

# Macrofinancial Outlook in Latin America

25th BIS Working Party on Monetary Policy in Asia

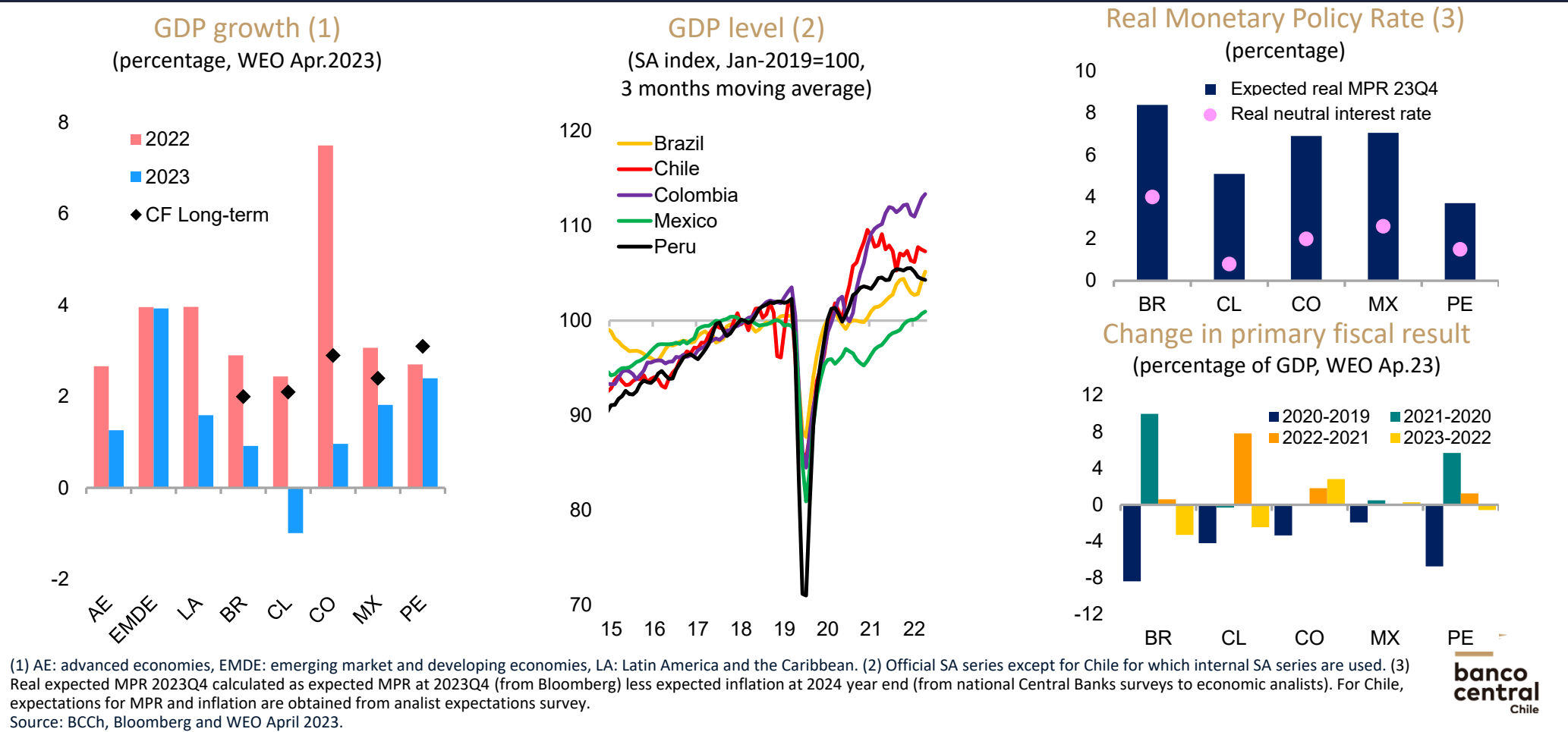


PASEO PEATONAL FRUTILLAR

