



# Latin America and the Global Crisis

José De Gregorio  
Governor  
Central Bank of Chile



# Outline

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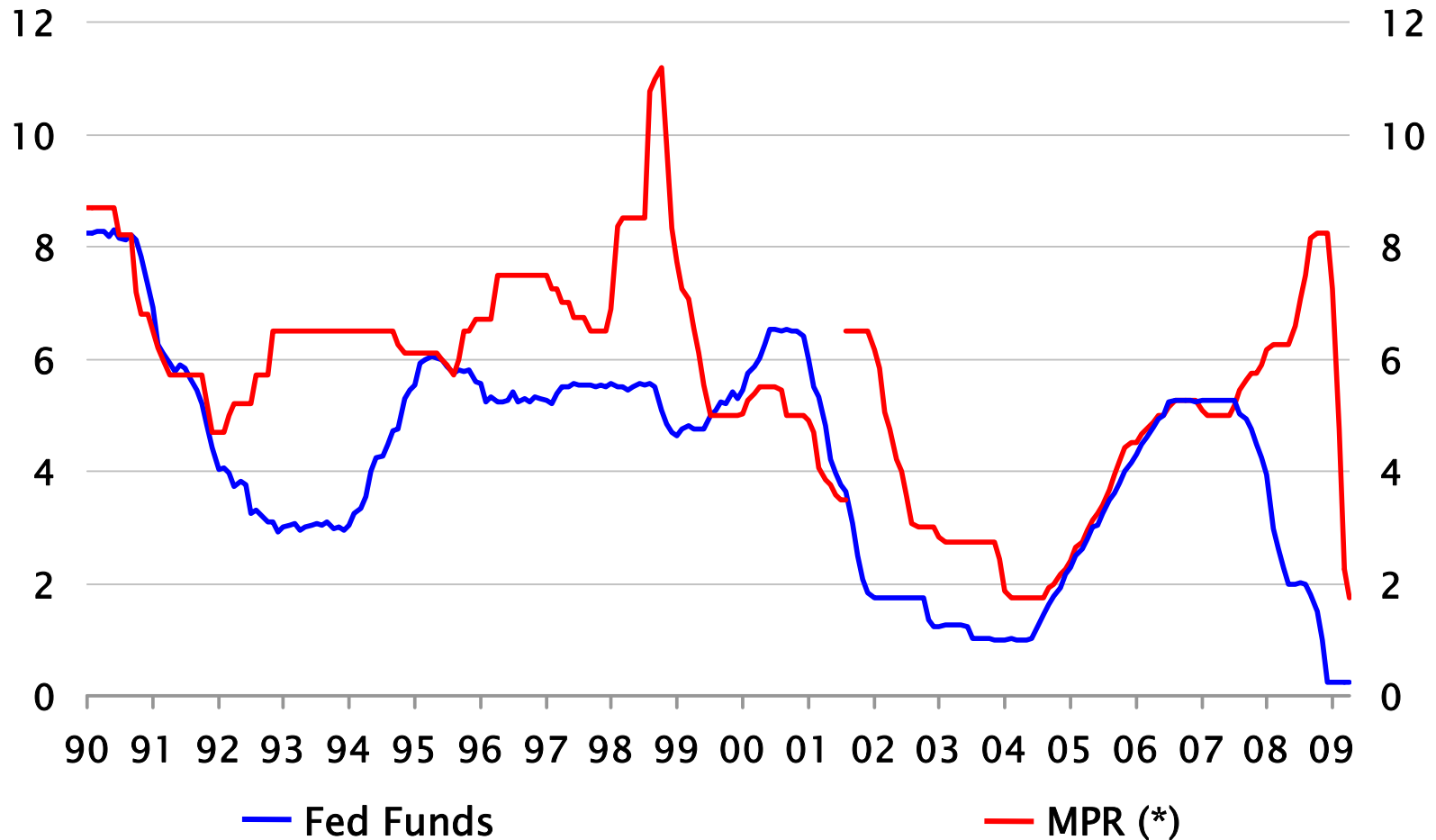
- Crisis's Origins: Financial Regulation or Monetary Policy?
- Inflation Developments
- GDP Response and Prospects



