Executive summary

Preliminary Overview of the Economies of Latin America and the Caribbean 2025

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Explanatory notes:

Three dots indicate that the data are missing, not separately reported or unavailable.
A dash indicates that the amount is nil or negligible.
A full stop is used to indicate decimals.
The word "dollars" refers to United States dollars, unless otherwise specified.
A slash between years (e.g. 2023/2024) indicates a 12-month period falling between the two years.
Individual figures and percentages in tables may not always add up to the corresponding total because of rounding.

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Executive summary

A. Global and regional trends in 2025

B. Economic outlook for 2026

C. Challenges for macroeconomic policymakers

Economic growth in Latin America and the Caribbean remained subdued in 2025, constrained by weak domestic demand and an uncertain global environment. External sector results were mixed: some countries recorded higher exports of goods and services, while others were affected by pressure on the terms of trade and greater trade volatility.

On the fiscal front, fiscal consolidation measures and debt interest payments limited the scope for more active policies. Labour markets continued to recover, but more slowly. Employment grew moderately, labour participation and unemployment gaps between men and women persisted and informality remained high in most of the countries.

Inflation continued to decline, making it possible to move towards less restrictive monetary policies, although investment remained subdued and productivity showed no signs of picking up. Momentum came mainly from the services sector, while manufacturing and construction lagged behind.

For 2026, the economic outlook for Latin America and the Caribbean points to continued slow growth in the region, characterized by moderate growth rates, an uncertain international environment and persistent internal constraints on efforts to foster investment, strengthen productivity and expand formal employment.

A. Global and regional trends in 2025

1. The international context

The global economic slowdown will continue in 2026. Following growth of 3.3% in 2024, global economic activity slowed slightly in 2025, with expansion of 3.2% projected for the year. This performance is explained by tariff escalation in the United States and a general context of uncertainty. In addition, high levels of public debt have restricted the scope for government spending, and high long-term interest rates have been an obstacle to higher investment.

All this has been compounded by structural problems such as the productivity crisis in the eurozone and persistent deflation in China, which are limiting global momentum. Projections for 2026 point to growth of 3.0%, below the estimate for 2025, in a context of far-reaching transformations related to the rapid adoption of artificial intelligence technologies, which are increasing productivity in certain segments but also generating financial risks because of their predominance in stock market capitalization and the concentration of high valuations among a few companies.

In this context, growth in the United States is forecast to have slowed to 1.8% in 2025 from 2.8% in 2024. The economy has been supported by expansionary public spending, a significant wealth effect and an increase in real incomes driven by productivity improvements and a labour market that has shown signs of losing momentum but remains stable. The extraordinary stock market valuation of the technology sector, associated with artificial intelligence, has reinforced consumption by higher-income households, increasing the dependence of the economic cycle on high net worth segments. On the monetary front, the Federal Reserve began a cycle of rate cuts in the second half of 2025, lowering the federal funds rate to a range of between 3.5% and 3.75% in response to the labour market slowdown, the rising cost of public debt servicing and the moderation of inflation.

In Europe, growth has remained weak and is projected at 1.1% for 2025. The eurozone continues to be affected by falling external demand, weak investment and persistent productivity problems, particularly in France and Germany. Although inflation has converged towards the 2% target, allowing monetary policy to stabilize, high debt levels are limiting the scope for action. A noteworthy case within the bloc is Spain, which has consolidated its position as the fastest-growing economy; its growth rate of some 2.6% is supported by a dynamic tourism sector, infrastructure investment and progress in the renewable energy sector.

Emerging and developing economies have performed well. In the case of India, growth of 6.5% is projected for 2025, driven by consumption and technology services. In the case of China, the economy is expected to grow by 4.9% in 2025, supported mainly by exports, which in January–September 2025 were up by more than 7% on the year-earlier period, although there are risks associated with weak consumption, deflation, excess production capacity and problems in the real estate sector.

Global trade partially recovered in 2025 thanks to more dynamic South-South trade, although it was affected by the tariffs imposed by the United States, which have reconfigured supply chains and had mixed effects on exporting countries.