Región de Los Lagos

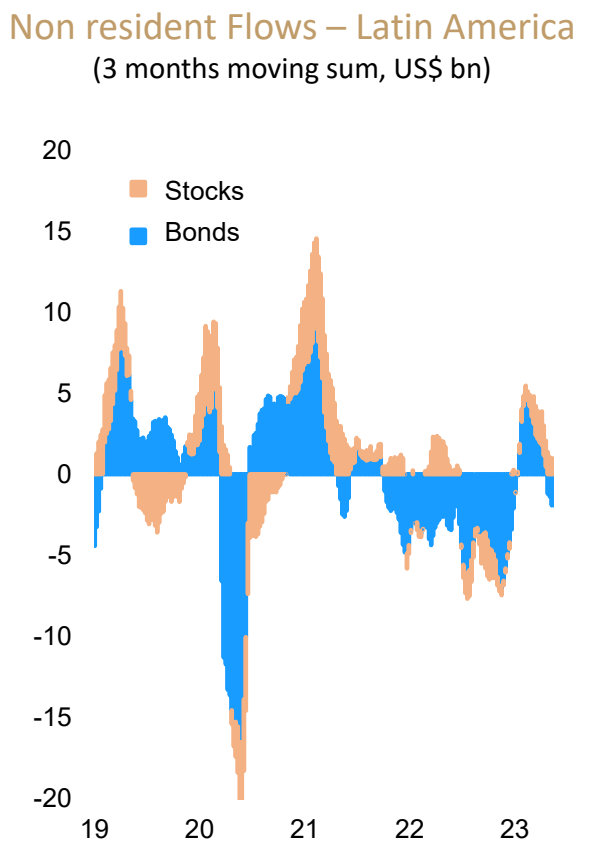
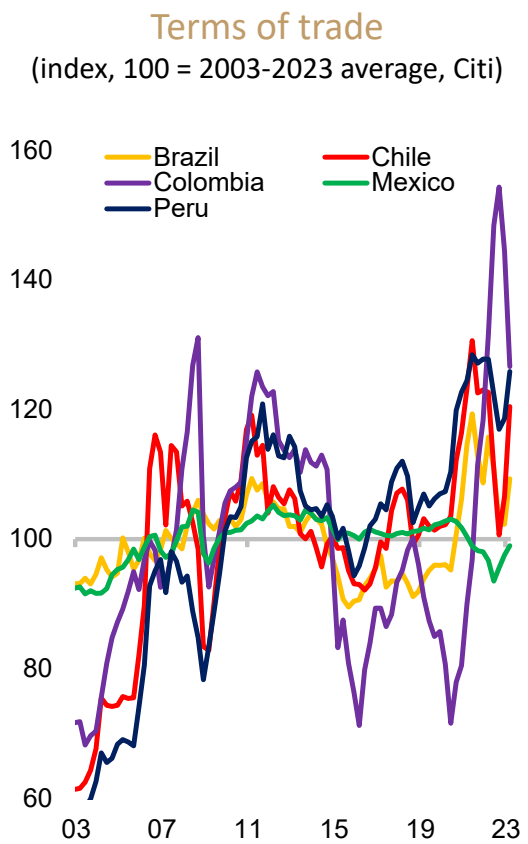
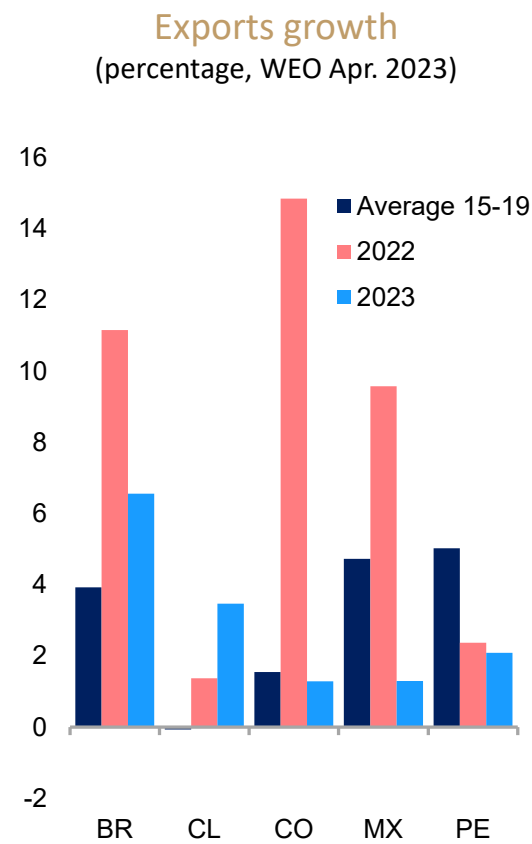
# The Growth Slowdown in Latin America

