# Top three Latin American economies need immunisation boost

## by Andrew Thompson

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## What happened?

In its latest global economic forecasts, the Paris-based OECD sees a stronger-than-expected recovery this year for the top three Latin American economies, Brazil, Mexico and Argentina – but things will slow down again next year.

## The details

Compared to last December, the OECD has become more optimistic about growth in the top three Latin American economies. It now expects Brazilian GDP to grow by 3.7% this year (up from 2.6% before), while Mexico will grow by 4.5% (up from 3.6%), and Argentina will grow 4.6% (up from 3.7%). This better performance in part reflects global trends, since the OECD has also lifted its forecast for the world economy to 5.6% growth (up from 4.2%). In its just-published Interim Economic Outlook it comments that "A global economic recovery is in sight, but a faster and more effective vaccination rollout across the world is critical."

### OECD Economic Outlook Projections
#### Real GDP growth
*% , year-on-year, colours indicate the direction of revisions since the December 2020 Economic Outlook*

| | 2020 | 2021 | 2022 | | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|
| World | -3.4 | 5.6 | 4.0 | G20 | -3.2 | 6.2 | 4.1 |
| Australia | -2.5 | 4.5 | 3.1 | Argentina | -10.5 | 4.6 | 2.1 |
| Canada | -5.4 | 4.7 | 4.0 | Brazil | -4.4 | 3.7 | 2.7 |
| Euro area | -6.8 | 3.9 | 3.8 | China | 2.3 | 7.8 | 4.9 |
| Germany | -5.3 | 3.0 | 3.7 | India* | -7.4 | 12.6 | 5.4 |
| France | -8.2 | 5.9 | 3.8 | Indonesia | -2.1 | 4.9 | 5.4 |
| Italy | -8.9 | 4.1 | 4.0 | Mexico | -8.5 | 4.5 | 3.0 |
| Spain | -11.0 | 5.7 | 4.8 | Russia | -3.6 | 2.7 | 2.6 |
| Japan | -4.8 | 2.7 | 1.8 | Saudi Arabia | -4.0 | 2.6 | 3.9 |
| Korea | -1.0 | 3.3 | 3.1 | South Africa | -7.2 | 3.0 | 2.0 |
| United Kingdom | -9.9 | 5.1 | 4.7 | Turkey | 1.8 | 5.9 | 3.0 |
| United States | -3.5 | 6.5 | 4.0 | | | | |

downward revision, by 0.3pp or more
no change or smaller than 0.3pp
upward revision, by 0.3pp or more

Source: OECD

The countries that are likely to do well are those where rapid immunisation reduces the threat from COVID-19 while fiscal stimulus at the same time increases consumption and activity levels. The US under the Joe Biden administration is expected to do well on both counts with growth rising to 6.5% this year. China, an important market for Latin American exports, will also do well with growth of 7.8%, while Europe will lag. OECD economist Laurence Boone said widespread vaccination is key "to get our economies and employment growing again."

It is clear that despite a bit of a lift this year, the three Latin American countries (which between them account for 70% of regional GDP) still have things to worry about. All three will grow more slowly than the global average, in part because they struggle to be competitive on international markets. The OECD warns that "The recovery is likely to be more moderate in the emerging market economies of Latin America and Africa, amid a resurgence of the virus, slow vaccine deployment, and limited scope for additional policy support".

On top of that, the OECD has lowered its forecast for next year. In effect it says Brazilian growth will drop back down to 2.7% in 2022, Mexico will dip to 3% and Argentina will drop to 2.1%. The suggestion is that underlying problems of fiscal deficits and heavy foreign debt will continue to weigh the region down.

## What does it mean?

Despite a bit of a vaccine-dependent boost this year, the return to lower single digit percentage growth in 2022 is going to contribute to a sense of popular frustration ing the Latin American population. Governments that fail to find more dynamic and sustainable ways road maps for growth will face increasing political pressures.

**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.

**These stories are also available on Andrew's blog site, _La Rambla Research_.**