Executive summary

Economic Survey of Latin America and the Caribbean 2025

Resource mobilization to finance development

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The *Economic Survey of Latin America and the Caribbean* is issued annually by the Economic Development Division of the Economic Commission for Latin America and the Caribbean (ECLAC). This 2025 edition was prepared under the supervision of Noel Pérez Benítez, Officer in Charge of the Economic Development Division, while Ramón Pineda Salazar, Senior Economic Affairs Officer in the same Division, was responsible for its coordination.

Thanks are extended, for their assistance, to the Statistics Division, the Division of International Trade and Integration, the ECLAC subregional headquarters in Mexico City and Port of Spain, and the Commission's country offices in Argentina, Bogotá, Brasilia, Montevideo and Washington, D.C.

The sections of the first chapter, "Regional overview", are based on inputs prepared by the following experts: Esteban Pérez Caldentey and Jeanelle Clarke (international context and global liquidity), Christine Carton and Pablo Carvallo (external sector), Claudio Aravena and Ramón Pineda Salazar (economic activity), Ramón Pineda Salazar, Claudio Aravena and Tomás Gálvez (employment and wages), Ramón Pineda Salazar and Temitope Farotimi (prices), Noel Pérez Benítez, Dalmiro Morán, Michael Hanni, Ivonne González, Patricia Weng, Elisa Araneda and Juan Manuel Badilla (fiscal policy), Francisco Villarreal, Franciss Peñaloza and Alejandra Acevedo (monetary, exchange-rate and prudential policies), Ramón Pineda Salazar, Pablo Carvallo, Christine Carton, Claudio Aravena and Temitope Farotimi (economic projections and outlook), with the assistance of the subregional headquarters and national offices of the Commission. Tomás Gálvez coordinated the statistical annex in collaboration with Alejandra Acevedo, Claudio Aravena, Pablo Carvallo, Ivonne González, Michael Hanni and Elisa Araneda.

The chapters of part II, "Resource mobilization to finance development", were coordinated by Noel Pérez Benítez, Esteban Pérez Caldentey, Francisco Villarreal and Ramón Pineda Salazar. Chapter II was prepared by Noel Pérez Benítez, Dalmiro Morán, Michael Hanni, Ivonne González, Patricia Weng, Elisa Araneda and Juan Manuel Badilla; chapter III, by Francisco Villareal, Dalmiro Morán, Michael Hanni and Jeanelle Clarke, and chapter IV, by Esteban Pérez Caldentey, Georgina Cipoletta and Jeanelle Clarke.

The country notes were prepared by the following experts: Laura Abramo, Alejandra Acevedo, Anahí Amar, Claudio Aravena, Raquel Artecona, Fernando Balbuena, Christine Carton, Pablo Carvallo, Martín Cherkasky, Georgina Cipoletta, Jeanelle Clarke, Keon Constantine, Jayde Eastmond, Temitope Farotimi, Tomás Gálvez, Enrique González, Camila Gramkow, Michael Hanni, Michael Hendrickson, José Iraheta, Mayra Juruá Gomes, Álvaro Lalanne, Li Ma, Sheldon McLean, Claudia Ospina, Roberto Orozco, Ramón Padilla, Ángela María Penagos, Franciss Peñaloza, Guillermo Peredo, Noel Pérez Benítez, Esteban Pérez Caldentey, Ramón Pineda Salazar, Manuel Quesada, Verónica Quiroz, Juan Carlos Rivas, Miosotis Rivas Peña, Indira Romero, Jesús Santamaría, Daniel Vergara, Soledad Villafañe, Francisco Villarreal, Patricia Weng and Romain Zivy.

The statistical annex of *Economic Survey of Latin America and the Caribbean, 2025* is available at: https://bit.ly/Economic Survey-2025.

United Nations publication
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Printed at United Nations, Santiago • S.2500357[E]

Explanatory notes:

Three dots indicate that data are not available or are not separately reported.
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. 2024/2025) 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.

This publication should be cited as: Economic Commission for Latin America and the Caribbean. (2025). *Economic Survey of Latin America and the Caribbean, 2025. Executive summary* (LC/PUB.2025/11).

Presentation and Executive summary

Presentation

The seventy-seventh edition of the *Economic Survey of Latin America and the Caribbean, 2025* is divided into three parts.

