

Recent developments: Growth in the **Latin America and the Caribbean** region appears to be stabilizing in 2017, but the recovery is uneven. In the largest economies, recent data for industrial production and purchasing managers' indexes (PMI) have improved. Export volumes in the region have picked up in line with a recent recovery in global trade.

While Brazil and Argentina appear to be pulling out of recession, growth in Colombia has slowed, in part due to an early 2017 tax increase. Natural disasters and mine strikes were drags on growth in Chile and Peru. Hyperinflation continues in República Bolivariana de Venezuela.

Several countries implemented fiscal reforms in early 2017, including Colombia, which enacted a broad structural tax reform. Argentina initiated a quarterly path for fiscal targets, and Brazil is expected to finalize a pension reform plan later this year.

Outlook: Growth in Latin America and the Caribbean is projected to strengthen to 0.8 percent in 2017 as Brazil and Argentina emerge from recession. Growth is anticipated to accelerate to 2.1 percent in 2018 as growth gains momentum in Brazil, the region's largest economy, and in energy exporters.

In Brazil and Argentina, reforms implemented over the last two years to stabilize government finances, and in Argentina's case, to improve the business climate, are expected to yield positive outcomes. Brazil is forecast to expand 0.3 percent in 2017 and pick up to a 1.8 percent rate 2018, while Argentina is anticipated to expand at a 2.7 percent pace this year. Growth in Colombia is expected to be stable at 2.0 percent in 2017, supported in part by a recovery in investment linked to a large national road project.

Growth in Mexico is anticipated to moderate to 1.8 percent in 2017, principally due to contracting investment stemming from uncertainty about U.S. economic policy, before accelerating to 2.2 percent next year. A rising forecast for metal prices is expected to help Chile, where copper production should recover after a strike. Chile is forecast to accelerate to a 1.8 percent pace this year and to 2 percent next year. Peru, on the other hand, is forecast to slow to a 2.8 percent rate this year, reflecting the adverse impact of major floods early in the year and softening copper production and exports, before accelerating to 3.8 percent next year.

In the Caribbean, rising tourism demand underlies an expected acceleration in growth to 3.3 percent and a pickup to 3.8 percent in 2018.

Risks: Risks to the outlook in the region remain tilted to the downside and stem principally from domestic political and policy uncertainty, possible policy changes in the United States, an abrupt change in global financing conditions, lower-than-expected commodity prices, and the rising impact of natural disasters.

Four major countries in the region – Brazil, Chile, Colombia, and Mexico – are scheduled to hold legislative and presidential elections between November 2017 and October 2018. Changes to U.S. fiscal, trade, or immigration policies could affect economic activity in the region, particularly Mexico, Central America, and the Caribbean. In addition, a faster-than-expected pace of U.S. monetary policy tightening or U.S. dollar appreciation would have detrimental impacts for costs of, and access to, financing for some countries in the region. A weaker-than-expected recovery in oil and natural gas prices could undermine the projected pace of growth in energy exporters, including Bolivia, Colombia, and Ecuador.

Latin America and the Caribbean Country Forecasts

(annual percent change unless indicated otherwise)

	2014	Est. 2015	Forecast 2016	2017	2018	2019
GDP at market prices (2010 US\$)						
Argentina	-2.5	2.6	-2.3	2.7	3.2	3.2
Belize	4.1	1.0	-1.5	2.1	2.0	2.0
Bolivia	5.5	4.9	4.3	3.7	3.7	3.4
Brazil	0.5	-3.8	-3.6	0.3	1.8	2.1
Chile	1.9	2.3	1.6	1.8	2.0	2.3
Colombia	4.4	3.1	2.0	2.0	3.1	3.4
Costa Rica	3.7	4.7	4.3	3.8	3.6	3.5
Dominica	3.9	2.2	0.6	3.0	2.1	2.1
Dominican Republic	7.6	7.0	6.6	5.3	5.0	4.8
Ecuador	4.0	0.2	-1.5	-1.3	-0.4	0.3
El Salvador	1.4	2.3	2.4	2.0	1.8	1.7
Guatemala	4.2	4.1	3.1	3.5	3.5	3.6
Guyana	3.8	3.1	3.3	3.5	3.6	3.7
Haiti^a	2.8	1.2	1.4	0.5	1.7	2.3
Honduras	3.1	3.6	3.6	3.4	3.3	3.3
Jamaica	0.7	1.0	1.4	2.0	2.1	2.3
Mexico	2.3	2.6	2.3	1.8	2.2	2.5
Nicaragua	4.8	4.9	4.7	4.3	4.2	4.2
Panama	6.1	5.8	4.9	5.2	5.4	5.8
Paraguay	4.7	3.0	4.1	3.6	3.8	3.8
Peru	2.4	3.3	3.9	2.8	3.8	3.6
St. Lucia	0.5	1.6	0.8	0.5	0.7	0.7
St. Vincent and the Grenadines	-0.5	2.1	1.8	2.5	2.8	2.9
Suriname	0.4	-2.7	-10.4	0.9	2.2	1.2
Trinidad and Tobago	-0.6	-0.6	-5.1	0.3	3.4	3.3
Uruguay	3.2	0.4	1.5	1.6	2.4	3.4
Venezuela, RB	-3.9	-8.2	-12.0	-7.7	-1.2	0.7

Source: World Bank.

World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

a. GDP is based on fiscal year, which runs from October to September of next year.

