

**Latin America and the Caribbean to return to  
positive growth in 2017: UN report**

*The region's recovery will however be shallow amid persistent external and internal headwinds*

**Mexico, 17 January** – After contracting for two consecutive years, the economy of Latin America and the Caribbean is expected to return to positive growth in 2017, but significant external and internal headwinds will persist, according to the United Nations World Economic Situation and Prospects (WESP) 2017 Report released today.

The report shows that world gross product grew by just 2.2 per cent in 2016, marking the slowest pace of expansion since the Great Recession of 2009. Global growth is projected to improve moderately to 2.7 per cent in 2017 and 2.9 per cent in 2018, but this is more an indication of economic stabilization than a signal of a robust revival of global demand.

Against this backdrop, GDP in Latin America and the Caribbean is expected to grow by 1.3 per cent in 2017 and 2.1 per cent in 2018, following an estimated contraction of 1 per cent in 2016. The modest recovery is expected to be supported by a pickup in external demand, an increase in commodity prices, and some monetary easing in South America amid lower inflation.

**Economic prospects vary significantly by subregion**

South America's GDP contracted by an estimated 2.3 per cent in 2016 as the economies of Argentina, Brazil, Ecuador and the Bolivarian Republic of Venezuela experienced deep recessions. Growth in Chile and Colombia also slowed notably from 2015. Among the few bright spots in the subregion were the Plurinational State of Bolivia and Peru, which have largely defied the regional downturn due to robust private and government consumption.

South America is expected to see a mild economic recovery over the next two years. Growth is forecast at 0.9 per cent in 2017 and 2 per cent in 2018, with Argentina and Brazil, the subregion's largest economies, expected to emerge from recession. The recovery is, however, projected to be relatively shallow, especially in Brazil, as rising unemployment, continuing fiscal consolidation and growing indebtedness continue to weigh on domestic demand.

Average growth in Mexico and Central America is expected to remain modest, with GDP forecast to expand by 2.3 per cent in 2017 and 2.2 per cent in 2018 amid significant uncertainty. In the face of low oil prices, sluggish industrial production in the United States and tight monetary and fiscal policy, Mexico's economy has grown by only about 2 per cent in 2016. The outcome of the elections in the United States has further complicated Mexico's short- to medium-term outlook; with investment projected to decline further, annual GDP growth is forecast to remain close to 2 per cent in 2017 and 2018.

The relatively weak performance of the Mexican economy contrasts with robust growth in parts of Central America. Costa Rica, Nicaragua and Panama are forecast to see GDP growth of more than 4 per

cent in 2017/18 amid buoyant public investment, strong private consumption and dynamic tourism industries.

In the Caribbean, the economic situation and prospects vary widely across countries. The Dominican Republic and Guyana are expected to remain the strongest performers in the subregion. The outlook is less favourable in the Bahamas, Cuba and Trinidad and Tobago – countries with deep-rooted structural impediments and high vulnerability to external developments.

### **There are significant risks to the outlook**

The report cautions that there are significant risks to the global and the regional outlook. Among other issues, the report highlights the high degree of uncertainty in the international policy environment and elevated foreign currency-denominated debt levels as key downside risks that may derail global growth.

For Latin America and the Caribbean, major risk factors are a sharper-than-expected slowdown in China, the potential adoption of protectionist measures by the new Administration in the United States and renewed financial market turbulences. The latter could, for example, be triggered by a faster-than-expected pace of interest rate hikes in the United States.

The report notes that the medium-term growth outlook for many Latin American and Caribbean economies is clouded by persistent structural weaknesses, including a high dependence on commodities and low productivity growth. A prolonged period of weak growth could pose a threat to the social achievements of the past decade and complicate the region's path towards the achievement of the Sustainable Development Goals. The report calls for a reorientation of macroeconomic and other policies to more effectively promote investment in physical and human capital and strengthen innovative capacities across the region.

**About the report:** *The World Economic Situation and Prospects report is the UN's flagship publication on expected trends in the global economy. The WESP is produced annually by the UN Department of Economic and Social Affairs (UN/DESA), the UN Conference on Trade and Development (UNCTAD), the five UN regional commissions and the World Tourism Organisation (UNWTO). The report is available from <http://bit.ly/WESP>.*

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