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■ ECLAC:

Caribbean growth set to decelerate

■ CHILE

THE Economic Commission for Latin America and the Caribbean (ECLAC) is warning that the region continues to endure a prolonged period of low growth and it is estimated that real Gross Domestic Product (GDP) will grow 2.2% on average in 2025 and 2.3% the following year, in line with the rates recorded in 2023 and 2024.

In the latest edition of its annual 'Economic Survey of Latin America and the Caribbean 2025: Resource mobilisation to finance development', ECLAC says the new projections for this year represent a slight upward revision from the 2% it published in April, which is attributable to improved GDP performance in the first quarter of the year.

The report emphasises that the estimates point to different dynamics among subregions and countries. In South America, a 2.7% expansion is foreseen in 2025, above the regional average. However, in the rest of the subregion's countries, a slowdown versus 2024 levels is expected.

In 2026, South America's growth is seen easing again to settle at 2.4%. In Central America and Mexico, projected growth for 2025 is 1% nearly half the 1.8% expansion recorded in 2024, while in the Caribbean, excluding Guyana, growth is forecast at 1.8% this year and 1.7% in 2026, 'marking a deceleration versus 2024, which is attributable to lower GDP growth in the United States, and the ensuing reduction in the demand for tourism services, in addition to lower global demand for services'.

'The subregion continues to face high costs for energy imports and transportation, as well as notable exposure to natural disasters-factors that impact its external position and debt levels. In contrast, Guyana is seen maintaining high growth rates, thanks to continued investment in the hydrocarbons sector,' according to the ECLAC report.

It said the macroeconomic scenario for 2025-2026 will be marked by less dynamism in domestic aggregate demand. The regional macroeconomic environment will be characterised by weak domestic demand, particularly due to slower private consumption.

In addition, international prospects remain unfavourable, limiting the external impetus for regional growth.

ECLAC said that in 2025 and 2026, global economic growth is seen easing as a result of multiple conditioning factors, including geoeconomic tensions and fragmentation, even more restrictive financial conditions, a weakening of international trade, and armed conflicts.

'This is compounded by intensified external vulnerability, reflected in the forecast for a larger current account deficit and in greater dependence on external capital,' according to the report, which also indicates that in the 2025-2026 period, the region's balance of payments will continue to be subject to various risks, such as the worsening of geopolitical conflicts, the volatility of commodities prices and the synchronised deceleration of the world's main economies.

Employment growth is also expected to slow. In line with economic activity dynamics, ECLAC anticipates that job growth will remain low in the region's economies in 2025 and 2026.

The increase in the number of employed people is expected to be lower than in previous years.