

LatAm Outlook

3Q19

Latin America will grow **by just 1.0%** in 2019, this is mainly due to the negative surprises in the economic activity in most countries during the first half of the year.

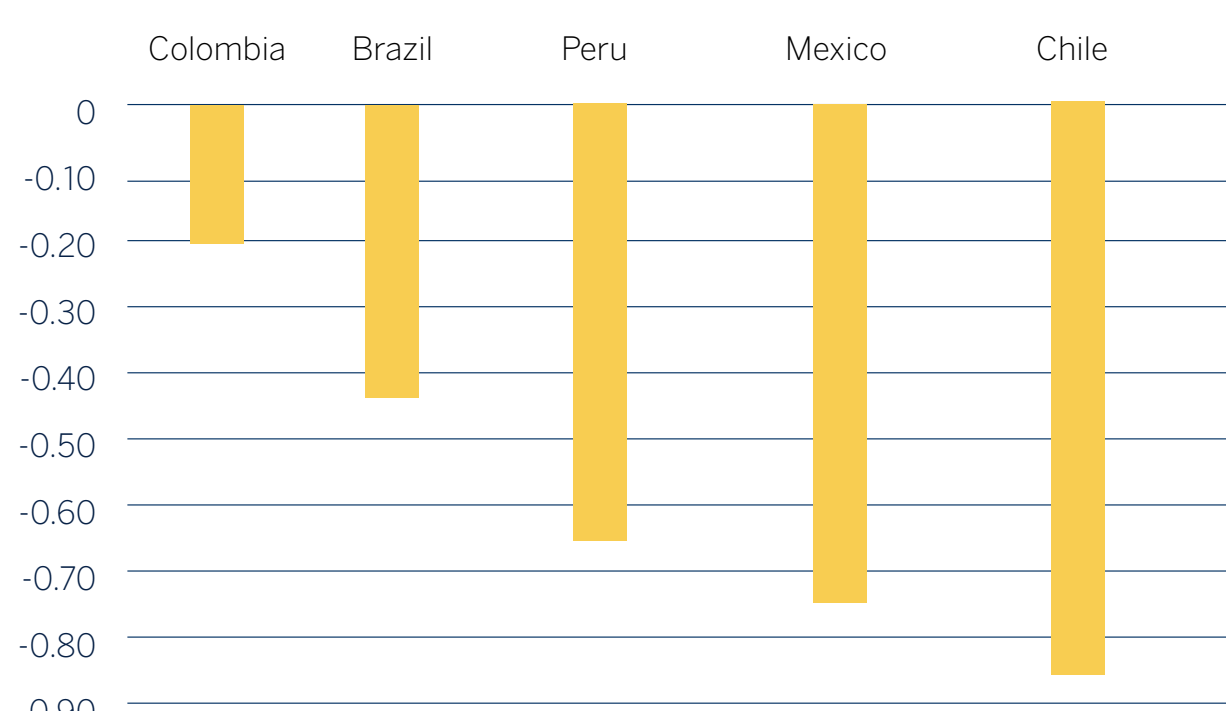
We expect to see **recovery** from the second half of the year onwards and growth of 2.2% in the region for 2020.

GDP growth (YoY %)



Impact of trade war between US and China

The impact of the trade war on the region would account for between **-0.5 and -0.9 percentage points** of GDP, although it could be partially offset by stimulus policies in the world's major economies.



Impact on gdp level of announced* additional tariff hikes on selected countries

(impact accumulated over two years, pp)

*US measures: measures already approved plus 25% tariffs on all imports from China. China retaliation: 25% tariffs on USD 130 billion of US imports.

