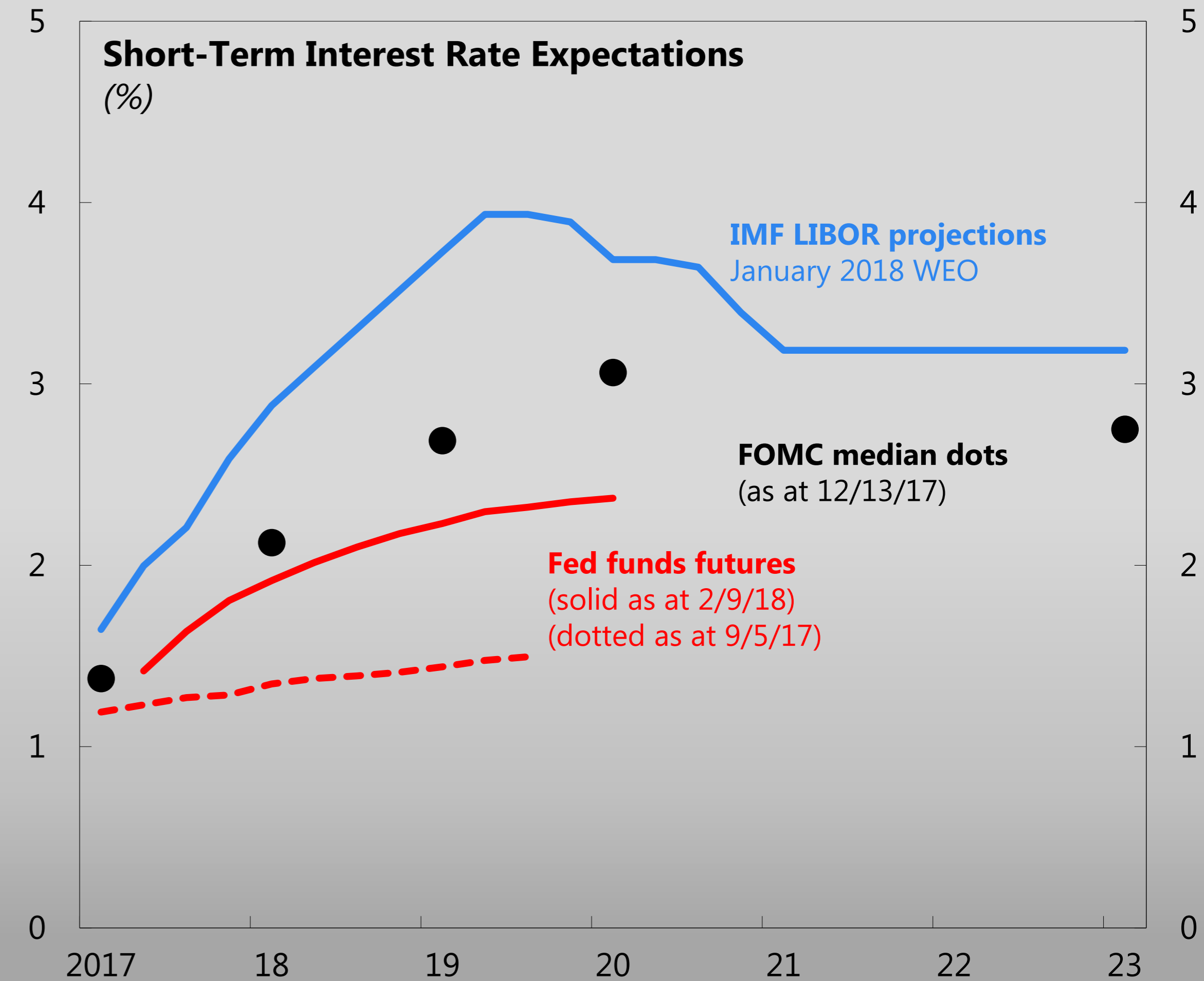
Mean

25th percentile
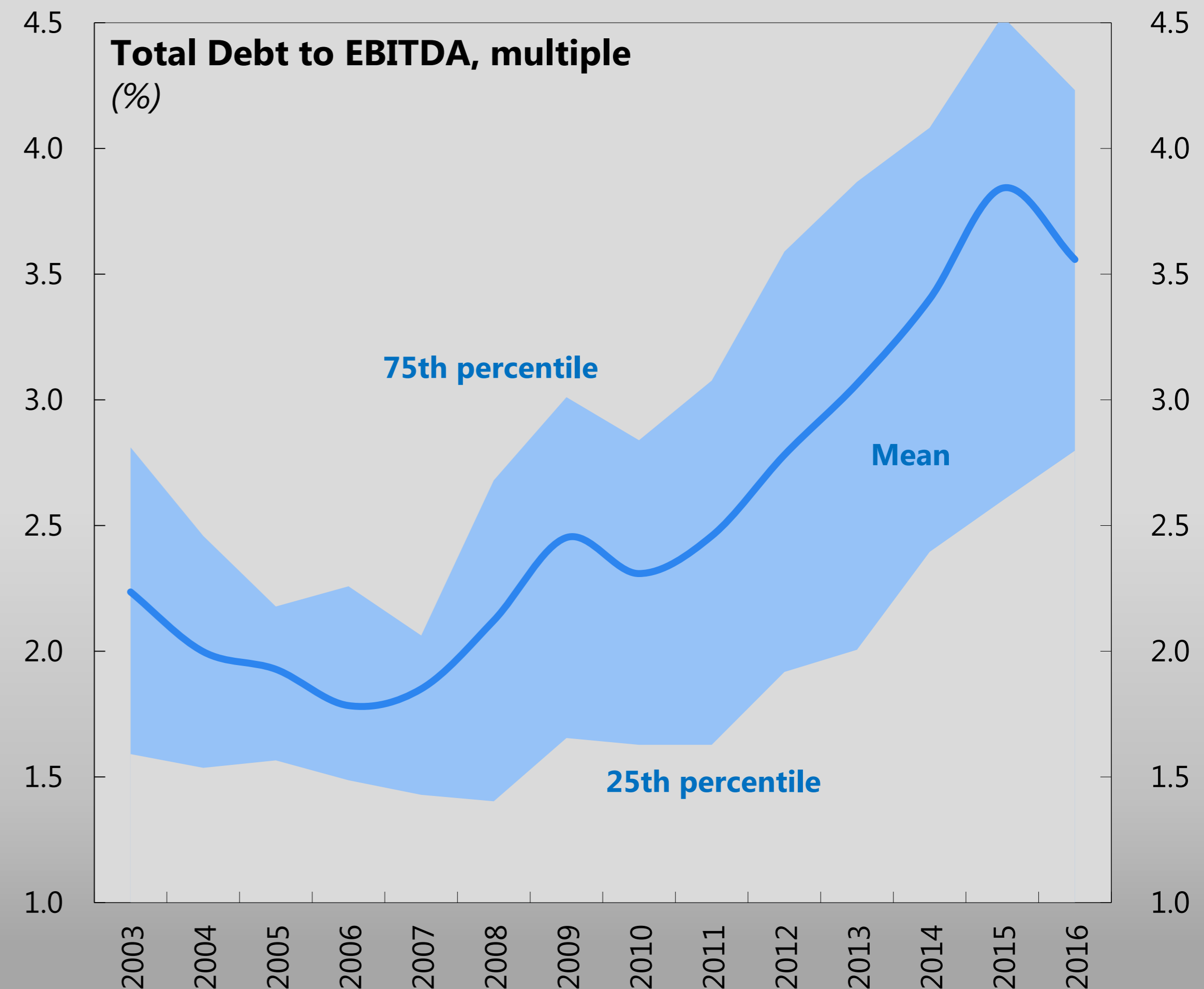
Source: Bloomberg Finance L.P.; and IMF staff calculations.

Source: Bloomberg Finance L.P.

The US: The macroeconomy and Fed are accelerating

United States: Inflation and Output Gap
(% y-o-y)

Core PCE

Headline PCE

Output Gap
(percent of potential)

Short-Term Interest Rate Expectations
(%)

IMF LIBOR projections
January 2018 WEO

FOMC median dots
(as at 12/13/17)

Fed funds futures
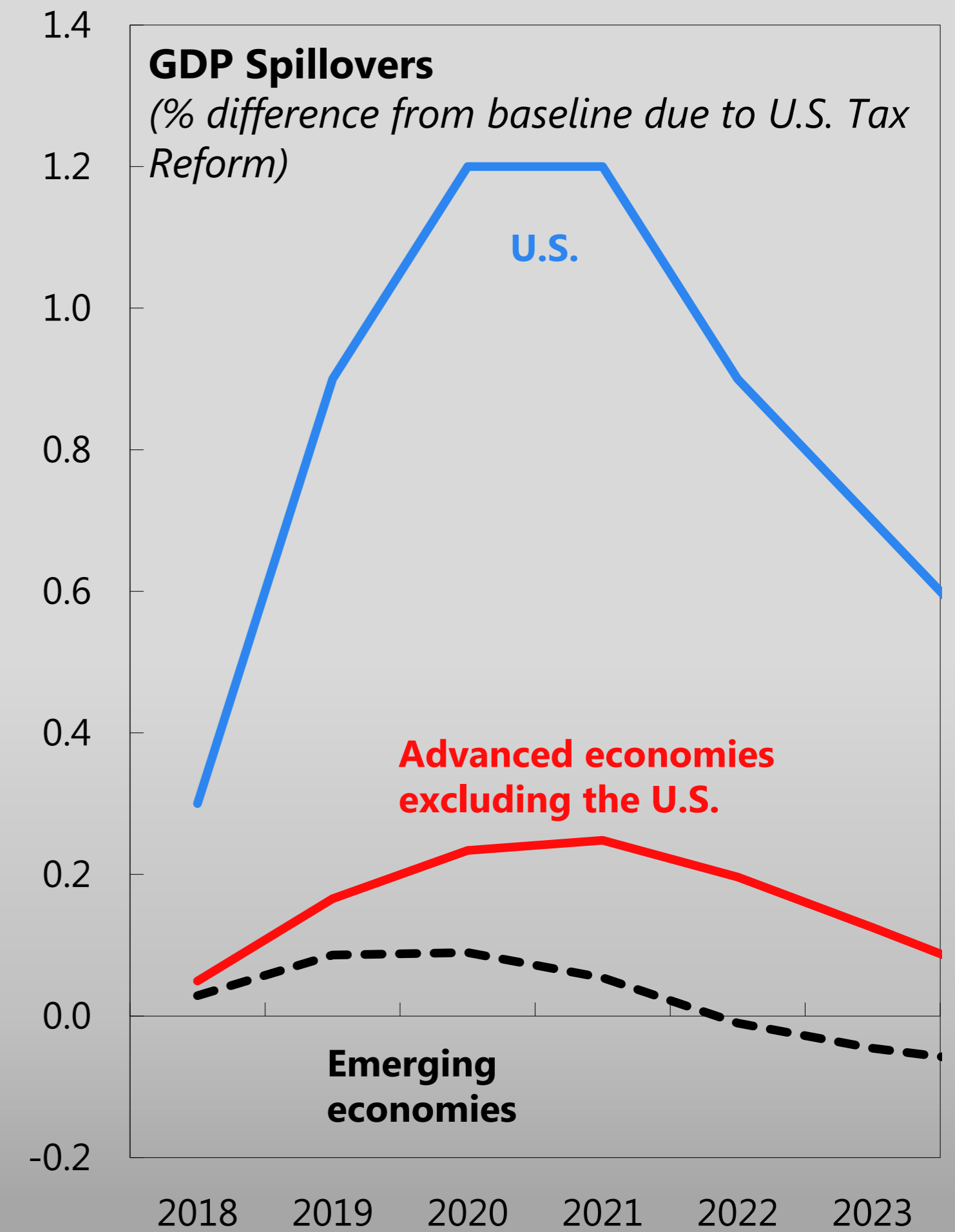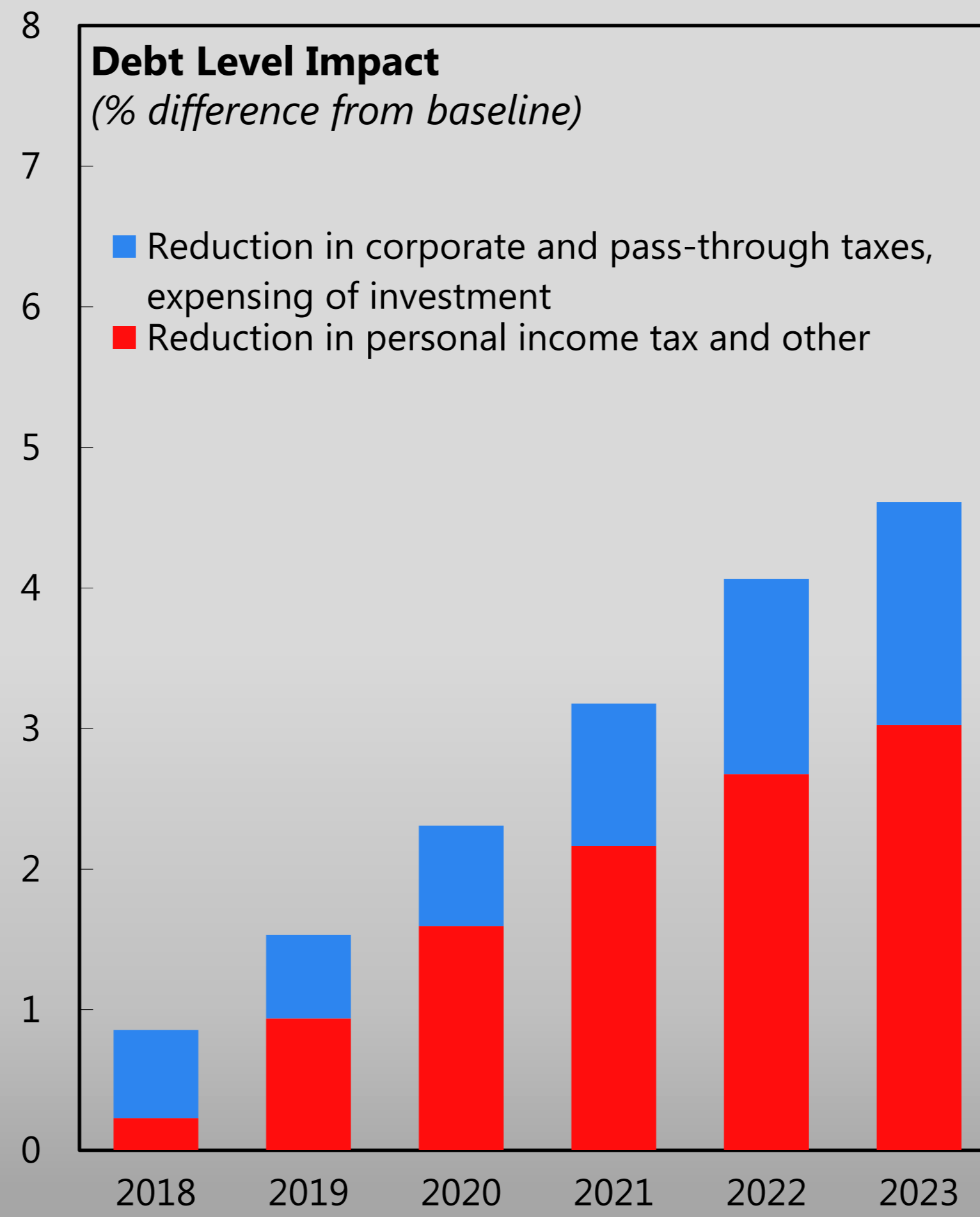(solid as at 2/9/18)
(dotted as at 9/5/17)
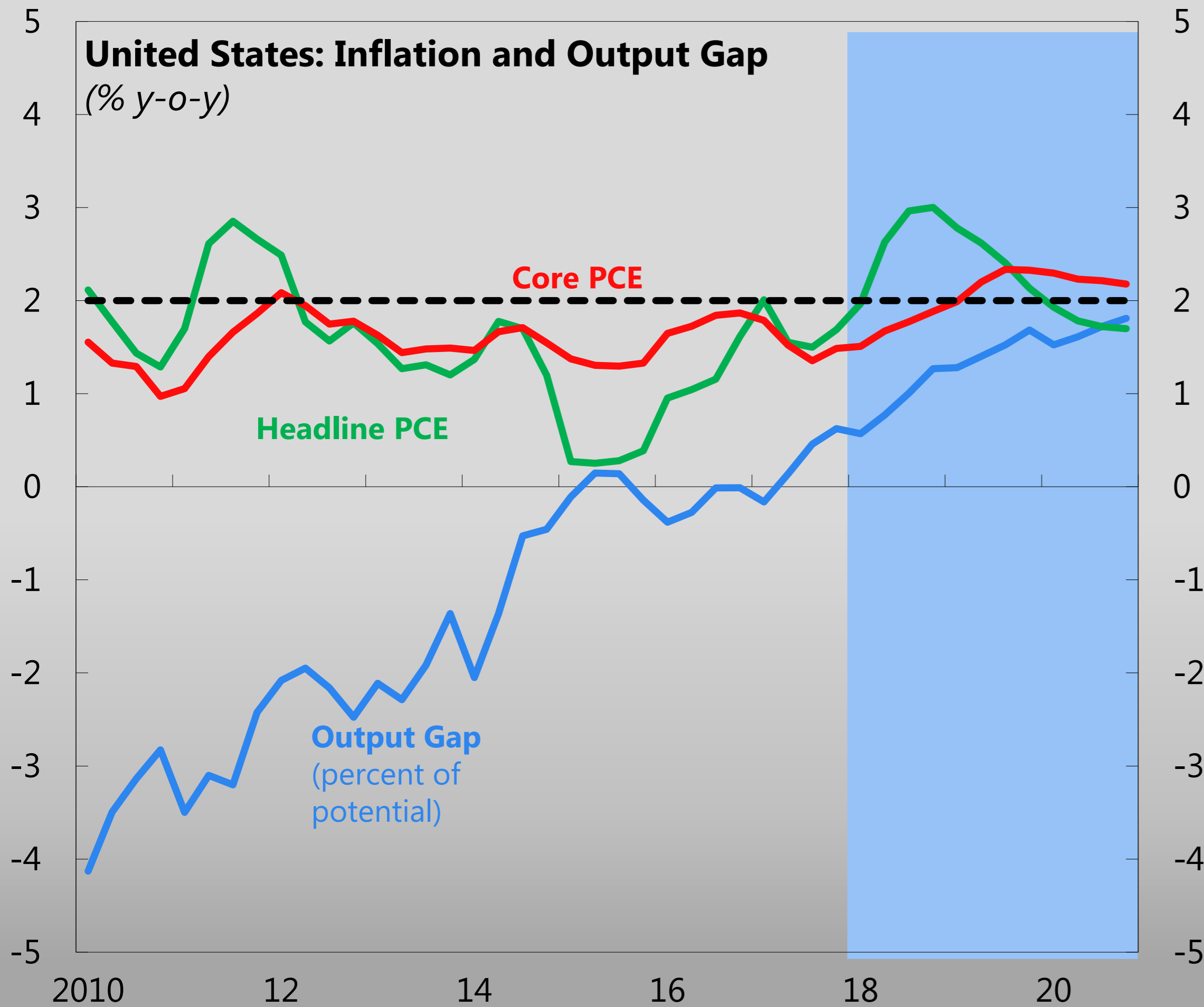
Sources: BEA; Haver Analytics; and IMF staff calculations.

