

# New and Emerging Opportunities for Latin America/Australia Business Partnerships

## *Moderator:*

**Mr José Blanco**

Chairman

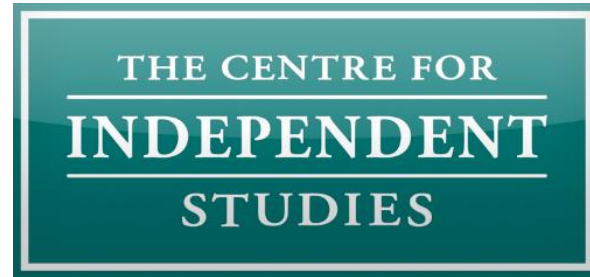
*Australia-Latin America  
Business Council (ALABC)*

## *Panelists:*

- **Dr Patrick Carvalho**  
Research Fellow, *The Centre for Independent Studies*
- **Mr Alejandro Pessagno**  
Qld Trade and Investment Commissioner for Latin America
- **Ms Kim Prior**  
CEO, *Prior Industries Australia Pty Ltd*



# NEW AND EMERGING OPPORTUNITIES FOR LATIN AMERICA



**Dr Patrick Carvalho**

Research Fellow

*The Centre for Independent Studies*



## Historical Perspective

1980s: The Lost Decade

1990s: Turbulent Restructuring

2000s: The (China) Miracle

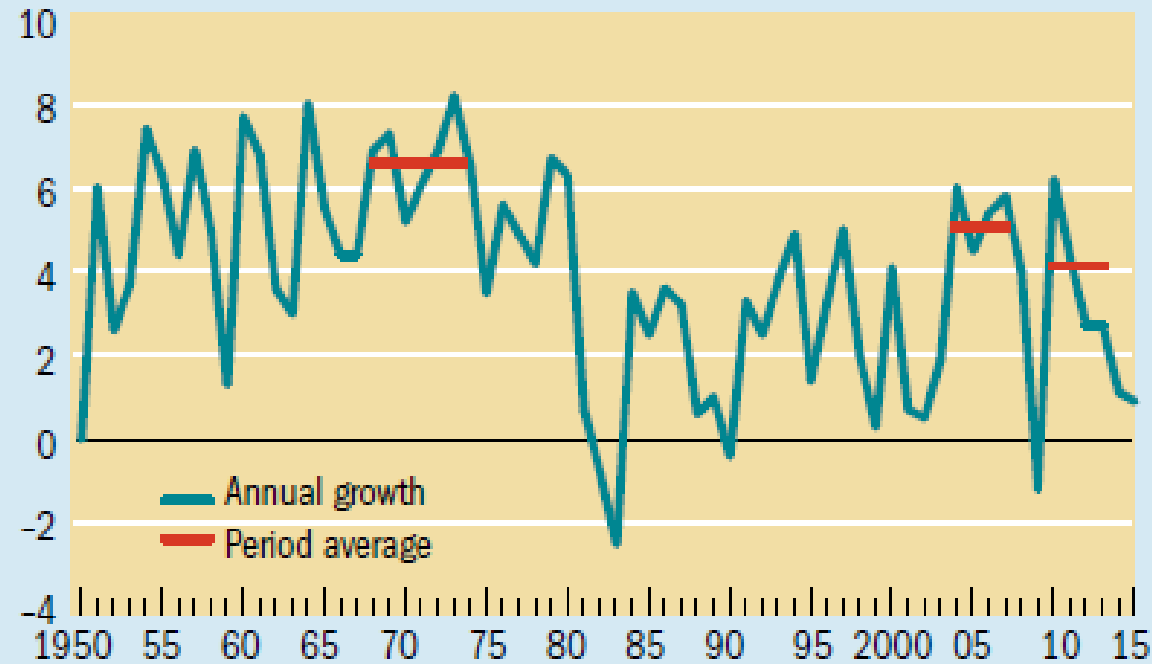
2010s: The Hangover

# Economic Growth

## Best in decades

Latin American GDP grew at its fastest rate since the 1970s between 2004 and 2008.

(GDP, annual growth rate, percent)



Source: United Nations Economic Commission for Latin America and the Caribbean.

