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2019 Forum Latin America and the Caribbean

Socioeconomic Global Trends

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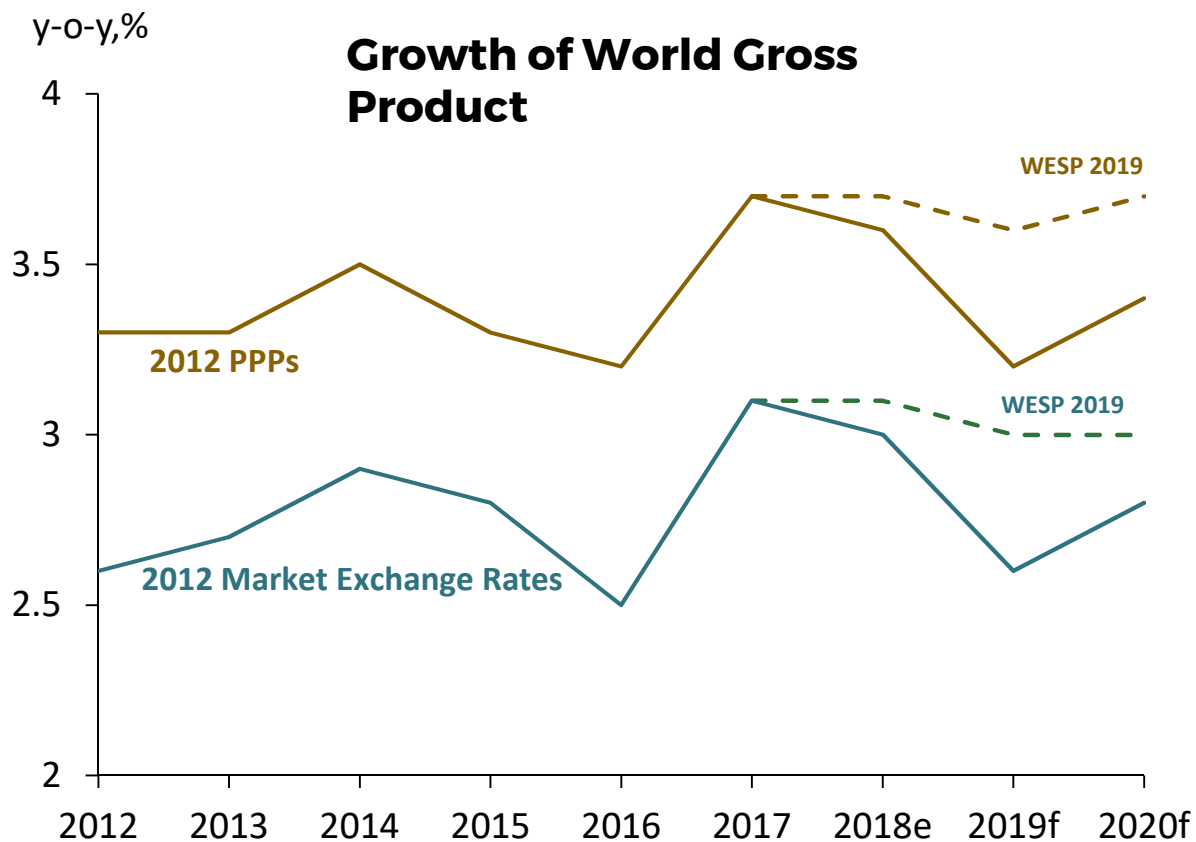
Economic Analysis

Global growth outlook has darkened



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- Global growth likely to be revised further downwards
- Trade tensions have further increased
- Country-specific factors in major developed and emerging economies
 - Cyclical movements
 - Policy uncertainty
 - Weather-related shocks



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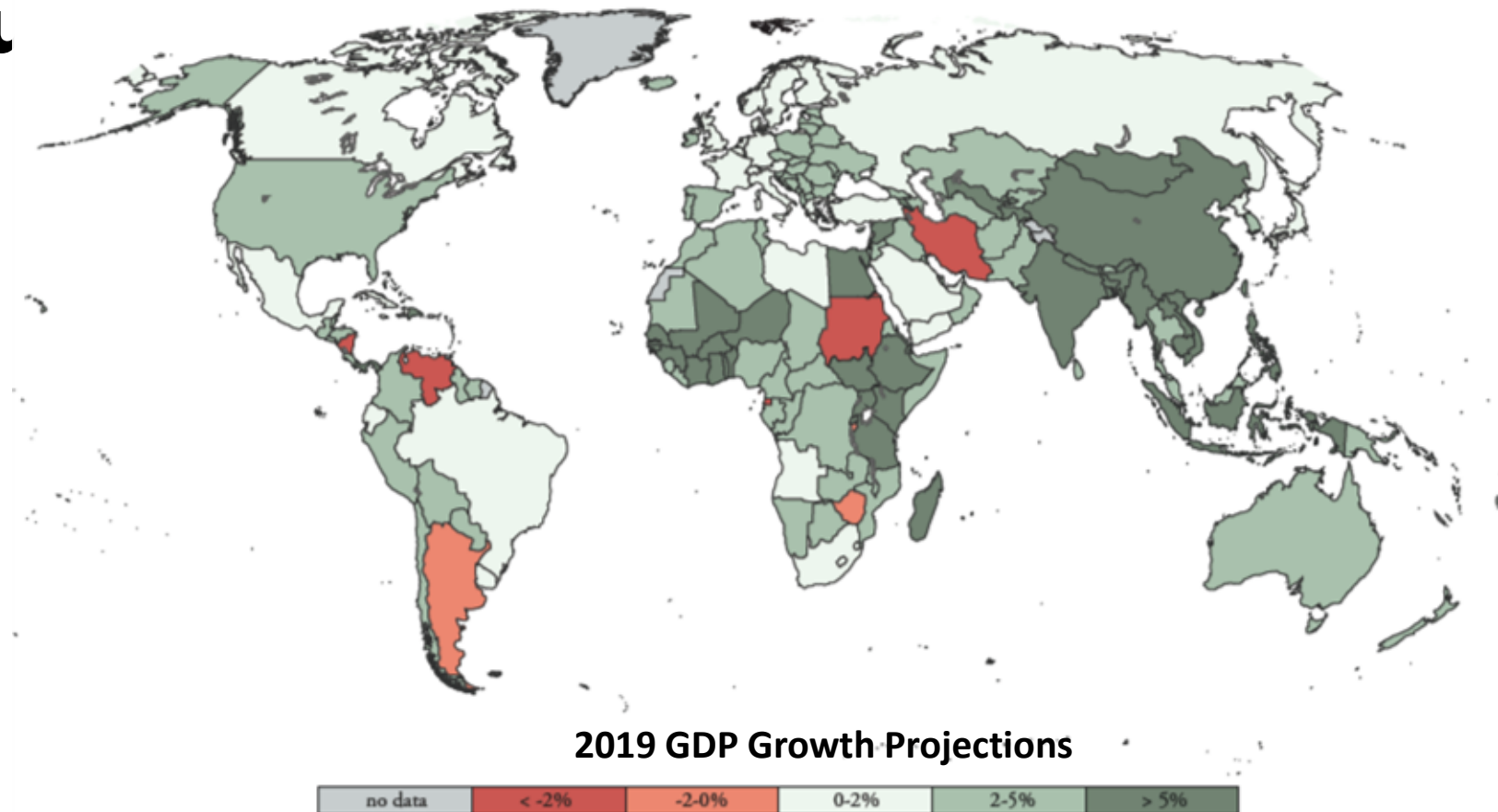
Global growth remains highly



