

REGIONAL ECONOMIC OUTLOOK

WESTERN HEMISPHERE



WESTERN HEMISPHERE
DEPARTMENT

Latin America in the Current Global Environment

APRIL 25, 2025

Rodrigo Valdés
Director

Outline

I

RECENT DEVELOPMENTS

II

OUTLOOK AND RISKS

III

IN FOCUS

- FISCAL CONSOLIDATION
- TARIFFS AND UNCERTAINTY

IV

POLICY RECOMMENDATIONS

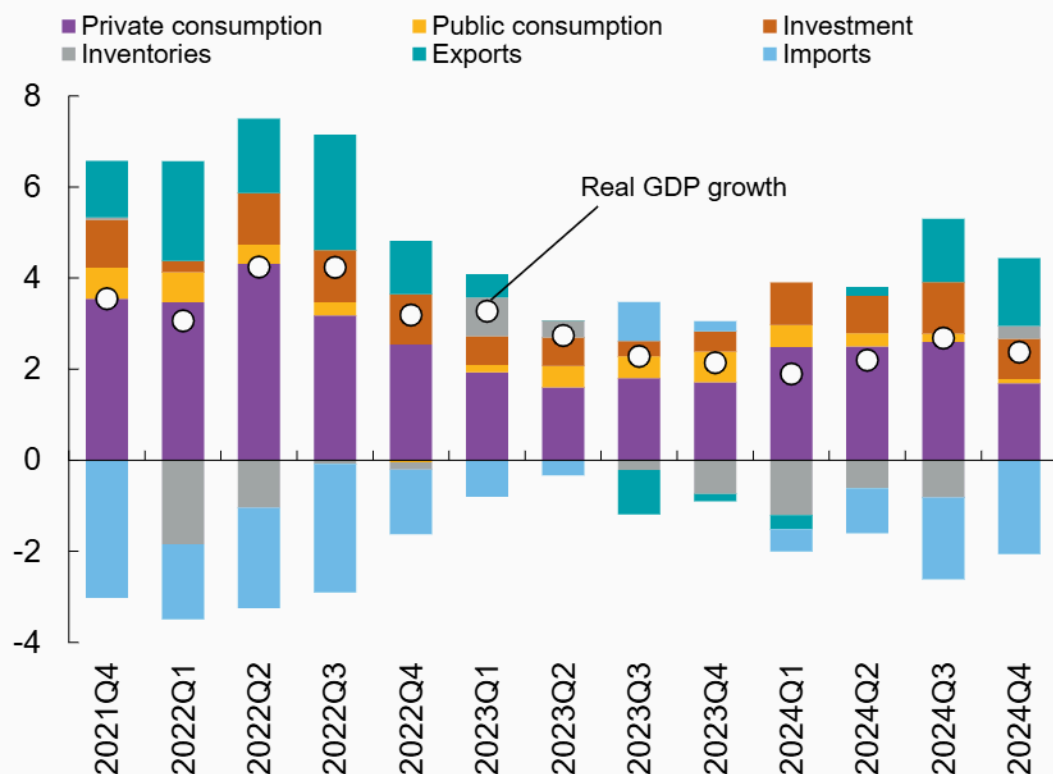
Recent Developments

Growth in LAC decelerated in late 2024

After a rebound earlier in 2024, growth lost momentum towards the end of the year...

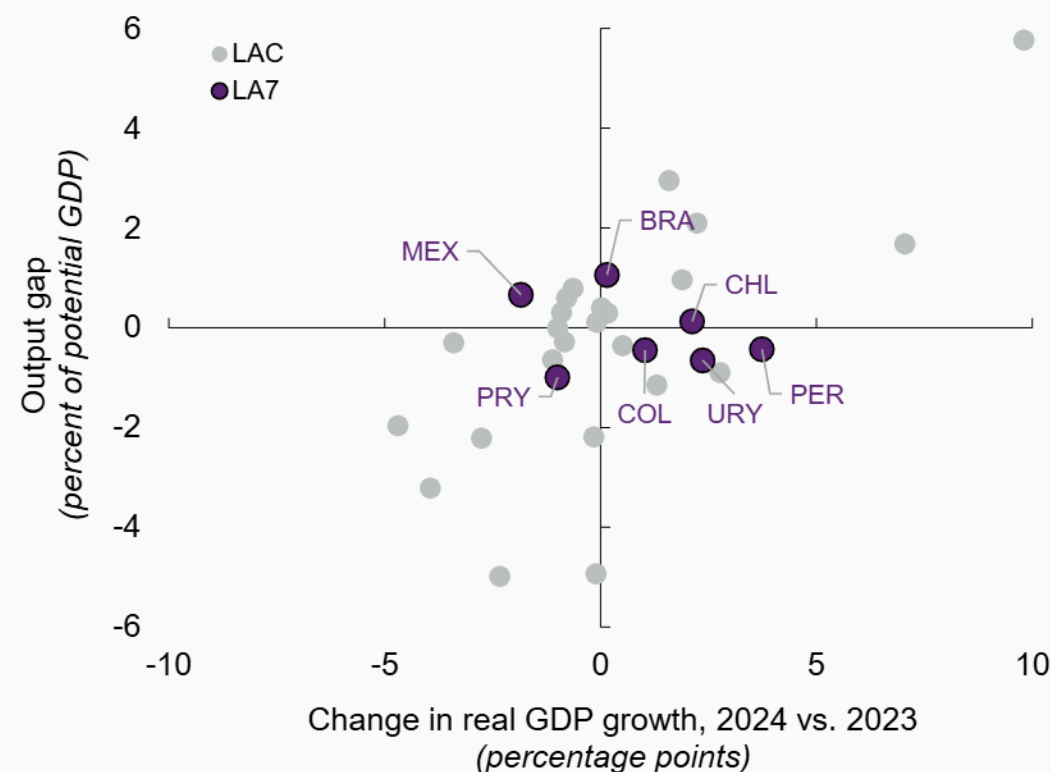
... with countries converging to potential from different cyclical positions

LA7: Contributions to Real GDP Growth
(Year-over-year percent change)



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Seasonally adjusted. Purchasing-power-parity GDP-weighted average of LA7 countries. Inventories include statistical discrepancies. LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

LAC: Output Gap and Change in Real GDP Growth, 2024



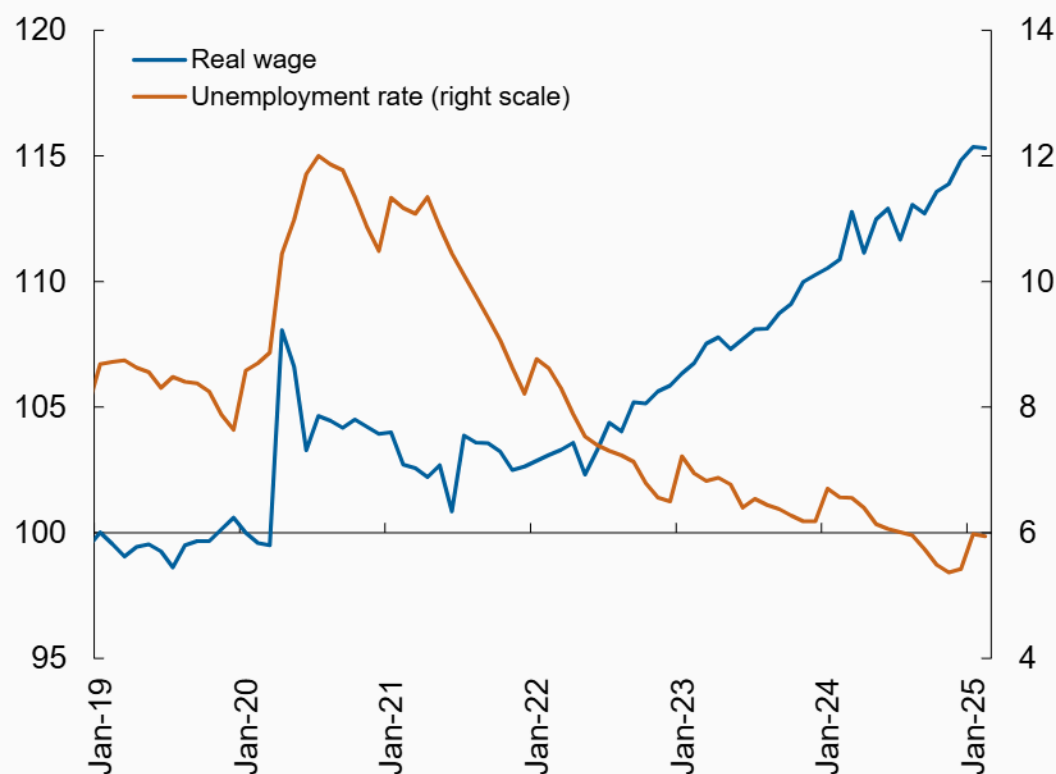
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Excludes Bolivia and Trinidad and Tobago due to data limitations. LAC = Latin America and the Caribbean; LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

Labor markets remained strong and corporate credit recovered

Labor markets remained strong...