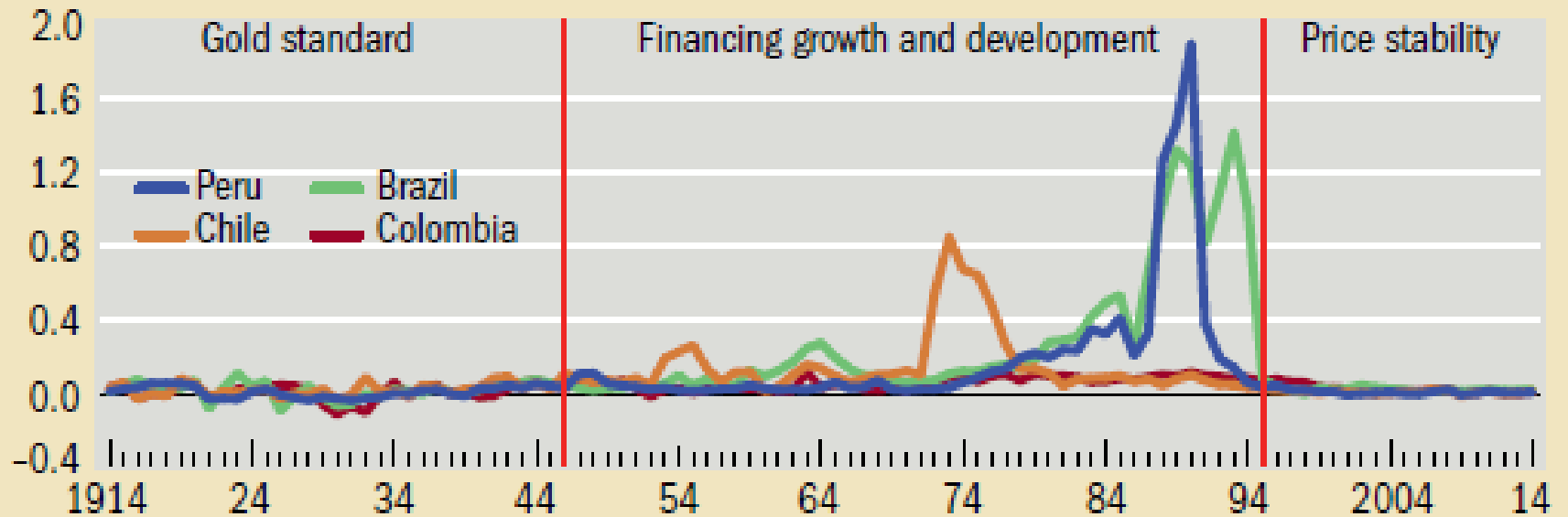
Source: IMF (2015), "[Latin America: Finding Its Footing](#)", Finance & Development, September.

# Inflation

## Rocky road

Latin America grappled with sky-high inflation for years until it began to subside in 1994 and came under control in 2000.

(year over year inflation, in logarithms)



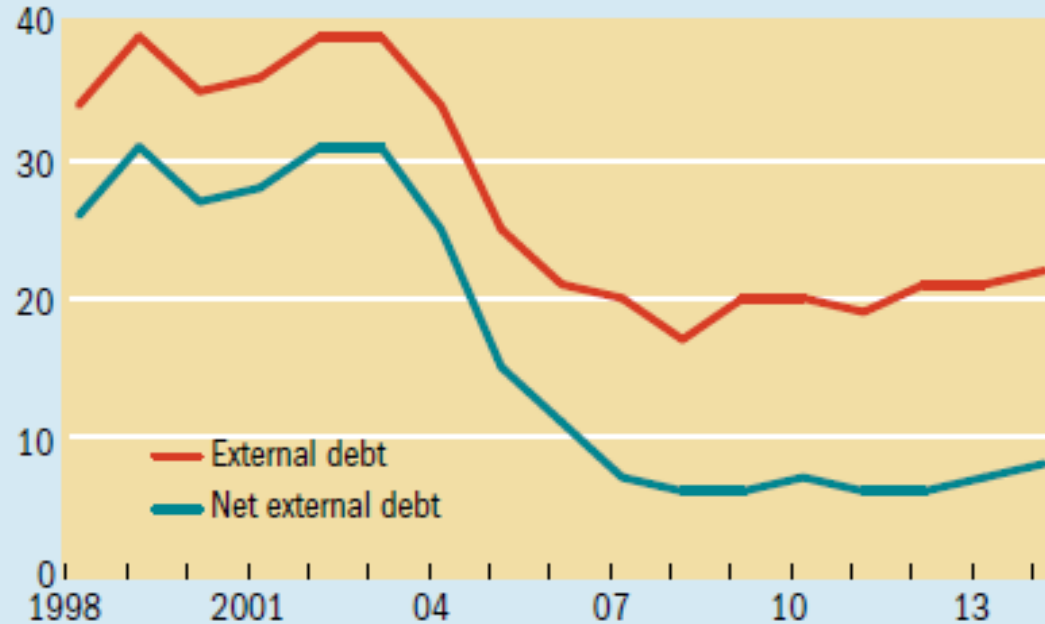
Source: IMF (2015), "[Latin America: Finding Its Footing](#)", Finance & Development, September.

