United Nations | Department of Economic and Social Affairs

Press Release

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Growth projected to decelerate sharply in Latin America and the Caribbean, according to UN flagship economic report

Region must lift growth to reduce poverty and achieve progress on the Sustainable Development Goals

Mexico, 16 January – The growth outlook in Latin America and the Caribbean is deteriorating. While inflation is receding in several economies, limited macroeconomic policy space and weak investments will continue to impede the region's ability to tackle social challenges and climate change, according to the **UN World Economic Situation and Prospects (WESP) 2024**.

The UN's flagship economic report presents a sombre global economic outlook for the near term. Persistently high interest rates, further escalation of conflicts, sluggish international trade, and increasing climate disasters, pose significant challenges to global growth. Global economic growth is projected to slow from an estimated 2.7 per cent in 2023 to 2.4 per cent in 2024, trending below the pre-pandemic growth rate of 3.0 per cent.

The prospects of a prolonged period of tighter credit conditions and higher borrowing costs present strong headwinds for a world economy saddled with debt, while in need of more investments to resuscitate growth, fight climate change and accelerate progress towards the Sustainable Development Goals (SDGs).

"2024 must be the year when we break out of this quagmire. By unlocking big, bold investments we can drive sustainable development and climate action, and put the global economy on a stronger growth path for all," said António Guterres, United Nations Secretary-General. "We must build on the progress made in the past year towards an SDG Stimulus of at least $500 billion per year in affordable long-term financing for investments in sustainable development and climate action."

Latin America and the Caribbean face a challenging economic outlook

Economic growth in Latin America and the Caribbean is projected to decelerate in 2024, as tight monetary conditions will negatively impact aggregate demand; slower external demand will limit export growth; and structural vulnerabilities and political uncertainties, will weigh negatively on investment. In 2024, regional GDP is projected to expand by only 1.6 per cent, following growth reaching an estimated 2.2 per cent in 2023.

The region also faces downside external and domestic risks. The tepid economic expansion in the United States and China in 2024 could impact exports, remittances, and capital inflows. Renewed volatility in global financial markets due to unanticipated decisions from the United States Federal Reserve or an escalation of geopolitical conflicts could impact capital inflows to the region. On the domestic front, climate-related shocks and the El Niño phenomenon could disrupt economic activity and trigger renewed inflationary pressures.

GDP growth in Brazil is projected to slow down from 3.1 per cent in 2023 to 1.6 per cent in 2024, due to the lagged impacts of higher interest rates and slower external demand. In Mexico, GDP is projected to increase by 2.3 per cent in 2024, after an expansion of 3.5 per cent in 2023, amid a slowdown in the United States. The economy of Argentina remains in crisis, amid elevated inflation.

Inflation receding but slower economic activity will impact labour markets

Due to early and aggressive interest rate hikes by central banks, lower food and energy prices, and the withdrawal of pandemic-era stimulus measures, inflation has continued to decline. Annual regional inflation, excluding Argentina and the Bolivarian Republic of Venezuela, is projected to fall from 6.8 per cent in 2023 to 4.3 per cent in 2024.

Amid a deteriorating economic outlook, high borrowing costs and the slowdown in the United States and China, the labour market outlook in the region will remain challenging in 2024. Employment growth will decelerate, and unemployment rates will likely increase in a few economies. Also, gender gaps in employment are projected to remain wide across the region.

An urgent need to accelerate economic growth

As inflationary pressures receded and aggregate demand was slowing, several central banks began to cut interest rates in 2023. If the Federal Reserve increases interest rates more than currently expected, or if El Niño phenomenon triggers renewed inflationary pressures, a few central banks may soften or even pause their projected interest rate cuts in 2024.

Amid rising debt-servicing costs, fiscal space remains limited. Governments in the region are facing major constraints to finance the enormous investment needed to accelerate progress towards the SDGs. The region will need to redouble its efforts towards reducing tax evasion and avoidance and increasing the progressivity of the tax systems to meet its financing needs.

The region continues to face the crucial challenge of implementing countercyclical macroeconomic and active industrial policies to boost growth and investment, expand social welfare, and build resilience to climate change.

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The full report will be available on 4 January 2024, 12:30 pm EST at:
https://desapublications.un.org/

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