Macrofinancial conditions are still a key feature of the global environment. High levels of public debt in advanced economies have reduced the scope for countercyclical fiscal policies, while long-term interest rates remain high, restricting investment. This is a particular problem for emerging economies, whose financing costs continue to be heavily affected by global volatility and uncertainty about the future trajectory of United States monetary policy.

2. Global liquidity

Global liquidity continued its upward trend in 2025, increasing mainly as a result of monetary expansion in the United States, China and Japan. Growth in the broad money supply of the world's leading central banks rose from 2.4% in 2024 to around 4.3% in 2025, and this, in combination with rate cuts, somewhat eased global financial conditions in the second half of the year. However, that relief has not significantly changed the international environment, as growth remains sluggish and significant uncertainty persists, creating a challenging external situation for Latin America and the Caribbean in 2025 and into 2026.

3. Latin American and Caribbean external accounts

In 2025, the current account deficit in Latin America and the Caribbean will stabilize at around 1.6% of GDP (roughly US$ 105 billion), but there will be marked differences between subregions. These regional results stem from a combination of international and national factors. The balance, which represents a continuation of the correction that began in 2022, is a considerable improvement compared to the period 2015–2019, when the deficit averaged around 2.5% of GDP. A deficit is also projected for 2026 (albeit slightly smaller at 1.5%), reflecting the continuation of a consolidation process to address external imbalances.

Subregional results were mixed. Central America is closer to balancing its current account, having reduced its deficit thanks to a steady flow of remittances. South American economies recorded a moderate deficit, helped along by a goods account surplus owed to the partial recovery of natural resources exports. In the Caribbean, meanwhile, a weaker tourism sector and high external financing costs resulted in a significant deterioration in the current account.

The goods account is expected to record a surplus of around 0.5% of GDP in 2025 (compared to 0.7% of GDP in 2024), fuelled by a recovery in domestic demand resulting in stronger imports, and a modest expansion of exports. In 2026, the surplus is projected to increase to 1% of GDP amid rising export volumes, together with a stabilization in imports due to a more measured pace of economic growth.

The income account, in contrast, remained the primary source of external pressures, with net outflows in excess of 4% of GDP. This situation reflects the growing weight of outflows in the form of interest payments on external obligations.

The countries of the region remain exposed to risks related to their external debt structure. Although, on average, there is an even split between internal and external creditors, those countries with a preponderance of the latter are more vulnerable in the face of exchange rate uncertainty and possible capital outflows.

4. Economic activity

Latin America and the Caribbean will experience moderate economic growth in 2025. The slight uptick from 2.3% in 2024 to a projected 2.4% in 2025 is supported mainly by domestic demand in several economies, especially private consumption. The regional economy remains largely dependent on services sectors, which account for the bulk of value added and continue to drive job creation and the recovery from the coronavirus disease (COVID-19) pandemic.

Investment remained reserved in most of the countries, hampered by still-high interest rates in the first half of the year and persistent uncertainty at the global level. External financial conditions improved in the second half of the year, but the private sector's measured response indicated a cautious assessment of the international outlook.

At the subregional level, both South American and Central American economies have been in a slowdown since 2022, with growth rates around 2.5% and 3%, respectively. In South America, growth in 2025 accelerated in half the countries and decelerated in the other half. In Central America, the slowdown that begun in 2022 continues, and growth rates are slightly higher than those recorded in South American economies.

5. Domestic prices

Inflation continues to subside in the region. In the economies of Latin America and the Caribbean, inflation continued its descent throughout 2025, confirming the trend that begun in 2024. Between February and September 2025, median inflation in the region was roughly halved, to 1.8%, owing to falling international food and energy prices, normalizing global logistics chains and diminishing volatility in international financial markets.

In September 2025, there were year-on-year declines of close to 6.6% in food prices in international markets and 8.1% in energy prices, reflecting excess supply in those markets. These declines helped to lower production costs in a number of sectors and to ease inflationary pressure on households, in particular in countries that are more reliant on these imports.