Growth in Latin America is slowing down mainly due to domestic adjustment after post-covid strong recovery.



# The Growth Slowdown in Latin America

*Up until recently, the external backdrop was providing tail-winds to growth.*

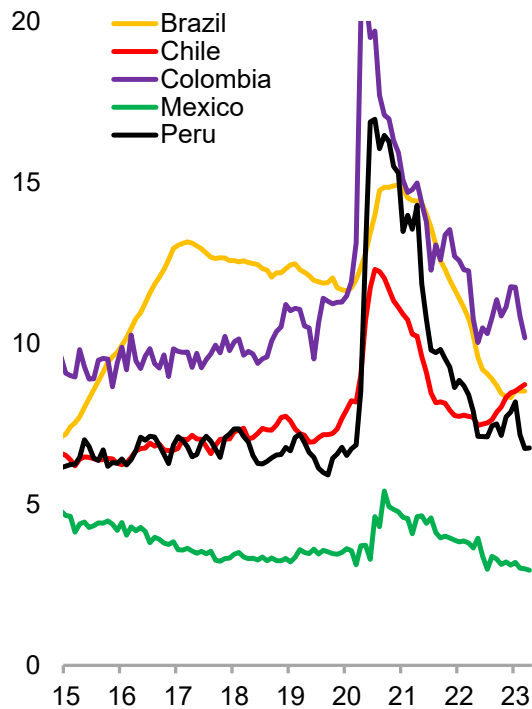


Source: Bloomberg, Emerging Portfolio Fund Research, Citi, WEO April 2023.

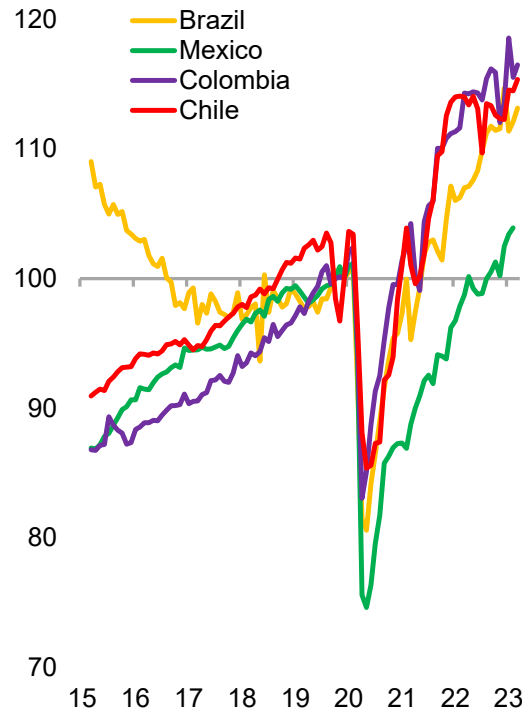
# The Growth Slowdown in Latin America

*Labor markets have remained somewhat resilient, as services expand. This is a relevant factor behind the stickiness of core inflation.*