# Crisis's Origins: Financial Regulation or Monetary Policy?



# Chile's MPR and US's Fed Funds (percentage)



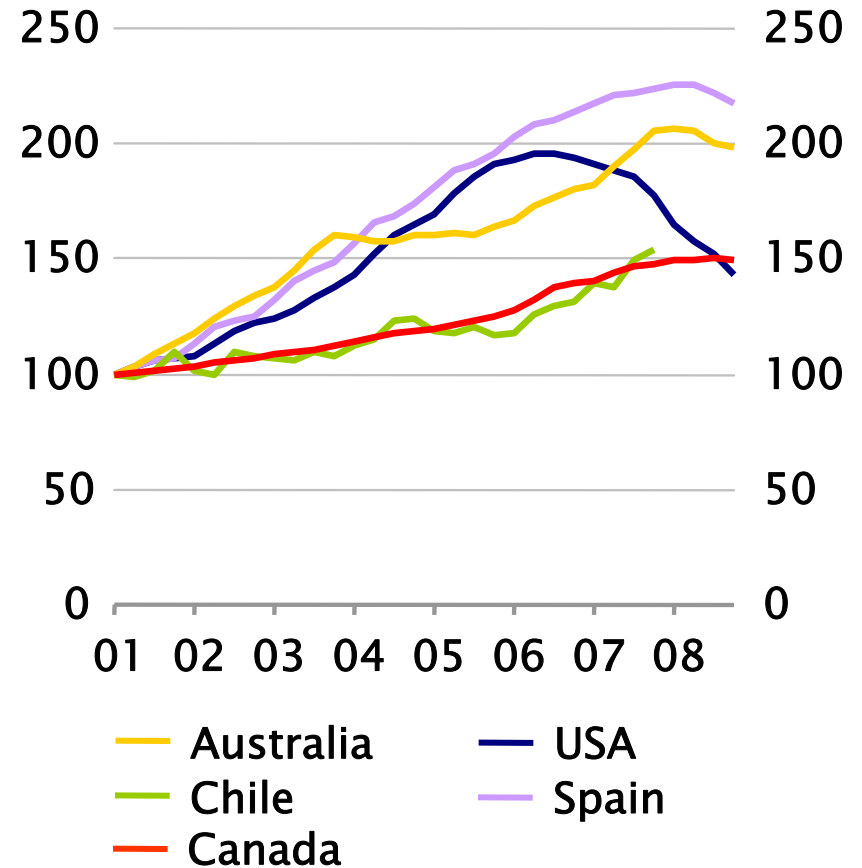
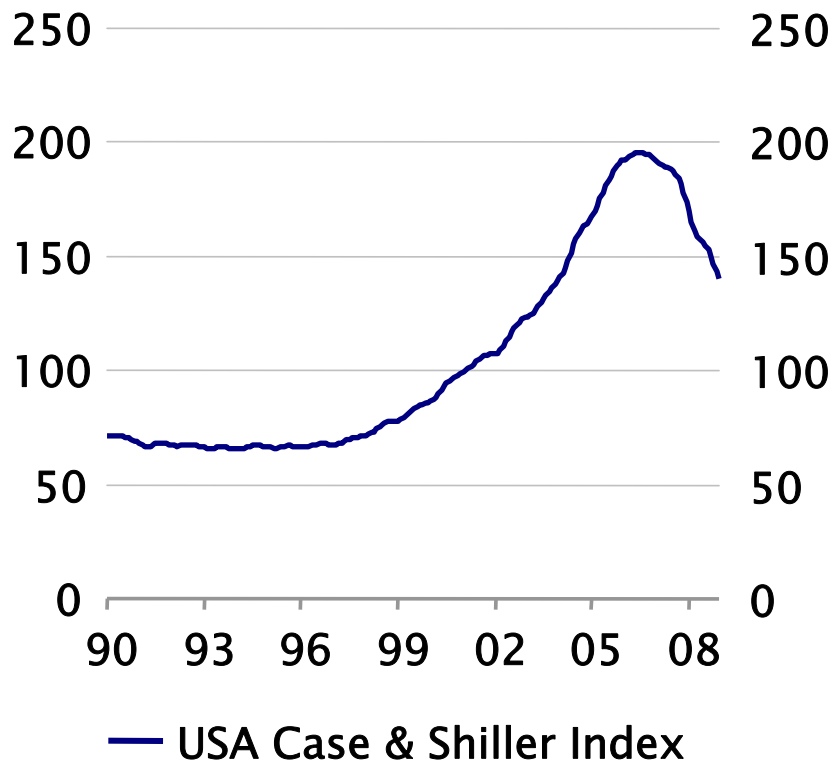
(\*) Since August 2001 correspond to a nominal interest rate. Before that date, correspond to a real interest rate.

Sources: Central Bank of Chile and Federal Reserve.



# House Prices

(nominal index; 2001.Q1 = 100)



Source: Central Bank of Chile and Bloomberg.