Sources: Federal Reserve; Bloomberg Finance L.P.; and IMF staff calculations.

The US: Macroeconomic impacts of the US tax legislation

GDP Level Impact
(% difference from baseline)

- ■ Reduction in corporate and pass-through taxes, expensing of investment
- ■ Reduction in personal income tax and other

Debt Level Impact
(% difference from baseline)

- ■ Reduction in corporate and pass-through taxes, expensing of investment
- ■ Reduction in personal income tax and other

GDP Spillovers
(% difference from baseline due to U.S. Tax Reform)

U.S.

Advanced economies excluding the U.S.

Emerging economies

Source: IMF staff calculations.

The EA: Strong and broad based recovery

Real GDP Growth
(% y-o-y)

Max

Euro area

Min

1999 2001 2003 2005 2007 2009 2011 2013 2015 2017

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Ireland 2015 excluded.

Inflation and Wage Growth
(% y-o-y)

Wage

Core

Headline

ene. 12   nov. 12   sep. 13   jul. 14   may. 15   mar. 16   ene. 17   nov. 17
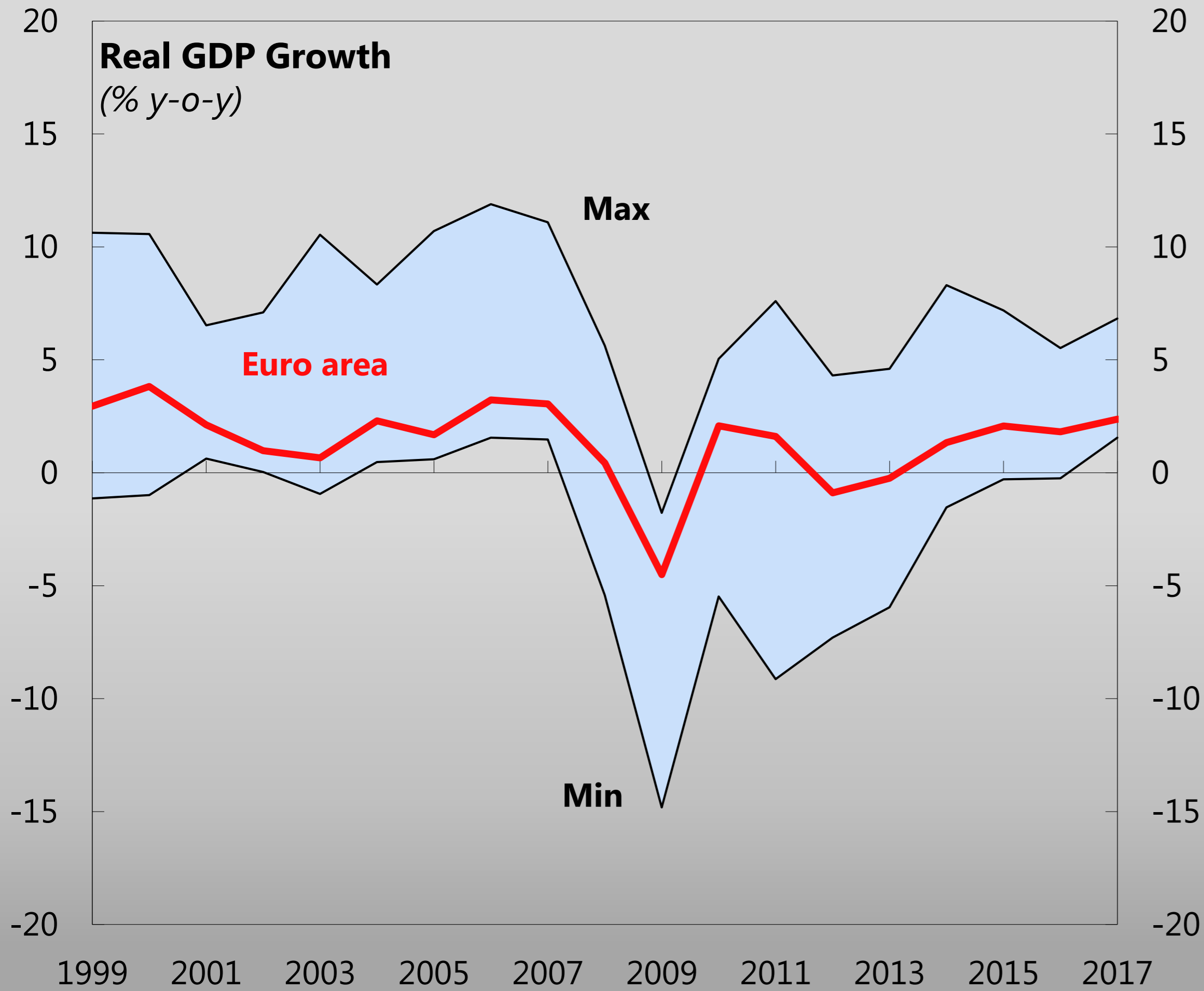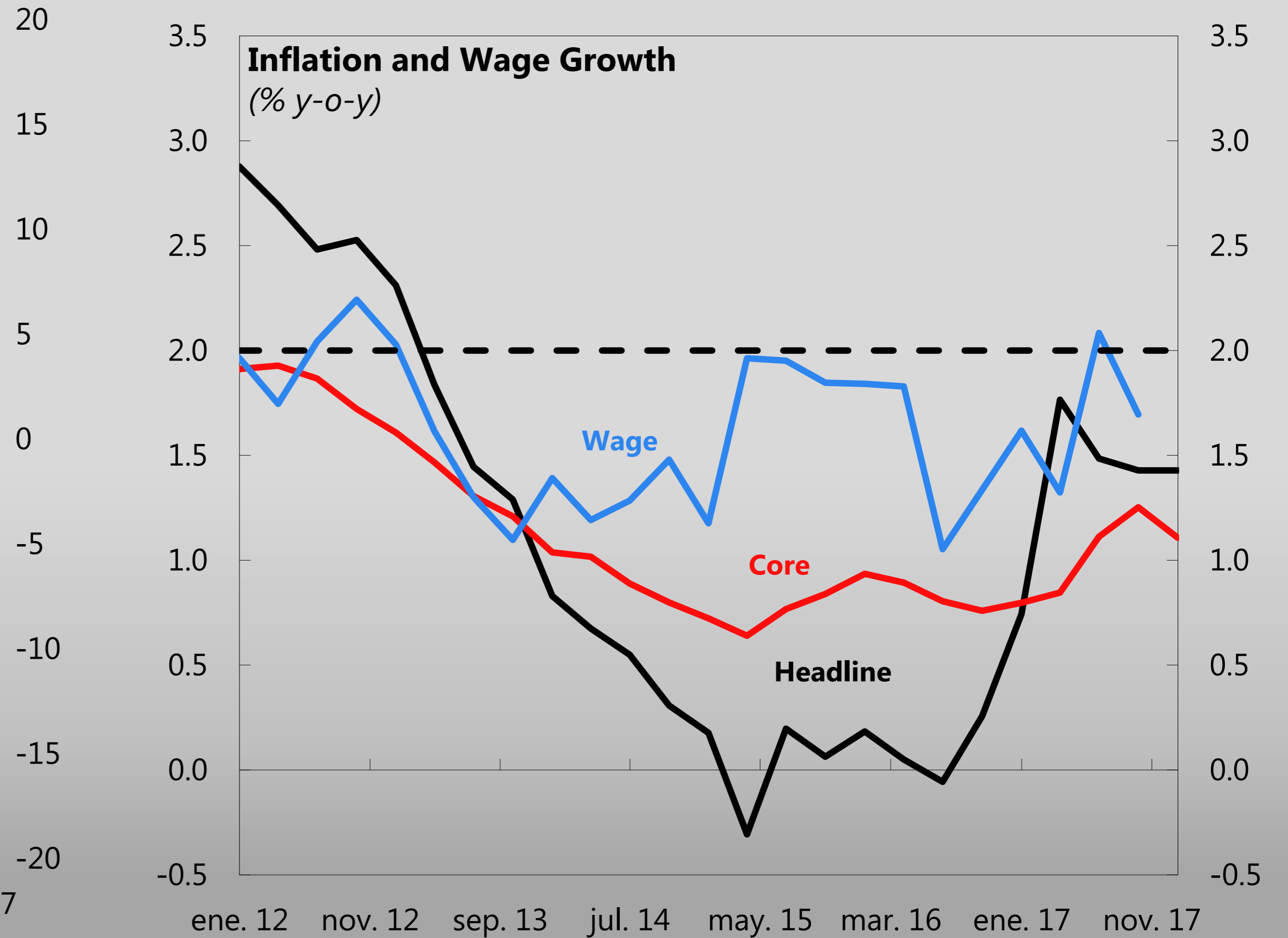
Sources: Eurostat; Haver Analytics; and IMF staff calculations.

The EA: Insufficient fiscal space and deep-seated structural impediments to growth

Public Debt
(% of GDP)

Legend: ■ 2007 ■ 2015 — 2017

Categories: GRC, ITA, PRT, CYP, BEL, ESP, FRA

Total Factor Productivity
(Index: 2000=100)

