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■ World Bank on LAC economies:

Slow growth persistent

■WASHINGTON/CMC

THE World Bank says Latin America and the Caribbean (LAC) continues its efforts to reignite growth and create more and better jobs, but progress remains constrained.

The Washington-based financial institution said on Tuesday the regional growth rate is expected to edge up slightly, from 2.2% in 2024 to 2.3% this year, even as many individual economies face downward revisions in their projections.

It said that these adjustments reflect, in part, an external environment that offers limited support, shaped by a cooling global economy, falling commodity prices, and greater uncertainty.

According to the World Bank, monetary authorities in the region continue to manage inflation competently, but the 'last mile' is proving longer and rockier than expected.

It said interest rates in advanced economies have slowed their decline, constraining interest rate reductions across the region, and delaying the needed relief for households, banks, and governments' fiscal accounts. Investment, both public and private, remains depressed, and any momentum for 'nearshoring'-the practice of bringing offshore operations to close or friendly countries-is stalled, both because of the rise in global uncertainty and because of a lack of preparedness in the region's enabling environment to attract and host it.

The bank said that the persistent lack of fiscal space underlines the continuing importance of improving the efficiency of government spending, as well as rethinking the ways governments raise revenue to generate resources for development investments According to the World Bank, Caribbean economies outpaced Latin American ones in 2024, though performance varied between tourism dependent countries and commodity exporters.

Tourism-dependent economies have largely regained pre-Covid pandemic gross domestic product (GDP) levels, supported by a strong recovery in tourist arrivals, though growth in the services sector is expected to moderate.

Among commodity exporters, Trinidad and Tobago and Suriname experienced sharp declines in output during the pandemic due to falling commodity prices, but growth has rebounded as prices have recovered.

Guyana has seen sustained, rapid GDP expansion since 2020, driven by new oil production. But the World Bank said that beyond short term macroeconomic dynamics, longer-term development challenges persist, particularly around productivity and labour mobility.

Public debt trajectories differ across the Caribbean and Central America with several countries have reduced debt-to GDP ratios through growth and fiscal discipline.

The World Bank said Jamaica's Economic Programme Oversight Committee (EPOC) offers a model for transparent fiscal oversight.

As of January 1, 2025, Jamaica's fiscal oversight transitioned to the newly established Independent Fiscal Commission and Advisory Committee, marking a significant institutional upgrade that enhances transparency and credibility.

Barbados and Belize have also made notable progress through consolidation efforts. However, some highly indebted Caribbean countries still face challenges in achieving debt sustainability. Inflation surged across the Caribbean in 2022 due to increases in global food and fuel prices, though countries with currency pegs cushioned these impacts compared to the ones which have inflation-targeting regimes.

Since 2023, price normalisation has helped ease inflationary pressures across the region. Regarding skilled migration and local economic development, the World Bank notes that in Central America and the Caribbean face persistent productivity challenges alongside high outmigration rates.