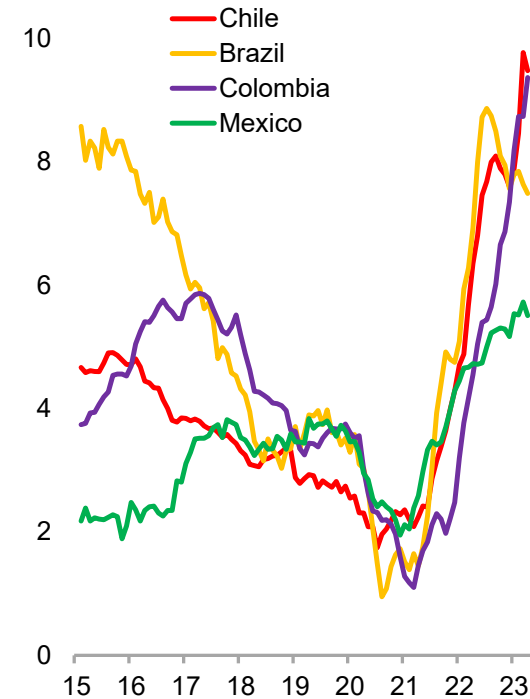
Unemployment rate (1)  
(percentage, 3 months moving average)



Services Activity (2)  
(SA index, dec.19 = 100)



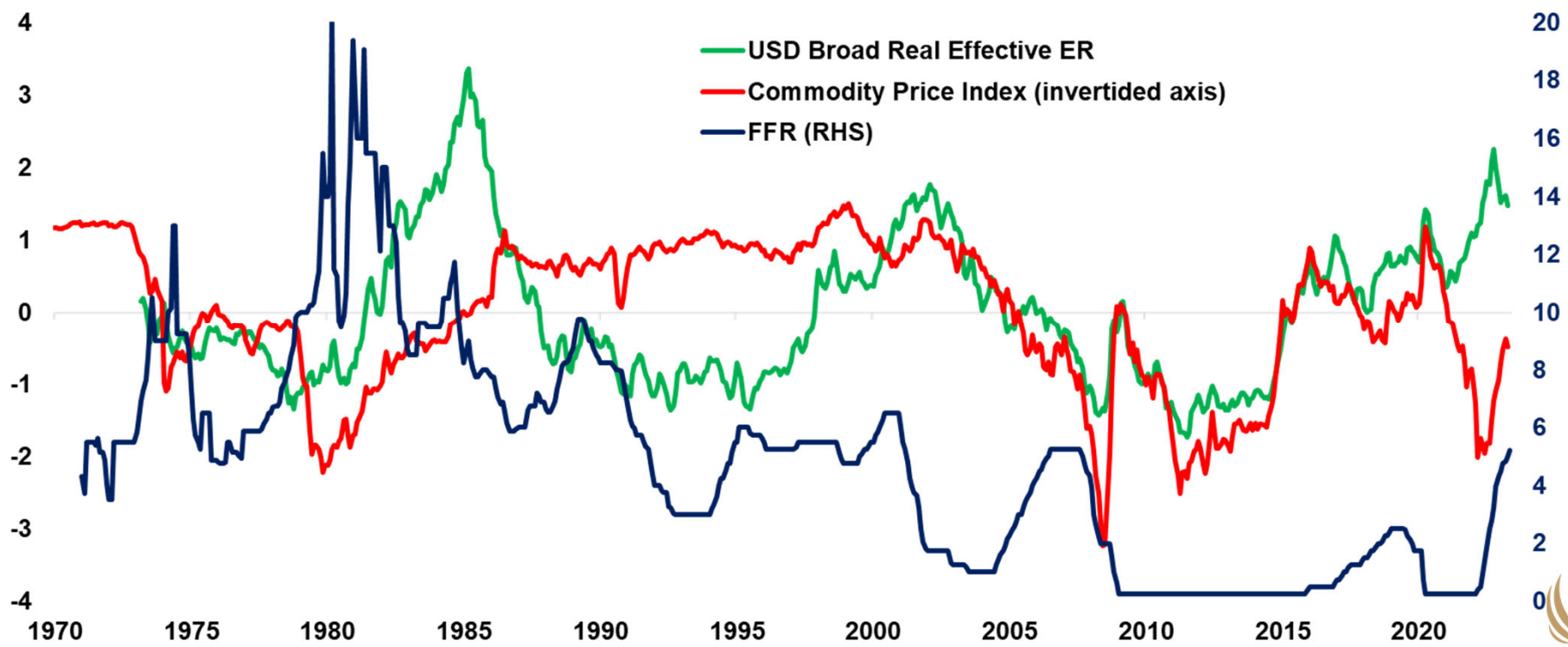
Core services inflation (3)  
(year on year growth, percentage)



