

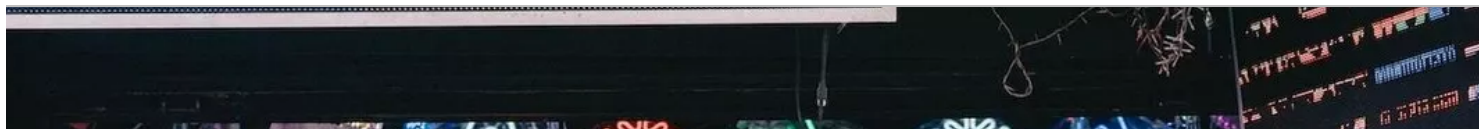


Become a member

DAVOS 2023

How Latin American and Caribbean countries can mitigate slow growth in 2023

Jan 19, 2023

[Become a member](#)

José Manuel Salazar-Xirinachs

Executive Secretary, United Nations Economic Commission for Latin America and the Caribbean (ECLAC)

This article is part of:

World Economic Forum Annual Meeting



Listen to the article

9 min listen

- **Average growth for Latin American and Caribbean countries is expected to slow down to 1.3% in 2023.**
- **Governments in the region will struggle to promote job creation, maintain social expenditures and transfers and invest in education.**
- **Key policy priorities should focus on reactivating job markets, curbing the rising cost of living, improving tax collection and sheltering vulnerable groups.**

2023 is going to be a very challenging year for countries in Latin America and the Caribbean: it will mark the end of a decade in which the region's annual growth rate has averaged only 0.9%, an even worse performance than during the "lost decade" of the 1980s. This is not just one bad business cycle; it is a structural trap of low growth, high inequality, weak institutions and poor governance.

[Become a member](#)

even heavier backlog of challenges than they faced before the decade began. Not only have the poor and vulnerable suffered but also the middle classes, and they are angry. They demand and expect that recently elected governments deliver on their campaign promises – and do so quickly. People want to see results reflected in their daily lives. Impatience runs high, trust in institutions runs low.

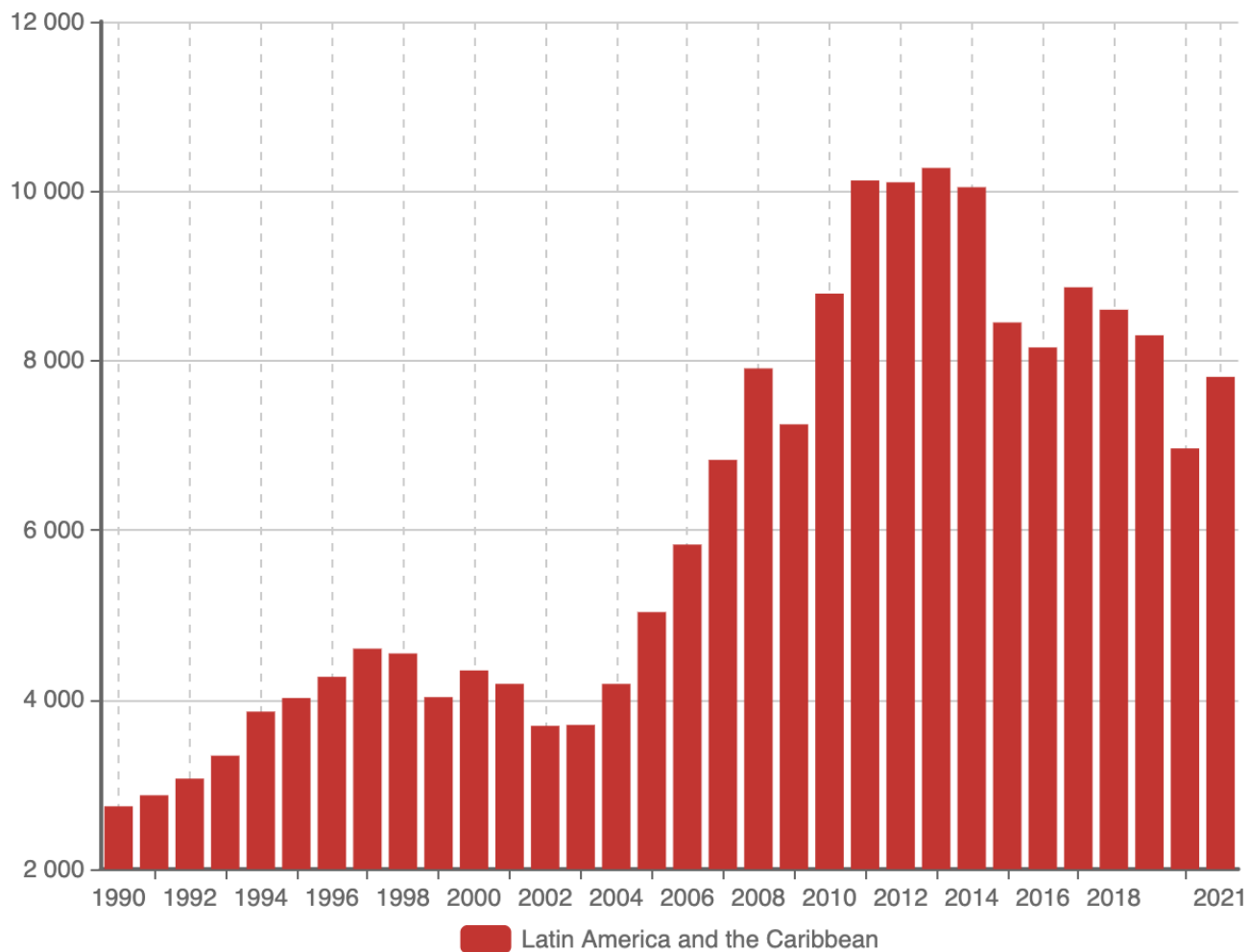
Have you read?

