

January 2021

Recent developments: Latin America and the Caribbean has been severely affected by the COVID-19 pandemic, from both a health and an economic perspective. Five of the 10 emerging market and developing economies with the highest COVID-19 deaths per capita are in the region. The regional economy is estimated to have contracted by 6.9% last year as households and firms exhibited risk-averse behavior and pandemic control measures restricted activity in the formal sector.

Formal employment, hours worked, and labor income have dropped sharply. Women and youth, who are highly represented in industries most disrupted by the pandemic, such as hotels, restaurants, and personal services, have borne a disproportionate share of job losses, as have lower-income households. Lower incomes have contributed to food insecurity, exacerbated by food price inflation in some countries.

The volume of goods exports from the region dropped 8% year-on-year in the first three quarters of last year, while tourism arrivals halted, with Caribbean economies most exposed. Remittance inflows to some countries in the region grew more slowly than in previous years.

Outlook: Regional economic activity is projected to grow by 3.7% in 2021 as pandemic mitigation measures are relaxed, a vaccine is rolled out, key commodity prices firm, and external conditions improve. Nevertheless, the rebound will be muted and follows a decade of sluggish growth. In a downside scenario in which vaccine rollout is delayed, with knock-on economic effects, growth could be a more anemic 1.9%.

In Brazil, improving consumer confidence and benign credit conditions are expected to support a rebound in private consumption and investment, pushing 2021 growth to 3%. The services sector will recover more slowly than the industrial sector due to lingering risk aversion among consumers.

The projection of a rebound in Mexico is based mainly on a recovery in exports as the U.S. economy picks up and trade uncertainty fades after the United States-Mexico-Canada Agreement entered into force in mid-2020. Growth is forecast to recover to 3.7% this year.

Argentina's economy is forecast to grow by 4.9% in 2021, as a loosening of pandemic mitigation measures and fading uncertainty around debt restructuring support private consumption and investment. In Colombia, growth is projected to climb to 4.9%, underpinned by domestic demand.

In Central America, growth is expected to recover to 3.6% this year, supported by higher remittance inflows and more robust export demand, as well as reconstruction after two hurricanes. Growth in the Caribbean is anticipated to rebound to 4.5%, boosted by a partial recovery of tourism.

Risks: Risks to the outlook are weighted to the downside. Activity could be slowed by failure to contain the pandemic, strains related to debt and external financing, resurgence of social unrest, deeper-than-expected economic damage from the pandemic, and disruption related to climate change and natural disasters.

Deterioration of investor sentiment is a serious risk to the outlook. While fiscal stimulus has been needed to cushion the blow of the pandemic, fiscal space has largely been depleted and government debt has risen sharply. Creditworthiness has fallen across the region. The combination of entrenched inequality of opportunity, a worsening perception of government effectiveness, and rising poverty could reignite social unrest.

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World Bank Group COVID-19 Response

The [World Bank Group](#), one of the largest sources of funding and knowledge for developing countries, is taking [broad, fast action](#) to help developing countries strengthen their pandemic response. It is supporting public health interventions, working to ensure the flow of critical supplies and equipment, and helping the private sector continue to operate and sustain jobs.

The World Bank Group is making available up to \$160 billion over a 15-month period ending June 2021 to help more than 100 countries protect the poor and vulnerable, support businesses, and bolster economic recovery. This includes \$50 billion of new IDA resources through grants and highly concessional loans and [\\$12 billion for developing countries](#) to finance the purchase and distribution of COVID-19 vaccines.

Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

| | 2018 | 2019 | 2020e | 2021f | 2022f |
|---------------------------------------|------|------|-------|-------|-------|
| GDP at market prices (2010 US\$) | | | | | |
| Argentina | -2.6 | -2.1 | -10.6 | 4.9 | 1.9 |
| Belize | 2.1 | -2.0 | -20.3 | 6.9 | 2.2 |
| Bolivia | 4.2 | 2.2 | -6.7 | 3.9 | 3.5 |
| Brazil | 1.8 | 1.4 | -4.5 | 3.0 | 2.5 |
| Chile | 3.9 | 1.1 | -6.3 | 4.2 | 3.1 |
| Colombia | 2.5 | 3.3 | -7.5 | 4.9 | 4.3 |
| Costa Rica | 2.7 | 2.1 | -4.8 | 2.6 | 3.7 |
| Dominica | 0.5 | 8.6 | -10.0 | 1.0 | 3.0 |
| Dominican Republic | 7.0 | 5.0 | -6.7 | 4.8 | 4.5 |
| Ecuador | 1.3 | 0.1 | -9.5 | 3.5 | 1.3 |
| El Salvador | 2.4 | 2.4 | -7.2 | 4.6 | 3.1 |
| Grenada | 4.1 | 2.0 | -12.0 | 3.0 | 5.0 |
| Guatemala | 3.2 | 3.8 | -3.5 | 3.6 | 3.8 |
| Guyana | 4.4 | 5.4 | 23.2 | 7.8 | 3.6 |
| Haiti^a | 1.7 | -1.7 | -3.8 | 1.4 | 1.5 |
| Honduras | 3.7 | 2.7 | -9.7 | 3.8 | 3.9 |
| Jamaica | 1.9 | 0.9 | -9.0 | 4.0 | 2.0 |
| Mexico | 2.2 | -0.1 | -9.0 | 3.7 | 2.6 |
| Nicaragua | -4.0 | -3.9 | -6.0 | -0.9 | 1.2 |
| Panama | 3.7 | 3.0 | -8.1 | 5.1 | 3.5 |
| Paraguay | 3.2 | -0.4 | -1.1 | 3.3 | 4.0 |
| Peru | 4.0 | 2.2 | -12.0 | 7.6 | 4.5 |
| St. Lucia | 2.6 | 1.7 | -18.0 | 8.1 | 5.2 |
| St. Vincent and the Grenadines | 2.2 | 0.4 | -5.0 | 0.0 | 5.0 |
| Suriname | 2.6 | 0.3 | -13.1 | -1.9 | -1.5 |
| Uruguay | 1.6 | 0.2 | -4.3 | 3.4 | 3.2 |

Source: World Bank.

Note: e = estimate; f = forecast. 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. Due to lack of reliable data of adequate quality, the World Bank is currently not publishing economic output, income, or growth data for República Bolivariana de Venezuela, and República Bolivariana de Venezuela is excluded from cross-country macroeconomic