

May 2025



STRENGTHS

- Central banks across most of the region have successfully managed inflation, strengthening monetary stability and investor confidence. This has contributed to more predictable borrowing conditions, supporting bond markets and corporate lending.
- Latin America's supply of lithium, copper, rare earth elements, and other critical minerals is fueling investment in mining and infrastructure, creating opportunities in private equity, private credit and ESG finance.
- The region's prominence in renewable energy is fueling capital market interest in green bonds, ESG finance, and sustainable infrastructure. Efforts to standardize sustainable financing through local guidance and taxonomies are fostering transparency, fueling investor interest, and expanding the region's ESG market.
- Guyana's economic transformation is advancing rapidly, driven by surging oil production, robust non-oil sector growth, and large-scale public infrastructure investments. These factors have supported the world's highest real GDP growth rate, averaging 47% per year since 2022, attracting foreign capital, strengthening bond markets, and boosting equity interest.
- Paraguay achieved investment-grade status in 2024 after regulatory reforms improved market efficiency, expanded foreign exchange access, and enabled global custodian banks to handle local currency bonds. These changes attract global investors and enhance Paraguay's integration into international financial markets.



WEAKNESSES

- Latin America and the Caribbean's growth remains below global averages, with the IMF projecting a slowdown to 2.0% in 2025, down from 2.4% last year. The revision is largely driven by Mexico's expected contraction, prompting cautious investor strategies.
- Fiscal imbalances persist keeping financial risks elevated, with the debt-to-GDP ratio estimated to rise from 59.4% in 2019 to 63.3% in 2024. Meanwhile, global uncertainty and inflation restrict rate cuts in Latin America, tightening credit and weighing on currency stability and investor confidence.
- Infrastructure gaps in Latin America and the Caribbean, mainly in transportation, energy, and digital networks, limit competitiveness and raise risks, making capital flow less predictable. While investment efforts create growth opportunities, challenges remain in closing these gaps.



OPPORTUNITIES

- Rising global demand for lithium, copper, and other minerals present a key opportunity for Latin America and the Caribbean to drive economic growth.
- Despite tariff uncertainty, nearshoring remains strong, driven by supply chain resilience, rising costs in China, and the established infrastructure, particularly in Mexico. Proximity to the US remains a key advantage and major firms are unlikely to relocate.
- Latin America's infrastructure development in transportation, energy, logistics, water and digital connectivity positions the region as a strategic investment hub. Initiatives such as the South Connection by the Inter-American Development Bank (IDB) aim to expand critical infrastructure corridors and strengthen regional integration, supporting this potential for growth.
- Local capital markets are strengthening through Mexico's Securities Market Law reform, which simplifies securities issuance to boost SME financing, and Chile's pension reform to increase domestic savings, enhances local debt demand and improves its financial sector resilience.
- If Argentina's aggressive fiscal and monetary reforms continue to be successful, market confidence will be restored, investment access will gradually improve, and stronger conditions for enhanced credit flows will materialize.
- Latin America's capital markets are advancing through regional integration and digital transformation, with the Nuam Exchange, a merger of the Santiago, Lima, and Colombia stock exchanges, leveraging Nasdaq's technology and enhancing cross-border trading and liquidity.



THREATS

- Persistent inflation in advanced economies could postpone rate cuts in the U.S. and Europe, restricting local reductions as Latam countries navigate capital outflows and currency risks. Elevated borrowing costs will sustain expensive financing conditions, negatively affecting bond and loan markets.
- Trade policy uncertainty increases exchange rate volatility, making hedging more costly for firms with foreign-currency exposure. Latin American companies with dollar-denominated debt face greater currency depreciation.
- As banks hold more sovereign debt, their exposure to fiscal instability grows. Without fiscal improvements, sovereign debt will keep rising, straining the financial sector.
- Although Argentina has experienced a significant slowdown in inflation since mid-2024 and has exited recession, inflation remains elevated. The continued success of the stabilization program will depend on sustained political support for the administration's fiscal and regulatory reforms.
- U.S. tariffs continue to pressure global trade, reducing demand and constraining investment flows. Meanwhile, despite the temporary easing of U.S. - China tensions, uncertainty remains, which could still impact Latin America's trade outlook, affecting demand and commodity prices.