- [The key to boosting economic recovery in Latin America](#)
- [In Latin America, public-private partnerships support a gender-inclusive recovery](#)
- [How to ensure food security for Latin America – now and in the future](#)

Outlook for Latin American and Caribbean economies in 2023

At ECLAC (United Nations Economic Commission for Latin America and the Caribbean), we estimate that the [average rate of economic growth for Latin America and the Caribbean in 2023 will be 1.3%](#). By subregion, this breaks down into only 1% in South America, 3% in Central America and 3.3% in the Caribbean, while Mexico is expected to post a rate of just 1.1%.

These mediocre rates of growth will do little to help job creation, nor will they allow governments to create the fiscal space they need to maintain social expenditures and transfers, invest in education, and create a good environment to absorb the growing flows of migrants. As a result, the region faces the risk of experiencing episodes of social unrest alongside a rising tide of migration.

[Become a member](#)


Source: CEPALSTAT - ECLAC - UNITED NATIONS

GDP per capita has fallen in Latin America the past decade after rising sharply in the 2000s Image: ECLAC

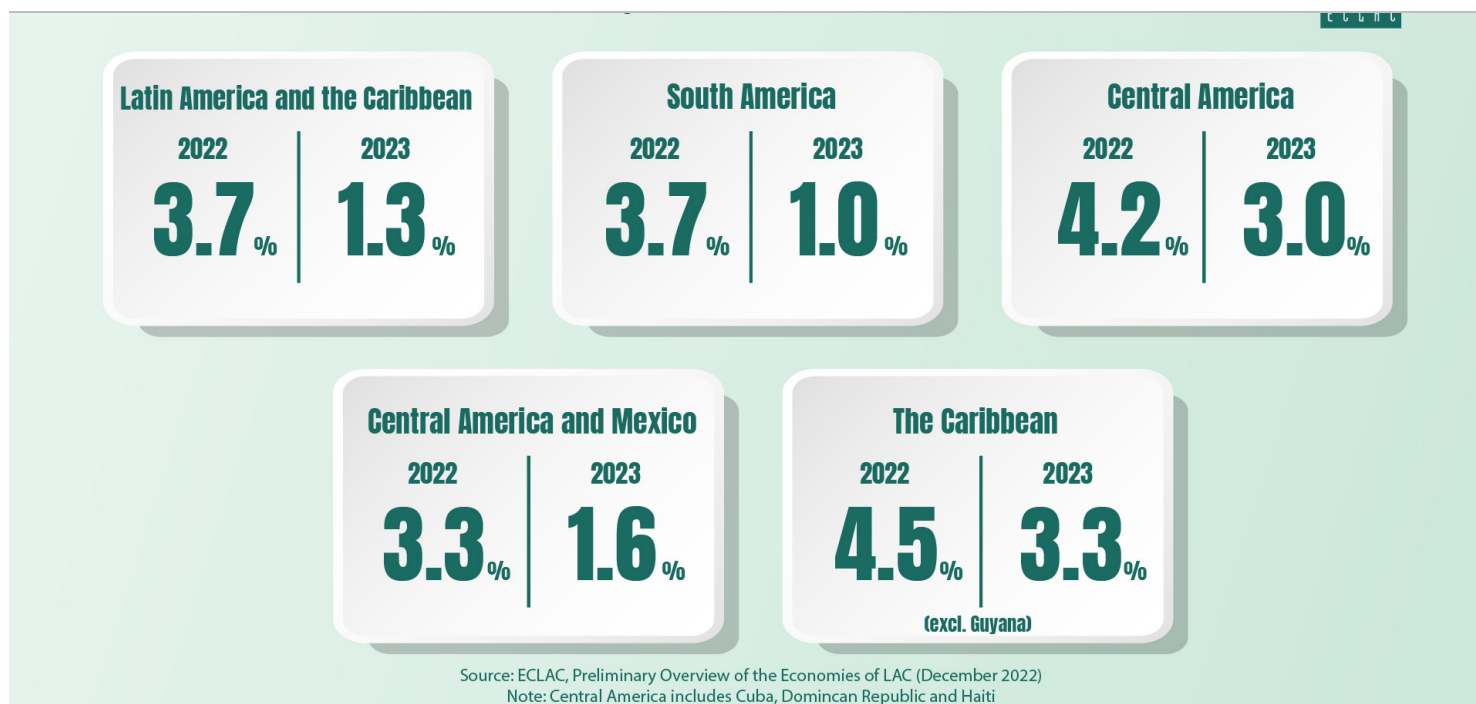
Governments are under tremendous pressure to deliver tangible results and they face difficult trade-offs in terms of competing demands and objectives. Governance styles and procedures matter: political spaces for social dialogue and for listening to and engaging with different groups will be an essential part of democratic governance under these hard crisis conditions. Institutional quality and effectiveness also matter: it is impossible to deliver results unless the relevant