(1) Own calculations for seasonally adjustments. (2) Monthly activity indicators for services. For Brazil real turnover services sales is used, for Chile and Colombia services production and for Mexico household services consumption. (3) For Chile services without volatile items is used.  
Source: Bloomberg and national statistics institutes.

# The Growth Slowdown in Latin America

*Going forward a key driver for growth in Latam will be the USD dollar cycle and its linkages with commodity prices and US monetary policy*



Source: Bloomberg.



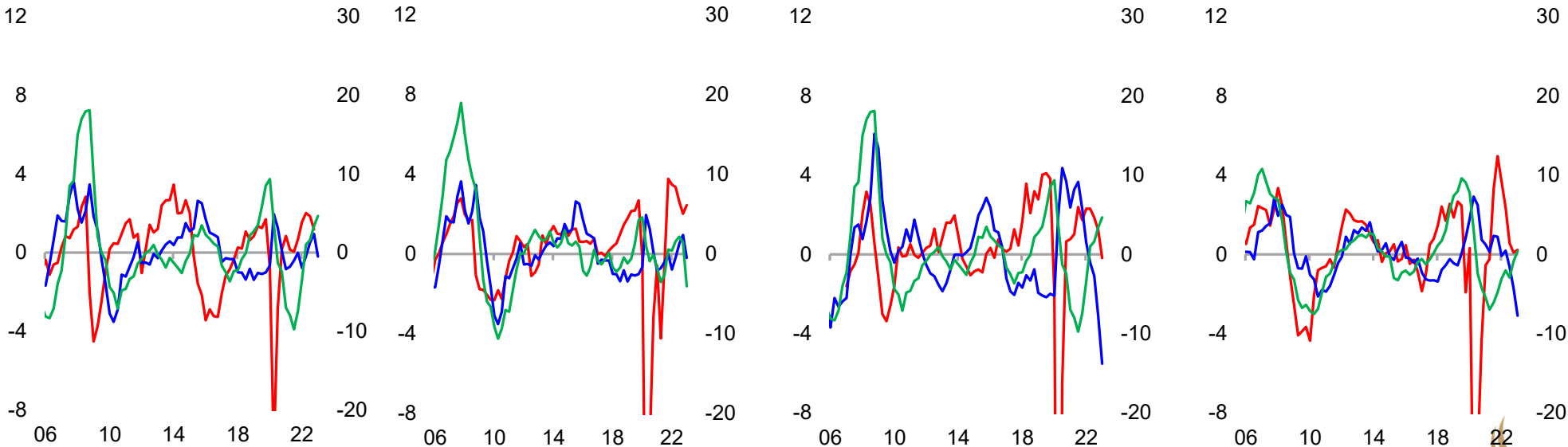
# The Growth Slowdown in Latin America

*After an unusual countercyclical behaviour during the pandemic, thanks to large conventional and unconventional policy support, credit has been moderating.*

## GDP and banking loans (gap with respect to trend, percentage) (\*)

Brazil Colombia Peru Chile

— GDP (Left axis) — Businesses loans (right axis) — Households loans (right axis)