Part I (chapter I) outlines the region's economic performance in 2024 and analyses trends in the early months of 2025, as well as the growth outlook for 2025 and 2026. It highlights the external and domestic factors that have influenced the region's economic performance and examines how they will affect economic growth in the coming years.

Part II (chapters II, III and IV), titled "Resource mobilization to finance development", argues that Latin America and the Caribbean must urgently step up resource mobilization for development to close development gaps and overcome the traps of low capacity for growth; high inequality, low social mobility and weak social cohesion; and low institutional capacity and ineffective governance. This is especially important amid an international landscape of weak growth, high financing costs, geopolitical rivalry and considerable uncertainty.

The aftermath of the coronavirus disease (COVID-19) pandemic, tightening global financial conditions, geopolitical tensions and the effects of climate change have exacerbated the region's structural vulnerabilities. In this context, financial resource mobilization takes on strategic importance, not only for sustaining economic stability but also for catalysing more productive, inclusive and sustainable development. At the Fourth International Conference on Financing for Development, held recently in Seville, Spain, the international community reaffirmed its commitment to achieving its sustainable development aspirations and increasing financing to that end, which is an opportunity that the region must seize.

The chapters of the present document served as a technical and analytical basis for the participation of the Economic Commission for Latin America and the Caribbean in the Conference and comprehensively address three interrelated dimensions of financing for development: (i) fiscal challenges for domestic resource mobilization; (ii) the reforms needed to close the financing gap for the productive transformation; and (iii) the strategic role of development banks in mobilizing financing for the productive sector. In each chapter, key messages aim to convey the magnitude of the challenge but also highlight opportunities for action and cooperation.

Chapter II focuses on the region's need for a transformative fiscal policy that expands fiscal space, prioritizes public investment and strengthens institutional frameworks. Latin America and the Caribbean is facing a structurally precarious fiscal situation: its tax revenue is insufficient (averaging 21.3% of GDP) and reflects a regressive tax structure built around indirect goods and services taxes. It also faces significant tax evasion —estimated at an annual US$ 433 billion— and a widespread use of tax expenditures which, given that this adds to the erosion of fiscal space, should be reassessed. Spending needs are growing rapidly to cope with the added strain on health and pension systems due to population ageing; to address climate change, which requires investment of up to 5% of regional GDP; and to overcome the persistence of profound social inequality. And yet, instead of increasing, public investment since 2020 has been treated as a fiscal adjustment variable, weakening the State's capacity to stimulate growth. In response to this situation, the proposal of ECLAC is to pursue active fiscal policy based on five pillars: progressive tax reform; reduction of tax evasion and assessment of tax benefits; a sustained push for public investment; improvement of spending efficiency; and strengthening of fiscal institutions. Only a robust, inclusive and resilient fiscal policy will make it possible to mobilize the domestic resources needed for sustainable development.

Chapter III argues that overcoming the trap of low capacity for growth requires the region's economies to undergo a productive transformation. To achieve this, the expanding financing gap must be closed through global reforms and greater private investment. The financing gap for achieving the Sustainable Development Goals (SDGs) faced by developing countries —including those in the region— continues to widen: before the pandemic, it was estimated at US$ 2.5 trillion annually; that figure has risen to between US$ 3 trillion and US$ 4 trillion for 2025 and is projected to exceed US$ 6 trillion by 2030. Low growth, high debt and volatile external flows are further widening the gap. The chapter emphasizes the need to reform the international financial architecture to make it more equitable, stable and predictable, and proposes three areas for action: (i) strengthening international tax cooperation and combating tax evasion by the wealthy and on digital platforms; (ii) establishing more effective mechanisms for public debt management and adopting criteria that take investment needs for development into account; and (iii) enhancing the financial safety net through the reorientation of existing liquidity-generating mechanisms, contingency clauses and the expanded use of special drawing rights. Public resources are not enough; private investment, both domestic and external, must therefore be actively pursued. This calls for advancing the development of national capital markets and supporting their regional integration, expanding the use of innovative financial instruments (e.g. green and social bonds) and attracting foreign direct investment that is aligned with national productive development plans. The chapter also calls for renewed international development cooperation, redefined criteria for measuring development and determining official development assistance eligibility, smoother transitions for graduating countries and strengthened regional cooperation.

Lastly, chapter IV examines how to strengthen the critical role of development banks in financing strategic sectors and rectifying market failures. The chapter highlights the irreplaceable nature of these institutions when it comes to channelling resources towards productive activities.