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Risks tilted to the downside

- Further escalation of trade tensions
- Deterioration in financial conditions
- Sharp downturn in major economies
- Accelerating effects of climate change

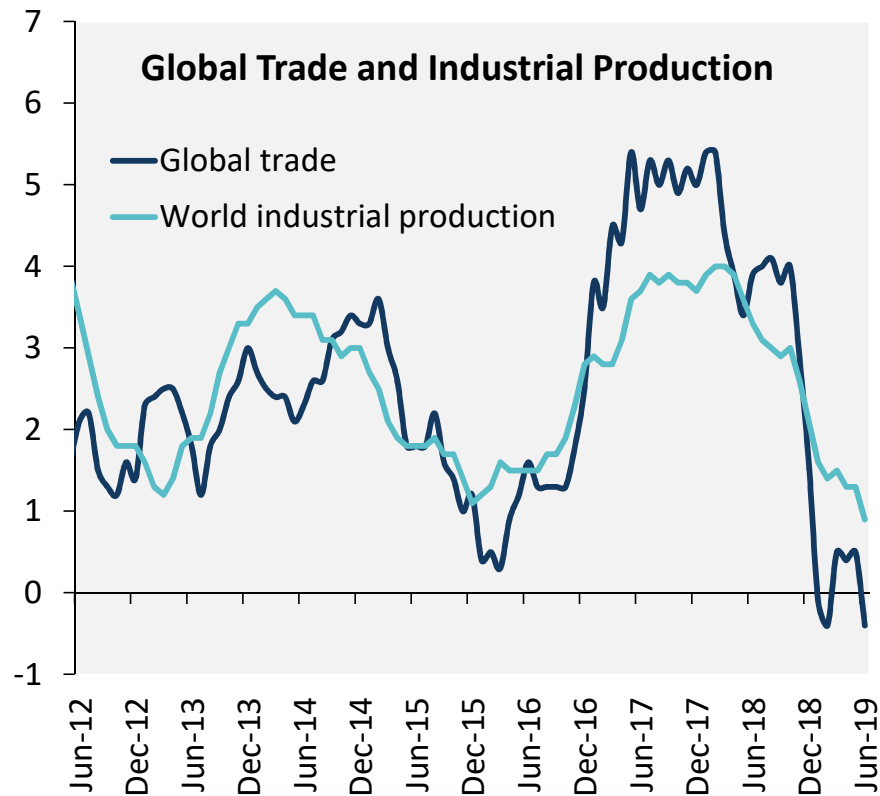
Trade tensions have visibly affected global economic activity



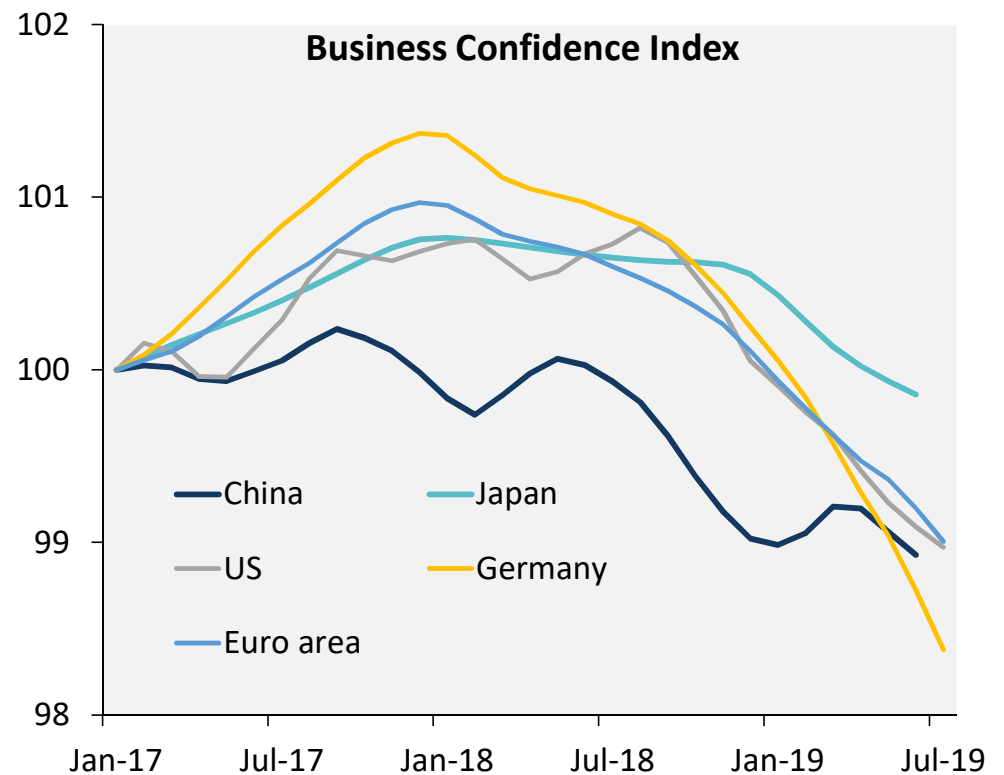
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3MMA, y-o-y, %



