Economía Global y Emegentes

Sergi Lanau
Economista Jefe Adjunto
Institute of International Finance

Global and EM Outlook

Multiple Shocks

- Monetary policy normalization in the G-3
- Trade & currency war with China
- Geopolitical tensions, including Russia sanctions

Vulnerable Outliers

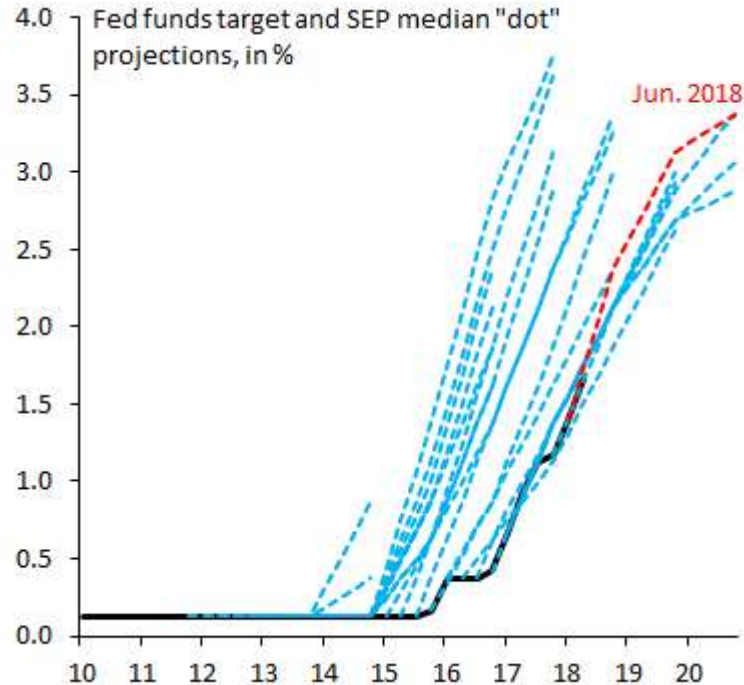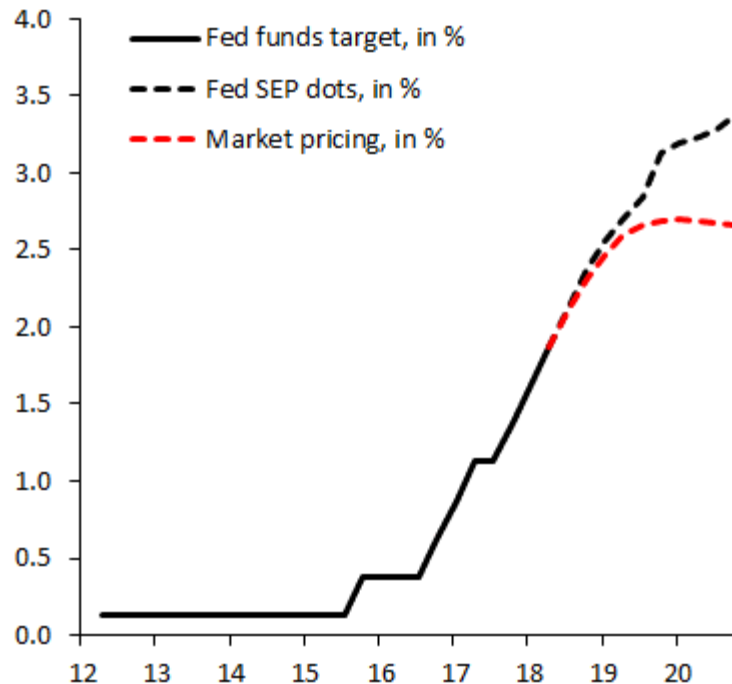- Turkey and Argentina: overvaluation followed by sharp deval

