

Global Economic Outlook

Walking on Thin Ice

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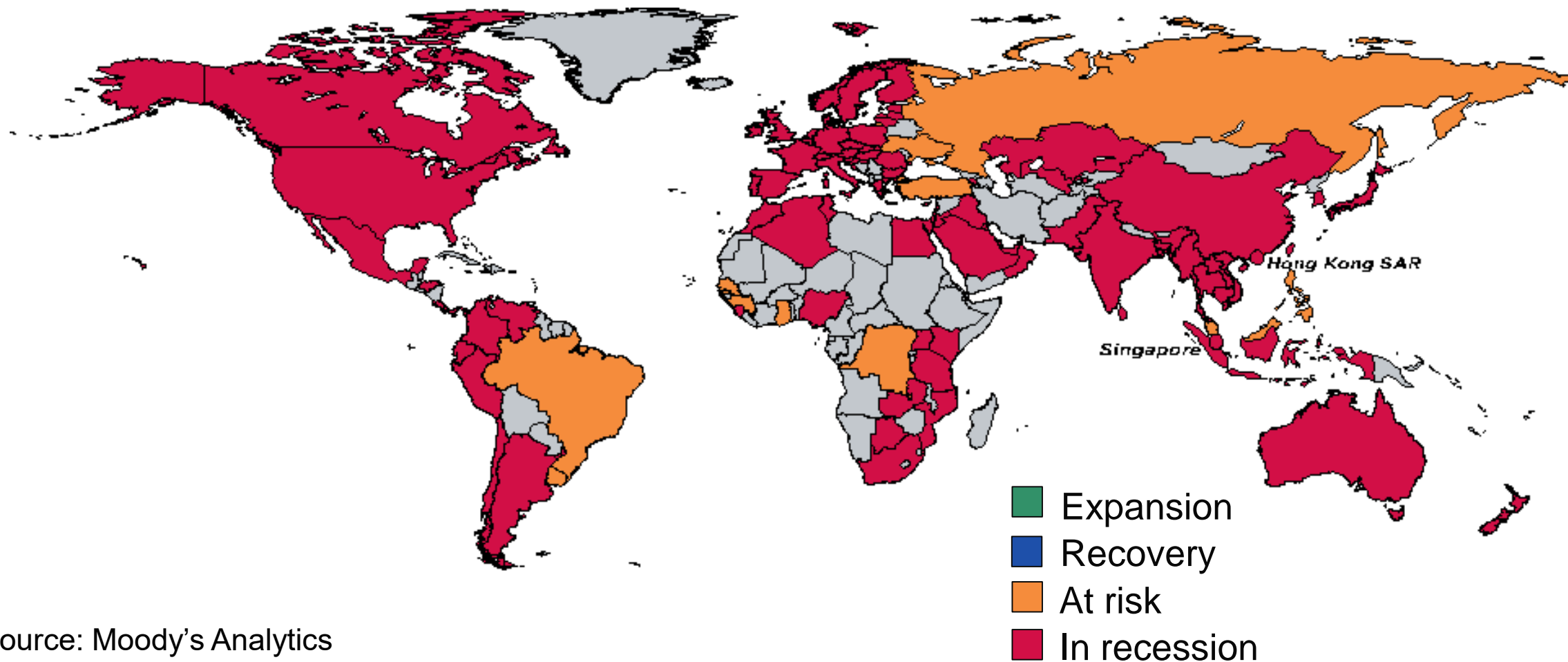
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Moody's Analytics
Global Economic Outlook