Development banks have five main functions: (i) financing economic, social and environmental projects; (ii) providing financing for micro-, small and medium-sized enterprises (MSMEs); (iii) developing the financial sector and capital markets; (iv) serving as a countercyclical source of financing; and (v) exploring and identifying emerging productive sectors. These functions help to correct market failures and foster productive, sustainable and inclusive development.

The region's expansive and diverse ecosystem of development banks comprises multilateral and subregional entities in addition to more than 100 development finance institutions.

Regional and subregional development banks in Latin America focus primarily on infrastructure financing, while national banks concentrate on the financial inclusion of MSMEs, key sectors for employment and productive diversification. Development finance institutions, meanwhile, have increased their involvement in projects linked to climate action, green financing and sustainability, though national investment in these areas remains limited.

The impact of many national banks is hampered by operational, financial and governance-related challenges. Hence, improved coordination among multilateral, regional, subregional and national development banks will be key to the alignment of efforts to meet objectives.

The chapter identifies strengthened technical capacities, professionalization, financial sustainability and institutional coordination as priorities in this regard. It also emphasizes progress on instruments like guarantee systems, digital financing, thematic bonds and financing in local currency. These innovations, combined with public-private partnerships and in synergy with the fintech sector, could significantly increase the capacity to mobilize resources for sustainable and inclusive development. In the pursuit of SDG achievement by 2030, development banks have a central role in mobilizing resources and implementing efficient financial instruments that can attract public and private capital for large-scale projects, which are often beyond the means of governments and companies. To overcome these challenges, different stakeholders must be brought together under various mechanisms and innovative financing instruments.

Promoting financial innovation by encouraging the use of new, creative and next-generation financial instruments that are geared towards MSMEs (e.g. credit guarantees and private sector co-financing) and that can be adapted according to the bank's capacity and help to mitigate risk —especially in emerging sectors or those with high social and environmental impact— will help to compensate for market failures in financial inclusion. In addition, improving financial education for these enterprises so that more of them can access credit on better terms will boost their growth and integration into production chains.

Together, these chapters provide an ambitious but realistic road map for the changes needed to overcome the challenges of financing for development in Latin America and the Caribbean. Their overarching message is that the region needs to upgrade its fiscal, financial and institutional architecture, not only with increased resources but also through better governance, strengthened international cooperation and political leadership. The implementation of the Sevilla Commitment presents an opportunity for advancement in financing for economic, social and environmental development. Political will and the coordination of public, private, national and international stakeholders will be key in bringing about this change.

Part III of this publication may be accessed on the ECLAC website (www.eclac.org). It contains the notes relating to the economic performance of the countries of Latin America and the Caribbean in 2024 and the first half of 2025, together with their respective statistical annexes. The cut-off date for updating the statistical information in this publication was 30 June 2025.

Executive summary

A. Global and regional trends in 2024 and 2025

1. The international context

Global GDP growth is expected to slow from 3.3% in 2024 to around 3% in 2025, the lowest rate in the years following the coronavirus disease (COVID-19) pandemic. The slowdown will be widespread, affecting advanced and developing economies alike, amid heightened uncertainty and growing trade tensions.

The United States, which accounts for 25% of global GDP, will register the most pronounced deceleration of all the advanced economies —with projected GDP growth of roughly 2%— owing to three factors: greater uncertainty about the future course of the country's political economy and economic conditions; the economic impact of tariffs; and long-term interest rates that have been high since the pandemic and higher still since April 2025. However, the labour market continues to show resilience, and unemployment remains low (4.2%).

Low GDP growth of around 1% is projected for the eurozone, owing to the heavy impact of tariffs on manufacturing countries and weak competitiveness stemming from lacklustre investment and productivity. Some economies with a stronger focus on the services sector, like Greece and Spain, are proving more resilient.

China's GDP is projected to grow at a rate below its official target of 5%, with declining consumption, a property crisis, persistent deflation and shrinking external demand partially offset by the depreciation of the yuan.

Emerging and developing economies will continue to contribute significantly to global growth, although they too will see their GDP growth slacken. The volume of global trade in goods is expected to contract, to the detriment of export-dependent regions like Latin America and Asia.

Capital flows to emerging economies showed signs of flagging in 2024, while commodity prices remained relatively high. The trade war that began in April 2025 has made matters worse, with repercussions for financial flows, trade and the outlook for global growth.