# Issues on Financial Regulation and Innovation

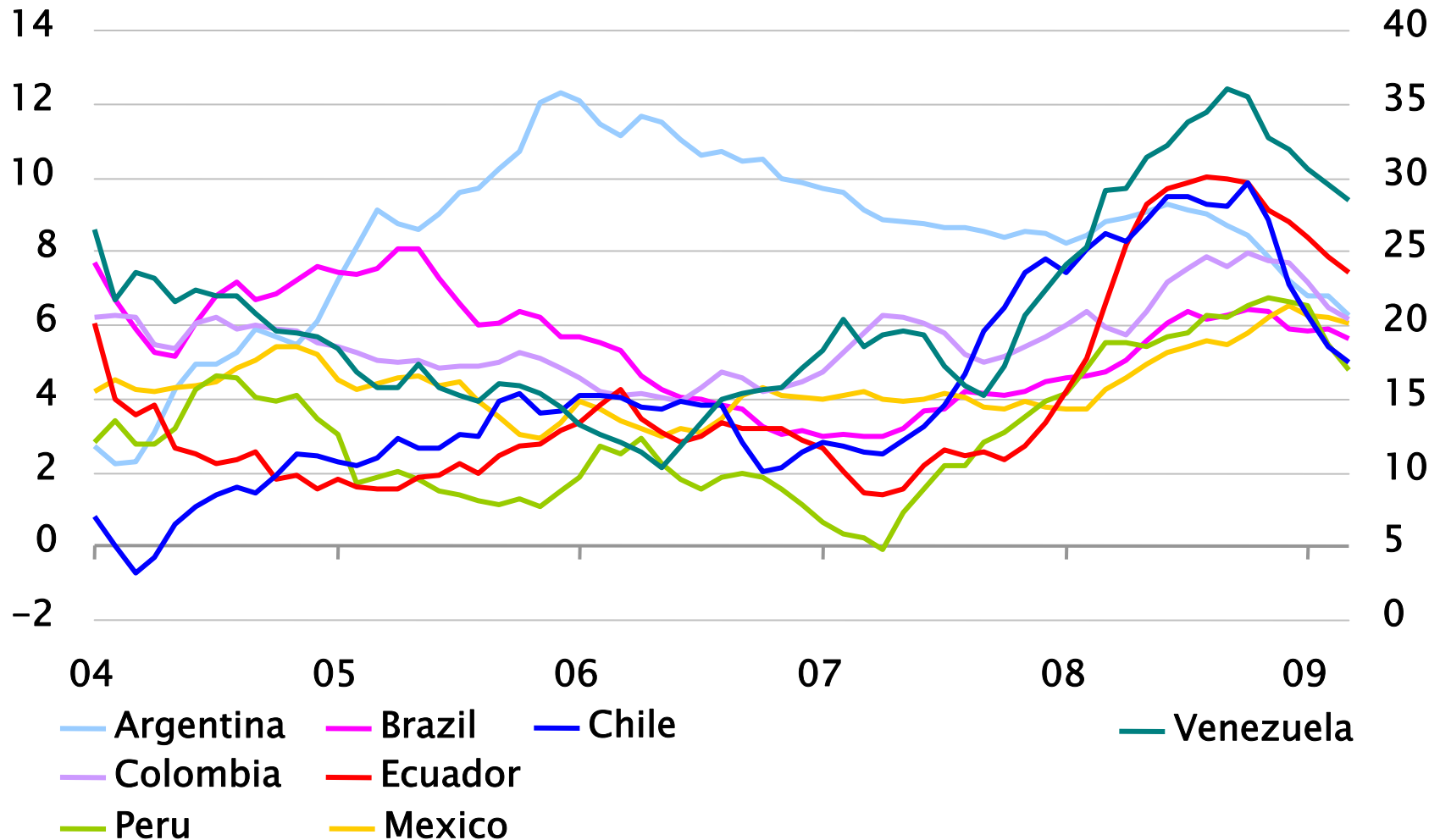
- Financial stability is insured by proper regulation and to a lesser extent by monetary policy. Low interest rates and abundant liquidity are necessary but not sufficient to generate financial instability.
- The perils of securitization: what are the incentives for screening and monitoring mortgage loans? How to reap the potential benefits of risk sharing without increasing overall risk?
- The extent of regulation: move beyond regulating institutions that depend on public trust and guarantees, to institutions that can threaten financial stability.
- Relearn the lessons of the early 20th century, before the creation of the FED: liquidity transformation is inherently risky without some form of systemic liquidity insurance.



# Inflation Developments



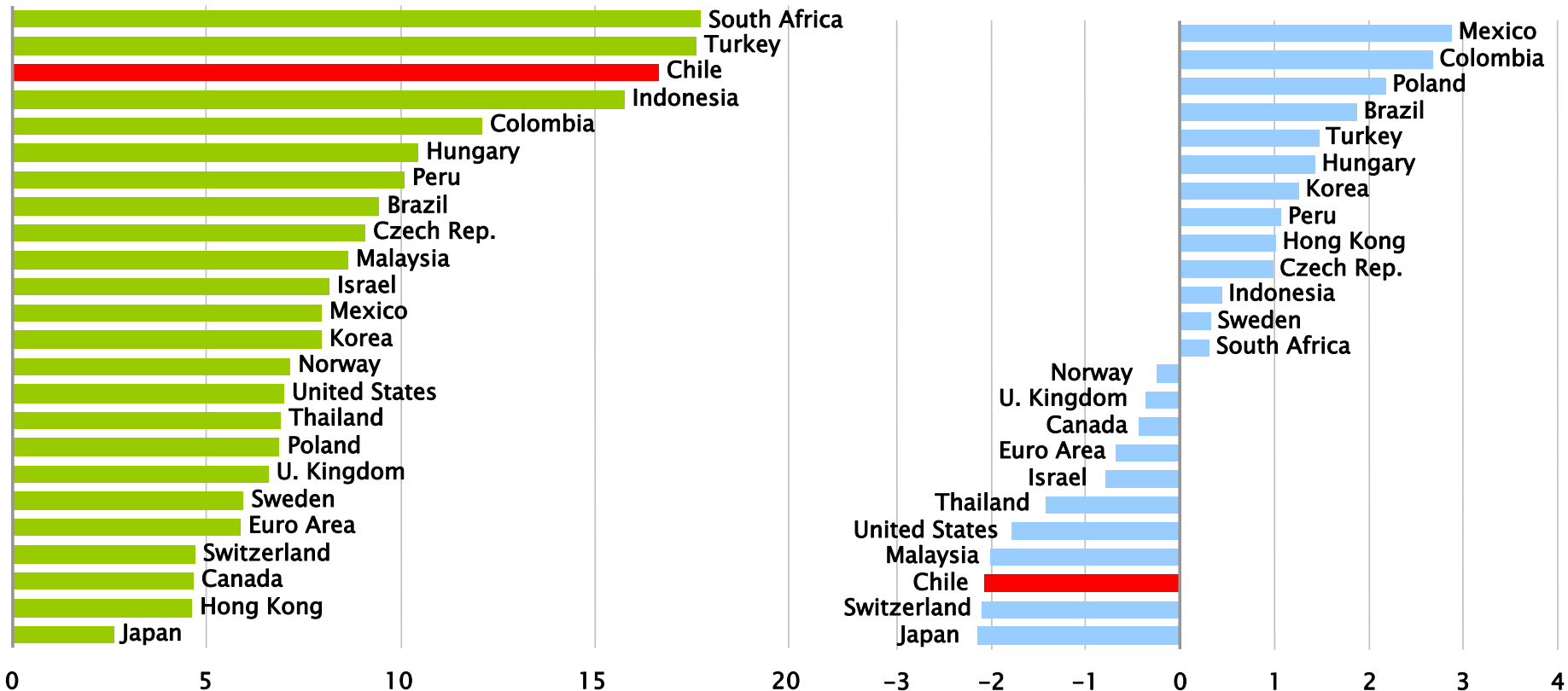
# CPI Annual Inflation (percentage)