# External Debt

## Borrowing eases

By any measure, foreign debt as a percent of Latin American GDP fell sharply over the past decade.

(percent of GDP)



Source: Author estimates based on data from the United Nations Economic Commission for Latin America and the Caribbean.

Note: Net external debt adjusts total foreign borrowing to account for a country's foreign exchange reserves.

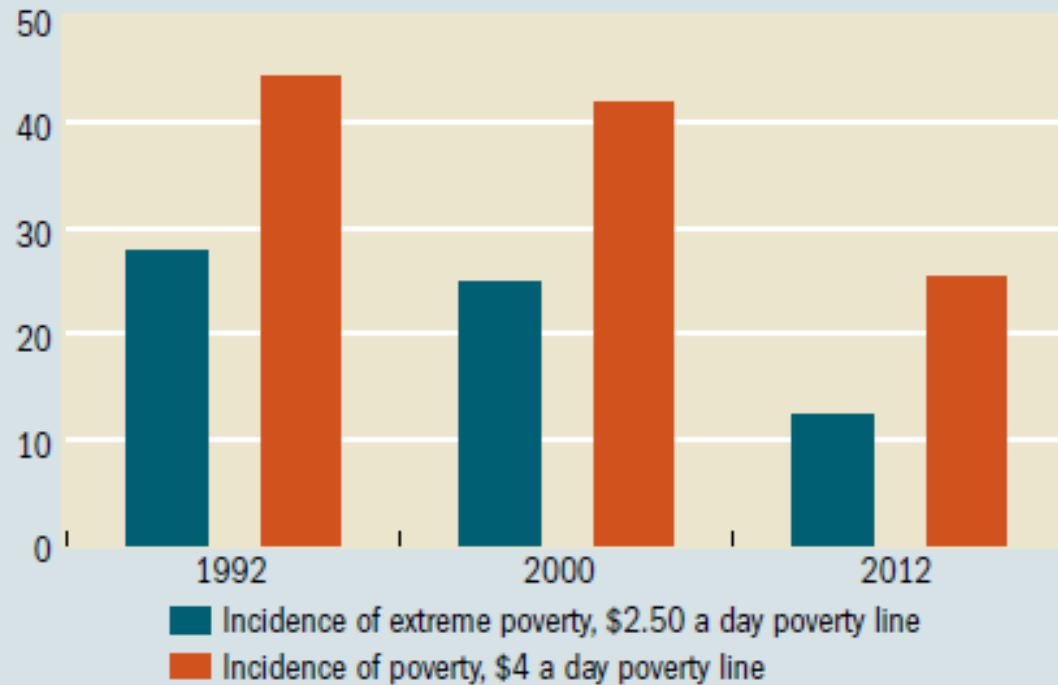
Source: IMF (2015), "[Latin America: Finding Its Footing](#)", Finance & Development, September.

# Reduction in Poverty

## Speeding up the fight

A noteworthy consequence of Latin America's decline in inequality has been accelerated poverty reduction.