2. Global liquidity

The expansion of global liquidity continued in the first half of 2025, led by the United States and the eurozone, but showed signs of winding down in Japan and the United Kingdom. Monetary policy approaches varied according to the countries' respective levels of inflation and economic growth.

In the United States, the Federal Reserve maintained a stable stance, keeping interest rates steady despite inflation falling to 2.4% and unemployment remained low. The European Central Bank, meanwhile, cut its interest rate in June 2025 to avoid liquidity restrictions amid growing global uncertainty. The Bank of England, facing an inflationary upturn and a contracting economy, made no change in June to its benchmark rate of 4.25%. The Bank of Japan raised interest rates for the first time since 2008 in response to climbing prices and wages, despite indications of weakness in the economy.

Regarding exchange rates, the dollar depreciated against the other major currencies even as Treasury bond yields increased. This unusual combination —currency depreciation and rising interest rates— reflects uncertainty surrounding the trade war, a growing fiscal deficit in the United States (which surpassed 6% of GDP) and an expanding volume of debt service payments, which might exceed US$ 1 trillion in 2025.

The falling value of United States currency and Treasury bonds defies historical patterns but has not weakened the dollar's position as the world's dominant reserve currency. Taken together, these trends point to a volatile global financial climate, with significant implications for monetary stability, access to financing and risk management in emerging economies.

3. External accounts

In 2025, Latin America and the Caribbean will face added external account pressures arising from emerging global risks. The correction in the current account that began in 2022 is expected to continue despite a slight deterioration of its balance, with a projected deficit of 1.1% of GDP in 2025.

The goods and services trade balance will remain fragile, with no clear sign of stronger exports on the horizon and still-anaemic domestic demand curbing economic growth.

Net factor income outflows will continue to squeeze the current account owing to the burden of interest payments in line with borrowing needs. Remittances will lessen this strain, helping to mitigate external imbalances, but this will only go so far amid rising factor income pressures, which are further intensified by high interest rates in an uncertain environment.

Net capital inflows are expected to slow down in all components (foreign direct investment (FDI), portfolio investment, financial derivatives and other investment), leaving fewer resources to build up international reserves and respond to external shocks, after covering the current account deficit. FDI will continue to be the region's main source of financing, albeit with a larger share of reinvested earnings, which will raise the risk of sectoral concentration and increase dependence on the strategies of multinational enterprises while dimming prospects for productive diversification and innovation.

At the same time, the debt market is expected to experience sustained growth, driven primarily by private company and sovereign debt offerings. Thematic bond issuance is projected to play a diminished role relative to recent years, which highlights the limits of sustainable finance. This combination of circumstances increases the likelihood of higher external debt and more severe macroeconomic policy adjustments at the national level, against a backdrop of global uncertainty and weaker growth both regionally and internationally.

4. Economic activity

Latin America and the Caribbean will go through another economic slowdown in 2025. After rebounding in the first two quarters of 2024, regional GDP growth lost momentum towards the end of the year, and annual growth is expected to dip from 2.3% in 2024 to 2.2% in 2025. This trend is in line with a decade of low growth: at an average of just 1.2% for the period 2016–2025, GDP growth is even lower than it was in the 1980s.

The slowdown is unfolding region-wide —in the first quarter of 2025, only 5 of 17 countries recorded growth above 1%, and only 1 country had a rate above 2%— but its causes vary. In Chile and Colombia, it is attributable to stalled investment, while weaker consumption and investment are responsible in Brazil. The agricultural sector was a decisive factor in Peru, as it was in Costa Rica, where construction also played a role. In contrast, Mexico's agricultural sector rebounded, and its growth rate remained stable, while Argentina dodged the slowdown altogether, with year-on-year growth of 6.1%.

The economy's sluggishness is an indication of weakness in private consumption and gross fixed capital formation. Consumption remains the main driver of GDP, but its pace has slackened amid weaker job creation, low levels of confidence and high interest rates. Investment, meanwhile, is constrained by restrictive financial conditions and high levels of geopolitical uncertainty.

The contribution of net exports to economic growth turned positive in 2024, for the first time since 2019, but this trend could reverse in 2025 owing to an increase in trade protectionism. At the sectoral level, growth is decelerating across nearly all industries, except for certain services. Lastly, low growth in the region is explained by a deterioration in the contributions of capital and productivity, with employment remaining the only source to power the economy —albeit not as strongly.