Max

Germany

France

Portugal

Min

Spain

Italy

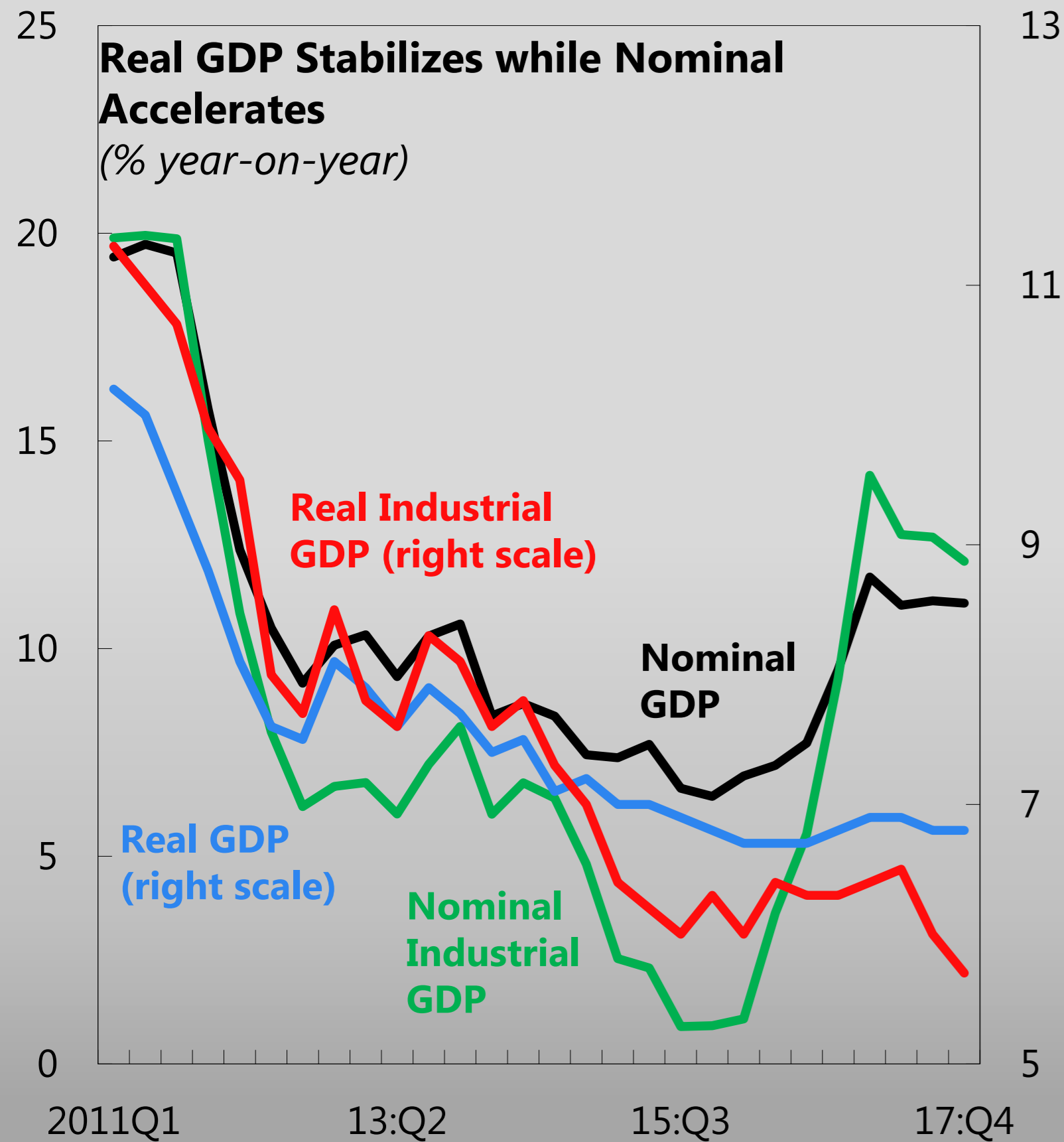Years: 2000, 2002, 2004, 2006, 2008, 2010, 2012, 2014, 2016
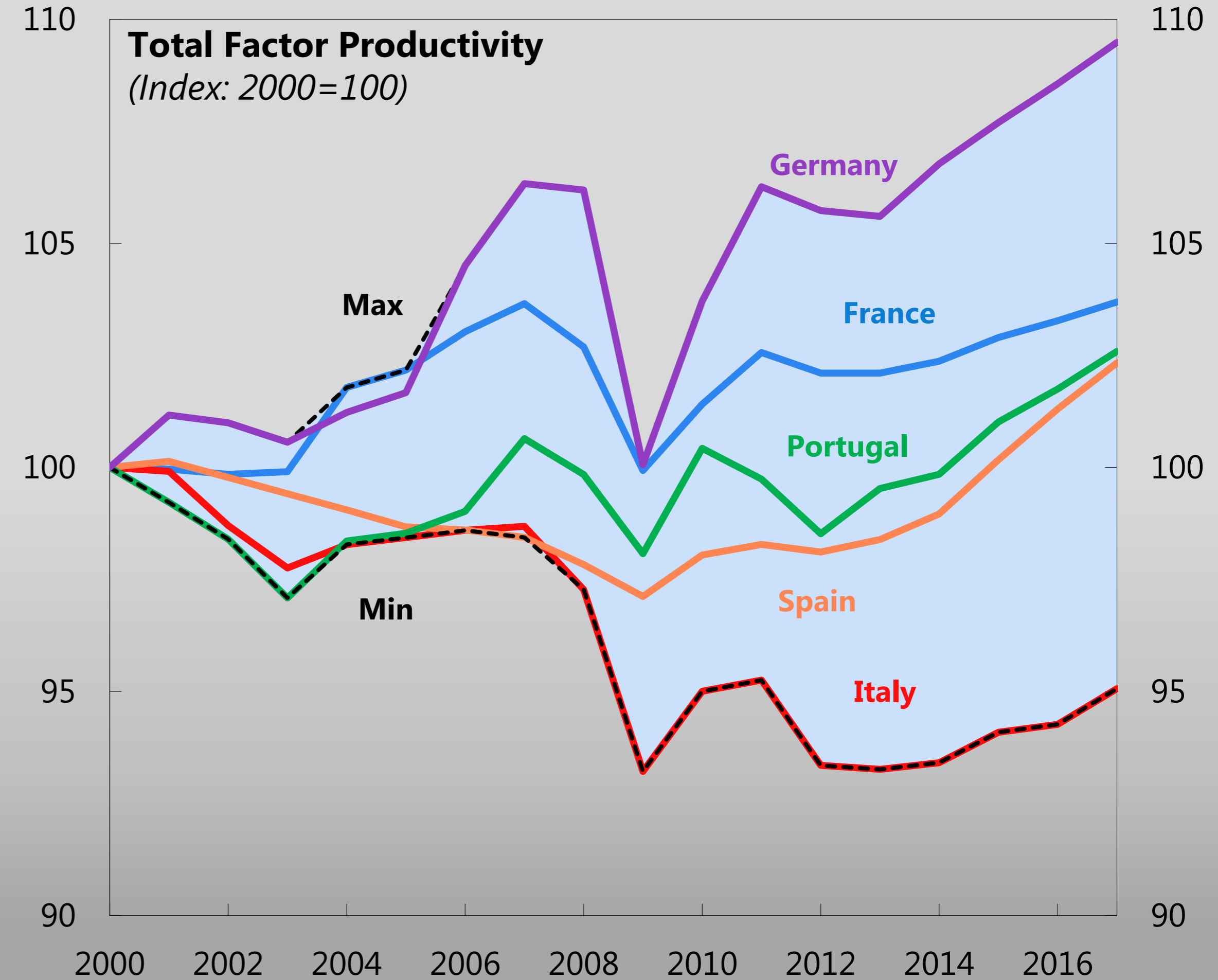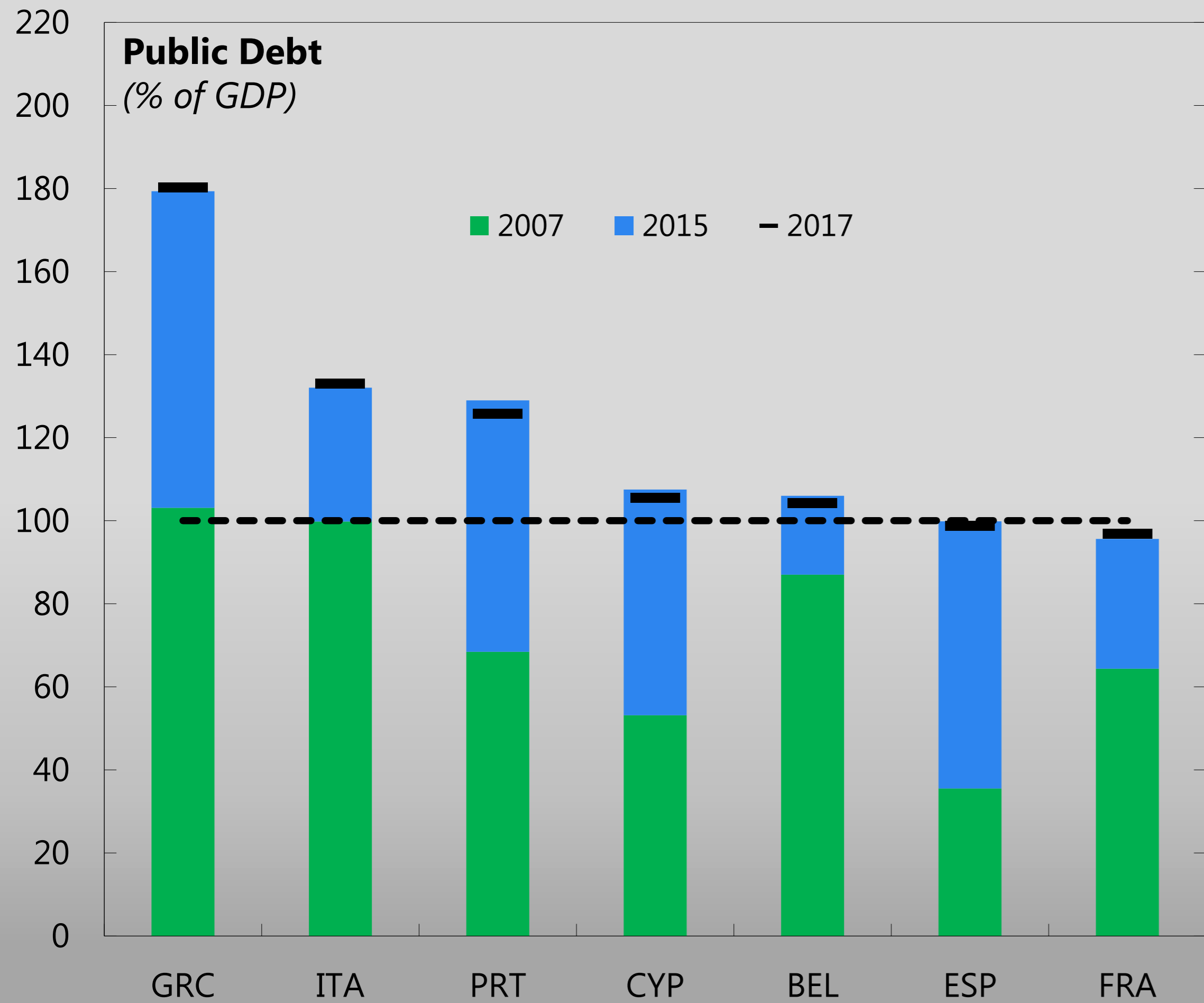
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
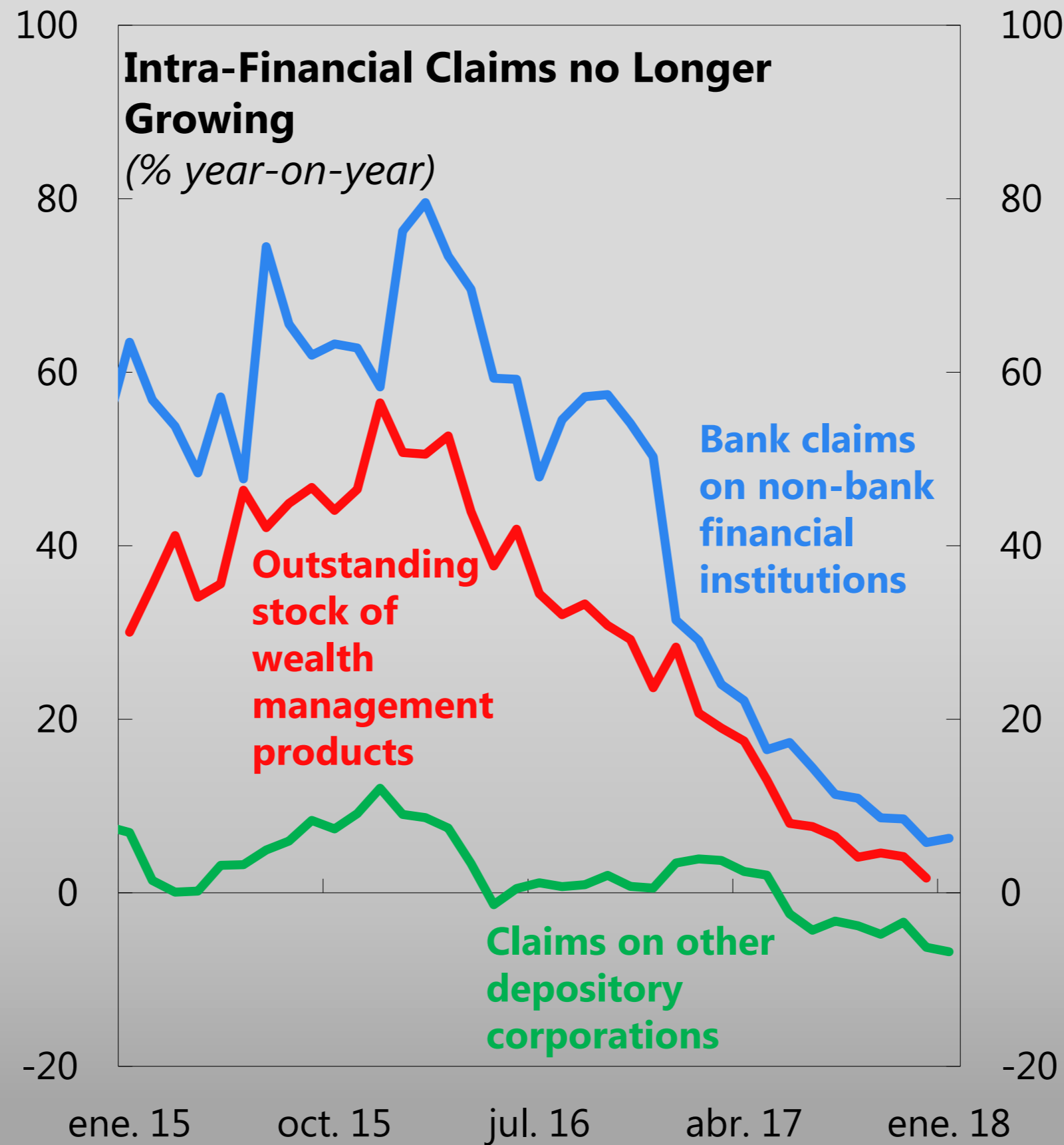
Sources: IMF, WEO; Eurostat; and IMF staff estimates.

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China: Strong growth, but risks remain

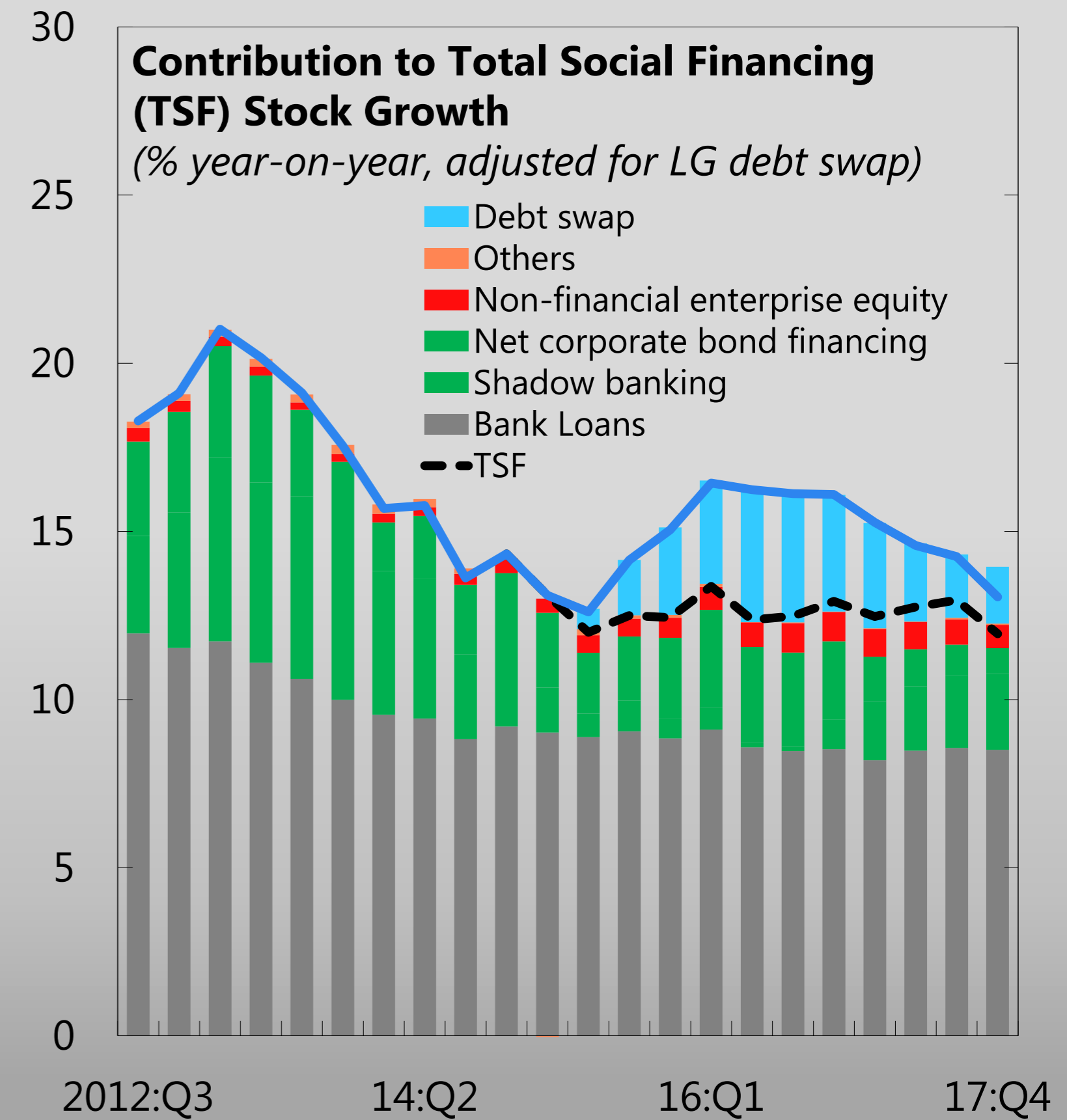*Growth picks up as PPI recovery drives industrial profits*

"Regulatory storm" is tackling financial sector risks...

But credit growth, while slowing, remains unsustainably high

Real GDP Stabilizes while Nominal Accelerates
(% year-on-year)

Real Industrial GDP (right scale)

Nominal GDP

Real GDP (right scale)

Nominal Industrial GDP

2011Q1 — 13:Q2 — 15:Q3 — 17:Q4

Intra-Financial Claims no Longer Growing
(% year-on-year)

Bank claims on non-bank financial institutions

Outstanding stock of wealth management products

Claims on other depository corporations

ene. 15 — oct. 15 — jul. 16 — abr. 17 — ene. 18

Contribution to Total Social Financing (TSF) Stock Growth
(% year-on-year, adjusted for LG debt swap)

- Debt swap
- Others
- Non-financial enterprise equity
- Net corporate bond financing
- Shadow banking
- Bank Loans
- TSF

2012:Q3 — 14:Q2 — 16:Q1 — 17:Q4

Sources: Haver Analytics; and IMF staff calculations.
Note: PPI refers to producer price index.

Sources: Haver Analytics; and IMF staff calculations.

Sources: Haver Analytics, based on EPFR Global; and IMF staff calculations.
Note: LG Debt Swap refers to local government debt swaps.

