IMF Forecasts Stronger Recovery for Latin America and the Caribbean

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April 20, 2018

Cars and taxis pass by the Palacio de Hierro, a shopping mall in Mexico City, Mexico: economic activity in the region is picking up (photo: benedek/iStock).

Economic recovery in Latin America and the Caribbean is gaining strength, but more reforms are needed to boost growth that is more sustainable and inclusive.

Growth for the region’s economies is projected to increase from 1.3 percent in 2017 to 2.0 percent in 2018, according to the IMF’s latest World Economic Outlook report released earlier this week.

Looking ahead, activity is expected to pick up further momentum and at a higher pace than previously anticipated. Growth for 2019 is projected to increase to 2.8 percent—which is a 0.4 percentage point upward revision relative to the October 2017 WEO report. The projected pickup in regional growth reflects stronger demand at home and a supportive external environment, including the improved prospects for commodity exporters due to a partial rebound in commodity prices—all positive developments after three years of weak economic activity in the region.
But many challenges lie ahead. Risks to the region’s outlook reflect both internal factors, such as political uncertainty due to upcoming elections in many countries, as well as heightened external risks—notably, a shift towards more protectionist policies and a sudden tightening of global financial conditions. Finally, longer-term growth prospects for Latin America and the Caribbean remain subdued, suggesting limited convergence “or catching up” with advanced economies in terms of per capita income.

In a press conference held during the 2018 IMF-World Bank Spring Meetings, IMF Director of the Western Hemisphere Department Alejandro Werner talks about the key challenges for the economies of Latin America and the Caribbean going forward. The Director also highlights policy priorities to help the region’s policymakers tackle inequality and boost longer-term growth prospects.

For a more comprehensive analysis of these issues and a closer look at the recent economic developments and prospects for the countries of Latin America and the Caribbean, stay tuned for our upcoming *Regional Economic Outlook*, which will be released on May 11, 2018.