



Latin America's Slowdown to Bottom Out in 2016

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Economic activity in Latin America and the Caribbean is expected to bottom out in 2016, before making a modest recovery next year. While weak external demand and persistently low commodity prices continue to weigh on the regional outlook, favorable domestic developments will be key for improved growth outcomes in stressed economies going forward.

According to the IMF's latest projections for the region, GDP is expected to contract by 0.6 percent in 2016 before recovering to 1.6 percent growth in 2017 (see table). Recurrent growth disappointments point to lower potential growth, underscoring the need for structural reforms to boost productive capacity. These will, however, take time to bear fruit. In the meantime, policies are needed to smoothen the adjustment. Exchange rate flexibility has served the region well and, with shifting global trends, should continue to serve as the first line of defense against adverse shocks. Moreover, given the success many central banks in the region have had in enabling inflation to return toward target ranges and in anchoring inflation expectations, and the sharp decline in neutral rates in major advanced economies, there is scope for monetary policy in many Latin American countries to be more accommodative, especially if downside risks materialize. At the same time, countries should use the improved global financial environment to rebuild their fiscal buffers while preserving critical capital expenditures and social outlays.

For details, read the latest [Regional Economic Outlook Update for the Western Hemisphere](#).

Latest growth projections
(real GDP growth, annual percent change)

	2014	2015	2016	2017
		Est.	Projections	
North America				
Canada	2.5	1.1	1.2	1.9
Mexico	2.2	2.5	2.1	2.3
United States	2.4	2.6	1.6	2.2
Puerto Rico	-1.4	0.0	-1.8	-1.4
South America				
Argentina	-2.5	2.5	-1.8	2.7
Bolivia	5.5	4.8	3.7	3.9
Brazil	0.1	-3.8	-3.3	0.5
Chile	1.8	2.3	1.7	2.0
Colombia	4.4	3.1	2.2	2.7
Ecuador	3.7	0.3	-2.3	-2.7
Guyana	3.8	3.2	4.0	4.1
Paraguay	4.7	3.1	3.5	3.6
Peru	2.4	3.3	3.7	4.1
Suriname	1.8	-0.3	-7.0	0.5
Uruguay	3.2	1.0	0.1	1.2
Venezuela	-3.9	-6.2	-10.0	-4.5
Central America				
Belize	4.1	1.0	0.0	2.6
Costa Rica	3.0	3.7	4.2	4.3
El Salvador	1.4	2.5	2.4	2.4
Guatemala	4.2	4.1	3.5	3.8
Honduras	3.1	3.6	3.6	3.7
Nicaragua	4.6	4.9	4.5	4.3
Panama	6.1	5.8	5.2	5.8
The Caribbean				
Antigua and Barbuda	4.2	2.2	2.0	2.4
The Bahamas	-0.5	-1.7	0.3	1.0
Barbados	0.2	0.9	1.7	1.7
Dominica	4.2	-1.8	1.5	2.9
Dominican Republic	7.3	7.0	5.9	4.5
Grenada	7.3	6.2	3.0	2.7
Haiti	2.8	1.2	1.5	3.2
Jamaica	0.5	0.9	1.5	2.0
St. Kitts and Nevis	6.1	5.0	3.5	3.5
St. Lucia	0.4	2.4	1.5	1.9
St. Vincent and the Grenadines	0.2	0.6	1.8	2.5
Trinidad and Tobago	-1.0	-2.1	-2.7	2.3
Latin America and the Caribbean	1.0	0.0	-0.6	1.6

Sources: IMF, World Economic Outlook database; and IMF staff calculations and projections.

Note: Regional aggregates are purchasing-power-parity GDP-weighted averages unless noted otherwise.