



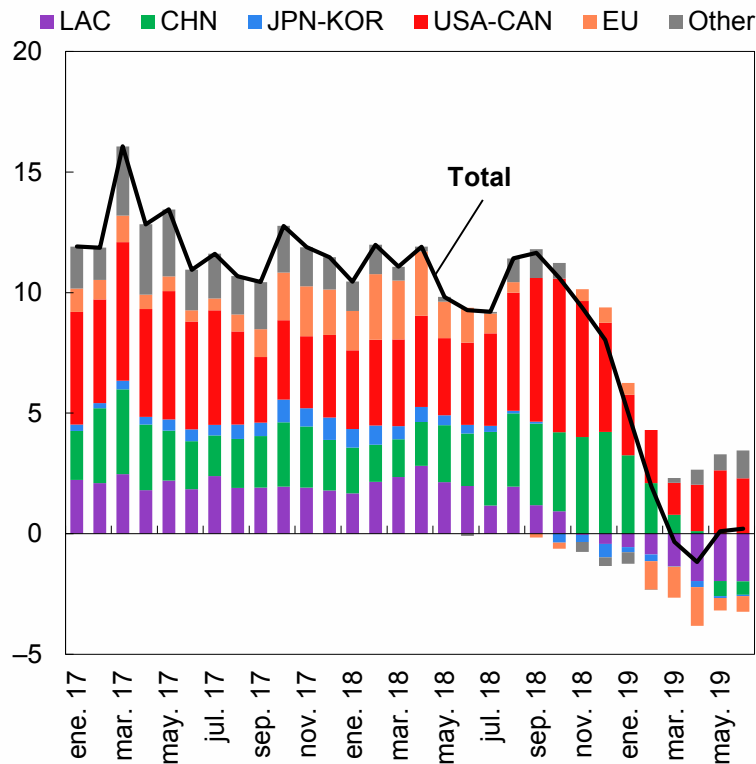
Perspectivas para América Latina y el Caribe: Frustradas por la incertidumbre

OCTUBRE 2019

Departamento del Hemisferio Occidental
Fondo Monetario Internacional

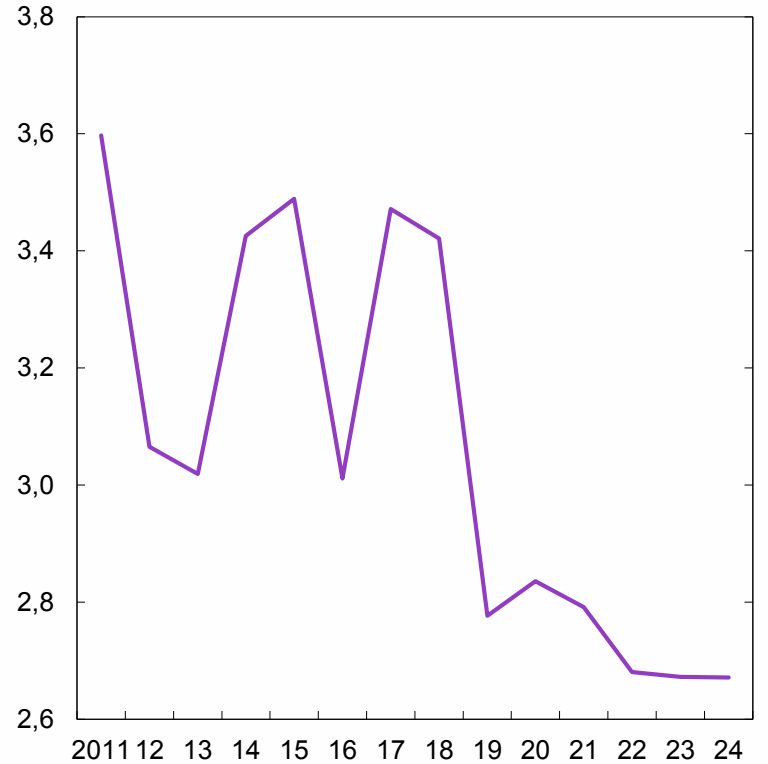
Los factores externos continúan perjudicando las perspectivas de crecimiento de ALC...

LAC: Exports Growth (Percent)



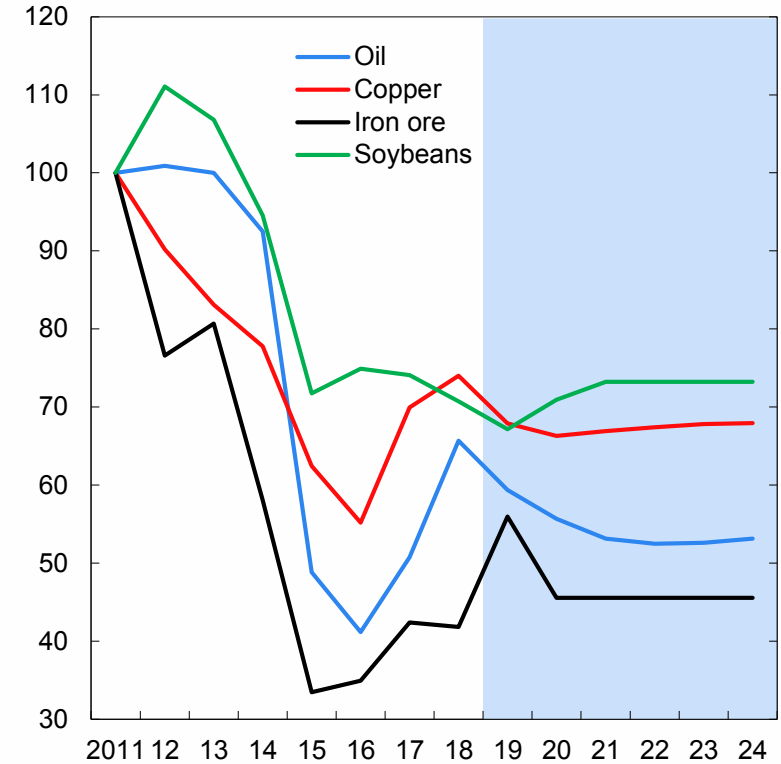
Sources: IMF, Direction of Trade Statistics database; and IMF staff calculations.

LA7: Non-LAC Trading Partners Real GDP Growth (Year-over-year percent change; weighted by exports)



Sources: IMF, World Economic Outlook database; and IMF staff calculations. Note: Based on data for non-LAC partner countries that together account for 100 percent of trade of reporting country. LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

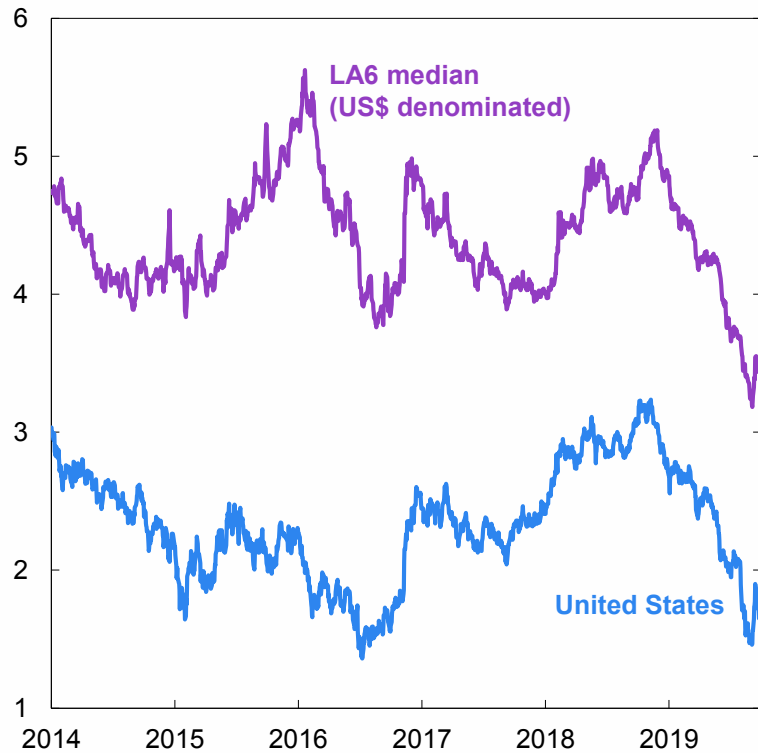
Global Commodity Prices (Index: 2011 = 100)



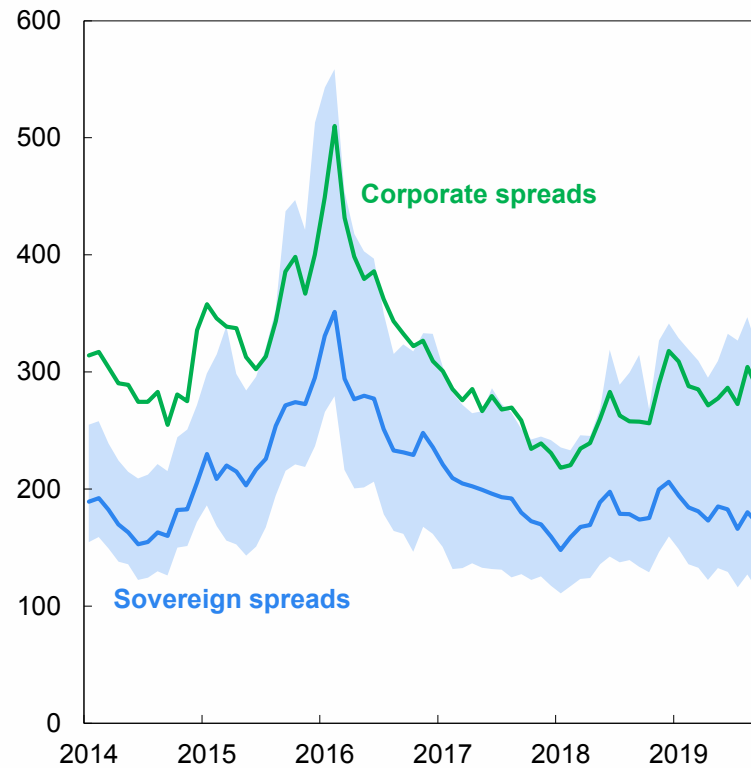
Source: IMF, World Economic Outlook database.

... con unas condiciones financieras globales más favorables proveyendo un respiro

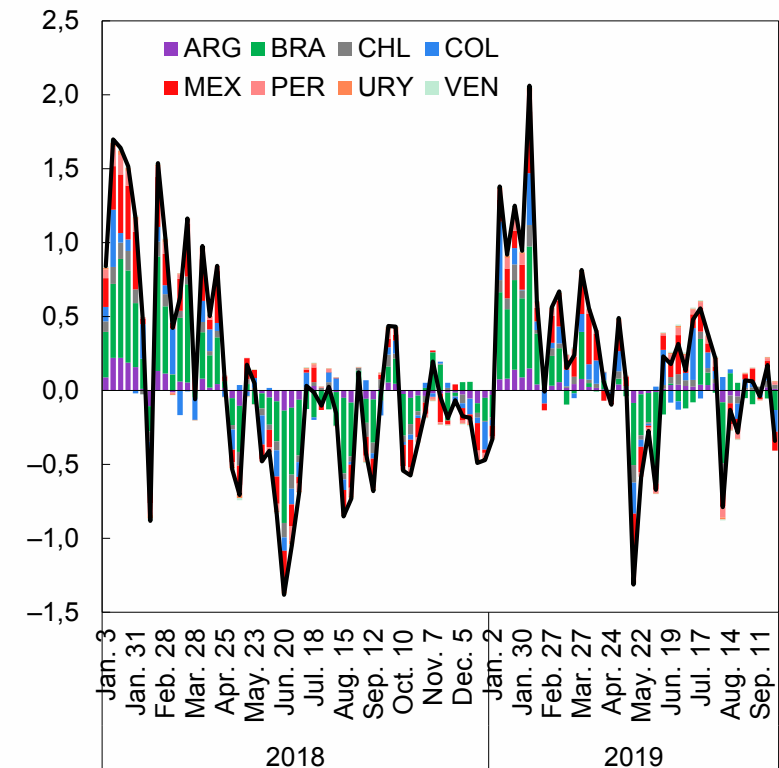
Ten-year Government Bond Yields
(Percent)



Sovereign and Corporate Spreads
(Basis points)



EPFR: Equity and Bond Flows
(US\$ billions)



Sources: Bloomberg Finance, L.P.; Haver Analytics; and IMF staff calculations.
Note: LA6 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: Sovereign spreads refer to the median of LA6 EMBIG spreads. Corporate spreads refer to the median of LA5 CEMBI spreads. Sovereign bond yields refer to the median of LA6. Shaded area is the min-max range of LA6 sovereign spreads.

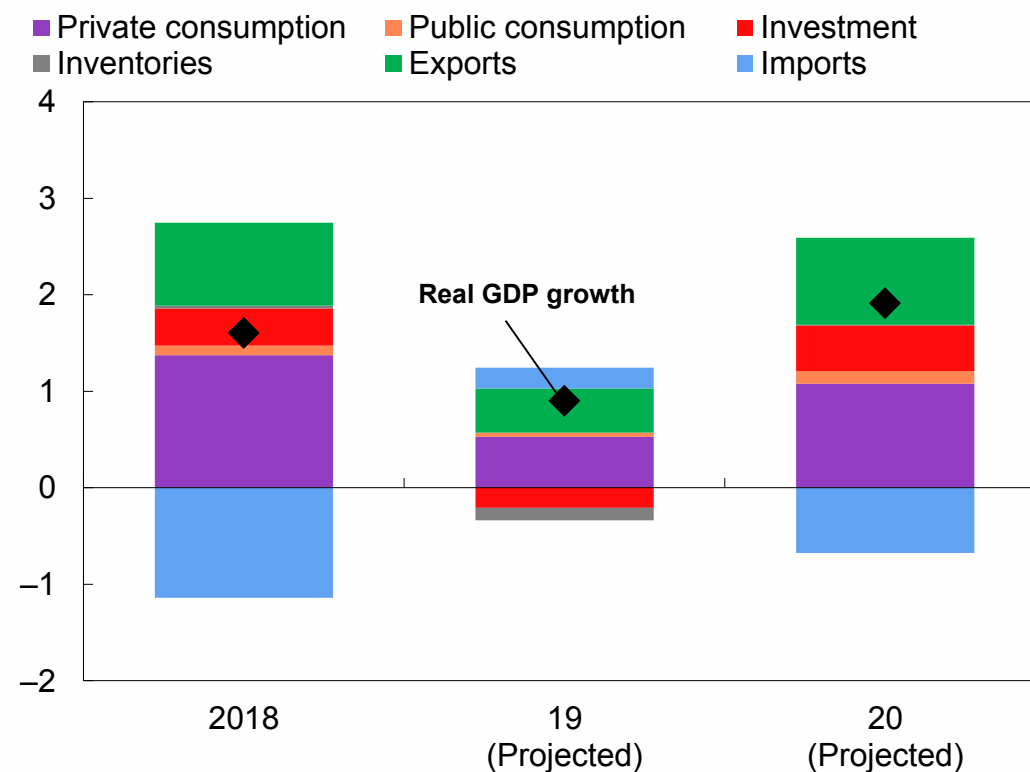
Source: EPFR database; and IMF staff calculations.
Note: Data until September 25, 2019.

Crecimiento bajo en 2019, y una recuperación modesta en 2020 liderada por el consumo y la inversión privadas

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

	2017	2018	Projections		
			2019	2020	Avg. 2021–24
LAC	1.2	1.0	0.2	1.8	2.6
LAC excluding Venezuela	1.9	1.7	0.9	2.1	2.7
South America	0.6	0.4	-0.2	1.7	2.7
Argentina	2.7	-2.5	-3.1	-1.3	2.5
Brazil	1.1	1.1	0.9	2.0	2.3
Chile	1.3	4.0	2.5	3.0	3.2
Colombia	1.4	2.6	3.4	3.6	3.7
Peru	2.5	4.0	2.6	3.6	3.9
Mexico	2.1	2.0	0.4	1.3	2.2
CAPDR	4.0	3.9	3.3	3.9	4.1
Caribbean					
Tourism dependent	0.8	1.8	1.4	1.1	1.9
Commodity exporters	-0.9	1.0	0.8	17.9	4.8

Selected LAC: Contributions to Real GDP Growth
(Percent; excludes Venezuela)



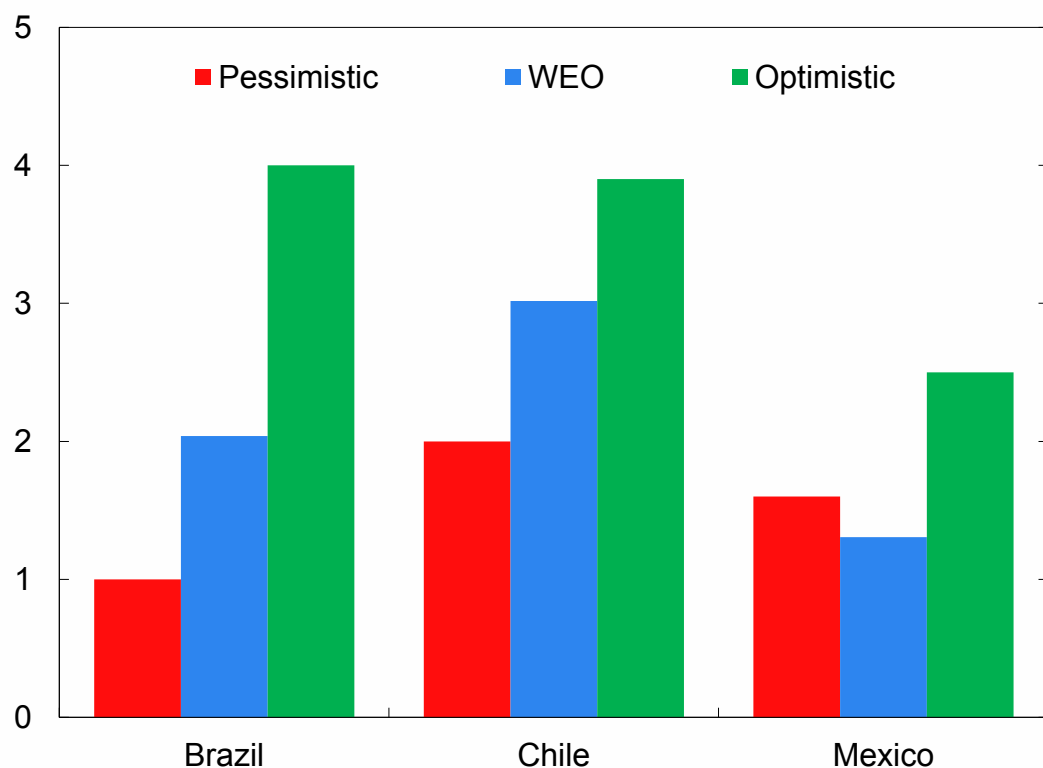
Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: PPP GDP-weighted average. South America excludes Guyana and Suriname. Green/red denotes upward/downward revision compared with the April 2019 *World Economic Outlook* forecasts.

