



## Beware complacency over Latin American recovery

by Andrew Thompson

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### What happened?

On 5 January the World Bank published its global economic forecasts for 2021, noting that Latin America has been particularly hard hit by the COVID-19 pandemic.

### The details

After a terrible 2020, there are hopes that the world economy might do a little better this year. The World Bank offers some, but rather limited comfort. It says global GDP fell by 4.3% last year and will recover part of that lost ground with 4.0% growth this year. Last year was slightly less bad than feared, due to shallower recessions in the advanced economies and a stronger recovery in China. World Bank president David Malpass said that what is happening now is a “subdued recovery” where governments will face massive challenges in public health, debt management, budget policies, central banking and structural reforms. The Bank also highlights a big margin of error. The forecast assumes progress is made to fight the virus worldwide and that vaccine roll out “becomes widespread throughout the year”. That’s a big “if”. It says that if infections continue to rise and vaccines are delayed, this year’s global recovery could be limited to only 1.6%.

So the message for Latin American and Caribbean (LAC) governments is that things are still tough and very uncertain. There is an additional reason to be cautious. It is clear that COVID-19 has hit the region much harder than in many other parts of the world. The Bank says “Five out of the 10 emerging market and developing economies with the highest COVID-19 deaths per capita are in the region” LAC as a whole had a deeper recession than the global average (a GDP fall of 6.9%) and will have a more modest recovery in 2021 (+3.7%). In the downside scenario, where the virus lingers on, growth this year comes down to a “more anemic” 1.9%.

Among the larger economies, Brazil will be helped by improving consumer confidence, low interest rates, and an investment recovery, but services will still lag behind the industrial sector. Mexico will benefit from increased exports to the United States. The Bank sees Argentina recovering after three years of recession, aided by loosening pandemic lockdowns and reducing uncertainty over debt, which will lift consumption and investment.

A recovery in demand will boost Colombian output. The Central American Republics will benefit from increased exports and remittances. Caribbean islands will see tourism come back – at least partially.

#### Latin America and the Caribbean Country Forecasts

(Annual percent change unless indicated otherwise)

	2018	2019	2020e	2021f	2022f
GDP at market prices (2010 US\$)					
<b>Argentina</b>	-2.6	-2.1	-10.6	4.9	1.9
<b>Belize</b>	2.1	-2.0	-20.3	6.9	2.2
<b>Bolivia</b>	4.2	2.2	-6.7	3.9	3.5
<b>Brazil</b>	1.8	1.4	-4.5	3.0	2.5
<b>Chile</b>	3.9	1.1	-6.3	4.2	3.1
<b>Colombia</b>	2.5	3.3	-7.5	4.9	4.3
<b>Costa Rica</b>	2.7	2.1	-4.8	2.6	3.7
<b>Dominica</b>	0.5	8.6	-10.0	1.0	3.0
<b>Dominican Republic</b>	7.0	5.0	-6.7	4.8	4.5
<b>Ecuador</b>	1.3	0.1	-9.5	3.5	1.3
<b>El Salvador</b>	2.4	2.4	-7.2	4.6	3.1
<b>Grenada</b>	4.1	2.0	-12.0	3.0	5.0
<b>Guatemala</b>	3.2	3.8	-3.5	3.6	3.8
<b>Guyana</b>	4.4	5.4	23.2	7.8	3.6
<b>Haiti<sup>a</sup></b>	1.7	-1.7	-3.8	1.4	1.5
<b>Honduras</b>	3.7	2.7	-9.7	3.8	3.9
<b>Jamaica</b>	1.9	0.9	-9.0	4.0	2.0
<b>Mexico</b>	2.2	-0.1	-9.0	3.7	2.6
<b>Nicaragua</b>	-4.0	-3.9	-6.0	-0.9	1.2
<b>Panama</b>	3.7	3.0	-8.1	5.1	3.5
<b>Paraguay</b>	3.2	-0.4	-1.1	3.3	4.0
<b>Peru</b>	4.0	2.2	-12.0	7.6	4.5
<b>St. Lucia</b>	2.6	1.7	-18.0	8.1	5.2
<b>St. Vincent and the Grenadines</b>	2.2	0.4	-5.0	0.0	5.0
<b>Suriname</b>	2.6	0.3	-13.1	-1.9	-1.5
<b>Uruguay</b>	1.6	0.2	-4.3	3.4	3.2

Source: World Bank.

Note: The Bank says that "due to lack of reliable data of adequate quality" it is not currently publishing GDP estimates or forecasts for Venezuela

## What does it mean?

A modest recovery this year would be good, but there is a big amber warning light: COVID-19 is not defeated and vaccine roll-out is likely to encounter all sorts of obstacles and delays, likely spilling over into 2022. The Bank says risks to the outlook are weighted to the downside and include rising poverty which could re-ignite social unrest.

### About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



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