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Atlantic Council
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Americas economies in-depth:

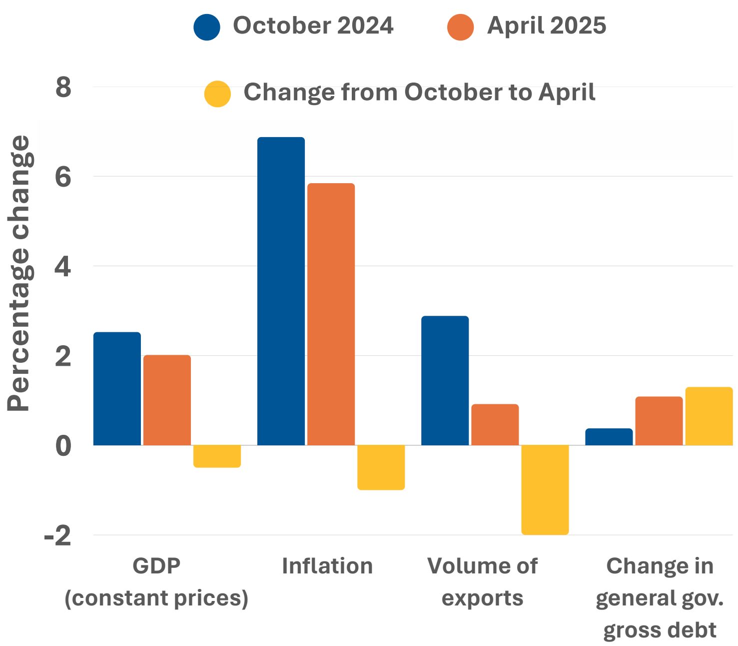
Latin America and the Caribbean's economic outlook in mid-2025

The first half of 2025 has brought notable shifts in the global economic outlook. While financial institutions do not yet predict a global recession, rising trade tensions have heightened economic concerns for the rest of the year—**including in Latin America and the Caribbean (LAC).**

Although each LAC country has its own economic situation, the region shows four general trends:

- A slowdown in growth;
- Stabilizing inflation following a consistent cooling of economic growth;
- A plateauing of export-led growth, in part explained by tariff uncertainties;
- An expansion of government debt as a share of gross domestic product (GDP).

