JULY 2024

INTERNATIONAL ECONOMIC OUTLOOK

CEI Centre for International Economy

Ministry of Foreign Affairs, International Trade and Worship
Argentine Republic

EXECUTIVE SUMMARY

- After successive shocks (the pandemic, the war in Ukraine, the conflict in the Middle East), the global economy is registering a normalisation of its growth, although at lower levels than in the decade prior to 2020.

- During 2023, trade fragmentation increased due to the influence of geopolitical issues, and a decrease in the rate of growth of global trade was reported.

- Although no recession is expected globally during 2024, economic growth will be moderate: 3.2% according to the IMF, below the average growth of 3.6% in the 2010s. This slowdown is largely explained by the effect of geopolitical factors, contractionary policies to combat inflation, the slowdown in global trade growth and the fall in foreign direct investment flows.

- Lower growth in the United States and China, and a lack of momentum in the European Union economy will condition average global growth during 2024. Conversely, the emerging economies will be the leading ones.

- Commodity prices, including agricultural commodities, are showing a downward trend, although still above pre-pandemic levels. There are some exceptions, such as gold, whose price increased as a result of the rise in global uncertainty.

- The trend to the rise of the burden of trade in services in global GDP continues. The most prominent are those services provided digitally, and among them, professional services.

- The scenario of high interest rates and inflation still above the objectives of central banks, in a context of high indebtedness –the effect of the post-pandemic fiscal expansion– increases the likelihood of financial stress, particularly for emerging economies with low debt ratings.

- Uncertainty is still a factor that continues to count when no prevision can be made. The current context of war conflicts, geopolitical crises and extreme weather events could have major effects on the global economy.

LEVEL OF ACTIVITY

After a series of global shocks that began in 2020 –including the COVID-19 pandemic and the war between Russia and Ukraine, and as a result of high levels of inflation and interest rates– there is consensus among the main international organisations on a trend towards normalising the growth of the global economy, although at lower levels than the decade prior to 2020. Despite the context of high interest rates and geopolitical tensions, private consumption and public spending allowed the global economy to expand during 2023. As a result, preliminary figures indicate that global GDP presumably increased 3.2% during 2023, 0.3 percentage points below the previous year's growth (Table 1).

In the short term, it is expected that, as inflation converges towards the levels targeted by the world's major central banks (2%) and they ease monetary policy, fiscal policies will remain restrictive to reduce high levels of sovereign debt. Thus, global growth in 2024 will slow down and will be 3.2%, according to the most optimistic IMF[1] and OECD[2]' views, or 2.7% according to the World Bank[3]forecast.

If this slowdown forecast materialises, by the end of 2024 the world will have gone through the five years with the lowest global GDP growth in the last three decades. This growth could be affected downwards in the short term by still high borrowing costs and the withdrawal of post-pandemic fiscal support, and in the medium term, by weak productivity[4], adverse weather events and increased geo-economic fragmentation. In this scenario, emerging economies will lead 2024 growth, with an average rate of 4.2%; although within these, the Latin America and Caribbean region[5] will be below average (2% growth). Advanced economies, in turn, will grow 1.7%.

Table 1. Annual economic growth projections

Year-on-year variation in GDP in 2023 and 2024 –constant prices– and shares in GDP, in %

	2023	Share of global GDP –in %–	2024	Var. against prior prediction –in percentage points–	
Emerging and developing countries	**4.3**	58.8	**4.2**	**0.2**	▲
Latin America and the Caribbean	**2.3**	7.3	**2.0**	**0.3**	▼
Advanced economies	**1.6**	41.2	**1.7**	**0.3**	▲
Brazil	2.9	2.3	2.2	0.5	▲
China	5.2	18.8	4.6	-	
EU	0.6	14.5	1.1	0.4	▼
US	2.5	15.7	2.7	0.6	▲
Chile	0.2	0.3	2.0	0.4	▲
India	7.8	7.6	6.8	0.3	▲
Vietnam	5.0	0.8	5.8	0.02	▲
World	**3.21**		**3.18**	**0.3**	▲

Note: with respect to projections of the WEO of October 2023.
Source: CEI based on IMF[6]

Regarding a selection of Argentina's main trading partners, which together represent 61.3% of the global economy[7] (Graph 1), Brazil (2.3% of global GDP) experienced a year-on-year GDP growth of 2.9% during 2023,

¹ World Economic Outlook (IMF) - April 2024.
² Economic Outlook 2024 (OECD) - May 2024.
³ Global Economic Prospects (World Bank) - June 2024.
⁴ According to the IMF, the growth rate of total factor productivity has slowed down in the 2020-2023 four-year period to one of the lowest levels in the last 30 years in all economies. IMF Blog (IMF) – April 2024.
⁵ Puerto Rico is the only country in the region that belongs to the category of advanced economies.
⁶ World Economic Outlook Database (IMF) - April 2024.
⁷ GDP of the year 2023 at purchasing power parity.

which exceeded the expectations of private banks. This growth was mainly driven by exports, public spending and private consumption; even with a high level of interest rates (although with a downward trend since the end of 2023, in line with other emerging economies). During the first quarter of the year, it grew 1.7% compared to that same period of 2023 and is projected to end 2024 with a growth rate of 2.2%.

China (18.8%) achieved 5.2% growth during 2023, thanks to industrial production and investment in fixed assets, although with domestic consumption still weak, hit by a slowdown in the real estate sector. It is estimated that in 2024 growth will decelerate compared to 2023 and will be 4.6%.

Meanwhile, the European Union economy (15.7%) grew by 0.6% year-on-year during 2023, after a fourth quarter of stagnation (0.2% growth). The main factors explaining this result include the rise in energy prices and the relative weakness of the German economy –the region's principal industrial engine. Slightly higher growth (1.1%) is estimated by 2024. In that sense, the GDP of the first quarter of this year already exceeded by 0.4 percentage points that of that period of the previous year.