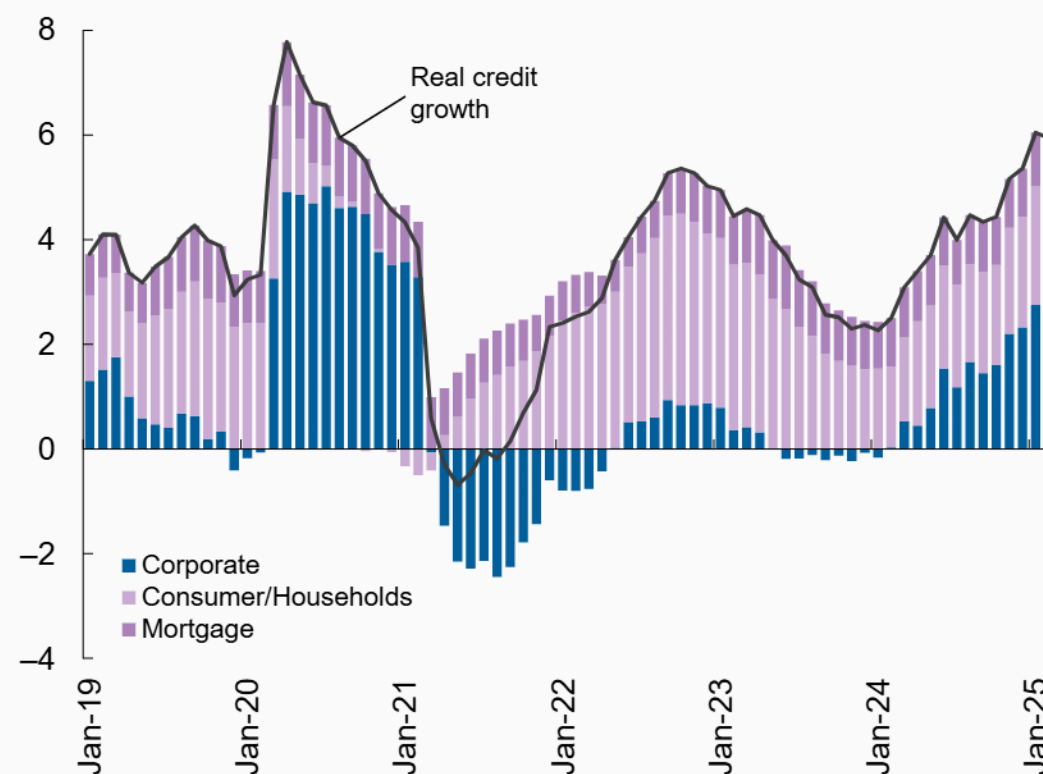
... while there was a rebound in corporate credit

LA7: Real Wage and Unemployment Rate
(Left scale: index: January 2020 = 100; Right scale: percent)



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted average. Excludes Paraguay due to data limitations. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

LA7: Real Credit Growth
(Year-over-year percent change)

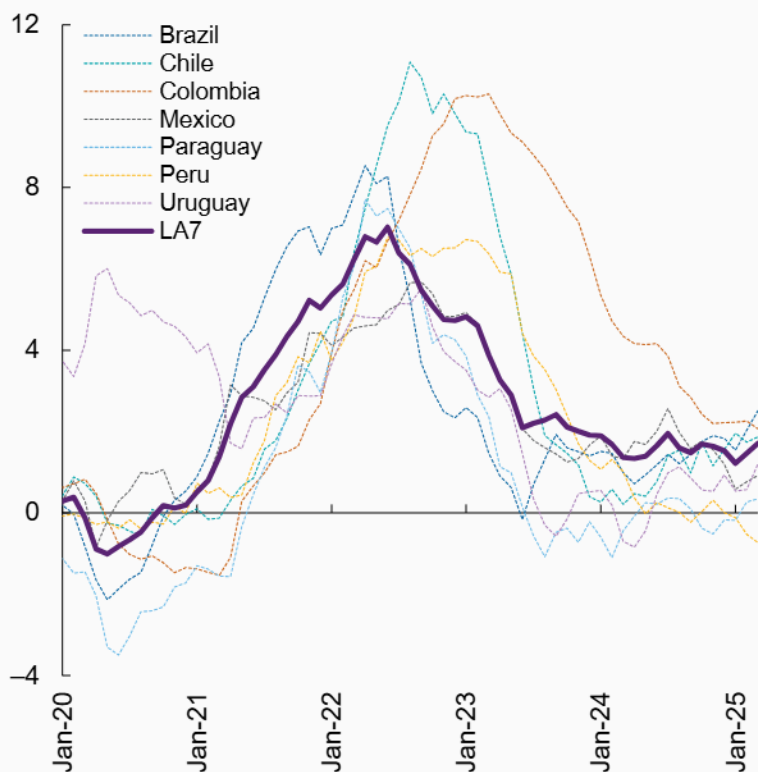


Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay and Uruguay due to data limitations. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

The disinflation process slowed...

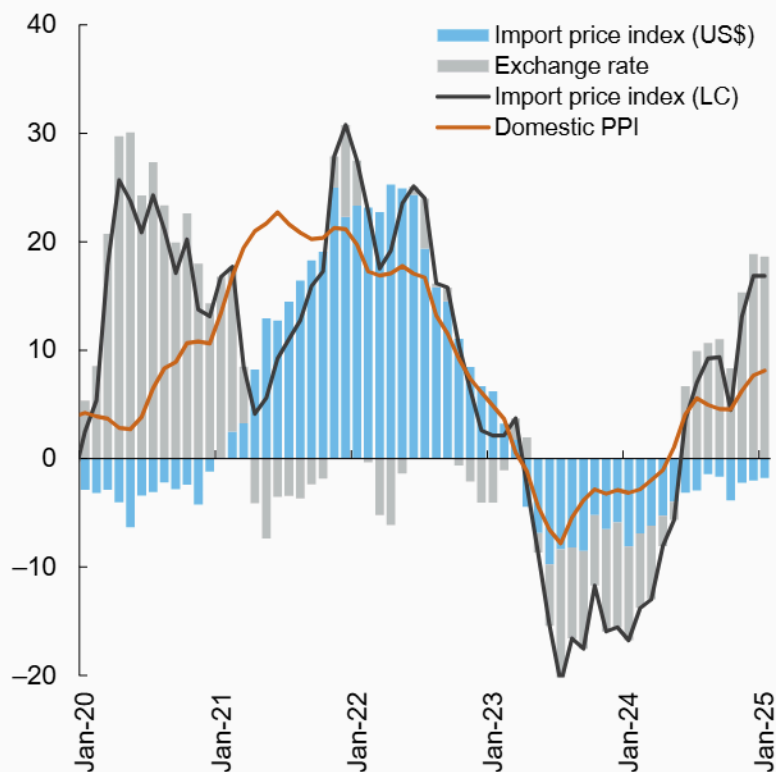
Headline inflation stabilized in 2024, with recent upticks in some countries...

LA7: Headline Consumer Price Inflation
(Deviation from inflation target; percentage points)



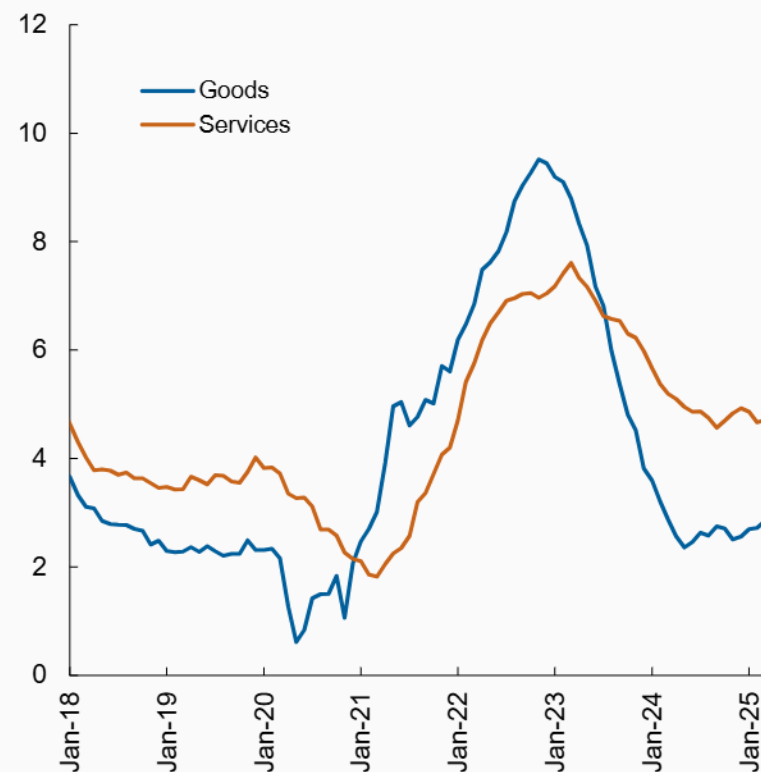
... as global disinflation continued to fade, domestic currency appreciations turned around...

LA7: Imported Inflation and Producer Price
(Year-over-year percent change)



... and the decline in core goods and core services inflation stalled

LA7: Core Goods and Core Services Inflation
(Year-over-year percent change)



Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: LA7 is purchasing-power-parity GDP-weighted average. Peru refers to Lima. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted average. LA7 excludes Chile and Paraguay due to data limitations. LC = local currency; PPI = producer price index.

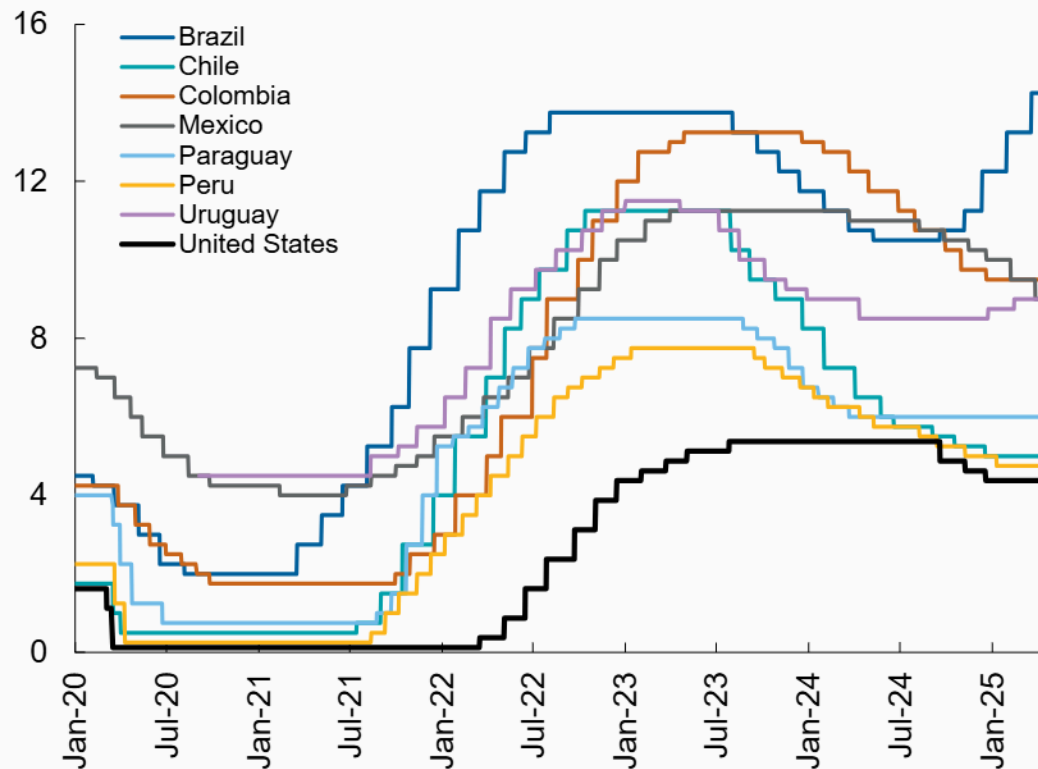
Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: Core goods exclude food, transport, and housing items. Core services exclude transport and housing items. LA7 is purchasing-power-parity GDP-weighted average. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Monetary policy decisions became more heterogeneous

Some central banks have pivoted towards tighter stances or pausing at policy rate levels higher than pre-pandemic...

