

Recent developments: The **Latin America and Caribbean** region is estimated to have contracted 1.4 percent in 2016, the second consecutive year of recession and the first multi-year contraction in more than 30 years. The South America sub-region, home to major oil and metal exporters, shrank by 2.8 percent last year. Growth in Mexico and Central America was positive but slowed to 2.3 percent, while growth in the Caribbean economy slowed to 3.2 percent.

In addition to low commodity prices, domestic challenges in several of the largest economies in the region and slowing growth in major advanced economies also weighed down the region's economic activity. Argentina, which contracted an estimated 2.3 percent in 2016, and Brazil, which shrank 3.4 percent, implemented tighter policies and reforms to improve domestic macroeconomic conditions.

The launch of business-friendly and market-oriented reforms in Argentina and Brazil and Argentina's settlement with creditors were developments conducive to improved investor perception. Several countries in Latin America and the Caribbean experienced equity market turbulence and currency depreciation following U.S. elections, however.

Outlook: The region is projected to return to positive growth in 2017 and expand by 1.2 percent. Commodity prices are anticipated to stabilize and to gradually recover in the medium term, providing modest relief for regional commodity exporters.

South America is expected to emerge from recession in 2017. Brazil is projected to expand at a 0.5 percent pace on easing domestic constraints, while a rolling back of fiscal consolidation and strengthening investment is expected to support growth in Argentina, which is forecast to grow at a 2.7 percent pace this year. Colombia, which is forecast to grow at a 2.5 percent rate, and Ecuador, which is anticipated to contract by 2.9 percent, will continue to struggle with low fiscal revenues from depressed oil prices. República Bolivariana de Venezuela continues to suffer from severe economic imbalances and is forecast to shrink by 4.3 percent this year.

The outlook for Mexico and the Central American is relatively better than for South America, at 2.1 percent in 2017, although growth expectations have deteriorated since mid-2016. In Mexico, investment is anticipated to weaken in 2017, reflecting policy uncertainty in the United States, contributing to a modest deceleration in growth, to 1.8 percent. Private consumption in Mexico is expected to be more robust, however, helped by low inflation, low unemployment, rising real wages, and strong remittances. Weak currencies may give a competitive boost to the sub-region's exports, although global conditions are not conducive to robust international trade growth.

In the Caribbean, growth is expected to be broadly stable, at 3.1 percent. Growth in the Dominican Republic, the largest economy in the sub-region, is forecast to ease to 4.5 percent as government outlays slow after the completion of large construction projects.

Risks: Risks in the region are tilted to the downside. Policy changes in the United States and Euro Area such as restricting trade or migration could have sustained repercussions for the region. A slower-than-expected recovery in commodity prices would hurt the outlook for commodity exporters in the region. A reassessment of the pace of monetary policy tightening by the U.S. Federal Reserve could lead to swings in interest rates and capital flow fluctuations, which could hurt vulnerable economies.

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	-2.6	2.5	-2.3	2.7	3.2	3.2
Belize	4.1	2.9	-1.0	1.5	2.0	2.5
Bolivia	5.5	4.8	3.7	3.5	3.4	3.4
Brazil	0.5	-3.8	-3.4	0.5	1.8	2.2
Chile	1.9	2.3	1.6	2.0	2.3	2.5
Colombia	4.4	3.1	1.7	2.5	3.0	3.3
Costa Rica	3.0	3.7	4.3	3.9	3.7	3.7
Dominica	3.7	-2.5	1.3	2.8	2.7	2.7
Dominican Republic	7.6	7.0	6.8	4.5	4.2	4.0
Ecuador	4.0	0.2	-2.3	-2.9	-0.6	1.0
El Salvador	1.4	2.5	2.2	1.9	2.0	2.0
Guatemala	4.2	4.1	2.9	3.2	3.4	3.4
Guyana	3.8	3.2	2.6	3.8	3.9	4.1
Haiti^a	2.8	1.2	1.2	-0.6	1.5	2.0
Honduras	3.1	3.6	3.7	3.5	3.4	3.2
Jamaica	0.7	1.0	1.6	2.0	2.3	2.5
Mexico	2.3	2.6	2.0	1.8	2.5	2.8
Nicaragua	4.6	4.9	4.5	4.0	3.9	3.8
Panama	6.1	5.8	5.4	5.4	5.5	5.5
Paraguay	4.7	3.1	3.8	3.6	3.3	3.3
Peru	2.4	3.3	4.0	4.2	3.8	3.6
St. Lucia	-0.7	1.3	1.0	1.8	2.2	2.5
St. Vincent and the Grenadines	0.2	0.6	2.0	2.2	2.4	2.4
Suriname	0.4	-2.7	-7.0	0.5	1.1	1.3
Trinidad and Tobago	0.8	-1.8	-2.8	2.3	3.6	3.2
Uruguay	3.2	1.0	0.7	1.6	2.5	3.7
Venezuela, RB	-3.9	-5.7	-11.6	-4.3	0.5	1.0

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.