US GDP (15.7%) grew 2.5% in 2023. In particular, the fourth quarter of 2023 performed better than expected (3.1% y-o-y), demonstrating the resilience of retail consumption in that country –based on savings accumulated in the pandemic– against historically high Federal Reserve interest rate levels. During the first quarter of 2024, its GDP increased 2.9% in year-on-year terms (Table 2) and the economy is projected to grow 2.7% in 2024.

Chile (0.3%) was able to reverse recession forecasts (in view of fiscal and macroeconomic imbalances and falling household consumption) and experienced 0.2% year-over-year GDP growth in 2023. During the first quarter of the year, it grew 2.0% in year-on-year terms, and the IMF projects that it will end 2024 with a 2% rate.

As for India (7.6%), it ended 2023 with 7.8% year-on-year growth and, although the latter is also expected to slow down during 2024 (6.8%), it will continue to be the economic locomotive of South Asia –a region that is forecast to have the highest economic growth rates in the world– based on robust domestic demand supported by private consumption, investments and the service sector. Only in the first quarter of 2024, its GDP increased 8.4% compared to that same quarter of 2023.

Finally, Vietnam's economy (0.8%) grew 5% during 2023 and is expected to perform even better in 2024 (5.8%). Although the official target for 2023 was 6.5%, that 5% was one of the best levels in the region and the world, which was achieved, fundamentally, thanks to strong retail consumption and the recovery of the tourism and associated services sector, which offset the drop in its exports (particularly of coffee and smartphones).

Table 2. Quarterly evolution of the economy of Argentina's main trading partners

Y-o-y variation of GDP at constant prices, in %

		Brazil	China	US	UE	India	Chile
2023	I	3.8	4.5	1.7	1.2	6.3	0.0
	II	3.3	6.3	2.4	0.6	7.7	-0.3
	III	2.4	4.9	2.9	0.1	7.8	0.7
	IV	2.2	5.2	3.1	0.2	8.8	0.8
2024	I	1.7	5.3	2.9	0.4	8.4	2.0

Source: CEI based on OECD[8]

[8] Data Explorer (OECD) - June 2024. No Vietnam data.

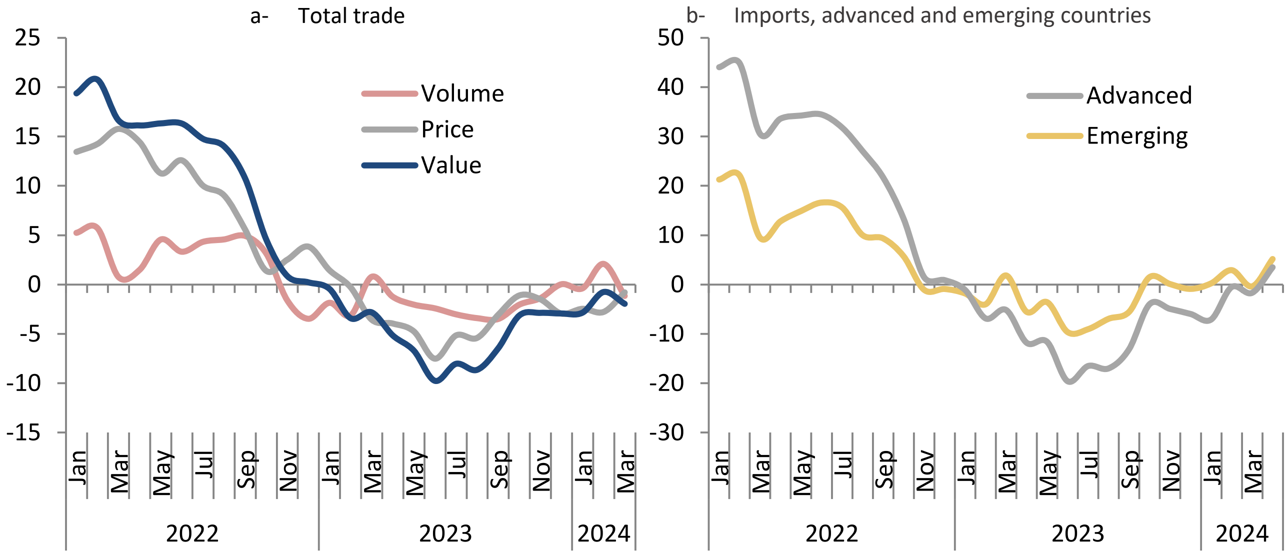
GOODS

Except for global recessions, the World Bank estimates that 2023 was the year with the lowest growth in global trade in the last 50 years. Despite the fact that in the last three months of 2023 the downward trend that had been observed was reversed, the year ended with a 5% drop in trade value, after an all-time high recorded in 2022 (Graph 1-a), due to the rebound effect of the fall seen in the pandemic. The decrease in trade that was observed in 2023 derived both from a reduction in volumes traded (-1.9%) and prices (-3.2%). After the contraction of the year 2023, the WTO expects trade in goods to increase 2.6% in 2024[9].

At country level, the volume of imports from advanced economies (Graph 1-b) decreased 4.3% and within that group, the European Union did so by 5.4% and the United States by 1.8%. As for emerging economies, imports dropped 0.2% and while Latin America underwent a 4.3% fall, other group members were positive, such as Eastern Europe (10.7%), China (2.9%) and Africa and the Middle East (0.7%).

Graph 1. Evolution of global trade in goods

Year-on-year variation, in % (Indexes - base 2010 = 100)



Source: CEI based on CPB[10]

In the first quarter of 2024, trade showed a slight recovery in volume terms (0.2%[11]), although the fall in prices (-2%) reduced trade values (-1.8%). This result is explained by the performance of emerging countries, and in particular, Asia (excluding China 4.4%), China (1.1%) and Latin America (0.9%).