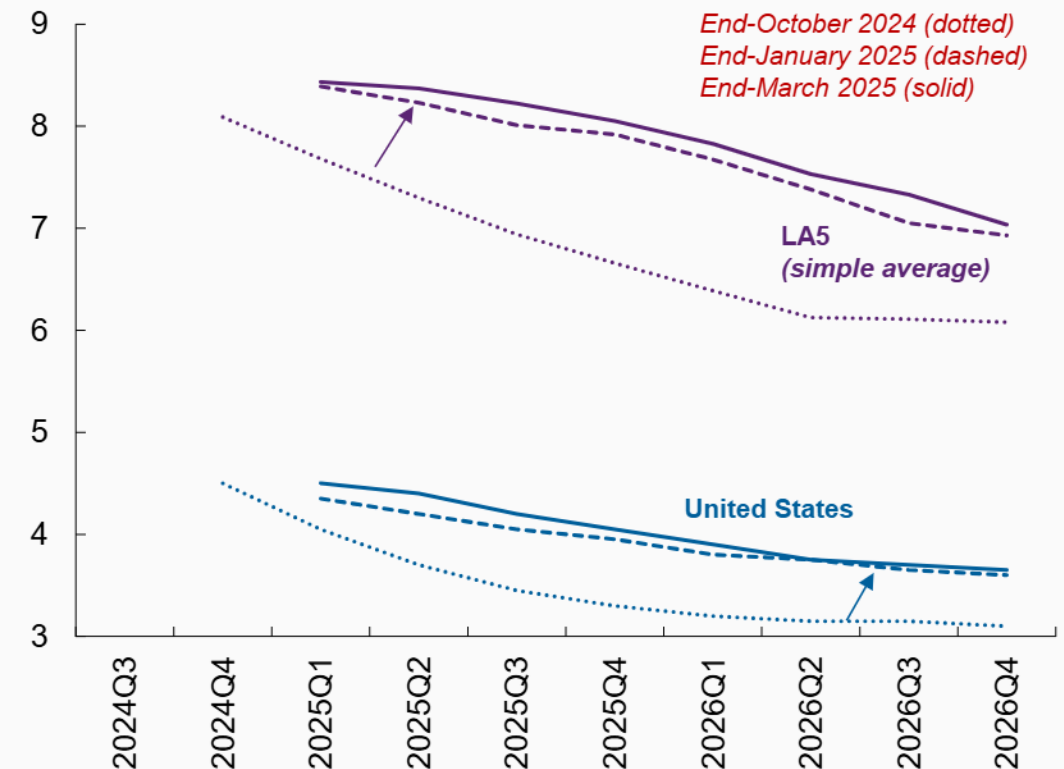
... and market expectations of future policy rate paths continue to move up

Monetary Policy Rates
(Nominal; percent)



Sources: Haver Analytics; and national authorities.

Monetary Policy Rate Expectations
(Percent)



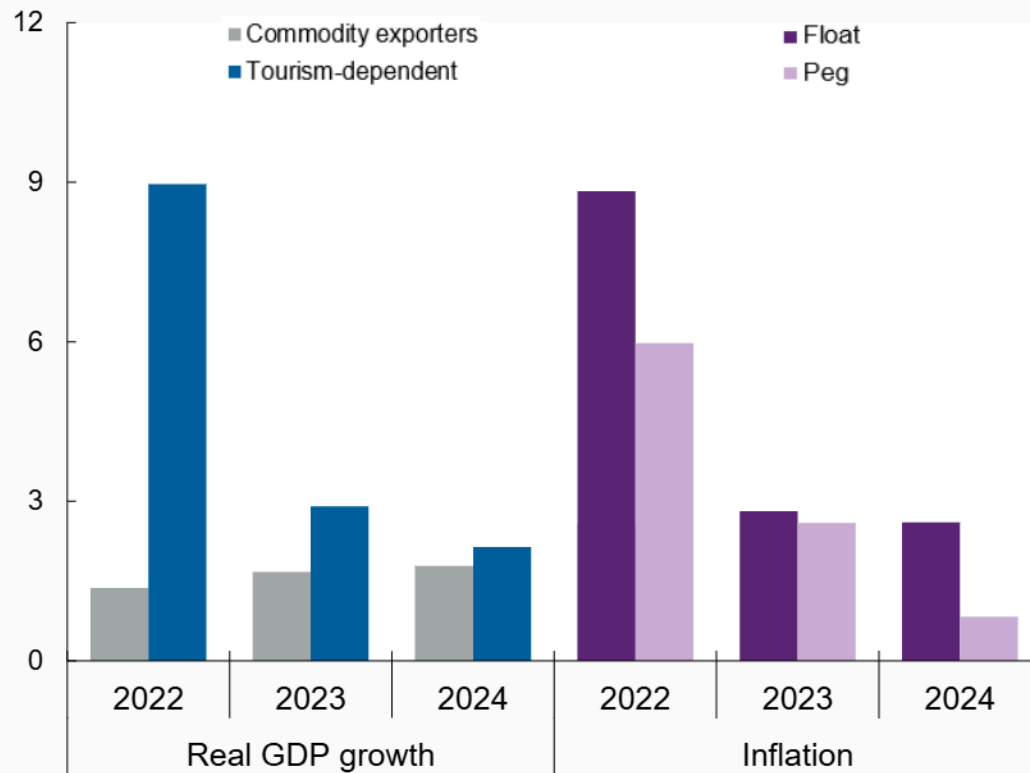
Sources: Bloomberg Finance L.P.; and IMF staff calculations.
Note: LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru).

The Caribbean: Growth normalized

Growth further stabilized following the post-pandemic recovery while inflation remained low...

... as tourism recovered pre-pandemic levels

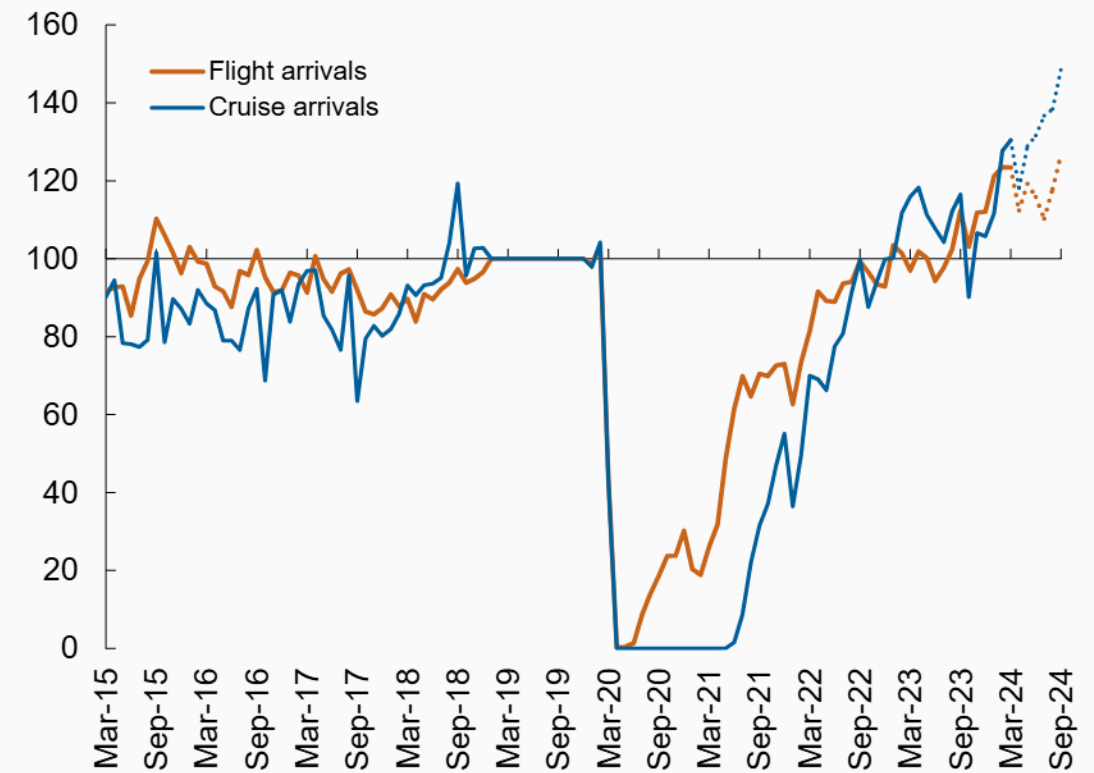
The Caribbean: Real GDP Growth and Inflation (Percent)



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

Note: Growth aggregates are purchasing-power-parity GDP-weighted averages, while inflation is measured as a year average. Haiti, a fragile and conflict-affected state, is not classified as a tourism-dependent or commodity-exporting country. Due to idiosyncratic factors, Haiti had negative growth rates. Guyana is excluded from the growth chart due to its exceptional growth rates.

