Latin America : Economic situation and Outlook 2025-2027

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Honorary Ambassador

Introduction

- *"The global economic landscape has changed dramatically, marked by **higher levels of uncertainty**.*

- *Countries must recalibrate their strategies and advance bold and practical reforms that **boost productivity**, **competitiveness**, while tackling long-standing **gaps** in infrastructure, education, trade and governance to ensure job creation and better opportunities for businesses and citizens."*

Carlos Felipe Jaramillo, Vice President for Latin America and the Caribbean, the World Bank, April 2025.

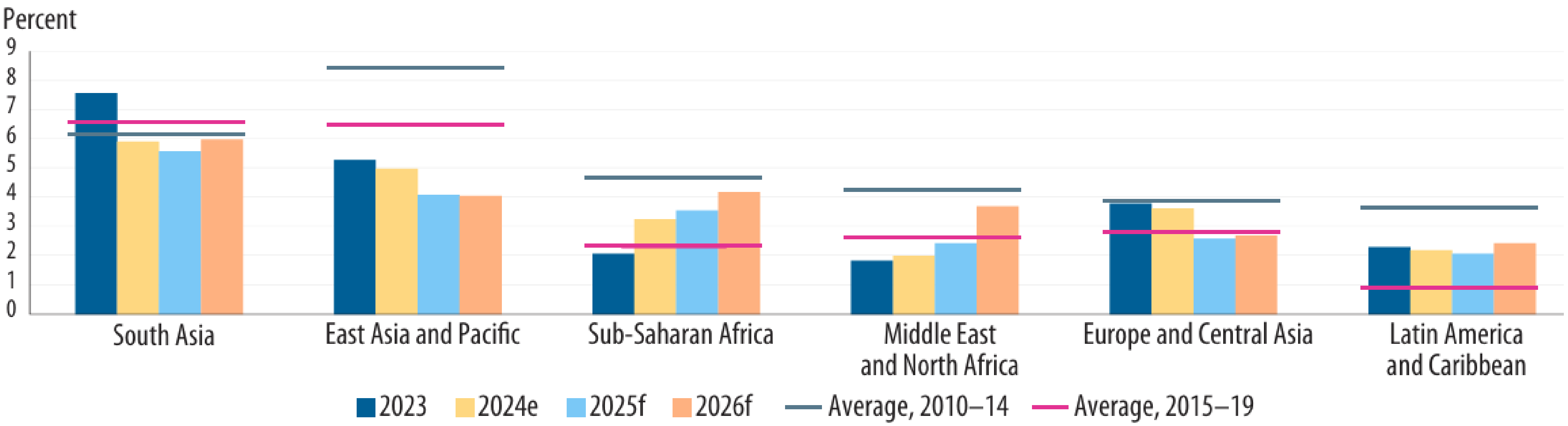
Introduction

- Today, **low investment**, **high debt**, and a **shifting external environment** are major barriers to the region's development.
- Despite some progress in controlling **inflation**, **fiscal deficits** remain a pressing concern, with the **debt-to-GDP ratio** expected to reach **63.3%** in 2024, up from 59.4% in 2019.
- The World Bank forecasts that regional GDP will expand by **2.1 percent in 2025** and **2.4** in **2026**.
- The World Bank notes that these rates are insufficient to drive prosperity and that the region grapples with alarmingly high levels of **lethal violence** linked to **organized crime**.
- Victimization rates are **three times higher** than the global average, with **homicide rates** standing at **eight times** the global average.
- I will address **six key questions**.