It should be noted that global goods trade was also affected by disruptions in supply chains, which have worsened since the end of 2023. Only considering the Panama Canal and the Suez Canal –through which 5% and between 12-15% of the volume of global trade transit– during the first four months of 2024, the decrease in trade volume was 28% and 60%, respectively. The former originated by a historical drought of the watershed that feeds the Canal, and the latter, due to safety issues of the Red Sea. This also led to a general increase in sea freight costs, particularly on the Asia-Europe[12]routes.

[9] Global Trade Outlook and Statistics (WTO) - April 2024.
[10] World Trade Monitor April 2024 (CPB) – May 2024.
[11] For the WTO, the recovery in trade volume was 1% (Global Trade Outlook and Statistics - April 2024).
[12] PortWatch (IMF) - June 2024.

Towards the end of 2024, UNCTAD[13] estimates that there will be an improvement in trade, in line with the best forecasts for inflation and economic growth. However, this situation could be modified by an eventual increase in geopolitical tensions and adverse climate effects, which could lead to increased freight transport costs and greater supply chain disruptions. The World Bank[14], in turn, anticipates that trade growth will be 2.5%, resulting in the five-year period 2020-24 recording the slowest growth in global trade in goods since the 1990s.

Regarding the volume of imports, the IMF estimates that it will grow 2.8% this year. The economies with the greatest growth prospects will be those in emerging markets (4.6%), in particular those in Europe (6%) and the Middle East and Central Asia (5.8%). Imports of the Asian giants such as China and India are estimated at 3.4% and 4.8% above the 2023 value, respectively (Table 3). In Latin America, while demand for import products will go up, it will do so below the global average (1.3%). Finally, growth in advanced economies will be 1.5%, and within these, demand from the world's largest importer, the United States, will go up by only 0.5%.

Table 3. Estimate of the import volume of goods by 2024

Y-o-y % variation

Country and region group		Country	
Emerging and developing countries	**4.6**	Brazil	-0.7
Advanced economies	**1.7**	China	3.4
Emerging Europe	6.0	US	0.5
Middle East and Central Asia	5.8	Chile	4.0
Emerging Asia	4.8	India	4.8
Latin America and Caribbean	1.3	Vietnam	8.8
World			**2.8**

Source: CEI based on IMF

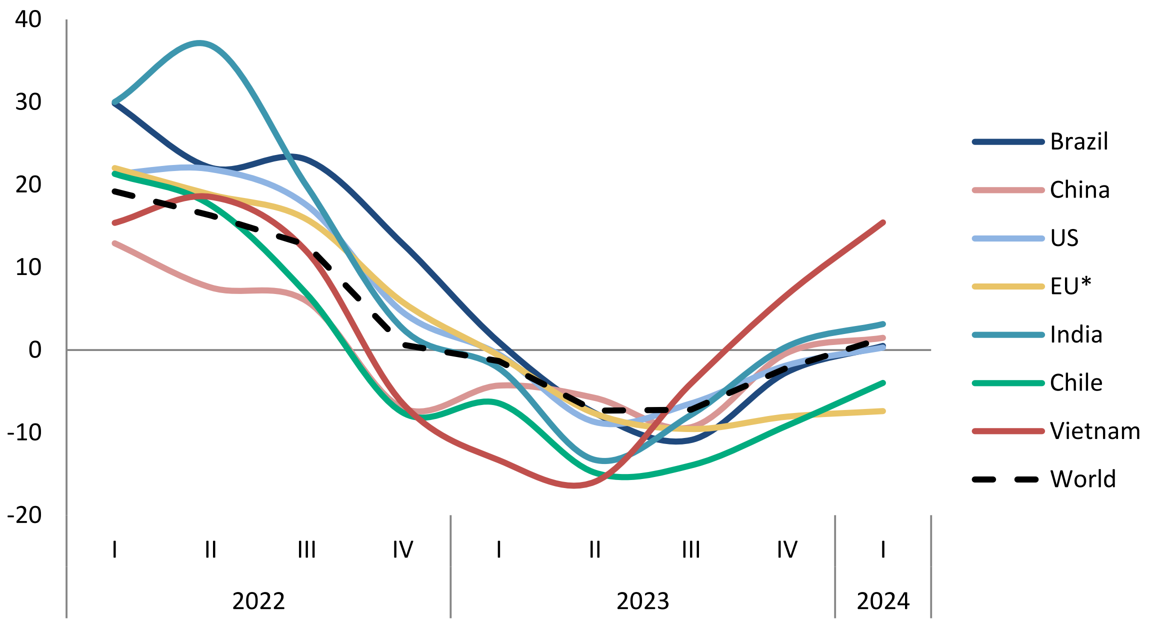
Brazil, China, the European Union, the United States, Chile, India, and Vietnam are among Argentina's main trading partners and together account for 67% of its total trade. The total trade exchange of this group of countries with the world totalled USD 19.2 trillion during 2023, which accounts for a year-on-year drop of 5.5% (Graph 2). The joint decrease in imports of goods was 8.7%, while that of their exports was -2.0%. Individually, they experienced a decrease in their imports, but not in their sales to the rest of the world, in which Brazil and the European Union reported a year-on-year growth[15].

For more details on these partners' foreign trade in goods, see section 1.

[13] Global Trade Update (UNCTAD) – March 2024.
[14] Global Economic Prospects (World Bank) - June 2024.
[15] WTO Stats (WTO) – July 2024.

Graph 2. Total foreign trade of the main Argentine partners

Y-o-y % variation



Note: (*) extra-bloc.

Source: CEI based on OECD

SERVICES

International trade in services accounts for 25% of global trade. After the Covid-19 pandemic, which had the greatest impact on services, particularly those whose consumption implies a displacement of people, they recovered the growing trend of recent years. Even in 2022, their growth was higher than that of goods and in 2023 they were the only ones in an upward trend (Graph 10).

During 2023, global exports of services amounted to USD 7.9 trillion and represented 7.6% of global GDP, 0.5 percentage points above their share of the previous year, while goods reduced their share from 24.8% in 2022 to 22.7% in 2023. This growing trend in the share of the former in GDP is expected to continue, while that of the latter tends to stagnate, a phenomenon that has been called "slowbalization"[16]. Growth of the services trade would be led by those digitally provided[17], as it has been taking place in recent years. However, the OECD[18] warns that barriers to trade in services remain high and, for some countries, have increased in recent years.