Contagion Risk

- Positioning build-ups in certain economies
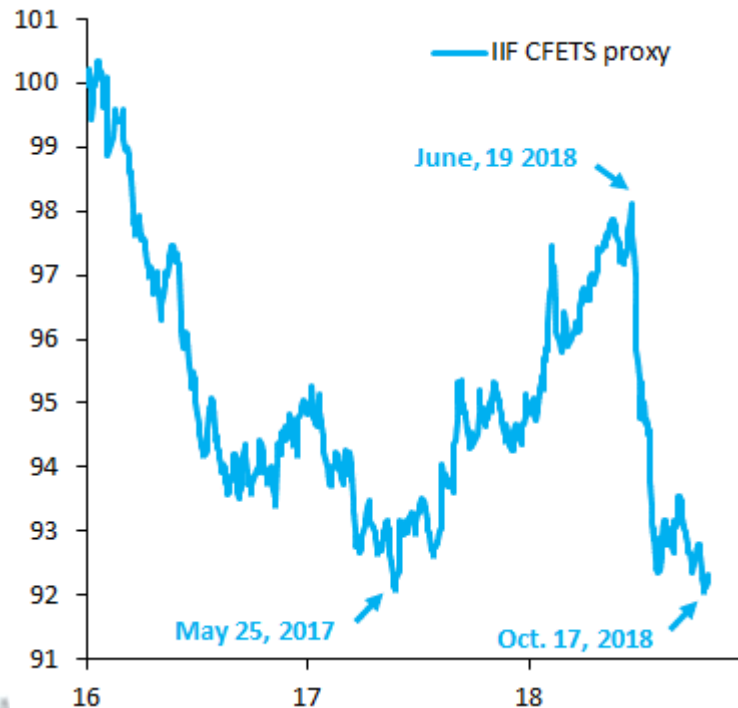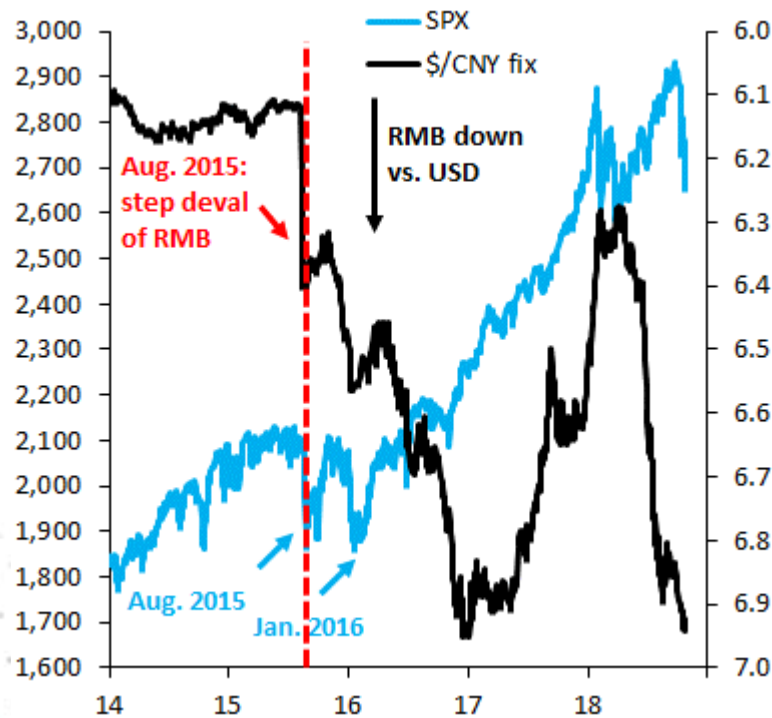- Colombia, Egypt, Indonesia, Lebanon, Peru, South Africa