Regional Stayover and Cruise Arrivals Relative to Pre-pandemic Levels (Percent of 2019 levels)



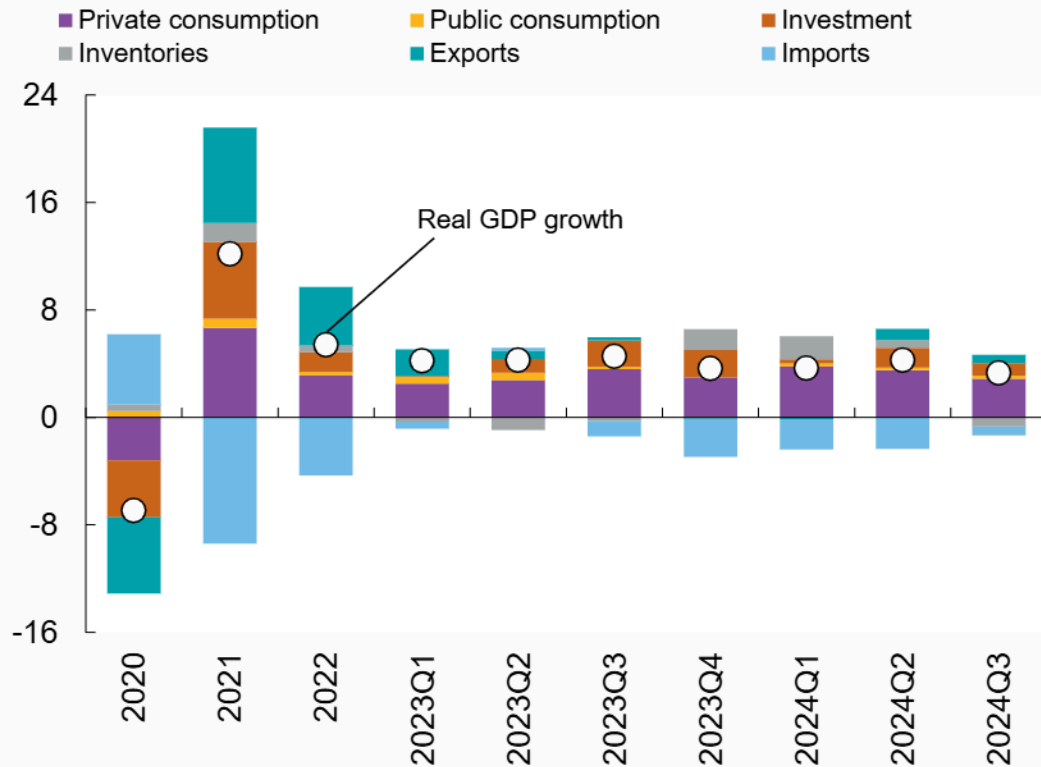
Sources: The Caribbean Tourism Organization (CTO), ECCB, national authorities, and IMF staff calculations.

Note: The dotted line indicates a limited set of countries with available data. Due to significant lags in data reporting, arrival data for The Bahamas, St. Kitts and Nevis, Jamaica, and Anguilla have been excluded from flight statistics. Similarly, arrival data for St. Kitts and Nevis, Jamaica, St. Vincent, and Anguilla have been excluded from cruise statistics.

CAPDR: Growth was robust

Growth remained solid, owing to strong remittance-fueled consumption and robust exports...

CAPDR: Contributions to Real GDP Growth
(Year-over-year percent change)

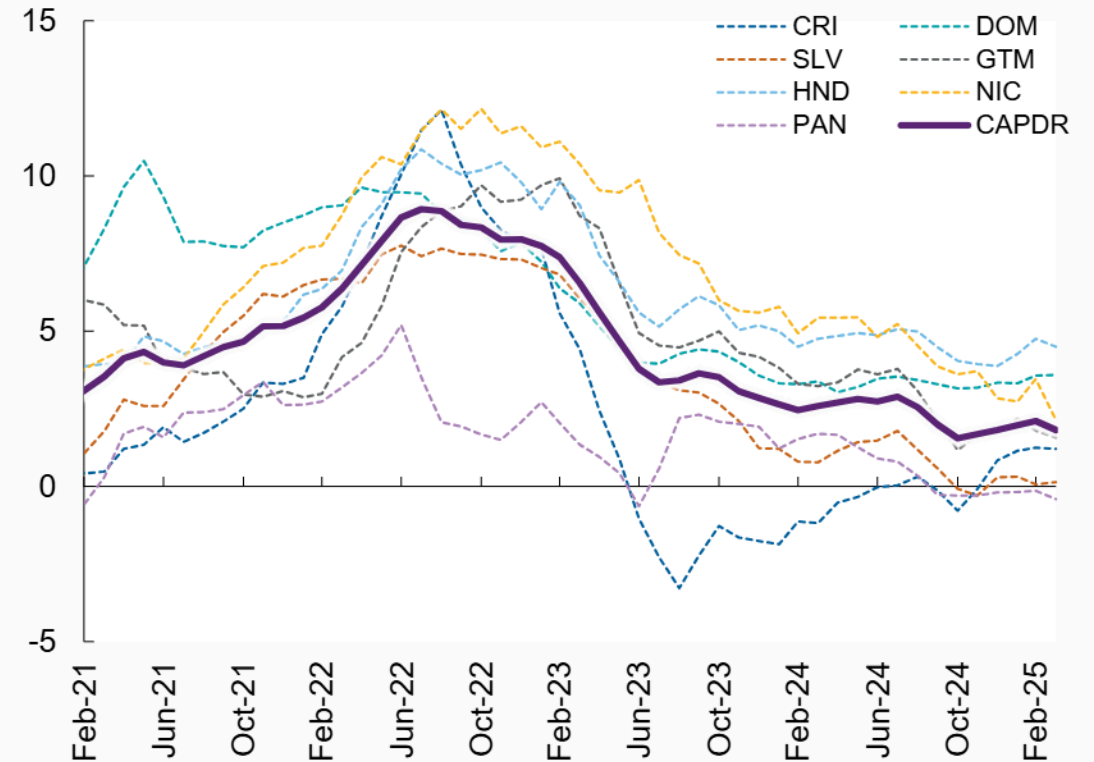


Source: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Purchasing-power parity GDP-weighted average. Inventories include statistical discrepancies. CAPDR = Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

... while inflation is in line with the rest of the region

CAPDR: End-of-period Inflation
(Year-over-year percent change)








Source: IMF, World Economic Outlook database.

Note: CAPDR is simple average. CAPDR = Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

Outlook and Risks

Growth will moderate in 2025...

Latin America and the Caribbean: Real GDP Growth (Year-over-year percent change)






	 Latin America and the Caribbean	 Latin America 7 (LA7)	 CAPDR	 Caribbean: Tourism dependent	 Caribbean: Non-tourism dependent
2024	2.4	2.6	3.9	2.1	17.1
Difference from October 2024	0.3	0.2	0.1	-0.7	0.6
2025	2.0	1.4	3.8	2.5	5.0
Difference from October 2024	-0.5	-0.6	0.0	0.1	-2.1
2026	2.4	1.9	3.9	2.0	11.5
Difference from October 2024	-0.3	-0.4	-0.1	0.0	2.9

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

Note: Aggregates are PPP GDP-weighted averages. Difference based on rounded figures for the April 2025 and October 2024 WEO vintages. LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Caribbean: Tourism dependent encompasses the rest of the Caribbean countries not included in the Caribbean: Non-tourism dependent group, which includes Commodity Exporters (Guyana, Suriname, Trinidad and Tobago) and Haiti.

... amid more gradual disinflation

Latin America and the Caribbean: End-of-period Inflation (Year-over-year percent change)

	 Latin America and the Caribbean	 Latin America 7 (LA7)	 CAPDR	 Caribbean: Tourism dependent	 Caribbean: Non-tourism dependent
2024	12.1	4.5	1.8	2.5	7.9
Difference from October 2024	-1.1	0.1	-1.2	-1.0	-1.2
2025	5.8	4.3	3.3	3.0	8.8
Difference from October 2024	-1.1	1.0	0.0	-0.1	1.2
2026	4.4	3.4	3.4	3.1	6.8
Difference from October 2024	-0.7	0.4	0.0	-0.1	0.8

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

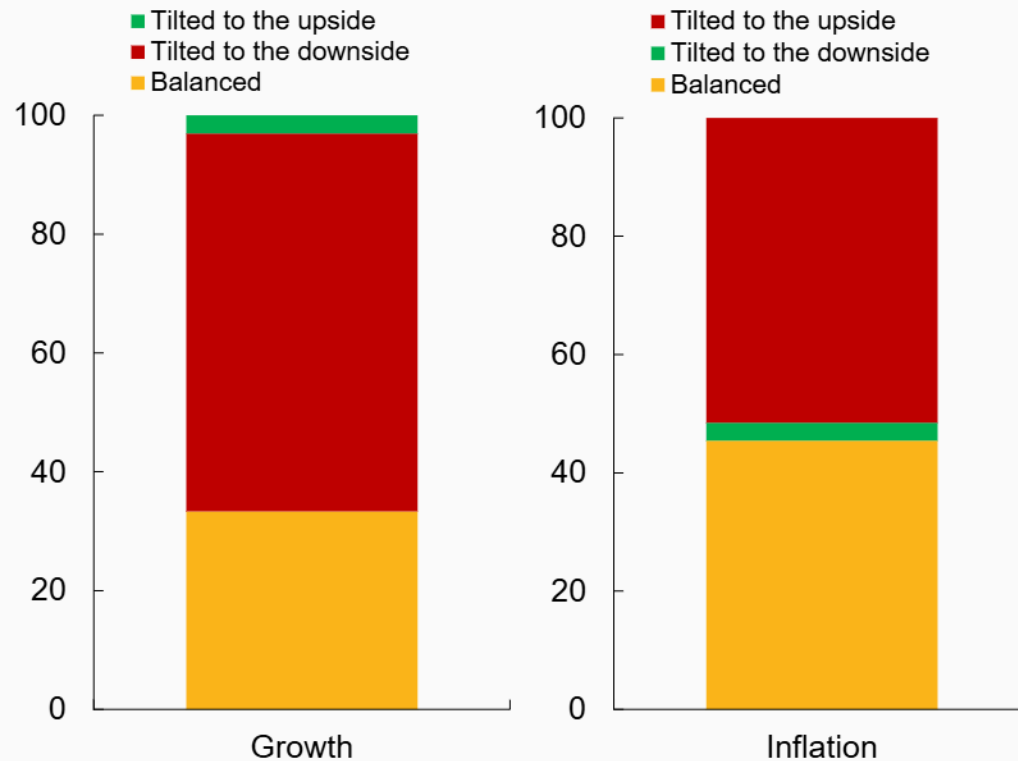
Note: Aggregates are PPP GDP-weighted geometric averages. *All inflation aggregates exclude Venezuela.* Difference based on rounded figures for the April 2025 and October 2024 WEO vintages. LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Caribbean: Tourism dependent encompasses the rest of the Caribbean countries not included in the Caribbean: Non-tourism dependent group, which includes Commodity Exporters (Guyana, Suriname, Trinidad and Tobago) and Haiti.

