

Recent developments: Growth in Latin America and the Caribbean region (LAC) rebounded to an estimated 6.7 percent in 2021, driven by favorable external conditions and pandemic-related developments. Region-wide new COVID-19 cases dropped sharply in the second half of the year, before surging in late December, even as the vaccination rollout progressed. Strong demand in key export destinations (the United States and China), high commodity prices, and continued high remittances to Central American and Caribbean countries were also supportive of growth in 2021.

Inflation has risen across the region, exceeding central banks' targets in most cases. The increase is attributed to firming demand associated with economic reopening, rising food and energy prices, weather-related electricity production disruptions, and, in some countries, currency depreciation and large increases in money supply.

Several countries—including Brazil, Chile, and Paraguay—are suffering their worst droughts in decades, requiring a switch to more costly fossil fuels to produce electricity typically generated by hydropower.

Outlook: Regional growth is projected to soften, to 2.6 percent in 2022 and 2.7 percent in 2023, as fiscal and monetary policy is tightened, improvements in labor market conditions continue to be sluggish, and external conditions become less supportive.

The recovery to pre-pandemic levels of GDP will be uneven across the region, and prolonged in some countries. The projections through 2023 imply that on a GDP-weighted basis, LAC will lose ground in per capita income relative not only to advanced economies, but also to the East Asia and Pacific region and the Europe and Central Asia region.

Brazil's economy is projected to slow to 1.4 percent in 2022—owing to weak investor sentiment, erosion of purchasing power by high inflation, macroeconomic policy tightening, slowing demand from China, and falling iron ore prices—before rebounding to 2.7 percent in 2023. Mexico's economy is forecast to soften to 3 percent in 2022 and 2.2 percent in 2023. Supply chain bottlenecks are expected to linger into the first half of 2022, while external demand will be limited by slowing growth in the United States and macroeconomic policy is tightened. Growth in Argentina is projected to slow to 2.6 percent in 2022 as private consumption slows on account of a drawdown of fiscal stimulus and investment fades, although carry-over from strong growth in 2021 underpinned a forecast upgrade for 2022. Strong cyclical rebounds in Chile, Colombia, and Peru in 2021 will soften in 2022 and again in 2023.

In Central America, growth will remain robust in 2022, at 4.7 percent, owing to an improved outlook for COVID-19 vaccinations and continued robust remittance inflows. Growth in most Caribbean countries is projected to accelerate in 2022, on account of the expected timing of the recovery in international tourist arrivals.

Risks: The outlook is subject to several downside risks. These include spikes in COVID-19 cases, financing and debt-related stress, and disruptions from extreme weather events and natural disasters.

The durability of economic recovery in LAC, as elsewhere, depends on the control of the pandemic. COVID-19 outbreaks, including those triggered by new variants of the virus, remains a downside risk even in countries with high vaccination rates. A sudden deterioration of investor sentiment, especially in an environment of elevated inflation and high government debt, could trigger debt servicing challenges and bouts of capital outflows. Economic disruptions related to extreme weather, partly related to climate change, and other natural disasters pose a significant risk not only for the regional growth outlook but also for the lives and livelihoods of people living in the region.

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Latin America and the Caribbean Country Forecasts
(Annual percent change unless indicated otherwise)

	2019	2020	2021e	2022f	2023f
GDP at market prices (average 2010-19 US\$)					
Argentina	-2.0	-9.9	10.0	2.6	2.1
Bahamas, The	0.7	-14.5	2.0	8.0	4.0
Barbados	-1.3	-18.0	3.3	8.5	4.8
Belize	1.8	-16.8	9.0	4.0	1.8
Bolivia	2.2	-8.8	5.5	3.5	2.7
Brazil	1.2	-3.9	4.9	1.4	2.7
Chile	0.9	-5.8	11.8	2.2	1.8
Colombia	3.3	-6.8	9.9	4.1	3.5
Costa Rica	2.3	-4.1	5.0	3.5	3.2
Dominica	3.5	-11.0	3.4	8.1	5.9
Dominican Republic	5.1	-6.8	10.8	5.0	5.0
Ecuador	0.0	-7.8	3.9	3.1	2.5
El Salvador	2.6	-7.9	8.0	4.0	2.5
Grenada	0.7	-13.7	3.0	4.4	3.8
Guatemala	3.9	-1.5	7.6	3.9	3.5
Guyana	5.4	43.5	21.2	49.7	25.0
Haiti^a	-1.7	-3.3	-0.8	0.0	1.5
Honduras	2.7	-9.0	4.7	4.4	3.8
Jamaica	0.9	-10.0	4.3	3.0	2.0
Mexico	-0.2	-8.2	5.7	3.0	2.2
Nicaragua	-3.7	-2.0	5.5	3.0	2.5
Panama	3.0	-17.9	9.9	7.8	5.0
Paraguay	-0.4	-0.8	4.3	4.0	3.9
Peru	2.2	-11.1	13.2	3.2	3.0
St. Lucia	-0.1	-20.4	5.2	9.6	7.1
St. Vincent and the Grenadines	0.5	-3.0	-6.1	8.3	6.1
Suriname	1.1	-15.9	-3.5	1.8	2.1
Uruguay	0.4	-5.9	3.4	3.1	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.