5. Employment and wages

Employment growth remained low, in line with the pace of GDP growth. In 2024, employment in Latin America and the Caribbean grew by 1.8%, increasing in 15 of 17 countries, driven mainly by higher-productivity sectors such as manufacturing and financial services and led by wage employment. In 2025, the first-quarter employment growth rate decelerated marginally to 1.7% year-on-year, while remaining stable in the industrial sector (2.3%) and in services (2.0%). In contrast, agricultural employment continued to contract.

Employment growth was driven primarily by wage employment, which rose by 2.2%, accounting for 82% of the total increase. Employment also rose in the category of own-account workers, while declines were recorded among domestic workers, unpaid family workers and employers.

The increase in formal employment was reflected in a lower regional labour informality rate, which fell from 46.8% to 46.3%. Nonetheless, nearly half of the region's workers are still informally employed. The unemployment rate dropped from 6.7% in the first quarter of 2024 to 6.0% in the first quarter of 2025, with substantial declines in countries such as Brazil, Colombia and Jamaica.

Wide gender gaps persist. Women's labour market participation came to 52.1% in the first quarter of 2025, compared with 74.0% for men, while women's employment rate was 22 percentage points lower than men's. However, these gaps narrowed slightly, and female unemployment also declined, from 8.1% in the first quarter of 2024 to 7.4% in the first quarter of 2025.

Real wages continued to climb in the first quarter of 2025, with the real average wage rising by 3.3% and the real minimum wage by 1.3% compared with the year-earlier period, underpinned by lower inflation and by job growth in higher-paying formal sectors.

6. Domestic prices

Inflation is stabilizing, albeit with differences across countries. In 2024, inflation continued to trend down in Latin America and the Caribbean, to a regional average of 2.9% by the end of the year, compared with 3.7% in 2023. This moderation was driven by lower international commodity prices and by domestic policies aimed at curbing inflationary pressures. However, headline inflation stabilized in the first half of 2025, and the regional median remained at 3.9% in June, unchanged from December 2024.

Subregional trends were uneven. The sharpest drops were recorded in the economies of Central America and Mexico, where median inflation fell to 1.6% by June 2025. Inflation edged up to 2.3% in the English- and Dutch-speaking Caribbean, while remaining higher in South America at 4.7%, despite a slight deceleration.

By component, core inflation —which excludes the most volatile elements— increased by 1 percentage point, to a median rate of 3.8% in June. In 17 countries, it was over 3%, above the central bank target in several cases. In contrast, food inflation cooled slightly, from 3.5% to 3.1%.

Services inflation remained stubborn, climbing from 2.8% to 3.2% in the first half of 2025, in contrast to goods inflation (excluding unprocessed foods), which fell from 3.0% to 2.5%.

These trends are shaped by multiple factors. Core and services inflation were driven by wage adjustments, price indexation mechanisms, and rising costs in regulated services such as health, education and transport. The easing of goods and food inflation, however, reflected falling international food prices, a return to normal in global transport and weaker external demand.

7. Fiscal performance

Fiscal space remained limited, with a heavier interest payment burden. On the fiscal front, a modest increase in total central government revenue is expected in 2025, to 18.7% of GDP on average, driven by marginally higher tax revenue. In the Caribbean, however, public revenue is forecast to fall to 27.2% of GDP in 2025, stemming from a drop in non-tax receipts, in particular those from foreign donations for rebuilding following Hurricane Beryl. Public spending is expected to hold steady in the region, at an average of around 21.8% of GDP in Latin America and 30.3% of GDP in the Caribbean. A slight restructuring is also projected, with an increase in capital expenditure in Latin America and in primary current expenditure in the Caribbean.

In 2025, the primary deficit is expected to narrow slightly in Latin America, settling at 0.1% of GDP, amid progress with fiscal consolidation measures in several of the region's countries. However, the overall deficit is projected to remain unchanged from the previous year, at 3.1% of GDP. In keeping with the trend observed in 2024, the overall deficit is projected to widen in the Caribbean while the primary surplus shrinks, coming in at 3% and 0.2% of GDP, respectively.

Interest payments are expected to increase in Latin America, to 3% of GDP in 2025, but are set to remain stable in the Caribbean, at 3.2% of GDP. Although public debt has declined in Latin America, it remains high in most cases, and represented 50.2% of GDP in the first quarter of 2025. In the Caribbean, the debt stood at 68.4% of GDP at the end of 2024, declining in all the subregion's countries.