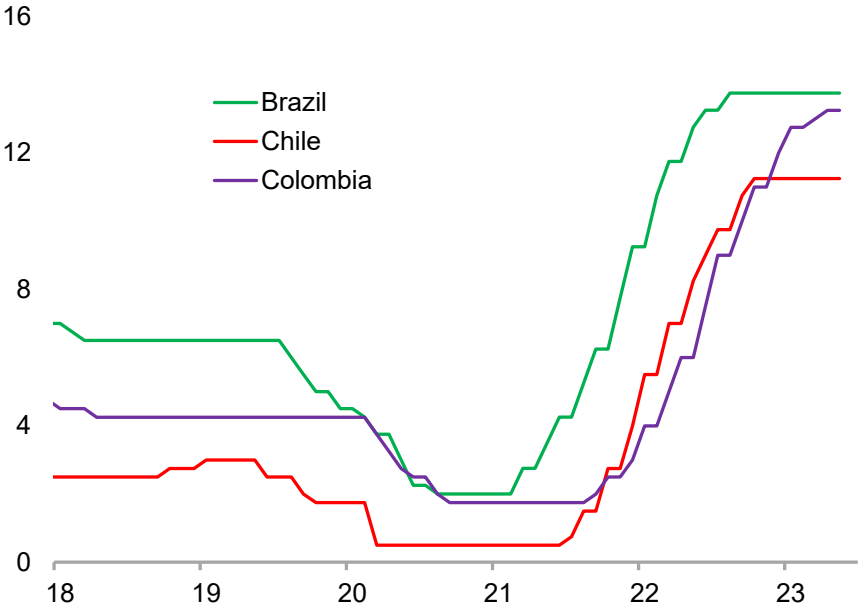
(\*) Gap estimated as the difference between the variable (in logs) and its trend estimated by an HP filter. Loans in real terms. Data available until 2023.q1 except for Brazil GDP (2022.q4). Loans do not include real state loans.  
Source: Central Bank of Chile based on Bloomberg data.

# The Growth Slowdown in Latin America

*Tighter monetary policy is bound to put pressure on household balance sheets, helping moderate consumption and adjust the macroeconomy.*

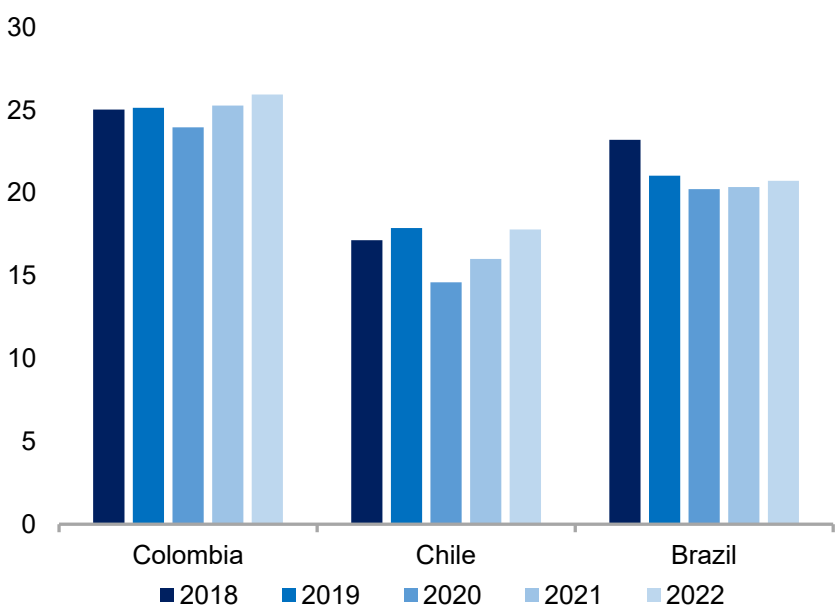
## Monetary Policy Rate

(percent)



## Debt service to income ratio - Households(\*)

(% of monthly income)



(\*) Data as of December of each year, except for 2022 as of June.  
Source: Based on Financial Stability Report of Banco Central do Brasil, Central Bank of Colombia, Central Bank of Chile and data from Bloomberg.

