January 2019

Recent developments: Growth in Latin America and the Caribbean stalled at a subdued 0.6 percent in 2018, reflecting softening global trade and tighter external financing conditions. Developments in Brazil, Argentina and Venezuela hindered regional growth. Growth moderated in Central America and strengthened in almost all Caribbean economies amid rebuilding after the severe 2017 hurricane season.

A second-half bounce back allowed growth in Brazil to accelerate slightly in 2018, to an estimated 1.2 percent. Argentina's currency crisis, associated sharp tightening of monetary and fiscal policies, and a severe drought led to an estimated 2.8 percent contraction. Venezuela's collapse continued as that nation's economy shrank 18 percent in the year just ended.

Growth in Chile and Peru accelerated to an estimated 3.9 percent rate in 2018, in part reflecting favorable base effects. Rising oil prices helped support a pickup in growth in Colombia to 2.7 percent. At the same time, higher oil prices inhibited growth in Central America in 2018.

Nearly all economies in the region that have floating exchange rates – in particular, Argentina, Brazil, Chile, and Uruguay – have experienced nominal depreciation against the U.S. dollar.

Outlook: Regional growth is projected to pick up to a 1.7 percent pace this year, supported mainly by private consumption. Investment growth is anticipated to accelerate but slowing global trade will limit export growth.

Brazil is forecast to expand 2.2 percent, assuming fiscal reforms are quickly put in place, and that a recovery of consumption and investment will outweigh cutbacks to government spending. Policy uncertainty in Mexico is expected to keep growth at a moderate 2.0 percent, despite the fall in trade-related uncertainty following the announcement of the U.S.-Mexico-Canada Agreement. Argentina is forecast to contract by 1.7 percent as deep fiscal consolidation leads to a loss of employment and reduced consumption and investment.

Activity in Colombia is forecast to accelerate to 3.3 percent. Growth in Chile is anticipated to moderate to 3.5 percent. Peru's expansion is expected to ease to 3.8 percent.

Per capita GDP is expected to accelerate and outpace per capita growth in advanced economies beginning in 2020 after six years of stalled convergence.

Risks: Risks to the regional outlook are tilted to the downside. Tightening global financing conditions are a concern for countries with large current account deficits or reliance on capital inflows, including Argentina, Bolivia, and several Caribbean countries. Countries with a high external debt load, including Jamaica, Nicaragua, and Venezuela, would also be at risk from a sudden shift in investor sentiment toward emerging market and developing economies, as would countries with sizable foreign-currency denominated debt, such as Costa Rica, Honduras, and Nicaragua. Trade tensions are another substantial external risk. Rising trade tensions between the United States and China may dampen regional growth in the medium term through export, confidence, and commodity market channels.

Within the region, a larger-than-expected contraction in Argentina could spill over to the rest of the region through trade and financial flows. Continued outward migration from Venezuela could also have adverse impact on the rest of the region. Poor fiscal conditions could have negative repercussions for debt sustainability and market confidence. The region further remains highly vulnerable to natural disasters and extreme weather.

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	-1.8	2.9	-2.8	-1.7	2.7	3.1
Belize	-0.5	1.2	1.5	1.9	1.7	1.7
Bolivia	4.3	4.2	4.5	4.3	3.8	3.4
Brazil	-3.3	1.1	1.2	2.2	2.4	2.4
Chile	1.3	1.5	3.9	3.5	3.3	3.2
Colombia	2.0	1.8	2.7	3.3	3.7	3.6
Costa Rica	4.2	3.3	2.7	2.7	2.8	3.0
Dominican Republic	6.6	4.6	5.8	5.1	5.0	4.8
Ecuador	-1.2	2.4	1.0	0.7	0.7	1.2
El Salvador	2.6	2.3	2.8	2.5	2.4	2.4
Grenada	3.7	5.1	5.2	4.2	2.8	2.8
Guatemala	3.1	2.8	2.7	2.9	3.0	3.1
Guyana	2.6	2.1	3.4	4.6	30.0	24.8
Haiti[a]	1.5	1.2	1.6	2.3	2.4	2.5
Honduras	3.8	4.8	3.6	3.8	3.8	3.7
Jamaica	1.4	1.0	1.7	1.8	2.0	2.0
Mexico	2.9	2.1	2.1	2.0	2.4	2.4
Nicaragua	4.7	4.9	-3.8	-0.5	2.6	3.6
Panama	5.0	5.3	4.0	6.0	5.4	5.2
Paraguay	4.3	5.0	4.0	3.9	4.0	4.0
Peru	4.0	2.5	3.9	3.8	3.8	3.7
St. Lucia	3.4	3.8	1.5	2.7	2.8	2.3
St. Vincent and the Grenadines	1.3	0.5	1.2	1.6	1.6	2.0
Suriname	-5.6	1.7	1.4	1.6	1.8	1.9
Trinidad and Tobago	-6.1	-2.6	1.0	0.9	1.2	1.2
Uruguay	1.7	2.7	2.1	2.1	2.3	2.5
Venezuela	-16.5	-14.5	-18.0	-8.0	-5.0	-4.0

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

Download this data