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Presentation Outline

I. Global Outlook

II. LAC Outlook

LAC emerging from a protracted recession

2015

2016

2017

2018

2015 LAC growth: 0.3%

Growth Comparison
- Negative 2015 growth
- Positive 2015 growth; below historical average
- Positive 2015 growth; above historical average

2016 LAC growth: -0.7%

Growth Comparison
- Negative 2016 growth
- Positive 2016 growth; below historical average
- Positive 2016 growth; above historical average

2017 LAC growth: 1.3%

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

2018 LAC growth: 1.9%

Growth Comparison
- Negative 2018 growth
- Positive 2018 growth; below historical average
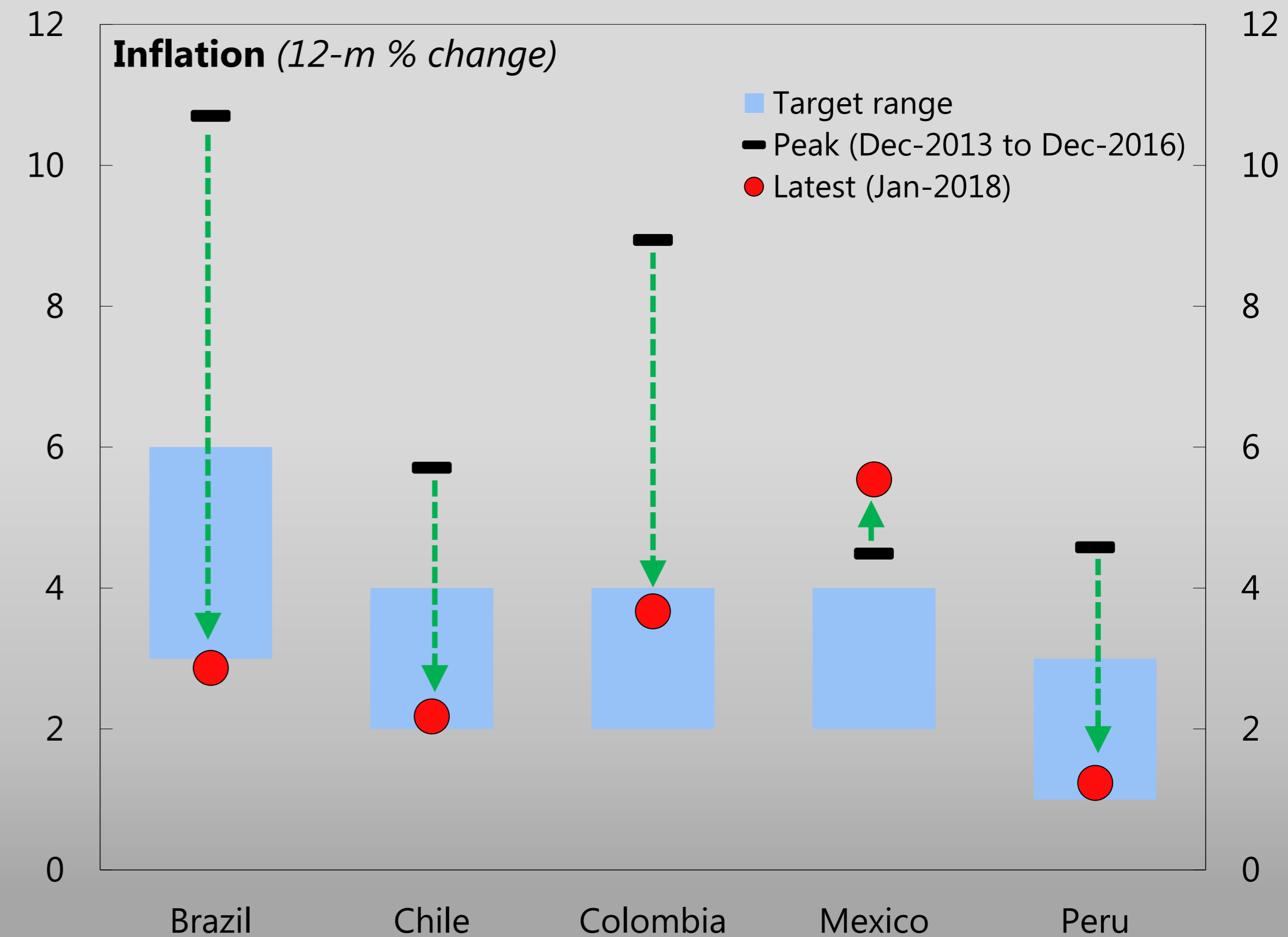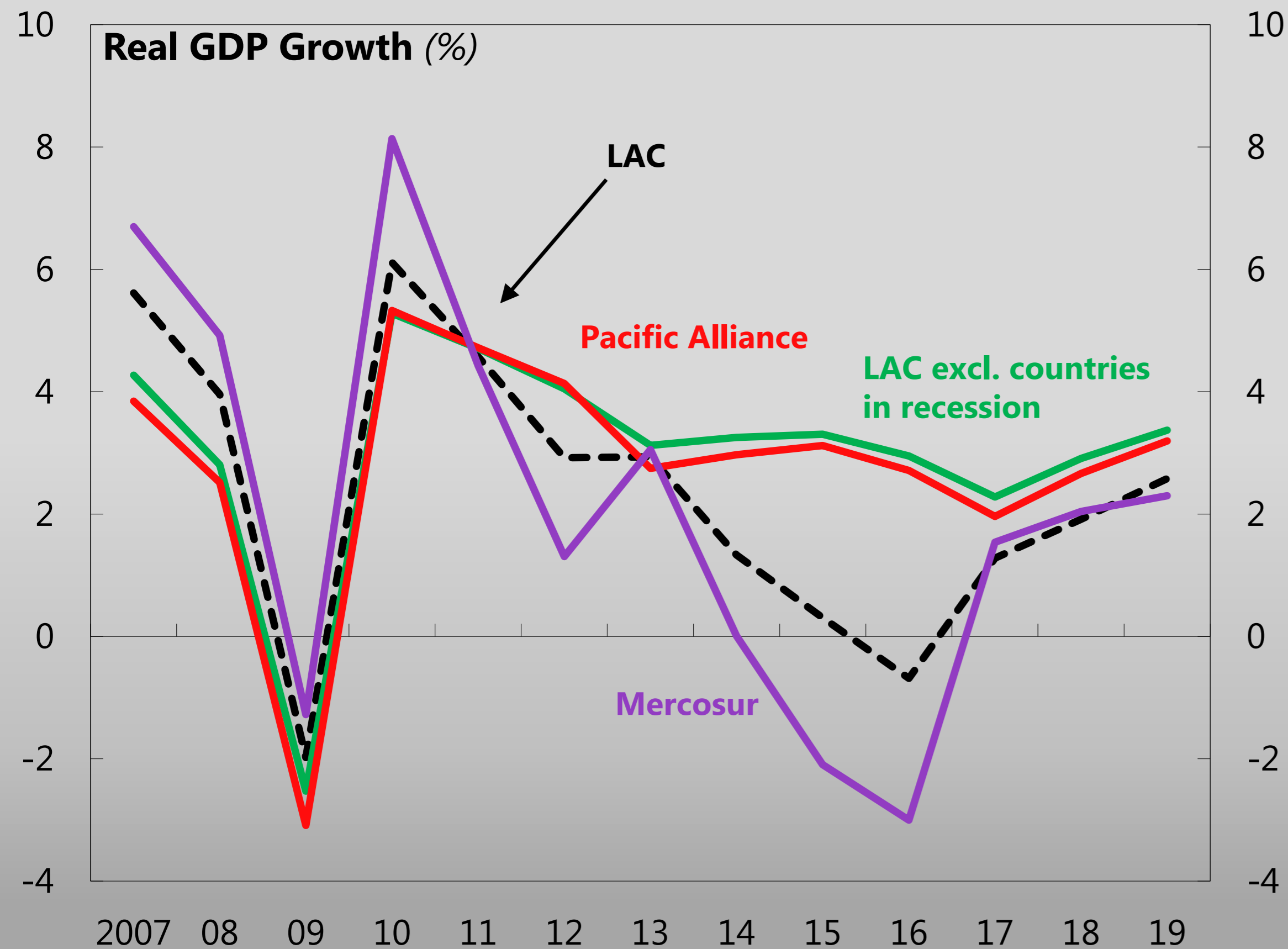- Positive 2018 growth; above historical average

Sources: IMF, World Economic Outlook (January 2018 Update) database; and IMF staff calculations.
Note: Historical average refers to the average growth from 2000–13.

The cyclical recovery is on track in Latin America

The economic recovery expected a year ago is now a reality...

... at the same time, inflation has been falling in most countries.

Real GDP Growth *(%)*

LAC

Pacific Alliance

LAC excl. countries in recession

Mercosur

2007 08 09 10 11 12 13 14 15 16 17 18 19

Inflation *(12-m % change)*

- Target range
- Peak (Dec-2013 to Dec-2016)
- Latest (Jan-2018)

Brazil Chile Colombia Mexico Peru

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Recession countries are Argentina, Belize, Brazil, Ecuador, Suriname, Trinidad and Tobago, and Venezuela. Pacific Alliance includes Chile, Colombia, Mexico, and Peru. Mercosur includes Argentina, Brazil, Paraguay, and Uruguay. LAC = Latin America and the Caribbean.

Sources: Haver Analytics; and IMF staff calculations.
Note: Peak dates over the period December 2013 to December 2016 are: Brazil (January 2016); Chile (October 2014); Colombia (July 2016); and Mexico (January 2014); and Peru (January 2016).

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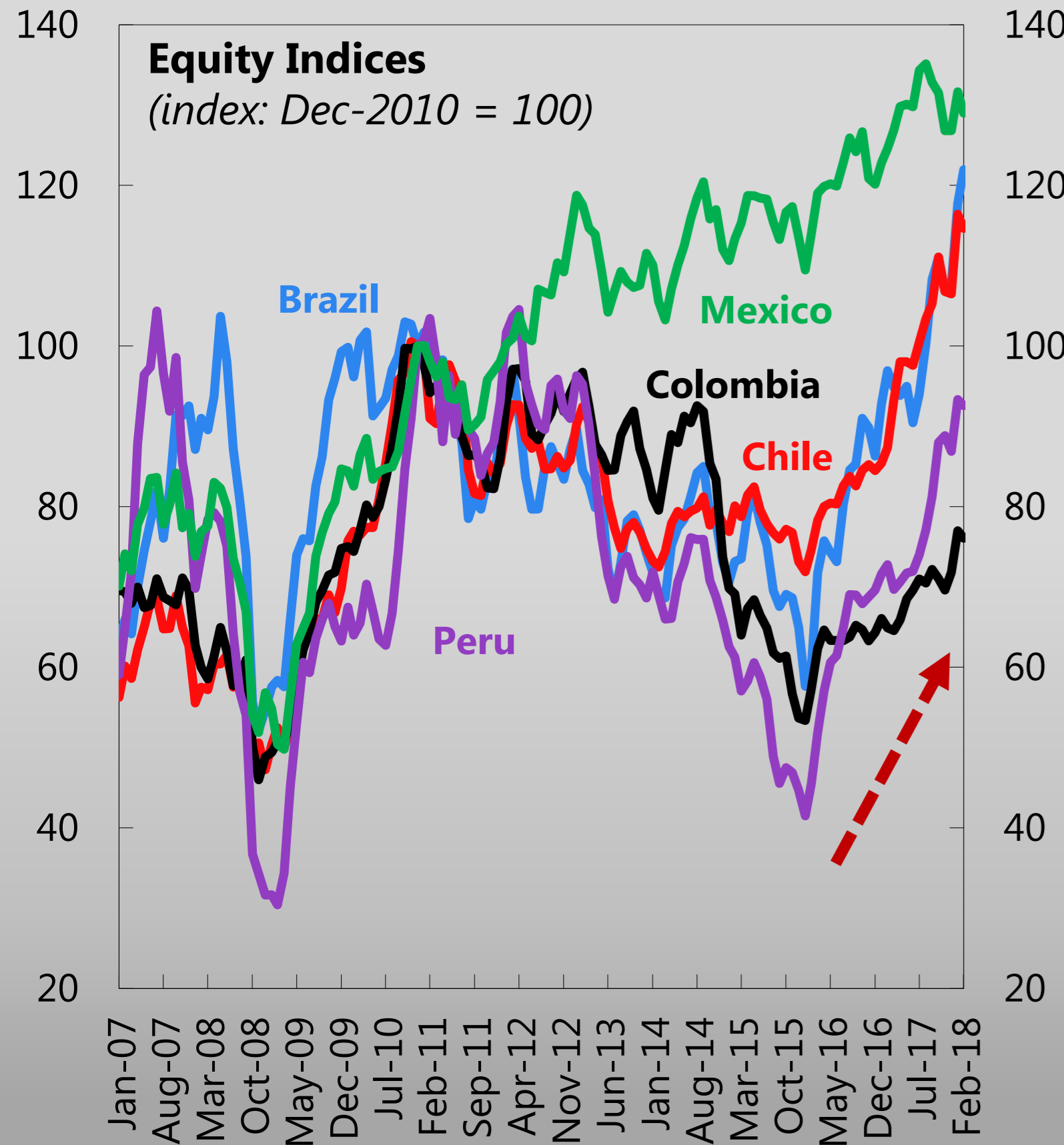# Improving outlook for LAC in the short term

| | Real GDP Growth (%) | | | | | | CPI Inflation (end of period; %) | | | | |
| | | | | Projections | | | | | | Projections | |
	2014	2015	2016	2017	2018		2014	2015	2016	2017	2018
LAC	**1.3**	**0.3**	**–0.7**	**1.3**	**1.9**		**5.0**	**6.2**	**4.6**	**4.1**	**3.7**
CAPDR	5.0	5.1	4.6	3.8	4.3		3.3	1.6	2.0	3.4	3.7
Caribbean											
Tourism-dependent	0.6	0.4	1.5	1.5	2.0		1.5	–0.3	0.5	2.6	2.2
Commodity exporters	0.2	–0.4	–4.9	–1.9	2.0		3.3	6.1	14.5	4.3	5.1
Memorandum items:											
Argentina	–2.5	2.6	–2.2	2.8	2.5		23.9	…	…	23.6	16.3
Brazil	0.5	–3.5	–3.5	1.1	1.9		6.4	10.7	6.3	3.3	4.1
Chile	1.9	2.3	1.6	1.7	3.0		4.7	4.4	2.8	2.2	2.7
Colombia	4.4	3.1	2.0	1.7	3.0		3.7	6.8	5.7	4.0	3.3
Mexico	2.8	3.3	2.9	2.0	2.3		4.1	2.1	3.4	6.6	3.6
Peru	2.4	3.3	4.0	2.7	4.0		3.2	4.4	3.2	1.6	2.5
Uruguay	3.2	0.4	1.5	3.5	3.1		8.3	9.4	8.1	6.2	6.7

Sources: IMF, World Economic Outlook (January 2018 Update) database; and IMF staff calculations.
Note: Real GDP growth aggregates are PPP GDP-weighted. LAC inflation is geometric average excluding Argentina and Venezuela. Other inflation regional aggregates are simple averages.
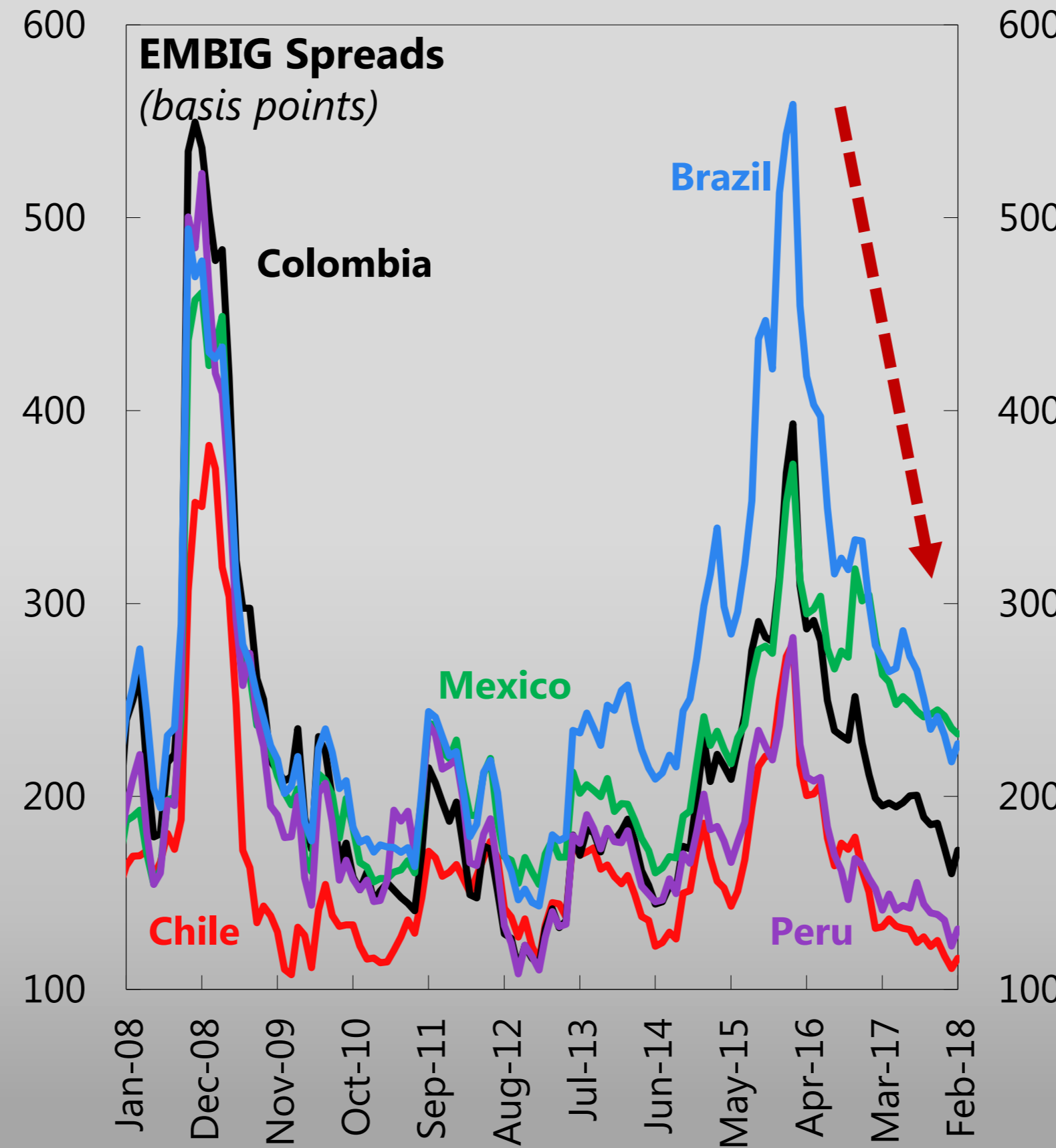
Accommodative external financial conditions continue to support domestic financial conditions in Latin America

*Equity prices have rebounded from recent lows...*

... while sovereign spreads have fallen sharply...