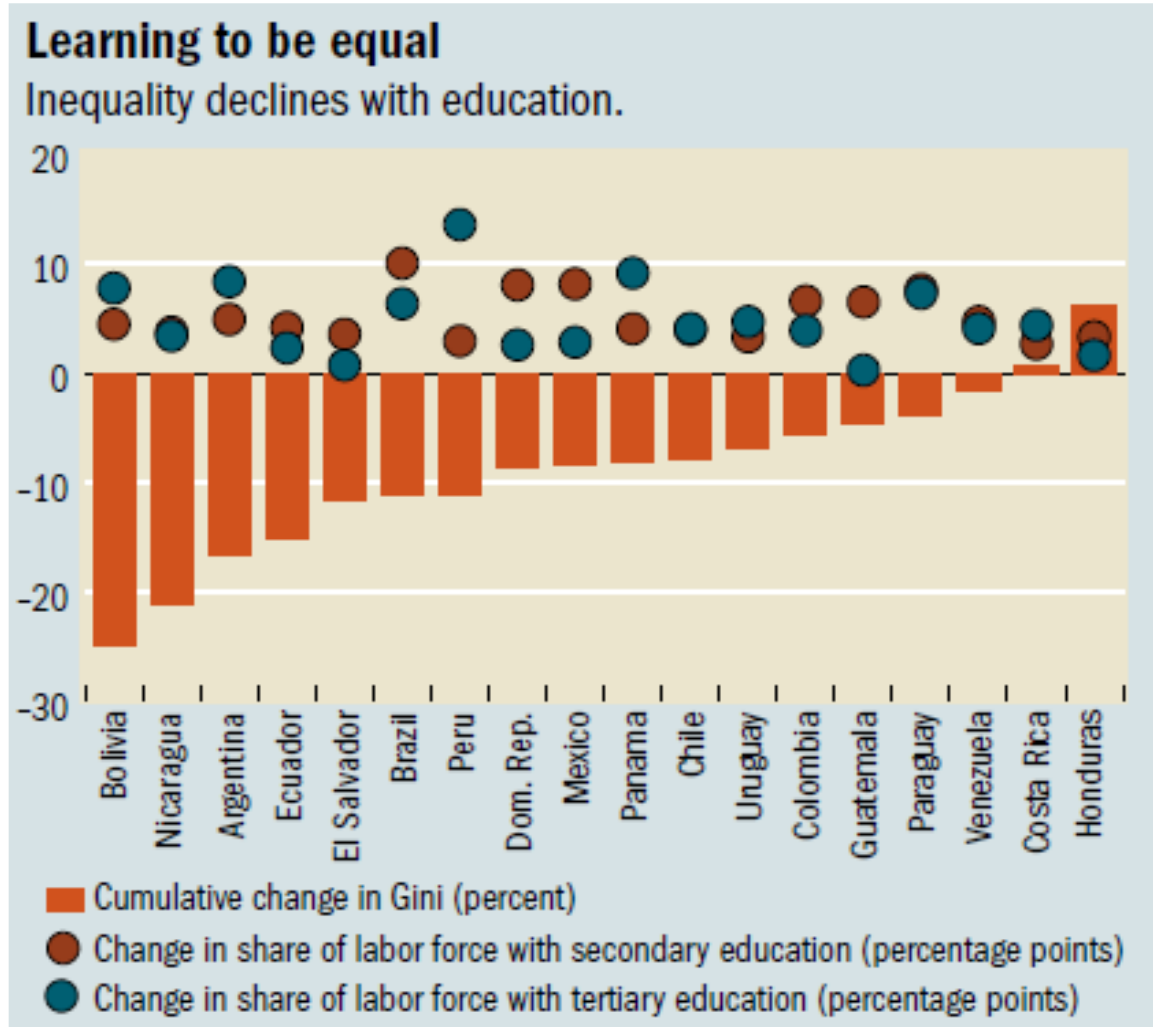
(number of people with incomes below the poverty line as a share of total population)



Source: Lustig, Lopez-Calva, and Ortiz-Juarez (forthcoming).

Source: IMF (2015), "[Latin America: Finding Its Footing](#)", Finance & Development, September.