The main services internationally traded are Knowledge-Based (Graph 11). They include professional services (main exported category), telecommunications, IT and information services, financial services and charges for the use of intellectual property. These accounted for 53% of services exports in 2022[19] (worth USD 3.8 trillion) and have been growing year after year.

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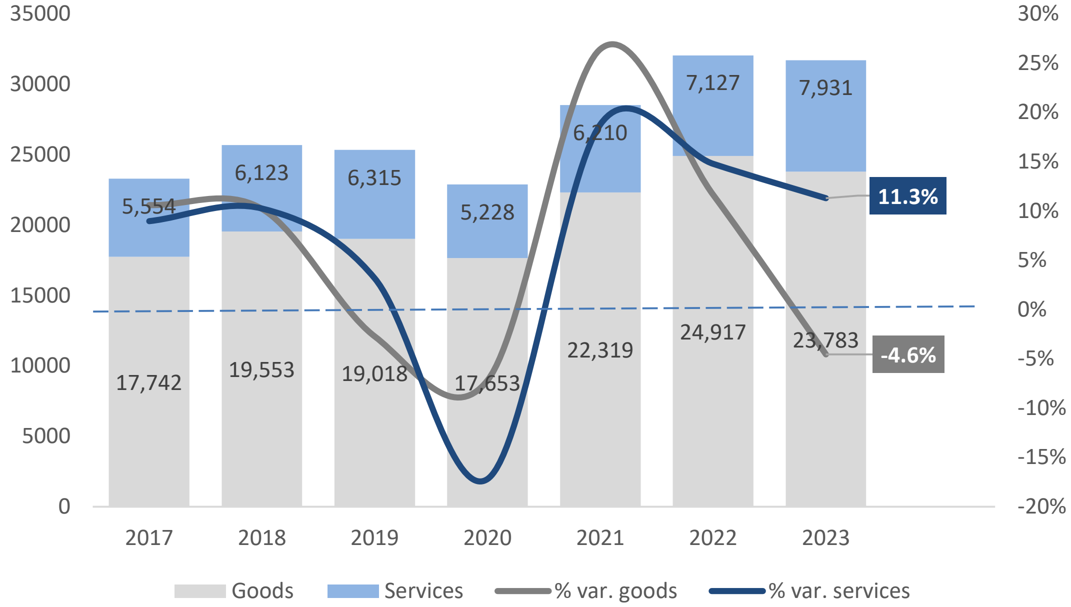
[16] Period marked by reduced dynamism in the growth of the percentage of trade in goods over world GDP initiated after the global economic crisis of 2007/08. It marks a turnaround following the sustained increase in the share of trade in goods in global GDP recorded between the late 1970s and that date.

[17] Through supply mode 1.

[18] Revitalising Services Trade for Global Growth (OECD) - June 2024.

[19] Latest available data by June 2024. Source: WTO.

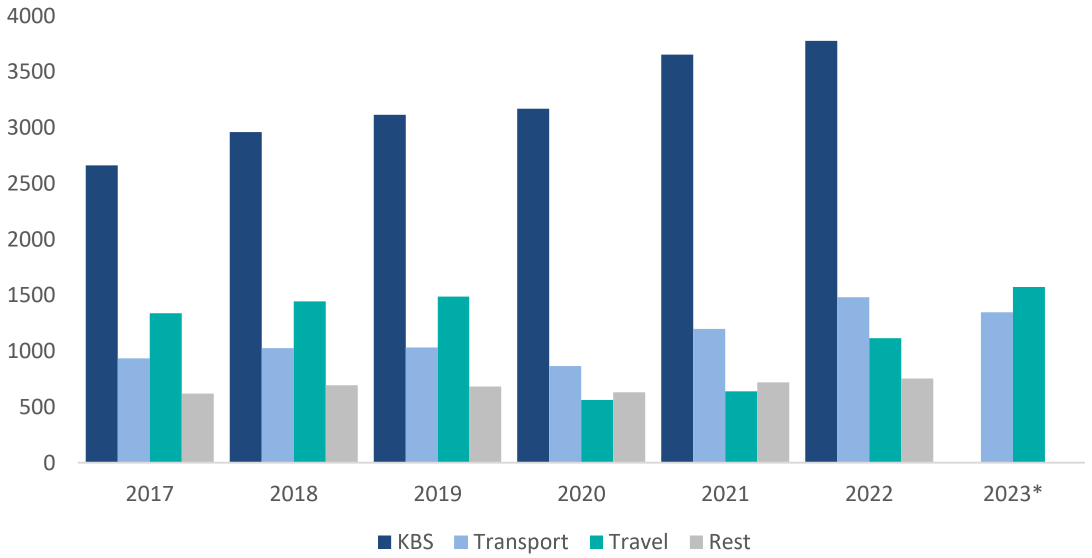
Graph 10. Global exports of goods and services*
Value (in USD billions, main axis)
and year-on-year variation (in %, secondary axis)



Note: (*) mode 3 not included.
Source: CEI based on WTO

The other two relevant services –although with logic of supply that implies people displacement with their subsequent vulnerability to all types of restrictions– are transport and travel services. The former accounted for 21% of exports in 2022 (USD 1.5 trillion) and it is estimated that in 2023 their share fell to 19% (USD 1.3 trillion) due to the fall in transport rates to pre-pandemic levels[20]. In terms of travel (category consisting mainly of expenses for touristic reasons), they represented 16% of exports in 2022 and during 2023 they presumably grew both in value and in share.