... and recent currency depreciations have partially reversed

Equity Indices
(index: Dec-2010 = 100)

Brazil · Mexico · Colombia · Chile · Peru

EMBIG Spreads
(basis points)

Brazil · Colombia · Mexico · Chile · Peru

Bilateral Exchange Rates, US$/NC
(index: Jan-2012 = 100)

Mexico · Chile · Peru · Colombia · Brazil

Sources: Bloomberg L.P.; and IMF staff calculations.

Sources: Bloomberg L.P.; and IMF staff calculations
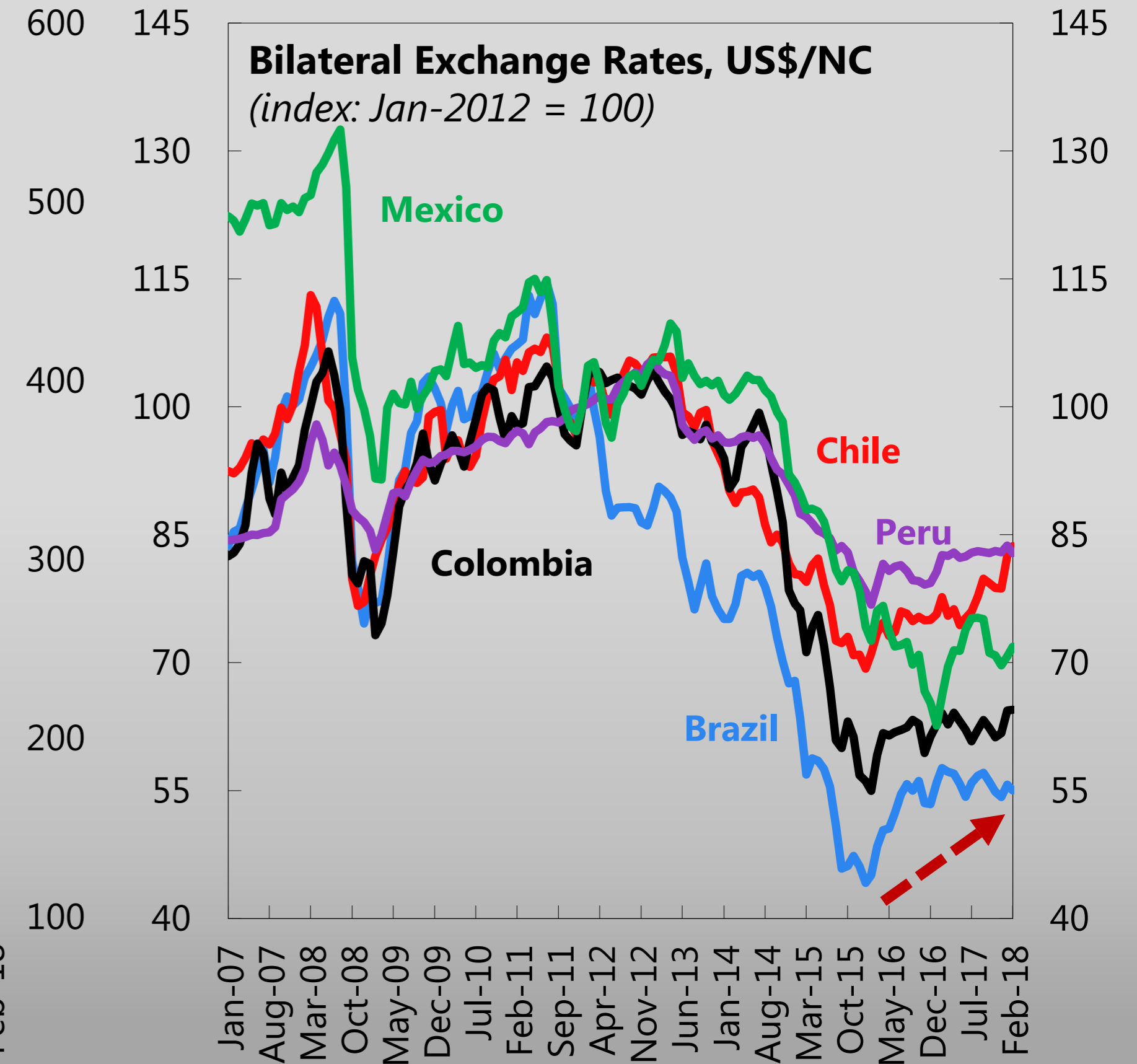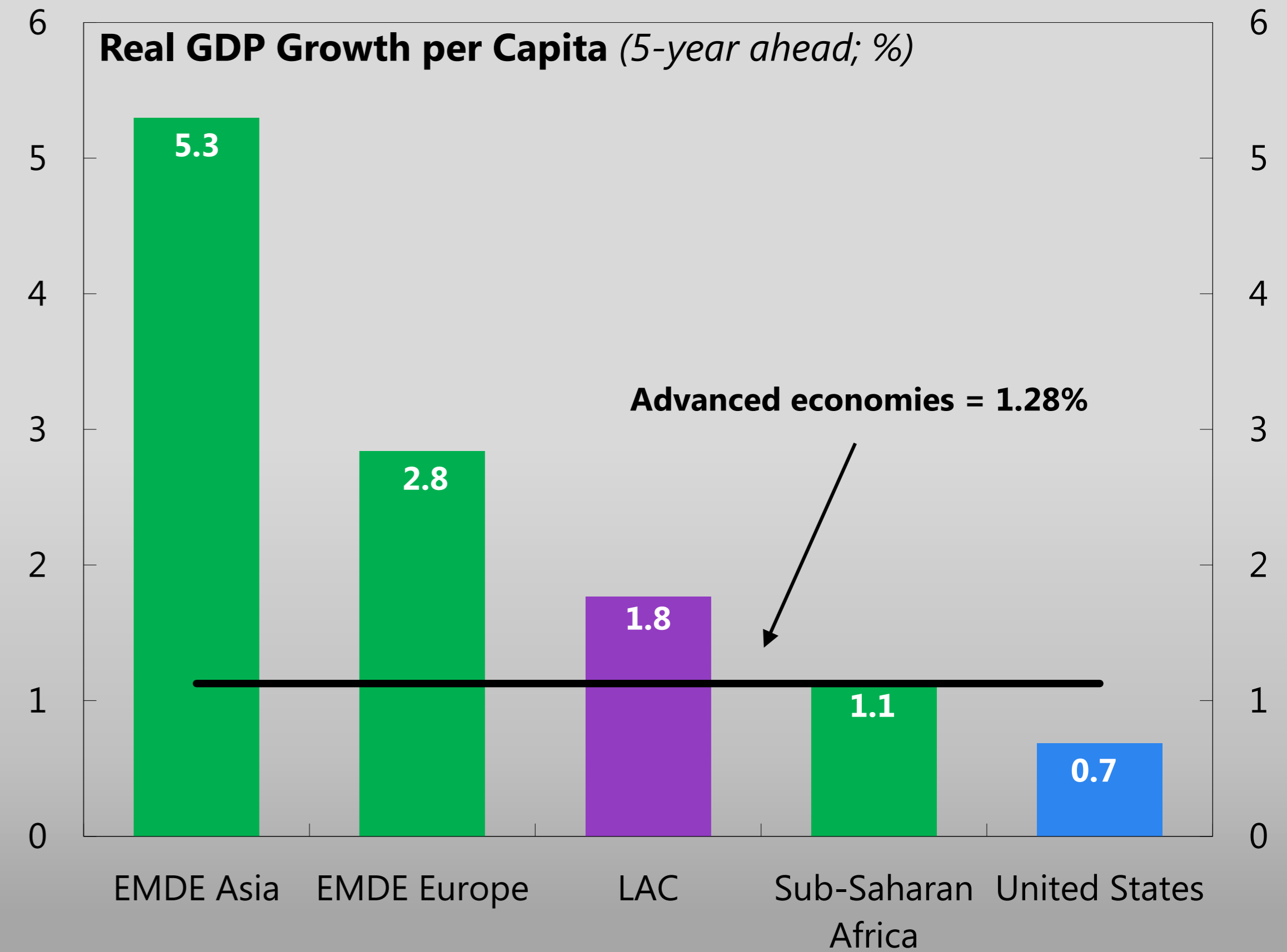
Sources: Bloomberg L.P.; and IMF staff calculations.

But subdued convergence prospects...

The end of the commodity super-cycle has brought a reversal in recent relative income gains...

... and long-term growth prospects remain dim

GDP per Capita Relative to the United States *(%)*

Latin America and the Caribbean

Emerging markets

China

1960 65 70 75 80 85 90 95 2000 05 10 15

Real GDP Growth per Capita *(5-year ahead; %)*

5.3

2.8

1.8

1.1

0.7

Advanced economies = 1.28%

EMDE Asia   EMDE Europe   LAC   Sub-Saharan Africa   United States
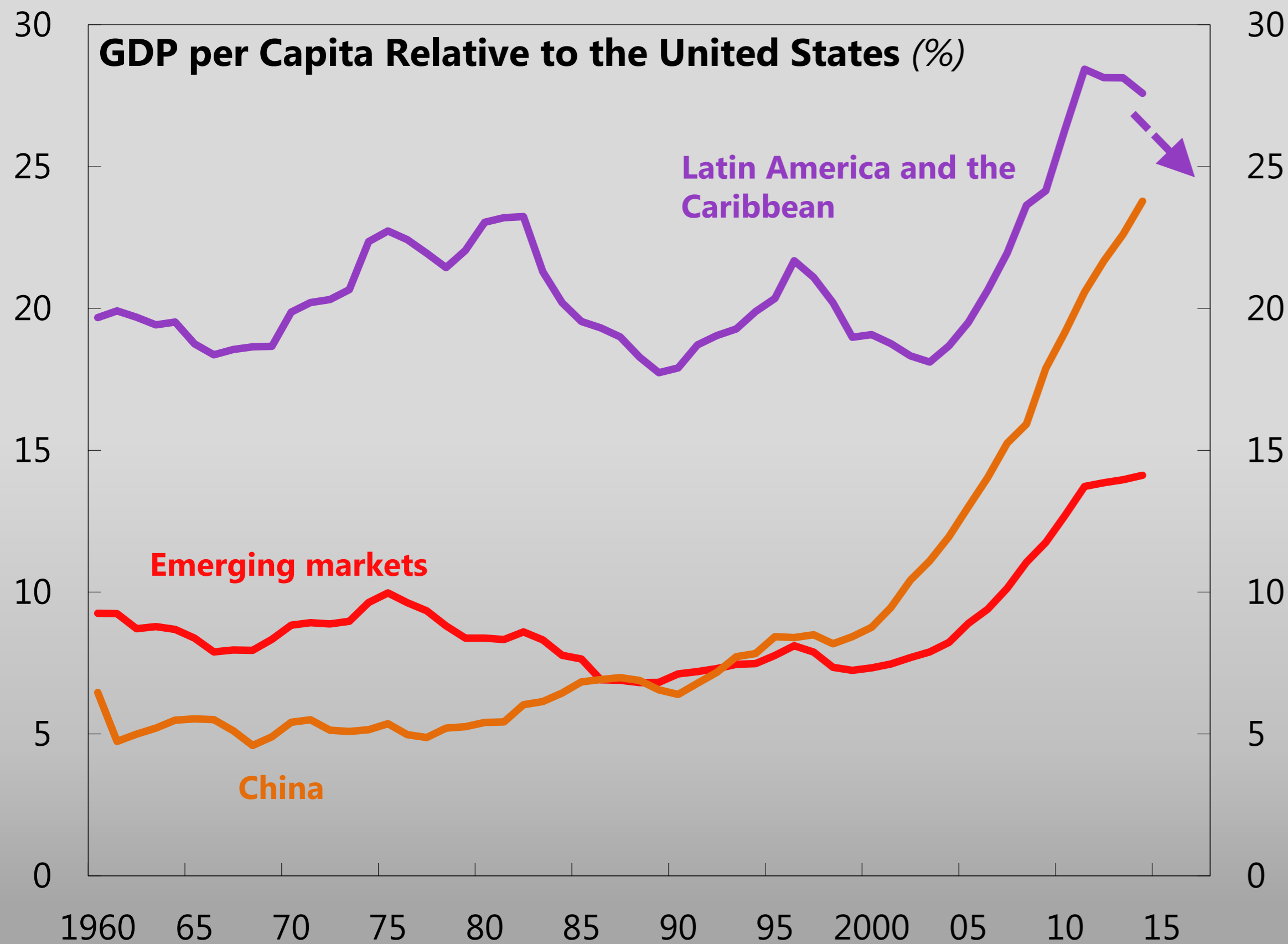
Sources: Penn World Tables 9.0; and IMF staff calculations.
Note: Emerging markets exclude China and Latin America and the Caribbean countries.

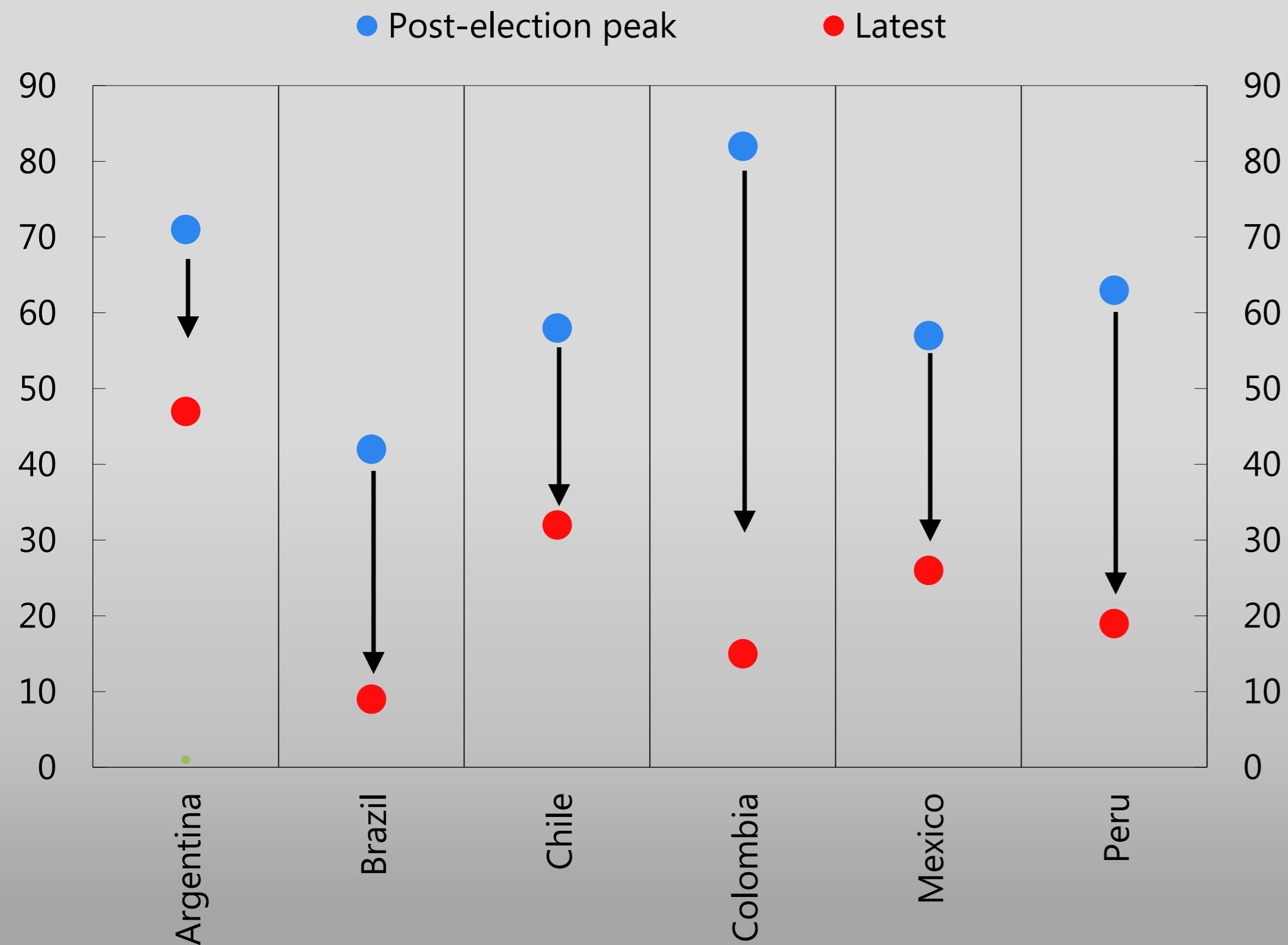Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Corresponds to WEO's projections for 2022.