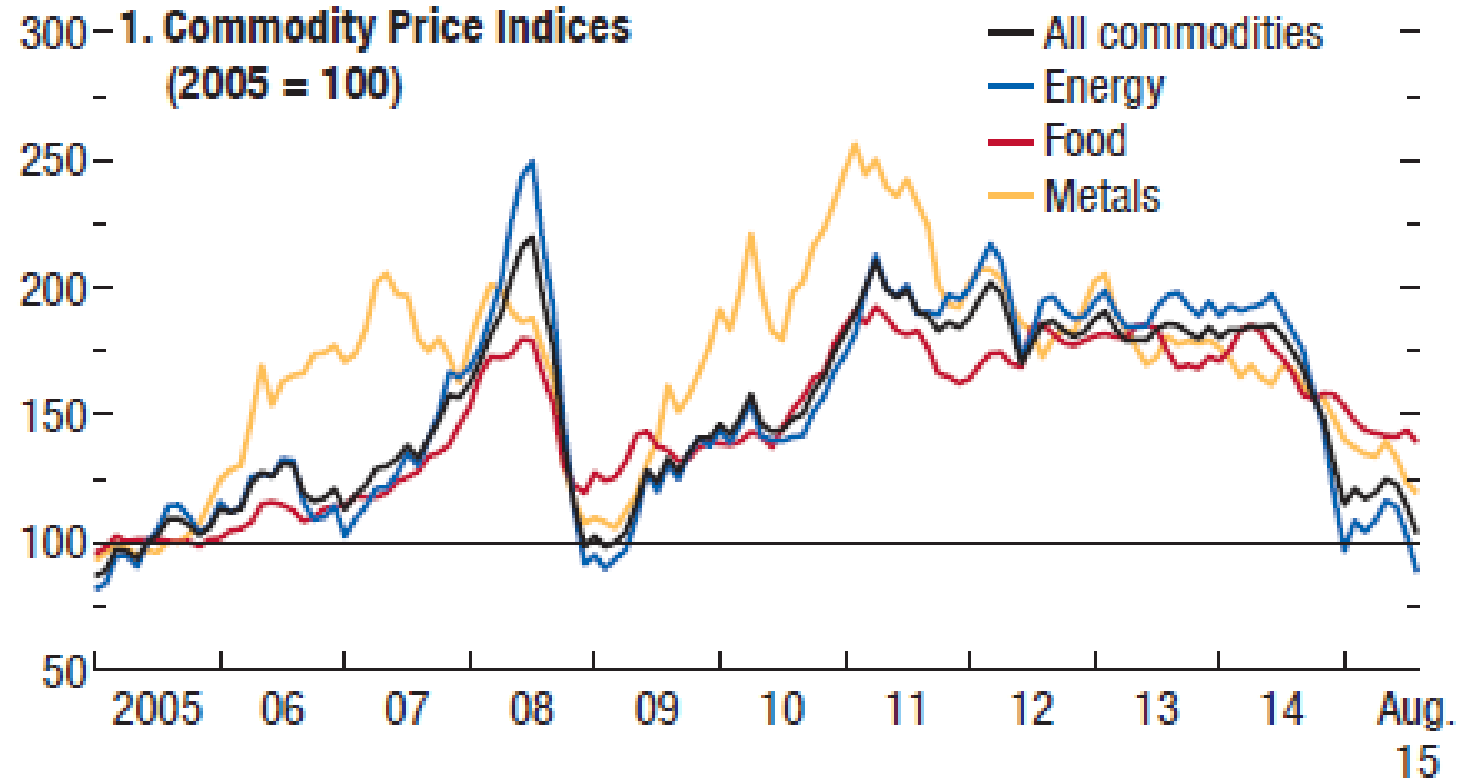
# Lower inequality + better educated workforce



Source: IMF (2015), "[Latin America: Finding Its Footing](#)", Finance & Development, September.