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

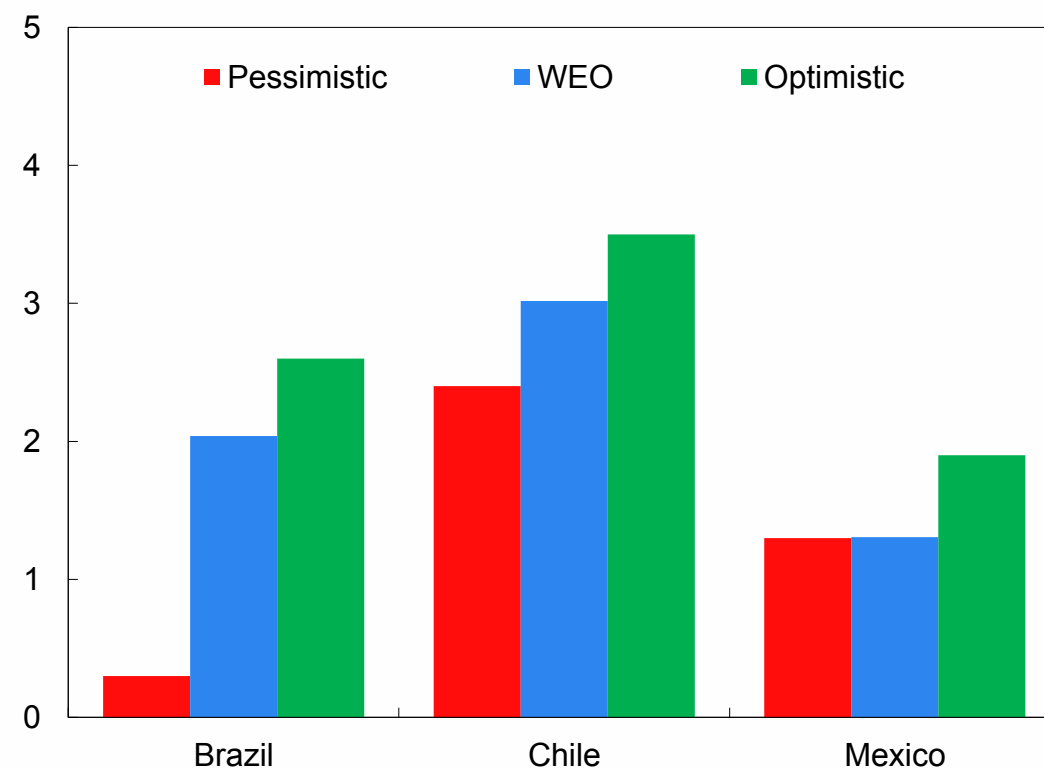
Las proyecciones del WEO asumen una recuperación de la confianza, aunque con riesgos a la baja significativos

2020 GDP Growth Forecasts under Different Scenarios for Business Confidence
(Percent)



Sources: Haver Analytics; IMF, World Economic Outlook (WEO) database; national authorities; and IMF staff calculations.

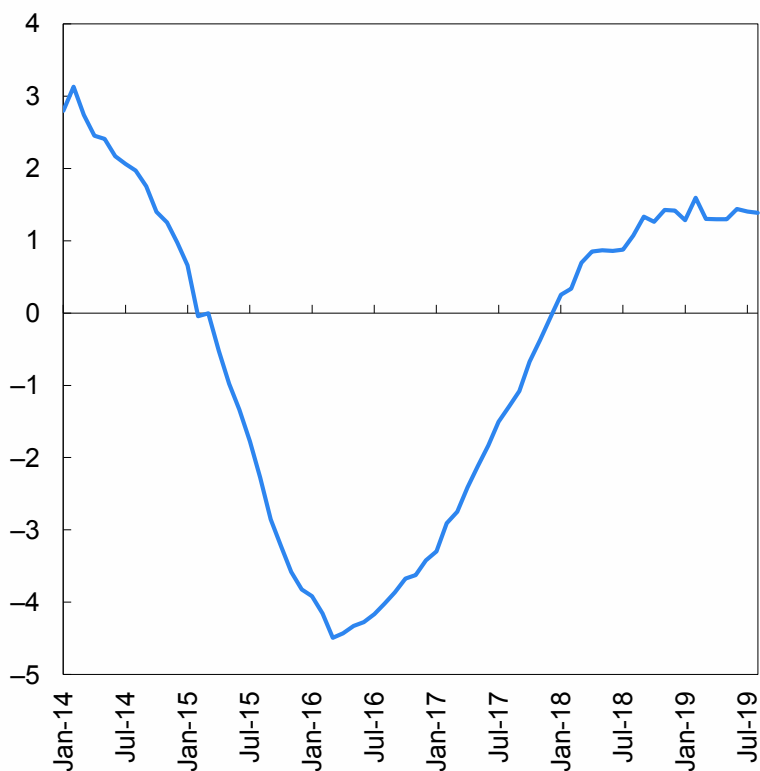
2020 GDP Growth Forecasts under Different Scenarios for Consumer Confidence
(Percent)



Sources: Haver Analytics; IMF, World Economic Outlook (WEO) database; national authorities; and IMF staff calculations.

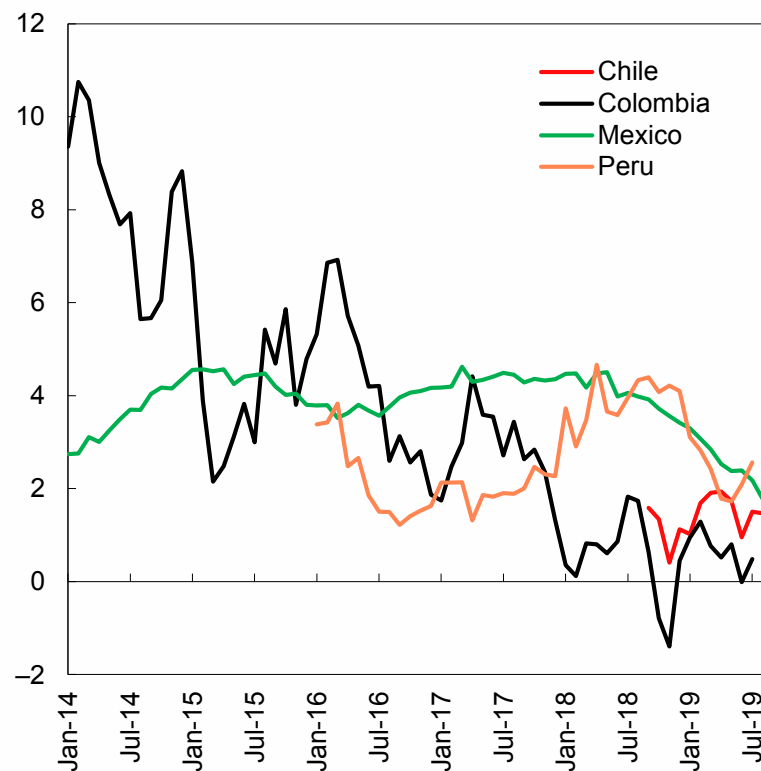
Los mercados laborales no se perfilan como un posible **motor de la recuperación económica...**

Brazil: Formal Employment
(Year-over-year percent change)



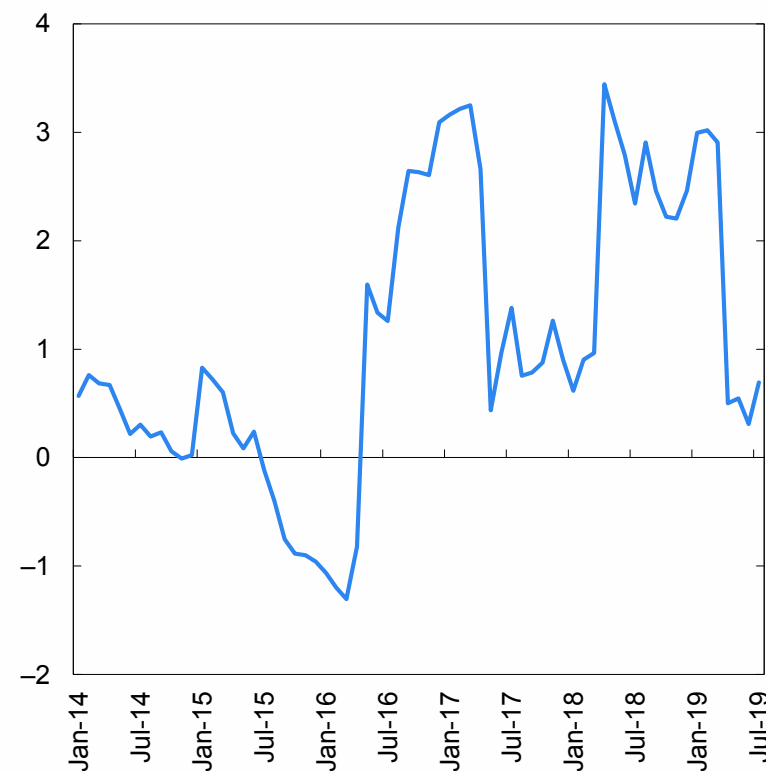
Sources: Haver Analytics; national authorities; and IMF staff calculations.

LA4: Formal Employment
(Year-over-year percent change)



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

Real Wage Growth
(Year-over-year percent change)

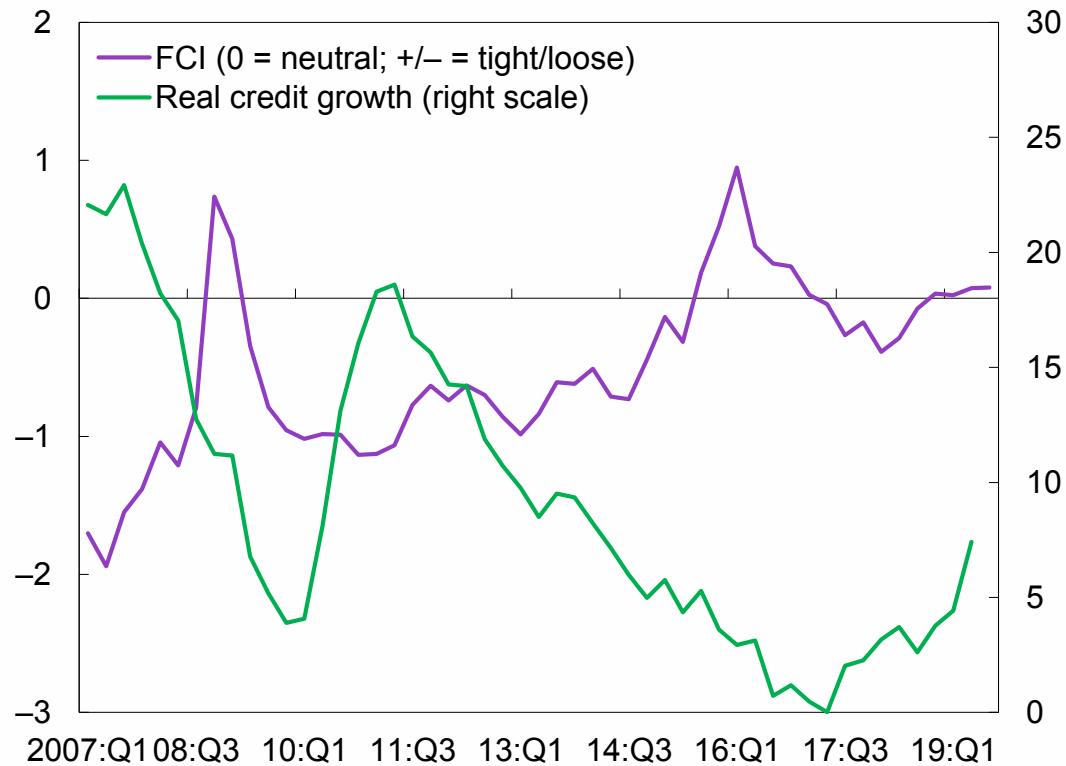


Sources: Haver Analytics; national authorities; and IMF staff calculations.

Note: Simple average of Brazil, Chile, Colombia, Mexico, and Peru. Peru data are based on minimum wage real index.

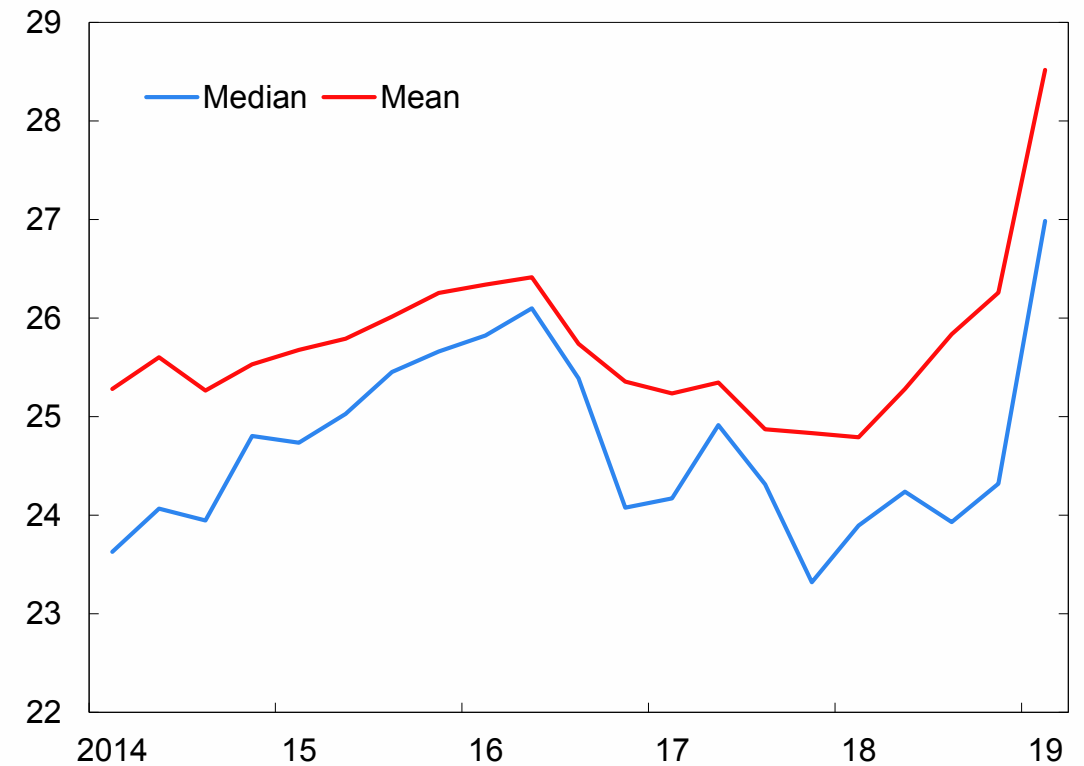
...ni tampoco las condiciones financieras internas cercanas a la neutralidad y el modesto crecimiento del crédito

Latin America: Financial Conditions Index and Real Credit Growth



Sources: IMF, International Financial Statistics database; and IMF staff calculations.
 Note: For methodology and variables included in the FCI, refer to the online annex of the October 2018 *Global Financial Stability Report*. Real credit growth purchasing-power-parity GDP-weighted aggregate excludes Argentina.

**Corporate Leverage
(Debt to assets; percent)**



Sources: Bloomberg Finance L.P.; and IMF staff calculations.
 Note: Includes nonfinancial corporations of Argentina, Brazil, Chile, Colombia, Mexico, and Peru.