Downside risks to growth and upside risks to inflation

Risks to growth are mainly tilted to the downside while there is significant uncertainty about risks from global developments on inflation

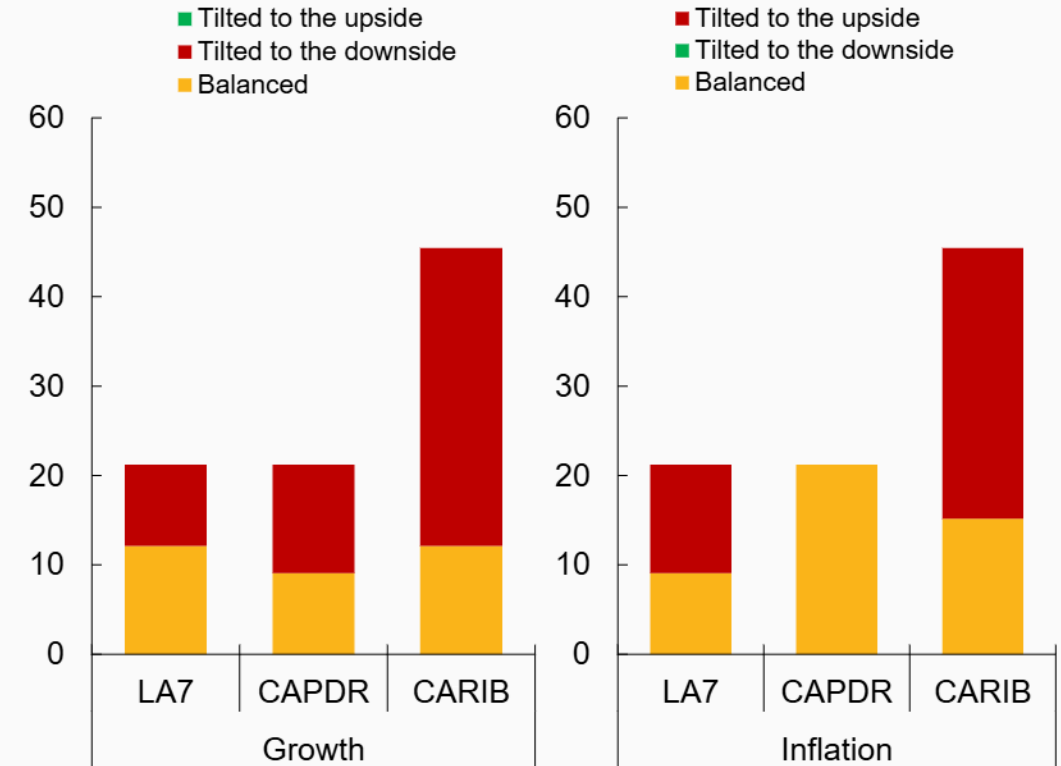
There is some heterogeneity across subregions

LAC: Growth and Inflation Risk
(Percent share of total number of LAC countries)



Source: IMF staff calculations.
Note: LAC = Latin America and the Caribbean.

Growth and Inflation Risks by LAC Subregion
(Percent share of total number of LAC countries)



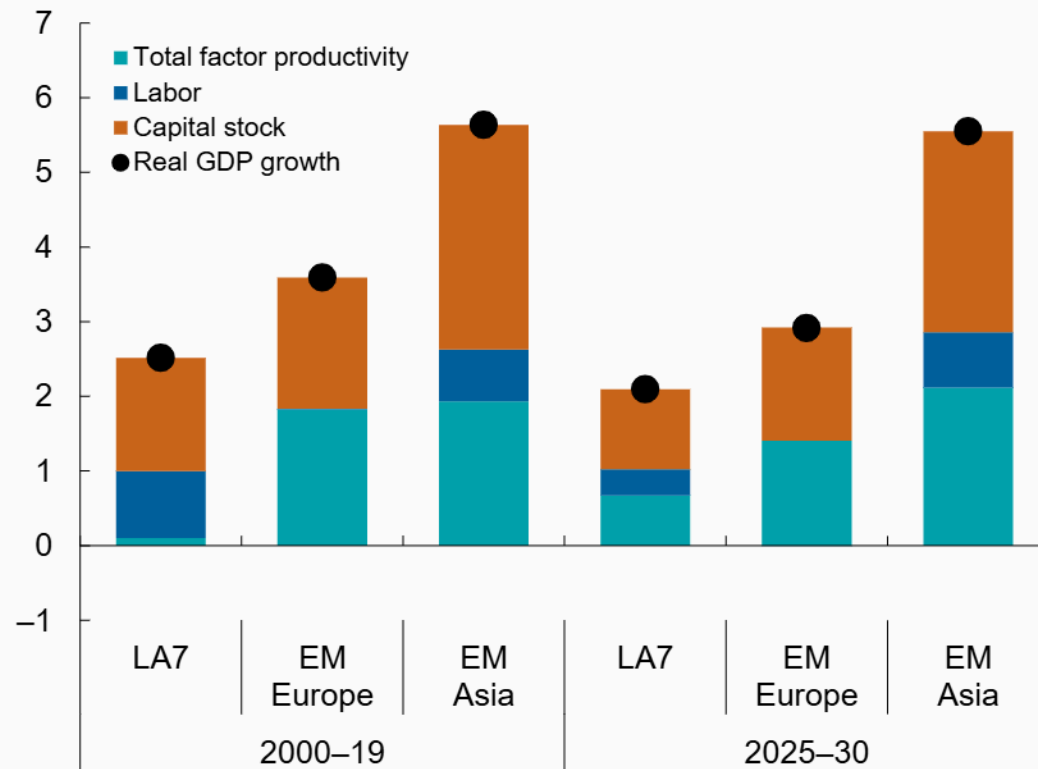
Source: IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

The medium-term outlook remains lackluster

Medium-term growth is expected to remain low...

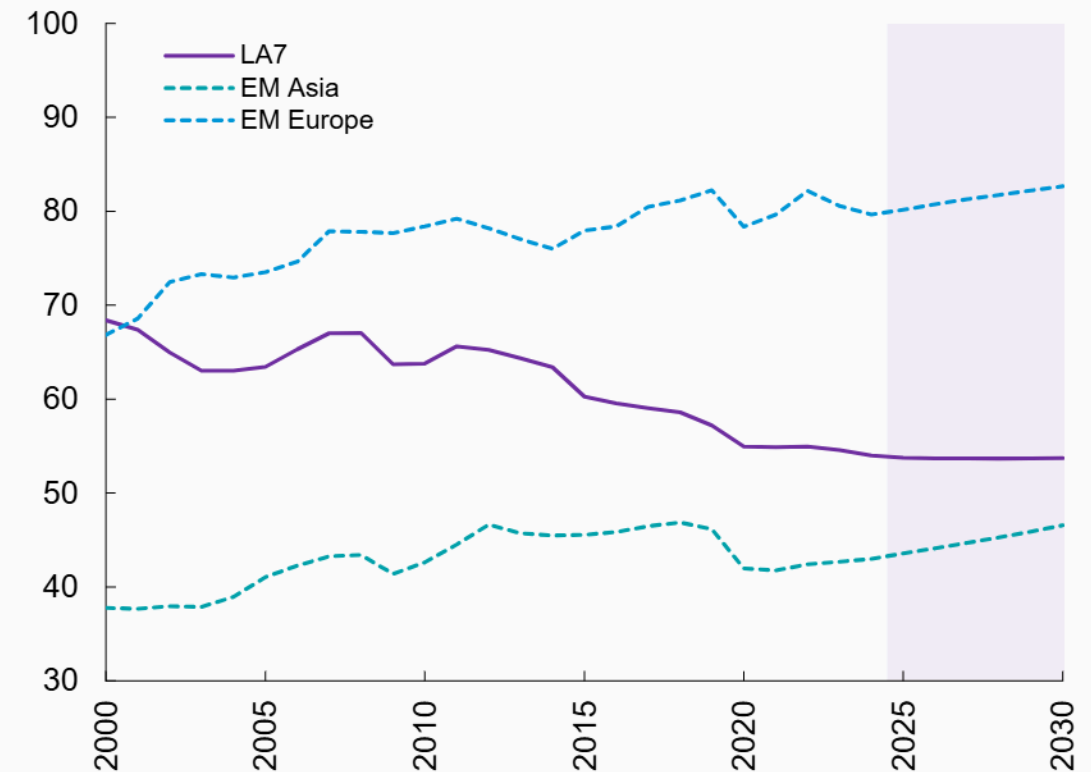
... largely reflecting stagnant total factor productivity

Contributions to Real GDP Growth
(Year-over-year percent change)



Sources: IMF, World Economic Outlook database; Penn World Table 10.0 database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay due to data limitations. EM = emerging; EM Asia = India, Indonesia, Malaysia, Philippines, Thailand; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Total Factor Productivity Relative to the United States
(Percent)



Sources: IMF, World Economic Outlook database; Penn World Table 10.0 database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay due to data limitations. EM Asia = India, Indonesia, Malaysia, Philippines, Thailand; EM Europe = Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