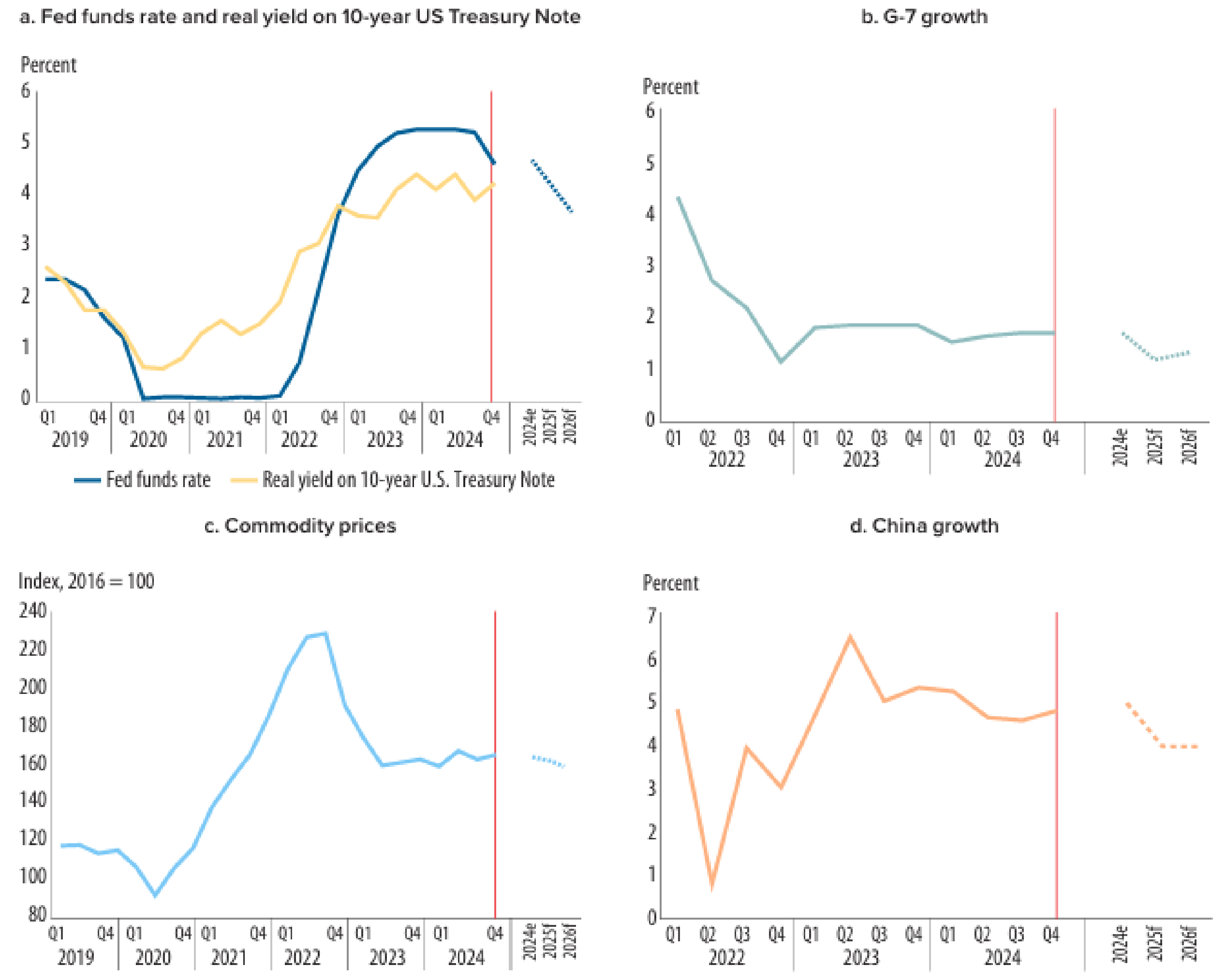
Key questions

1. How does Latin America's GDP growth compare with other regions in the world 2023-2026 ?
2. How will the external environment affect economic prospects?
3. How will macroeconomic policy affect Latin America's growth?
4. How did exchange rates evolve in 2024 – March 2025?
5. What are GDP growth perspectives for 2025-27?
6. How did Swiss exports to Latin America perform in 2024 and in Q1 2025/ Q1 2024 ?