# CPI: Accumulated Change (percentage points)



(a) Between January 2007 and October 2008.

(b) Between October 2008 and March/February 2009(\*).

(\*) Hong Kong, Malaysia, Japan, South Africa and United Kingdom as of February 2009. All other, as of March 2009. Sources: National statistics Offices of each country and Bloomberg.



# Inflation Forecasts

(average annual change, percentage)

	2007	2008	2009(f)	2010(f)	Inflation Target
Argentina	8.8	8.6	6.7	7.3	–
Brazil	3.6	5.7	4.8	4.0	4.5 (1)
Chile	4.4	8.7	2.9	3.5	3.0
Colombia	5.5	7.0	5.4	4.0	4.0/5.0 (2)
Ecuador	2.3	8.4	4.0	3.0	–
Mexico	4.0	5.1	4.8	3.4	3.0
Peru	1.8	5.8	4.1	2.5	2.0
Uruguay	8.1	7.9	7.0	6.7	–
Venezuela	18.7	30.4	36.4	43.5	–
Western Hemisphere	5.4	7.9	6.6	6.2	–

(f) Forecast.

(1) Corresponds to 2009 IT.

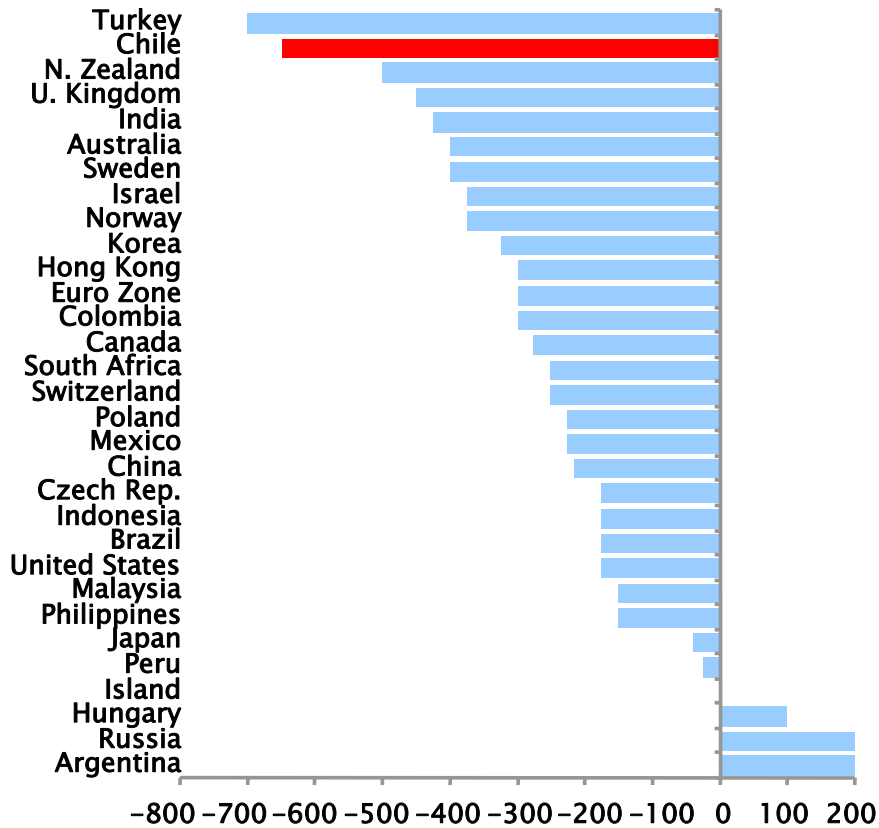
(2) IT is 5.0% to 2009 and 4.0% to 2010.