Changing forecasts: How the IMF's projections for LAC have evolved for 2025

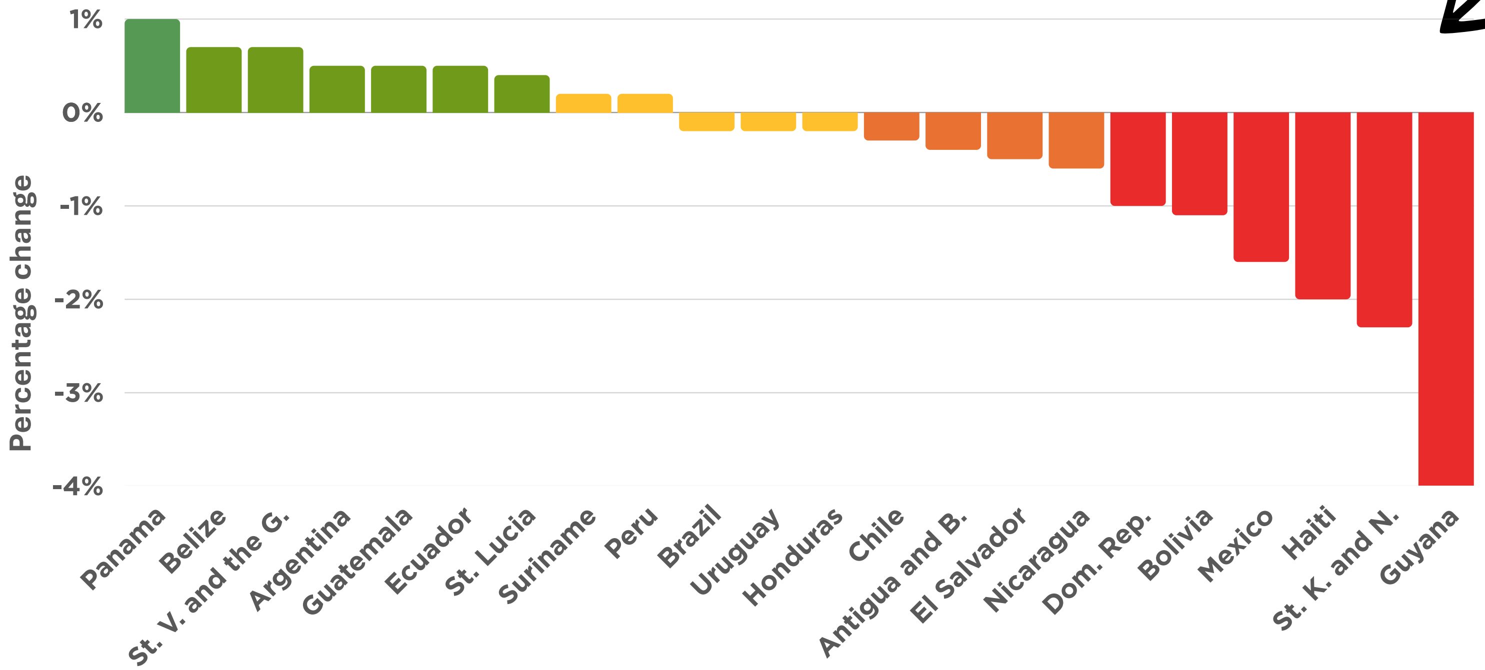


Source: Calculated with data from the IMF's World Economic Outlooks for October 2024 and April 2025.
Notes: The numbers presented are each World Economic Outlook's estimates for the year 2025.

Yet, the economic outlook varies per LAC country

While some countries are now projected to experience a notable slowdown or even recession, others have seen outlooks improve significantly over the last six months.

Change in projected real GDP growth for 2025 *(Difference between the October 2024 and April 2025 projections)*



Source: Calculated with data from the IMF's World Economic Outlooks for October 2024 and April 2025.
Notes: The numbers presented are the change in the estimated real GDP growth for 2025 between the two projections; they are not the projections themselves. Barbados, Costa Rica, Colombia, Dominica, Grenada, Jamaica, Paraguay, The Bahamas, and Trinidad and Tobago are excluded since their change of outlook was lower than 0.2% or higher than -0.2%.

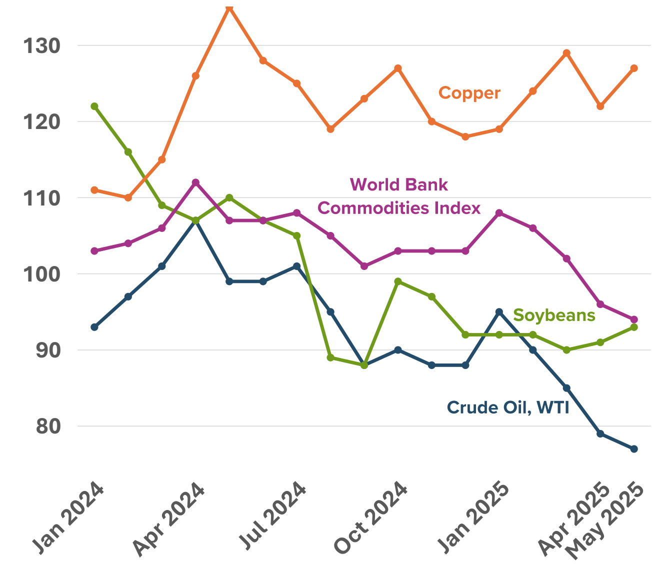
Changes in projections reflect broader dynamics. **Guyana's** projected change in growth rates—although a 10.3 percent GDP jump is still expected—stems from falling oil prices, which are linked to a slowing global economy. Economies that are interdependent with the **United States**, such as **Mexico** and the **Dominican Republic**, see potential sharp hits to GDP growth projections. Meanwhile, stabilization in **Argentina** and **Ecuador** has improved outlooks, with **Argentina's** forecast rising 0.5 points to 5.5 percent.

Expectations for the second half of 2025

Uncertainty will be the key driver for economic growth. But other important variables will also be significant factors as well:

- **Commodity prices:** An indirect effect of recent trade tensions (and the ensuing global slowdown) has been the recent drop in commodity prices, hurting South American countries that are economically dependent on oil and agribusiness.
- **US and China:** Key metrics, including the future of US interest rates and China's growth and import appetite, will prove crucial for regional economic dynamism, shaping capital flows to and from the region and the demand for the region's exports, respectively.

Declining prices: How commodity prices have evolved in recent months (January 2024-May 2025)



Source: Calculated with World Bank Commodity Markets data.
Notes: Index, 2010 = 100 ; WTI = West Texas Intermediate.

- **Regional fiscal and debt outlooks:** As governments boost spending to shore up economies hit by the effects of global uncertainty, there is rising concern about a worsening debt outlook, driving further uncertainty about public debt and raising borrowing costs for the rest of the economy.

As global dynamics continue to shift, LAC governments should look to boost productivity and fiscal discipline to strengthen investor confidence. At the same time, as the United States pursues reindustrialization, Washington can build on its deep regional trade ties to restructure supply chains and further integrate with LAC. The alternative, a region that struggles to grow as export markets are shut off from it, would bring national security implications for the United States.