Catalysts: Federal Reserve

The Fed is unlikely to be a bearish EM catalyst any time soon

Catalysts: China

RMB devaluation more likely EM negative catalyst

Catalysts: China

Currency returns in 2015 CNY step devaluation
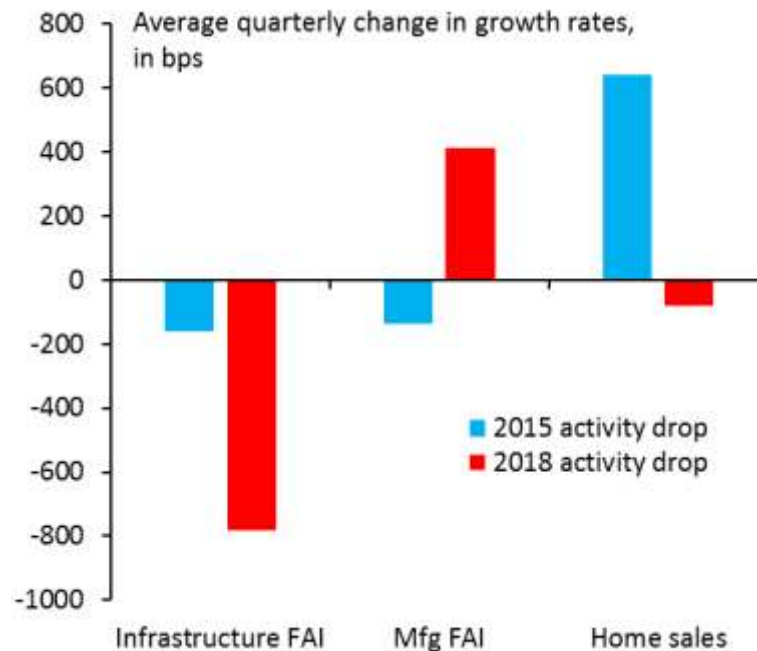
Catalysts: China

How much is China slowing?

China activity tracker (% y/y, 3m avg)
- GDP
- Activity tracker

China's exports, in % y/y 3mma
- Non-commodity exports to the world
- Non-commodity exports to US
- Vehicle exports to US

Catalysts: China

Why is China slowing?

Average quarterly change in growth rates, in bps

- 2015 activity drop
- 2018 activity drop

Categories: IP, Retail sales, FAI, Sales for exports

Average quarterly change in growth rates, in bps

- 2015 activity drop
- 2018 activity drop

Categories: Infrastructure FAI, Mfg FAI, Home sales
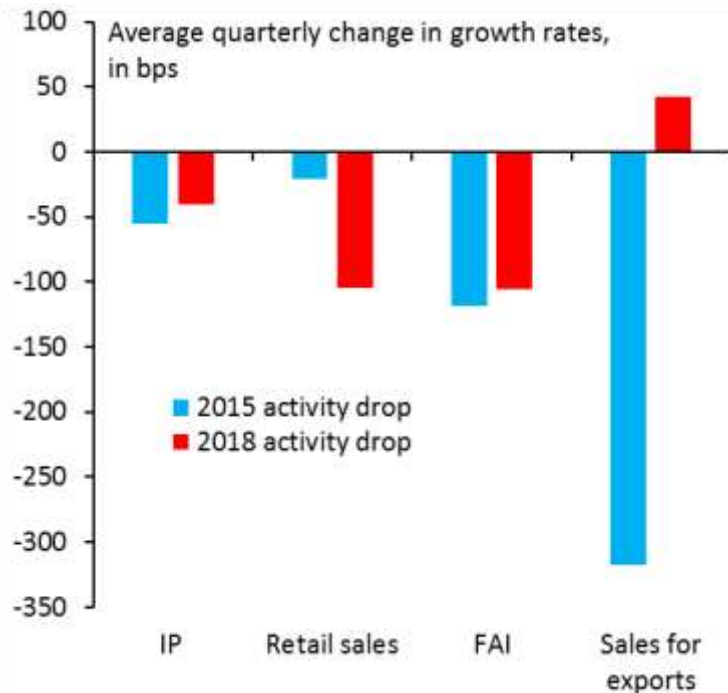
Catalysts: China

