

Latam Daily: IMF WEO Less Dire, but Still Relatively Downbeat on Latam

- In its October *World Economic Outlook (WEO)*, the IMF pared its forecast of the global economic contraction in 2020 from the -5.2% y/y in its June 2020 update to -4.4% y/y now. It blamed rising COVID-19 infection rates in emerging-market economies for shaving its 2021 global rebound from 5.4% y/y to 5.2% y/y.
- The IMF remained relatively downbeat on Latam compared with our forecasts and the consensus of market analysts.

IMF: GLOBAL OUTLOOK “SOMEWHAT LESS DIRE”

In its October *World Economic Outlook (WEO)* released on Tuesday, October 13, the IMF strengthened its global forecasts for 2020, but at the same time, pulled back on its projections for expected rebounds in 2021. The Fund’s forecast for the contraction associated with 2020’s “great lockdown” was curbed from the -5.2% y/y projection in its June 2020 mid-term update to a current outlook of -4.4% y/y. For 2021, the IMF shaved its expectation for the global rebound from 5.4% y/y to 5.2% y/y. Although the move to dampen the Fund’s expectations for the pace of recovery in 2021 is a natural consequence in standard macro models of a shallower downturn in 2020, the IMF ascribed the move to rising infection rates in emerging markets.

For the Latin American and Caribbean region, the IMF similarly improved its outlook for 2020, but made only a negligible cut to the speed of the expected rebound in 2021. The IMF raised its projection for 2020 from its June expectation of a -9.4% y/y contraction to -8.1% y/y, one of the stronger regional upgrades in the new *WEO*. The recovery expected in 2021 was more or less unchanged, having been shaved only a notch from 3.7% y/y in the June forecasts to 3.6% y/y now. The relatively solid improvement in the IMF’s regional outlook for 2020 reflects, in part, the progress in COVID-19 numbers across the region detailed in our October 4 *Latam Weekly*—a marked contrast with some other emerging regions.

Looking at the IMF’s country-level forecasts for the Latam-6, the Fund’s outlook remains distinctly weaker than Scotiabank Economics’ forecasts and the consensus of analysts’ projections. On the growth side (table 1), the IMF’s *WEO* forecasts for 2020 average nearly a full percentage point weaker than Scotiabank’s projections and about half a point weaker than market consensus. For 2021, the Fund’s outlook for the recovery averages about a third of a point weaker than both our forecasts and the market consensus. For the five Latam inflation-targeting countries (i.e., the Latam-6, ex. Argentina), the Fund’s forecast for annual inflation at end-2020 is only mildly weaker than we and the market anticipate, but Scotia expects inflation to average about 80 bps higher in 2021 than the IMF projects (table 2).

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Table 1. Real GDP growth, % y/y change

	2020			2021		
	BNS	BBG	IMF	BNS	BBG	IMF
Argentina	-10.8	-11.5	-11.8	4.3	4.7	4.9
Brazil	-5.3	-5.3	-5.8	2.9	3.5	2.8
Chile	-5.2	-5.8	-6.0	5.1	4.8	4.5
Colombia	-7.5	-6.2	-8.2	5.0	4.4	4.5
Mexico	-9.1	-10.0	-9.0	3.0	3.5	3.5
Peru	-11.5	-12.2	-13.9	8.7	8.6	7.3

Sources: Scotiabank Economics, IMF, Bloomberg.

Table 2. CPI inflation, eop % y/y change

	2020			2021		
	BNS	BBG	IMF	BNS	BBG	IMF
Argentina	28.7	42.2	...	42.6	44.9	...
Brazil	2.8	2.7	2.0	4.8	3.1	2.9
Chile	2.4	2.8	2.4	3.0	2.6	2.9
Colombia	2.0	2.6	1.4	3.0	3.0	2.4
Mexico	3.9	3.5	3.7	4.1	3.6	2.9
Peru	1.5	1.5	1.8	2.0	1.8	2.0

Sources: Scotiabank Economics, IMF, Bloomberg.

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