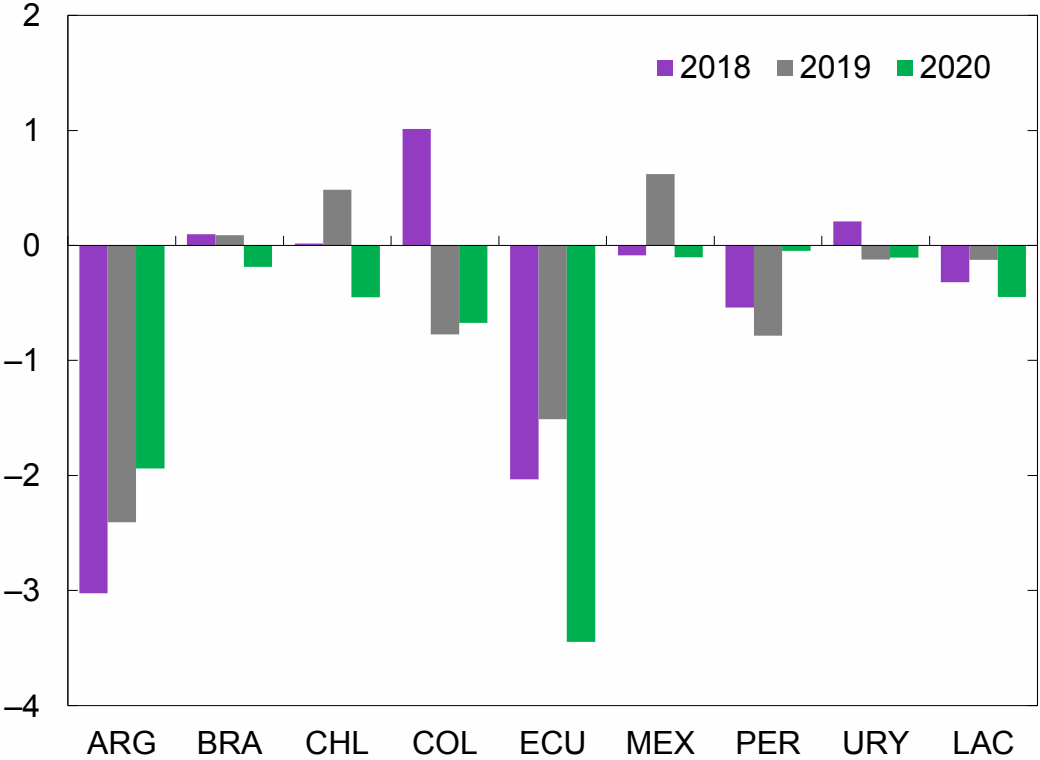
Políticas económicas

- ❖ **Corto plazo: encontrar un punto de equilibrio entre fomentar el crecimiento y restablecer los márgenes de maniobra.**
 - La consolidación fiscal sigue siendo una prioridad en muchos países de la región dados los altos niveles de deuda y los abultados déficits fiscales.
 - La política monetaria puede seguir respaldando el crecimiento en la mayoría de los países, dada la estabilidad de las expectativas de inflación.
- ❖ **Mediano plazo: Implementar reformas estructurales.**
 - Mejorar la calidad de la infraestructura y la educación.
 - Estimular la competencia.
 - Abrirse más al comercio y la inversión extranjera directa.
 - Abordar las regulaciones en el mercado laboral para reducir la informalidad.

La consolidación fiscal sigue siendo una prioridad, lo que limita el espacio fiscal para respaldar el crecimiento

Fiscal Impulse

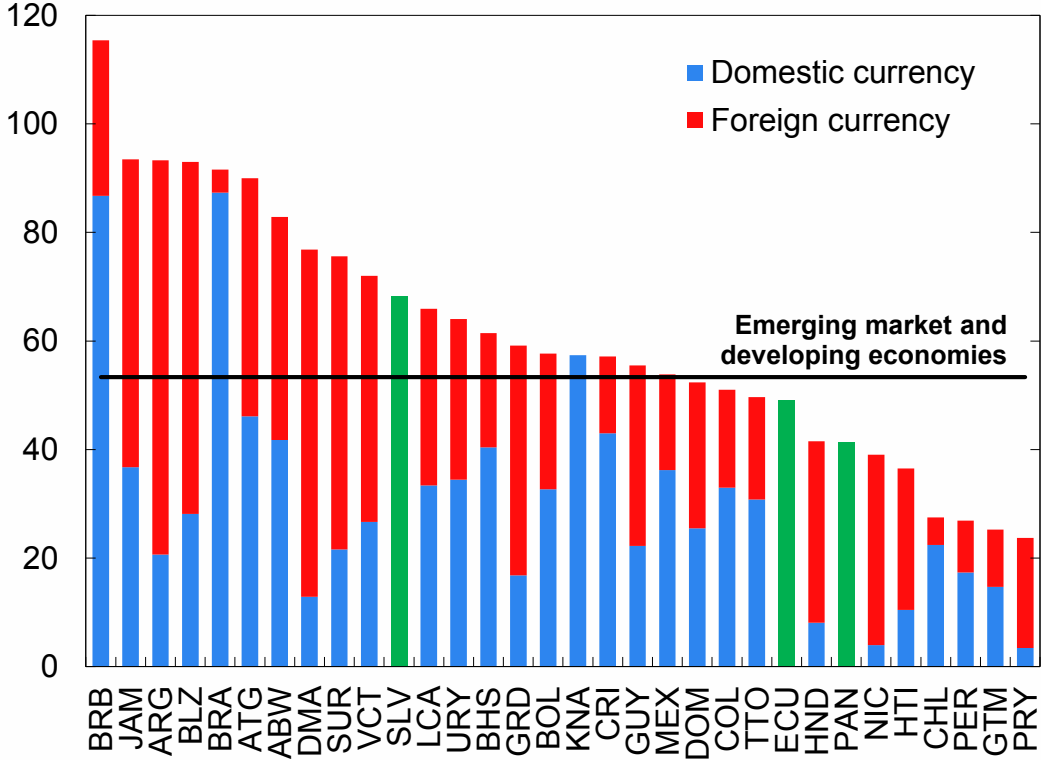
(Percentage points of GDP; +/- = loosening/tightening)



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

General Government Gross Debt, 2019

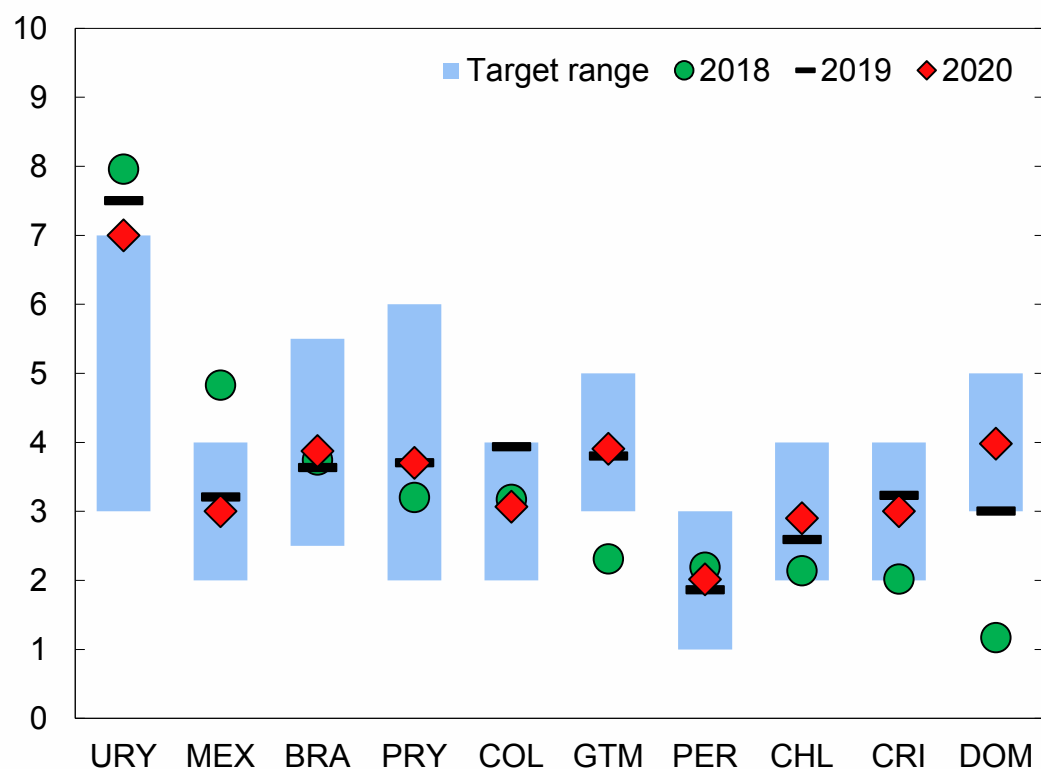
(Percent of fiscal year GDP)



Sources: IMF, World Economic Outlook database; and national authorities.
 Note: Green bars refer to dollarized economies (Ecuador, El Salvador, Panama). Breakdown by denomination for St. Kitts and Nevis is not available; bar denotes total public debt.

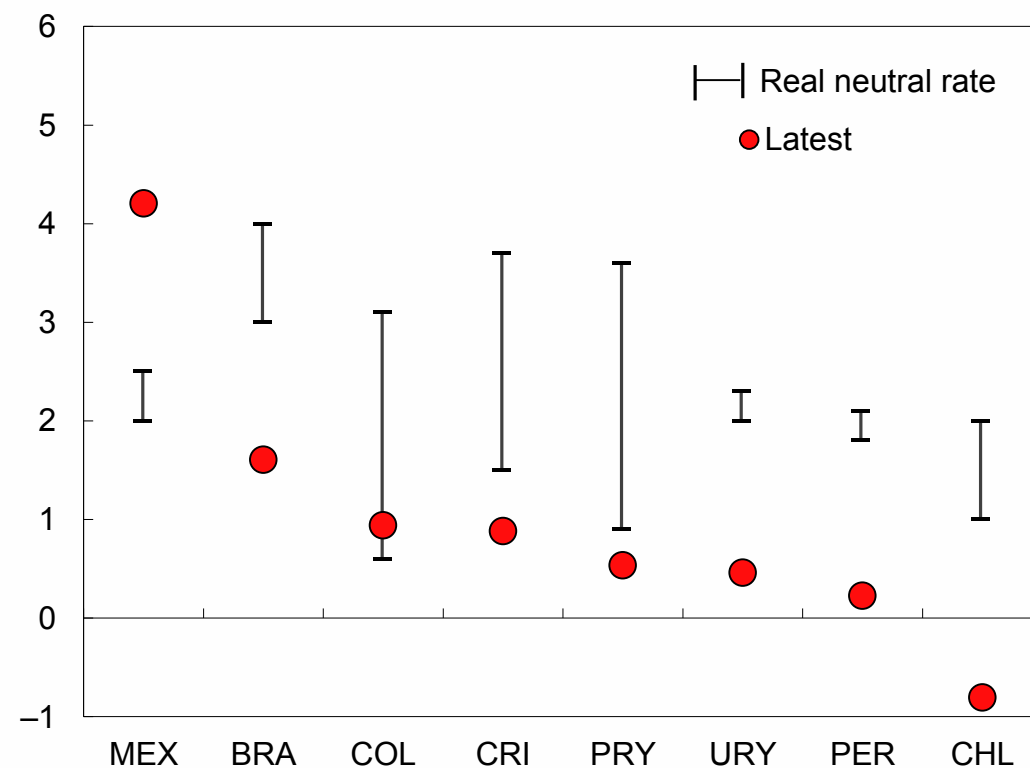
La política monetaria puede seguir apoyando el crecimiento dadas las estables perspectivas de inflación

Inflation
(Percent; end of period)



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

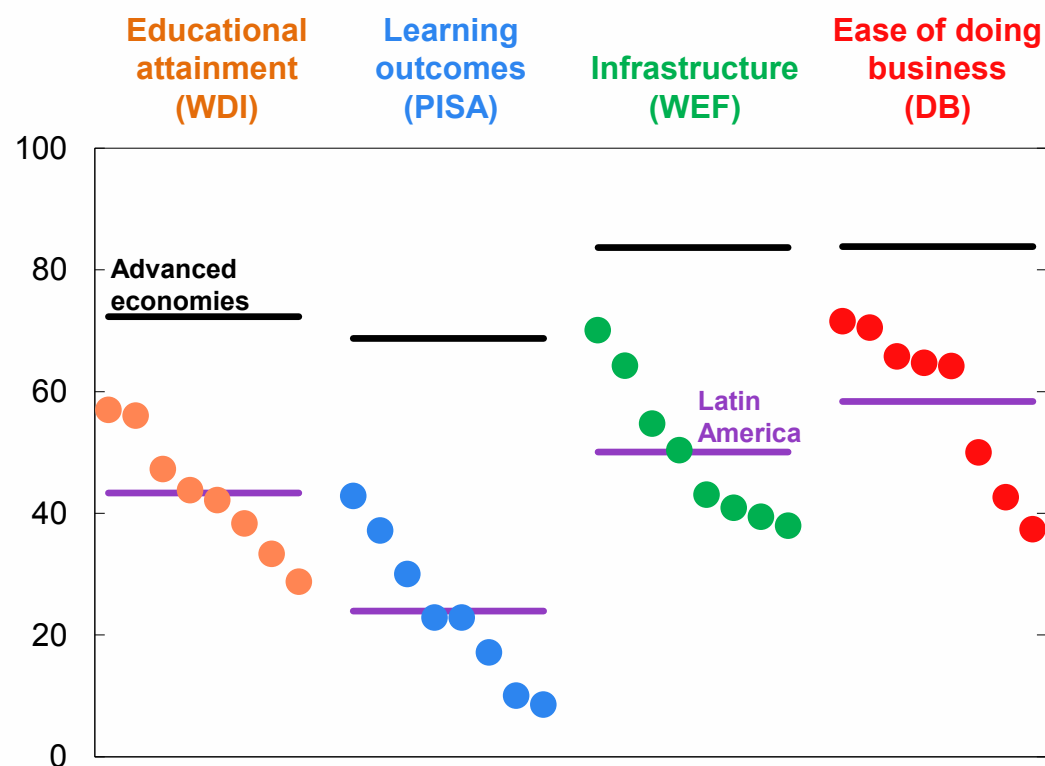
Real Policy Rates and Neutral Rates
(Percent)



Sources: Consensus Economics; Haver Analytics; national authorities; and IMF staff calculations.
Note: Real (ex ante) policy rates is the difference between the policy rate and the 1-year-ahead inflation expectations. Uruguay does not have a policy rate. Interest rate shown is based on the 1-month nominal yield (letras).

Para revivir la productividad se requiere mejorar el clima de negocios, la educación, y la infraestructura

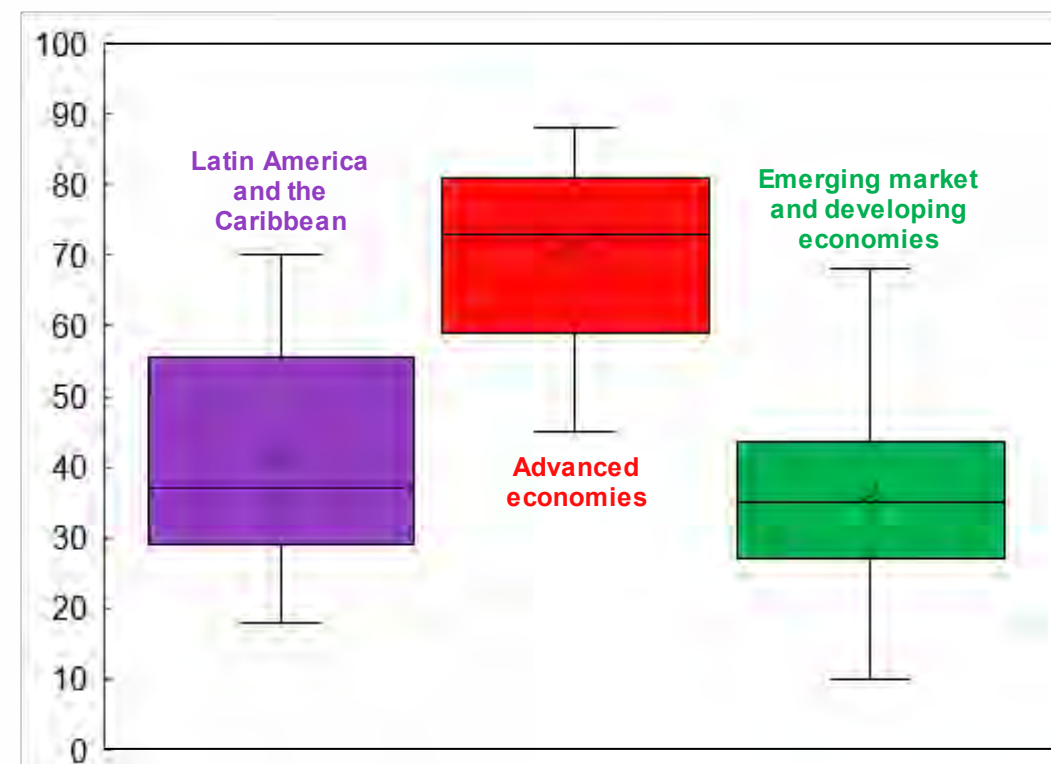
Structural Performance Indicators
(Percentile ranks, unless noted otherwise)



Sources: OECD, 2015 PISA; WB, 2019 Doing Business (DB) database; WB, WDI database; WEF, 2018 Global Competitiveness Report; and IMF staff calculations.

Note: For WDI, educational attainment is the percentage of population ages 25+ that attained or completed upper secondary education. For PISA, WEF, and DB, the scale reflects the percentile distribution in all countries for each respective survey. Latin America includes Argentina, Brazil, Chile, Colombia, Costa Rica, Mexico, Peru, and Uruguay.

Corruption Perception Index Distributions by Region, 2018



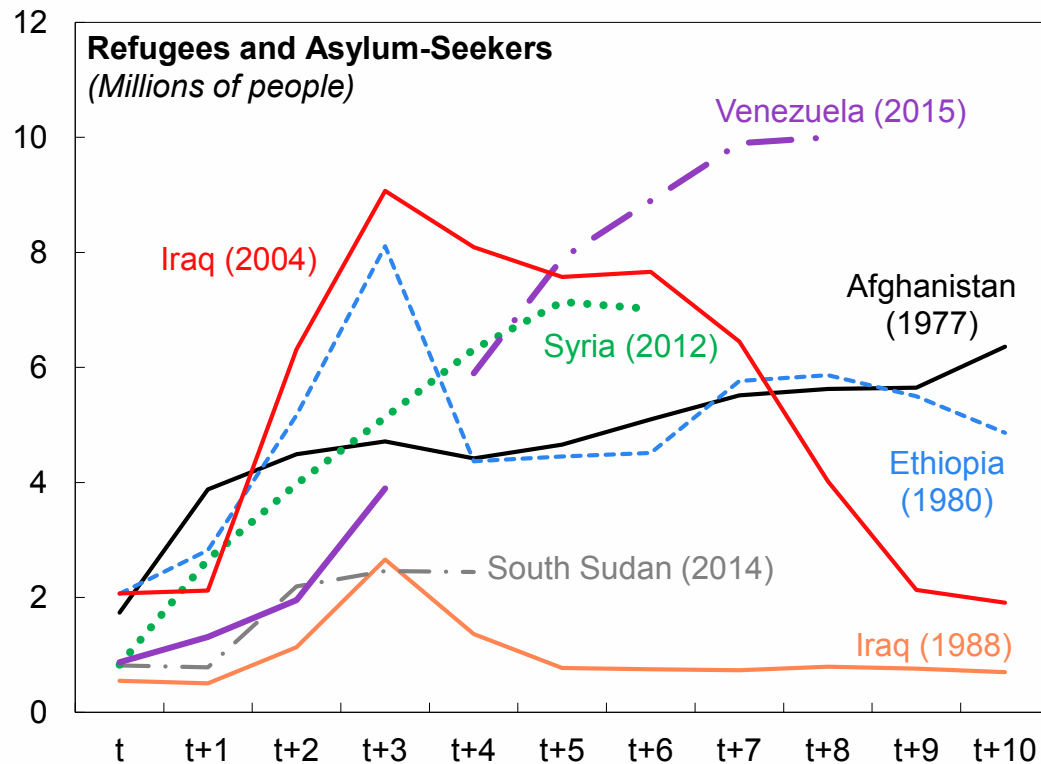
Source: Transparency International.