Source: World Economic Outlook April 2009, IMF.



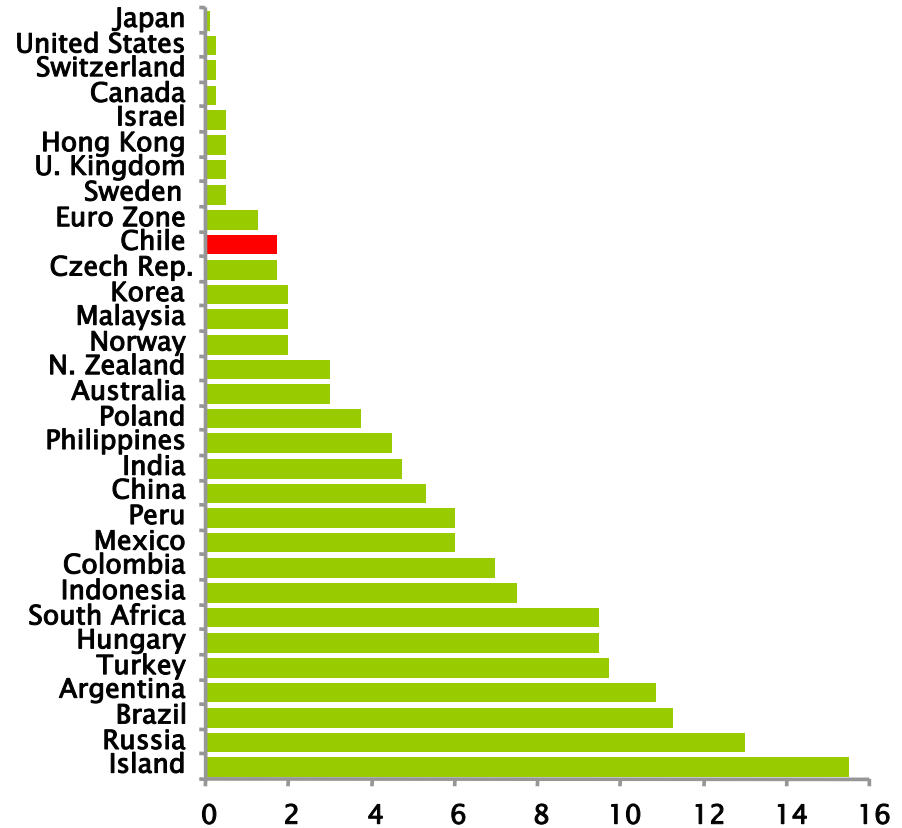
# Monetary Policy

MPR Change  
(basis points)



Between 09.04.08 and 04.21.09

MPR Level  
(percentage)



