Recent Developments: Growth in **Latin America and the Caribbean** declined considerably to 0.8 percent in 2014 due to declining commodity prices, a slowdown in major trading partners, and domestic challenges in some of the region's major economies. Regional growth was less than a third of that in 2013, and was the slowest in over 13 years, with the exception of 2009.

Nevertheless, there were diverging trends across sub-regions and countries. With continued robust expansions in Bolivia, Colombia, Ecuador, and Paraguay and sharp slowdowns in Argentina, Brazil, and Venezuela, growth in South America decelerated sharply from 2.9 in 2013 to 0.2 percent in 2014. In Brazil, the region's largest economy, protracted declines in commodity prices, weak growth in major trading partners, severe droughts in agricultural areas, election uncertainty, and contracting investment have contributed to a steep decline in growth.

In contrast, due to its close proximity to a strengthening United States, growth in developing North and Central America picked up to 2.4 percent in 2014, led by Mexico. Underpinned by robust mining exports and services, rapid growth in the Dominican Republic contributed to stronger growth in the Caribbean of 4.6 percent in 2014.

With continued strengthening of the United States and the Euro Area recovering slowly and despite softening global commodity demand, the region's export growth picked up in 2014, thanks to a bumper soy harvest (Argentina), strong gas production and intra-regional exports (Bolivia), and large gold shipments (Dominican Republic). Gross capital flows to the region slowed significantly in 2014, partly reflecting weak activity. This was largely accounted for by a sharp drop in equity flows to Brazil and Mexico. In contrast, bond issuance reached the highest volumes on record in late 2014, as prospects of U.S. monetary tightening spurred a surge of refinancing and pre-financing by Latin American borrowers, especially in Brazil and Mexico, which combined to account for 76 percent of the region's total bond issues in 2014.

Outlook: Regional growth is expected to strengthen to 1.7 percent in 2015, rising to 2.9 percent in 2016 and 3.3 percent in 2017, on strengthening exports and investment. The recovery in advanced countries is expected to support external demand growth offsetting the impact of China's adjustment to a more sustainable long-term growth.

Rising tourism receipts will support activity and, despite tightening global financial conditions, net capital flows to the region are expected to rise gradually, supporting investment growth. Domestic constraints among the regions' largest economies are also expected to gradually loosen in the medium term.

In Brazil, uncertainty about monetary and fiscal policies and the structural reform agenda remains elevated. As a result, growth in Brazil will continue to be tepid in 2015, at 1 percent, strengthening to 2.5 percent and 2.7 percent in 2016 and 2017, respectively. Mexico will see more robust growth of 3.3 percent in 2015, rising to 3.8 percent for each of 2016 and 2017.

Risks: The balance of risks in the Latin America and the Caribbean region, as in others, leans heavily towards the downside. Tightening global liquidity conditions following the expected interest rate hikes in the United States could trigger sharp swings in capital flows and large asset price and exchange rate movements. Given a continued strong U.S. dollar, capital flows to the region could stall or reverse, choking off financing for consumer durables and investment, and weighing on growth.

A sharper-than-expected slowdown in the region's largest economies, Argentina, Venezuela, and Brazil, could have a contagion effect across the region. A more severe decline in commodity prices would negatively impact commodity exporters, although lower oil prices will represent an upside risk for oil-importing economies in the region.

Latin America and the Caribbean country forecasts

(annual percent change unless indicated otherwise)					Est.	Forecast		
	00-10[a]	2011	2012	2013	2014	2015	2016	2017
GDP at market prices (2010 US$)								
Argentina[b]	3.8	8.6	0.9	2.9	-1.5	-0.3	1.6	3.1
Belize	4.0	2.1	4.0	0.7	2.6	2.6	2.7	2.8
Bolivia	3.8	5.2	5.2	6.8	5.3	4.5	4.3	4.0
Brazil	3.6	2.7	1.0	2.5	0.1	1.0	2.5	2.7
Colombia	4.1	6.6	4.0	4.7	4.7	4.4	4.3	4.3
Costa Rica	4.4	4.5	5.1	3.5	3.7	4.1	4.2	4.5
Dominica	2.6	0.2	-1.1	0.8	1.5	1.3	1.5	1.6
Dominican Republic	4.9	2.9	2.6	4.6	5.9	4.9	4.7	4.7
Ecuador	4.1	7.8	5.1	4.5	4.0	3.8	4.3	5.0
El Salvador	1.9	2.2	1.9	1.7	1.9	2.4	2.7	2.9
Guatemala	3.3	4.2	3.0	3.7	3.5	3.6	3.6	3.5
Guyana	2.4	5.4	4.8	5.2	3.6	3.7	3.8	4.0
Haiti	0.1	5.5	2.9	4.3	3.6	3.8	4.1	4.1
Honduras	4.1	3.8	4.1	2.6	3.0	3.0	3.3	3.5
Jamaica[c]	0.7	1.7	-0.6	0.6	0.9	1.1	2.2	2.5
Mexico	1.8	4.0	4.0	1.1	2.1	3.3	3.8	3.8
Nicaragua[b]	2.8	5.7	5.0	4.6	4.2	4.4	4.5	4.3
Panama	6.3	10.9	10.8	8.4	6.5	6.1	5.8	5.6
Paraguay	3.4	4.3	-1.2	14.2	4.0	4.3	4.3	4.6
Peru[b]	5.6	6.5	6.0	5.8	2.4	4.8	5.5	5.9
St. Lucia	1.8	1.2	-1.6	-0.4	-1.0	-0.6	0.8	1.4
St. Vincent and the Grenadines	2.9	-0.5	1.2	1.7	1.5	2.6	2.9	3.4
Venezuela, RB	3.1	4.2	5.6	1.3	-3.0	-2.0	0.5	1.5

Source: World Bank.

World Bank forecasts are frequently updated based on new information and changing (global) circumstances. Consequently, projections presented here may differ from those contained in other Bank documents, even if basic assessments of countries' prospects do not significantly differ at any given moment in time.

a. GDP growth rates over intervals are compound average; current account balance shares are simple averages over the period.

b. Preliminary for long-term average. Data was recently rebased; missing earlier data was spliced with the previous series.

c. Fiscal year basis