La Crisis Migratoria Venezolana

- ❖ La crisis económica y humanitaria en Venezuela continúa. En octubre de 2019, las Naciones Unidas estimaron que alrededor de 4.5 millones de Venezolanos habían dejado el país, con 3.7 millones estableciéndose en otros países de ALC.
- ❖ Basado en las tendencias actuales, estimamos que el número total de migrantes de Venezuela podría llegar a los 6 millones a fin de 2019 y 10 millones en 2023 (8.9 millones in ALC, y 500 mil Colombianos retornando desde Venezuela).
- ❖ Se espera que los flujos migratorios de Venezuela tengan efectos mixtos en los países receptores:
 - En el corto plazo pondrían presión sobre el gasto fiscal y el mercado laboral.
 - En el mediano plazo, aumentarían el crecimiento potencial dada la expansión de la fuerza laboral, el capital humano, y la inversión.

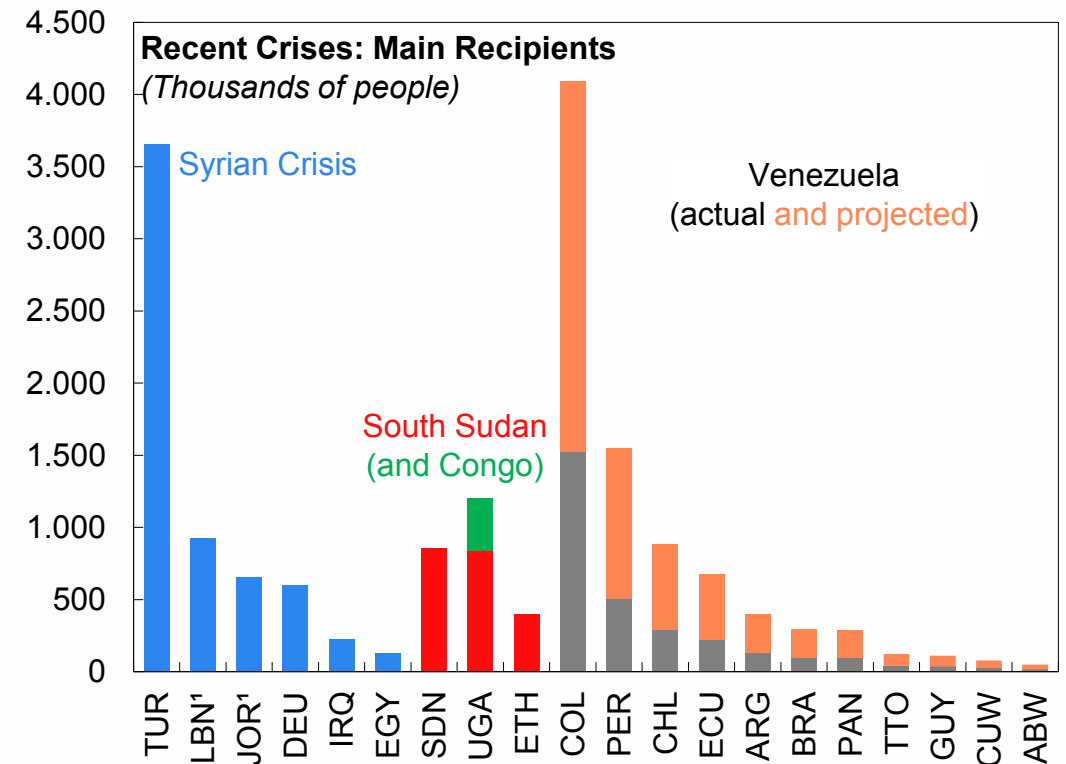
La crisis económica y humanitaria en Venezuela ha llevado a grandes flujos migratorios a otros países en la región

The total number of Venezuelan migrants is expected to reach 5 million in 2019 and 10 million in 2023...



Sources: United Nations High Commissioner for Refugees; and IMF staff calculations.
Note: Only countries with at least 2 million refugees are shown. t defined as the first year when refugees exceed 500k.

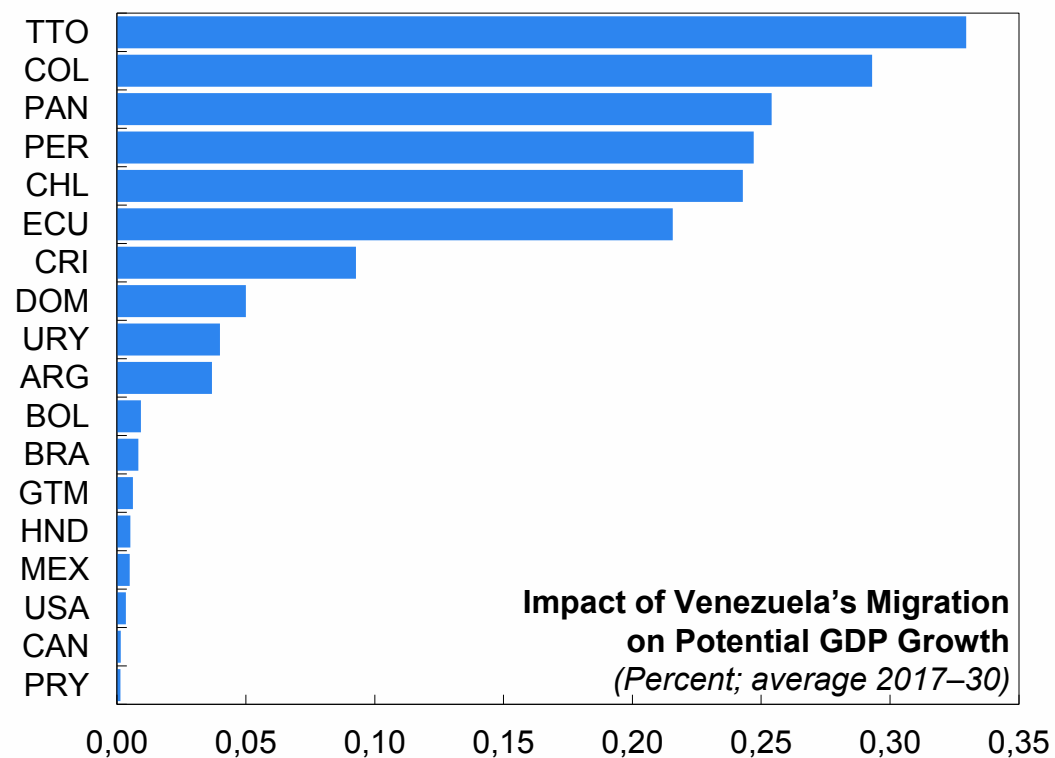
... Colombia, Peru, Chile, and Ecuador have received most of these migrants, accounting for 72 percent of the total



Source: United Nations High Commissioner for Refugees (UNHCR).
¹Unofficial estimates used by authorities are greater than UNHCR.

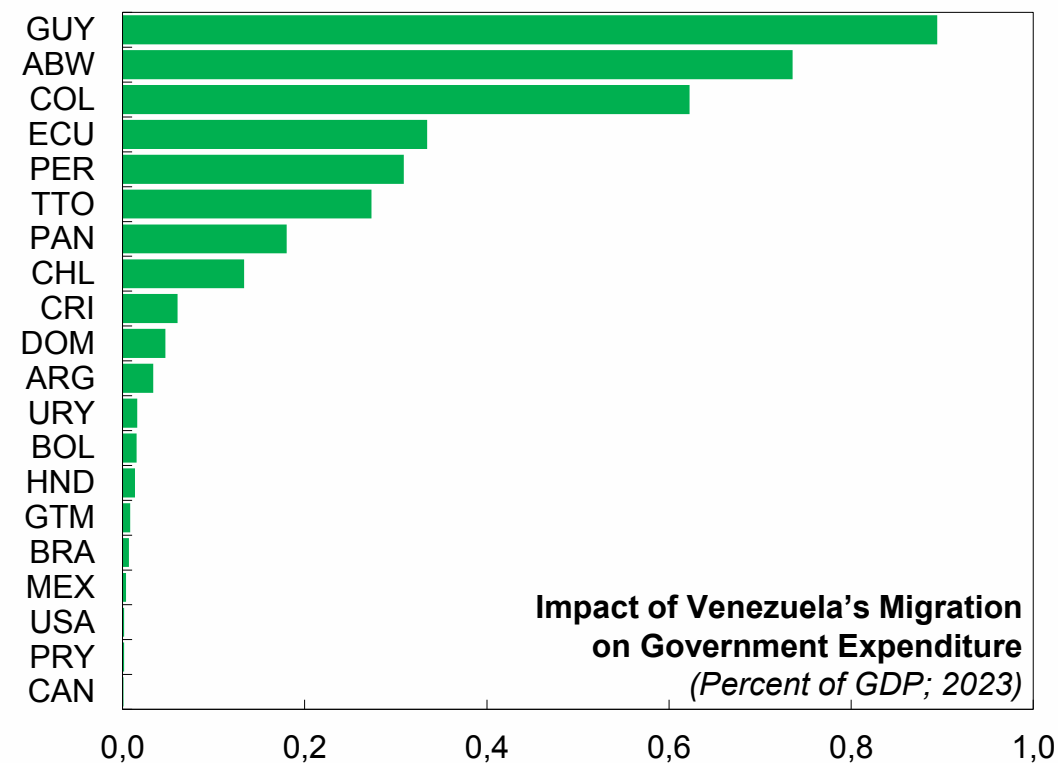
Se espera que estos flujos migratorios incrementen el **crecimiento y el gasto fiscal en los países receptores, ...**

The demographic and skills composition of migrants should lead to positive impact on potential growth...



Source: IMF staff calculations.

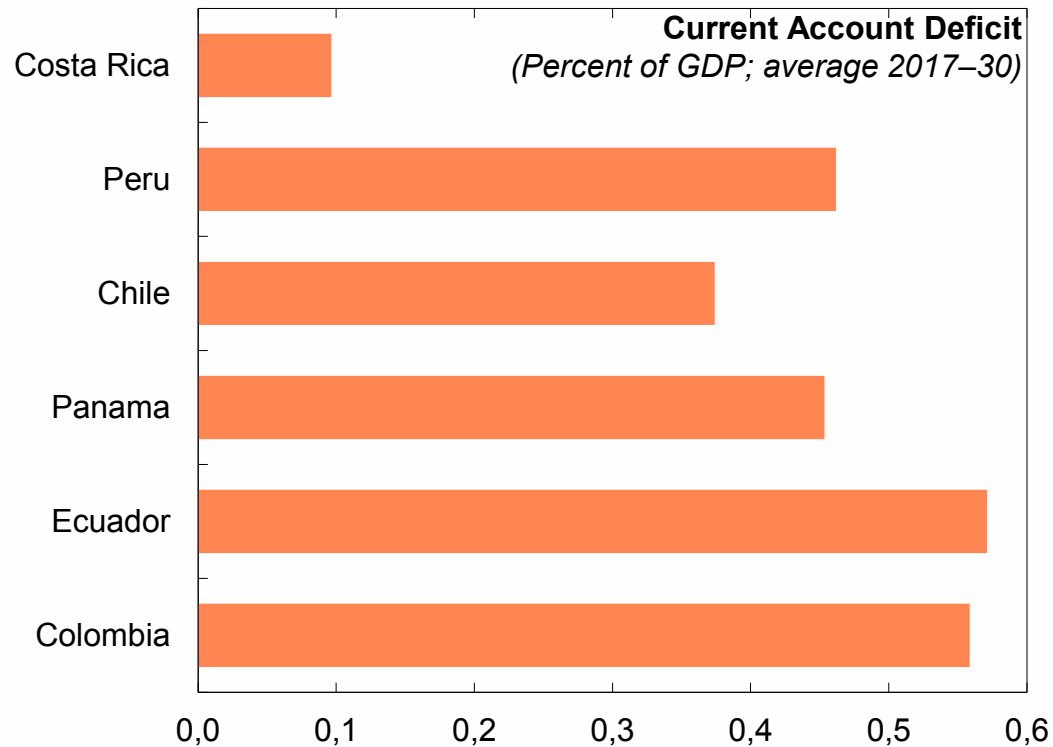
... but the provision of public services will be strained, increasing government expenditure



Source: IMF staff calculations.

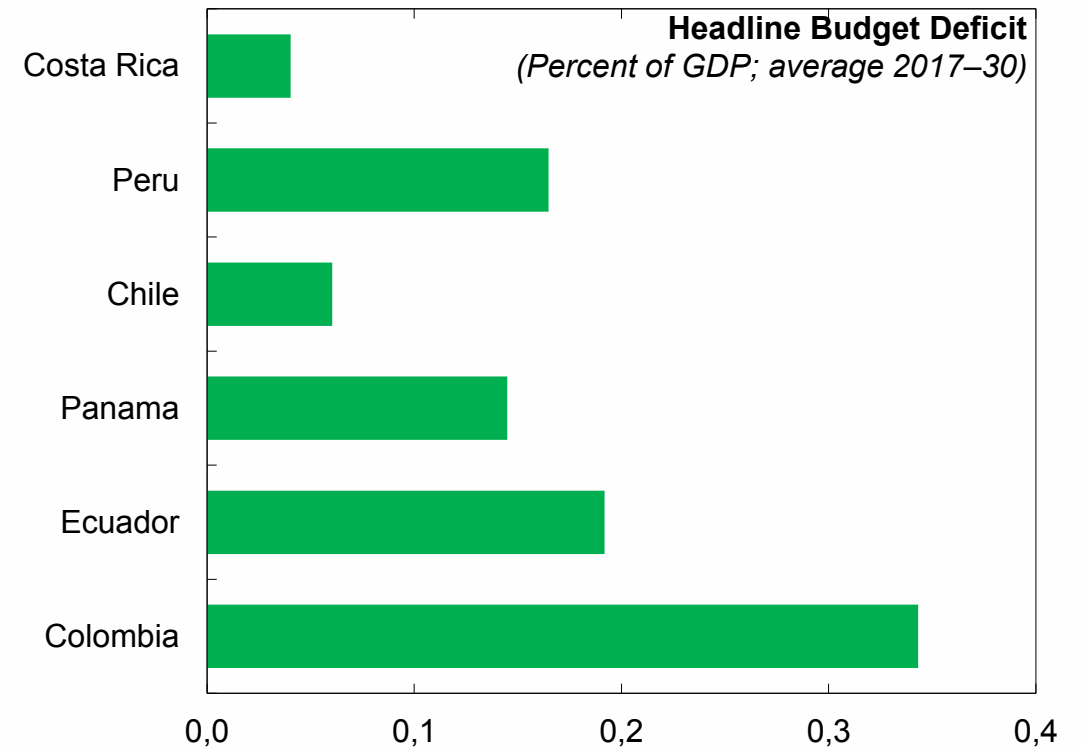
... y que lleven a un aumento de los déficits fiscales y de cuenta corriente

The associated increase in consumption and investment is expected to widen the current account deficit...



Source: IMF staff calculations.

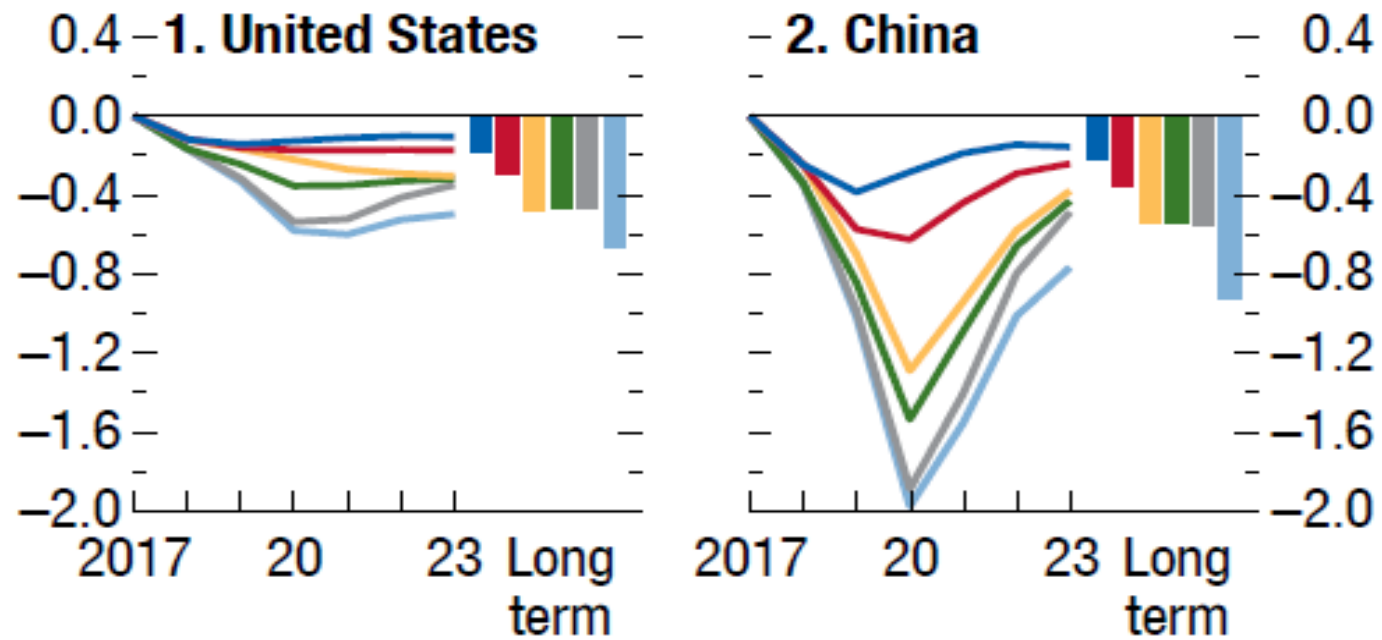
... while higher government expenditure, partly offset by higher revenue, would widen the fiscal deficits



Source: IMF staff calculations.

