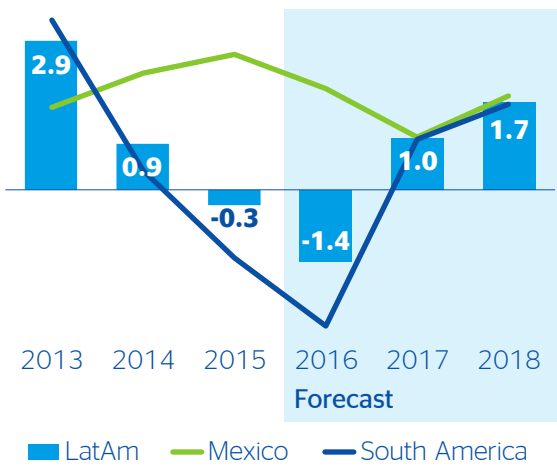


# Latin America Economic Outlook 1Q17

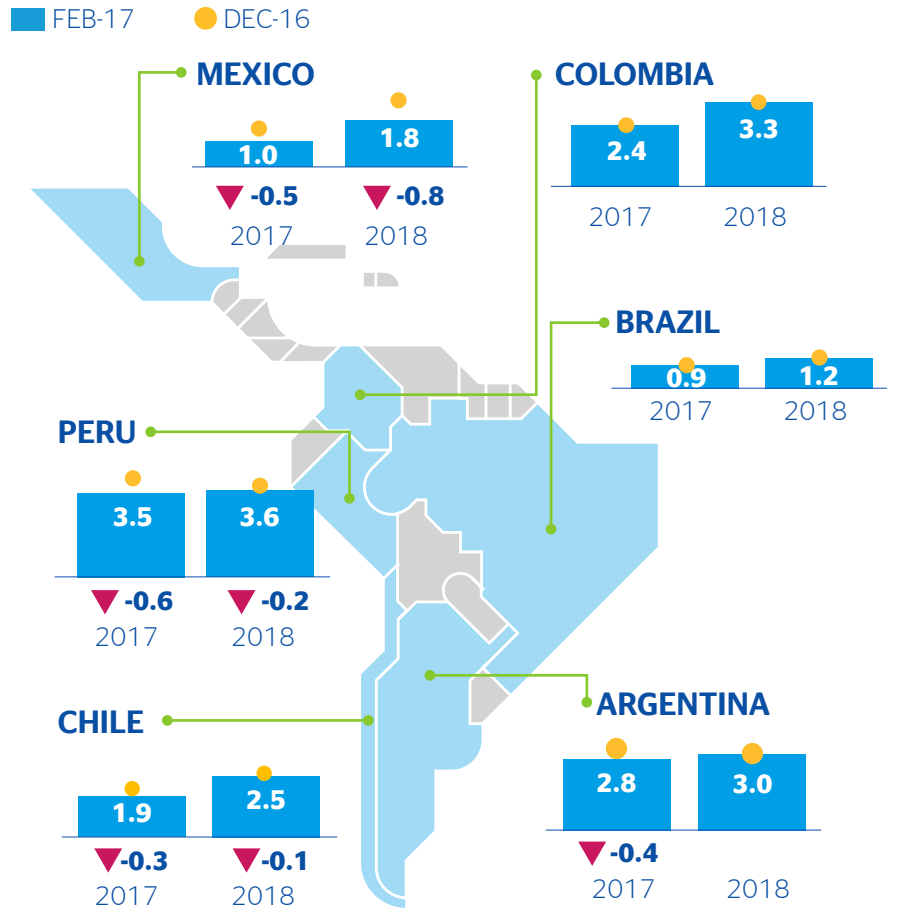
Divergence between north and south

## Different growth trends between north and south

- South America is leaving slowdown behind. Mexico is feeling the full force of **the shock of uncertainty from the US.**
- **Domestic risks** centred on the electoral cycle and possible delays in investment



### GDP GROWTH (December 2016, February 2017 and differences)

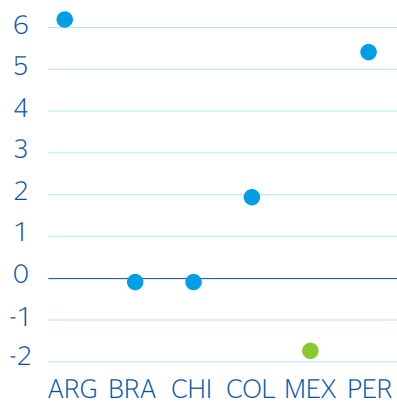


## Markets: recovery in South America

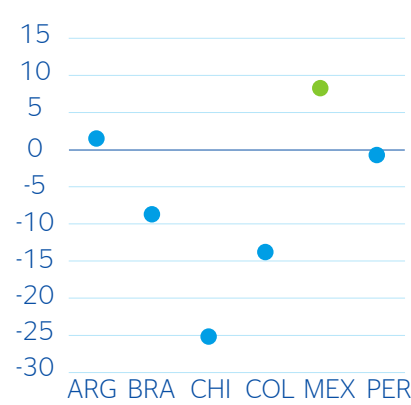
- **After the initial shock following the US elections, markets in South America have recovered;** Mexico remains under pressure, particularly as regards its exchange rate
- Market recovery supported by improved commodity prices: oil, copper, soybeans

### CHANGE SINCE THE US ELECTIONS (%)

#### Stock market



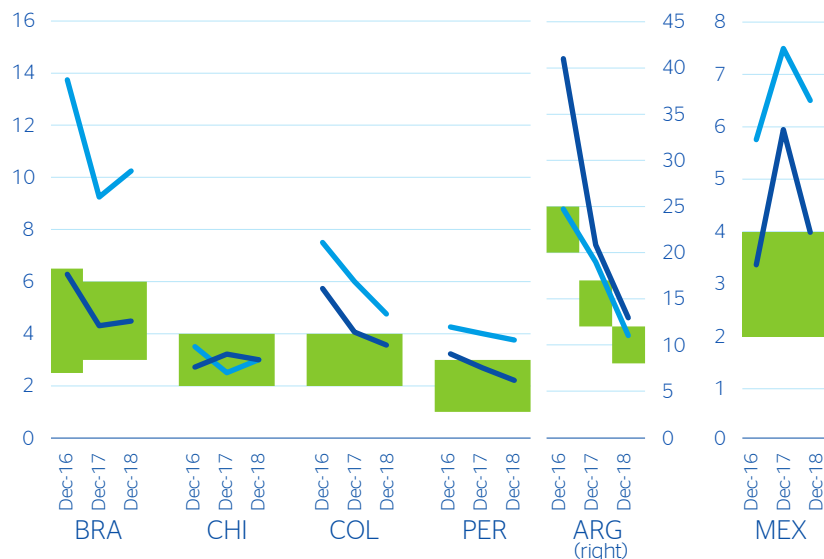
#### Country risk premium



Unlike South America, in Mexico idiosyncratic factors (exposure to the US) have been the main determinant of exchange rate movements

## Inflation and Central Banks: reductions, except in Mexico

### BENCHMARK INTEREST RATES AND INFLATION



Divergence also in:

- **Inflation:** Sharp increase expected in Mexico, while the rest of the region will continue on the path to convergence
- **Central Banks:** The cuts will continue, although Mexico will have to tighten its monetary policy

