

June 2019

Recent developments: Growth in Latin America and the Caribbean is expected to be a subdued 1.7% in 2019, reflecting challenging conditions in several of the largest economies in the region. In Brazil, although labor market and credit conditions have eased, activity indicators remain sluggish. Chile and Mexico are both experiencing slowdowns, and the Argentine economy continues to contract. Recent data for Colombia, however, indicates a solid expansion.

Trade in the region continues to expand, although export orders have decelerated in some large economies in recent months, consistent with weakening global trade growth. Activity in the services sector has been supportive of growth, in contrast with the industrial sector. Financing conditions have eased, and remittances to the region have been robust, a reflection of the strong U.S. labor market. With the exception of Argentina and Venezuela, inflation has been moderate.

Outlook: Regional growth is projected to pick up to 2.5% in 2020, helped by a rebound in fixed investment after an extended period of weakness. Net exports are projected to subtract slightly from growth in 2020 and 2021, as external demand weakens and import demand strengthens. Stable commodity prices after a period of volatility are also anticipated to contribute to a steadier growth path for the region.

In Brazil, a weak cyclical recovery is expected to gain traction, with growth rising to 2.5% next year from 1.5% in 2019. Argentina is projected to revert to positive growth in 2020 after two years of contraction, as the effects of financial market pressures ease. Growth in Mexico is expected to accelerate moderately in 2020 to 2%, as policy uncertainty fades. Growth in Colombia, as well, is projected to rise in 2020, to 3.5%, reflecting a pickup in investment growth, while growth in Chile is anticipated to ease to 3.1% next year, dampened by slowing export demand and planned fiscal tightening.

In Central America, growth is projected to accelerate moderately to 3.4% in 2020 from 3.1% this year. In the Caribbean, growth is anticipated to pick up to 4.1% in 2020, boosted by rapid development of the offshore oil industry in Guyana. Growth in the Dominican Republic, the largest economy in the Caribbean, is expected to be broadly stable in 2020, at 5%, albeit as growth in the industrial and services sectors moderates slightly.

Risks: Risks to the regional outlook are predominantly tilted to the downside and come from both external and domestic sources. A further escalation of trade restrictions between major economies could weigh on exports and investment. The U.S. economic slowdown could be sharper than expected. A deeper-than-anticipated deceleration in China, which is the largest export destination for Brazil, Chile, Peru, and Uruguay, could also pose a risk. Government debt levels have risen steadily in much of the region, posing a risk should borrowing costs rise suddenly. Sovereign credit ratings for Argentina, Costa Rica, and Nicaragua have been downgraded since late 2018.

The worsening crisis in Venezuela stands to have growing fiscal and social impacts on the region. Disruptions due to climate change and natural disasters are persistent sources of risk to the regional outlook.

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Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

	2016	2017	2018e	2019f	2020f	2021f
GDP at market prices (2010 US\$)						
Argentina	-2.1	2.7	-2.5	-1.2	2.2	3.2
Belize	-0.6	1.4	3.0	2.3	2.1	1.9
Bolivia	4.3	4.2	4.2	4.0	3.6	3.4
Brazil	-3.3	1.1	1.1	1.5	2.5	2.3
Chile	1.7	1.3	4.0	3.5	3.1	3.0
Colombia	2.1	1.4	2.6	3.5	3.7	3.7
Costa Rica	4.2	3.4	2.7	3.0	3.1	3.4
Dominican Republic	6.6	4.6	7.0	5.2	5.0	5.0
Ecuador	-1.2	2.4	1.4	0.0	0.4	0.8
El Salvador	2.5	2.3	2.5	2.6	2.5	2.4
Grenada	3.7	5.1	5.2	3.9	3.7	3.7
Guatemala	3.1	2.8	3.1	3.3	2.7	3.0
Guyana	3.4	2.1	4.1	4.6	33.5	22.9
Haiti^a	1.5	1.2	1.5	0.4	1.6	1.3
Honduras	3.9	4.8	3.7	3.6	3.8	3.9
Jamaica	1.4	1.0	1.9	1.6	1.7	1.9
Mexico	2.9	2.1	2.0	1.7	2.0	2.4
Nicaragua	4.6	4.7	-3.8	-5.0	1.1	1.3
Panama	5.0	5.3	3.7	5.0	5.4	5.2
Paraguay	4.3	5.0	3.6	3.3	4.0	4.0
Peru	4.0	2.5	4.0	3.8	3.9	4.0
St. Lucia	3.9	3.7	1.5	3.4	3.5	2.4
St. Vincent and the Grenadines	1.3	0.7	2.0	2.1	2.3	2.3
Suriname	-5.6	1.4	2.0	2.0	2.1	2.1
Trinidad and Tobago	-6.5	-1.9	0.7	0.9	1.5	2.1
Uruguay	1.7	2.6	1.6	1.5	2.3	2.5

Source: World Bank.

Notes: 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 data, the World Bank has ceased producing a growth forecast for Venezuela and has removed Venezuela from all growth aggregates in which it was previously included.

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

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