1. How does Latin America's GDP growth compare with other regions in the world, 2023 - 2026?



2. How will the external environment affect economic prospects?



Sources: For panel a, US Federal Reserve Economic Data (FRED), Federal Reserve Bank of St. Louis; for panel b, Organisation for Economic Co-operation and Development (OECD) Quarterly GDP (indicator) (doi: 10.1787/b86d1fc8-en) and International Monetary Fund (IMF) World Economic Outlook (WEO) database (https://www.imf.org/en/Publications/WEO/weo-database/2024/October); for panel c, World Bank Commodity Prices (Pink Sheets) (https://www.worldbank.org/en/research/commodity-markets) and IMF WEO database; for panel d, Haver Analytics and IMF WEO database.
Note: f = forecast; G-7 = Group of Seven.

US tariffs on major Latin American countries

	New announced tariffs (%)	Effective tariff rates (trade-weighted tariffs) (%)	% of 2024 exports exempted
Brazil	10	9.4	27.0
Costa Rica	10	9.4	11.7
Uruguay	10	9.4	7.4
Paraguay	10	8.7	17.7
Peru	10	7.7	26.0
Argentina	10	6.7	47.9
Chile	10	5.6	48.9
Colombia	10	5.5	53.0

	New announced tariffs (%)	Effective tariff rates (trade-weighted tariffs) (%)	% of 2024 exports exempted
Ecuador	10	5.4	48.3
Bolivia	10	3.5	65.7
Venezuela	15	0.7	95.4

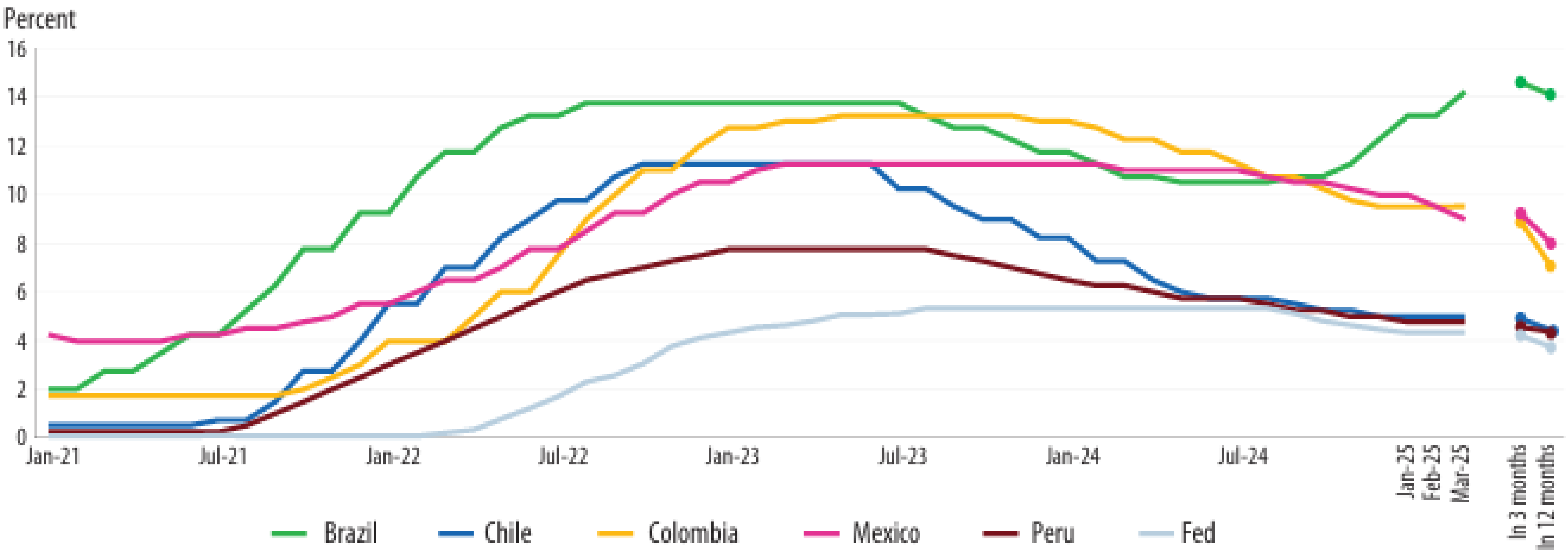
3. How will macroeconomic policy affect Latin America’s growth?

