Recent developments: Economic growth in the Latin America and the Caribbean region is accelerating, driven by generally favorable domestic and external financing conditions, stronger growth in the United States, and higher commodity prices. Private consumption has strengthened in the first half of 2018, helped by interest rate cuts and supportive labor market conditions. Regional investment is recovering after a deep contraction, and increased exports have contributed to a narrowing of current account deficits in Brazil and Mexico, among other economies in the region.

In Brazil, Argentina and Chile, three of the region's largest commodity exporters, industrial production growth was considerably higher in the first quarter of 2018 relative to a year before, and retail sales growth was higher in Brazil and Chile, supporting economic activity. However, drought disrupted agricultural production in Argentina.

In Mexico, trade has supported growth, and investment is rebounding after a contraction last year, but sluggish retail sales and subdued consumer confidence suggest moderating private consumption. In the Caribbean, strong external demand is benefiting services-exporting economies, and tourist arrivals reached an all-time high last year, despite recent extreme weather.

Outlook: Growth in the region is projected to accelerate to a downwardly revised 1.7 percent in 2018 and to 2.3 percent in 2019, spurred by private consumption and investment. The forecast downgrade is due to a much stronger contraction in Venezuela than projected in January, as well as slower growth in Argentina. Improvements in the regional labor market and rising household borrowing in some large economies are anticipated to spur accelerated private consumption.

Growth is expected to pick up among most large commodity exporters, primarily reflecting upward momentum in private consumption. The cyclical recovery underway in Brazil is projected to continue, with growth forecast to be above 2 percent this year and in 2019. Growth in Chile, Colombia, and Peru is also expected to accelerate in 2018 and 2019. Growth in Argentina, however, is anticipated to slow to 1.7 percent this year as monetary and fiscal tightening and the effects of the drought dampen growth, and to remain subdued next year, at 1.8 percent.

In Mexico, rising investment is expected to support moderately stronger growth of 2.3 percent in 2018 and 2.5 percent in 2019. Growth in Central American agricultural exporters including Costa Rica and Guatemala is expected to pick up in 2018 and 2019, while growth among the commodity importers of that sub-region is expected to stabilize or decelerate. Economies of the Caribbean are forecast to see a lift to growth in 2018 from post-hurricane reconstruction, tourism, and supportive commodity prices and to be boosted by rapid oil industry development in Guyana in 2020.

Risks: Risks to the outlook are predominantly to the downside. An abrupt tightening of financing conditions or a change investor sentiment toward developing economies as advanced economies unwind monetary policy accommodation, such as Argentina's recent experience, could hamper capital inflows and growth in the region. Adverse outcomes of the renegotiation of the North American Free Trade Agreement could hold back growth in Mexico, while increased trade protectionism by the United States and China could have negative effects for Latin America and the Caribbean.

A key domestic downside risk is the escalation of policy uncertainty as Brazil and Mexico hold presidential and legislative elections in the second half of the year; delays to key reforms could cool investor sentiment and derail the recovery in investment. The region is particularly vulnerable to extreme weather events.

Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

	2015	2016	2017e	2018f	2019f	2020f
GDP at market prices (2010 US$)						
Argentina	2.7	-1.8	2.9	1.7	1.8	2.8
Belize	3.8	-0.5	1.2	2.0	1.9	1.7
Bolivia	4.9	4.3	4.2	3.9	3.6	3.4
Brazil	-3.5	-3.5	1.0	2.4	2.5	2.4
Chile	2.3	1.3	1.5	3.3	3.4	3.5
Colombia	3.0	2.0	1.8	2.7	3.3	3.6
Costa Rica	3.6	4.2	3.2	3.4	3.6	3.6
Dominican Republic	7.0	6.6	4.6	5.0	4.7	4.6
Ecuador	0.1	-1.6	3.0	2.2	1.5	0.9
El Salvador	2.4	2.6	2.3	2.3	2.2	2.2
Grenada	6.4	3.7	4.5	3.3	2.8	2.8
Guatemala	4.1	3.1	2.8	3.1	3.3	3.3
Guyana	3.1	3.4	2.1	3.8	3.8	29.0
Haiti[a]	1.2	1.5	1.2	1.8	2.4	2.4
Honduras	3.8	3.8	4.8	3.5	3.6	3.8
Jamaica	0.9	1.4	0.5	1.7	1.9	2.0
Mexico	3.3	2.9	2.0	2.3	2.5	2.7
Nicaragua	4.8	4.7	4.9	4.7	4.5	4.4
Panama	5.6	5.0	5.4	5.6	5.6	5.6
Paraguay	3.0	4.0	4.3	4.3	4.2	4.2
Peru	3.3	4.0	2.5	3.5	3.8	3.8
St. Lucia	2.0	0.9	2.1	2.8	2.3	2.3
St. Vincent and the Grenadines	1.4	1.9	1.0	2.1	2.5	2.7
Suriname	-2.6	-5.1	0.1	1.1	1.7	2.1
Trinidad and Tobago	1.5	-6.0	-2.3	1.6	1.9	1.2
Uruguay	0.4	1.7	2.7	3.3	3.1	2.9
Venezuela, RB	-6.0	-16.5	-14.5	-14.3	-7.0	-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.

Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

	2015	2016	2017e	2018f	2019f	2020f
GDP at market prices (2010 US$)						
Argentina	2.7	-1.8	2.9	1.7	1.8	2.8
Belize	3.8	-0.5	0.9	2.0	1.9	1.7
Bolivia	4.9	4.3	4.2	3.9	3.6	3.4
Brazil	-3.5	-3.5	1.0	2.4	2.5	2.4
Chile	2.3	1.3	1.5	3.3	3.4	3.5
Colombia	3.0	2.0	1.8	2.7	3.3	3.6
Costa Rica	3.6	4.2	3.2	3.4	3.6	3.6
Dominican Republic	7.0	6.6	4.6	5.0	4.7	4.6
Ecuador	0.1	-1.6	3.0	2.2	1.5	0.9
El Salvador	2.4	2.6	2.3	2.3	2.2	2.2
Grenada	6.4	3.7	4.5	3.3	2.8	2.8
Guatemala	4.1	3.1	2.8	3.1	3.3	3.3
Guyana	3.1	3.4	2.1	3.8	3.8	29.0
Haiti[a]	1.2	1.5	1.2	1.8	2.4	2.4
Honduras	3.8	3.8	4.8	3.5	3.6	3.8
Jamaica	0.9	1.4	0.5	1.7	1.9	2.0
Mexico	3.3	2.9	2.0	2.3	2.5	2.7
Nicaragua	4.8	4.7	4.9	4.7	4.5	4.4
Panama	5.6	5.0	5.4	5.6	5.6	5.6
Paraguay	3.0	4.0	4.3	4.3	4.2	4.2
Peru	3.3	4.0	2.5	3.5	3.8	3.8
St. Lucia	2.0	0.9	2.1	2.8	2.3	2.3
St. Vincent and the Grenadines	1.4	1.9	1.0	2.1	2.5	2.7
Suriname	-2.6	-5.1	0.1	1.1	1.7	2.1
Trinidad and Tobago	1.5	-6.0	-2.3	1.6	1.9	1.2
Uruguay	0.4	1.7	2.7	3.3	3.1	2.9
Venezuela, RB	-6.0	-16.5	-14.5	-14.3	-7.0	-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.