8. Monetary conditions

In 2024 and early 2025, the central banks of Latin America and the Caribbean gradually eased their monetary policy stance, amid falling inflation and in anticipation of a loosening of the United States Federal Reserve policy. Interest rates nonetheless remain contractionary, above pre-pandemic levels. Against a backdrop of global uncertainty, persistent inflationary pressures prompted several countries to pause their rate cuts in late 2024, with some, such as Brazil and Uruguay, even raising their rates.

Depreciation among the region's currencies intensified in the second half of 2024, especially in inflation-targeting countries or those with chronic inflation. Some currencies appreciated beginning in April 2025, as the outbreak of the tariff war weakened the dollar. However, exchange-rate volatility remains high, reflecting an uncertain global political and trade environment.

The region's net international reserves grew steadily from 2023 on, to US$ 878 billion in the first quarter of 2025, driven by central banks' precautionary strategies, export growth, remittance flows and agreements with international organizations.

Tighter external financing conditions pushed up bank lending rates, fuelling a preference for domestic credit. Net domestic lending surged in 2025, especially in the public sector. By March 2025, bank deposits had also risen by 13.8% year-on-year, with a notable increase in foreign-currency deposits.

Although lending was brisk, bank profitability fell, while liquidity and capitalization remained sufficient. Heightened global uncertainty poses challenges for monetary, exchange-rate and macroprudential policy and highlights the need to strengthen policy coordination to prevent spiralling financial vulnerability in the region.

B. Economic outlook for Latin America and the Caribbean in 2025 and 2026

1. The region is expected to remain on a low-growth path in the 2025–2026 biennium

Regional growth is projected at 2.2% in 2025 and at 2.3% in 2026, amid a complex global landscape marked by heightened uncertainty. Economic performance will continue to be shaped by weak external demand, tight financial conditions and fragility stemming from domestic factors such as slacker consumption, low investment, high labour informality and persistent structural inequalities.

In the subregions, the countries of South America are projected to grow by 2.7% in 2025 and by 2.4% in 2026, with weaker growth of 1.0% in 2025 and 1.7% in 2026 in Central America and Mexico, owing to the slowdown in the United States. In the Caribbean (excluding Guyana), growth is estimated at 1.8% for 2025 and 1.7% for 2026, although trends will be heavily influenced by changes in the tourism sector, high logistics costs and climate vulnerability (see table 1). The significant disparities in countries' economic growth rates reflect both their diverse domestic conditions and their degree of external exposure.

2. Global uncertainty will remain high

In 2025, the global landscape will be marked by moderate economic growth. Growth will slow in the United States and in Europe, and be lacklustre in China. Amid ongoing geopolitical tensions and rising protectionism, supply chain disruptions are foreseeable. Emerging economies will continue to support global growth, although they also remain exposed to a potential deceleration in capital flows and increased financial selectivity.

International financial conditions pose growing risks. While some central banks, such as the European Central Bank, have begun cutting interest rates, others, like the Bank of Japan, are maintaining a tight monetary policy stance. This lack of synchronization is increasing the uncertainty faced by developing economies. Moreover, volatility in the prices of commodities such as energy, food and metals along with exposure to extreme weather events could generate inflationary pressure and limit the scope for macroeconomic policy action.

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

	2024	2025	2026
Latin America and the Caribbean	**2.3**	**2.2**	**2.3**
Latin America	**2.2**	**2.2**	**2.2**
South America	**2.4**	**2.7**	**2.4**
Argentina	-1.3	5.0	4.0
Bolivia (Plurinational State of)	1.7	1.5	1.1
Brazil	3.4	2.3	2.0
Chile	2.6	2.4	2.2
Colombia	1.6	2.5	2.7
Ecuador	-2.0	1.5	2.1
Paraguay	4.2	4.0	4.0
Peru	3.3	3.1	2.9
Uruguay	3.1	2.8	2.5
Venezuela (Bolivarian Republic of)	6.2	2.0	2.0
Central America	2.8	2.6	3.4
Central America and Mexico	1.8	1.0	1.7
Costa Rica	4.3	3.5	3.7
Cuba	-1.1	-1.5	0.1
Dominican Republic	5.0	3.7	4.8
El Salvador	2.6	2.4	2.7
Guatemala	3.7	3.6	4.0
Haiti	-4.2	-2.3	-1.0
Honduras	3.6	3.2	3.8
Mexico	1.4	0.3	1.0
Nicaragua	3.6	3.1	3.4
Panama	2.9	4.2	4.6
The Caribbean	11.2	4.1	7.8
The Caribbean (excl. Guyana)	2.6	1.8	1.7
Antigua and Barbuda	4.3	3.5	3.0
Bahamas (The)	3.4	1.8	1.7
Barbados	4.0	2.6	1.8
Belize	8.1	1.5	2.5
Dominica	2.1	2.5	3.0
Grenada	4.0	3.5	3.0
Guyana	43.6	10.3	23.0
Jamaica	1.4	1.3	1.2
Saint Kitts and Nevis	1.2	1.0	2.5
Saint Lucia	3.9	2.5	2.6
Saint Vincent and the Grenadines	4.1	4.0	3.0
Suriname	3.0	3.2	3.5
Trinidad and Tobago	1.5	1.5	1.2