Global Business Cycle Status

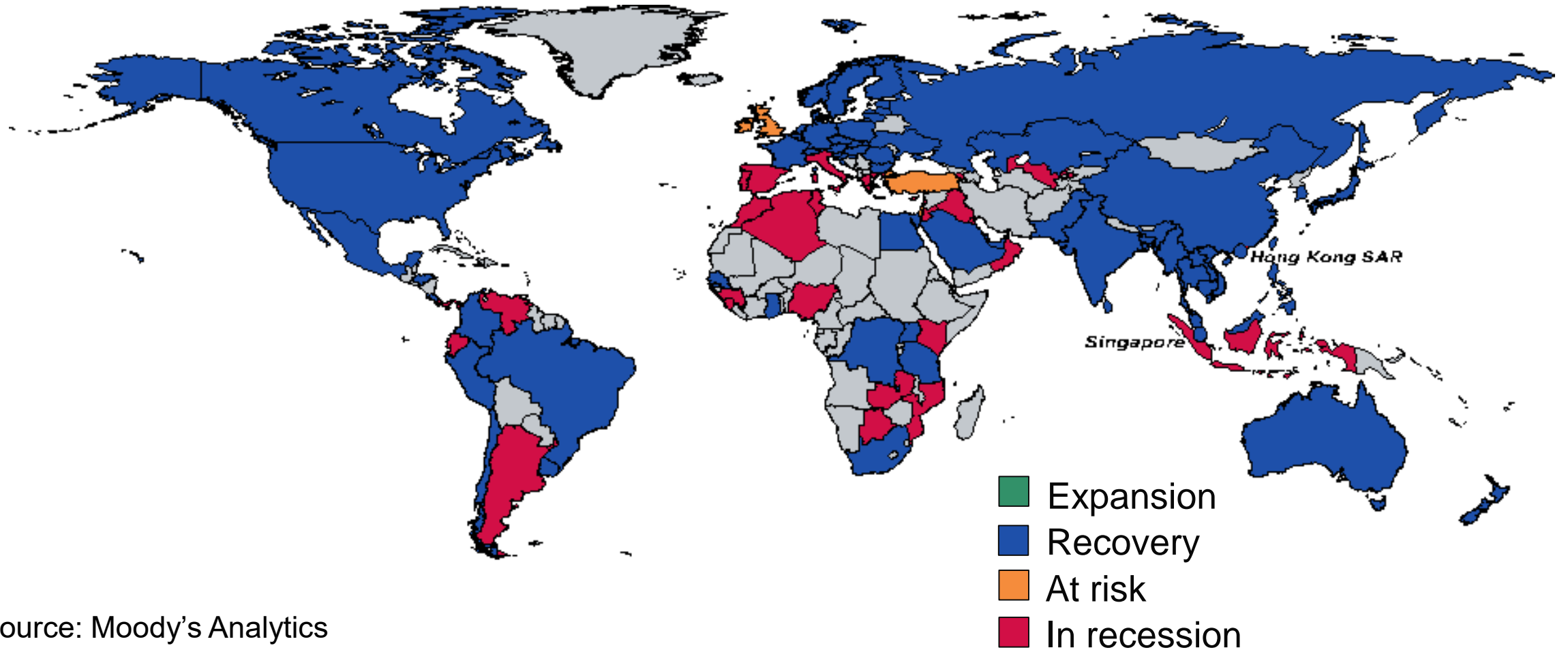
May 2020



Source: Moody's Analytics

Global Business Cycle Status

November 2020

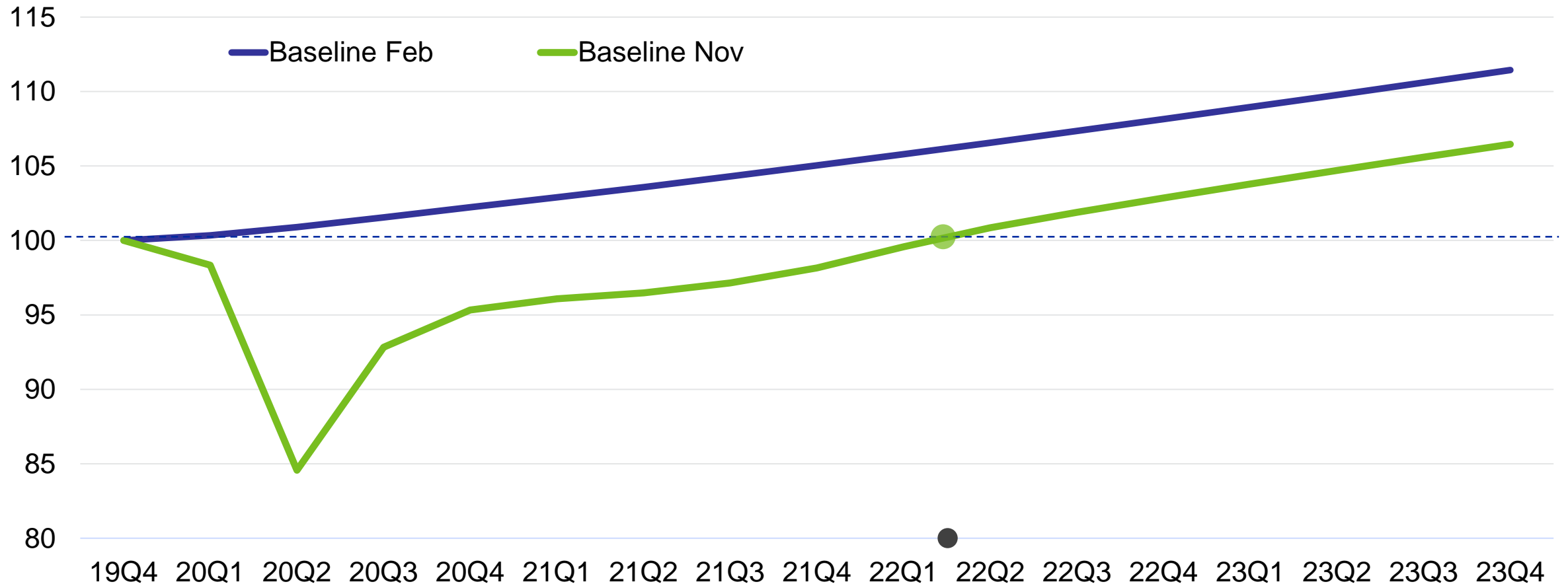


Source: Moody's Analytics

LatAm Outlook Deteriorates

Real GDP, LatAm, six largest economies, 2019Q4 =100

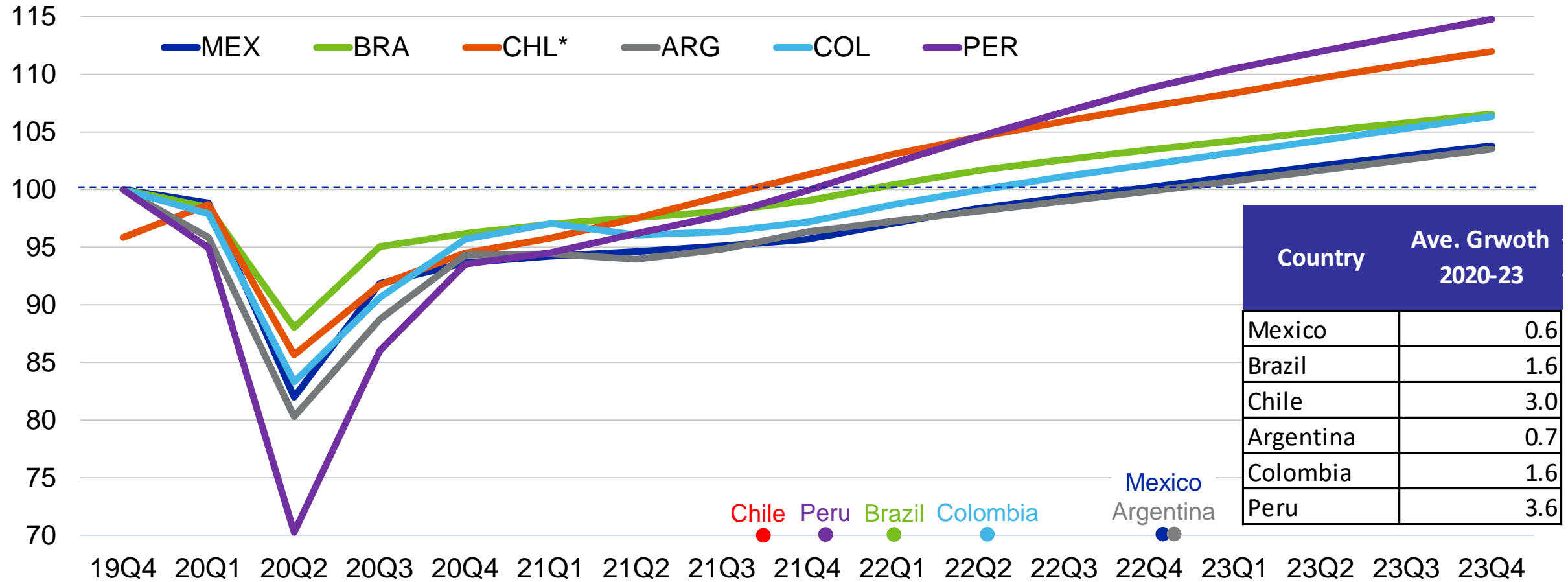
Vintage	Ave. Growth 2020-23
Baseline Feb	2.5%
Baseline Nov	1.4%



Source: Moody's Analytics

LatAm Outlook: A Long Road Back

Real GDP, LatAm, six largest economies, 2019Q4 =100, November Baseline



Source: Moody's Analytics

*Indexed to pre-pandemic peak of 2019Q3

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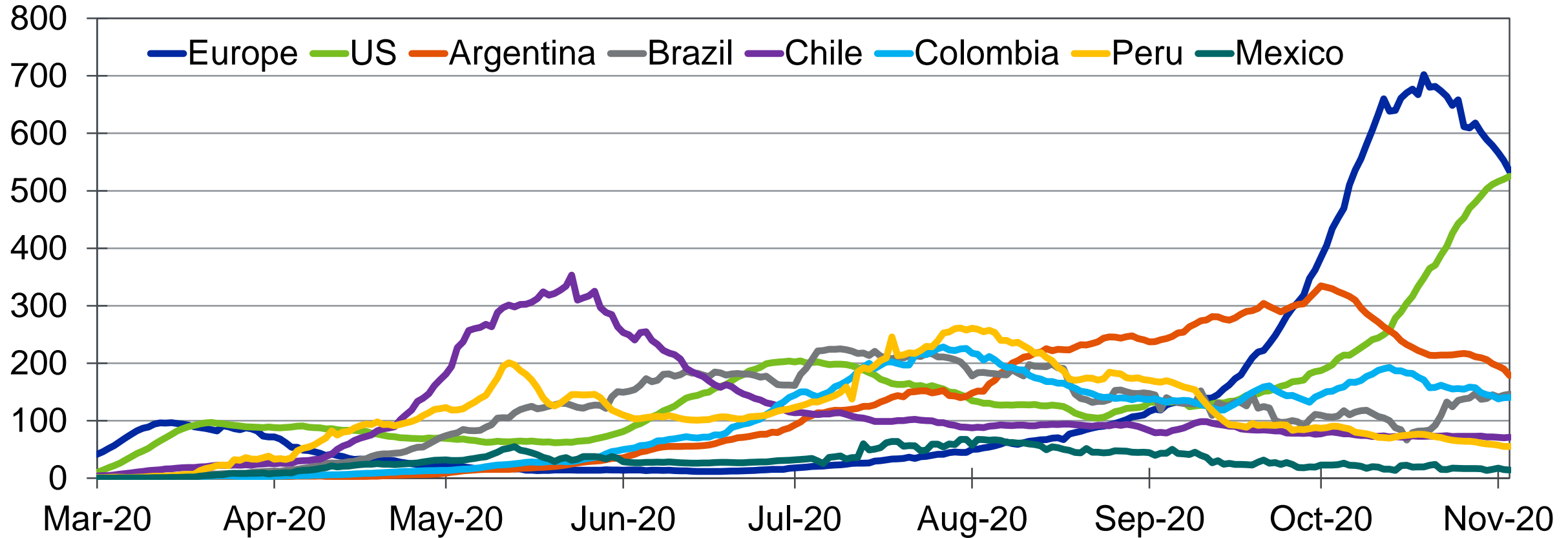
Downside Risks