Monetary policy. Interest rates. Inflation

- On the monetary policy side, **high interest rates** will maintain the pressure on households and firms that has resulted in increases in **non-performing loans**, although recent rate cuts have provided **relief** in some countries.
- The successful fight against inflation (2022-23) partially reflects **external factors**—fuel and food prices have fallen.
- During 2024, the **disinflation process slowed** as core inflation remained high, largely due to increased labor costs affecting the prices of services and rising international food prices.

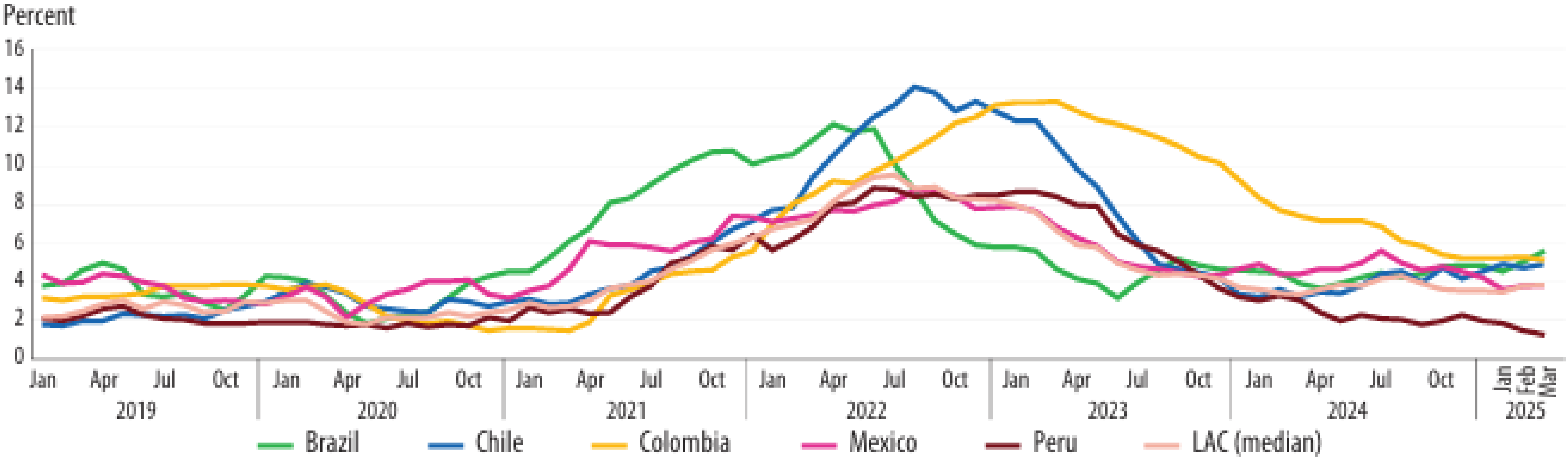
Monetary policy : real interest rates, 2021 – March 2025

1. Brazil 2. Colombia 3. Mexico 4. Chile 5. Peru 6. US Federal Reserve



Inflation: 2019 – March 2025

(headline inflation -consumer price index-, percent year-on-year)