Graph 11. Global exports of services, by main category of the Balance of Payments
In USD billion



Note: (*) estimated data.
Source: CEI based on WTO

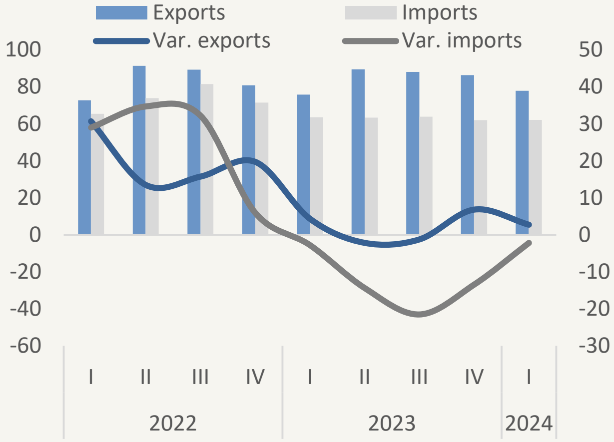
[20] Global Trade Outlook and Statistics (WTO) - April 2024.

Section 1. Trade in goods by member

BRAZIL

Graph 3. Foreign trade of Brazil

Value (in USD billion, main axis)
and year-on-year variation (in %, secondary axis)



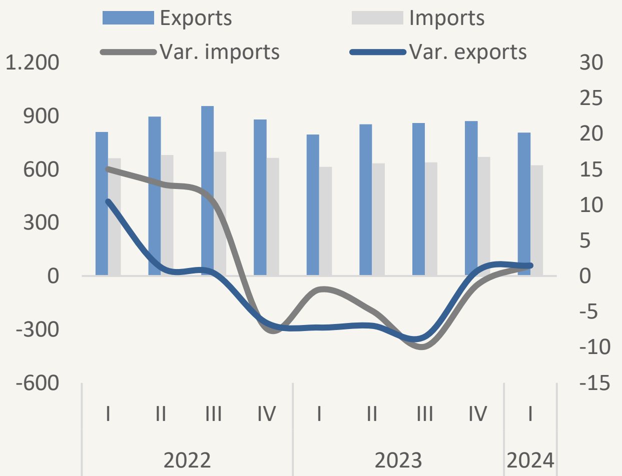
Source: CEI based on WTO

Brazilian exports reached a record during 2023, amounting to USD 339.7 billion (1.7% more than in 2022 and 53.6% more than in 2019). Their main destination was China. Imports fell by 13.5% year-on-year, to USD 252.7 billion, in the same period, consolidating a trade surplus of almost USD 87.0 billion. These trends remained in the first quarter of 2024: exports grew 2.7% y-o-y and imports were down 2.2% y-o-y.

CHINA

Graph 4. Foreign trade of China

Value (in USD billion, main axis)
and year-on-year variation (in %, secondary axis)



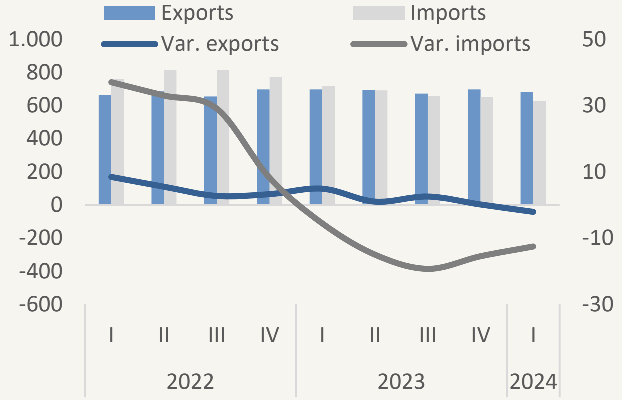
Source: CEI based on WTO

During 2023, Chinese exports were USD 3.4 billion and imports totalled USD 2.6 billion, representing 4.6% and 5.5% reductions, respectively. Meanwhile, in the first quarter of 2024 both exports and imports increased 1.5%.

EUROPEAN UNION

Graph 5. Foreign trade of the EU

Value (in USD billion, main axis)
and year-on-year variation (in %, secondary axis)



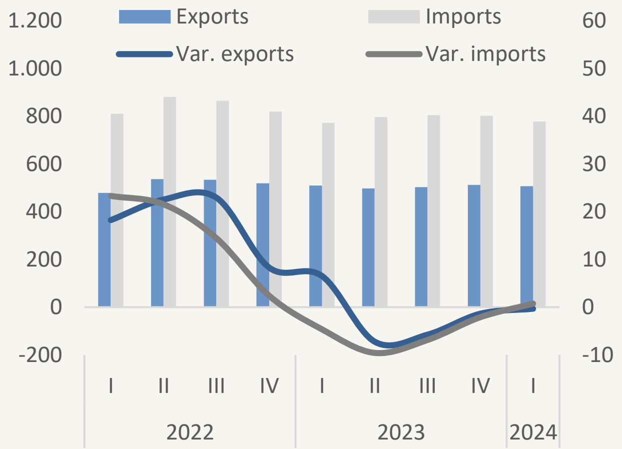
Source: CEI based on WTO

During 2023, exports of the European Union outside the bloc totalled USD 2.8 trillion and imports, USD 3.2 trillion, which implied a 2.1% increase for exports and a 14.0% fall for imports. In the first quarter of 2024, both exports and imports decreased: 2.1% and 12.6% respectively. The largest falls in purchases outside the EU, in value terms, took place in the energy (-8.2%) and machinery and vehicle (-3.7%)[21] areas.

UNITED STATES

Graph 6. Foreign trade of the US

Value (in USD billion, main axis)
and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

US exports totalled USD 2.0 trillion in 2023, 2.2% less than same period in 2022; while imports totalled USD 3.2 trillion, representing a 5.9% reduction. During the first quarter of 2024, exports fell 0.3%, while imports grew 0.7%.