… and a heavy electoral calendar

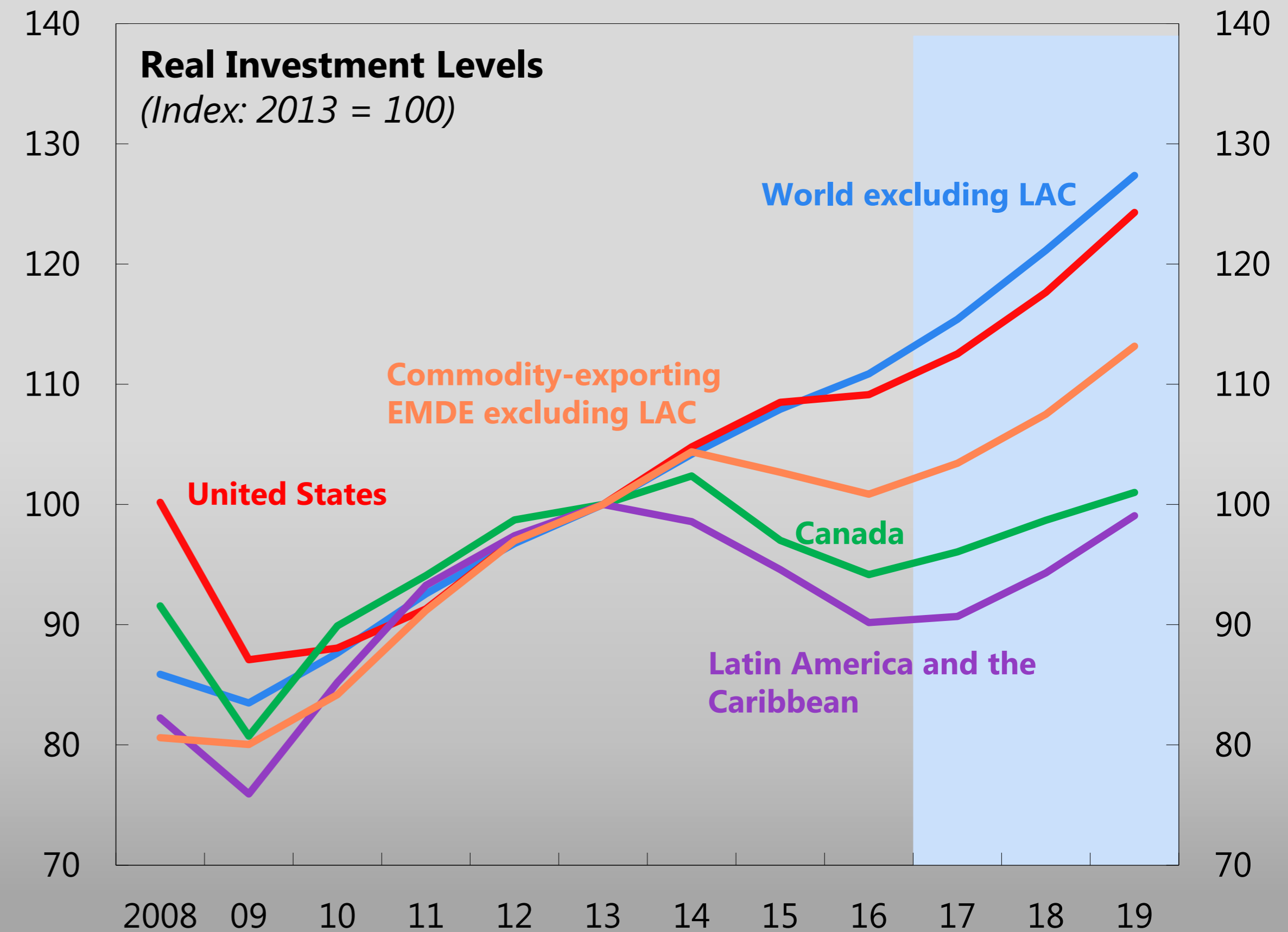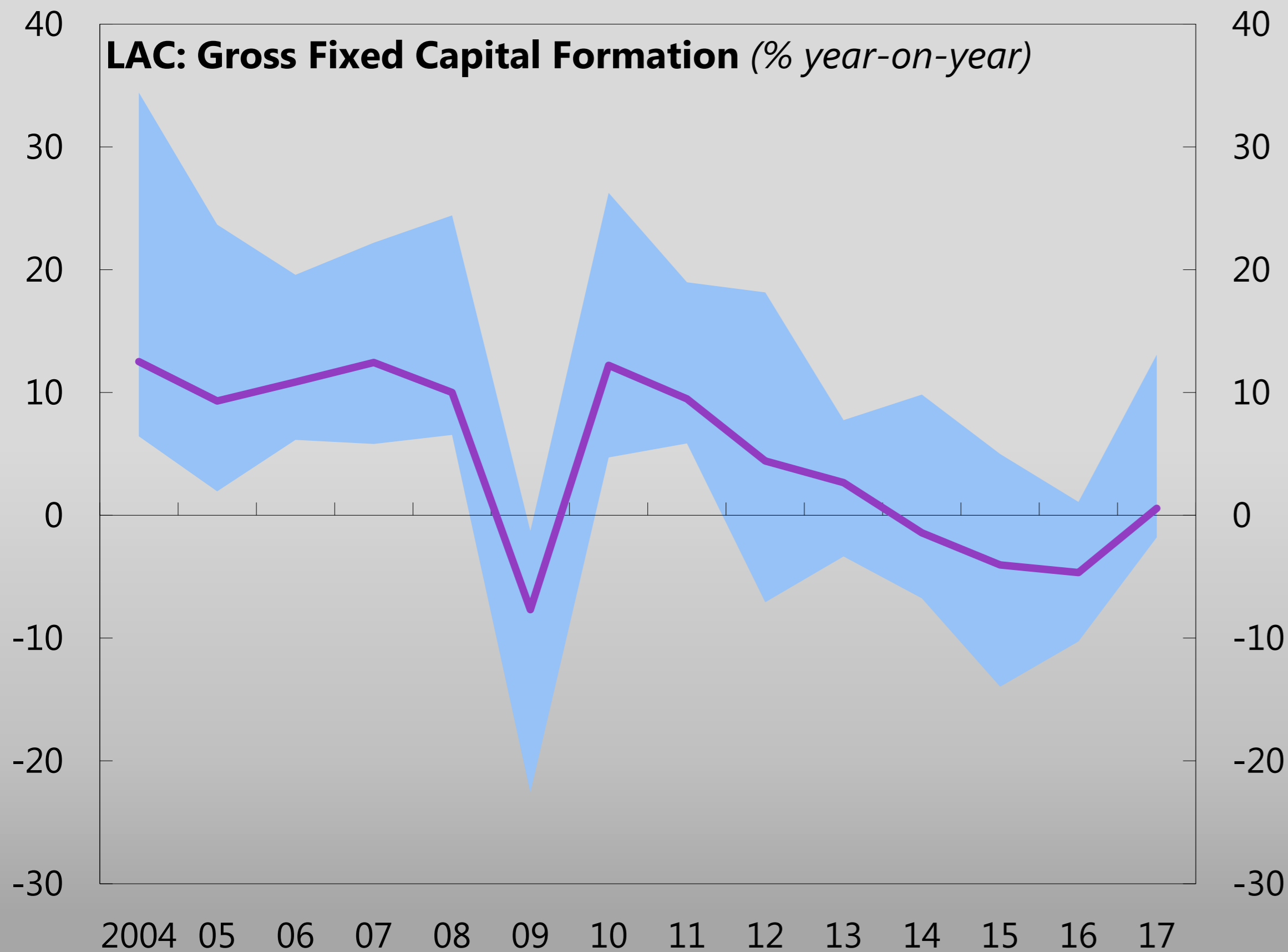## Presidential approval ratings have fallen to low levels

● Post-election peak   ● Latest

Argentina	Brazil	Chile	Colombia	Mexico	Peru

(Y-axis: 0, 10, 20, 30, 40, 50, 60, 70, 80, 90 on both left and right)

Elections are scheduled to take place in many countries during 2018

April 2018	Costa Rica	Presidential (Second Run)
April 2018	Paraguay	General
May 2018	Colombia	Presidential and Parliamentary
July 2018	Mexico	General
October 2018	Brazil	General
April 2018	Venezuela	Presidential

Sources: La Nación-Poliarquia (Argentina), Datafolha (Brazil), Adimark (Chile), Gallup (Colombia), Consulta Mitofsky (Mexico), and El Comercio-Ipsos (Peru).

Investment has started to recover, but still relatively weak

LAC: Gross Fixed Capital Formation *(% year-on-year)*

Real Investment Levels
(Index: 2013 = 100)

World excluding LAC

Commodity-exporting
EMDE excluding LAC

United States

Canada

Latin America and the
Caribbean

Sources: IMF, World Economic Outlook (January 2018 Update) database; and IMF staff calculations.
Note: Shaded area refers to the max-min range of LA7 countries (Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Uruguay).

Sources: IMF, World Economic Outlook (January 2018 Update) database; and IMF staff calculations.
Note: EMDE = emerging markets and developing economies; LAC = Latin America and the Caribbean.
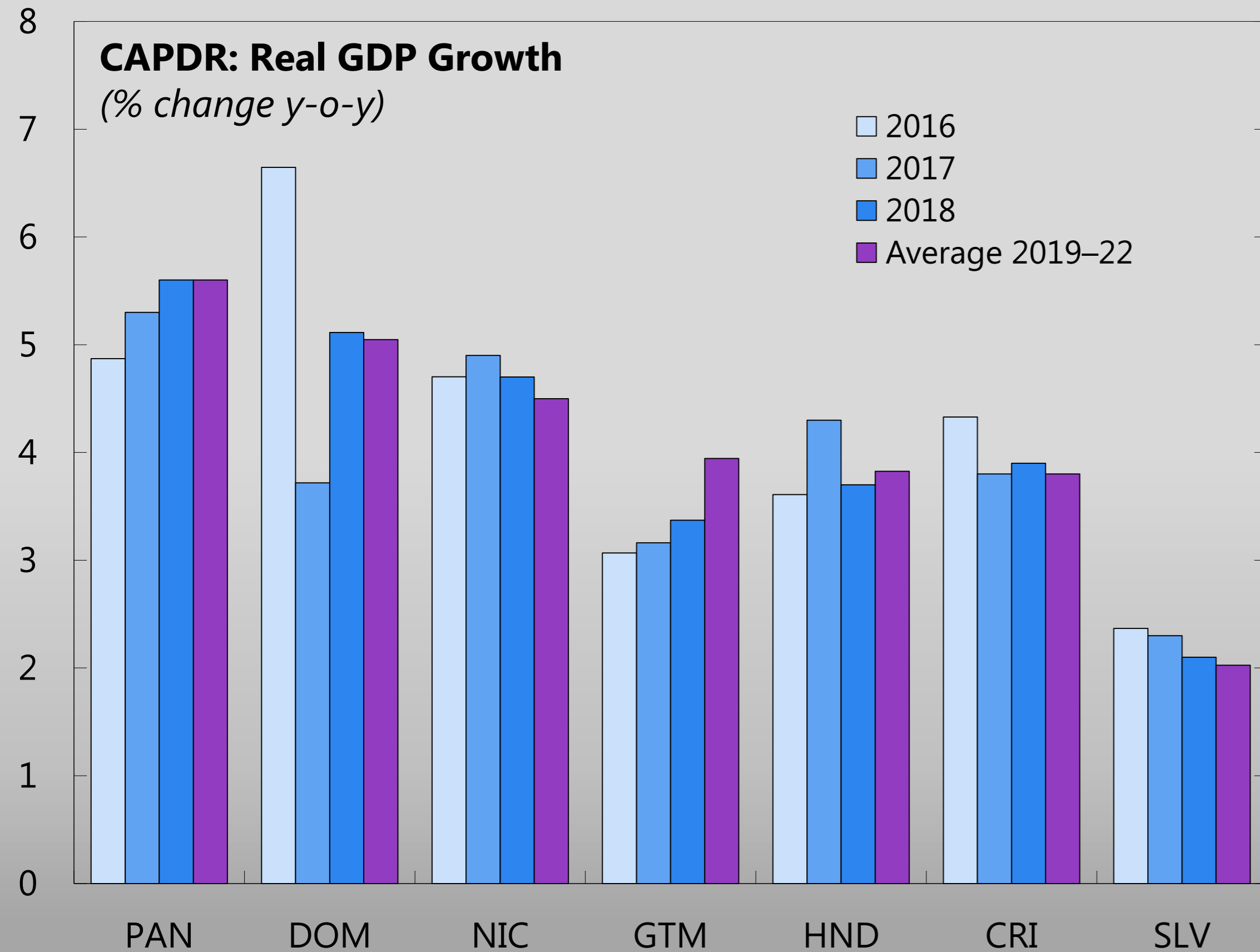
Need for multifaceted structural reforms

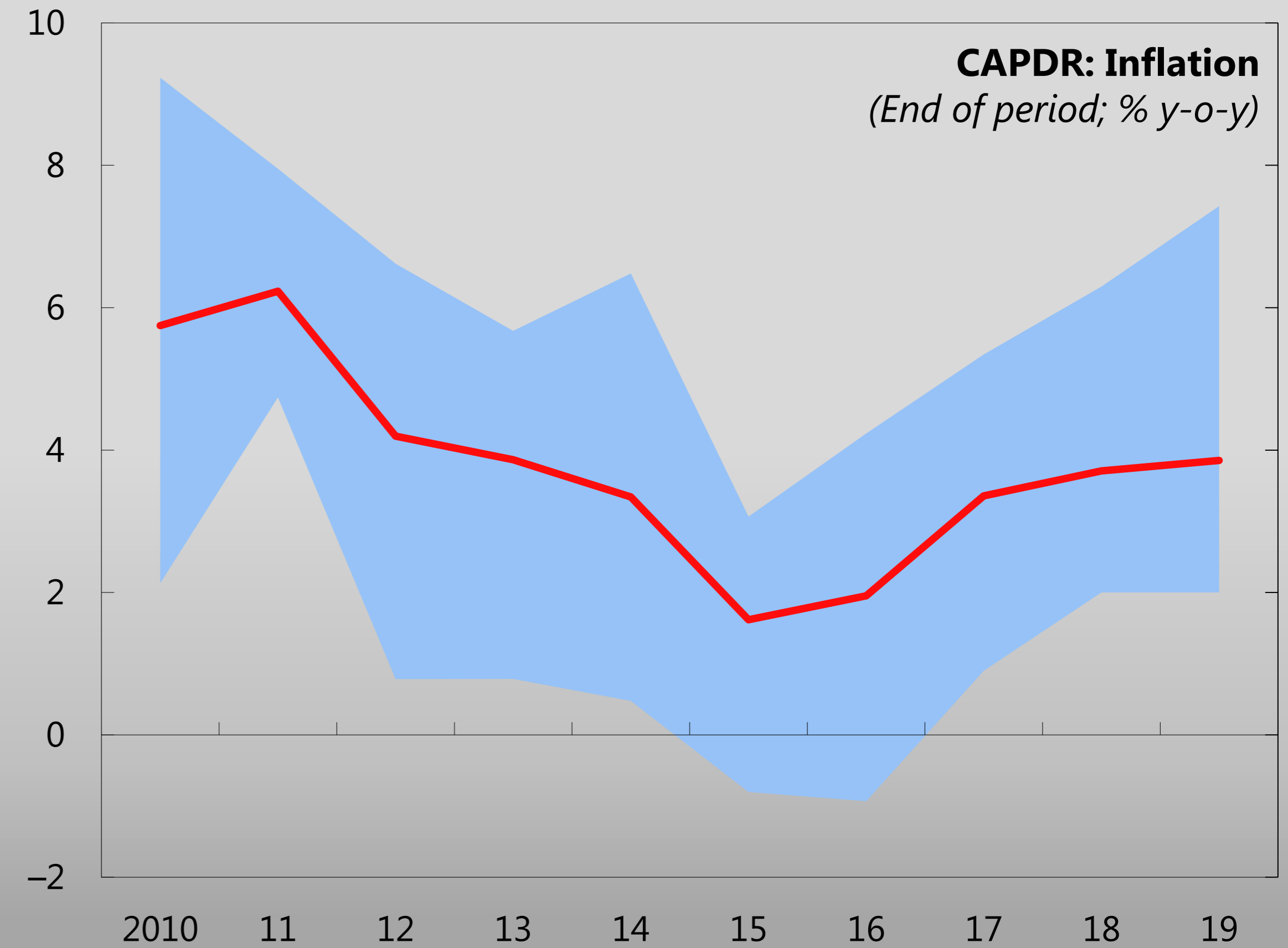**Structural Performance Indicators**
(Percentile ranks)
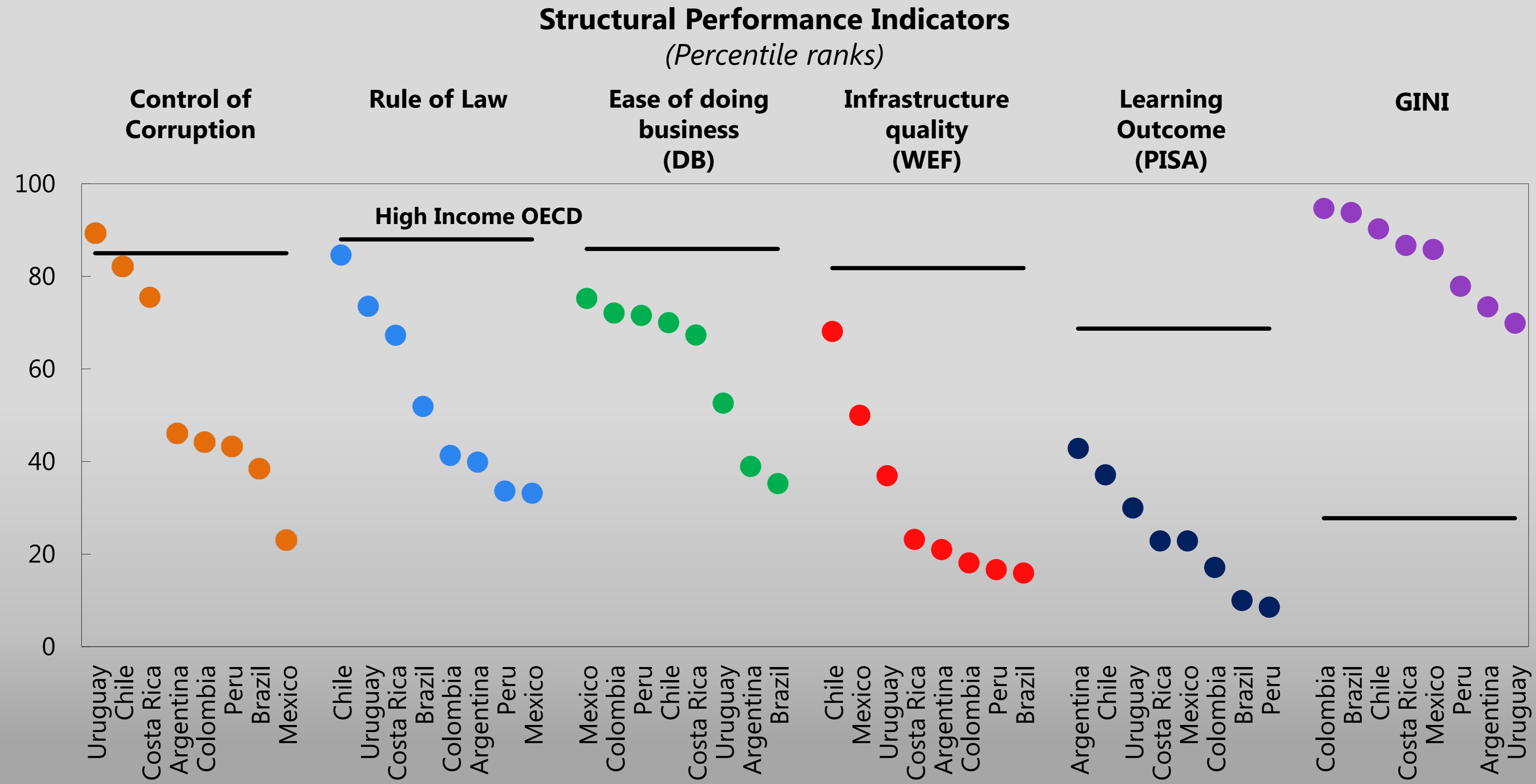
Sources: Organisation for Economic Co-operation and Development, 2015 Program for International Student Assessment (PISA); World Bank, 2017 Doing Business (DB) database; World Bank, World Development Indicators (WDI) database; World Bank, World Governance Indicators database; World Economic Forum (WEF), 2016–17 Global Competitiveness Report; and IMF staff calculations.