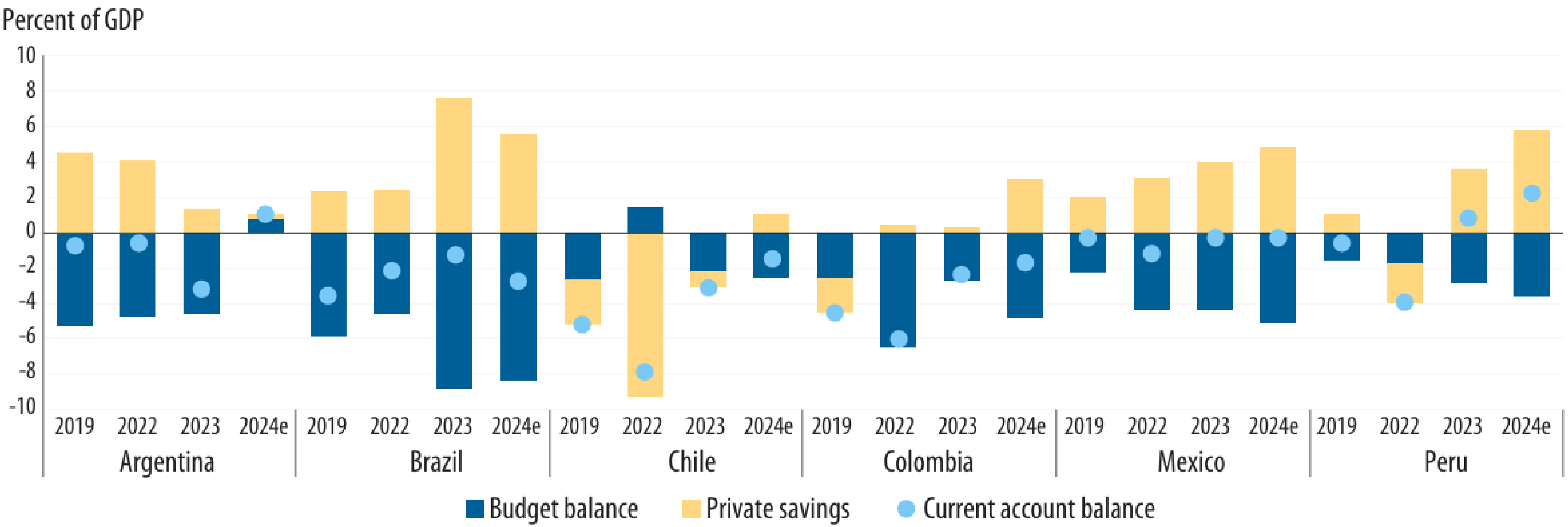


Source: World Bank Macro-Poverty Outlook (Spring Meetings 2025).

Note: LAC = Latin America and the Caribbean. LAC (median) includes Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, and Uruguay.