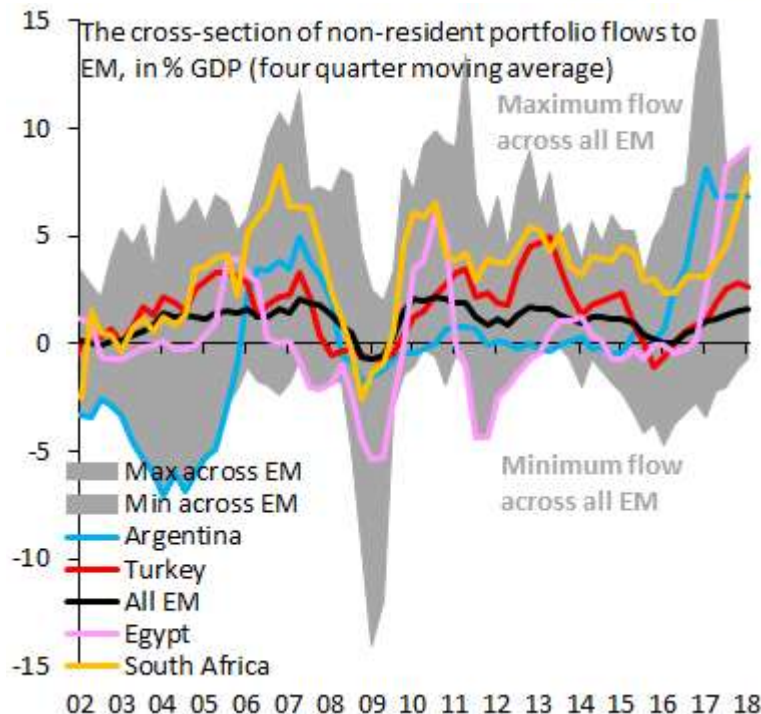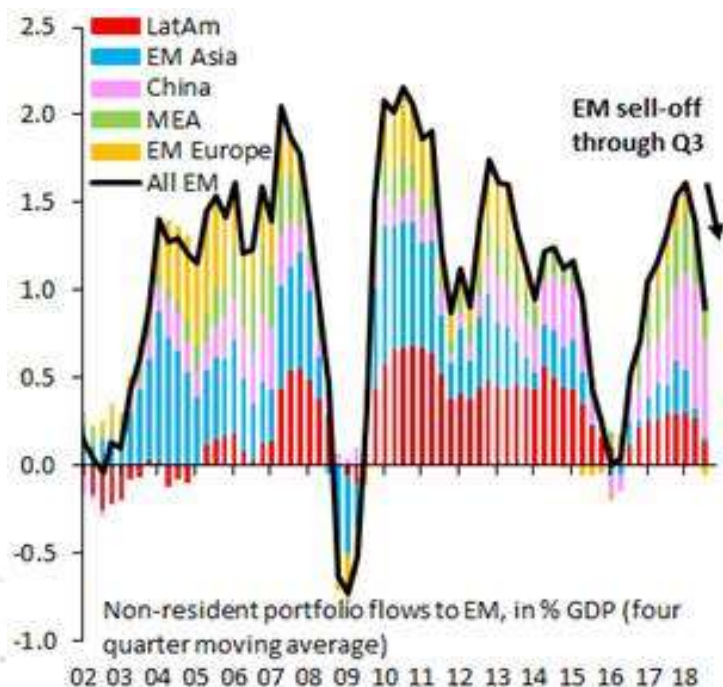Difficult to deleverage when growth is credit intensive
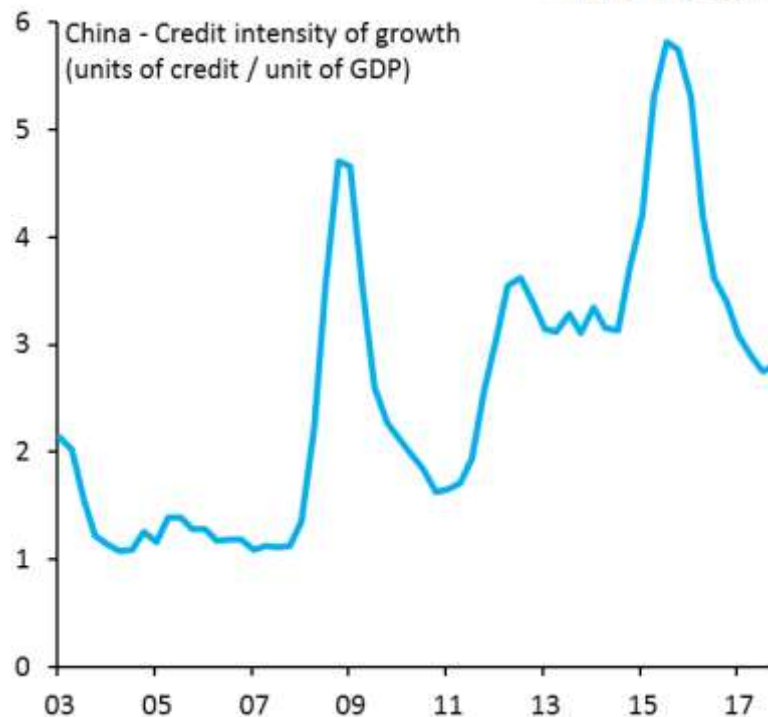
Contagion Risk