At 04.21.09

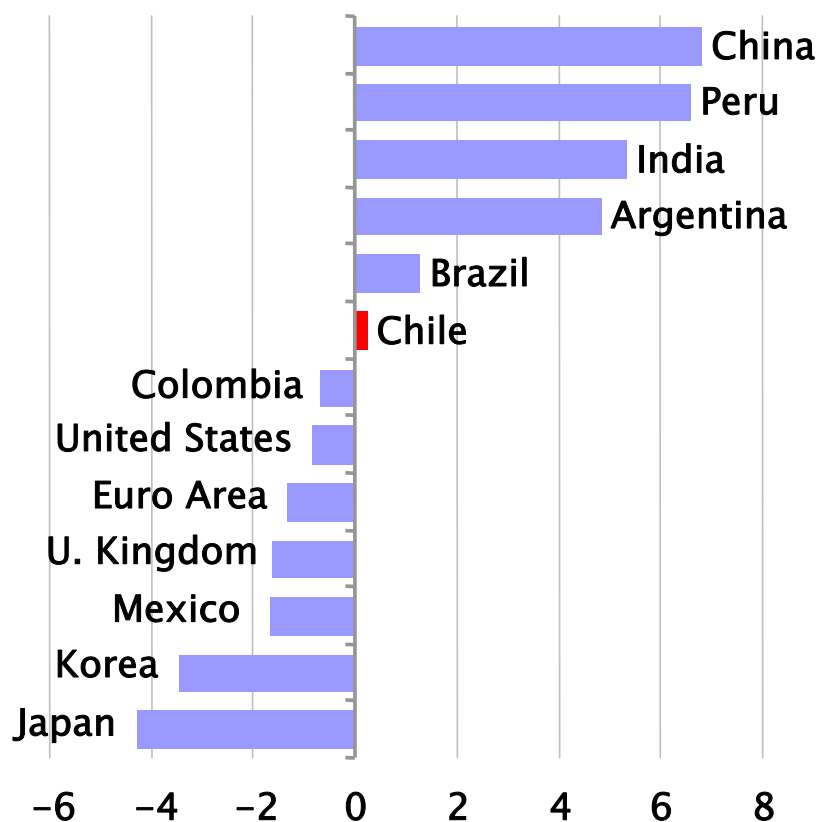


# GDP Response and Prospects

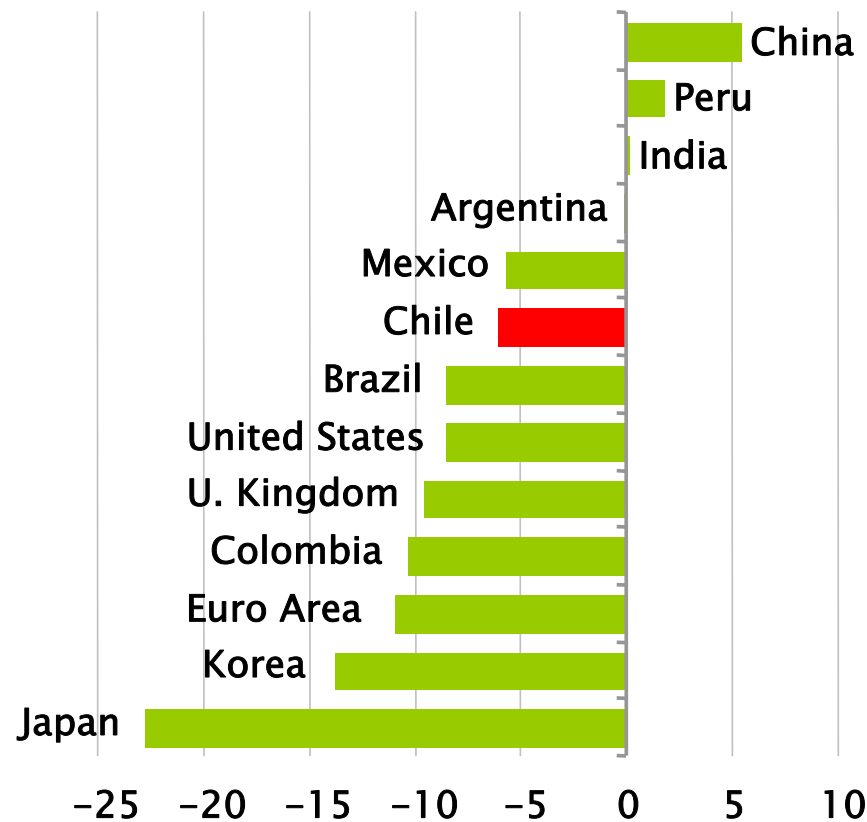


# GDP and Industrial Production

(real annual change, percentage)



(a) GDP annual change in 2008.Q4.