- I. Pandemic resurgence
- II. Running out of room for monetary policy
- III. Tightening of fiscal budgets and government debt increase
- IV. Global inflation risks
- V. Social unrest

I. Pandemic Resurgence

Second Wave Underway in US, Europe

Covid-19, confirmed cases per capita, 7-day MA

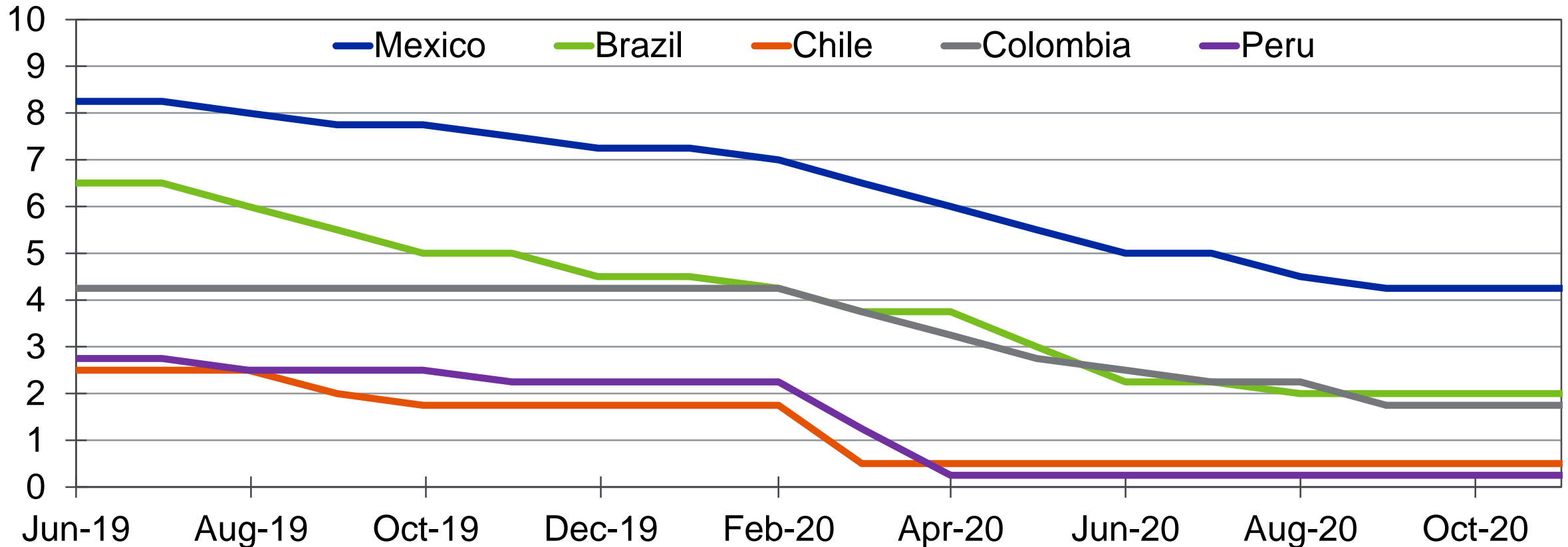


Sources: Johns Hopkins, WHO, Moody's Analytics

II. Running out of Room for Monetary Policy

LatAm Monetary Policy Space: How Low Can You Go?

