Growth forecasts for most economies have deteriorated.

GDP Growth in 2011 and Evolution of GDP Growth Forecasts for 2012 and 2013

An average per region is calculated, weighting the participation of each country’s GDP based on purchasing power parity relative to total world GDP. Advanced economies represent 46% of the total world GDP, emerging economies represent 36% of the total world GDP and the sum of these two groups of economies generate the global set which represents 82% of the total world GDP. Prepared by Banco de México with data from International Monetary Fund and Consensus Forecasts.
Global imbalances are no longer projected to widen, reflecting mainly the contribution of lower surpluses from Japan and the oil exporters and of lower deficits from the US.

**Global Imbalances**

(% of World GDP)

Source: International Monetary Fund.
After the crisis, the U.S. dollar and the euro have depreciated in real terms, while most other currencies have appreciated.

Real Multilateral Exchange Rate
(Index 2001=100)

Source: BIS.
In the U.S., structural problems and uncertainty regarding the fiscal consolidation process prevail.

U.S.: Unemployment Rate and Labor Force Participation Rate

<table>
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<tr>
<th>Month</th>
<th>Jan-00</th>
<th>Feb-01</th>
<th>Mar-02</th>
<th>Apr-03</th>
<th>May-04</th>
<th>Jun-05</th>
<th>Jul-06</th>
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<th>Oct-09</th>
<th>Nov-10</th>
<th>Dec-11</th>
<th>Sep-12</th>
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<tbody>
<tr>
<td>Unemployment rate</td>
<td>5.6</td>
<td>5.7</td>
<td>5.8</td>
<td>5.9</td>
<td>6.0</td>
<td>6.1</td>
<td>6.2</td>
<td>6.3</td>
<td>6.4</td>
<td>6.5</td>
<td>6.6</td>
<td>6.7</td>
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<tr>
<td>Labor force participation rate (left axis)</td>
<td>71.8</td>
<td>71.9</td>
<td>72.0</td>
<td>72.1</td>
<td>72.2</td>
<td>72.3</td>
<td>72.4</td>
<td>72.5</td>
<td>72.6</td>
<td>72.7</td>
<td>72.8</td>
<td>72.9</td>
<td>73.0</td>
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</table>


U.S.: Public Balance ¹/

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</thead>
<tbody>
<tr>
<td>Baseline scenario</td>
<td>-4.0</td>
<td>-7.3</td>
<td>-6.5</td>
<td>-4.6</td>
<td>-2.4</td>
<td>-1.2</td>
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<tr>
<td>Alternative scenario ¹/</td>
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</tbody>
</table>

¹/ Expiration of payroll tax reduction and renewal of unemployment insurance benefits, extension of tax provisions of 2001 and 2003 that expire in 2013; unchanged payments for medical services (Medicare) and automatic spending cuts enacted by Budget Control Act of 2011 do not take effect.

Source: Congressional Budget Office (CBO).
The absence of a solution to the fiscal and banking problems has deepened the economic weakness in the euro area.

**Euro Zone: Industrial Production**
(Index Jan-2007=100; s.a.)

- Euro Zone
- Greece
- Italy
- Spain
- France

**Euro Zone: Unemployment rate**
(% of Economically Active Population; s.a.)

- Euro Zone
- Greece
- Italy
- Portugal
- Spain
- Germany
- France

s.a./ Seasonally adjusted.
Source: Eurostat.
In Latin America industrial production has maintained an upward trend in the years after the crisis.

Industrial Production
(Index 2006=100; s.a.)

1/ Data refers to manufacturing production.
s.a./ Seasonally adjusted.
Source: Haver Analytics.
Real currency appreciation has played a key role in simultaneously boosting consumer purchasing power and demand.

Gross Domestic Product and Industrial Production

(Index 2006=100; s.a.)

1/ Dotted lines indicate quarterly average for industrial production. For Colombia data refers to manufacturing production.

s.a./ Seasonally adjusted.

Source: Haver Analytics.
Significant terms of trade gains have supported economic activity in several countries in Latin America.

### Terms of Trade
(Index I-2003=100)

![Graph showing terms of trade for Brazil, Chile, Colombia, Mexico, and Peru from 2000 to 2012.]

Source: Haver Analytics.

### Exports by Type of Goods, 2010
(% of Total exports)

![Bar chart showing exports by type of goods for Chile, Colombia, Peru, Brazil, and Mexico.]

Source: World Trade Organization.

Regional Outlook
IDB XXXVI Meeting of the Network of Central Banks and Finance Ministries
Latin American economies have maintained sound fiscal policies.

Selected Economies: Fiscal Balance (% of GDP)

Selected Economies: Public Debt (% of GDP)

1/ Public Balance without Pemex investment. Source: Fiscal Monitor (IMF) and Mexico’s Ministry of Finance (SHCP).

1/ Public Sector Borrowing Requirements Historical Balance. Source: Fiscal Monitor (IMF) and Mexico’s Ministry of Finance (SHCP).
Inflation in the region has been significantly reduced and has remained at low and stable levels over the last decade.

Latin America: Inflation \(^1/\)

(Annual % average)

1/ 2012 refers to the latest available data.

Source: International Monetary Fund.
The strength of the external accounts in Latin America has reduced vulnerability to external shocks.

Source: International Monetary Fund. 

Latin America: Current Account (% of GDP)

Forecast

Latin America: International Reserves (Billions of dollars)
This has led to a relative improvement in Latin America as compared to other regions.

Credit Default Swaps 1/
(Basis points)

GDP Growth Forecasts for 2012
(Annual % change)

Source: International Monetary Fund.
Onwards, challenges remain such as managing capital flows and their impact on exchange rates.

Latin America: Portfolio Investment$^{1/}$
(Billions of dollars)

Latin America: Nominal Exchange Rate
(Index Jan-2008=100)

1/ Includes debt and equity flows.
Source: Haver Analytics.
The slowdown of the global economy is another challenge the region faces in the short term.

**Latin America: Exports**  
(Annual % change)

**Structure of Exports**  
(% of Total exports, 2011)


Source: Haver Analytics.
Final Remarks

1. The Latin American region has relatively favorable economic prospects and currently represents an important source for global growth.

2. Recent experience from the region is a compulsory reference towards the design and implementation of successful strategies that avoid the accumulation of macroeconomic and financial imbalances.

3. The recent Mexican experience sets an example of the benefits that arise from improving economic fundamentals on a rule-based macroeconomic policy framework. These benefits become more evident in adverse situations like the current one.