Jan '17 = 100



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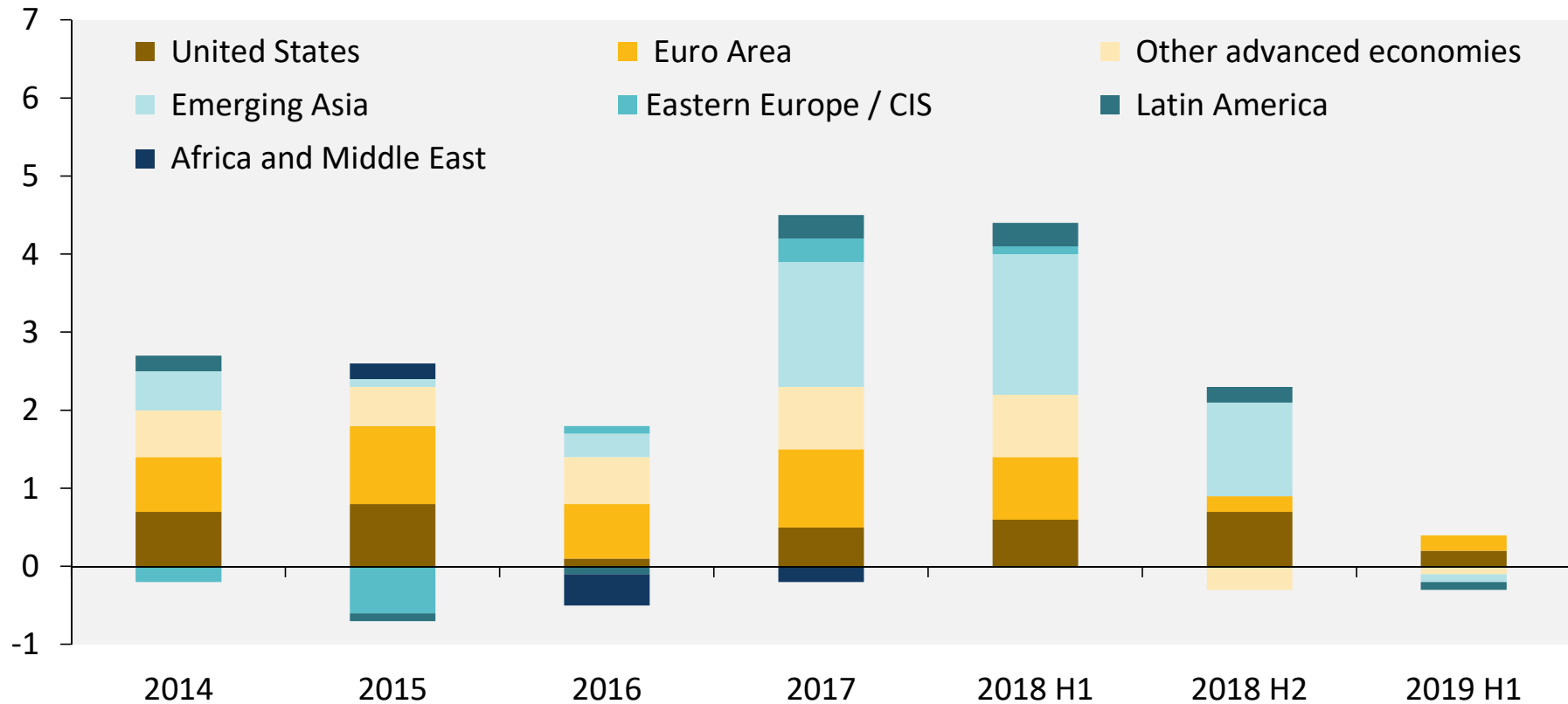
Import demand stagnated in H1 2019