However, the trend was uneven across economies. In those with more flexible exchange rates, external shocks were passed on, generating increased domestic price volatility, while dollarized economies or those with pegged currencies enjoyed greater headline stability, although they were still heavily dependent on changes in global prices.

Core inflation also showed signs of abating as consumption slowed in some countries and transport costs normalized. In this context, the central banks of several countries of the region were able to resume cutting monetary policy rates as conditions became more favourable for meeting inflation targets.

6. Employment and wages

Labour markets continued to recover, but more slowly. Job creation continued in the region in 2025 (1.5%), albeit at a slower pace than in 2024 (2.0%). The economic slowdown in some sectors and greater global uncertainty stifled labour demand.

Employment grew mainly in activities such as financial and business services and manufacturing, with the wage earner and employer categories recording the strongest growth.

Although labour informality remained high, it continued to decline, owing to improvement in more formal sectors. Average and minimum wages rose moderately in real terms in several countries, buoyed primarily by falling inflation and the partial recovery in labour productivity. In some cases, the increase in wages outstripped that in core inflation, sustaining private consumption and domestic demand, though to a lesser extent than in 2024.

Despite slight improvements, the structural gender gaps in indicators such as participation, unemployment and employment rates remained wide, and continue to hamper the full recovery in employment and job quality in the region, posing considerable challenges for public policy.

7. Macroeconomic policies

(a) Fiscal policy

Fiscal space remained limited amid persistent deficits and declining but still-high debt levels. Public debt in Latin America amounted to 51.8% of GDP in September 2025, similar to the level seen in 2024 and in the early 2000s, when the region faced several economic and financial crises. Meanwhile, public debt in the Caribbean declined to 68.0% of GDP in June 2025, returning to pre-pandemic levels; nonetheless, that indicator remained above 80% of GDP in several countries.

Deficits persist in Latin America, while fiscal balances in the Caribbean are expected to worsen. Although some countries managed to improve their fiscal balances by increasing tax revenue or curbing public expenditures, others faced additional spending pressures linked to greater interest payments, especially on debt denominated in foreign currency or owed to a large share of foreign creditors, which represents a source of macroeconomic vulnerability.

(b) Monetary, exchange rate and prudential policy

Most of the region's central banks continued to lower monetary policy rates in 2025, as they had been doing since 2023. Central banks across the region maintained a cautious stance in the first half of 2025, owing to persistently high inflation expectations, exchange-rate volatility and uncertainty about the external environment.

The easing of monetary policy in the region intensified in mid-2025, supported by factors such as inflation expectations moving closer to the targeted range, the dollar depreciating in international markets, interest rates being cut in the United States and diminishing uncertainty about United States trade policy.

These conditions facilitated lending in some countries, though investment remained limited owing to weak confidence and the global macroeconomic climate.

B. Economic outlook for 2026

1. Growth is expected to remain weak in Latin America and the Caribbean in 2026, amid still-uncertain global conditions

The region's GDP growth is projected at 2.4% in 2025 and 2.3% in 2026, reflecting four consecutive years of rates close to 2.3% and confirming that Latin America and the Caribbean is caught in a trap of low capacity for growth (see table 1).

Table 1
Latin America and the Caribbean: real GDP growth, 2024 and projections for 2025 and 2026
(Percentages)