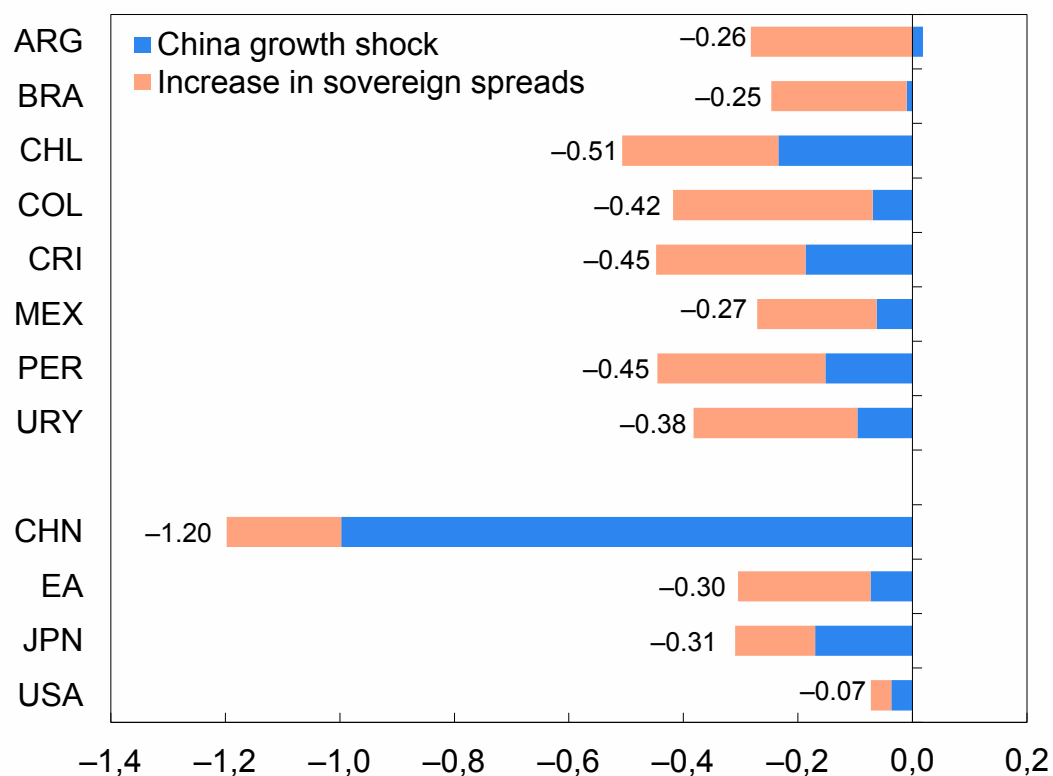
Impacto de las tensiones comerciales entre China y los Estados Unidos

- Tariffs in April 2019 baseline
- Add tariffs implemented May 2019
- Add tariffs announced August 2019
- Add confidence effect
- Add market reaction
- Add productivity effect



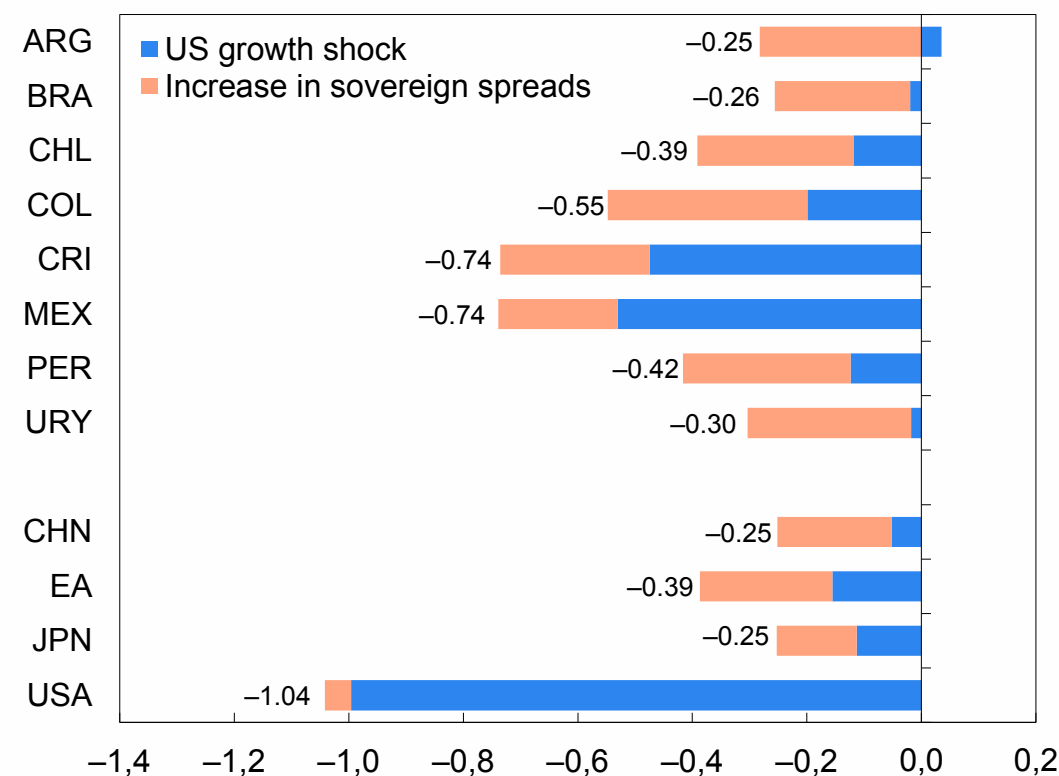
Los efectos en ALC de las tensiones comerciales pueden ser fuertes: Menor crecimiento en China y EE.UU. y mayores diferenciales

Growth Response to a China Growth Shock and Higher Spreads



Source: IMF staff calculations.

Growth Response to a US Growth Shock and Higher Spreads



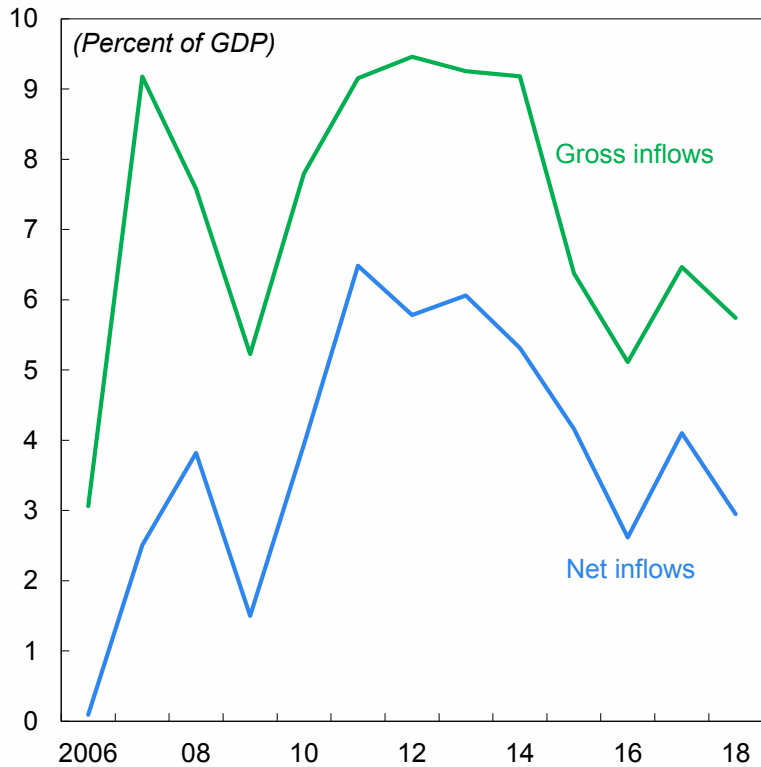
Source: IMF staff calculations.

Resumen de los Capítulos Analíticos

- ❖ **Flujos de capitales hacia América Latina después del superciclo de materias primas**
- ❖ **Diferenciales soberanos y consolidaciones fiscales**
- ❖ **Dinámica del mercado laboral e informalidad durante el ciclo económico en ALC**

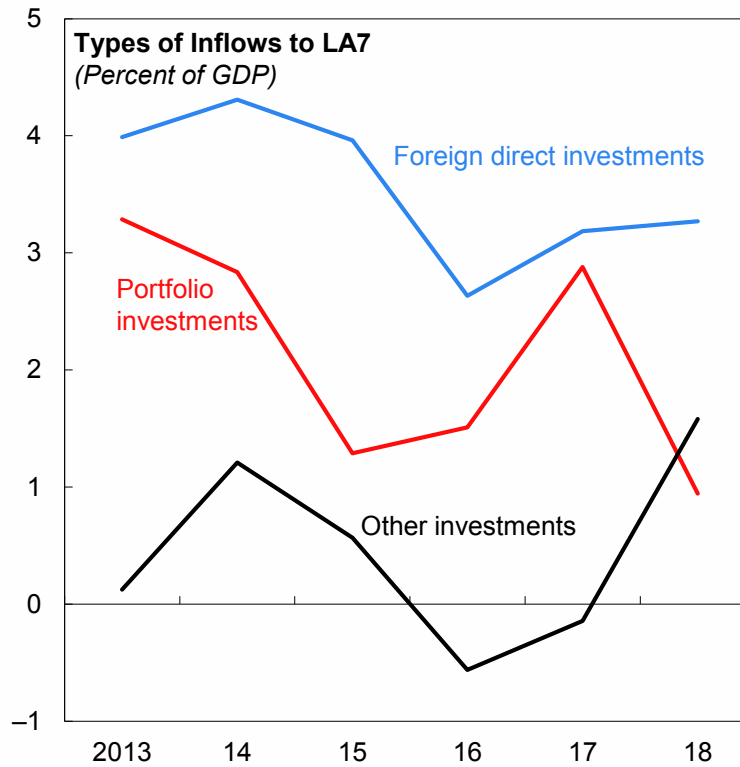
Capítulo 2: Los flujos de inversión de cartera toman un papel protagonista

Net capital flows to LAC declined since 2014, mostly because of a fall in gross inflows.



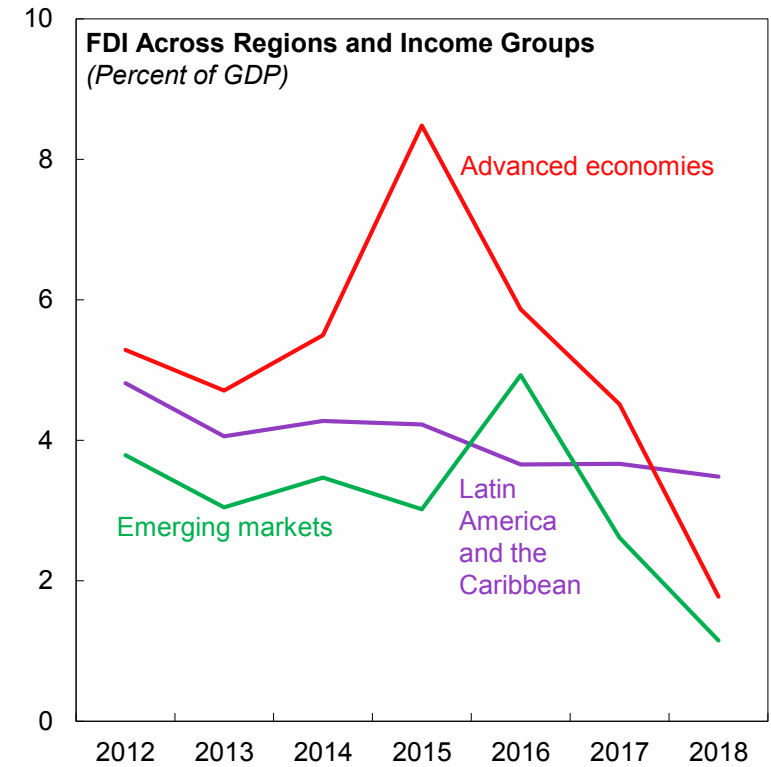
Sources: IMF, Financial Flows Analytics database; and IMF staff calculations.

This decline in turn was mainly driven by changes in portfolio inflows.



Sources: IMF, Financial Flows Analytics database; and IMF staff calculations.
Note: LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

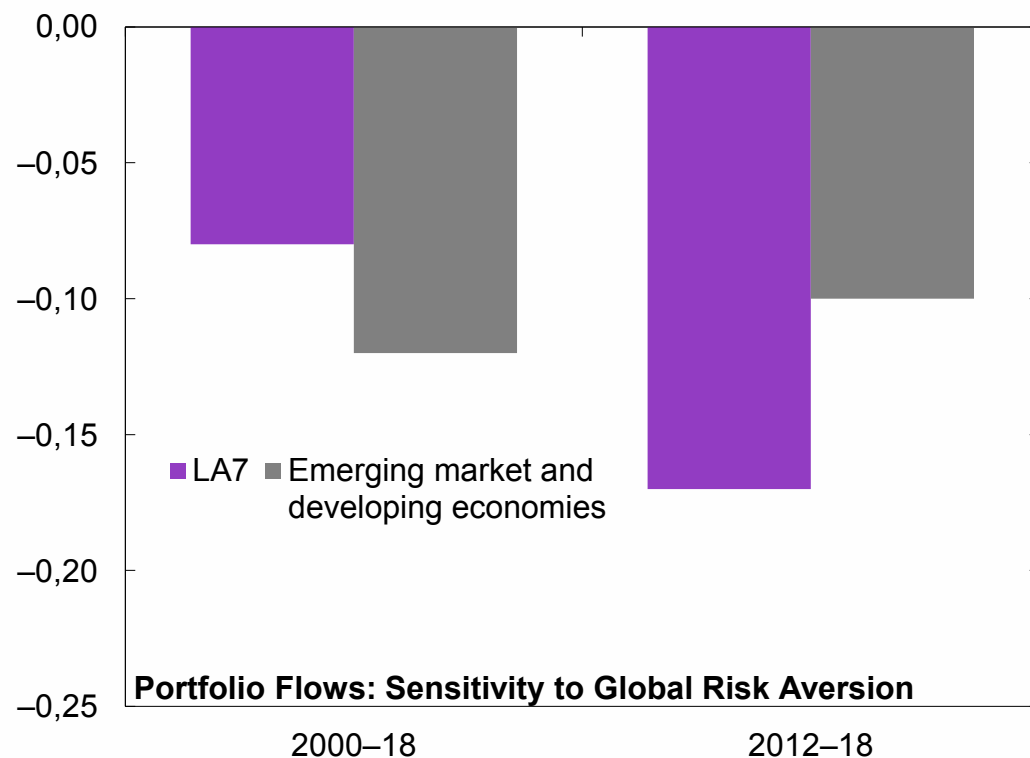
The resilience of FDI in LAC contrasts with steep decline in AEs and other EMs.



Sources: IMF, Balance of Payments Statistics database; and IMF staff calculations.
Note: FDI = foreign direct investments.

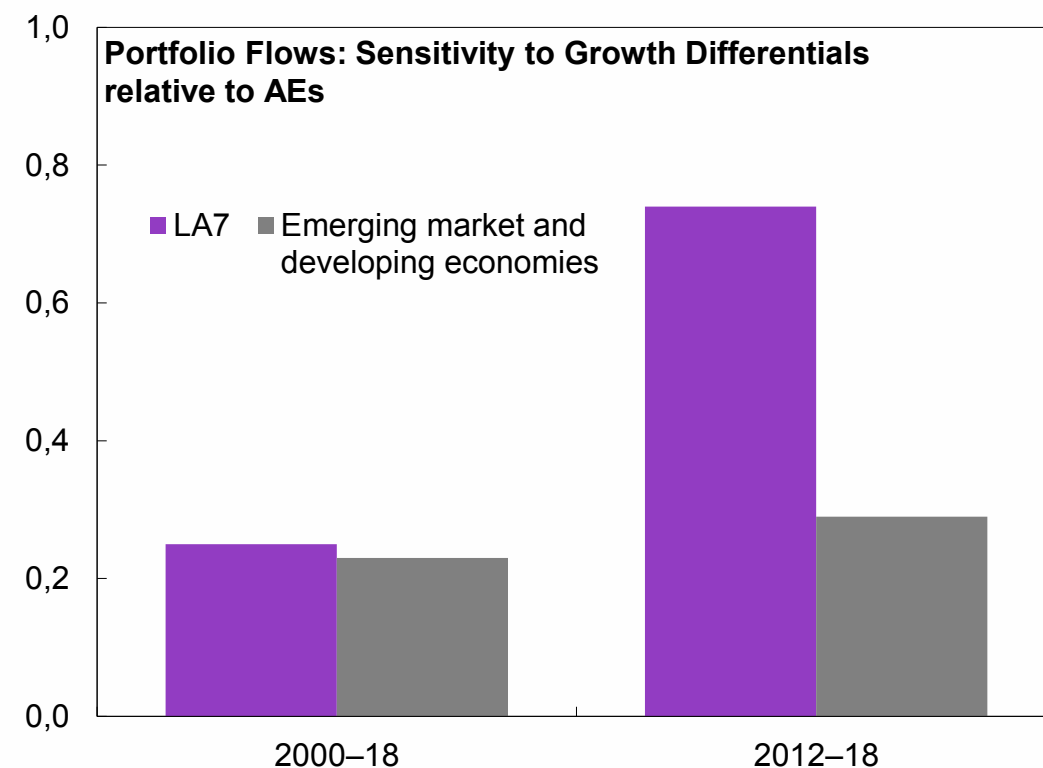
La sensibilidad de los flujos de capital a las principales variables explicativas ha cambiado

Portfolio flows to the region have become more sensitive to global factors...



