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## **Latin America and the Caribbean expected to see a modest pickup in growth in 2019, but major risks remain: UN report**

*Continued weak economic performance hampers progress towards many of the UN Sustainable Development Goals*

Mexico City, 22 January – The global economy will continue to grow at a steady pace of around 3 per cent in 2019 and 2020 amid signs that global growth has peaked. However, a worrisome combination of development challenges could further undermine growth, according to the United Nations World Economic Situation and Prospects (WESP) 2019, which was launched today.

UN Secretary-General António Guterres cautioned “While global economic indicators remain largely favourable, they do not tell the whole story.” He said the World Economic Situation and Prospects 2019 “raises concerns over the sustainability of global economic growth in the face of rising financial, social and environmental challenges.”

### **Growth prospects in Latin America and the Caribbean**

Amid a challenging external environment, Latin America and the Caribbean is projected to see a modest pickup in growth in 2019-20. This follows a sluggish performance in 2018, when weakness in several large economies—including Argentina, Brazil and the Bolivarian Republic of Venezuela—weighed heavily on the region’s growth. Aggregate GDP is forecast to expand by 1.7 per cent in 2019 and 2.3 per cent in 2020, up from an estimated 1.0 per cent in 2018.

In per capita terms, the region’s annual GDP stagnated last year. This means that average GDP per capita has not grown for five consecutive years, underscoring the difficulty the region faces in returning to a robust growth path in the aftermath of the commodity price collapse. While the poor aggregate growth performance reflects a high degree of vulnerability to external and domestic shocks in parts of the region, it is also indicative of a long-standing and deep-rooted weakness in productivity. Continued weak economic performance hampers progress towards many of the United Nations Sustainable Development Goals. This is evidenced by a recent increase in the number of people who live in poverty.

The region’s recovery will likely be driven by strengthening economic activity in South America. While the outlook for Argentina and Brazil remains challenging, economic conditions in both countries are expected to gradually improve over the coming two years. In other countries of the subregion, including Bolivia, Chile, Colombia, Paraguay and Peru, growth prospects remain largely favourable amid solid macroeconomic fundamentals and robust private sector demand.

Mexico and Central America will likely see steady but modest average growth in the forecast period. The subregion continues to benefit from the strong performance of the US economy, but in many countries, economic activity is hampered by political uncertainty and structural impediments. Large differences between individual countries persist. While the outlook remains positive in the Dominican Republic and Panama, prospects are subdued in most other countries, most notably in Cuba, El Salvador, Haiti and Nicaragua.

In the Caribbean, a moderate economic recovery materialized in 2018 as Suriname and Trinidad and Tobago returned to positive growth thanks to higher commodity revenues. Average growth in the subregion will remain subdued in 2019–20 amid severe structural obstacles to development such as high debt burdens and significant infrastructure deficits and high rates of unemployment, particularly among youth.

### **Risks and policy challenges**

The world economy is faced with a confluence of risks with the potential to severely disrupt economic activity and inflict significant damage on longer-term development prospects. These risks include waning support for multilateral approaches; the escalation of trade policy disputes; financial instabilities linked to elevated levels of debt; and rising climate risks, as the world experiences an increasing number of extreme weather events.

For Latin America and the Caribbean, the risks to the outlook are tilted to the downside. A sharp tightening of global financial conditions could trigger further significant capital outflows from the region (in particular South America), potentially hampering investment prospects and undermining the recovery. Additional risks are associated with a potential slowdown of the United States economy—which would most significantly affect the economies of Mexico, Central America and the Caribbean—and a renewed downturn in the prices of oil and metals. The region’s economic outlook is further complicated by the limited options available to countries for countercyclical monetary and fiscal policies.

For more information, please visit: [www.un.org/development/desa/dpad/wesp-report](http://www.un.org/development/desa/dpad/wesp-report)

#### **Media contacts:**

UN Department of Global Communications

Dan Shepard, T: +1 (212) 963-9495 | E: [shepard@un.org](mailto:shepard@un.org)