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Recent developments: Growth in Latin America and the Caribbean decelerated markedly in 2019 to an estimated 0.8%. The slowdown was broad-based across economies and sectors. All three of the largest economies in the region—Brazil, Mexico, and Argentina—grew significantly less than projected due to idiosyncratic factors. Export growth in the region slowed as global trade activity decelerated.

The slowdown also reflects the emergence, in late 2019, of social unrest in Bolivia, Chile, and Ecuador. Economic and social conditions in Venezuela continue to be dire. Bouts of severe financial stress in Argentina since early 2018 have affected neighboring countries, including through trade and remittance channels.

At the same time, several major policy developments have occurred in the region. There was progress toward ratification of the U.S.-Mexico-Canada Agreement. Brazil passed a long-awaited pension reform. Mercosur (Argentina, Brazil, Paraguay, and Uruguay) reached a trade agreement (yet to be ratified) with the European Union in June 2019 that had been two decades in the making.

Outlook: Regional growth is expected to rise to a still subdued 1.8% in 2020, as growth in the largest economies strengthens and domestic demand picks up at the regional level. The outlook is contingent on faster private consumption and investment growth. In Brazil, a boost to investor confidence following progress on major reforms, a moderate easing of lending conditions, and a gradual improvement in labor market conditions are anticipated to support a pickup in investment and private consumption, helping push growth up to 2%.

Growth in Mexico is seen rising to 1.2% as investment picks up, while Argentina's economy is anticipated to contract to a more modest 1.3% as private consumption and investment recede more gradually. In Colombia, accelerating investment, as planned infrastructure projects are actualized, is forecast to support a rise in growth to 3.6%.

In Central America growth is projected to firm to 3% thanks to easing credit conditions in Costa Rica and relief from setbacks to construction projects in Panama. Growth in the Caribbean is expected to accelerate to 5.6%, predominantly due to offshore oil production developments in Guyana, and despite slightly moderating growth in the Dominican Republic.

Risks: The region continues to face predominantly downside risks to growth. External risks, particularly those linked to trade and finance, are elevated. A further growth slowdown in China, should the bilateral U.S.-China trade dispute re-escalate, could expose the region to additional negative spillovers through trade, commodity price, and confidence channels. This risk is particularly acute for countries heavily reliant on China as an export destination, such as Brazil, Chile, Peru, and Uruguay. Likewise, sluggish U.S. growth could be a greater-than-expected hindrance for Mexico and other countries reliant on the United States. Adverse market responses to domestic conditions, including weak fiscal sustainability, could dent capital inflows and investment.

Social tensions in the region could be more prolonged or widespread than expected, with negative economic repercussions. Disruptions related to natural disasters and climate-related events are a persistent downside risk for the region.

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Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

	2017	2018	2019e	2020f	2021f	2022f
GDP at market prices (2010 US\$)						
Argentina	2.7	-2.5	-3.1	-1.3	1.4	2.3
Belize	1.9	2.1	2.7	2.1	1.8	1.8
Bolivia	4.2	4.2	2.2	3.0	3.2	3.4
Brazil	1.3	1.3	1.1	2.0	2.5	2.4
Chile	1.3	4.0	1.3	2.5	3.0	3.0
Colombia	1.4	2.6	3.3	3.6	3.9	3.9
Costa Rica	3.4	2.6	2.0	2.5	3.0	3.2
Dominican Republic	4.7	7.0	5.3	5.0	5.0	5.0
Ecuador	2.4	1.4	-0.3	0.2	0.8	1.2
El Salvador	2.3	2.5	2.4	2.5	2.5	2.5
Grenada	4.4	4.2	3.5	2.9	2.9	3.2
Guatemala	2.8	3.1	3.4	3.0	3.2	3.2
Guyana	2.1	4.1	4.5	86.7	10.5	14.6
Haiti^a	1.2	1.5	-0.9	-1.4	-0.5	1.4
Honduras	4.8	3.7	3.3	3.5	3.5	3.5
Jamaica	1.0	1.9	1.0	1.1	1.2	2.0
Mexico	2.1	2.1	0.0	1.2	1.8	2.3
Nicaragua	4.7	-3.8	-5.0	-0.5	0.6	1.0
Panama	5.6	3.7	3.5	4.2	4.6	4.8
Paraguay	5.0	3.7	0.7	3.1	3.9	3.8
Peru	2.5	4.0	2.6	3.2	3.5	3.6
St. Lucia	2.6	0.9	1.8	3.2	3.0	2.4
St. Vincent and the Grenadines	1.0	2.2	2.3	2.3	2.3	2.3
Suriname	1.8	2.6	2.2	2.5	2.1	2.1
Uruguay	2.6	1.6	0.5	2.5	3.5	3.2

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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