Policy interest rate, % annual rate

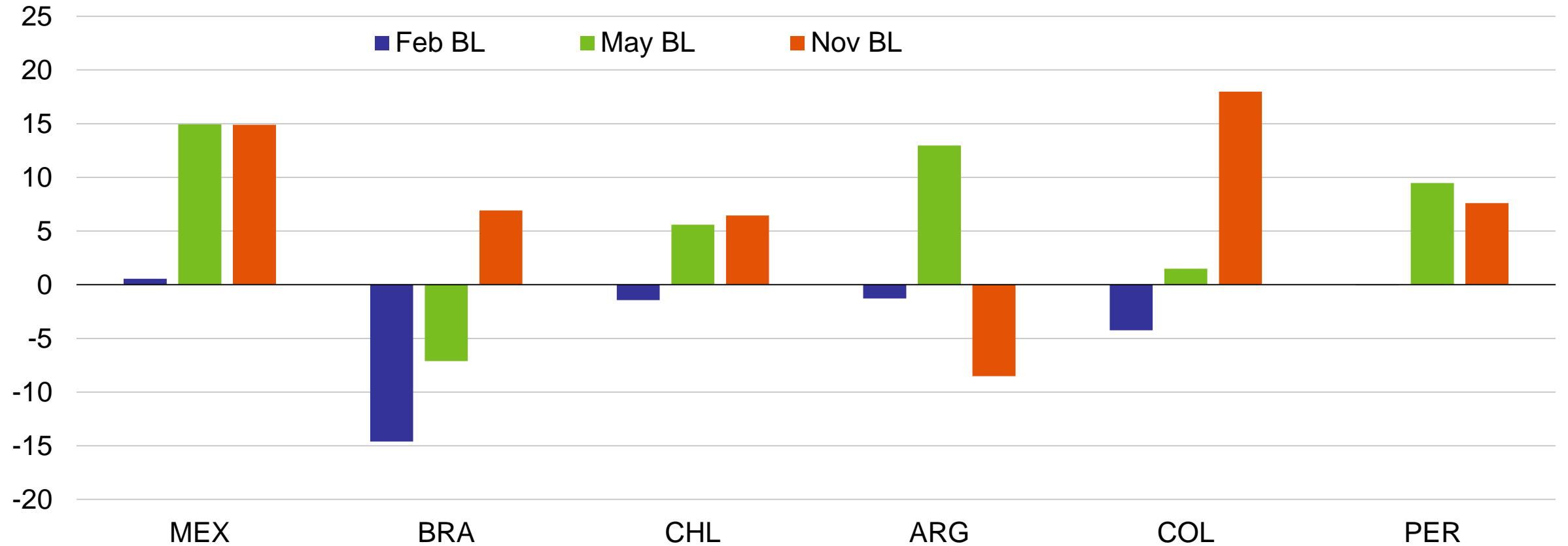


Sources: Central banks, Moody's Analytics

III. Tightening of Fiscal Budgets

LatAm Debt Burdens to Increase

Change in debt to GDP ratio, LatAm, six largest economies, 2020-2022

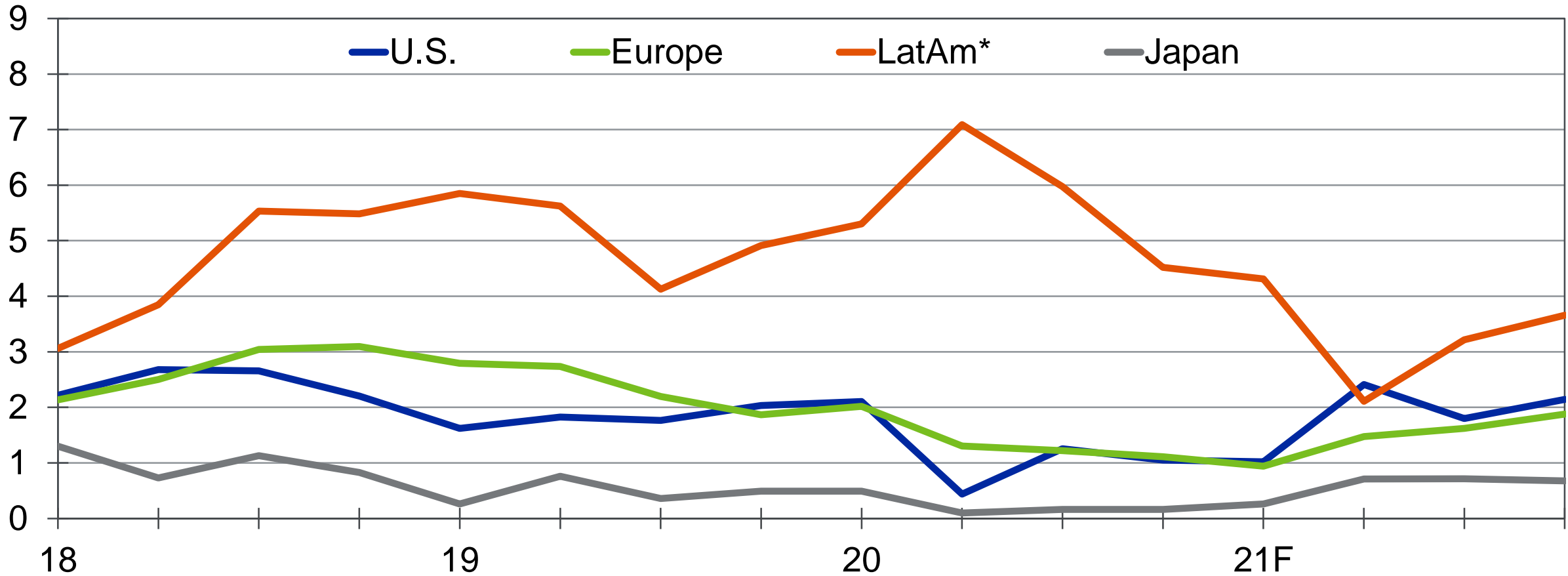


Source: Moody's Analytics

IV. Global inflation Risks

Low Inflation for Now

Consumer prices, % change yr ago



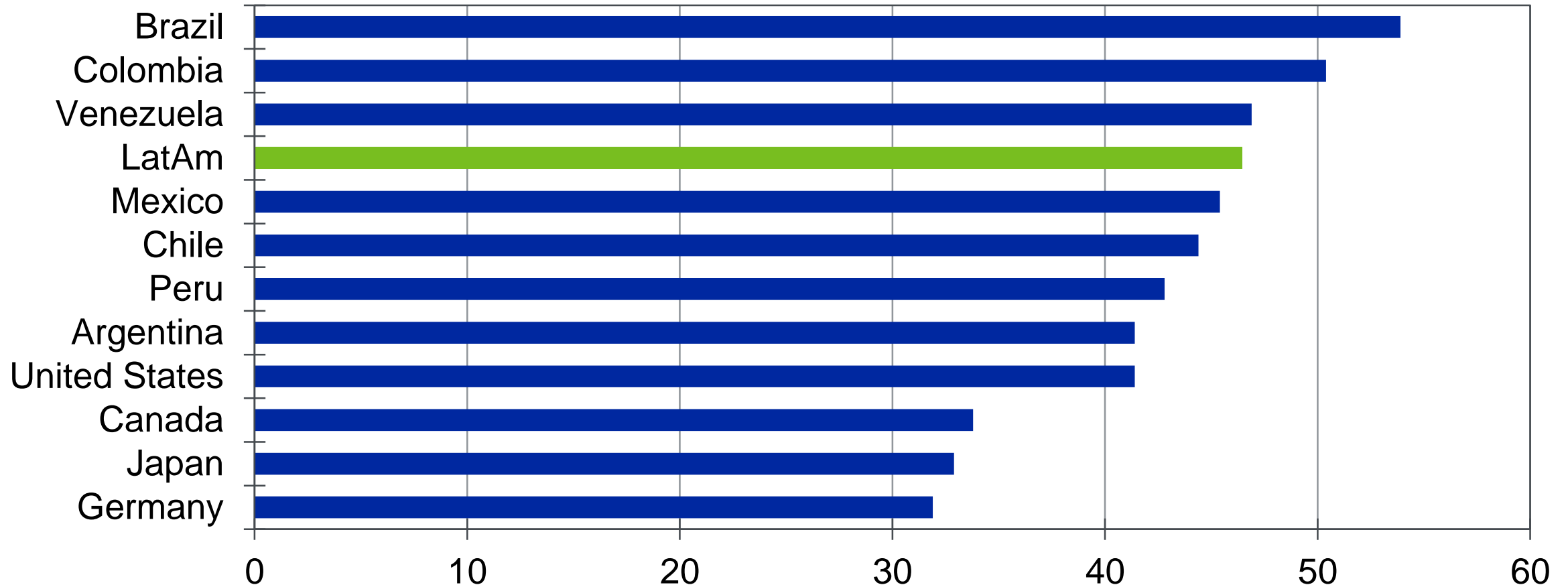
Sources: Central banks, Moody's Analytics

*Five largest economies ex-Argentina

V. Social Unrest

Inequality: a Sore Spot in LatAm

GINI Coefficient, 2018 or latest year



Sources: World Bank, Moody's Analytics

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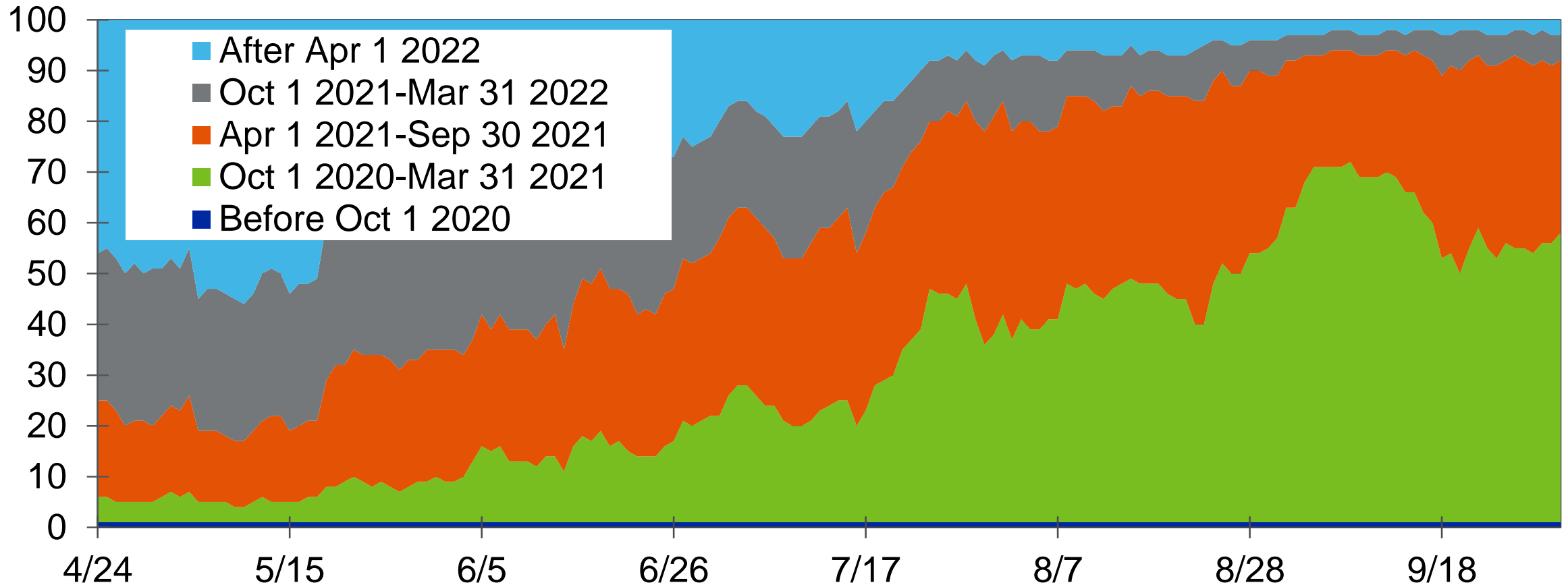
Upside Risks