Portfolio flows to EM close to record strength in recent years

Non-resident portfolio flows to EM, in % GDP (four quarter moving average)

- LatAm
- EM Asia
- China
- MEA
- EM Europe
- All EM

EM sell-off through Q3

The cross-section of non-resident portfolio flows to EM, in % GDP (four quarter moving average)

Maximum flow across all EM

Minimum flow across all EM

- Max across EM
- Min across EM
- Argentina
- Turkey
- All EM
- Egypt
- South Africa

Contagion Risk

Positioning build-ups in LBP, ZAR, EGP, IDR, COP, PEN.

Non-resident portfolio flows to EM, in % GDP (2015-17)
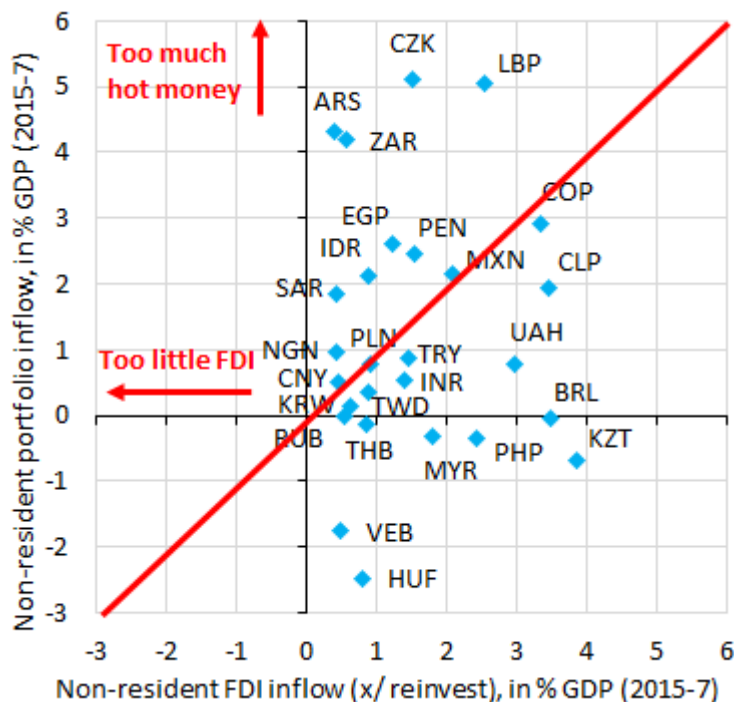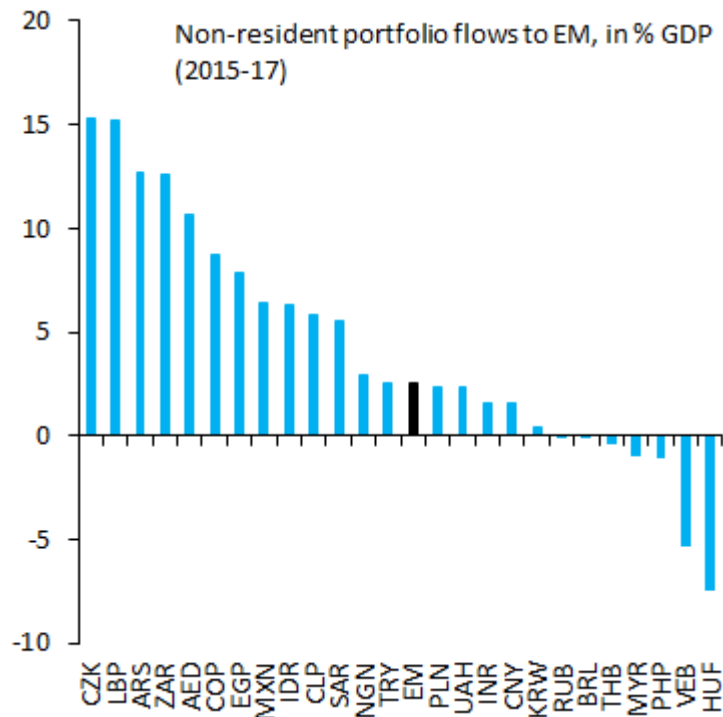
Contagion Risk

