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Governor of the Fund for **PARAGUAY**

**Statement by the Hon. Carlos Fernandez,  
Governor of the Fund for Paraguay**

**What lies ahead for Latin America?**

**A new reality**

- External tailwinds benefited the region for a decade. But recently, the "golden years" turned sour and thus growth expectations have deteriorated. For 2016, the projections point to a mediocre dynamism.

**Policy responses**

Emerging market economies are alike but not the same.

- Fiscal policy: fiscal performance in many countries has worsened generating an increase in government debt, which has reduced margins for fiscal policy.
- Monetary policy: Looking forward, central banks face very different challenges. Challenges differ for each country as some have made important advances to design and implement a credible monetary policy by prioritizing price stability while others face a more complex scenario to bring down inflation. Central banks in the region have remained active but policy scope has also been reduced: increasing CA deficits signal the lack of policy space.

**Moving from countercyclical to structural policies**

- There will not be tailwinds or headwinds blowing in the short term. The global (and regional) economy is gaining momentum.
- Economic growth is largely explained by factor accumulation.
- In the region, the quality of infrastructure is below other regions, for that reason domestic savings need to be promoted to boost economy, exports need to be diversified into more complex products, and the quality of institutions needs to be improved.

**Final remarks**

- In the last decade, the region has experienced a deep economic and social transformation, which lifted millions out of poverty. Under the "new normal", the gains can and should be preserved by prioritizing policies which promote employment and long-term economic growth.
- In order to improve growth prospects in Latin America, it is essential for countries to go back to basics and recall what actually sustains high growth rates across countries: productivity gains.

- Policies include raising the quality of institutions, improving available infrastructure, promoting higher complexity and more diversification in the economy and increasing domestic savings.
- In summary, considering the expected economic developments, it is time to start thinking less about "the cycle" and focus our attention on "the trend".