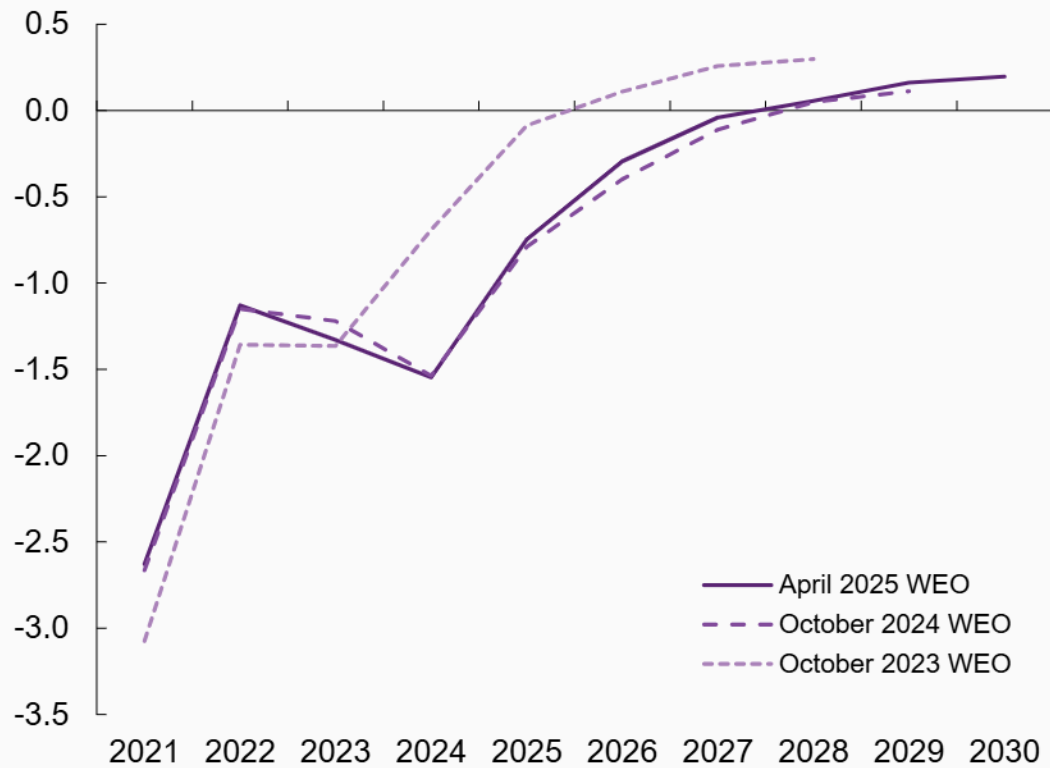
Fiscal Consolidation

Prospects for fiscal consolidation remain broadly unchanged

Concerns about delayed fiscal consolidation remain...

... as government debt continued to edge up in most cases

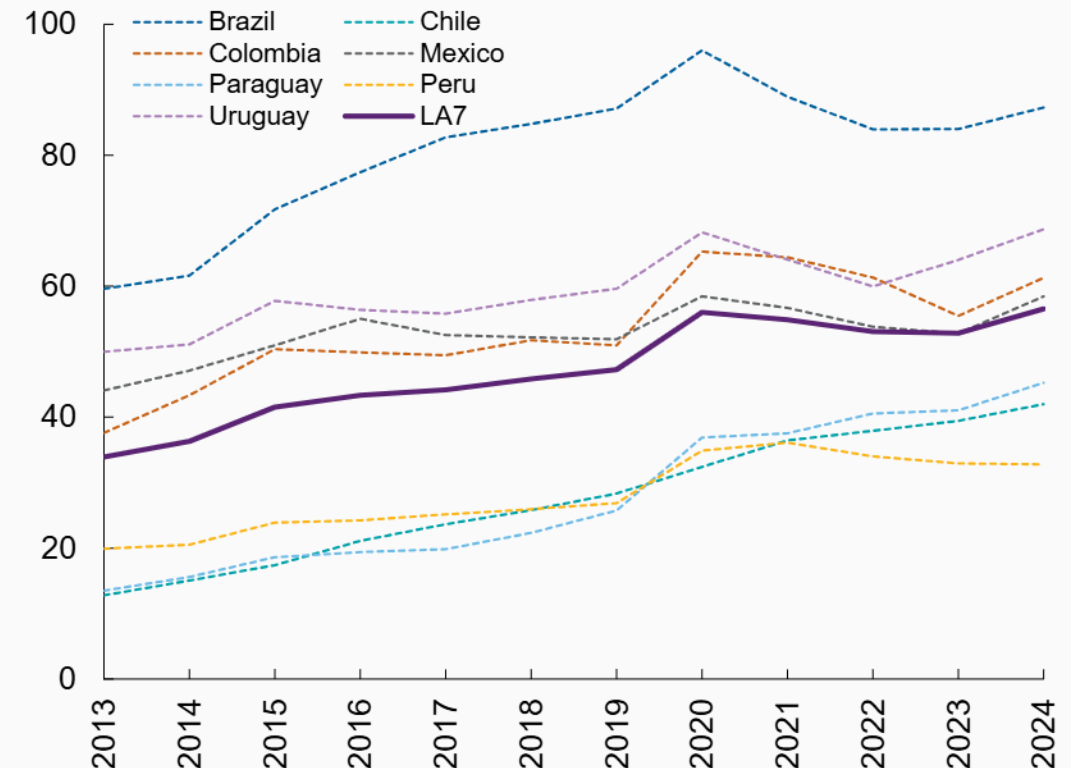
LA7: General Government Structural Primary Balance by WEO Vintage (Percent of GDP)



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

Note: LA7 is simple average. Chile refers to the central government's structural non-mining primary balance. Colombia refers to the consolidated public sector's structural non-oil primary balance. Peru refers to the nonfinancial public sector's structural primary balance.

LA7: General Government Gross Debt (Percent of GDP)



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

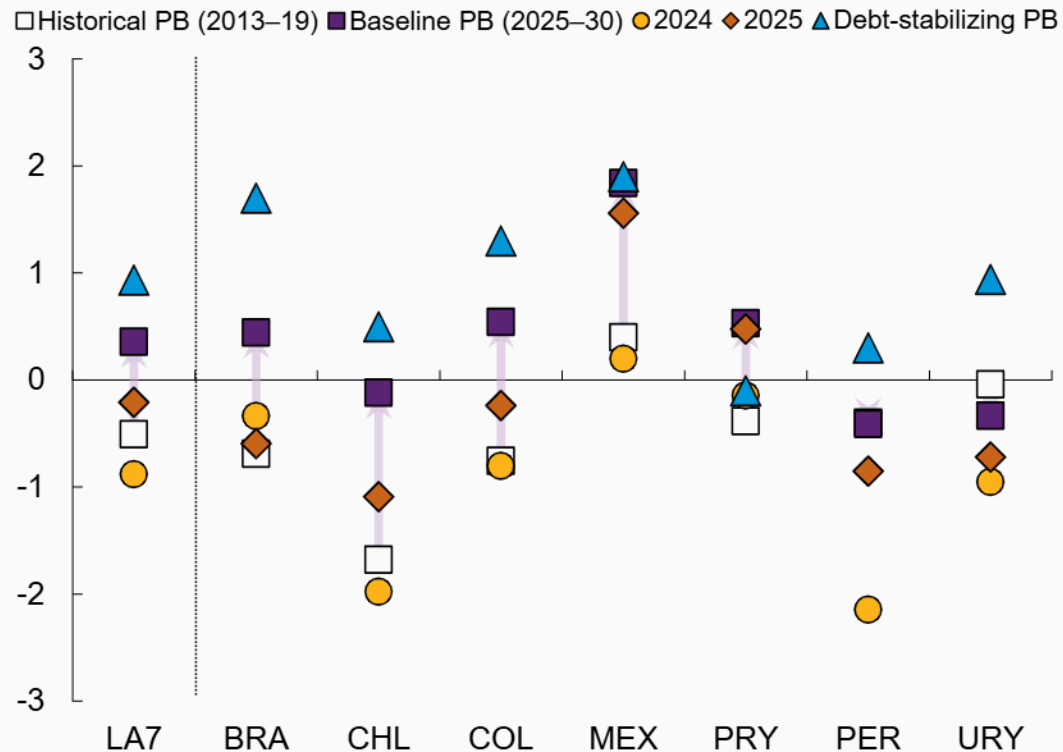
Note: LA7 is simple average. LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

Additional efforts are needed to reduce debt

Fiscal consolidation prospects are ambitious, but more needs to be done...

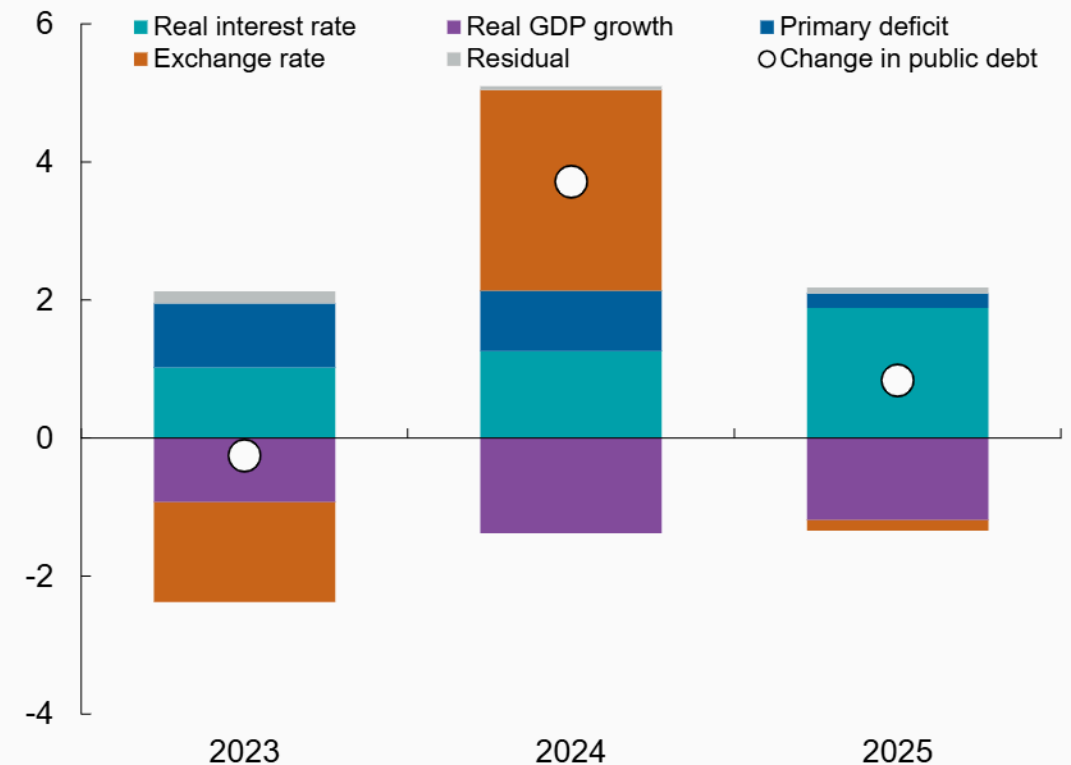
... as the primary balances are projected to keep adding to debt amid still unfavorable interest rate-growth dynamics

General Government Primary Balance
(Percent of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: LA7 is simple average. LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay; PB = primary balance.