	2024	2025	2026
Latin America and the Caribbean	**2.3**	**2.4**	**2.3**
Latin America	**2.2**	**2.3**	**2.2**
South America	**2.4**	**2.9**	**2.4**
Argentina	-1.3	4.3	3.8
Bolivia (Plurinational State of)	-1.1	0.5	0.5
Brazil	3.4	2.5	2.0
Chile	2.6	2.5	2.2
Colombia	1.6	2.6	2.7
Ecuador	-2.0	3.2	2.2
Paraguay	4.2	5.5	4.5
Peru	3.3	3.2	3.0
Uruguay	3.1	2.2	2.1
Venezuela (Bolivarian Republic of)	8.5	6.5	3.0
Central America and Mexico	**1.8**	**1.0**	**1.8**
Mexico	1.4	0.4	1.3
Central America	**2.8**	**2.6**	**3.0**
Costa Rica	4.3	4.0	3.9
Cuba	-1.1	-1.5	0.1
Dominican Republic	5.0	2.9	3.6
El Salvador	2.6	3.5	3.4
Guatemala	3.7	3.9	3.8
Haiti	-4.2	-2.3	-1.2
Honduras	3.6	3.8	3.9
Nicaragua	3.6	3.5	3.4
Panama	2.7	3.8	3.7
The Caribbean	**10.7**	**5.5**	**8.2**
The Caribbean (excl. Guyana)	**2.2**	**1.9**	**1.8**
Antigua and Barbuda	4.3	4.8	5.0
Bahamas (The)	3.4	2.1	2.0
Barbados	4.0	2.9	2.1
Belize	3.5	1.6	2.6
Dominica	2.1	4.2	3.1
Grenada	4.0	3.6	3.1
Guyana	43.6	15.2	24.0
Jamaica	-0.5	1.5	1.4
Saint Kitts and Nevis	1.2	1.1	2.6
Saint Lucia	3.9	2.7	2.8
Saint Vincent and the Grenadines	4.1	4.7	3.6
Suriname	3.0	3.2	3.4
Trinidad and Tobago	2.5	1.3	0.9

Source: Economic Commission for Latin America and the Caribbean.
Note: Projections for 2025 and 2026 are based on information available as at 30 November 2025.

Growth trends across the subregions are expected to be mixed. In South America, GDP is forecast to edge down from 2.9% in 2025 to 2.4% in 2026, reflecting weaker growth in Brazil —owing to the continued tightening of monetary policy and weaker fiscal stimulus— and a normalization of conditions in Argentina following the sharp recovery in 2025.

GDP for Central America is projected to expand by 3.0% in 2026, following increases of 2.6% in 2025 and 2.8% in 2024. This subregion has been the most affected by slackening aggregate external demand, particularly from the United States. Nonetheless, the Dominican Republic, Guatemala and Panama, three of the largest economies in the subregion, were relatively resilient in 2025, with GDP growth estimated at 3.5% or more, thanks to the momentum in the services sector, trends in private consumption and stronger remittances. Despite a brighter outlook for 2026, Central America remains highly vulnerable to external shocks, owing to its structural dependence on the United States economy with respect to trade, finance and migration, as well as its exposure to the potential adverse effects of climate change.

Mexico is projected to record growth of 0.4% in 2025 because of more sluggish domestic demand resulting from weaker remittances, and falling private consumption and investment. Growth in 2026 is estimated at 1.3%. Despite the expected improvement, the Mexican economy remains vulnerable to external shocks from United States trade, finance and migration policy.

The Caribbean, excluding Guyana, is forecast to grow by 1.8% in 2026, at a slightly slower pace compared with 2025. Economic expansion is subject to tourism and construction trends in the subregion, which is highly vulnerable given its dependence on imported energy, high transport costs and exposure to natural disasters.

2. Private consumption and external demand are weakening as drivers of regional growth

On the demand side, private consumption will continue to be the main driver of growth, albeit less so, with its contribution falling from 2 percentage points in 2024 to 1.6 percentage points in 2025 and 1.4 percentage points in 2026.

Public consumption will remain weak and while the contribution of investment is set to increase progressively, this will still be insufficient to change the pattern of low growth. Net exports will again have a negative contribution in the 2025–2026 biennium, owing to the slacker momentum of exports and a rebound in imports. Average regional growth for the period 2017–2026 is projected at just 1.6%, reflecting a combination of the trend towards slowdown and high cyclical volatility. In this regard, the growth of around 2.3% recorded between 2023 and 2026 can be interpreted more as a post-pandemic cyclical rebound than as a change in the long-term growth of the region's economies.

3. The external environment is expected to remain uncertain

The global economy is expected to grow at a rate of close to 3.0% in 2026, against a backdrop of international trade that has virtually flatlined and is vulnerable to geopolitical and trade tensions.