In Colombia, positioning is the heaviest in TES

Colombia - nonresident portfolio investment, 4Q sum, % GDP
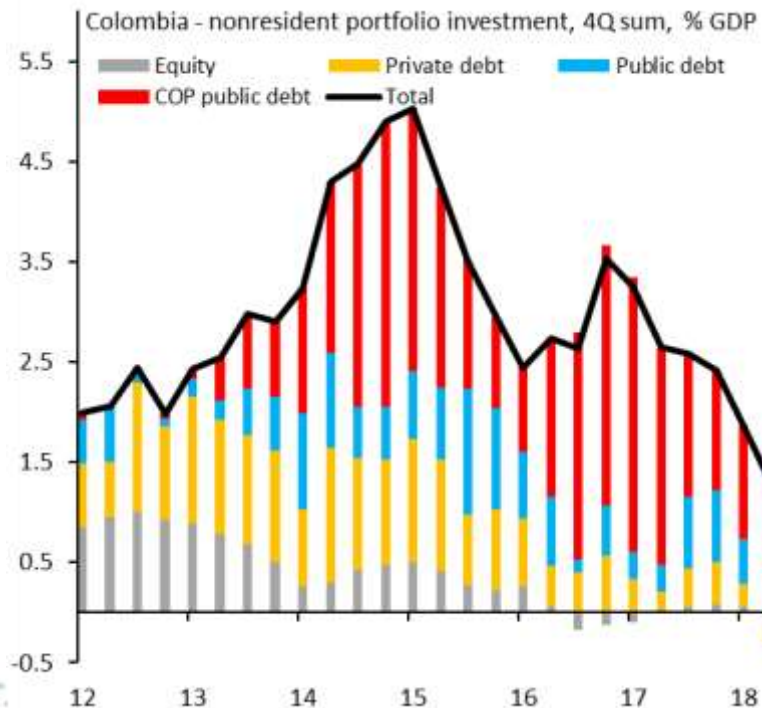
Our Growth Forecast

Change y/y (%)	Real GDP Growth						
	2013	2014	2015	2016	2017	2018f	2019f
Mature Markets	**1.3**	**1.9**	**2.3**	**1.6**	**2.2**	**2.5**	**2.1**
United States	1.8	2.5	2.9	1.6	2.2	3.1	2.6
Euro Area	-0.2	1.3	2.1	1.8	2.4	2.2	1.9
Japan	2.0	0.3	1.4	1.0	1.7	1.2	1.1
Emerging Markets	**4.9**	**4.4**	**3.9**	**4.2**	**4.7**	**4.6**	**4.7**
Latin America	2.6	0.8	-0.4	-1.3	1.2	0.7	1.6
Argentina	2.4	-2.5	2.7	-1.8	2.9	-2.4	-1.6
Brazil	3.0	0.5	-3.5	-3.5	1.0	1.2	2.1
Mexico	1.4	2.8	3.3	2.9	2.0	2.1	2.2
EM Europe	3.0	1.9	0.7	1.6	4.0	2.8	1.7
Turkey	8.5	5.2	6.1	3.2	7.4	2.4	-2.0
EM Asia	6.7	6.5	6.4	6.3	6.3	6.3	6.2
China	7.8	7.3	6.9	6.7	6.9	6.7	6.6
India	6.1	7.0	7.6	7.9	6.2	7.6	6.8
Africa/ Middle East	3.1	3.9	2.9	2.9	1.3	1.6	2.2
South Africa	2.5	1.8	1.3	0.6	1.3	0.3	1.2
Saudi Arabia	2.7	3.7	4.1	1.7	-0.9	2.2	2.6
World	**2.7**	**2.9**	**3.0**	**2.6**	**3.2**	**3.3**	**3.2**
World (PPP weights)	**3.3**	**3.3**	**3.3**	**3.1**	**3.7**	**3.7**	**3.7**

Gracias!

Para más material del IIF sobre emergentes....

@SergiLanauIIF

@RobinBrooksIIF