LA7: Decomposition of Public Debt Changes
(Percentage points of GDP)



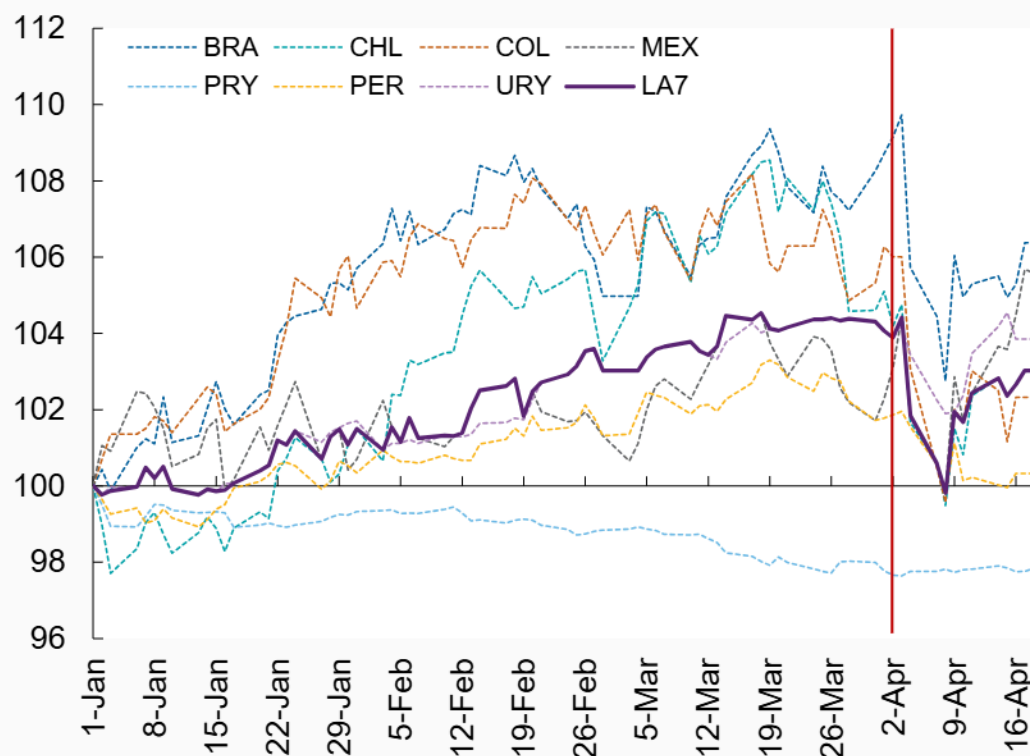
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: LA7 is simple average. LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

Tariffs and Uncertainty

The external environment has been volatile since April

Exchanges rates have weakened over the last year and showed significant volatility in early 2025...

Bilateral Exchange Rates Against the US Dollar
(Index: January 1, 2025 = 100)

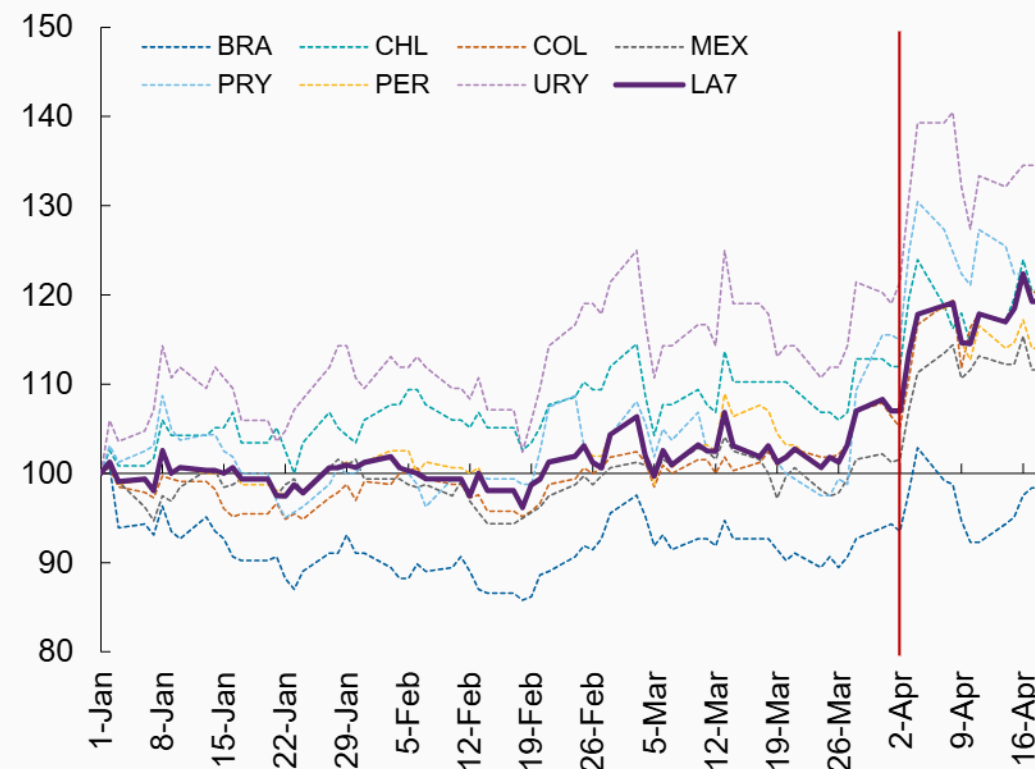


Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Note: An increase denotes an appreciation. LA7 is median. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay). Data as of April 16, 2025.

... and sovereign spreads are widening, tightening financing conditions

EMBIG Sovereign Spreads
(Index: January 1, 2025 = 100)



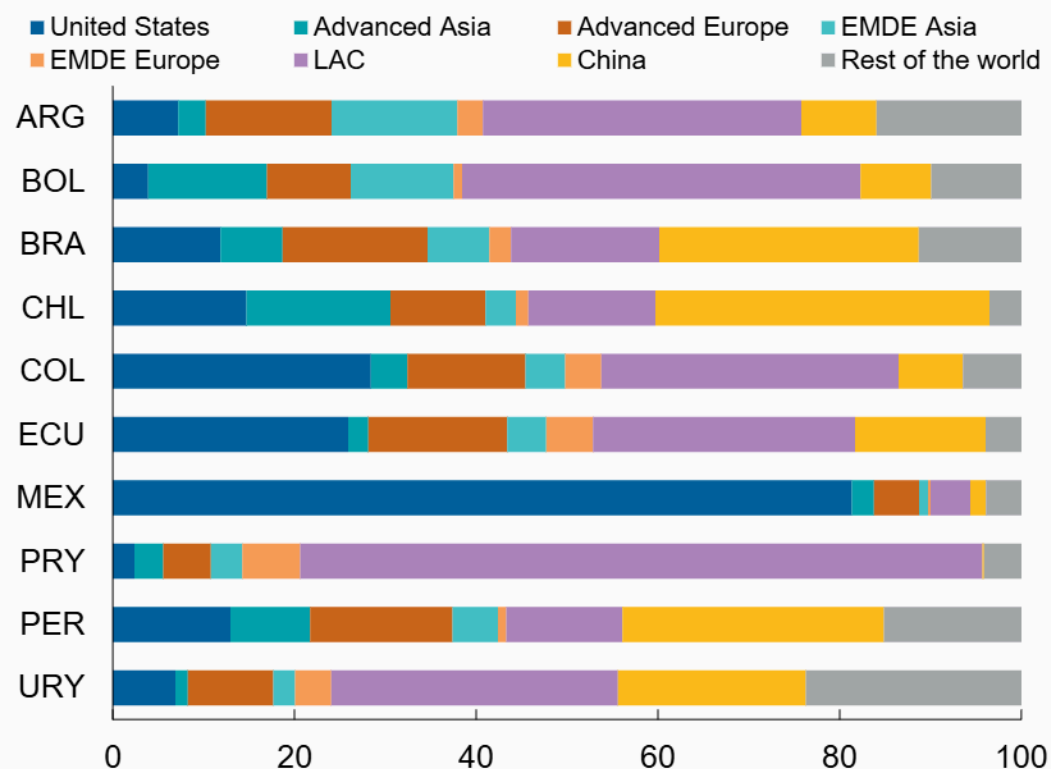
Sources: Bloomberg Finance L.P.; and IMF staff calculations.

Note: LA7 is median. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay). Data as of April 16, 2025.

The trade structure points to different exposures to tariffs...

The trade structure is heterogeneous, pointing to a different impact of trade developments on economic activity across countries...