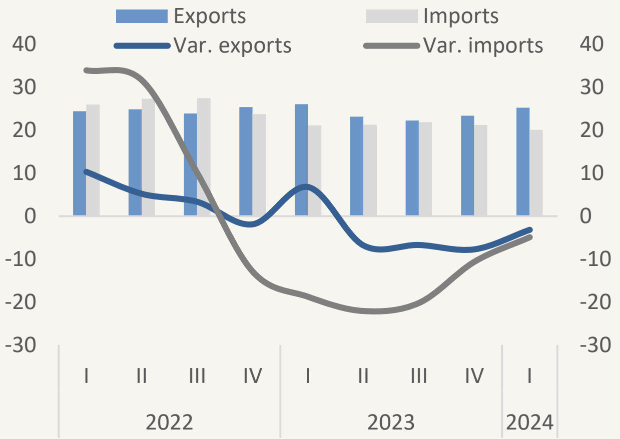
[21] EU international trade in goods (Eurostats) - May 2024.

CHILE

Graph 7. Foreign trade of Chile

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

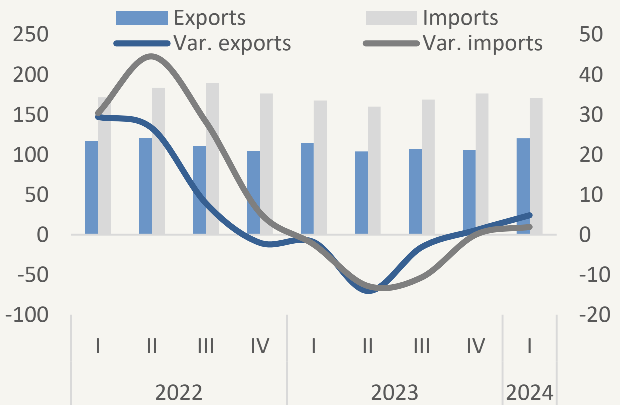
Exports in Chile had a 3.7% y-o-y reduction during 2023, to reach USD 94.9 billion. Imports registered the largest decrease of Argentina's selected trading partners during 2023, with an 18.2% decrease, to reach USD 85.5 billion. The most important falls are those recorded by diesel (-USD 2.2 billion), chemicals (-USD 1.4 billion) and automobiles (-USD 1.4 billion). During the first quarter of 2024, the Trans-Andean country continued the negative trend: exports fell 3.2% and imports fell by 5.0%.

INDIA

Graph 8. Foreign trade of India

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



Source: CEI based on WTO

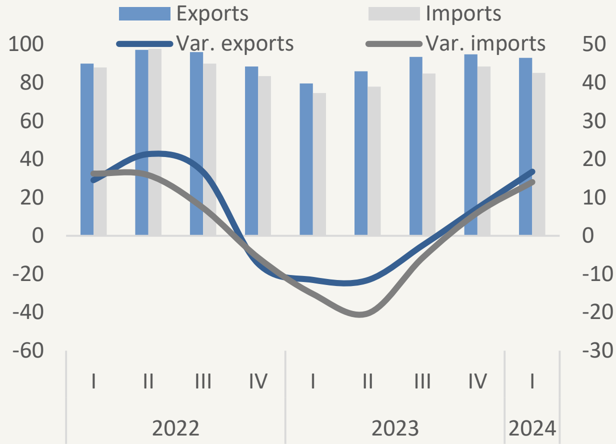
During 2023, India exported USD 432 billion, which was 4.7% less than in the same period of 2022. Meanwhile, imports decreased 6.6% in the same year-on-year comparison and stood at USD 672.7 billion. During the first quarter of 2024, exports rose 5.0% and imports, 2.0%.

VIETNAM

Graph 9. Foreign trade of Vietnam

Value (in USD billion, main axis)

and year-on-year variation (in %, secondary axis)



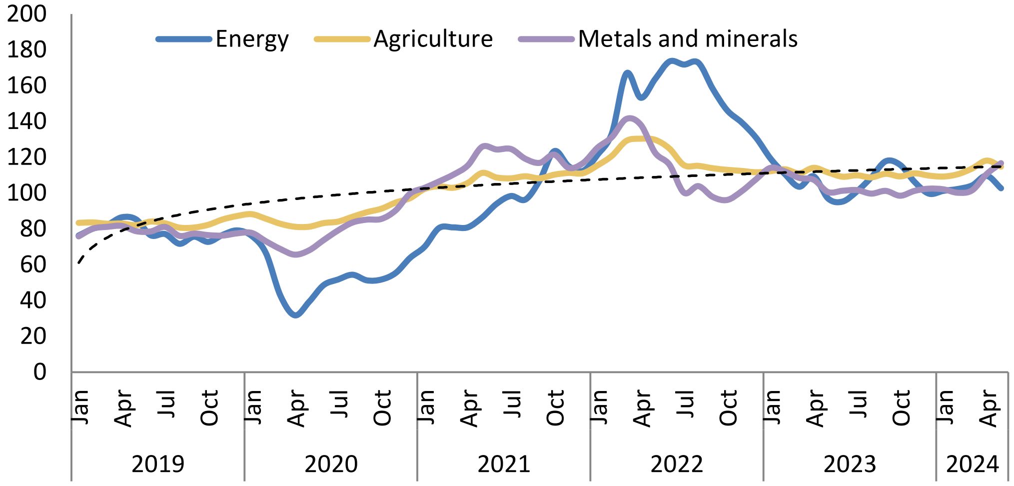
Source: CEI based on WTO

Vietnamese exports and imports in 2023 amounted to USD 353.8 billion and USD 325.8 billion respectively and in both cases they experienced a y-o-y decline (-4.7% and -9.3%, respectively). However, at least in the first quarter of 2024, both flows showed the greatest increase in the group of selected countries: with a 16.8% growth in exports and 14.0% in imports.

In a scenario of weakening global trade flows and economic growth below historical averages, during 2023, most of the commodity prices weakened, although they are still at high levels, above those recorded before the pandemic, but below the peaks that occurred in 2022 after Russia's invasion of Ukraine. Likewise, contrary to expectations, the recent conflict in the Middle East has not had a widespread upward impact on commodity prices.