Source: Economic Commission for Latin America and the Caribbean.
Note: On the basis of information as at 30 June 2025.

3. External vulnerability will persist and weigh on the balance of payments

Latin America and the Caribbean is projected to record a current account deficit of 1.1% of GDP in 2025. The region remains dependent on foreign direct investment and external debt, while it faces weaker capital inflows and rising financial costs. This limits countries' ability to correct external imbalances without making costly internal adjustments. Building resilience against external factors requires active macroeconomic policies, regional integration and productive diversification.

4. Domestic demand is expected to be sluggish

Private consumption will continue to drive growth, but at a slower pace than in previous quarters, owing to weaker labour income, relatively high interest rates and falling consumer confidence. Investment will continue to lag, reflecting moderate growth and accounting for 18.5% of GDP, without making a sustained recovery. Public spending, limited by tighter fiscal space, will not be enough to boost the economy. Net exports, which buoyed growth in 2024, will lose momentum in 2025.

5. Employment growth will be weaker than in previous years, with slight improvements in terms of unemployment and informality

Job creation is slowing: growth in the 2025 and 2026 employment rates is estimated at 1.5% and 1.2%, respectively, lower than in 2023 and 2024. Even so, unemployment is expected to remain stable at 5.6% and labour informality is projected to continue decreasing thanks to stronger job creation in formal sectors. Labour market participation is expected to continue improving gradually, especially for women, which will boost equity indicators, although gender gaps will remain wide.

6. Inflation is expected to remain steady in 2025 and 2026, close to target levels, though it may trend upward

Regional inflation stabilized at around 3% in 2024 and is expected to remain unchanged in 2025 and 2026. However, prices for services and underlying components remain stubbornly high, owing to wage adjustments and regulated factors. Inflation risks are predominantly on the upside, owing to potential hikes in international food and energy prices, and fresh geopolitical tensions. Inflation in South America will move more slowly towards target levels, while uncertainty in countries with a history of chronic inflation remains high.

7. Fiscal space will remain limited and upward pressure on spending will continue

The region has been recording structural fiscal deficits for more than a decade. Although public revenue has returned to pre-pandemic levels, growth prospects are limited. Primary spending is coming under pressure from rising interest payments and the need for macroeconomic stability.

Fiscal sustainability will depend on economic growth, interest and exchange rates and commodity prices. The need to consolidate spending without affecting economic activity is one of the greatest challenges for the governments of the region. Increasing fiscal space and enhancing growth require simultaneous progress on three fronts: (i) improving spending efficiency, channelling investment towards key sectors, such as infrastructure and education; (ii) mobilizing domestic resources through progressive tax reforms that combat tax evasion, strengthen direct taxes, streamline tax expenditures and consolidate complementary fiscal resources; and (iii) strengthen fiscal institutions and adopt medium-term frameworks that incorporate environmental and social sustainability criteria.

8. Monetary authorities will not have more room to boost growth

Although low inflation provides some room for less restrictive monetary policy, considerable global uncertainty, exchange-rate volatility and capital flows determine the measures taken by central banks. Monetary policy must preserve the stability of inflation expectations without worsening the economic slowdown. There is need of stronger coordination of fiscal, monetary and exchange-rate policy and a broader range of instruments to ensure macrofinancial stability and avoid recessionary spirals.

C. Medium- and long-term policies: towards an inclusive and sustainable productive transformation

Latin American and Caribbean countries must urgently step up resource mobilization for development to avoid a new lost decade, amid a challenging and grim global landscape. The projections included in this report confirm unresolved structural tensions, such as high dependence on commodity exports, weak productive diversification, low levels of investment, sluggish and highly informal labour markets and procyclical macroeconomic policies.

