

**Recent developments:** Challenging global conditions are weighing on growth in Latin America and the Caribbean (LAC). The war in Ukraine is having substantial effects on the region via higher commodity prices and weaker global growth. Export earnings and fiscal positions in some regional commodity-exporters are benefitting, but positive economic effects are outweighed by rising consumer prices, weaker sentiment, and increasing domestic and global interest rates.

Inflation has risen far above central bank targets in many LAC countries, squeezing households. Broad measures of inflation, as well as food and fuel prices, have accelerated rapidly. In response, monetary authorities have raised policy interest rates significantly and signaled further increases to come. Financial markets in LAC showed resilience early in the year, but financial conditions tightened markedly in April. COVID-19 has remained contained in the region since the Omicron wave passed, but pandemic-related global supply bottlenecks continue to disrupt regional manufacturing.

**Outlook:** Growth in the region is expected to slow sharply to 2.5 percent in 2022, following a post-pandemic rebound of 6.7 percent in 2021. Growth is set to decelerate further in 2023, to just 1.9 percent, before picking up slightly to 2.4 percent in 2024. The regional slowdown reflects tightening financial conditions, weakening external demand growth, rapid inflation, and high policy uncertainty in some countries. Region-wide per capita GDP is set to increase a mere 0.6 percent between 2019 and 2023.

Prices of key LAC exports are expected to be substantially higher in 2022 but benefits to growth will be curbed by a sluggish production response for some commodities, and by surging costs for inputs including energy and fertilizer. Fiscal and monetary policies are expected to broadly lean against near-term growth, as monetary authorities tighten policy to combat inflation and the withdrawal of pandemic-related fiscal support continues.

Brazil's economy is projected to grow 1.5 percent in 2022. A solid start to the year is expected to wane due to double-digit inflation and stalling investment. Growth is forecast to slow markedly, to just 0.8 percent, in 2023. Mexico's economy is expected to expand 1.7 percent in 2022 and 1.9 percent in 2023, as tighter monetary policy, high inflation, policy uncertainty and slowing U.S. growth take a toll. Argentina is projected to grow 4.5 percent in 2022, but with inflation accelerating, macroeconomic stability remains elusive. Growth is expected to slow sharply in Chile and Colombia as rapid post-pandemic recoveries give way to policy tightening. In Peru, rising mining output should support growth, but uncertainty will weigh on investment.

Central America's economy is forecast to expand 3.9 percent in 2022 and 3.5 percent in 2023. This moderate slowdown tracks activity in the US, the main source of export demand and remittances. Growth in the Caribbean is projected at 6.9 percent in 2022 and 6.5 percent in 2023, helped by recovering tourism.

**Risks:** Risks to the outlook are to the downside. They include spillovers to the region from weaker global growth, increased food insecurity and social unrest, continued higher-than-forecast inflation and financial stress.

Slower-than-expected growth in major LAC trading partners would weaken the regional outlook further. Global fertilizer shortages linked to the Ukraine war could exacerbate food price increases, prompting social unrest. Inflation could remain far above central bank targets, necessitating further rapid monetary tightening, which could precipitate an even sharper regional slowdown. Further, in a context of slow growth and rising U.S. interest rates, financial stress could take hold in some economies of the region, especially if policymakers are unable to credibly commit to reforms to sustainably boost growth.

## Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f	2024f
GDP at market prices (average 2010-19 US\$)						
<b>Argentina</b>	-2.0	-9.9	10.3	4.5	2.5	2.5
<b>Bahamas, The</b>	0.7	-14.5	5.6	6.0	4.1	3.0
<b>Barbados</b>	-1.3	-13.7	1.4	11.2	4.9	3.0
<b>Belize</b>	2.0	-16.7	9.8	5.7	3.4	2.0
<b>Bolivia</b>	2.2	-8.7	6.1	3.9	2.8	2.7
<b>Brazil</b>	1.2	-3.9	4.6	1.5	0.8	2.0
<b>Chile</b>	0.8	-6.0	11.7	1.7	0.8	2.0
<b>Colombia</b>	3.2	-7.0	10.6	5.4	3.2	3.3
<b>Costa Rica</b>	2.4	-4.1	7.6	3.4	3.2	3.2
<b>Dominica</b>	5.5	-11.0	3.7	6.8	5.0	4.6
<b>Dominican Republic</b>	5.1	-6.7	12.3	5.0	5.0	5.0
<b>Ecuador</b>	0.0	-7.8	4.4	3.7	3.1	2.9
<b>El Salvador</b>	2.6	-8.0	10.7	2.7	1.9	2.0
<b>Grenada</b>	0.7	-13.8	5.3	3.8	3.4	3.1
<b>Guatemala</b>	4.0	-1.8	8.0	3.4	3.4	3.5
<b>Guyana</b>	5.4	43.5	19.9	47.9	34.3	3.8
<b>Haiti<sup>a</sup></b>	-1.7	-3.3	-1.8	-0.4	1.4	2.0
<b>Honduras</b>	2.7	-9.0	12.5	3.1	3.6	3.7
<b>Jamaica</b>	0.9	-10.0	4.6	3.2	2.3	1.2
<b>Mexico</b>	-0.2	-8.2	4.8	1.7	1.9	2.0
<b>Nicaragua</b>	-3.8	-1.8	10.3	2.9	2.3	2.5
<b>Panama</b>	3.0	-17.9	15.3	6.3	5.0	5.0
<b>Paraguay</b>	-0.4	-0.8	4.2	0.7	4.7	3.8
<b>Peru</b>	2.2	-11.0	13.3	3.1	2.9	3.0
<b>St. Lucia</b>	-0.1	-20.4	6.6	6.4	5.2	3.3
<b>St. Vincent and the Grenadines</b>	0.4	-5.3	-2.8	3.7	6.4	3.2
<b>Suriname</b>	1.1	-15.9	-3.5	1.8	2.1	2.7
<b>Uruguay</b>	0.4	-6.1	4.4	3.3	2.6	2.5

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. The World Bank is currently not publishing economic output, income, or growth data for República Bolivariana de Venezuela owing to a lack of reliable data of adequate quality. República Bolivariana de Venezuela is excluded from cross-country macroeconomic aggregates.

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