Fitch: External Risks and Domestic Challenges Continue to Weigh on Latin America's Growth

30 de septiembre de 2014

Fitch Ratings-New York: In its Latin American Sovereign Overview, Fitch Ratings says that economic deceleration continues throughout the region, as greater trade links with China and heavy commodity dependence of several countries is exposing the region to the China slowdown and weaker commodity prices. Moreover, an eventual increase in U.S. interest rates could increase market volatility and negatively affect capital flows to the region, although moderate current account deficits and fortified external buffers should allow for a smoother transition to tighter global liquidity conditions down the road.The region's GDP is expected to grow by 1.2% in 2014 and 2% in 2015. Brazil is in technical recession. Venezuela has also entered a recession this year, and similar pressures are present in Argentina in light of its recent default. The economies of Chile and Peru are decelerating fast due to weaker investment and a slowdown in exports, while Mexico's growth has remained subdued. On the positive side, Colombia's economy is accelerating in 2014 and prospects for Mexico are likely to improve as the U.S. recovery gains pace and reform progress promotes confidence.Divergence in monetary policy trends reflects the different economic cycles and inflationary pressures confronting the region. While several countries including Chile, Mexico and Peru have cut their interest rates, Brazil has paused its tightening cycle and Colombia has increased its rates. On the fiscal side, slowing growth, softer commodity prices and spending pressures are leading to increasing fiscal pressures in several countries.Despite a heavy electoral calendar this year, Fitch does not anticipate significant policy departure. Brazil's next government following the October elections will need to make macroeconomic adjustments to tackle low growth and elevated inflation.The region's Rating Outlook is generally Stable, with only two countries (Paraguay and Bolivia) assigned a Positive Outlook and two countries (El Salvador and Venezuela) assigned a Negative Outlook. However, negative rating actions have exceeded positive ones so far this year, as Fitch downgraded five sovereigns (Argentina, Aruba, Bermuda, Guatemala and Venezuela), upgraded one (Jamaica) and assigned Positive Outlooks to two (Bolivia and Paraguay).The full Latin American Sovereign Overview provides a summary of the credit profile of each of the 20 rated sovereigns in Latin America and the Caribbean, as well as an overview of recent macroeconomic developments and rating trends. The report is available at 'www.fitchratings.com'.Contact:Shelly ShettySenior Director+1-212-908-0324Fitch Ratings, Inc.33 Whitehall StreetNew York, NY 10004Erich ArispeDirector+1-212-908-9165Santiago MosqueraDirector+1-212-908-0271Cesar AriasAssociate Director+1-212-908-0358 Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email: elizabeth.fogerty@fitchratings.com.Additional information is available at www.fitchratings.com.Applicable Criteria and Related Research: --Sovereign Rating Criteria (August 2014)Applicable Criteria and Related Research: Latin America Sovereign Credit ReviewSovereign Rating CriteriaALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK: HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS. IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE

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