In such a scenario, the mobilization of financial resources becomes strategic, not only to sustain macroeconomic stability, but as a crucial stimulus to overcome the structural challenges facing the economies of the region and other developing economies.

The Fourth International Conference on Financing for Development, held in Seville, Spain, from 30 June to 3 July 2025, provided a framework to act on and give political weight to these policy areas and reaffirmed the need to renew global and regional commitments to increase financing for development. The second part of this *Economic Survey* by the Economic Commission for Latin America and the Caribbean (ECLAC) titled “Resource mobilization to finance development” is a comprehensive analysis of the challenges and opportunities facing the region in its efforts to mobilize resources to finance its sustainable development. It served as the technical basis for the participation of ECLAC in the Conference and was centred around three key dimensions: fiscal policy, the reforms needed to mobilize additional resources and the role of development banks.

Chapter II “Fiscal challenges for domestic resource mobilization”, underscores that the strengthening of fiscal policy is a necessary condition for all development strategies. The region is facing growing pressure with regard to public spending, as well as weak tax revenue and limited institutional capacity. Despite overcoming the immediate effects of the pandemic, the region continues to face structural challenges such as low and regressive tax revenue (21.3% of GDP in 2023, compared with an average of 34% in 2022 for the countries of the Organisation for Economic Cooperation and Development (OECD)), high tax evasion (US$ 433 billion) and costly tax expenditures. At the same time, public investment has shrunk to curb deficits, which has in turn weakened the State’s role as a driver of growth. In order to reverse this trend, ECLAC recommends a transformative fiscal policy based on more progressive taxation, reduction of tax evasion and assessment of tax benefits, along with prioritization of investment in strategic sectors, strengthening of tax rules, integration of climate risks and improvement of accountability.

Chapter III, "Mobilization of resources for productive transformation" examines the reforms needed to complement efforts to mobilize domestic public resources to transform the development models of the region's economies. The financing gap for achieving the Sustainable Development Goals in developing countries globally has widened from US$ 2.5 trillion per year before the pandemic to between US$ 3 trillion and US$ 4 trillion per year in 2025, with this figure projected to exceed US$ 6 trillion by 2030. Against this backdrop, the region must advance in the following areas: (i) renewing the international financial architecture, including international tax cooperation to combat evasion and improvement of sovereign debt management mechanisms; (ii) strengthening international cooperation for development, including South-South cooperation; and (iii) fostering private sector investment, an area in which strengthening of policies to attract foreign direct investment is key.

Lastly, chapter IV "The role of development banks in resource mobilization" underscores the importance of development banks in financing strategic investments and overcoming market failures. In Latin America and the Caribbean, these institutions are fundamental for supporting micro-, small and medium-sized enterprises (MSMEs) and providing financing for infrastructure and emerging sectors, such as clean energy. However, multilateral, subregional and national banks vary considerably in terms of their capacity and focus. Strengthening their governance, improving their resource mobilization capacity, promoting financial instruments adapted to the needs of the region's economies and fostering financial education for MSMEs are essential to increase these banks' impact.

This document emphasizes that resource mobilization not only requires available funds, but also effective governance, political leadership and international cooperation. In this regard, implementation of the Sevilla Commitment presents an opportunity for advancement in financing for economic, social and environmental development.

Maize, which originated in the Americas, is one of the world's most important crops. Bas-relief on the spiral tower at ECLAC headquarters in Santiago.

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The countries of Latin America and the Caribbean must urgently step up resource mobilization for development to avoid a third lost decade, amid a challenging and grim global landscape. This edition of the *Economic Survey for Latin America and the Caribbean* summarizes the key messages presented by the Economic Commission for Latin America and the Caribbean (ECLAC) —along with the countries of the region— at the Fourth International Conference on Financing for Development, held in Seville, Spain, in 2025.

This *Economic Survey* analyses three key dimensions of resource mobilization: fiscal and structural challenges that curb domestic resource mobilization; the growing gap in financing for productive transformation, which must be addressed through international financial architecture reform and efforts to attract private resources; and the strategic role of development banks in directing financing towards key productive sectors.

The document underscores that achieving sustainable development will require transformative fiscal policy, stronger private investment and renewed international cooperation, along with robust and agile institutions. Its analysis and recommendations provide a road map for meeting the goals of the Sevilla Commitment and for managing vital transformations in the region's development models.

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