- I. Vaccine earlier than expected
- II. Stronger than expected recovery in China
- III. De-escalation of US-China tensions under new Biden government
- IV. Stronger rebound in global tourism
- V. Structural reforms in LatAm play out faster than anticipated

I. Vaccine Earlier than Expected

Effective Vaccine by Spring 2021

Probability, timeframe for 25 million inoculations in the U.S. (10/1)

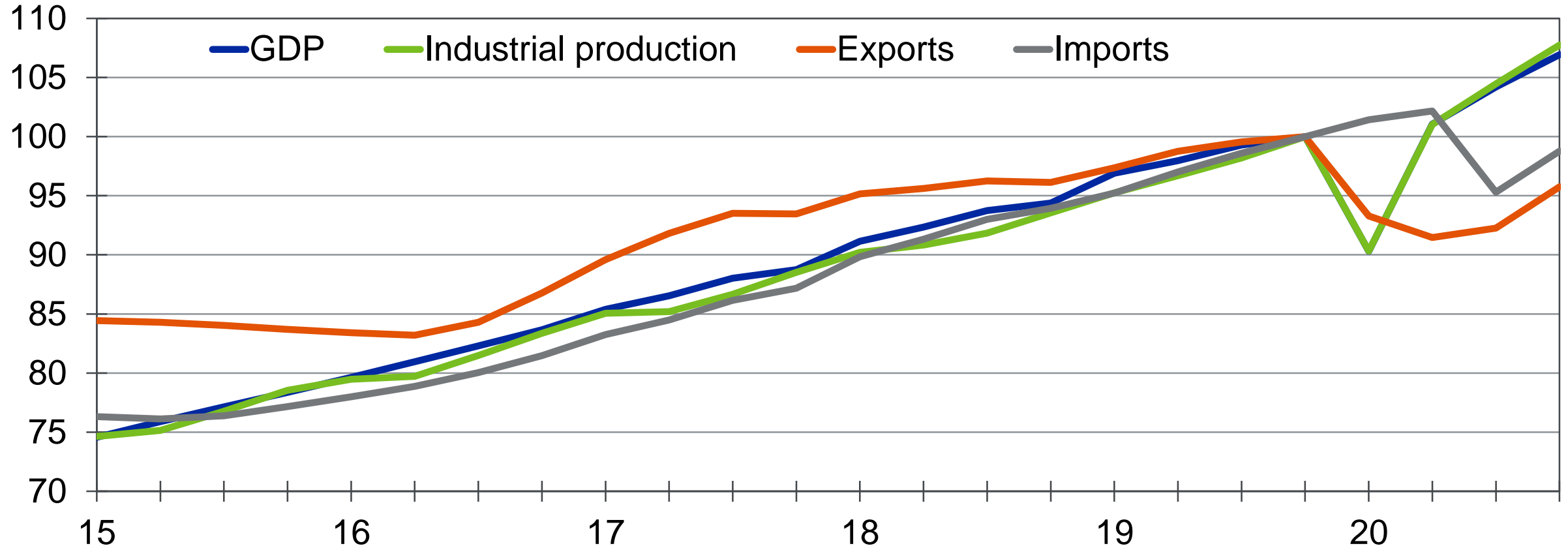


Sources: Good Judgment Project, Moody's Analytics

II. Stronger than Expected Recovery in China

Stronger China Recovery Could Lift South America

China, 2019q4=100



Sources: NBS, Moody's Analytics

III. De-escalation of US-China Tensions

Biden Term Could Ease Tariffs, Other Disputes

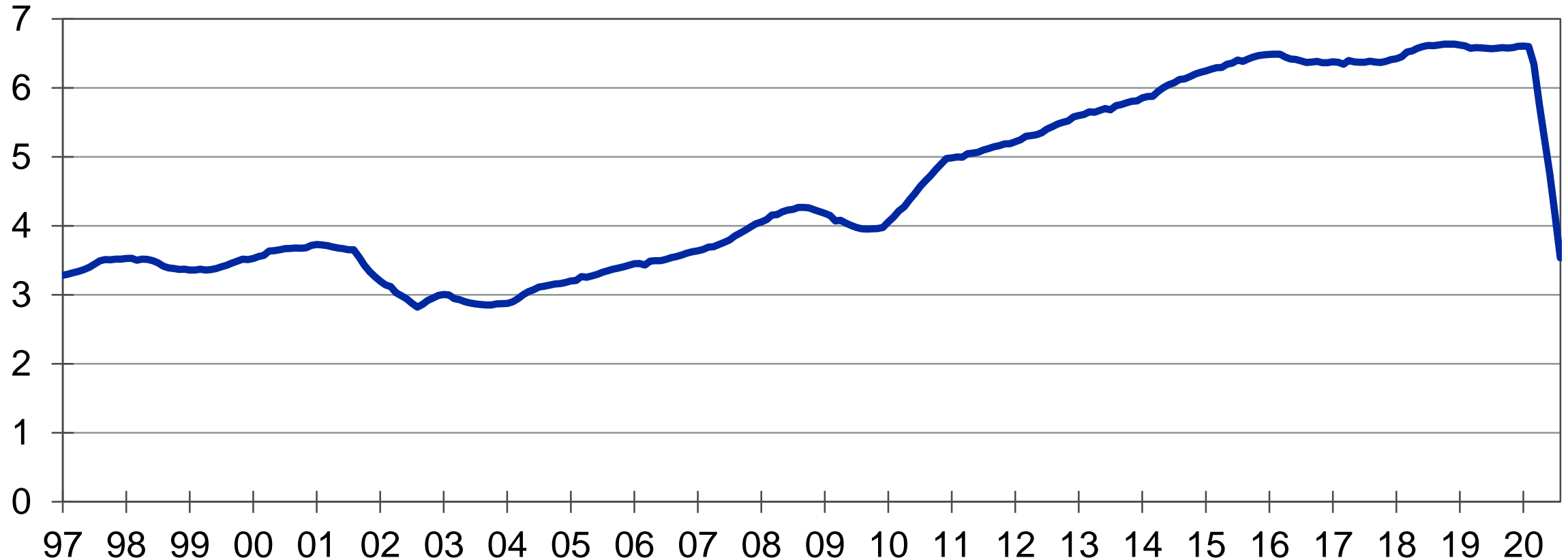
Biden administration main priorities, greatest to least difference with Trump