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Ppt. Contribution

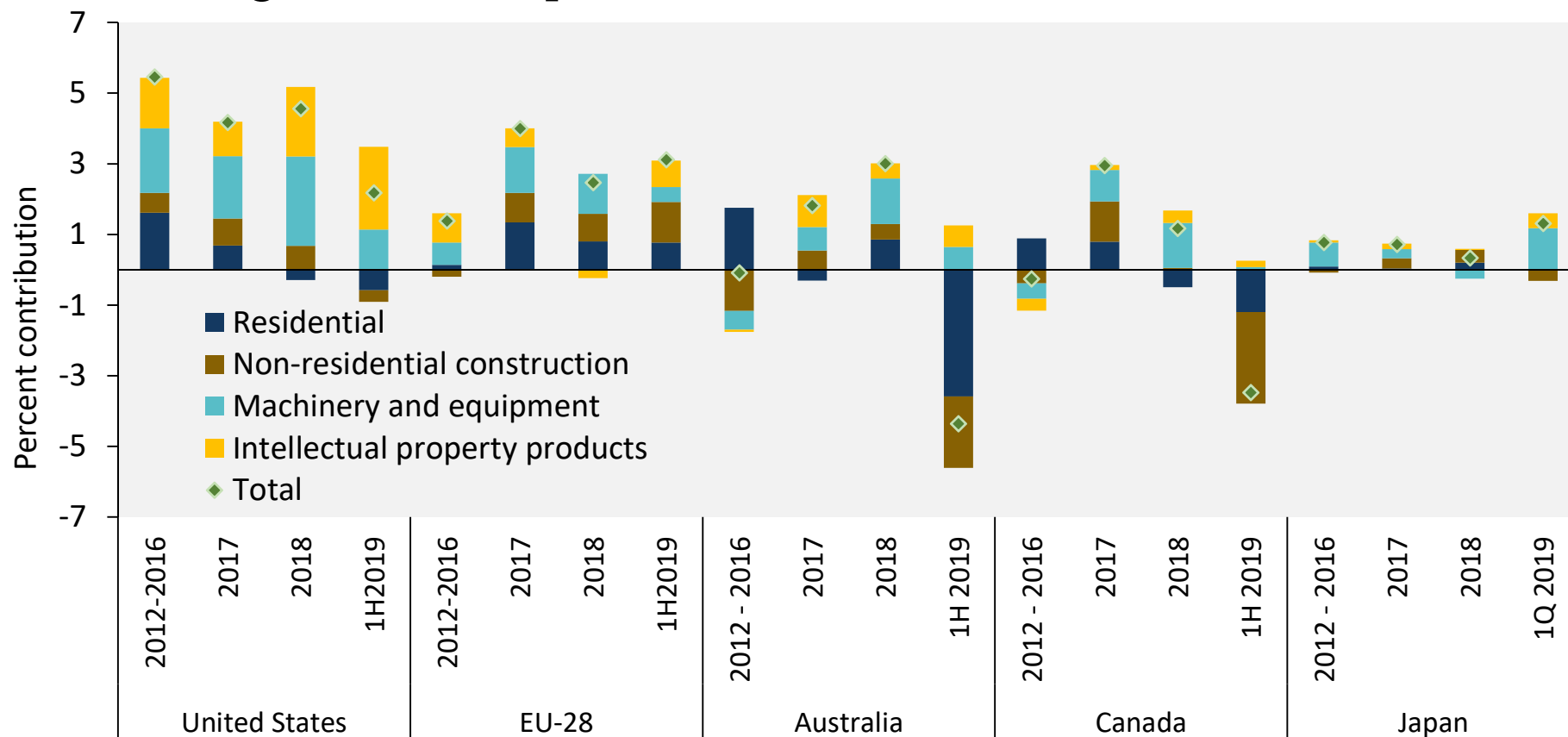


Weaker private investment growth in many developed countries



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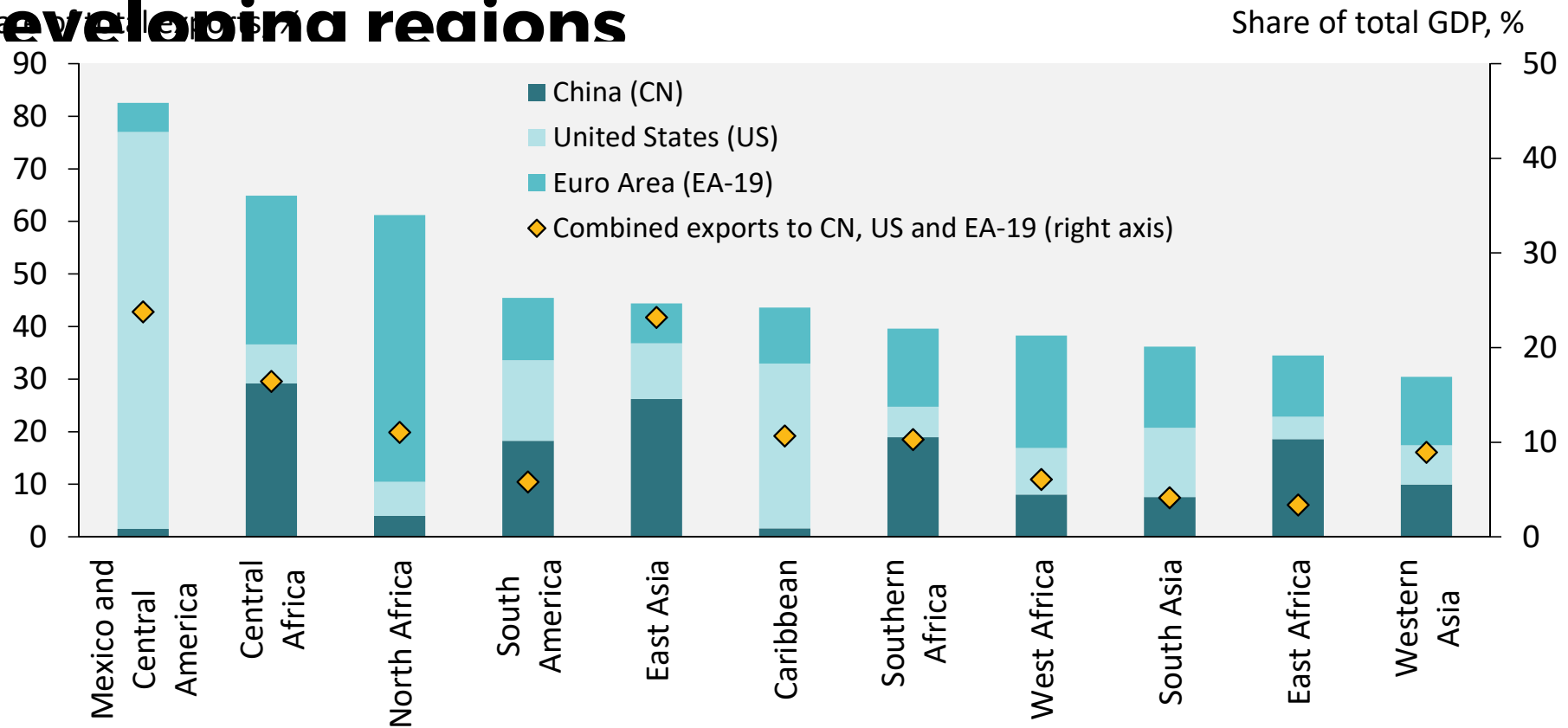
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Sharper slowdown in major economies would impact developing regions