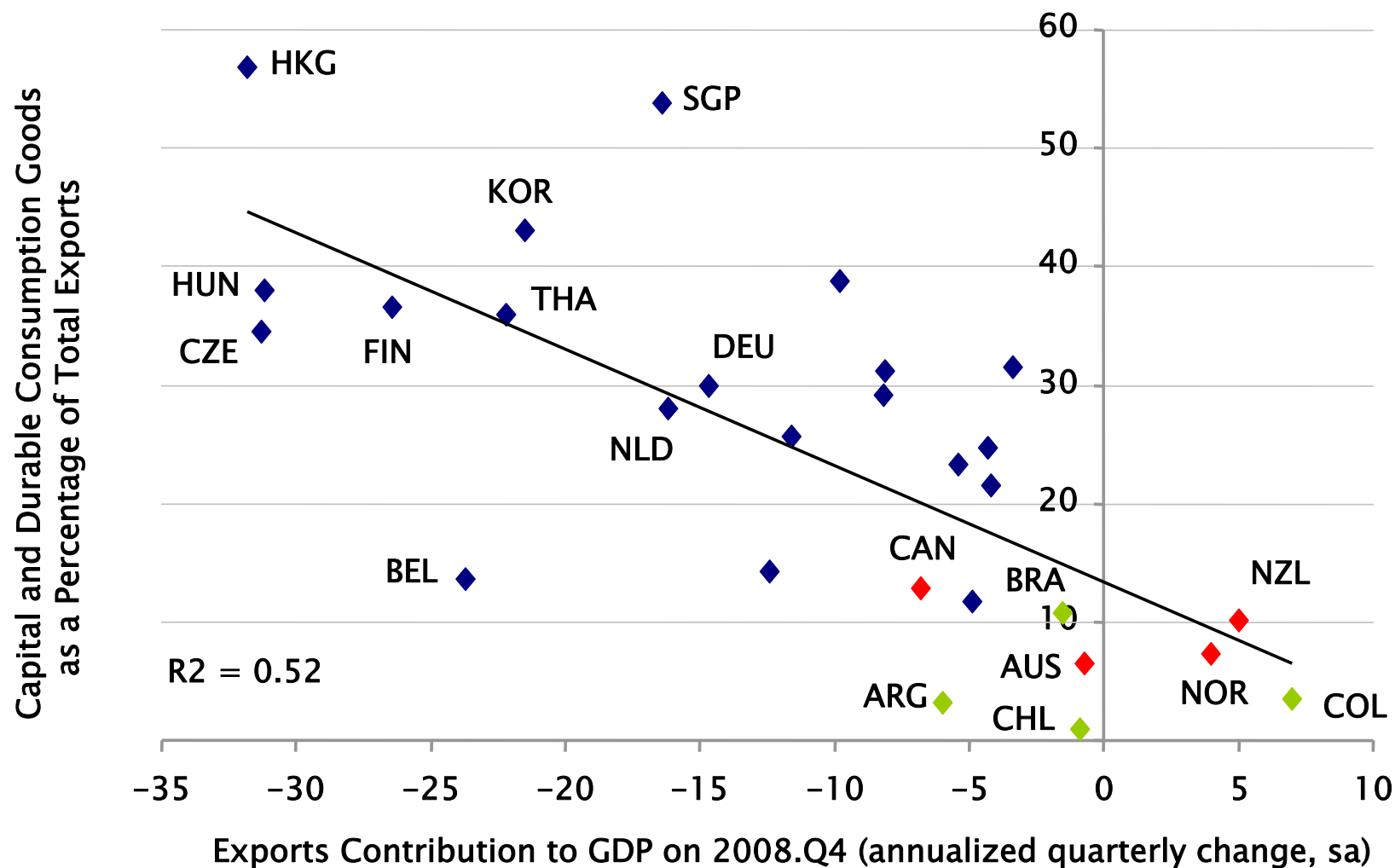


(b) Industrial production average annual change between October 2008 and January/February 2009(\*).

(\*) Peru, Colombia, India, Mexico and Euro Area as of January 2009. All other, as of February 2009.  
Sources: Central Bank of Chile, CEIC Data and The People's Bank of China.



# Exports and GDP in 2008.Q4 (percentage)





# GDP Forecasts

(at PPP, real annual change, percentage)

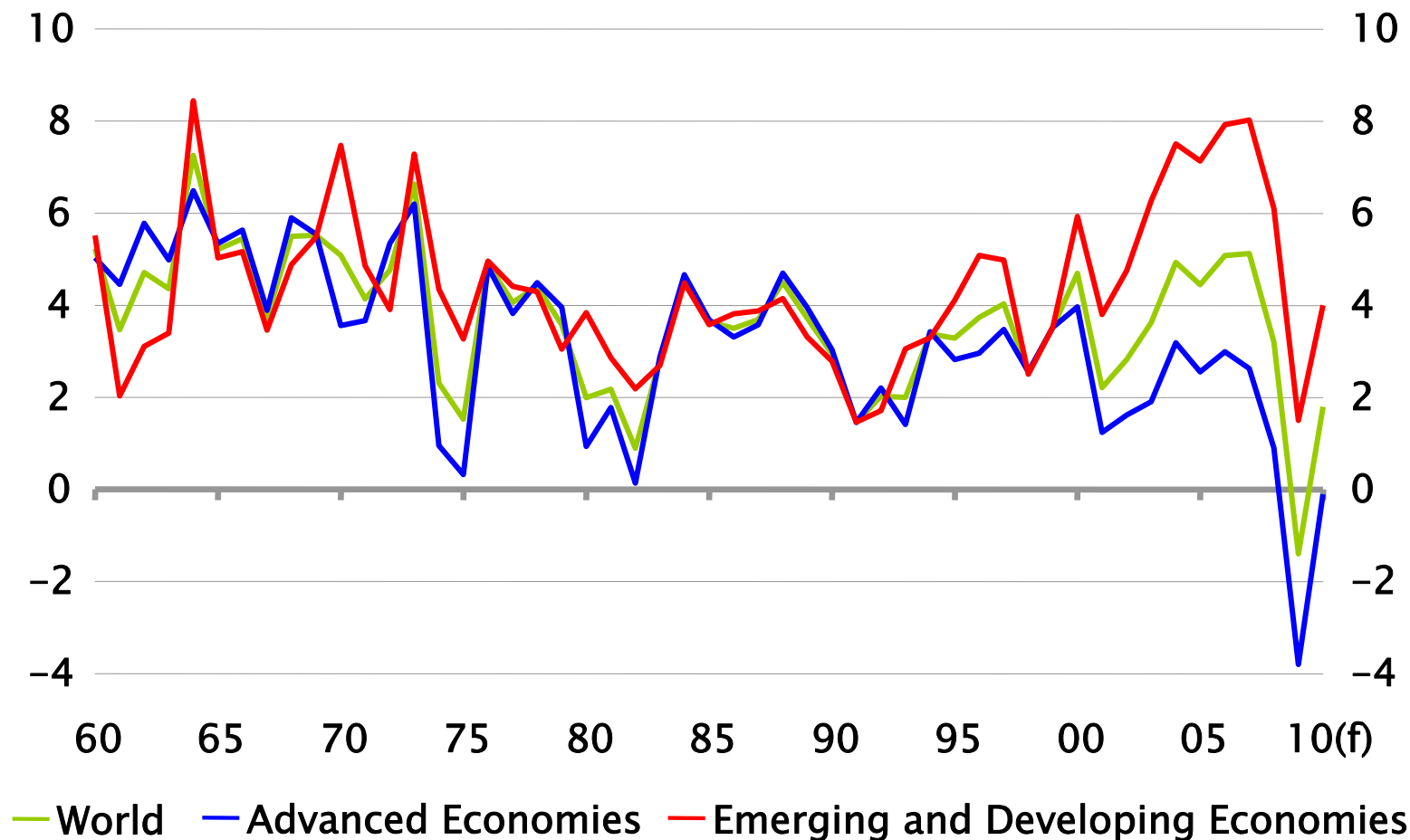
	2007	2008	2009(f)	2010(f)
World	5.2	3.2	-1.3	1.9
United States	2.0	1.1	-2.8	0.0
Euro Area	2.7	0.9	-4.2	-0.4
Japan	2.4	-0.6	-6.2	0.5
Newly Ind. Asian Economies	5.7	1.5	-5.6	0.8
Emerging and Developing Eco.	8.3	6.1	1.6	4.0
Western Hemisphere	5.7	4.2	-1.5	1.6
Argentina	8.7	7.0	-1.5	0.7
Brazil	5.7	5.1	-1.3	2.2
Chile	4.7	3.2	0.1	3.0
Colombia	7.5	2.5	0.0	1.3
Ecuador	2.5	5.3	-2.0	1.0
Mexico	3.3	1.3	-3.7	1.0
Peru	8.9	9.8	3.5	4.5
Uruguay	7.6	8.9	1.3	2.0
Venezuela	8.4	4.8	-2.2	-0.5