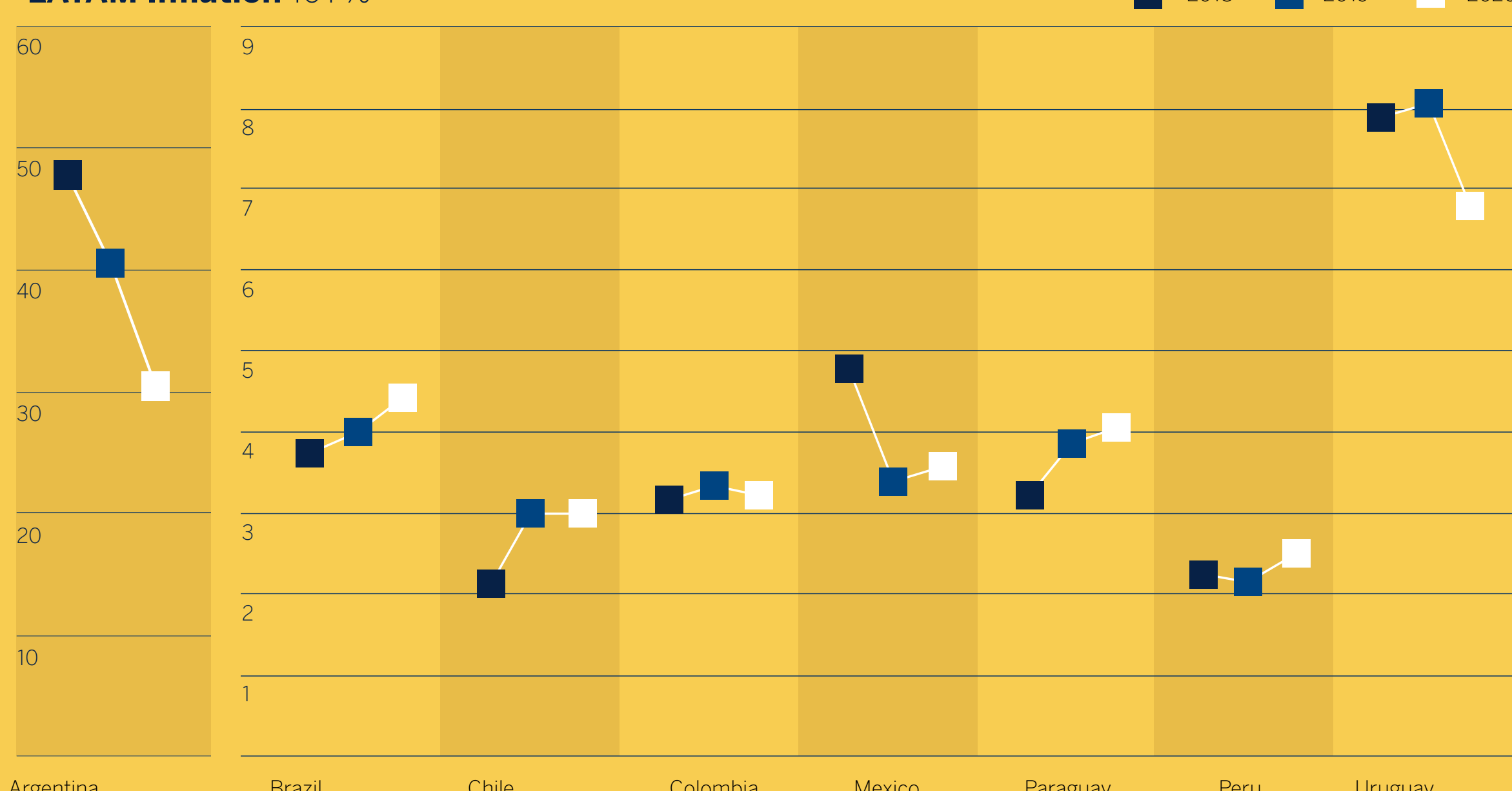
Source: BBVA Research

Inflation

In general, the lower dynamism in domestic demand help keep inflation close to central bank objectives.

The Fed's change of direction toward more expansionary policy and inflation prospects creates room for more dovish monetary policy.

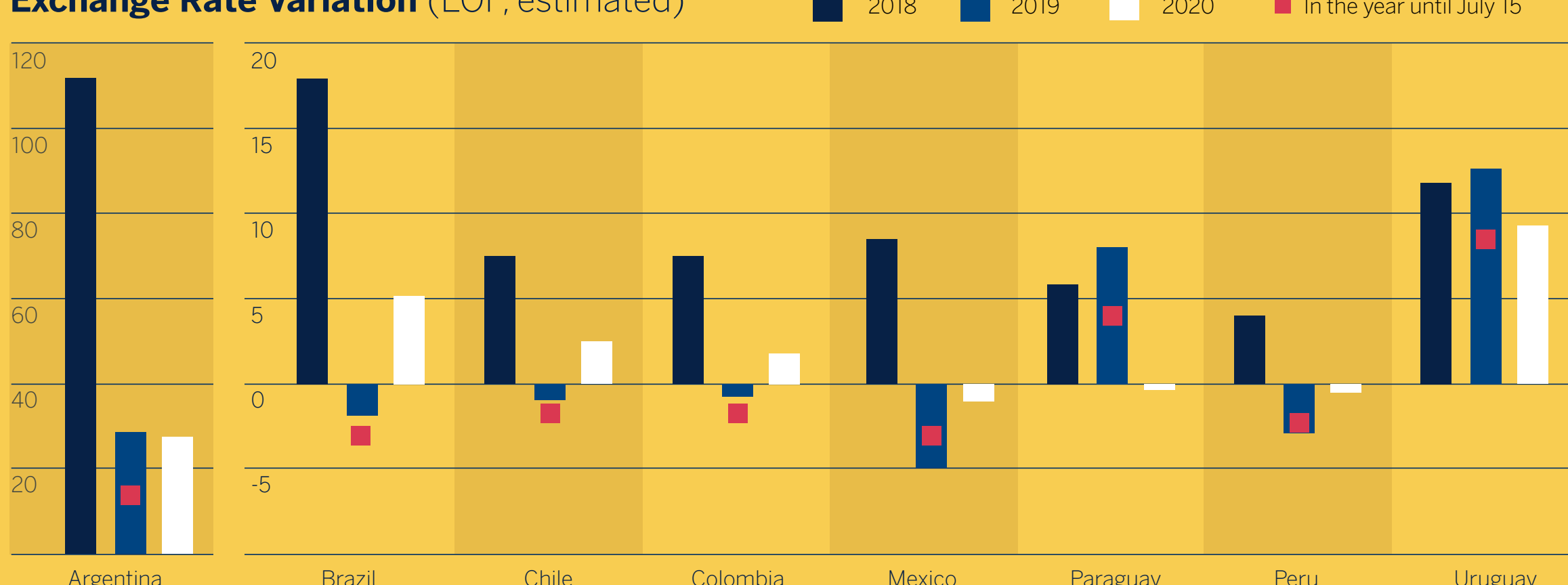
LATAM Inflation YoY%



Source: BBVA Research

The dovish tone of monetary policy, mainly in the US, will **take pressure off** regional currencies