Governing	Strengthen Institutions; Process for Decision Making; Increase Diversity; Stable Advisors
COVID-19	Federal Led; Invoke Defense Production Act
Immigration	Increase; Provide Healthcare; DACA
Climate/Energy	Clean Energy With Institutional Overhaul; Green Incentives; Paris Accord
Healthcare	ACA+Public Option; Lower Age for Medicare; Lower Rx Costs
Taxes	Repeal Tax Cut for Wealthy and Corporations; Potential Financial Transactions Tax
Gun Control	Pro Gun Control
Labor	Pro Union; \$15 Minimum Wage; Paid Leave
Police Reform	Black Lives Matter; Federal Lead
Banking	Undo Dodd-Frank Rollbacks; Pro ESG; Focus on Consumer Protections and Housing
Foreign Policy	Lead Multilateral Org; Coordinate with Allies
Trade	Reduce Tariffs; WTO
China	Strategic Competition; Modified TPP
Infrastructure	Supportive with Green Focus
Antitrust	Consider Broader Consumer/Labor Impact
Defense	Strengthen NATO; Renegotiate Nuclear Disarmament
Deficits	Big Deficits Through More Spending
Technology	Suspicious of Big Tech

IV. Stronger Rebound in Global Tourism

Global Travel Still at Bay

International arrivals, U.S., mil, 12-mo MA

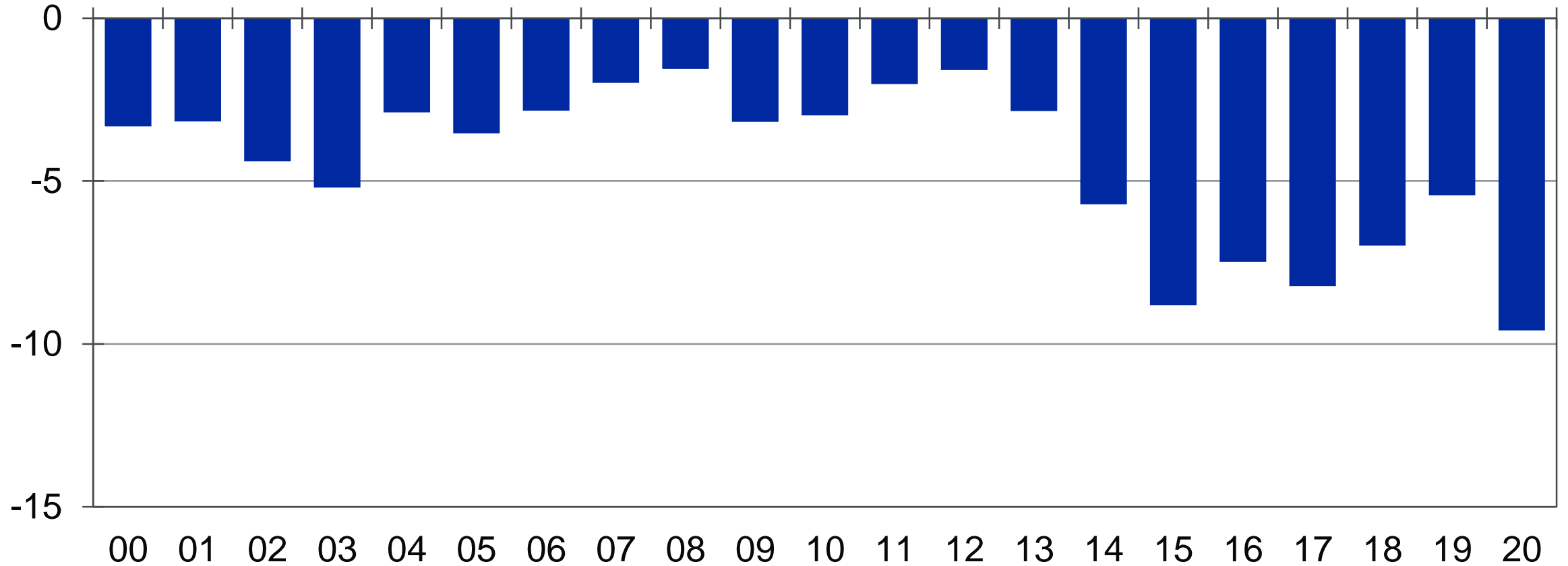


Sources: U.S. National Travel and Tourism Office, Moody's Analytics

V. Structural Reforms in LatAm Play Out Faster

Structural Reforms Beckon in Brazil

Central government budget balance, % of GDP



Sources: IGBE, BCB Moody's Analytics

Q&A

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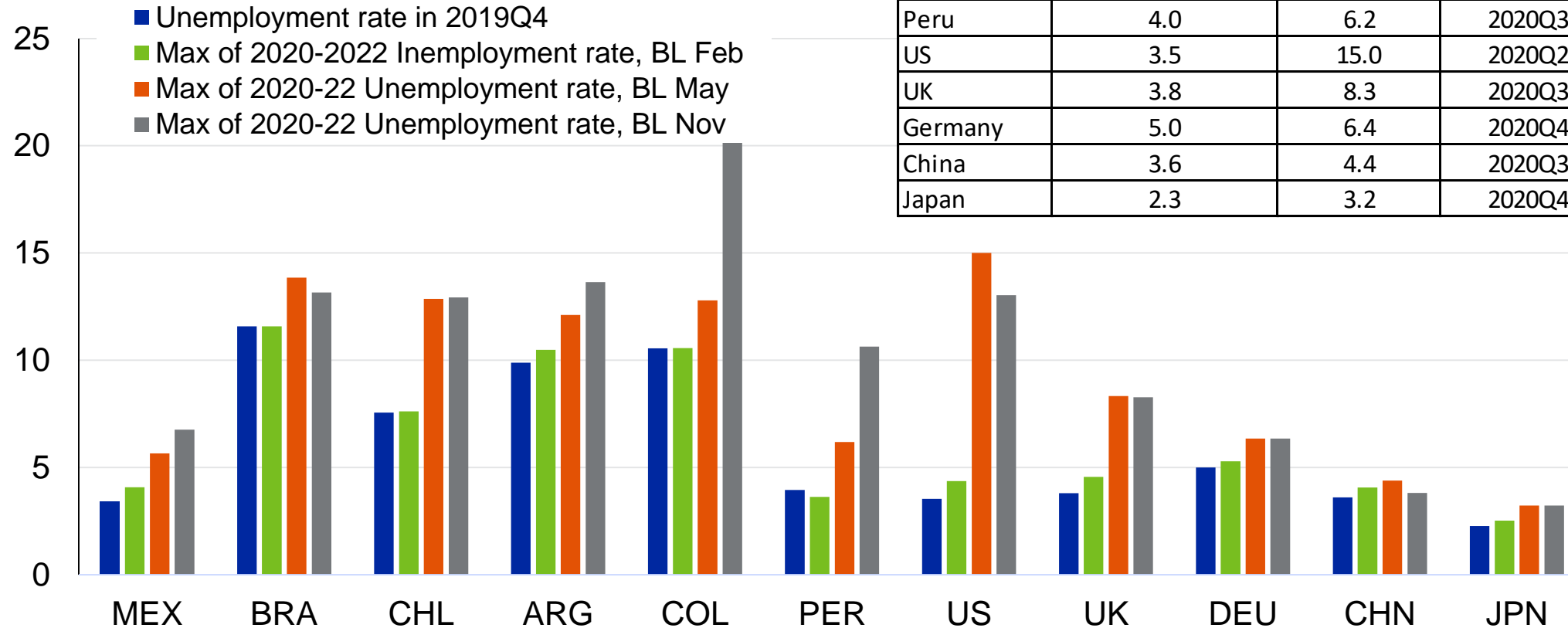