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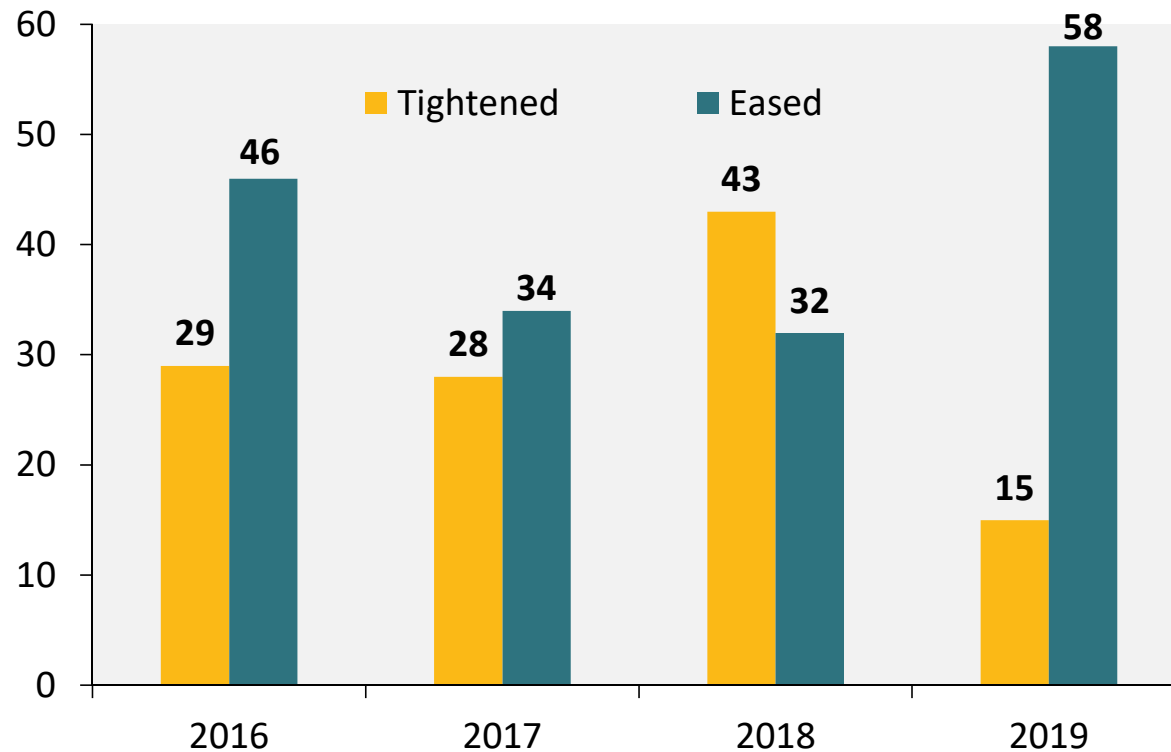
Central banks have been easing monetary policy



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Number of central banks



- Helped stabilize financial markets and short-term capital flows
- Impact on real sector activity uncertain
- May fuel further debt accumulation and raise medium-term financial stability risks



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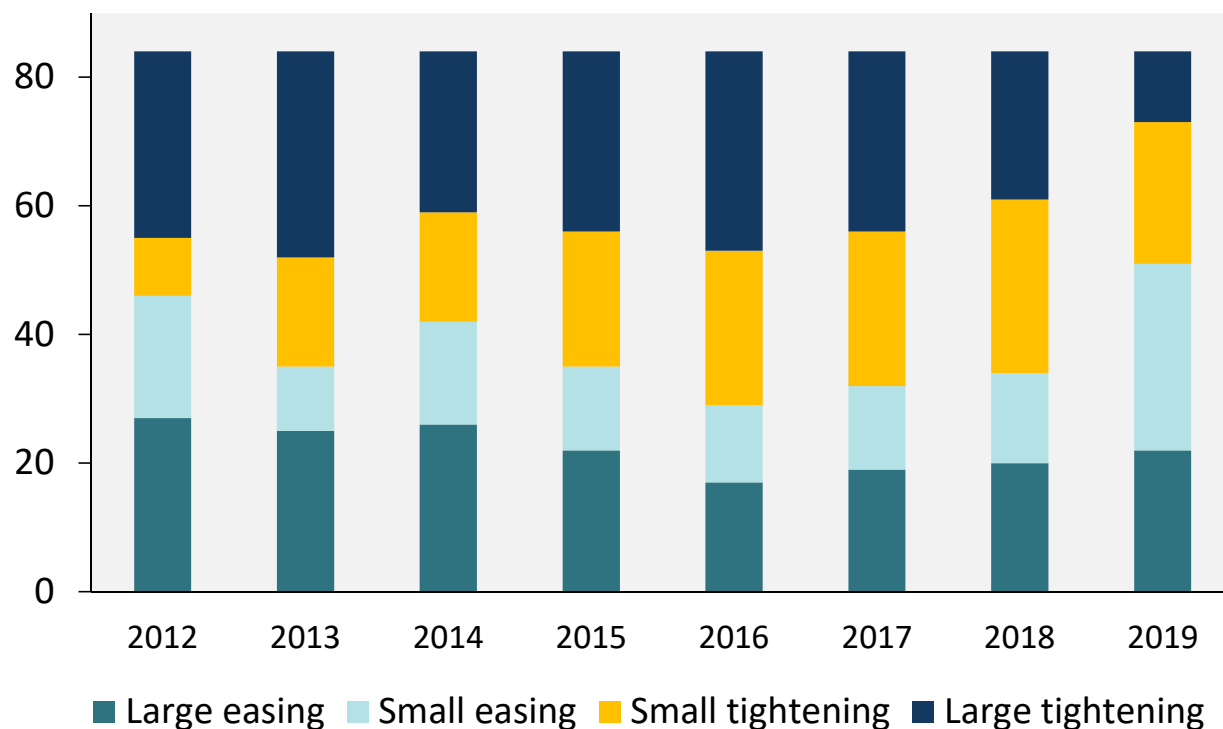
Fiscal easing in the majority of countries

Number of countries



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- Fiscal expansion still mostly modest
- Fiscal space limited due to:
 - High public debt burdens
 - Weak commodity-related revenue