Graph 12. Price evolution, by product group

Base index: 2010 = 100.

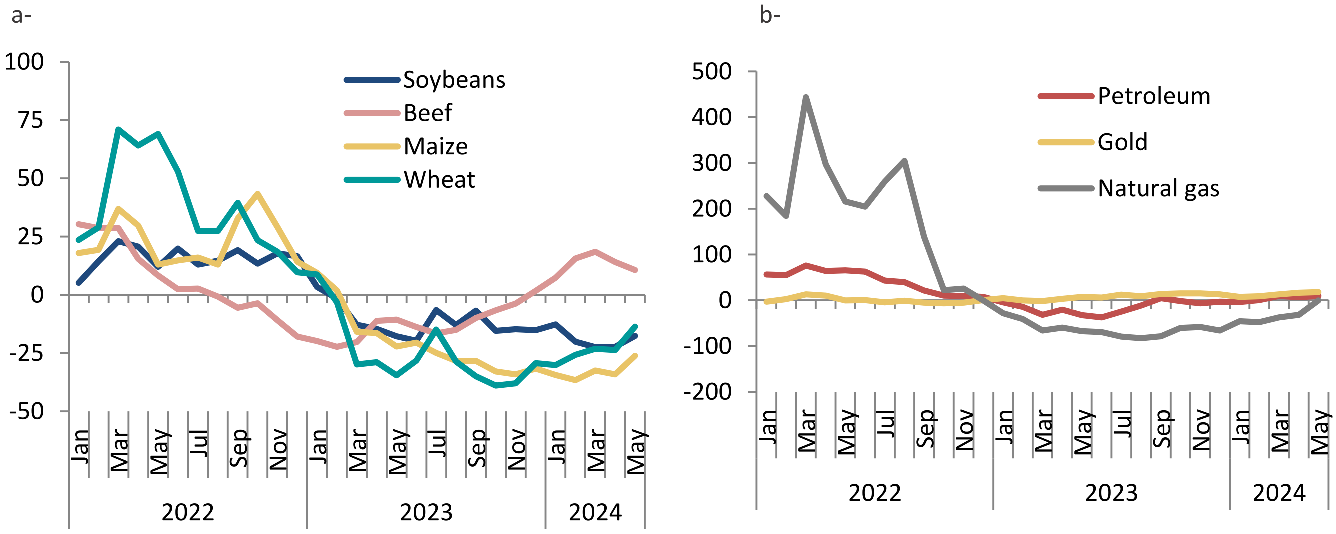


Source: CEI based on World Bank

Some isolated increases were significant (Graph 13). The most important was the case of gold, whose price registered percentage increases during all months from May 2023 to date and after accumulating an 18% growth, reaching an all-time record (2,300 USD/t.oz). In that sense, according to the World Gold Council[22], during 2023, central banks around the world added 1,037 tonnes of gold to their reserves, which was the second highest annual purchase in history, after a record 1,082 tonnes in 2022. In this regard, a survey conducted by the same institution of central bank officials revealed the intention of almost a third of them to further increase their holdings, as a form of hedge against the instability of the global economy and the context of inflation.

Graph 13. Price evolution of selected products

Y-o-y variation (in %)



Source: CEI based on World Bank

[22] Central Bank Survey 2024 (World Gold Council) - June 2024.

The price of minerals and metals (Graph 12) increased 16% in the last 12 months to May 2024, in particular, tin (29.2%) and copper (23.4%). As for the outlook for the rest of 2024 on these products, their price is expected to stabilise due to two opposing forces on its demand. On the one hand, a fall resulting from decreased investment in the private construction sector in China; and on the other, an increase in the face of the continuous rise in investments in clean/renewable metal-intensive energy worldwide (mainly copper, nickel, lithium, cobalt and manganese).

On the other hand, the price of oil exceeded USD 90 a Brent barrel in April of this year, pushed by a possible escalation of conflicts in the Middle East, which then subsided. Although it shrank the following month, the May price was still 9.9% above that of May of the previous year. In contrast, gas experienced a steep decline, after a 2022 of very high prices due to Russia's invasion of Ukraine. Overall, the energy price index for May is 5.9% higher than that for 2023.

Regarding agricultural products, among which those of greatest relevance for Argentina were selected, it is observed that between May 2023 and May 2024 the price of soybeans fell 18%, that of corn 26%, that of wheat 21%, and that of beef 11%. Despite these falls, in all cases prices remain above those reached by May 2019, that is, above pre-pandemic levels. Regarding the general index of agricultural products, the variation between those months was positive, at 2.9%. However, these commodity prices are expected to suffer a slight decline during this year (-6%) and the next (-4%), partly due to an improvement in global supply. However, extreme weather events and disruptions in global logistics chains could affect prices in the opposite direction.

Global foreign direct investment (FDI) flows during 2023 fell by 3% according to UNCTAD[23] and by 7% according to OECD[24]. As a consequence, they were around USD 1.3 trillion, and remained below pre-pandemic decade levels for the second consecutive year, a period in which the annual average was USD 1.6 trillion. In this regard, the OECD points out that successive crises, protectionist policies and regional realignments are affecting the stability and predictability of global investment flows, creating obstacles and, at the same time, isolated opportunities. Likewise, geopolitical issues are starting to have an increasing relative weight over merely economic issues, for which reason factors such as the geographic proximity of strategic activities and the reduction of value chain risk become more preponderant.

According to UNCTAD, during 2023 FDI flows to developing economies showed a 7% year-on-year decline due to a particularly atypical year for Asia (Table 4). Shipments to that continent fell 8%, although the drop was greater in the areas of South Asia (-37%) and East Asia (-9%). Conversely, flows to developed economies increased by 9% and to less developed countries by 17%.

Table 4. Foreign direct investment. Inbound flows by economic group and region

Values in USD billion and variations in %

	2022	2023	Variation - in %-
Developed economies	**426**	**464**	**9**
Developing economies	**867**	**930**	**-7**
Africa	54	53	-3
North America	379	361	-5
Latin America and Caribbean	196	196	-1
Asia	678	621	-8
Europe	-106	16	n.a.
World	**1,356**	**1,332**	**-3**

Note: n.a.: non-applicable.