The economic slowdown in the region's main trading partners —the United States, the eurozone and China— will weaken external forces. Furthermore, the prices of some of the region's export commodities are expected to decline in 2026. Notwithstanding this downtrend, some commodity prices, such as base and precious metals, will increase.

4. In 2026, the current account will register a moderate deficit

The deficit of around 1.5% of GDP will be largely attributable to net interest payments abroad, which will stand at close to 4.1% of GDP. This will be offset, in part, by a surplus on the goods balance and by remittances inflows, as well as net capital inflows through the financial account of the balance of payments.

5. In 2026, a slowdown in employment growth is expected

This will be accompanied by further slight reductions in informality and historically low unemployment rates. Inflation will converge toward a median of 3% in 2026, after the sharp correction in 2023–2025, on the back of falling international food and energy prices, exchange rate appreciation and prudent monetary policies, although with upside risks related to financial volatility and new external shocks.

C. Challenges for macroeconomic policymakers

Given this scenario, the region faces the dual challenge of managing growing macrofinancial risks and advancing reforms that drive productive transformation and social policies and increase potential growth. Domestically, measures must be taken to strengthen fiscal policy sustainability, as high debt levels limit governments' ability to respond to adverse shocks or expand public investment spending. In addition, regional authorities must use all the tools available to reduce their economies' external vulnerability, which is associated with the dependence on natural resource exports and the market concentration that continue to expose countries to the risks of the deterioration of the terms of trade.

Undertaking this complex task will require regional authorities to seek opportunities and mechanisms to enhance coordination among fiscal, monetary, exchange rate and prudential policies, with a view to boosting economic growth. Also needed are policies to speed up productive transformation and increase the productivity of the region's economies and improve employment quality. In this regard, it is necessary to scale up productive development policies: the challenge for the region is to promote integrated agendas for innovation, digitalization and productive diversification that will increase productivity.

The region must also make headway in adopting policies to promote formal production units and employment, improving social protection and workforce training, and implementing instruments to reduce structural gender and intergenerational gaps.

Addressing these challenges requires comprehensive policies that combine responsible fiscal management with investment incentives, as well as monetary policies designed to consolidate nominal stability and strengthen domestic resource mobilization, fostering greater financial intermediation and adequate risk assessment. Such fiscal and monetary measures will help to improve efficiency in resource allocation, foster inflation convergence and advance structural reforms that boost the productivity and transformation capacity of the region's economies. In addition, the countries of the region should consider policies aimed at expanding access to new export markets, strengthening trade and production cooperation and promoting greater financial integration and intraregional trade. It is also necessary to strengthen economic and social institutional frameworks, improve regional cooperation and enhance policy coordination with a view to mitigating external shocks more effectively.

One of the Indigenous symbols featured in the craftwork of the peoples of the Americas, an essential part of their culture and economy. Bas-relief on the spiral tower at ECLAC headquarters in Santiago.

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Latin America and the Caribbean remains caught in a trap of low capacity for growth. ECLAC forecasts regional growth of 2.3% in 2026, slightly below the 2.4% recorded in 2025, marking four consecutive years of growth rates around 2.3%. This 2025 edition of the *Preliminary Overview of the Economies of Latin America and the Caribbean* shows that this performance comes amid global uncertainty and domestic constraints which limit investment growth, productivity and the capacity to generate formal employment.

The economic outlook of the region is mixed. Although inflation continues to decline, facilitating more accommodative monetary stances, private consumption growth is slowing. Despite the pick-up in investment, it remains limited and gender gaps in employment persist. Meanwhile, external accounts have registered moderate but persistent deficits, with vulnerabilities related to dependence on primary exports and rising interest payments.

Escaping the trap of low capacity for growth requires better-coordinated policies and robust institutions to manage and sustain them. Fiscal sustainability must be combined with greater investment, monetary policies that ensure stability and productive development policies scaled up to drive innovation and quality employment. Only through this comprehensive approach can the region strengthen its resilience and move towards more productive, inclusive and sustainable development.

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