Share of Merchandise Trade Exports
(Average 2018–24; percent of world)

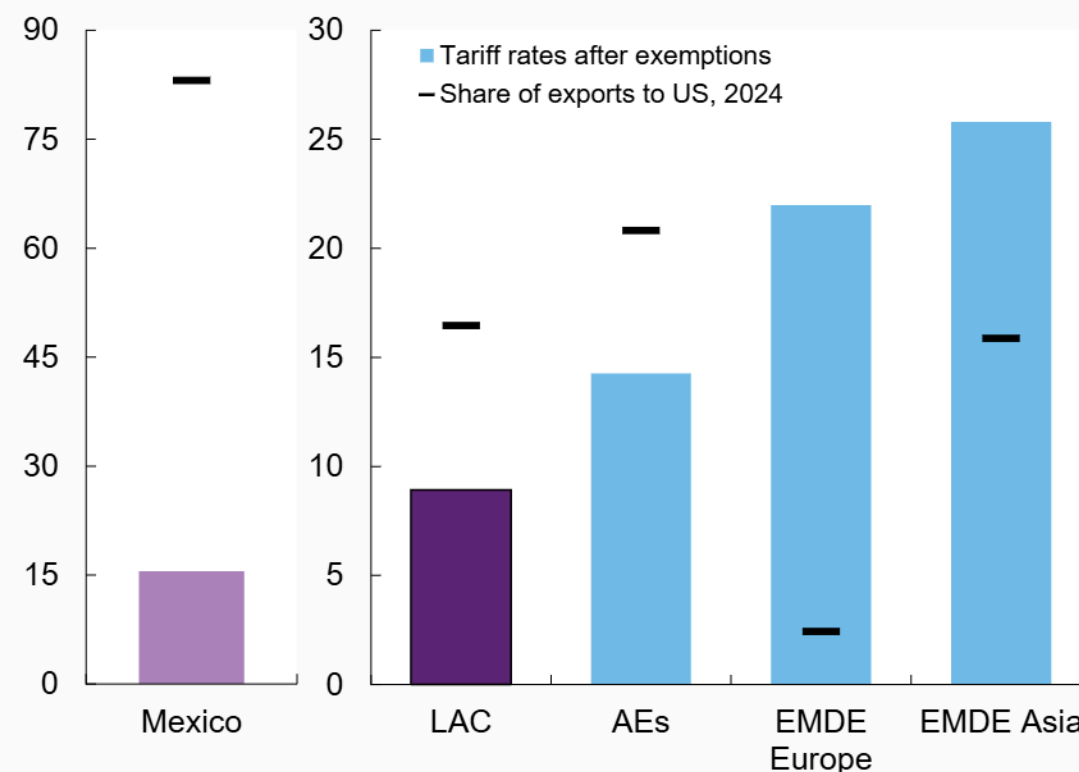


Sources: IMF, Direction of Trade Statistics database; and IMF staff calculations.

Note: Average for 2018–24 excludes 2020. EMDE = emerging markets and developing economies; LAC = Latin America and the Caribbean.

... on average, the region has a high exposure to the US—albeit facing lower tariffs

Tariff Rates After Exemptions and Share of Exports to US
(Percent)



Sources: IMF, Direction of Trade Statistics database; IMF, World Economic Outlook (global assumptions); and IMF staff calculations.

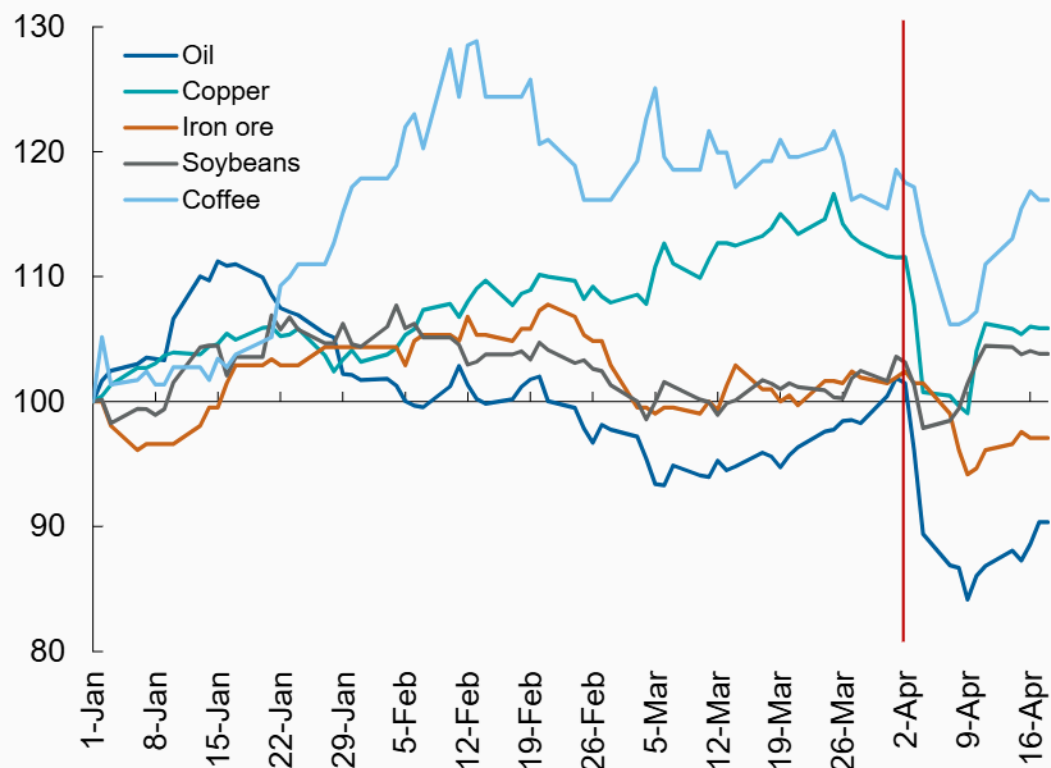
Note: Tariff rates aggregates are simple averages. LAC share of exports to US excludes Mexico. AE = advanced economies; EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean.

... while commodity prices could also be a drag on growth for some countries

Most commodity prices fell sharply after general tariffs were announced...

... but effects in international prices should be heterogeneous, depending on the elasticity of demand and supply curves

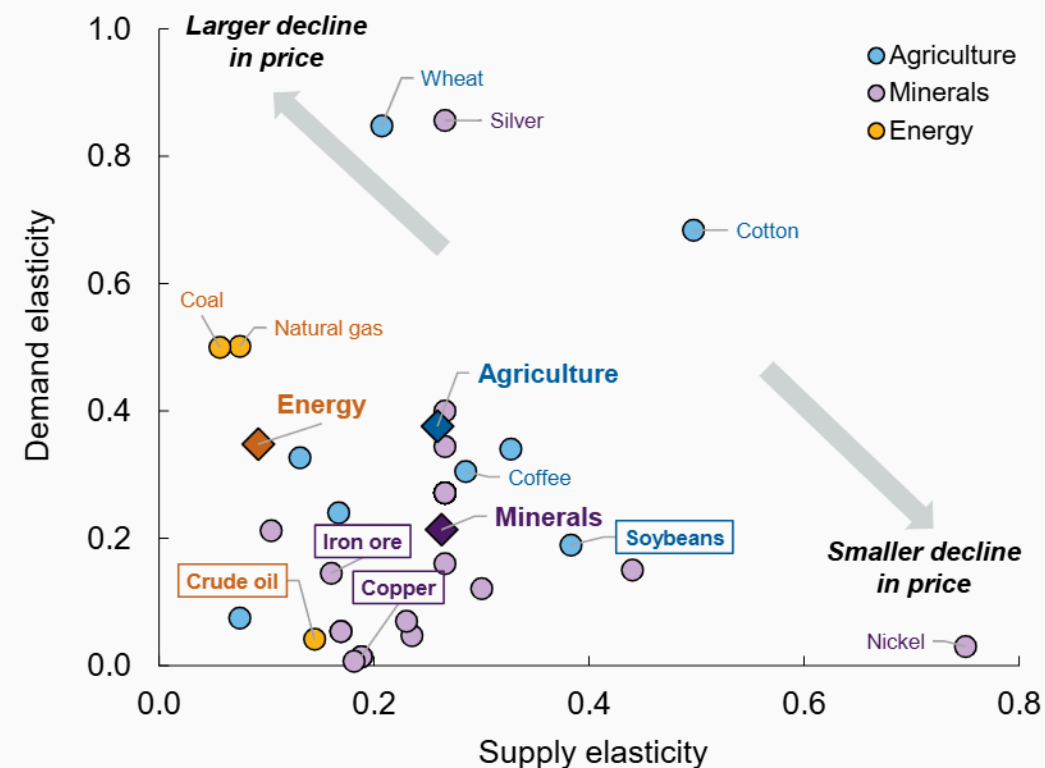
Commodity Prices
(Index: January 1, 2025 = 100)



Source: Bloomberg Finance L.P.

Note: Coffee = international coffee composite indicator price; copper = London Metal Exchange; iron ore = Shanghai SteelHome E-Commerce; oil = average petroleum spot price; soybeans = Chicago Board of Trade.
Data as of April 14, 2025.

Supply and Demand Elasticities by Commodity Group



Sources: World Bank, World Integrated Trade Solution; various sources (IMF, Research Department); and IMF staff calculations.

Note: Demand elasticities shown in absolute value. Diamond markers refer to the average of commodities within each group.

Policy Recommendations

Key Takeaways

Growth is decelerating, and the disinflation process has slowed

- ❖ **Economic activity largely driven by consumption, with inflation driven by rising import prices and currency depreciation**
- ❖ **There are downside risks to growth and upside risks to inflation, though the balance on the latter will depend on how global developments play out**

A shifting global environment creates challenges that call for stable policy frameworks

- ❖ **Data-dependent monetary policy; next steps to be carefully weighted**
- ❖ **Exchange rate flexibility to help buffering shocks when feasible, guided by the IMF's IPF**
- ❖ **Fiscal consolidation is critical to rebuild policy buffers**

Medium-term growth remains subdued, reflecting long-standing challenges

The structural reform agenda should be revamped through reforms to:

- ❖ **Foster productivity**
- ❖ **Strengthen intra-regional trade**
- ❖ **Enhance governance and security**



Thank You