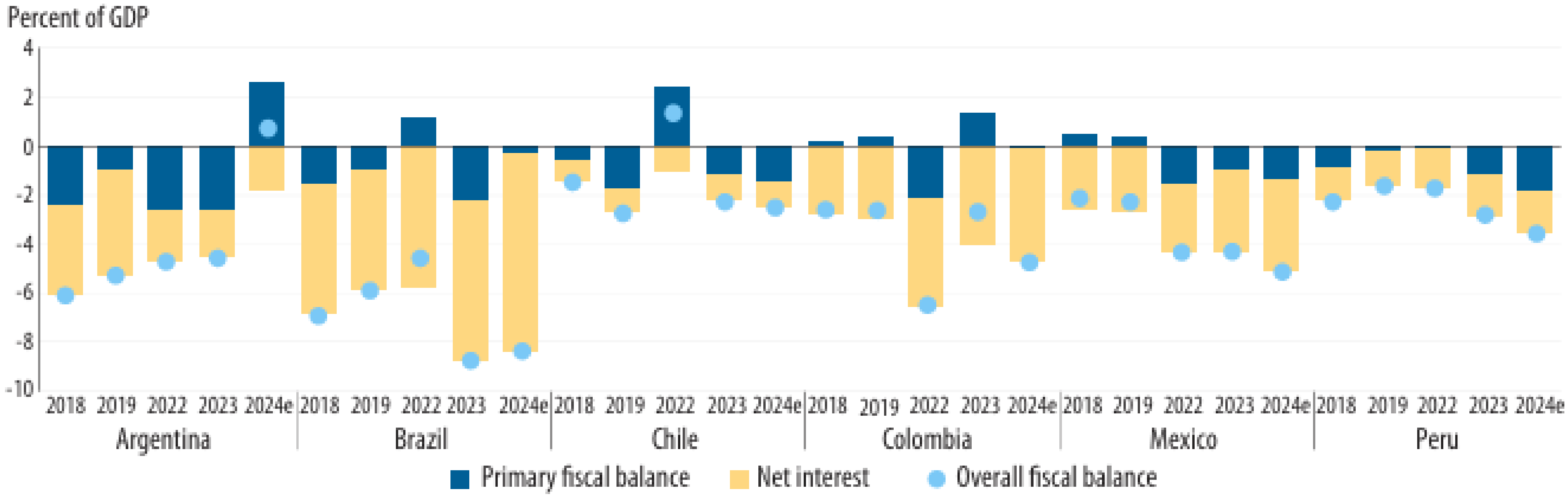
Fiscal policy : deficits, 2019-24

Overall fiscal balance – Private savings – Current account balance



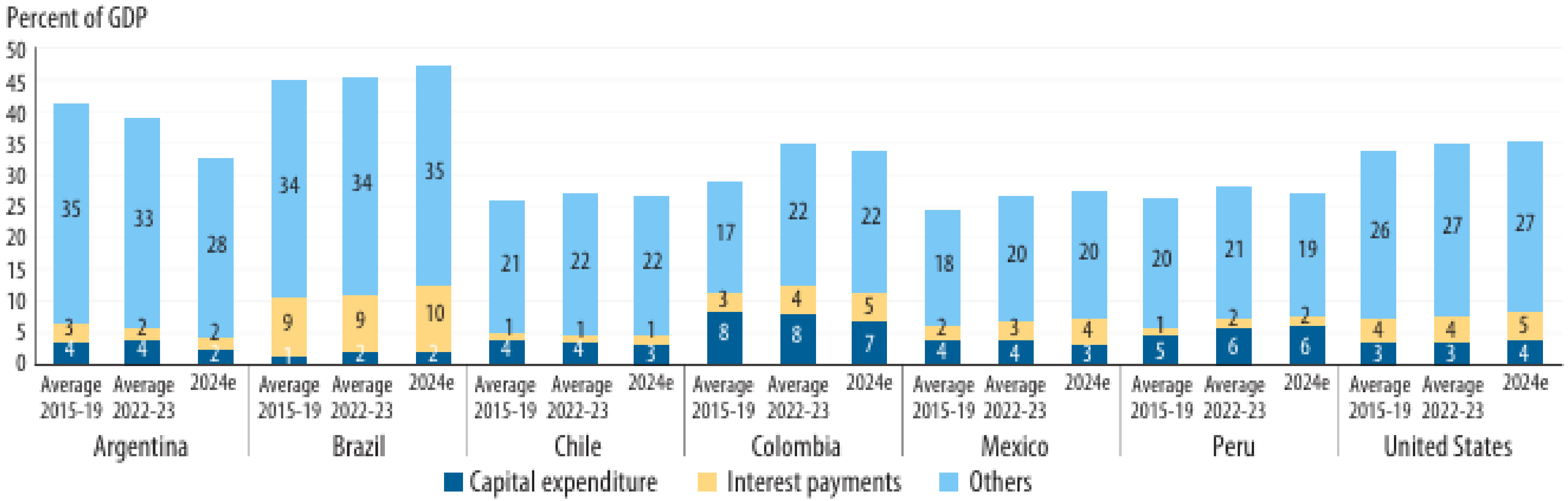
Source: World Bank Macro-Poverty Outlook (Spring Meetings 2025).
Note: The values are based on projections (as of April 10, 2025). e = estimate; GDP = gross domestic product.