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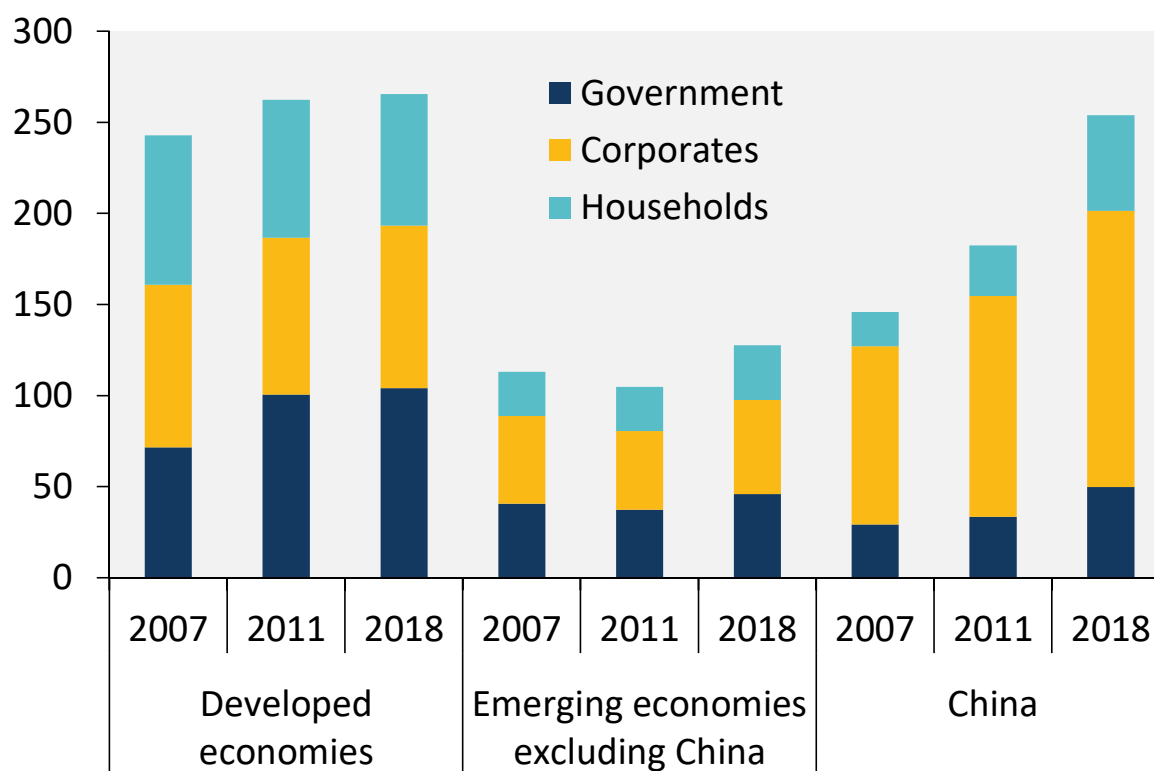
Historically high debt levels pose financial stability risks



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% of GDP



- Sources of vulnerability differ:
 - Euro area: sovereign debt, banking sector
 - US: higher-risk corporate bonds
 - EMs: corporate, dollar-denominated debt
 - LICs: increasing sovereign debt
- Rising interest burdens



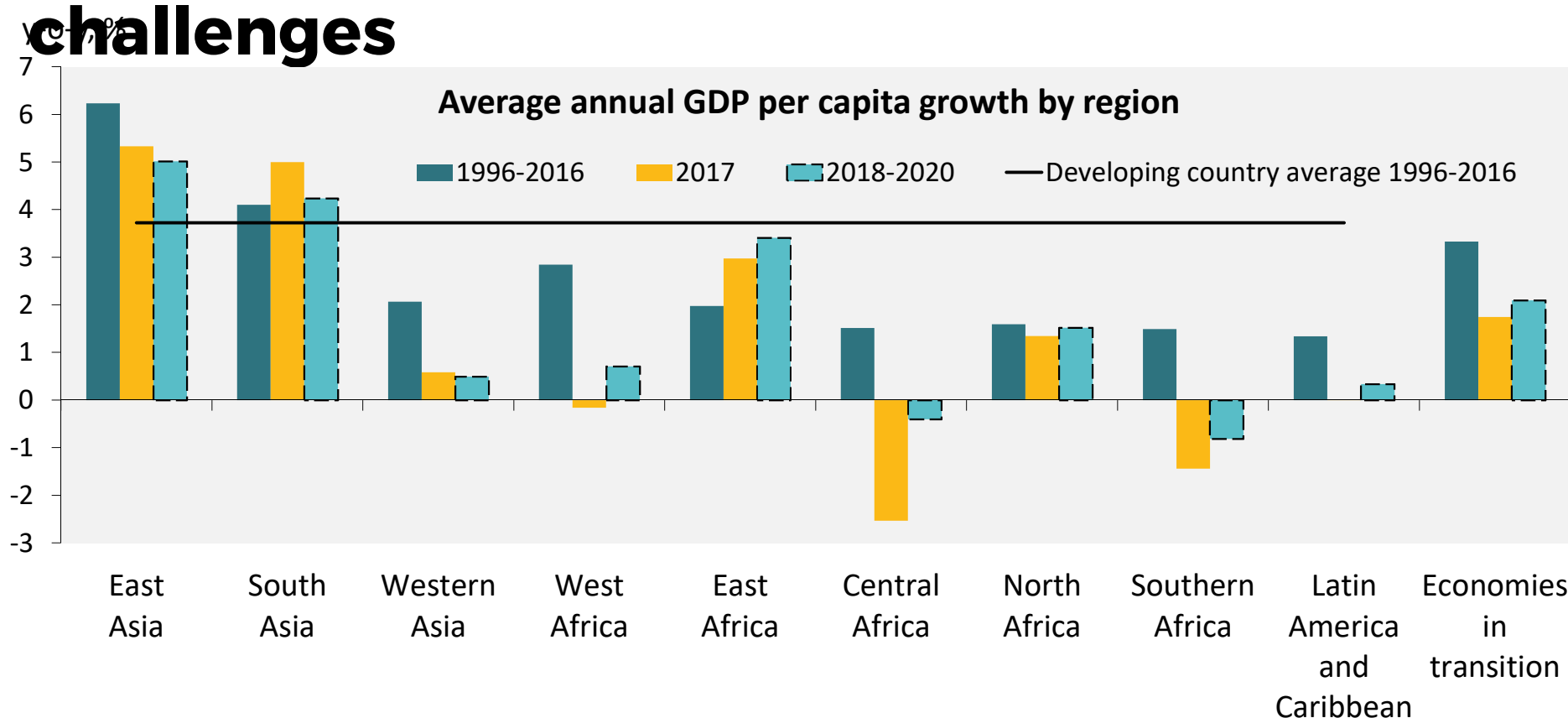
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Weak economic performance exacerbates development challenges



