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*Business, investors, consumers — and nations — will have to navigate 2019's age of anxiety*



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British poet W.H. Auden wrote “The Age of Anxiety” in 1947. But it’s an apt description of the economic — not to mention psychosocial — environment in which we find ourselves today. The stock market tanks 600 points in one day then recovers by the same amount the next. Populist politicians make absurd pronouncements that freak out the investment community, and consumers grapple with a merry-go-round of mixed signals and conflicting economic statistics.

The global economic outlook is not rosy, to say the least. Anemic growth in the United States, Europe and Japan will be exacerbated by worsening trade terms, declining capital flows, illiberal protectionist policies and an appreciating dollar. The economic environment for Latin America and the Caribbean region in 2019 will be characterized by increasing uncertainty, medium-term risks and a recovery that ebbs and flows. Excluding Venezuela, GDP is projected at 2.3 percent vs. 3.7 percent for the world.

Four trends or factors will impact both the local and multinational business

communities in the region in the new year:

1. Interest rates and economic performance in industrialized nations: Taking a queue from the U.S. Federal Reserve, the European Central Bank and other central banks are expected to raise rates, although the percentage hikes and timing are uncertain. Such moves will increase business and consumer borrowing rates in an environment in which trade and investment flowing to the region from the United States, Canada and Europe, in particular, have been slowing in recent years.

2. Falling demand from Asia for the region’s commodities: Despite healthy projected growth rates of China (6.2 percent) and India (7.3 percent), there will be declines in commodity purchases such as soybeans, corn, sugar, iron ore and mineral fuels, as a result of slowing growth in the Asian region. Brazil, Argentina, Chile, Peru, Ecuador and Colombia will be affected by this contraction.

3. Domestic demand from lower/middle classes: The proliferation of credit, relatively low inflation rates and major gains in poverty reduction in the region have catalyzed consumer purchasing at all income levels, especially the lower and lower-middle classes. Credit cards, e-commerce and online lending by non-bank institutions have significantly fueled domestic demand for goods and services.

4. Proliferation of technology: Businesses of all sizes, national and multinational, will continue to harness technology — by necessity as much as choice — to improve efficiency and productivity, gather market information, enhance customer service and expand their business. Artificial intelligence, blockchain and a myriad of customized software are key features of this continuing technology wave where not only large providers such as Microsoft, Hewlett-Packard, and SAP service a wide range of industries, but small and medium-size firms and start-ups proliferate, as well.

Given this environment, businesses will face numerous challenges in 2019. These include greater competition from China, possible recessions in Europe and the United States and issues of intellectual property protection and data privacy — witness the recent Facebook debacle.

For smaller firms and consumers, wider access to financing (especially for suppliers) is still daunting despite market improvements in financial access in recent years. Commodity producers will find the global business environment especially challenging.

Finally, for firms of all sizes, workforce availability and readiness are significant and daunting hindrances. Latin America underperforms vis-à-vis nations with similar levels of GDP and education

spending. The region spends more per capita than Asia but with poor results. Attracting talent and retaining it are no easy feats.

Despite all of these challenges, microeconomics will trump macroeconomics in the new year. The growing demand in internal markets by business and consumers across a range of socioeconomic classes means that a slowdown is not anywhere near a shutdown. Goods and services with that are heavily technology-based have a bright future, as technology is harnessed to boost productivity and accountability to both shareholders and customers. And with few exceptions (Venezuela, in particular), pro-market environments characterized by neoliberal economic policies will ensure a favorable playing field.

The current global environment may be one of volatile stability or stable volatility (think of the roller-coaster performance of equity markets in recent weeks). This new age of anxiety will be with us through 2019. Astute investors, well-managed and agile firms and savvy consumers should be able to successfully navigate through the challenging times before us.

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