Fiscal deficits and interest payments, 2018-24



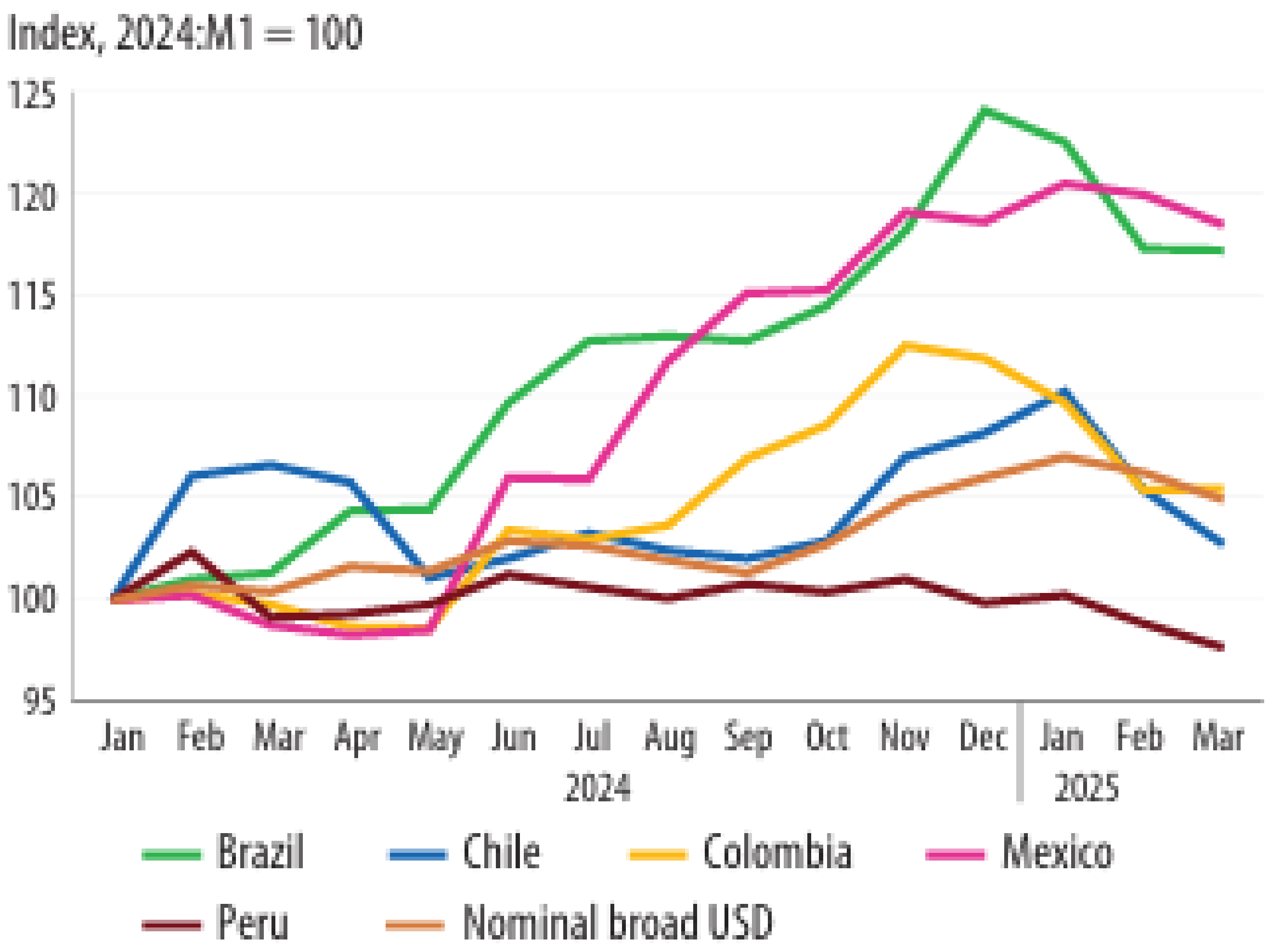
Source: World Bank Macro-Poverty Outlook (Spring Meetings 2025).
Note: The values are based on projections (as of April 10, 2025). e = estimate; GDP = gross domestic product.