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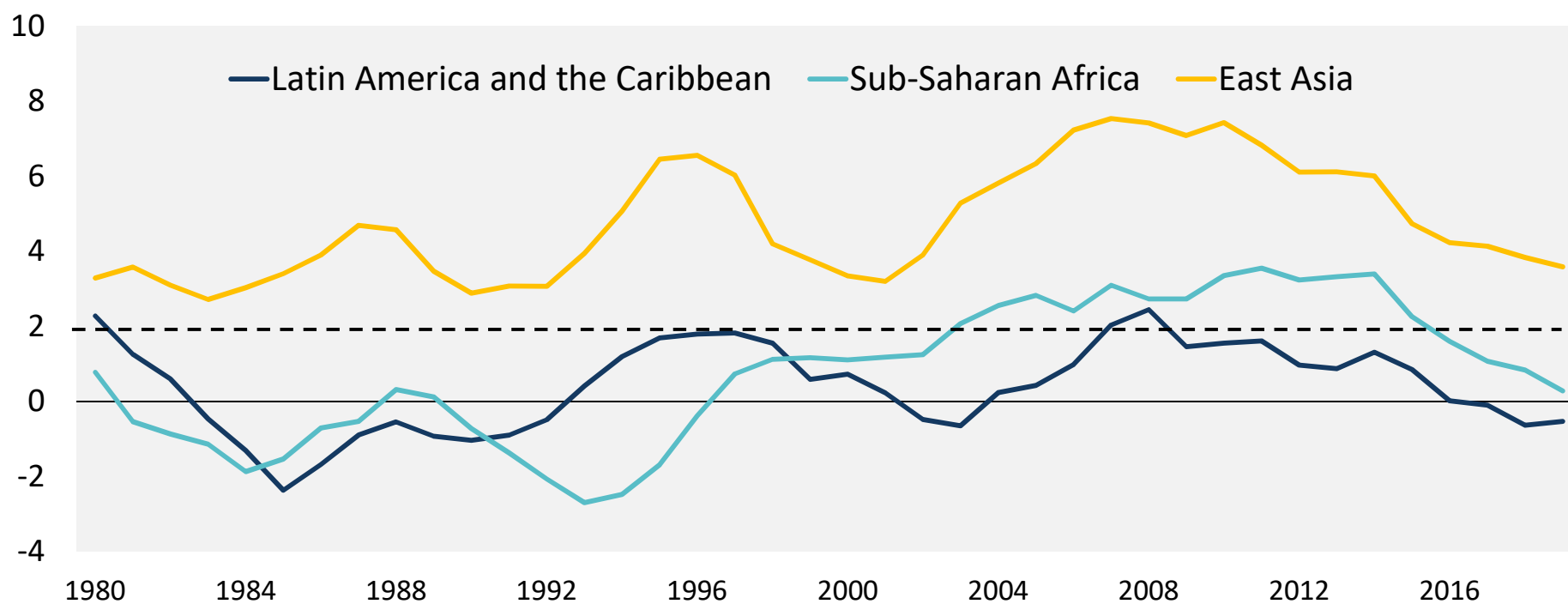
Labour productivity growth outside East Asia has been low for decades



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5 year MA, %



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Number of poor has risen in parts of Africa and Latin America between 2014 and 2018