Appendix

Unemployment Rates

2019Q4 actuals and baseline projections:
February, May and November

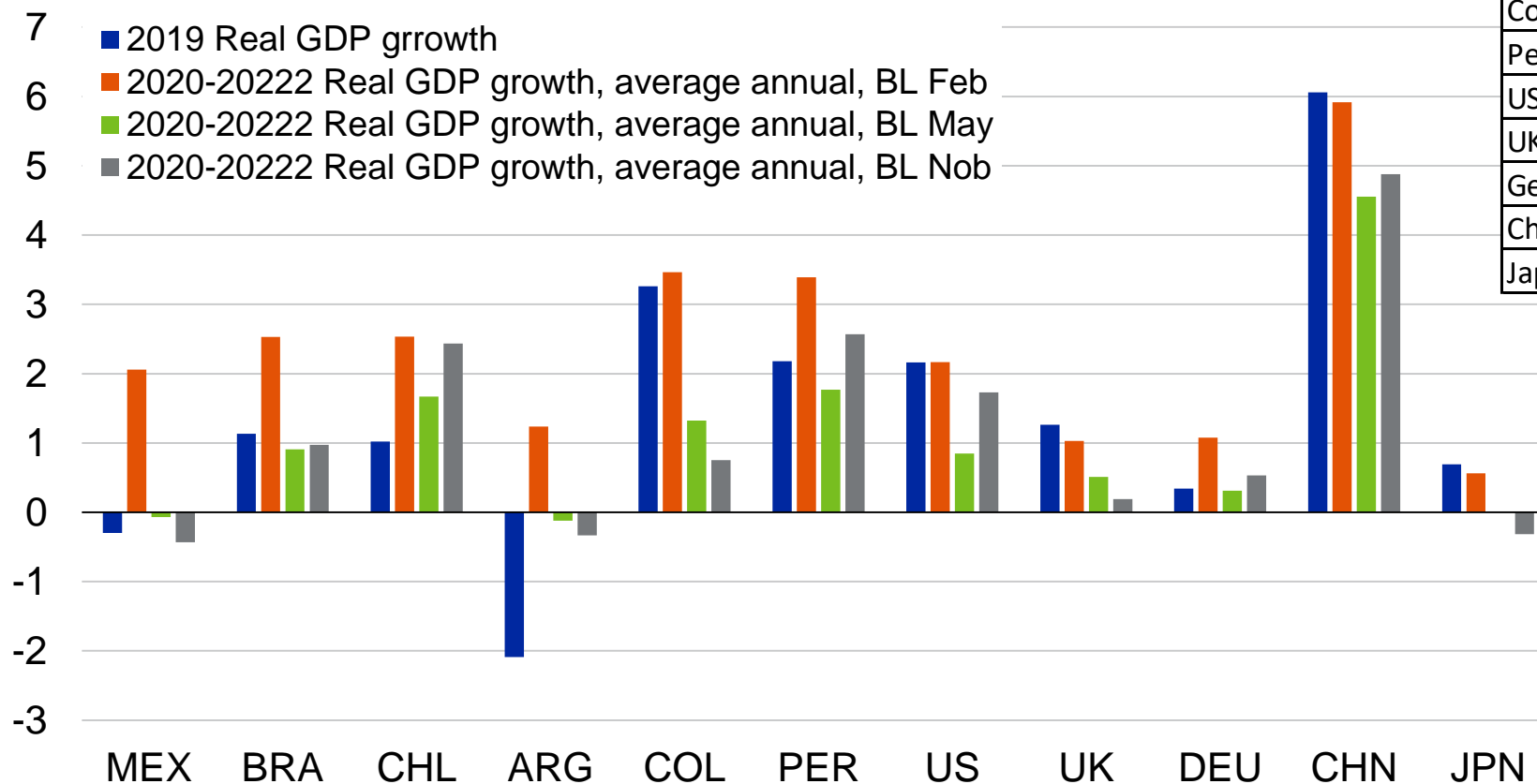
Country	Unemployment in 2019Q4	Max of 2020-22		Max of 2020-22	
		Unemployment (May)	Unemployment (Nov)	Value	Date
Mexico	3.4	5.7	6.8	2020Q4	2020Q3
Brazil	11.6	13.9	13.2	2020Q3	2020Q2
Chile	7.6	12.9	12.9	2020Q2	2020Q3
Argentina	9.9	12.1	13.6	2021Q1	2021Q1
Colombia	10.6	12.8	20.5	2021Q3	2020Q2
Peru	4.0	6.2	10.6	2020Q3	2020Q4
US	3.5	15.0	13.0	2020Q2	2020Q2
UK	3.8	8.3	8.3	2020Q3	2021Q3
Germany	5.0	6.4	6.3	2020Q4	2021Q2
China	3.6	4.4	3.8	2020Q3	2022Q3
Japan	2.3	3.2	3.2	2020Q4	2021Q1



