

Latin American Growth: Toward A New Equilibrium

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Latin American and Caribbean Growth Rates

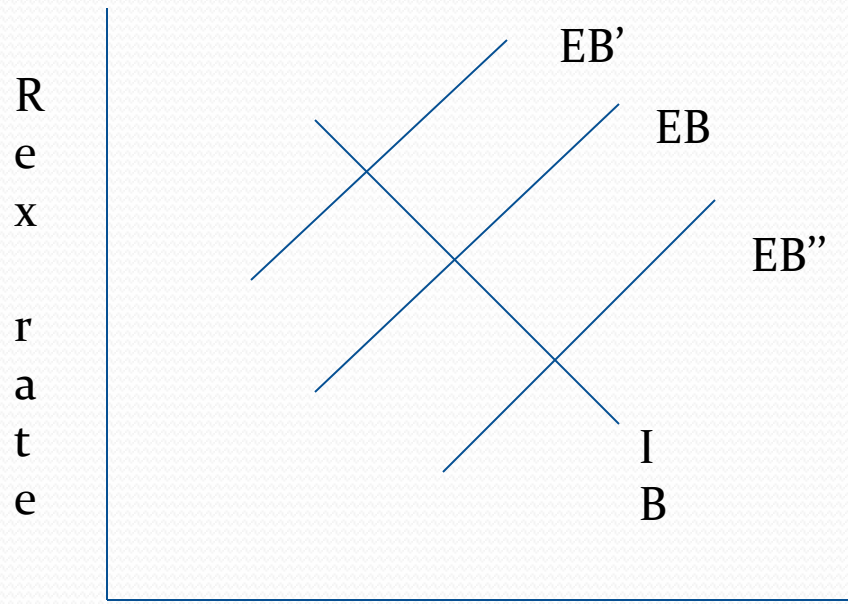
	97-06	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2020
LA & C	3.1	5.7	3.9	-1.3	6.1	4.9	3.1	2.9	1.3	-0.3	0.8	2.8
Argentina	2.6	8	3.1	0.1	9.5	8.4	0.8	2.9	0.5	0.4	-0.7	0.2
Brazil	2.7	6	5	-0.2	7.6	3.9	1.8	2.7	0.1	-3.0	-1.0	2.5
Chile	4.1	5.2	3.2	-1	5.7	5.8	5.5	4.3	1.8	2.3	2.5	3.5
Colombia	2.7	6.9	3.5	1.7	4	6.6	4	4.9	4.6	2.5	2.8	4.1
Mexico	3.3	3.1	1.4	-4.7	5.1	4	4	1.4	2.1	2.8	2.8	3.3
Peru	3.9	8.5	9.1	1	8.5	6.5	6	5.8	2.4	2.4	3.3	4.0
Venezuela	2.6	8.8	5.3	-3.2	-1.5	4.2	5.6	1.3	-4.0	-10.0	-6.0	

Recent Pattern of Change

- The Boom Years : 2003-2008
 - Commodity Driven Growth
 - Favorable Terms of Trade
 - China Is a Rising Customer
 - Social Gains
 - A New Lower Middle Class Consumes
 - Unemployment Goes Down
 - Inflation Stays Low
 - Income Distribution Improves

Recent Pattern of Change

- World Recession Occurs: 2008-2009
 - Contra-cyclical Government Intervention Works
 - China Leads Recovery
 - South-South Expansion Has Appeal
- Apparent Recovery: 2010-2011
 - Terms of Trade Surge Upward Again
 - But World Trade Begins to Slow and Commodity Prices Start Down
- Latin American Growth Dramatically Slows: 2012-2015
 - Inflation Returns
 - A Greater Commitment to Domestic Solution
 - Differences Among Countries Increase
 - The Caribbean
 - Pacific Coast
 - Mercosur



Aggregate Demand

The Short Term

- Confronting Macro Disequilibria in the Short Term
 - Depreciation of Exchange Rates Occur As Current Account Deficit Rises With Lower Exports
 - Fiscal Deficit Grows As Domestic Growth Slows
 - Monetary Restraint Keeps Interest Rates High
 - Awaiting US Change in Monetary Policy
 - Political Pressures Expand: Domestic Policies Now Count
- Sectoral Imbalances Become Larger
 - Prices of Traded vs Domestic goods and of Regulated vs Market-set
 - Profits vs Wages
 - Industrial vs Agricultural

The Longer Term

- Latin America Needs to Assure International Integration
 - Regional Substitute is Inefficient
- Latin America Requires Higher Domestic Savings and Investment
 - Its Comparative Level Is Low
 - Foreign Investment Is Too Fickle
- Latin America Wants Far Better Education
 - Lags Behind East Asia

A Few Words on Colombia

- The Peace Process Looks to Be in Place
 - Economic Gains are Anticipated
 - In the Agricultural Sector
 - And Through Larger Multilateral Loans
- But the Fall in Oil Prices Takes a Large Toll
 - Oil Prices Are Likely to Remain Low in the Future
 - Exchange Rates Have Fallen Below 3000
 - With Rising Inflation Central Bank Interest Rates Have Risen and May Go Up More This Year
- This Adjustment Lowers Domestic Real Income and Real Wages
 - But the Manufacturing Sector Gains Through Import Substitution
- By the End of the Current Crisis, Higher Future Incomes Are Anticipated

Thank You Very Much