Exchange Rate Variation (EOP, estimated)

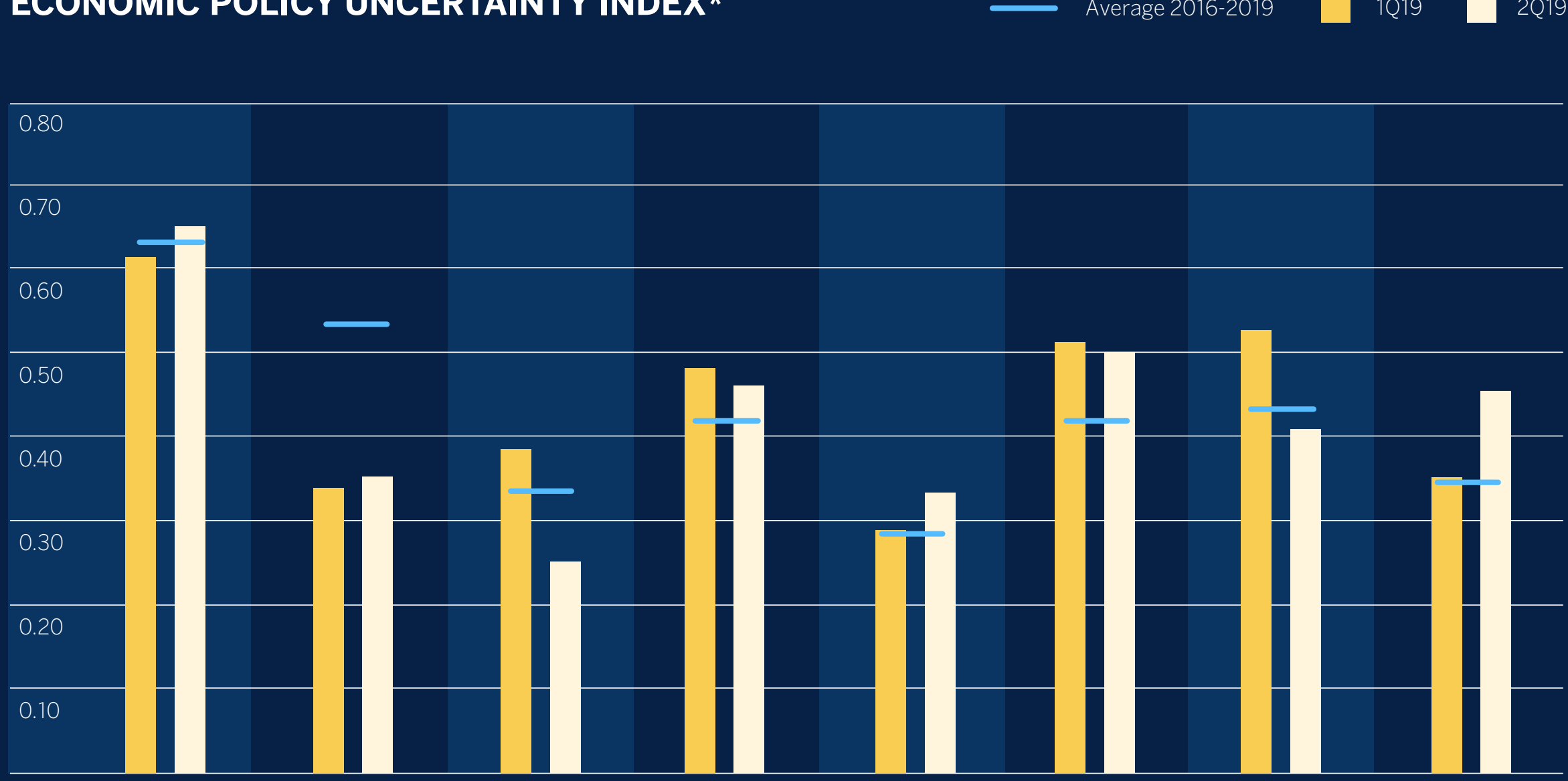


Source: BBVA Research

Risks

Risk remains high in most countries in the region. Global factors (trade tensions, risk aversion) and local factors (political environment, fiscal policy) could further delay the process of the region's convergence to its potential levels.

ECONOMIC POLICY UNCERTAINTY INDEX*



* Tone of communication regarding economic uncertainty in local media weighted by media coverage.

Source: BBVA Research, GDELT