Debt service and public spending, 2015-23



Source: World Bank Macro-Poverty Outlook (Spring Meetings 2025).
Note: The values are based on projections (as of April 10, 2025). e = estimate; GDP = gross domestic product.

4. How did exchange rates evolve in 2024 – March 2025?



Exchange rates: Janv. 2024 - March 2025

- The major currencies of the region have **depreciated** against the dollar during 2024 due to global factors, such as the relative strength of the dollar, and domestic ones, such as diminished interest rate differentials caused by monetary loosening.

- The slower monetary policy relaxation in the United States puts further bounds on the ability of central banks in LAC to **decrease interest rates** if they wish to avoid further **capital outflows** and **depreciations**.

- While **interest rate differentials** for Brazil, Colombia, and Mexico are consistent with their historical levels, they are close to the minimum for Chile and Peru

5. What are GDP growth perspectives for 2025-27?

	2022	2023	2024e	2025f	2026f	2027f
Argentina	5.3	-1.6	-1.8	5.5	4.5	4.0
Brazil	3.0	3.2	3.4	1.8	2.0	2.0
Chile	2.2	0.5	2.6	2.1	2.2	2.1
Colombia	7.3	0.7	1.7	2.4	2.7	2.9
Costa Rica	4.6	5.1	4.3	3.5	3.7	3.8
Mexico	3.7	3.3	1.5	0.0	1.1	1.8
Dominican Republic	5.2	2.2	5.0	4.0	4.2	4.4
Ecuador	5.9	2.0	-2.5	1.9	2.0	2.1
Panama	10.8	7.4	2.9	3.5	3.8	4.3
Paraguay	0.2	5.0	4.2	3.5	3.6	3.6
Peru	2.8	-0.4	3.3	2.9	2.5	2.5
Uruguay	4.5	0.7	3.1	2.3	2.2	2.2

6. How did Swiss exports to Latin America perform in 2024 and in Q1 2025/ Q1 2024 ?

Country	Swiss exports growth 2024	Swiss exports growth Q1 2025 / Q1 2024
PARAGUAY	+ 13 %	+ 38 %
CHILE	+ 12 %	+ 17 %
DOMINICAN REPUBLIC	+ 11 %	+ 1.0 %
MEXICO	+ 11 %	+ 0.4 %
PANAMA	+ 9 %	+ 16 %
BRAZIL	+ 5 %	+ 3 %
ECUADOR	+ 5 %	+ 20 %
PERU	+ 4 %	+ 27 %
COSTA RICA	-+ 4 %	+ 31 %
ARGENTINA	+ 3 %	+ 27 %
URUGUAY	- 7%	+ 2 %
COLOMBIA	- 7 %	+ 21 %
VENEZUELA	- 24 %	- 7 %
SWISS/Latin Am. Aver.	+ 3.2 % + 8.6 %	+ 17 % + 6.3 %

Summary

- Despite continued progress on **reducing inflation**, LAC continues to grow **more slowly** than any other region of the world and increasing its dynamism and job creation potential faces new and **daunting challenges**.
- First, higher and **more persistent inflation** than anticipated in the advanced countries has **slowed global interest rate declines** which constrains regional monetary authorities' ability to **loosen monetary policy**.
- Second, higher **interest payments on debt** consume an increasing share of government revenue impeding progress on reducing deficits and creating fiscal space for necessary **public investment**.
- Third, **rising tariffs** have driven up uncertainty around the nature of the global trade order, threaten market access for exports, and call into question the nearshoring project.
- Fourth, increased **return migration** will, in some cases, stress local labor markets and dampen remittances.
- Fifth, **organized crime**, and **violence** that accompanies it continues to expand, reducing the quality of life of citizens, dampening economic growth, and undermining the integrity of public institutions. Progress on the fiscal front, as well as continued productivity related reforms to make the region more able to negotiate a changing environment are needed.

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