Source: IMF staff calculations.
 Note: LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

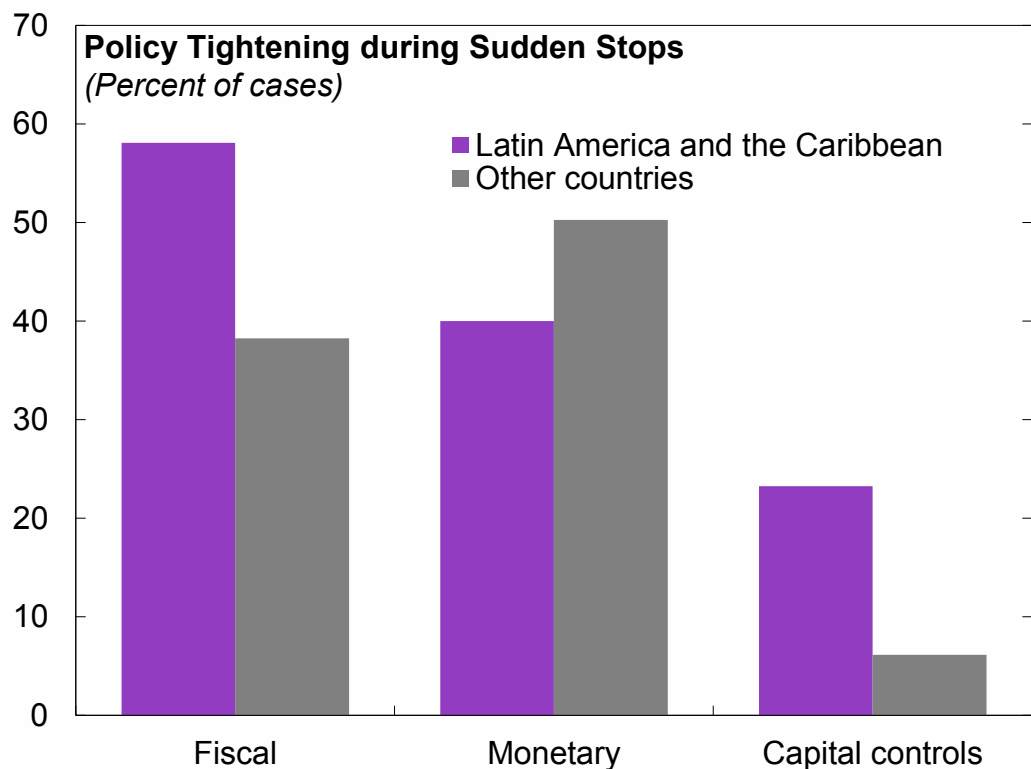
... and also to growth differentials. This implies increased vulnerabilities, given current global environment.



Source: IMF staff calculations.
 Note: LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

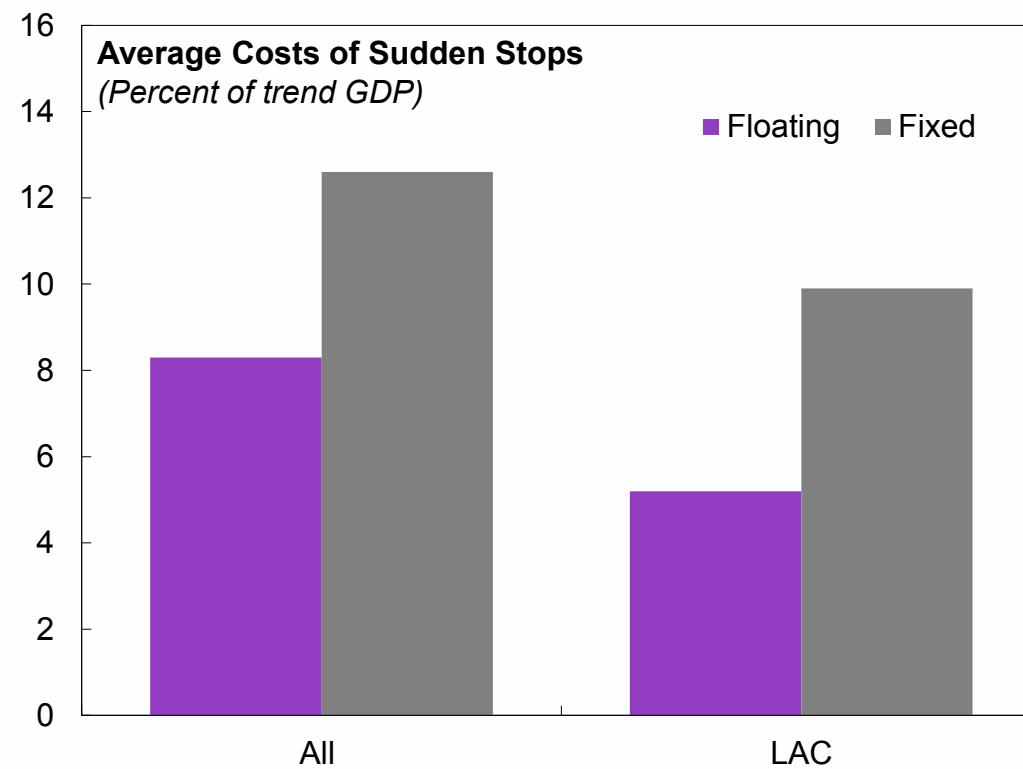
En caso de “sudden stops” en flujos de capital, la flexibilidad cambiaria juega un rol importante

LAC countries are more prone to tighten fiscal policy and capital controls after sudden stops



Source: IMF staff calculations.

Costs of sudden stops are lower for countries with flexible exchange rates



Source: IMF staff calculations.

Capítulo 3: Diferenciales soberanos y consolidaciones fiscales

- Muchos países en ALC tienen que consolidar sus cuentas fiscales luego del fin del boom de precios de materias primas.
- Los episodios se identifican con data de alta frecuencia de anuncios fiscales de las autoridades en una base de datos de noticias
- Se explora el impacto en los diferenciales soberanos usando el Método de Proyecciones Locales de Jordà (2005)
- La especificación central para los diferenciales a diferentes horizontes ($h=0,\dots,30$) in días es:

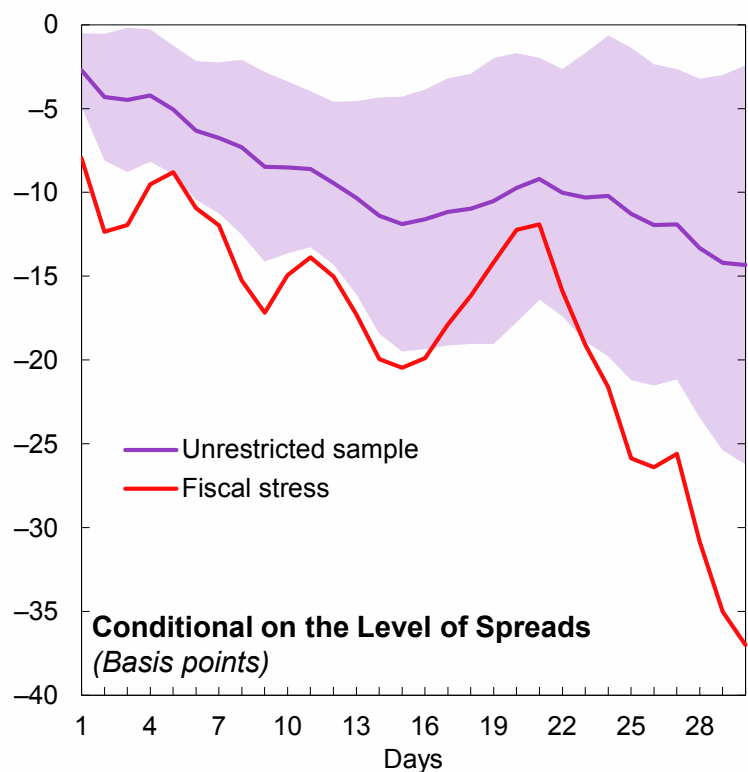
$$r_{i,t+h} - r_{i,t-1} = \alpha_{i,h} + \gamma_{t,h} + \beta_h D_{i,t} + \delta X_{i,t} + \varepsilon_{i,t+h} \quad (1)$$

- También se consideran especificaciones dependientes del estado (niveles de los diferenciales soberanos, programa del FMI):

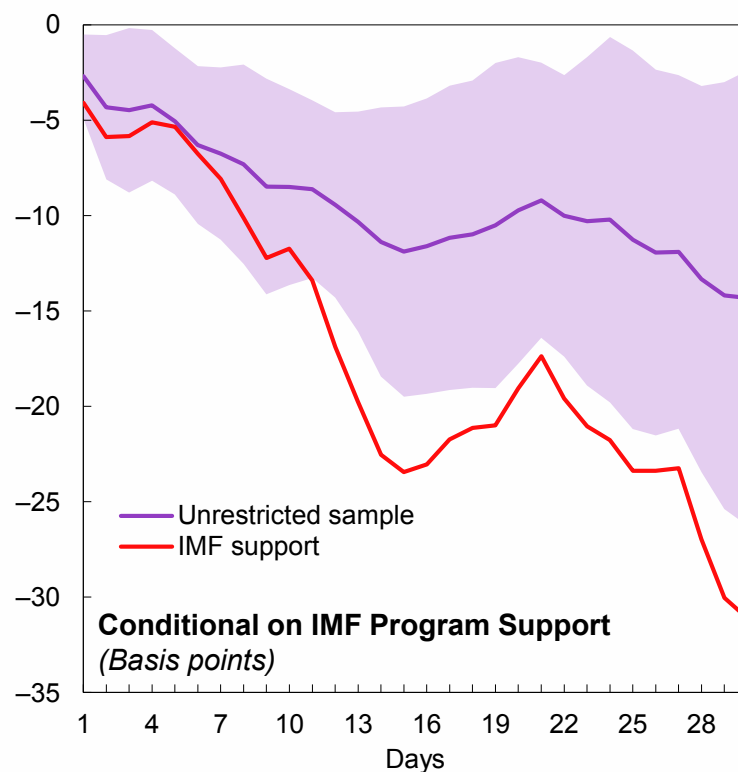
$$r_{i,t+h} - r_{i,t-1} = S_{i,t-1}^j [\alpha_{i,h}^j + \gamma_{t,h}^j + \beta_h^j D_{i,t} + \delta^j X_{i,t}] + (1 - S_{i,t-1}^j) [\alpha_{i,h}^j + \gamma_{t,h}^j + \beta_h^j D_{i,t} + \delta^j X_{i,t}] + \varepsilon_{i,t+h}. \quad (2)$$

Los paquetes de ajuste fiscal que reducen los diferenciales soberanos mitigan la caída del producto

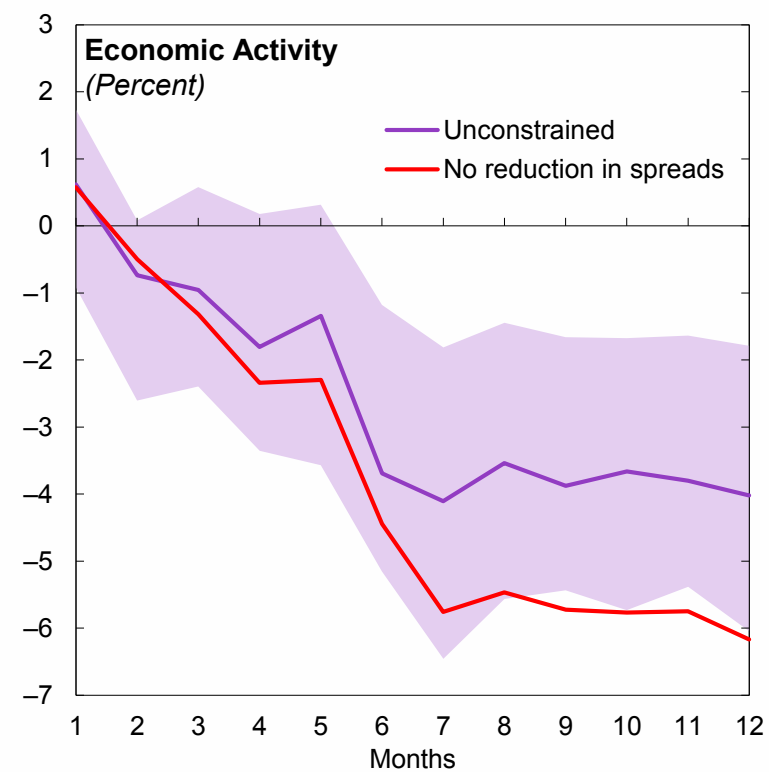
Consolidation announcements reduce sovereign spreads, especially in times of fiscal stress



IMF supported-programs are also linked to higher reductions in spreads



Consolidations that reduce spreads lead to smaller drag on economic activity in periods of high fiscal stress

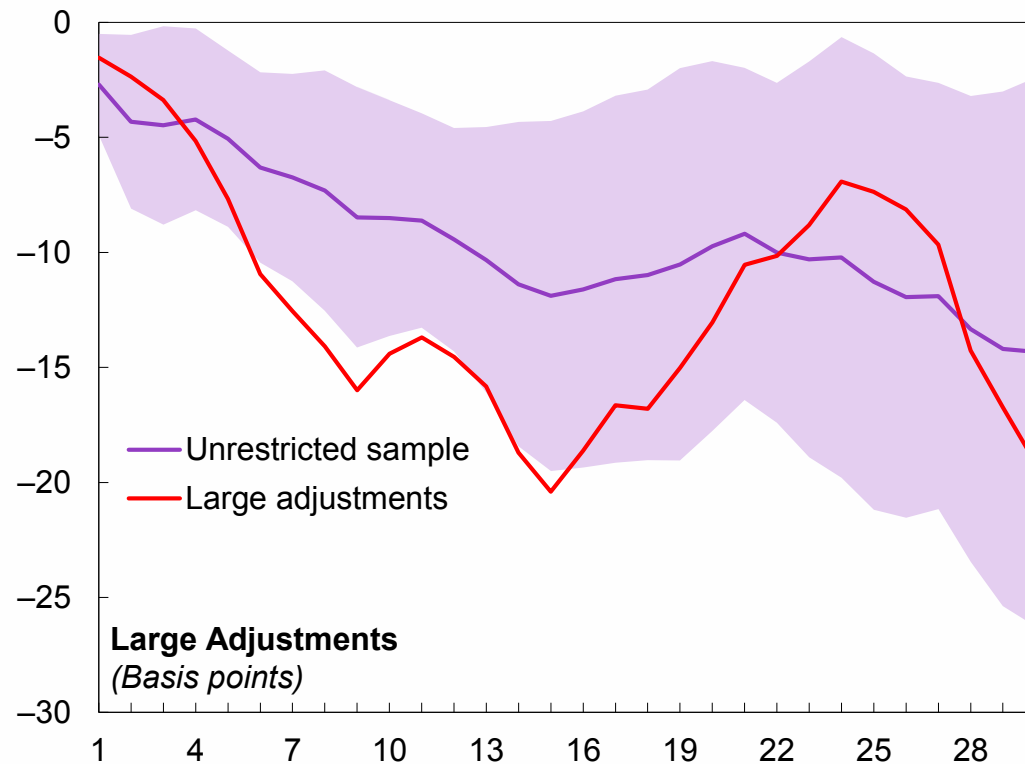


Source: IMF staff calculations.
Note: Estimates based on local projection methods. Shaded area indicates 90 percent confidence intervals using HAC standard errors.

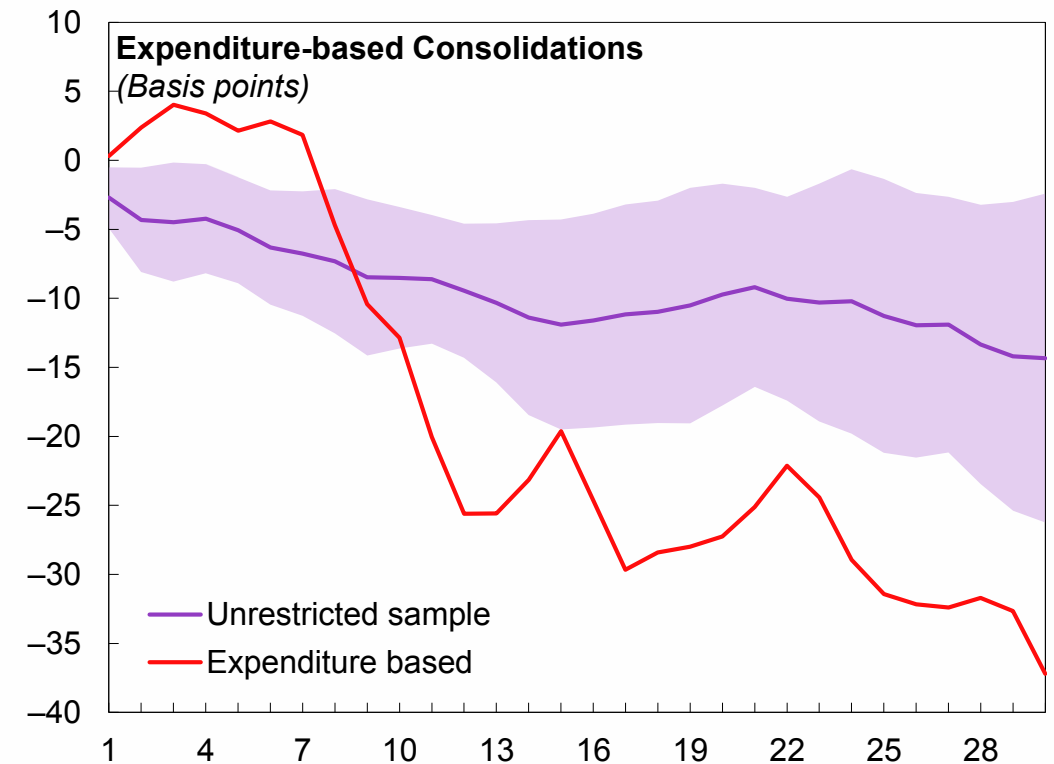
Source: IMF staff calculations.
Note: Estimates based on a PVAR. Shaded area indicates 90 percent bootstrap confidence intervals. The red line is the counterfactual scenario in which spreads do not respond.