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# Central America: Outlook remains favorable

Growth is expected to remain strong...

CAPDR: Real GDP Growth
(% change y-o-y)

Legend:
- 2016
- 2017
- 2018
- Average 2019–22

X-axis: PAN, DOM, NIC, GTM, HND, CRI, SLV

... while the pick-up in inflation will continue with recovering oil and food prices.

CAPDR: Inflation
(End of period; % y-o-y)

X-axis: 2010, 11, 12, 13, 14, 15, 16, 17, 18, 19

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: ISO codes represent PAN=Panama, DOM=Dominican Republic, NIC=Nicaragua, GTM=Guatemala, HND=Honduras, CRI=Costa Rica, and SLV=El Salvador.

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Simple average. Shaded area refers to the max-min range.

Central America: Remittance inflows have boosted growth and lowered external deficits

CAPDR: Remittances from the United States, 2016
(% of GDP)
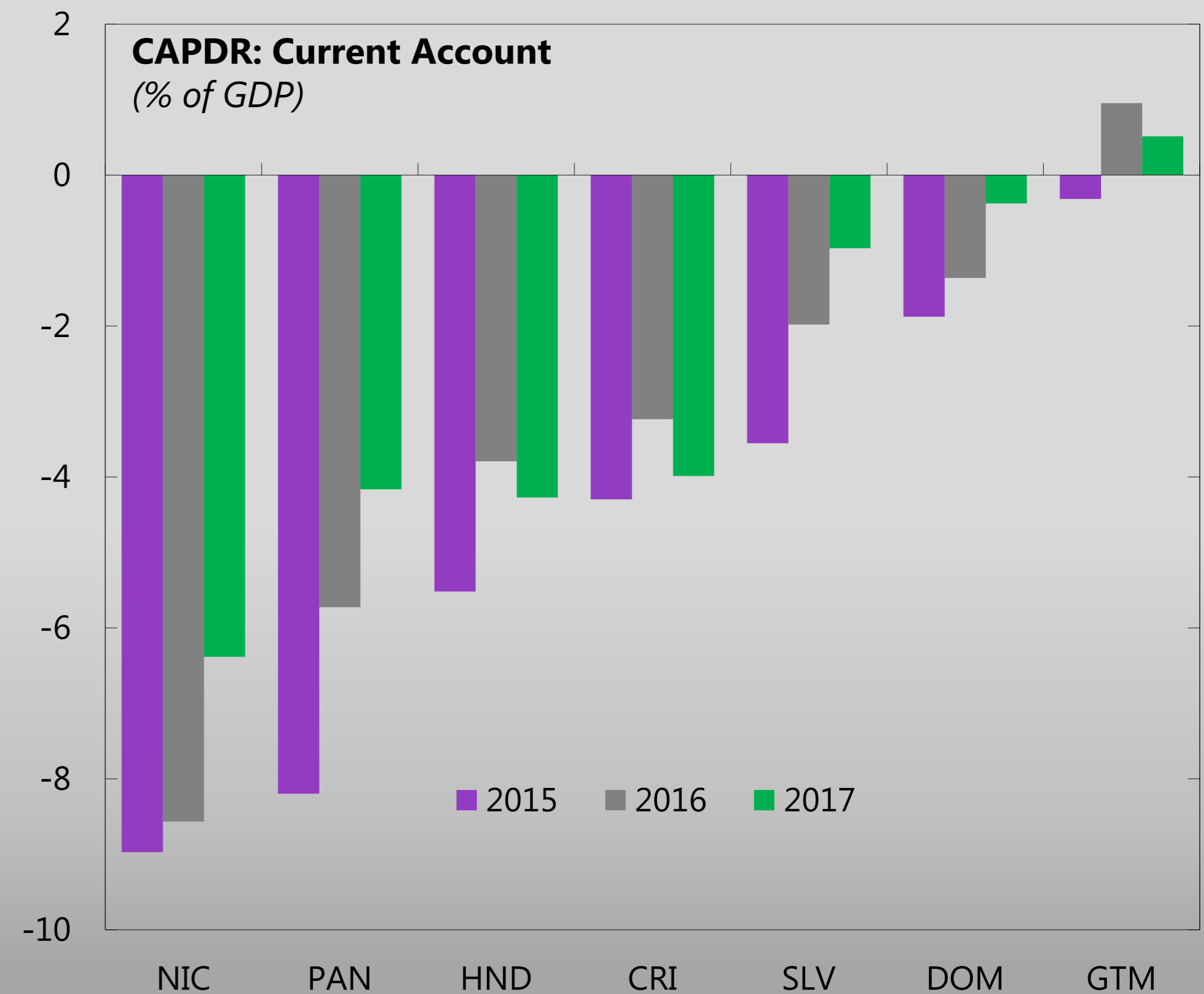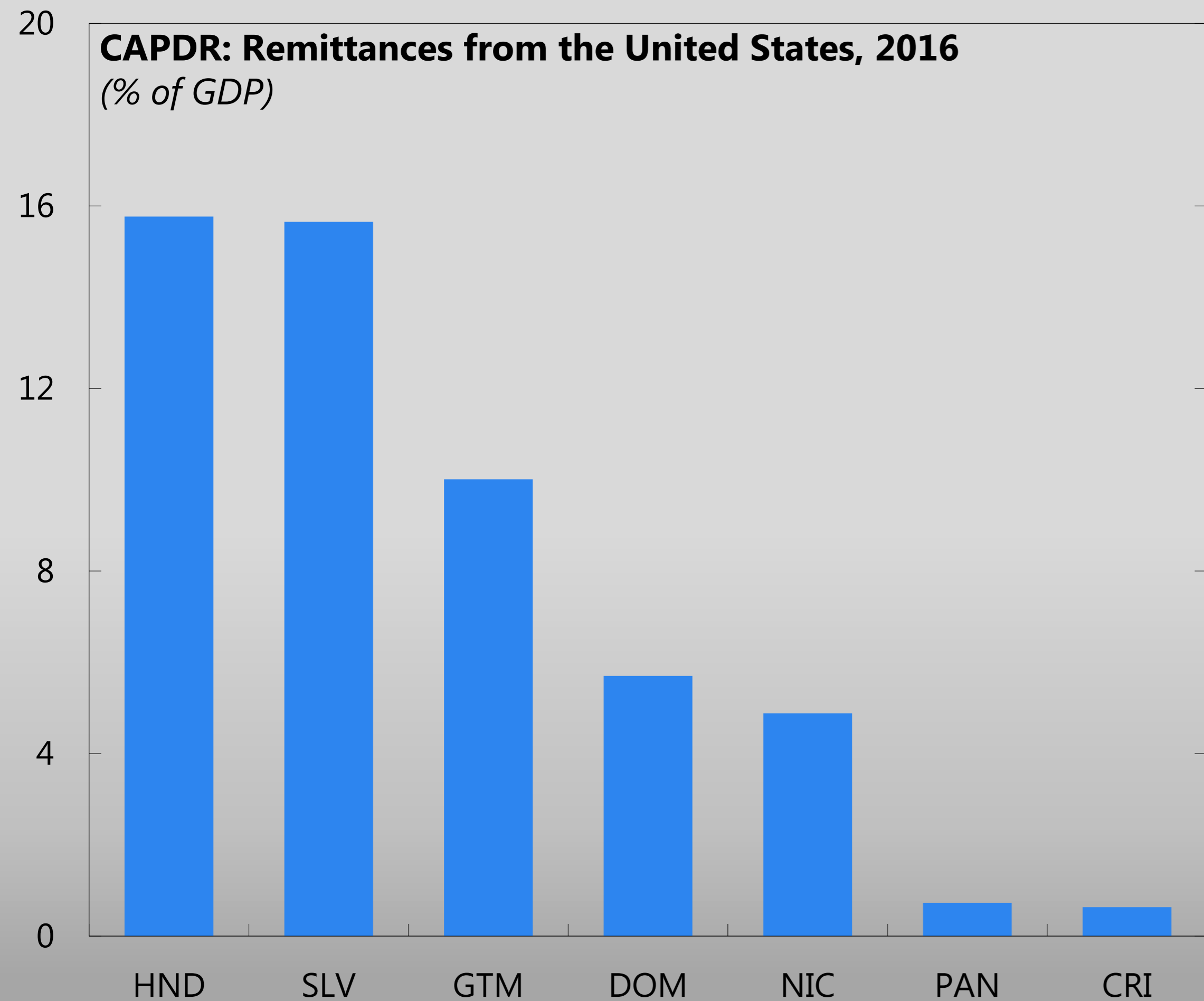
Sources: IMF, World Economic Outlook database; World Bank, Migration and Remittances database; and IMF staff calculations.
Note: ISO codes represent HND=Honduras, SLV=El Salvador, GTM=Guatemala, DOM=Dominican Republic, NIC=Nicaragua, PAN=Panama, and CRI=Costa Rica.

CAPDR: Current Account
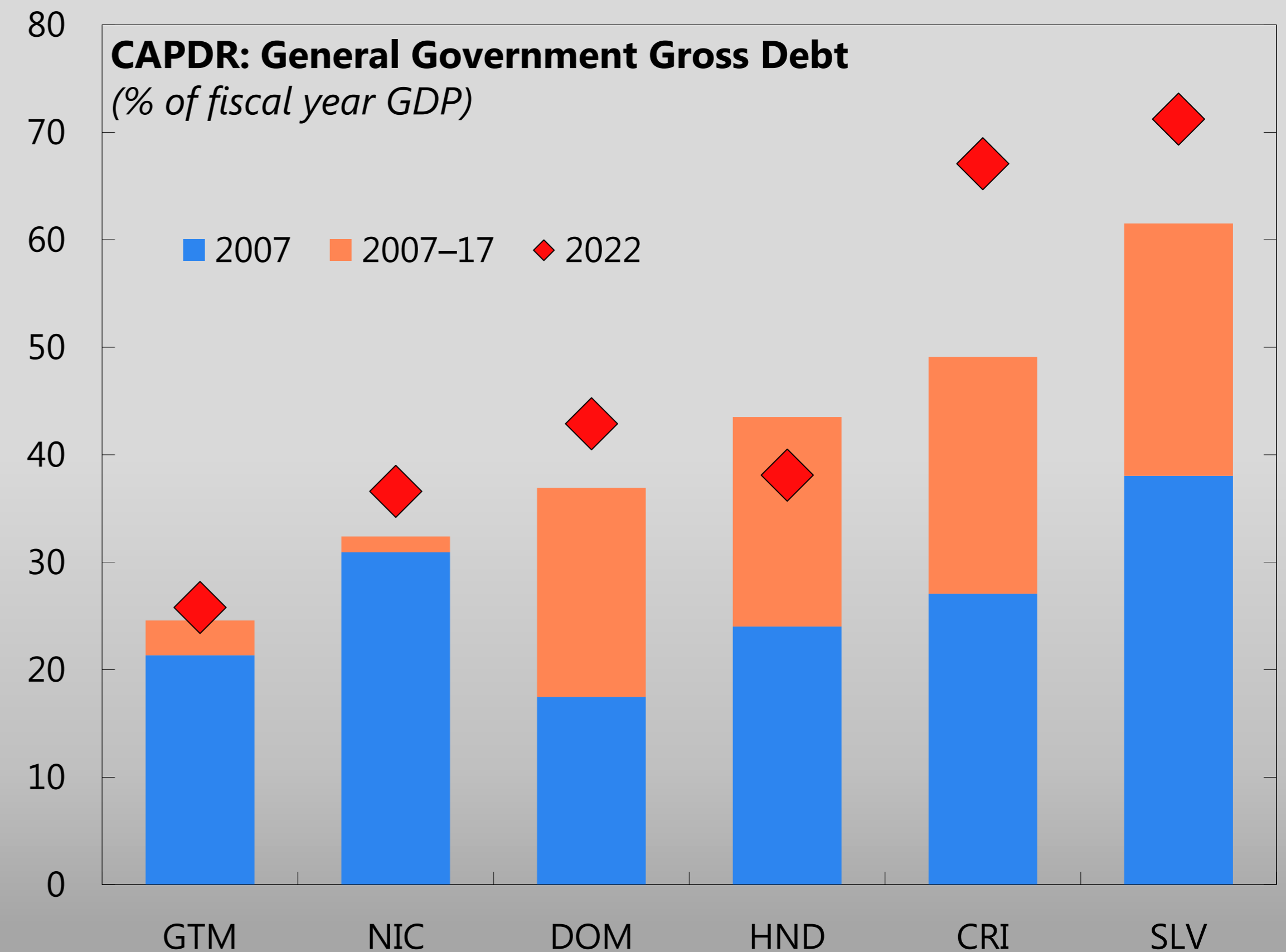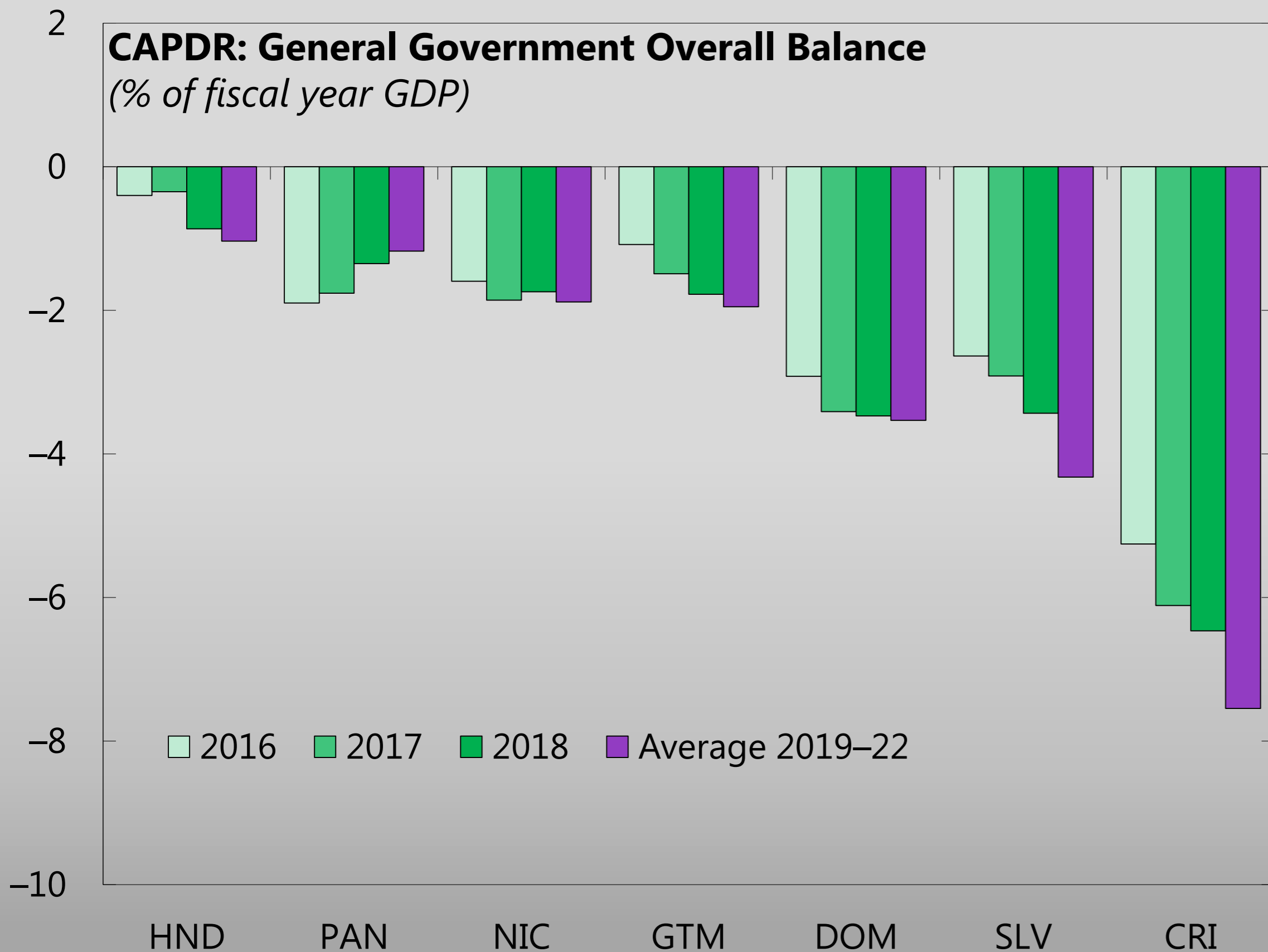*(% of GDP)*