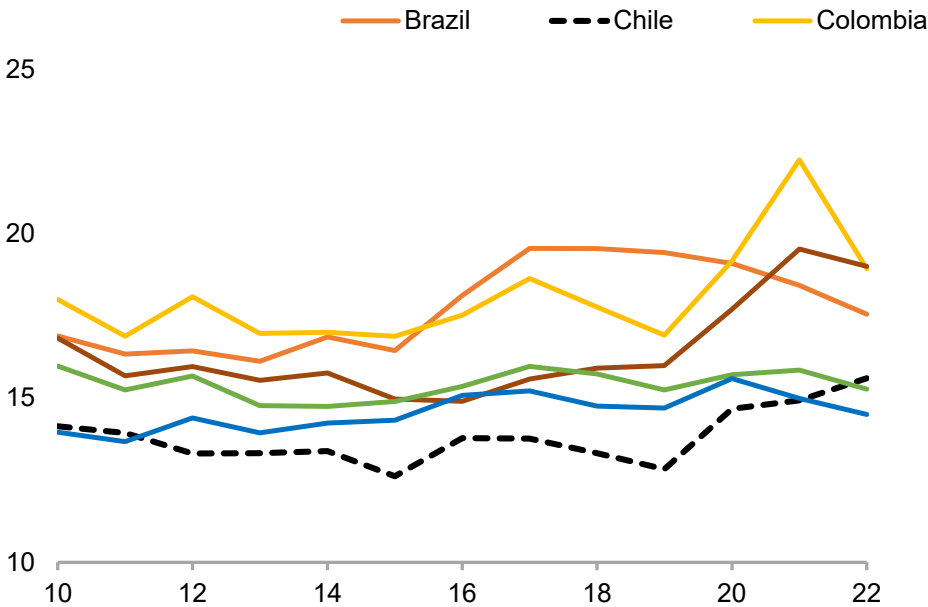


# The Growth Slowdown in Latin America

*In most cases NPL indicators have seen an increase to pre-pandemic levels, but capital adequacy ratios in the banking system remain strong.*

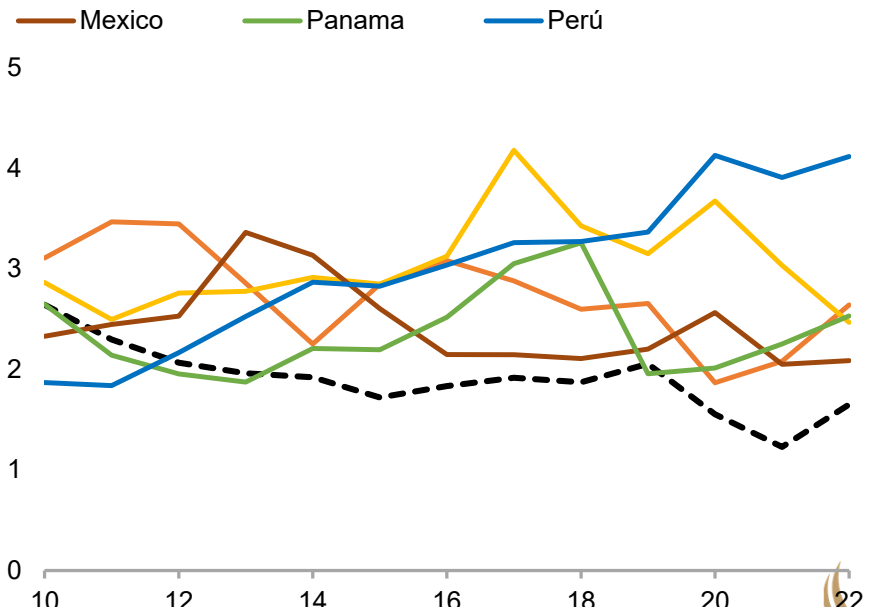
## Capital Adequacy Ratio

(Regulatory Capital to Risk-Weighted Assets, percent)



## Non Performing Loans ratio

(NPL to gross loans; percent)



Source: Central Bank of Chile based on IMF data.





## Macrofinancial Outlook in Latin America

25th BIS Working Party on Monetary Policy in Asia

[bcentral.cl](https://www.bcentral.cl)