El diablo se esconde en los detalles: El tamaño y la composición del ajuste son importantes

Splitting the sample in half using “large” and “small” adjustment bins shows that “large” dominates...



... and that expenditure-based consolidations lead to higher and more persistent reductions in spreads



Source: IMF staff calculations.

Note: Estimates based on local projection methods. Shaded area indicates 90 percent confidence intervals using HAC standard errors. The LAC sample is split at the median of the empirical distribution for the size of the adjustment package.

Capítulo 4: Dinámica del mercado laboral e informalidad

- La recuperaciones lentas ponen en riesgo las mejoras en el ingreso real, el empleo, y la formalización.
- Este capítulo estudia la dinámica del mercado laboral durante el ciclo económico; y el rol que juegan las fricciones institucionales, la regulaciones, y los impuestos.
- Se usa el Estimador Común Correlacionado (ECC) propuesto por Pesaran (2006):

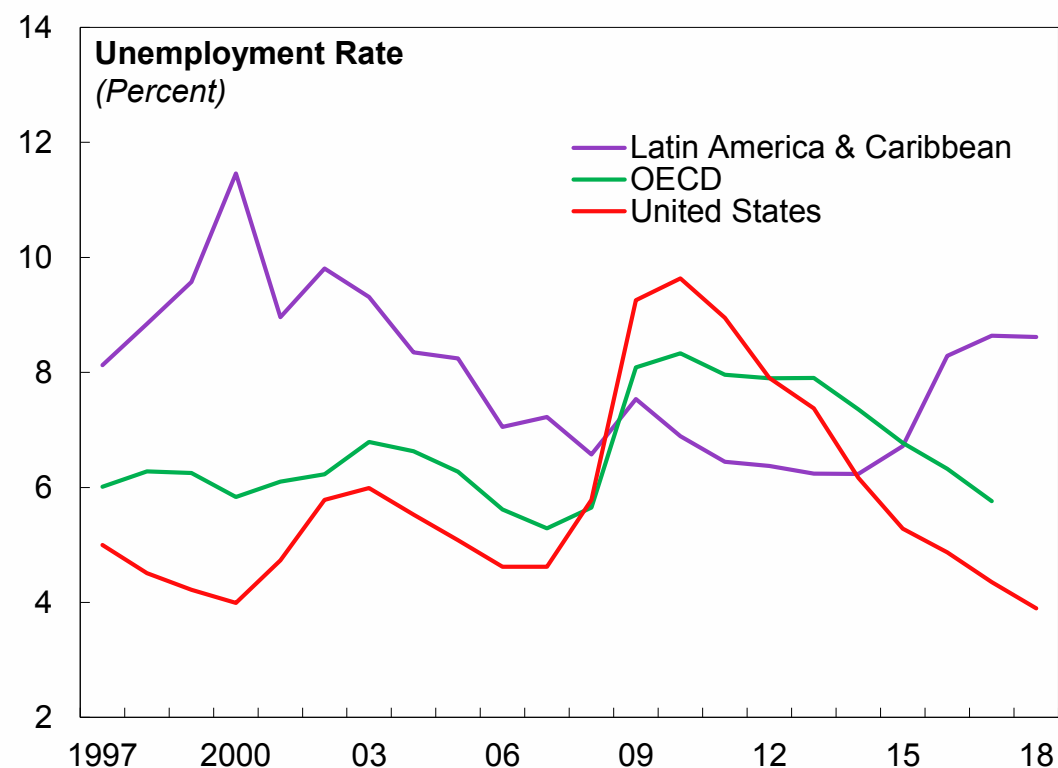
$$\Delta Z_{it} = \alpha_i + \beta_i \Delta y_{it} + \theta_i \Delta y_{it-1} + \gamma_i \Delta y_{it-2} + \vartheta_{i,t}, \quad (1)$$

$$\vartheta_{i,t} = \mu_i + \sum_{m=1}^p \lambda_{im} f_{mt} + \varepsilon_{i,t}$$

- Donde ΔZ_{it} es el cambio en la variable del mercado laboral de interés (tasa de participación, desempleo, informalidad) y Δy_{it} es el crecimiento del PIB.
- El estimador ECC permite capturar la heterogeneidad de las elasticidades a través de países y tomar en cuenta factores comunes.

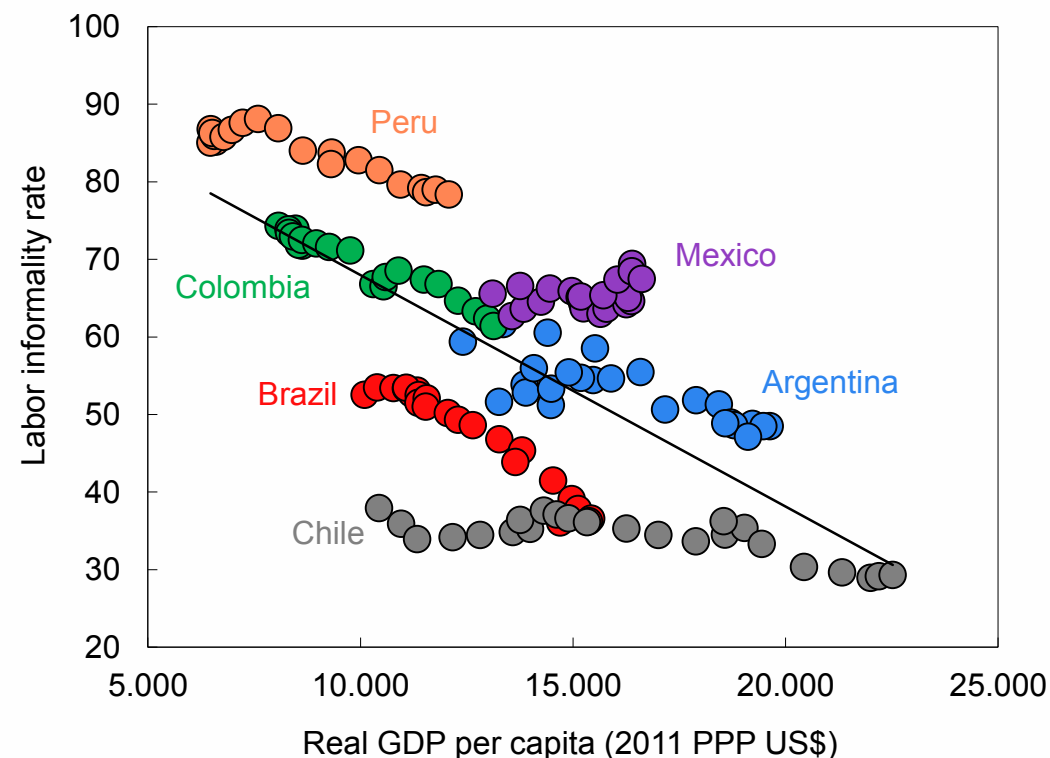
Tendencias del mercado laboral en ALC: reducciones en informalidad y desempleo

The negative terms-of-trade shock and the protracted growth slowdown that ensued led to an increase in unemployment in LAC



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

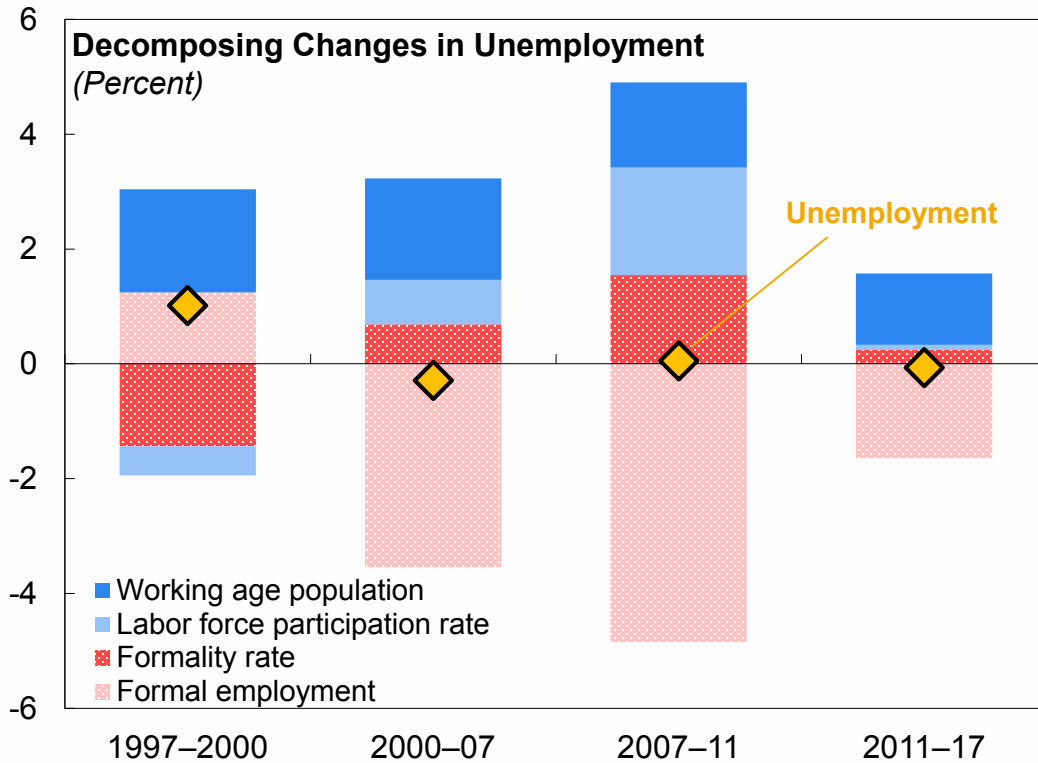
Informality fell in the 2000s, but in some countries the decline has stalled in recent years



Sources: World Bank, World Development Indicators database; and IMF staff calculations.

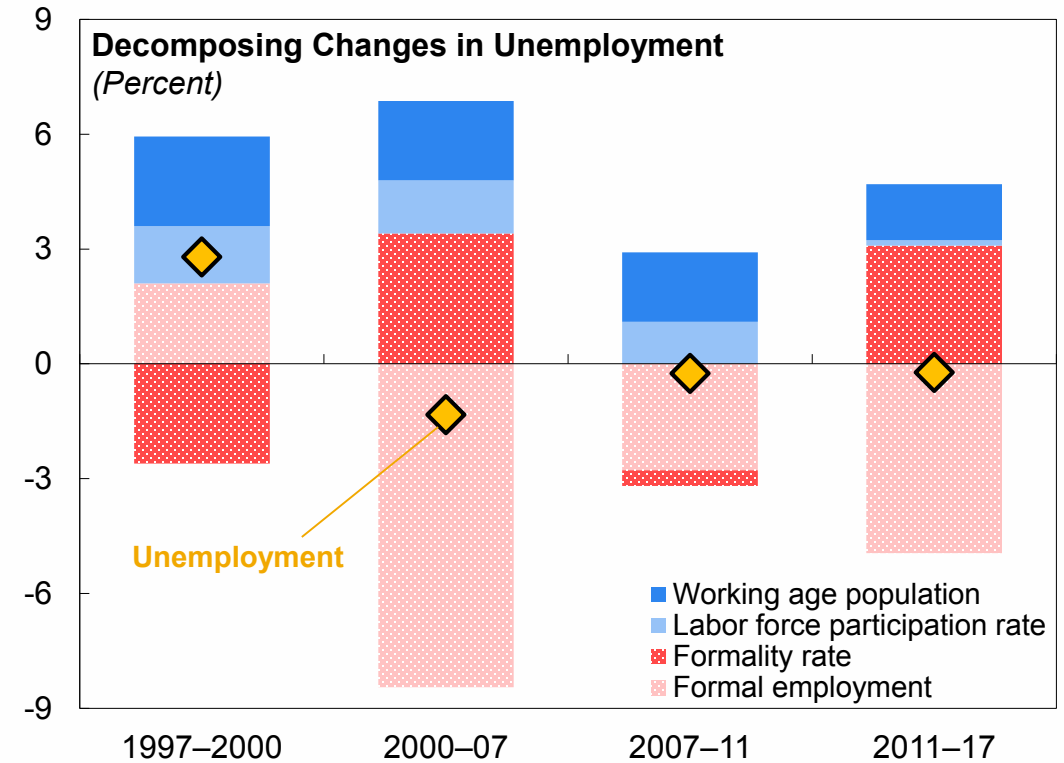
El desempleo cambia poco; los factores de oferta y demanda fluctúan fuertemente en direcciones opuestas

Chile: Slower formal job creation in recent years has been compensated by lower labor force participation and a slowdown in formalization



Source: David, Lambert y Toscani (2019).

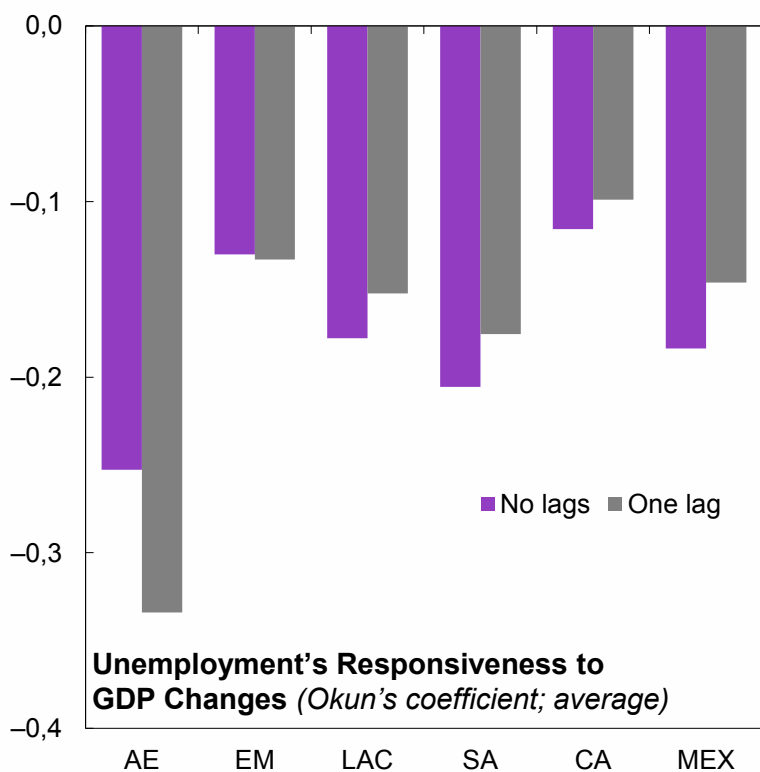
Colombia: Formal job creation has been met with a strong increase in the formality rate, thus keeping unemployment relatively stable



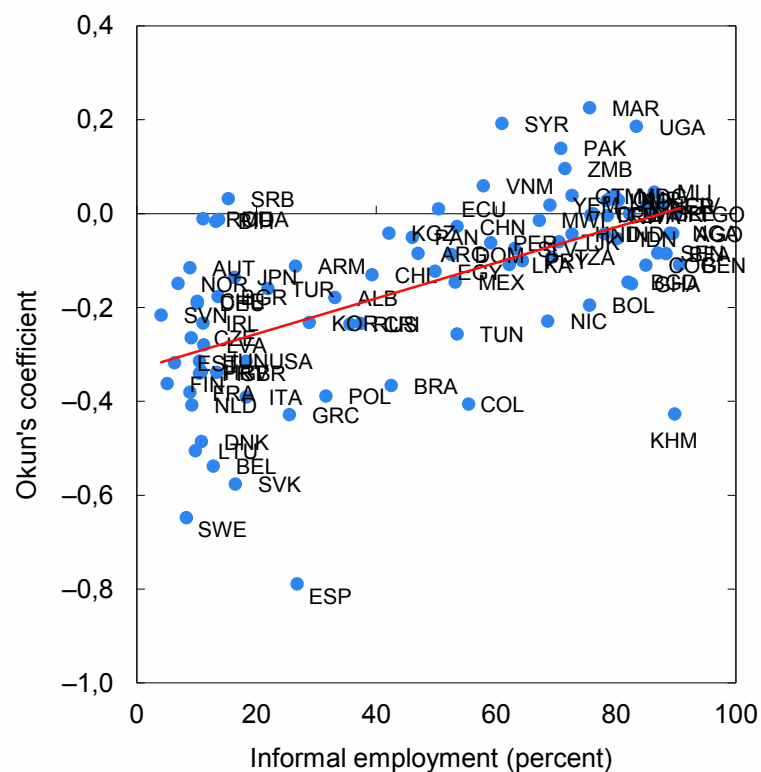
Source: David, Lambert y Toscani (2019).

La informalidad afecta la dinámica del mercado laboral sobre el ciclo económico

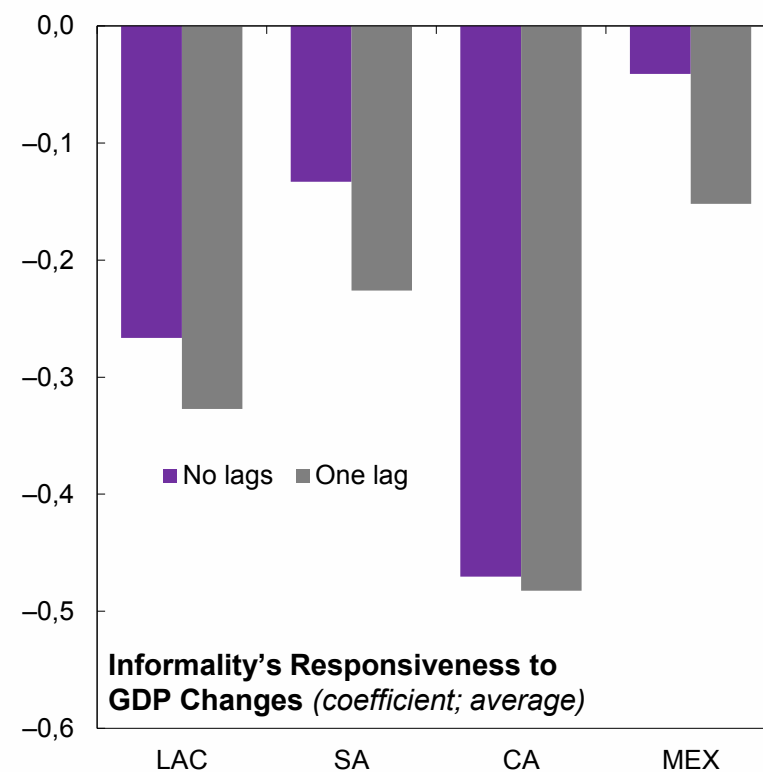
Unemployment in LAC is less responsive to fluctuations in GDP...