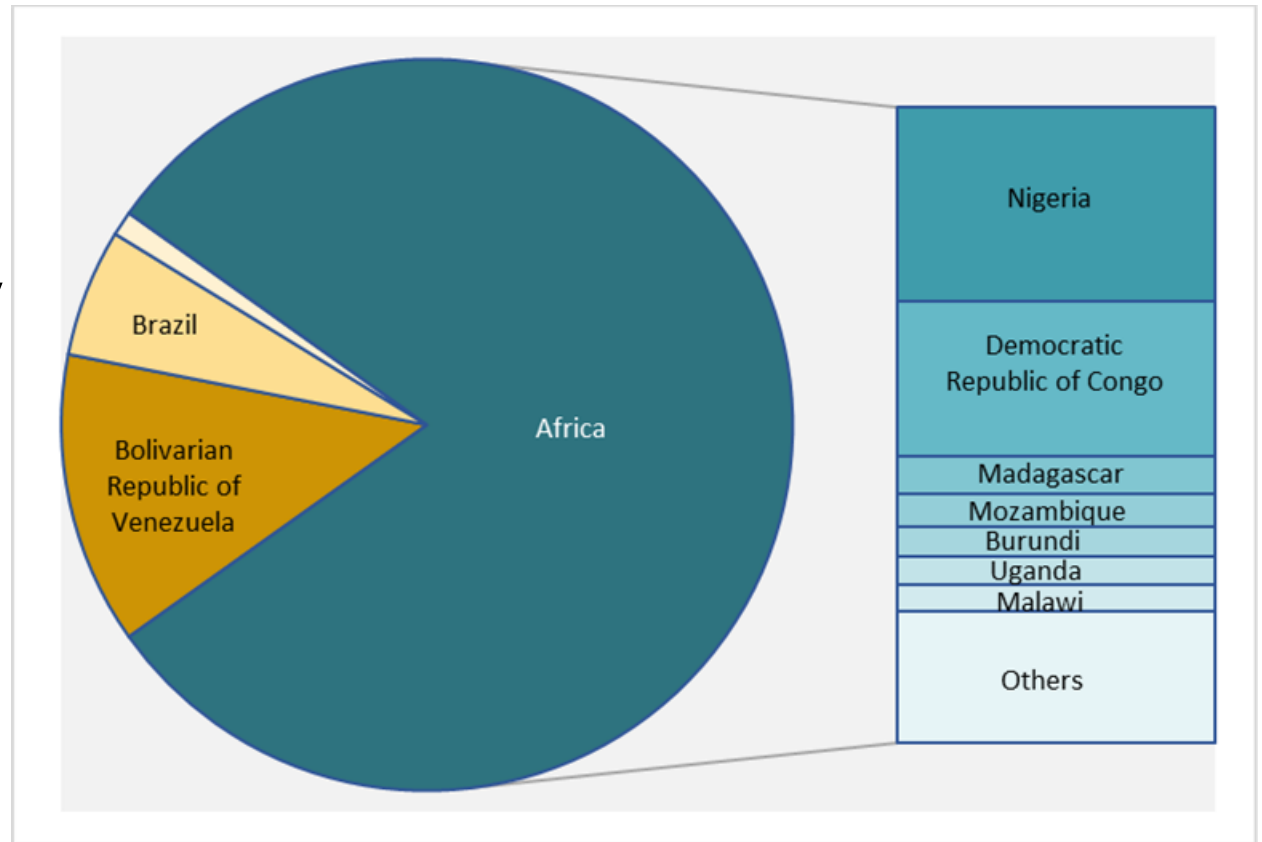


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Combination of factors:

- Commodity price shock
- Macroeconomic imbalances / crisis
- Governance issues and political crisis
- Armed conflict



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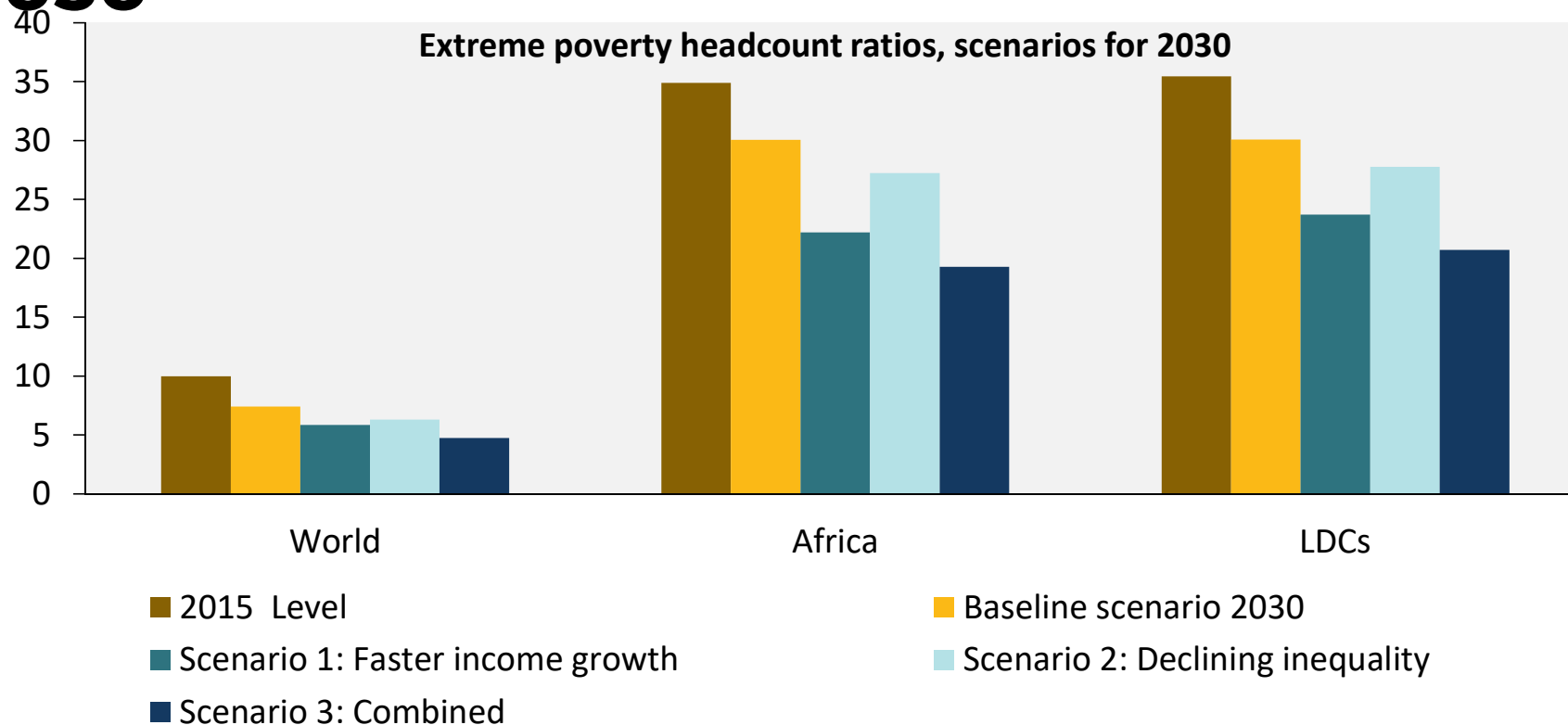
Many economies will find it highly challenging to eradicate poverty by 2030



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% of population



Policies to promote SDG progress



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- Addressing short-term macroeconomic vulnerabilities
 - Resolve trade tensions
 - Tackle financial vulnerabilities
 - Shift away from over-reliance on monetary policy
 - Improve fiscal management
- Boosting medium-term inclusive growth:
 - Improve natural resource management
 - Channel available finance into productive investment
 - Resilient infrastructure; quality education; health



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**Thank you.
More info @
bit.ly/wespmidyear**