(f) Forecast.

Source: World Economic Outlook April 2009, IMF.



# World Growth at PPP (\*) (annual real change, percentage)



(\*) Categories corresponds to IMF definition.

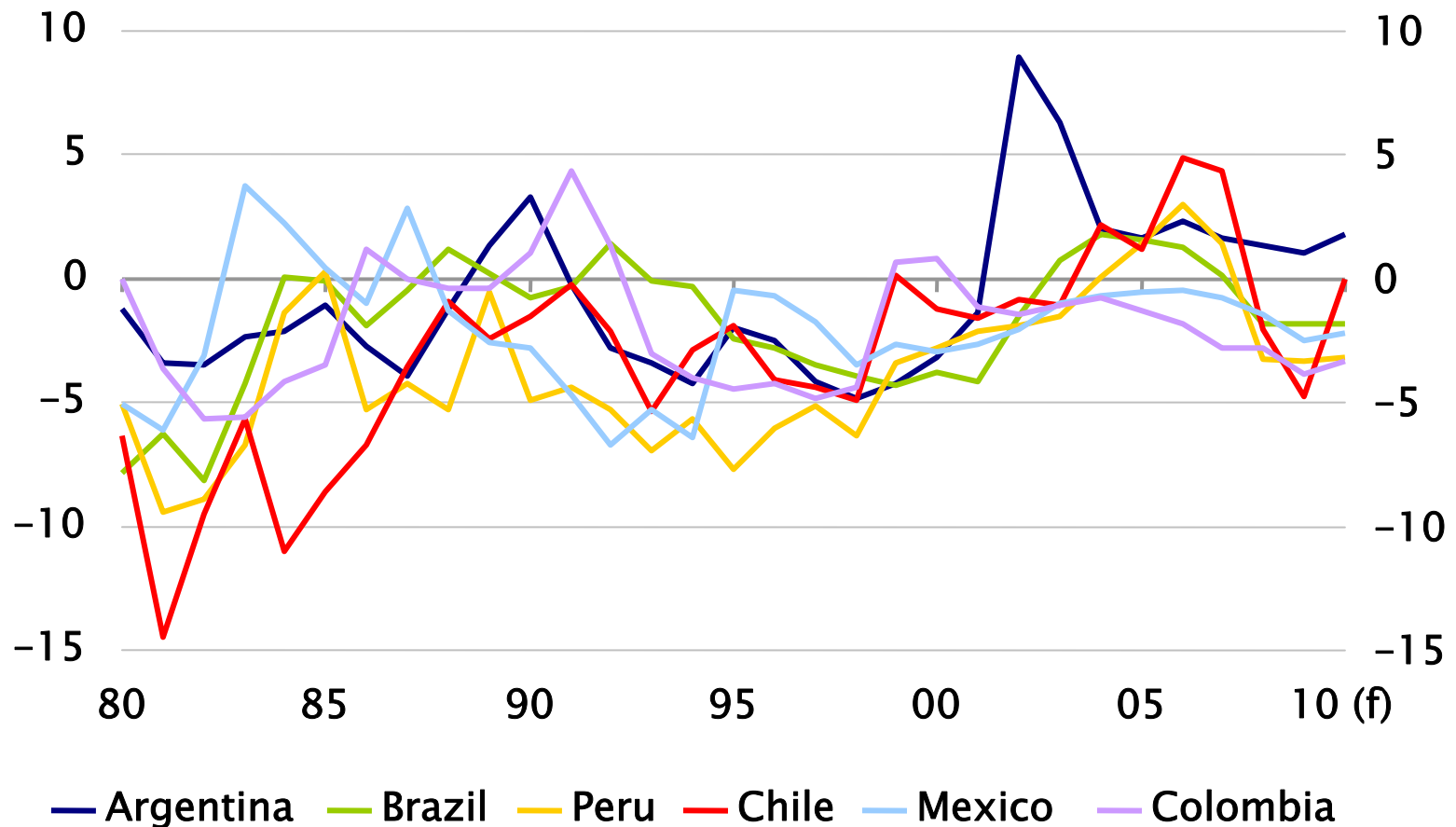
(f) Forecast.

Source: Central Bank of Chile and IMF (WEO, April 2009).





# Current Account Balance (percentage of GDP)



(f) Forecast.

Source: World Economic Outlook April 2009, IMF.



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