... which in part reflects high levels of informality.



Informality acts as a "buffer", it increases in downturns and decreases in upswings

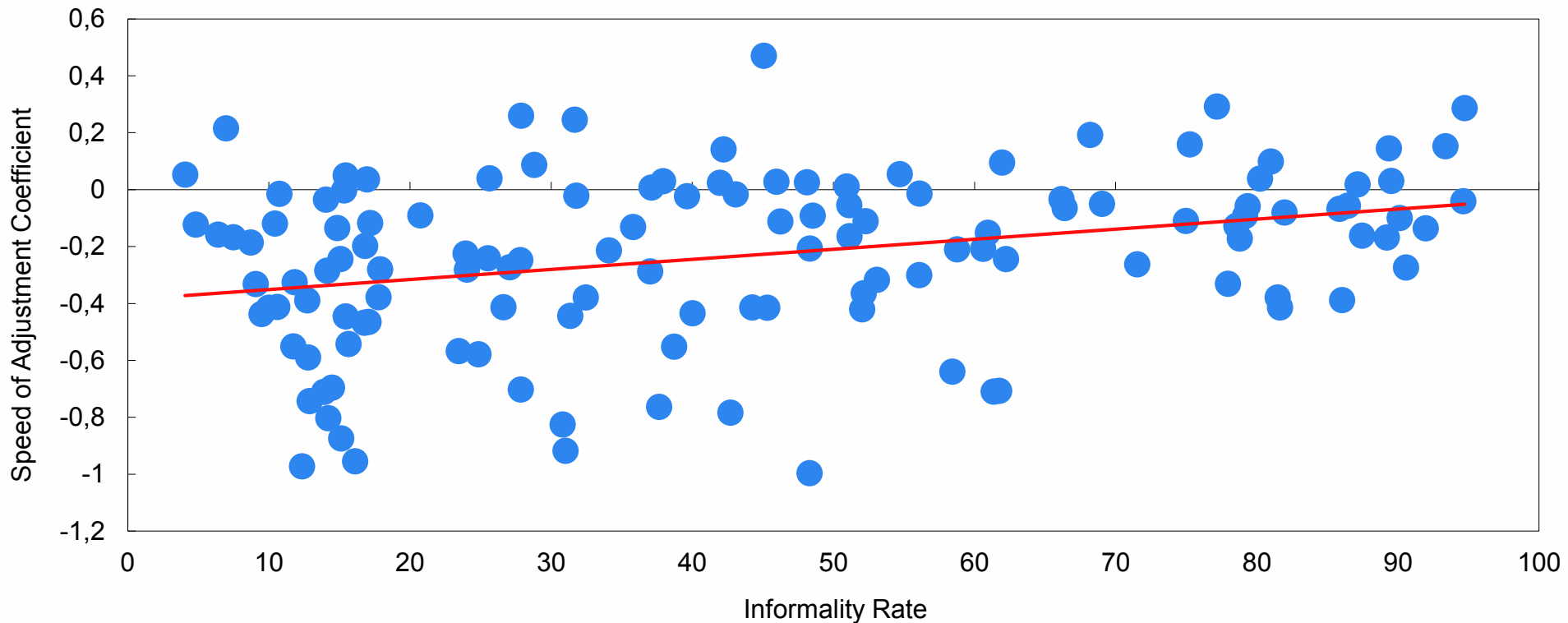


Sources: Haver Analytics; International Labour Organization; and IMF staff calculations.

Note: AE = advanced economies; CA+MEX = Central America and Mexico; EM = emerging markets; LAC = Latin America and the Caribbean; SA = South America.

Una informalidad alta reduce la velocidad de ajuste a los “shocks” económicos, y el crecimiento

Higher informality levels are associated with a lower speed of adjustment coefficient



Sources: World Bank, World Development Indicators database; and IMF staff calculations.

Gracias

<https://www.imf.org/en/Publications/REO/WH/Issues/2019/10/22/wreo1019>

Additional Slides

Determinantes de los flujos de inversión de cartera

	2000–18		
	LAC	LA7	All EMs
Lagged flow	not significant	0.19***	(-0.10**)
Growth differential	0.11*	0.25**	0.23**
US_10y	(-0.35**)	(-0.29**)	0.16*
VIX	(-0.07)***	(-0.08)***	(-0.12)***
Observations	1030	514	2560

	2012–18		
	LAC	LA7	All EMs
Lagged flow	(-0.13)**	0.14***	not significant
Growth differential	0.38***	0.74***	0.29***
US_10y	not significant	(-0.81)*	not significant
VIX	(-0.12)***	(-0.17)***	(-0.10)***
Observations	433	188	1050

Como responder a los sudden stops? Acortando el dolor

Duration Models of Sudden Stops and Growth Decelerations

	Sudden Stops		Growth Decelerations	
	(1) Weibull	(2) Gompertz	(3) Weibull	(4) Gompertz
GDP per capita (initial)	0.76** (-2.43)	0.76** (-2.18)	0.74** (-2.30)	0.75** (-2.21)
Exchange rate regime (initial)	1.62*** (2.86)	1.96*** (3.76)	1.84*** (2.80)	1.81*** (2.86)
Δ Terms of trade	1.13*** (2.95)	1.12*** (2.84)	1.10*** (2.64)	1.09*** (2.88)
Δ Monetary	1.03 (1.16)	1.06* (1.93)	1.05*** (3.06)	1.05*** (3.23)
Δ Fiscal	1.02 (0.71)	1.02 (0.82)	0.99 (-0.18)	0.99 (-0.31)
Δ Reserves	1.01** (2.12)	1.01*** (2.65)	1.01 (1.50)	1.01 (1.59)
Δ Capital controls	0.96 (-0.17)	1.00 (-0.014)	0.97 (-0.066)	1.03 (0.073)
Constant	0.16 (-1.57)	0.41 (-0.74)	0.34 (-0.85)	0.79 (-0.19)
θ	2.90*** (12.69)		1.57*** (8.07)	
γ		1.83*** (10.39)		1.06*** (5.70)
Observations	145	145	97	97

Coefficient means that featuring a flexible exchange rate regime increases the odds of exiting the sudden stop in 81%.

Source: IMF staff calculations.

Note: Exponentiated coefficients. t-statistics in parentheses. Standard errors clustered by country. Weibull and Gompertz refer to the distributions assumed for the baseline hazard (see Annex 3).

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Enfoques de estimación alternativos (II)

- To study labor market adjustments to economic shocks we follow two approaches. The first uses aggregate data to estimate an error correction model that adapts equation (1):

$$\begin{aligned}\Delta e_{it} &= \alpha_i + \beta_i \Delta y_{it} + \lambda_i (e_{it} - \theta_i y_{it-1}) + \vartheta_{i,t}, & (2) \\ \vartheta_{i,t} &= \mu_i + \sum_{m=1}^p \lambda_{im} f_{mt} + \varepsilon_{i,t},\end{aligned}$$

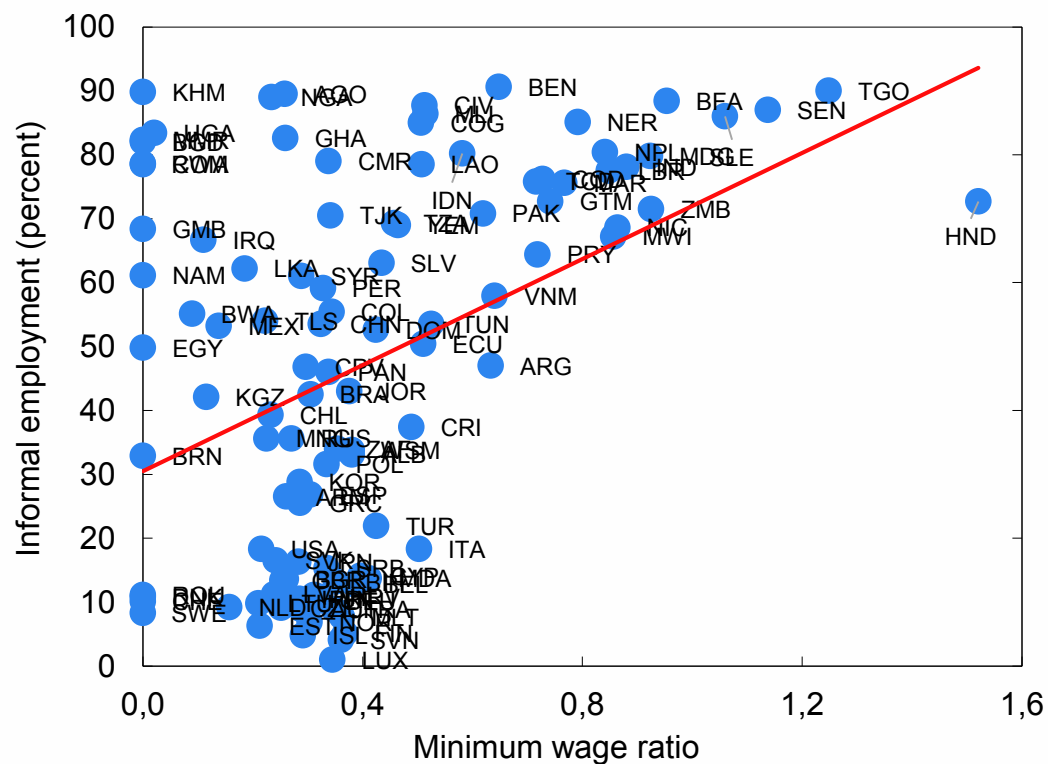
- The second approach uses sector-level data and follows the empirical strategy of Caballero, Cowan, Engel and Micco (2013). The estimating equation in this case is:

$$\Delta e_{ijt} = \alpha + \lambda_i (e_{ijt-1}^* - e_{ijt-1}) + \varepsilon_{i,t}$$

- Where the speed of adjustment parameter λ_i is assumed to be a function of country characteristics such as labor market regulations.

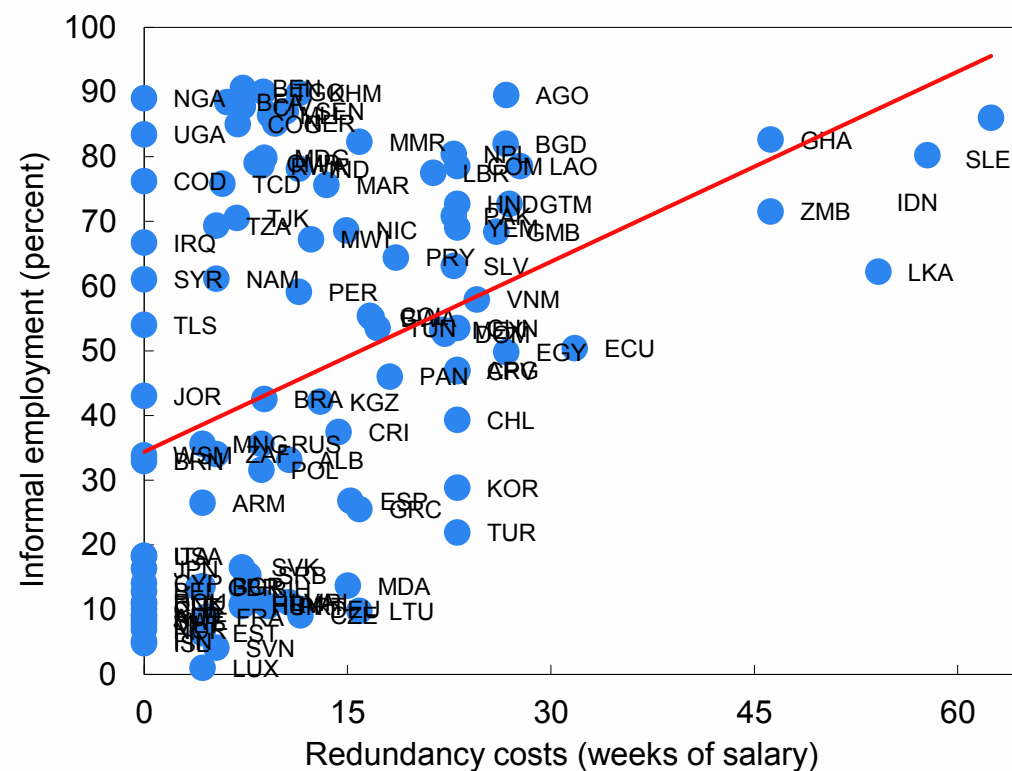
La informalidad es un síntoma de factores estructurales, incluyendo las regulaciones al mercado laboral...

Informality is positively correlated with higher minimum wages...



Sources: International Labour Organization; World Bank, Doing Business Indicators, and IMF staff calculations

... and with higher redundancy costs

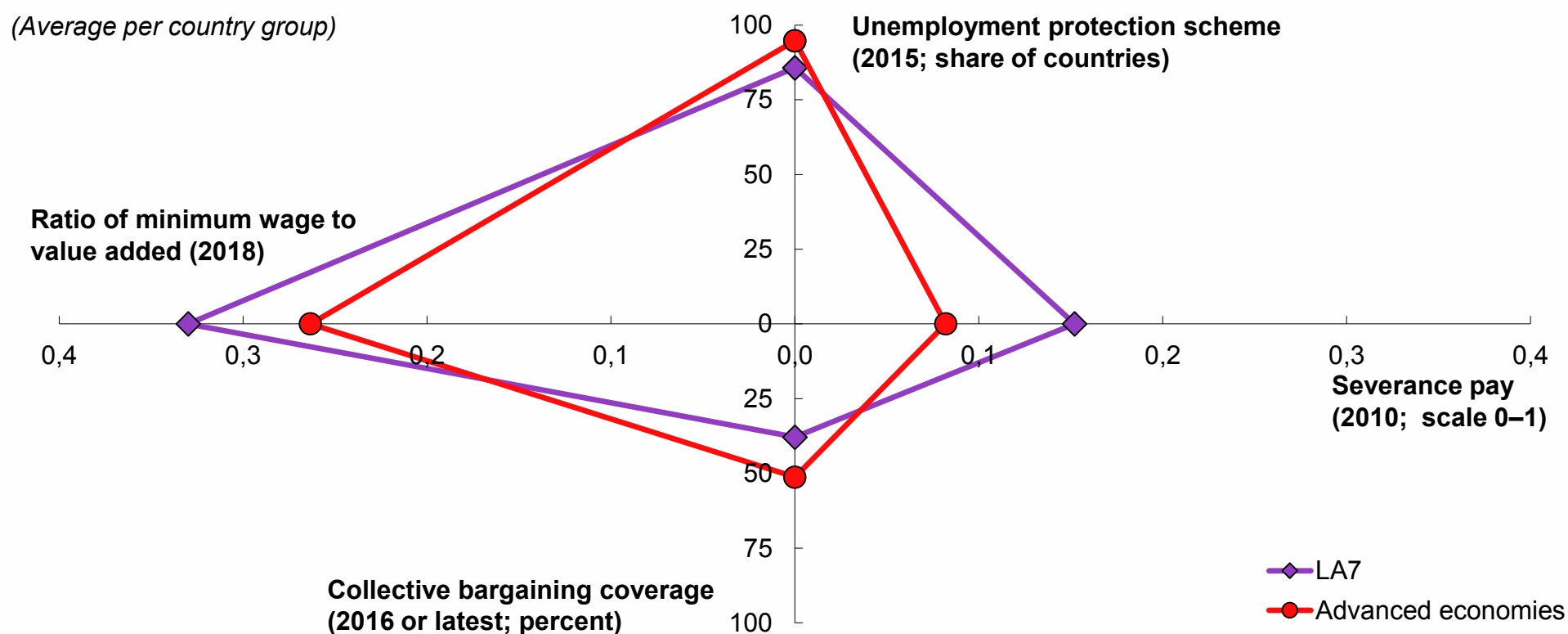


Sources: International Labour Organization; World Bank, Doing Business Indicators, and IMF staff calculations.

... y los países de ALC tienden a tener regulaciones mas estrictas que las economías avanzadas

LAC countries have, on average, higher minimum wages and severance pay than AEs

(Average per country group)



Sources: International Labour Organization; World Bank, Doing Business Indicators database; and IMF staff calculations.
 Note: LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

De hecho, regulaciones de facto estrictas son asociadas con menos flexibilidad microeconómica y menor crecimiento

Labor Market Characteristics, Speed of Adjustment, and Growth

		Estimated Speed of Adjustment	Implied half life (in months)	Implied growth differential (low-high)
Average		0.50	12.00	-
LAC		0.48	12.91	-
Informality	Low	0.51	11.79	
	High	0.47	13.26	0.17pp
Job security	Low, High government effectiveness	0.54	10.56	
	High, High government effectiveness	0.43	14.61	0.47pp
	Low, Low government effectiveness	0.52	11.39	
	High, Low government effectiveness	0.49	12.32	0.11pp
Minimum wage/Labor productivity	Low, High government effectiveness	0.55	10.56	
	High, High government effectiveness	0.39	16.85	0.74pp
	Low, Low government effectiveness	0.51	11.72	
	High, Low government effectiveness	0.49	12.48	0.09pp