# The Hangover

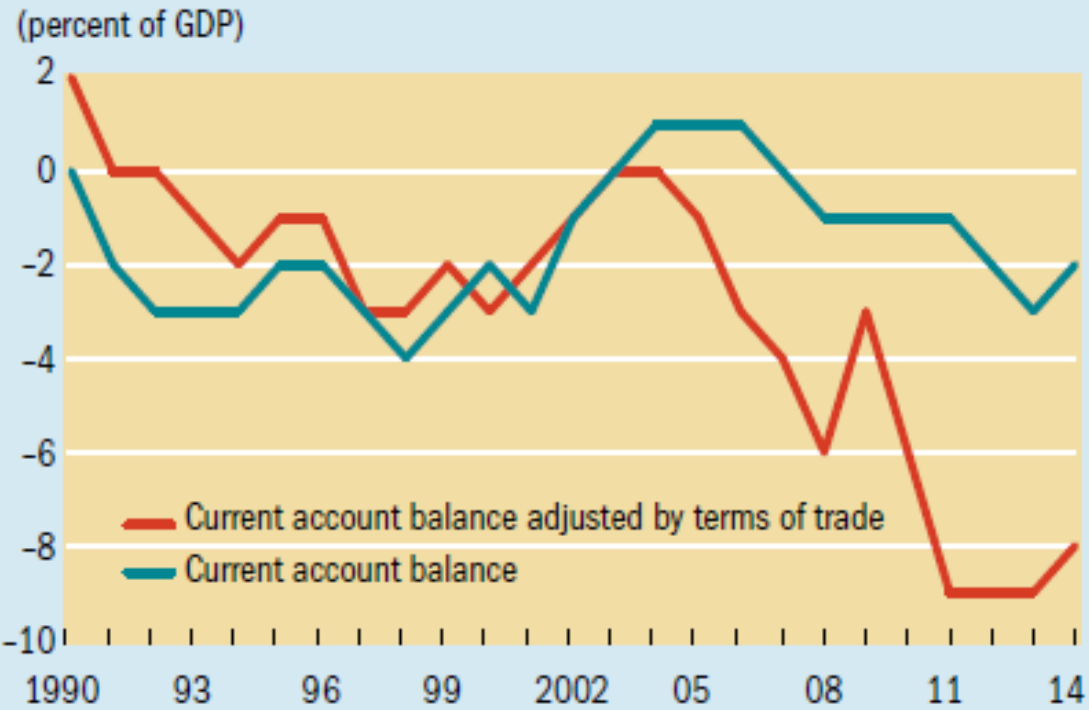


Source: IMF (2015), "[Commodity Special Feature](#)",  
IMF Publishing, October.

# The Hangover

## Overspending the boom

Latin America benefited immensely from a big increase in the prices of exports relative to imports after 2003. But, except for a few years, and even with the large increase in so-called terms of trade, the region ran current account deficits.



Source: IMF (2015), "[Latin America: Finding Its Footing](#)", Finance & Development, September.

# When the tide goes out...

## GDP Growth (2015 forecast)

Chile: +2.8%	Argentina: 0.0%
Peru: +3.9%	Venezuela: -4.5%
Mexico: +2.5%	Brazil: -1.9%
Colombia: +3.3%	

Source: <http://www.economist.com/indicators>

# When the tide goes out...

## Inflation (2015 forecast)

Chile: 3.9%	Argentina: ? ( $\approx 27\%$ )
Peru: 3.1%	Venezuela: 84.1%
Mexico: 2.9%	Brazil: 8.6%
Colombia: 4.2%	

Source: <http://www.economist.com/indicators>

# When the tide goes out...

## Budget Deficit (2015 forecast)

Chile: 2.2%	Argentina: 3.6%
Peru: 0.5%	Venezuela: 16.5%
Mexico: 3.4%	Brazil: 6.0%
Colombia: 2.1%	

Source: <http://www.economist.com/indicators>

# When the tide goes out...

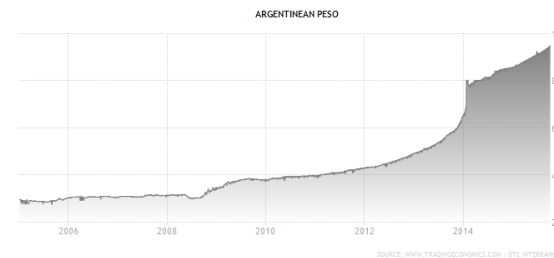
## Depreciation (local currency per US\$)



Chile



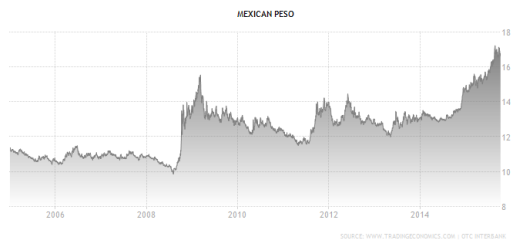
Peru



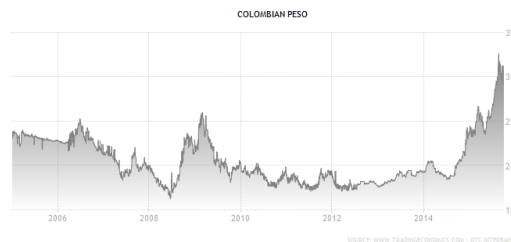
Argentina



Venezuela



Mexico



Colombia



Brazil

Source: <http://www.tradingeconomics.com>; Data from Oct/2005 to Oct/2015.

# Take-away key points

- ✓ The mining boom transformed the Latin American Economy
- ✓ Latin America left the mining boom better than when it entered
- ✓ Lack of further reforms tempered the potential benefits
- ✓ Challenges: depressed commodity prices + looming US monetary squeeze
- ✓ Opportunities: plenty of economic catch-up to do + asset bargains