Source: Moody's Analytics

LatAm Real GDP Growth

Growth, %, 2019 and baseline projections:
February, May and November

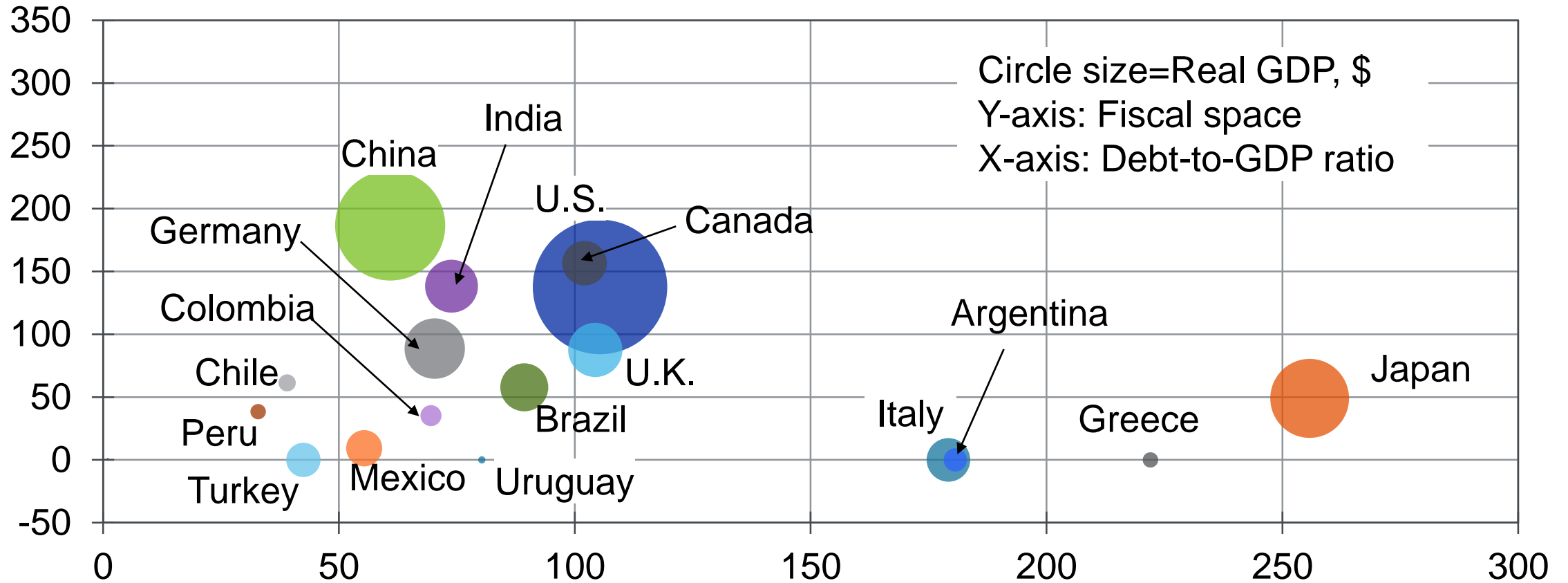


Country	Growth in 2019	Ave. Grwth 2020-22 (May)	Ave. Grwth 2020-22
Mexico	-0.3	-0.1	-0.4
Brazil	1.1	0.9	1.0
Chile	1.0	1.7	2.4
Argentina	-2.1	-0.1	-0.3
Colombia	3.3	1.3	0.8
Peru	2.2	1.8	2.6
US	2.2	0.8	1.7
UK	1.3	0.5	0.2
Germany	0.3	0.3	0.5
China	6.1	4.6	4.9
Japan	0.7	0.0	-0.3

Source: Moody's Analytics

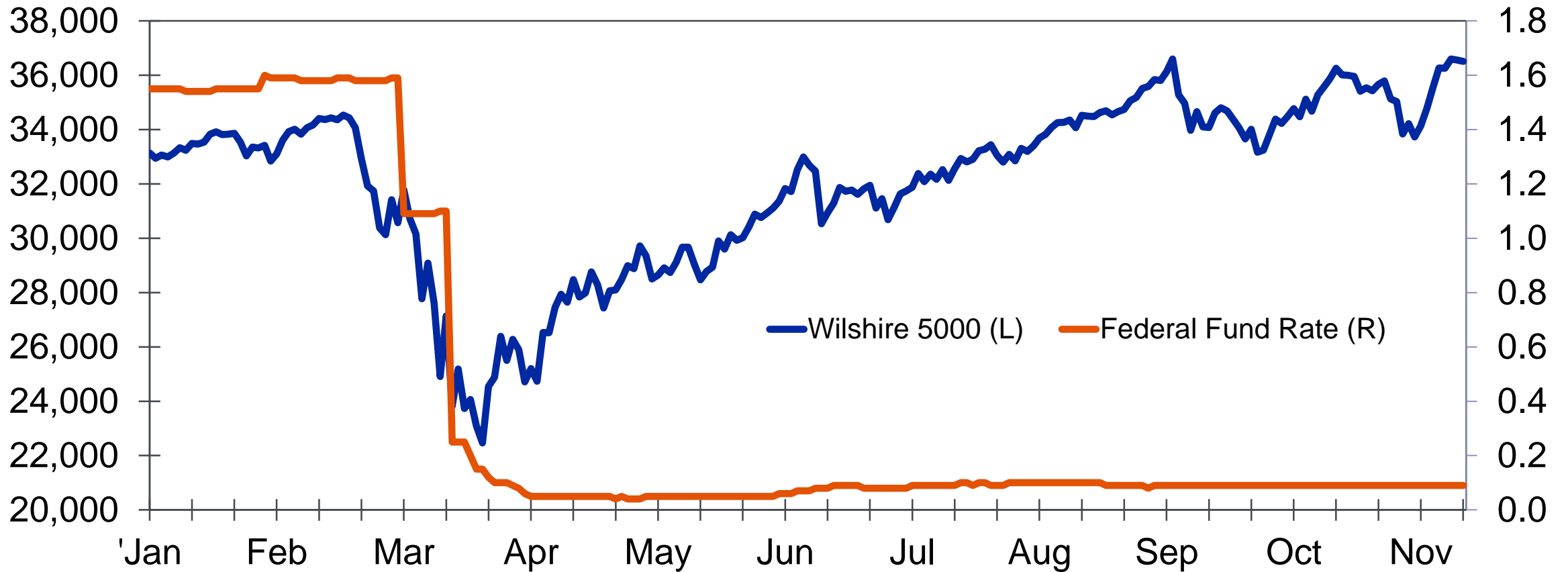
Running Out of Fiscal Space

Sovereign borrowing capacity given current yields



Source: Moody's Analytics

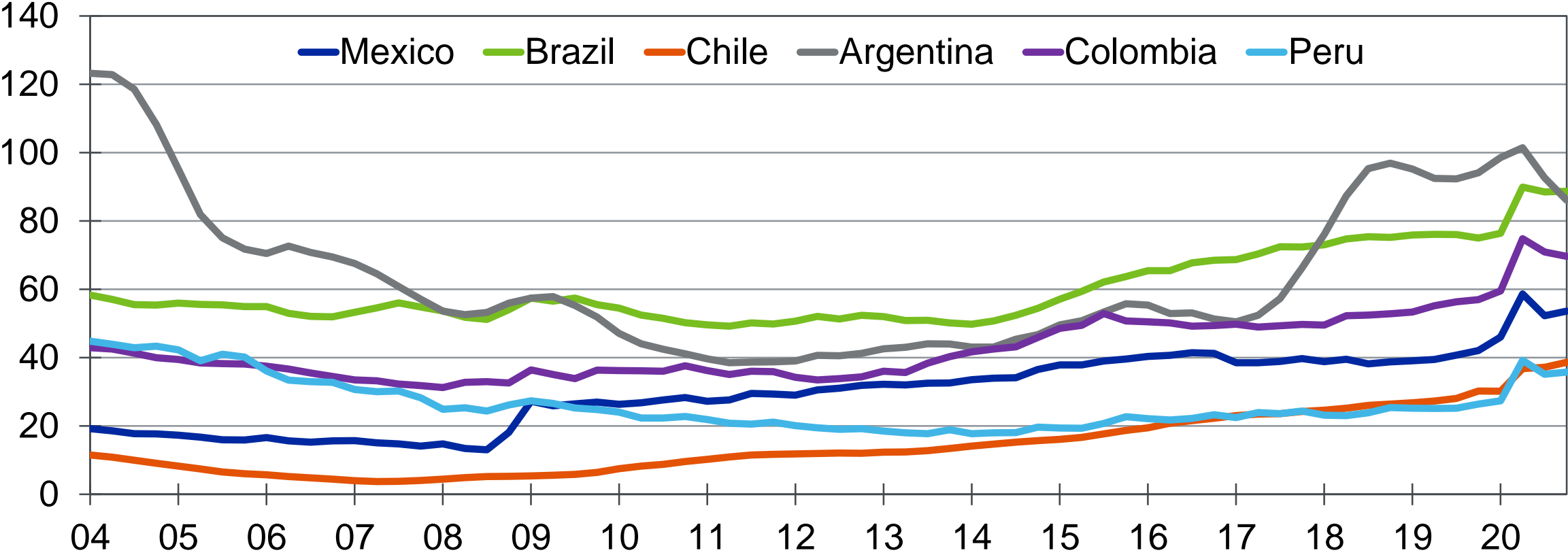
Federal Reserve Erects a Strong Firewall



Sources: Federal Reserve, SIX Financial, Moody's Analytics

LatAm Debt Burdens on the Rise

General government debt, % of GDP



Sources: Central banks, Moody's Analytics

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