2015   2016   2017

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: ISO codes represent NIC=Nicaragua, PAN=Panama, HND=Honduras, CRI=Costa Rica, SLV=El Salvador, DOM=Dominican Republic, and GTM=Guatemala.

Central America: Fiscal consolidation is needed to rebuild fiscal buffers

Deficits are projected to rise...

..with borrowing costs contributing to a build-up of government debt.

CAPDR: General Government Overall Balance
(% of fiscal year GDP)

Legend: 2016, 2017, 2018, Average 2019–22

X-axis: HND, PAN, NIC, GTM, DOM, SLV, CRI

CAPDR: General Government Gross Debt
(% of fiscal year GDP)

Legend: 2007, 2007–17, 2022

X-axis: GTM, NIC, DOM, HND, CRI, SLV

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: ISO codes represent HND=Honduras, PAN=Panama, NIC=Nicaragua, GTM=Guatemala,
DOM=Dominican Republic, SLV=El Salvador, and CRI=Costa Rica.

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: ISO codes represent GTM=Guatemala, NIC=Nicaragua, DOM=Dominican Republic, HND=Honduras,
CRI=Costa Rica, and SLV=El Salvador.

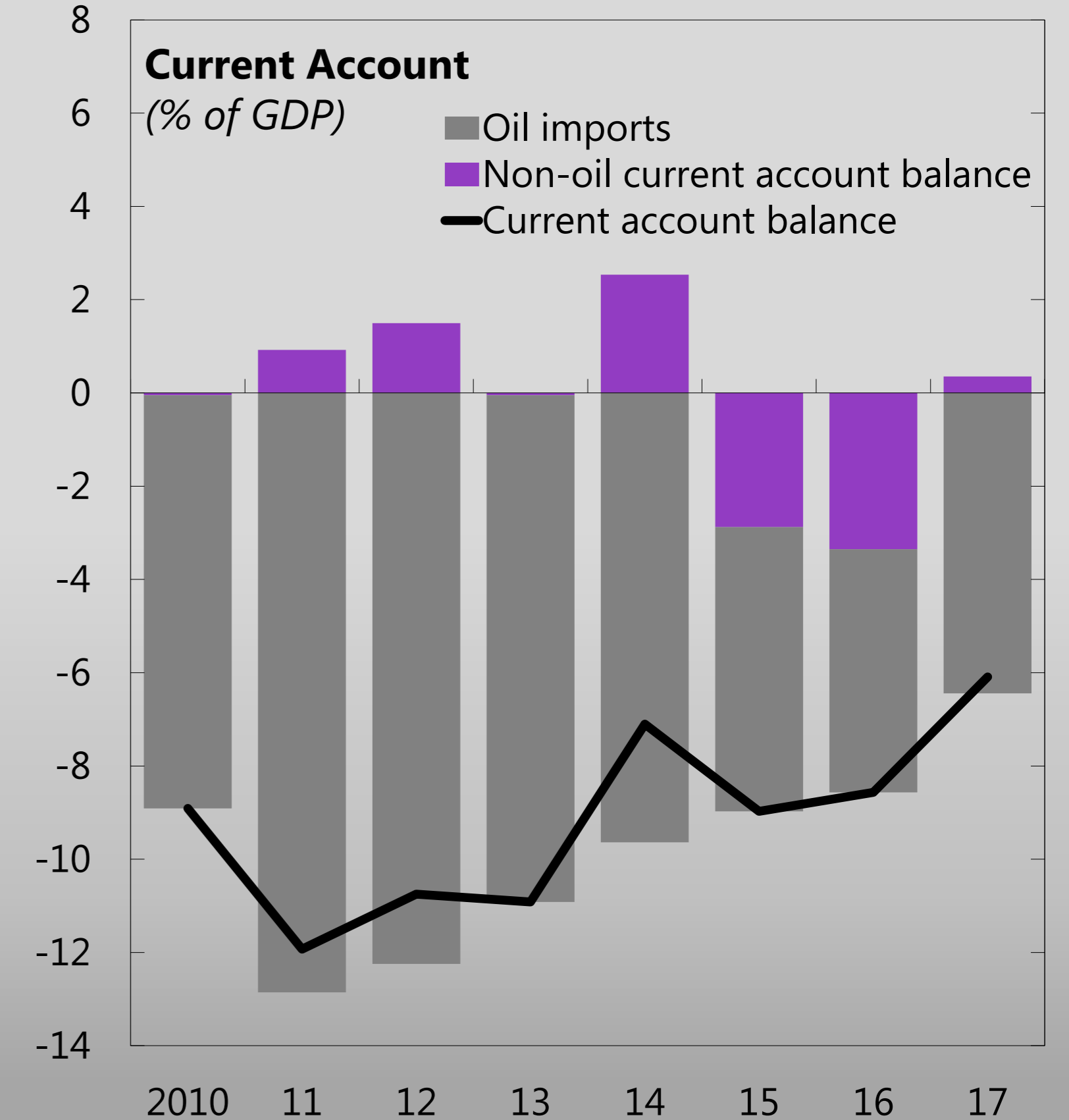# Nicaragua: Strong growth, but fiscal and external imbalances continue to persist

Strong economic growth over the last decade, outperforming regional peers, and near-term outlook above potential.
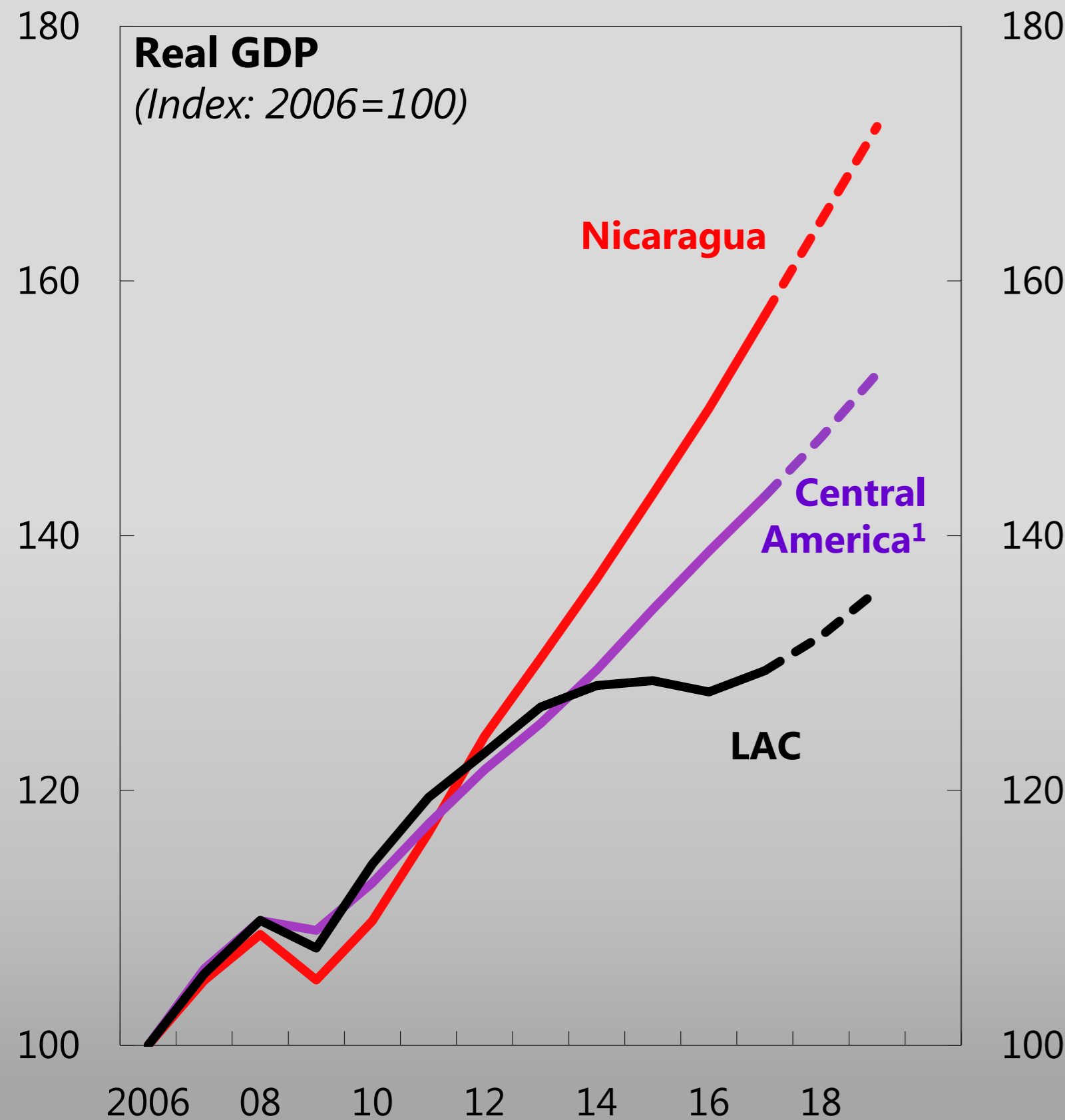
However, consolidated public sector deficit has continued to deteriorate, in part driven by worsening social security finances.
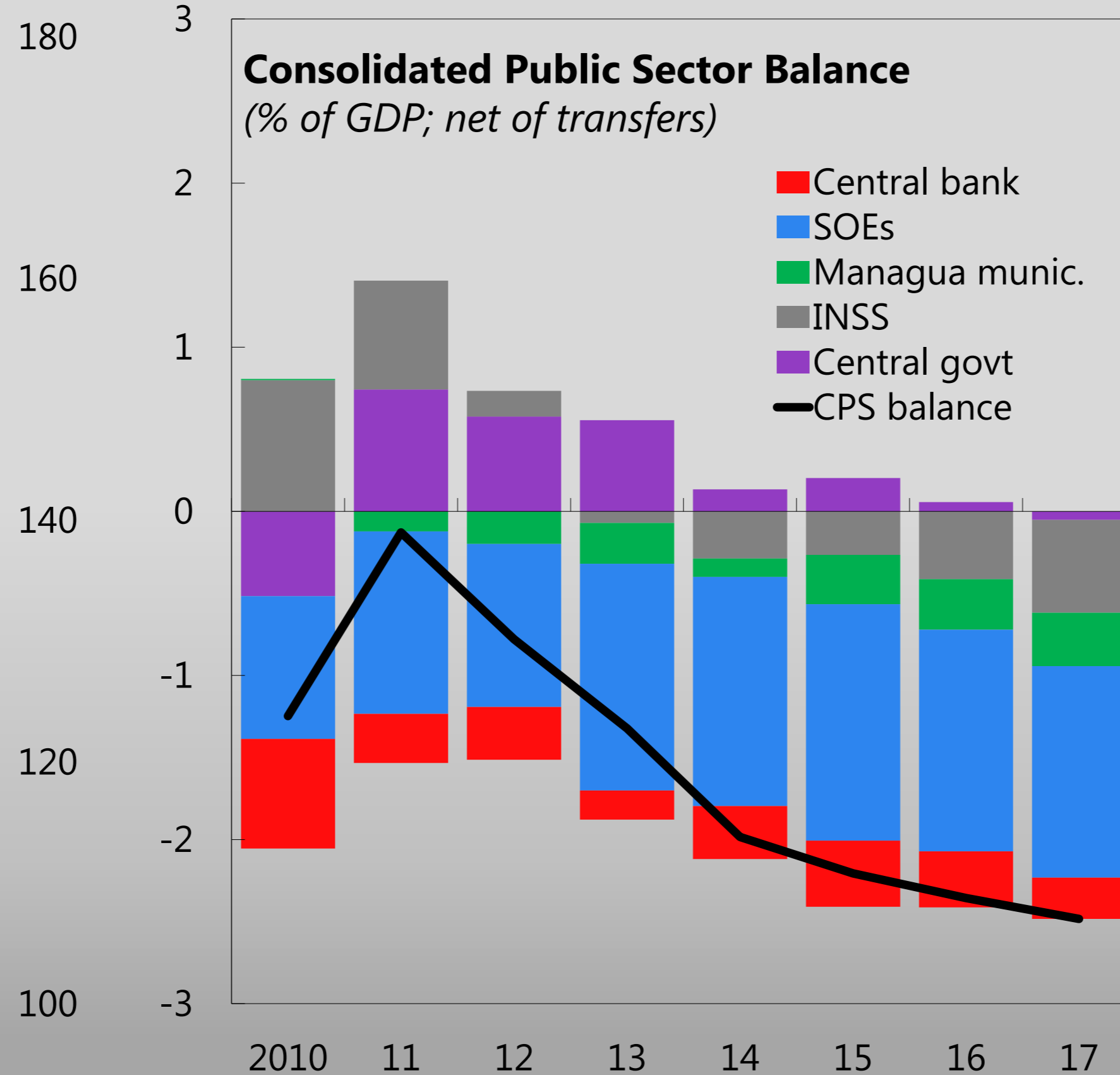
In addition, current account deficit is highly susceptible to oil price volatility due to large oil import component.

Real GDP
(Index: 2006=100)

Nicaragua

Central America[1]

LAC

Consolidated Public Sector Balance
(% of GDP; net of transfers)

- Central bank
- SOEs
- Managua munic.
- INSS
- Central govt
- CPS balance

Current Account
(% of GDP)

- Oil imports
- Non-oil current account balance
- Current account balance

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
[1] Includes Hoduras, El Salvador, Guatemala, and Costa Rica.
Note: Dashed lines indicate forecasts for 2018 and 2019.
Note: LAC=Latin America and the Caribbean

Source: IMF staff calculations.
Note: INSS=Instituto nicaragüense de seguridad social.

Source: IMF staff calculations.

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