[Become a member](#)

In light of this situation, the key policy priorities for Latin America and the Caribbean should be to:

- Promote the strongest possible economic reactivation to create jobs and make labour markets more dynamic.
- Continue efforts to reduce inflation and limit rises in the cost of living.
- Pursue fiscal reform to improve tax collection and tax revenues, as well as to shelter the region's most vulnerable groups with specially tailored social and employment policies.
- Create the basis of a universal health service, in addition to well-designed social protection policies.

What happens in the international environment makes a difference for growth and fiscal space. Unfortunately, this year—in contrast to the period after the financial crisis—the three main engines of global growth and main trading partners of the region's countries have stalled. In 2023, the United States is expected to grow by only 0.7%, the Eurozone only 0.3%, and China 4.4%. So Latin America and the Caribbean cannot look forward to a tailwind from the global economy.

[Become a member](#)


After rebounding in 2021, growth rates are slowing down in Latin America and the Caribbean Image: ECLAC/ Twitter

8 sources of opportunities to be seized

In this context, are there any grounds for optimism about sources of growth, job creation, expansion of fiscal spaces and reconstruction? Fortunately, the answer is yes, as there are sources of opportunities which the region should seize.

First, the restructuring of global production processes creates opportunities for the region to take advantage of global supply chain reconfiguration and corresponding production cluster dynamics.

Second, Latin America and the Caribbean has great energy potential, both in traditional energies such as hydrocarbons, and in clean and modern renewable sources of energy, such as solar, wind and green hydrogen. FDI (foreign direct investment) inflows and opportunities in the energy sector continue to be very significant.

[Become a member](#)

new technologies relating to the circular economy, electromobility, digital transformation and the explosion of opportunities in modern services exports, such as e-commerce, fintech, back-office services and shared services.



Governance styles and procedures matter: political spaces for social dialogue and for listening to and engaging with different groups will be an essential part of democratic governance under these hard crisis conditions.



— José M. Salazar-Xirinachs, Executive Secretary of ECLAC

Fourth, 2023 promises to be a year of strong recovery in tourism, a vital sector for much of the Caribbean, Central America, Mexico and other countries.

Fifth, just as 2022 was the year of the interest-rate shock, 2023 may be the year of rate stabilization or even the year when rates turn the corner, a shift that may reduce the cost of debt service and may ease the restrictions on access to fresh financial resources.

Sixth, improvements in the international financial architecture to create multilateral mechanisms of debt renegotiation will also be highly beneficial, not only for the Latin American and Caribbean region, but for all emerging and developing economies.

Seventh, 2023 may also be a good year for regional integration, although this depends on the political commitment and pragmatism of the political authorities in the region. Recall that the region itself is the main destination for its exports of manufactures. The current geopolitics of globalization make it all the more obvious how important—and urgent—it is to modernize and deepen regional integration frameworks.

[Become a member](#)

Caribbean may have a great year ahead building on the significant progress that has been made in terms of gender equality, for instance, and the emphasis put in this area by regional leaders during the recent XV Regional Conference on Women in Latin America and the Caribbean, among other commitments subscribed in different regional fora. The region has an ambitious agenda to foster comprehensive care systems, move towards a care society and to increase the rate of participation of women in the labor force, [today a whopping 24% lower than male participation](#). Furthermore, the region has a unique opportunity to foster universal social protection systems and strengthen the education and health sectors.

[DISCOVER](#)

How is the World Economic Forum ensuring sustainable global markets?

[Show more](#)

A pragmatic agenda for growth

It is essential that countries in the region seize as many of these and other opportunities as possible in order to recapture a positive spirit based on pragmatic agendas for growth, jobs and better social conditions.

In addition, this will be crucial to avoid further fractures and polarization in social contracts or even democratic regression – which is arguably the greatest risk for Latin American and Caribbean countries in these difficult and turbulent times.

Don't miss any update on this topic