Source: CEI based on UNCTAD

The four economies that received the highest FDI flows during 2023 were the United States (USD 310.9 billion), China (USD 163.2 billion), Brazil (USD 65.8 billion) and Canada (USD 50.3 billion). Compared to 2022, they varied -7%, -16%, -11% and 8%, respectively.

At sector level, UNCTAD highlights that only the manufacturing one reported increases in value investment flows (26%) during 2023, for greenfield projects. In particular, the most dynamic subsectors were automotive (50%) and metals and metal products (42%). The significant increase in greenfield projects in the manufacturing sector reported in 2023 marks a break in a long trend of decline in investments in this sector, while the increase in greenfield investments in base metals highlights the relevance of critical minerals and the energy transition. In addition, this occurs simultaneously with a 71% drop in investments of this type in the oil and gas sector. Investments in the primary and services sectors fell 39% and 2%, respectively.

According to UNCTAD, investments in sectors with an important component of integration into global value chains (such as automotive and auto parts, electronics and machinery) had strong growth during 2023; which is associated with the geopolitical reconfiguration of global value chains. Since 2019, there has been a tendency for the largest multinational manufacturing companies to move investments to locations closer to their home markets (the United States and Europe), and in this sense, Central America, West Asia and North Africa are emerging as strategic places for their establishment.

[23] World Investment Report 2024 (UNCTAD) - June 2024.

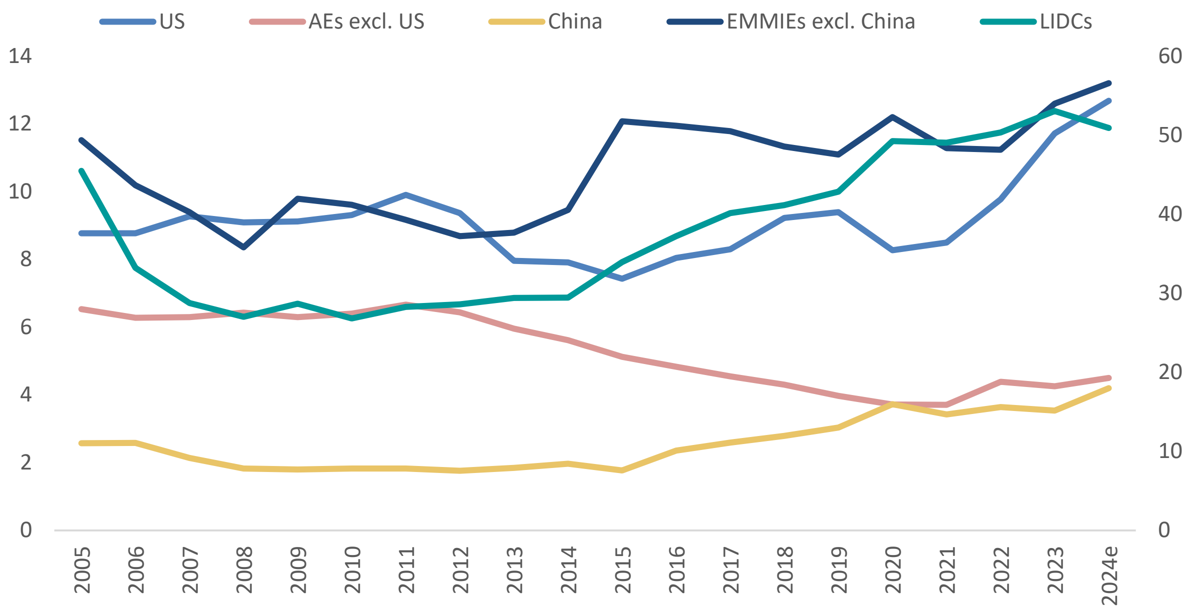
[24] Foreign Direct Investment Statistics (OECD) - May 2024.

As a way to limit the effects of the expansionary monetary and fiscal policies implemented during the pandemic, since 2021 central banks have started a stage of high interest rates that has had an intensity and pace not seen in the last 30 years. The abrupt decline in global growth levels expected in 2023, as a result of this scenario, did not take place. However, risks and threats to the global economy remain.

The debt interest/State income ratios, which registered an increase during the pandemic, remain high. This has caused the weight of interest payments to have increased over state budgets around the world. In 2024, in low-income countries, the weight of interest payments represents, on average, 14% of the public budget, while in emerging economies it has exceeded, on average, 13% (Graph 14). Compared to a decade ago, this means a 78% increase in debt interest in the public budgets of low-income countries and 40% in the case of emerging economies.

Graph 14. Debt interest payments

As a percentage of State revenue



Note: e: estimated.

Source: CEI based on IMF[25]/

A period of high interest rates in central economies –particularly in the United States– for longer than expected has the potential to negatively affect the global economy by different means. On the one hand, the increase in the cost of taking on new debt, as well as refinancing old debt for both the public and private sectors; on the other hand, there is also the risk that capital flows will be directed to developed economies, which can limit the space of central banks in emerging economies to apply looser monetary policies, and reverse the process of lowering interest rates that is being implemented by central banks of those countries. A context of "higher for longer" interest rates increases the possibility of devaluations of the currencies of emerging countries, which leads to higher inflation in economies where inflationary expectations are not "anchored". In this sense, in the latest report on global financial stability, the IMF indicates that, despite a generally good financial performance of emerging economies, "the resilience of those economies will be tested" in the medium term. In this regard, the same report asserts that emerging economies with solid current accounts, fiscal credibility, low levels of short-term debt and developed capital markets will tend to be more resilient in the face of global financial stress scenarios. [26]

[25] World Economic Outlook (IMF) - April 2024.
[26] Global Financial Stability Report (IMF) - April 2024.

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