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Latin American Growth Slows and Creates Challenges

In 2014 the aggregate growth for GDP for Latin America was just 1.1%, according to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). Suffering most over the past year was Argentina, Venezuela, Brazil, and Mexico which had growth of -0.2%, -3.0%, 0.2%, and 2.1% respectively. China has had a substantive impact, primarily on South American countries, which export agricultural commodities and minerals to the Middle Kingdom. With less demand from China, commodity prices have decreased. China buys 17% of Brazil's exports.

Brazil in particular has two key issues to solve in order to increase its

growth – its increasing regulations and work force training which limits the types of good it can produce. Keeping interest rates high, to ensure that investors are attracted to investing there, has created a situation where money can start to leave the country if these same investors feel threatened. It's a tough position for the government, and one that's caused them to postpone needed reforms necessary for long-term growth.

Mexico is in a better position economically because of its proximity to the United States. As the U.S. economy increases, so do Mexican exports which are less dependent on commodity prices than demand for its manufactured goods. Approximately 70% of Mexico's exports are shipped to the United States.

Venezuela has significant challenges with petroleum products accounting for 96% of total exports by dollar value. With oil at its current levels, it's difficult for the country to sustain its debt, particularly with 60% inflation.

Other countries within the region, in addition to those mentioned above, also have economic pressures caused by slow growth. Most countries expect that 2015 growth will enable it to overcome these major issues. Many point to optimistic economic forecasts which signal that good news is on the way. Until then, Latin American countries will have a difficult time coping with their individual economic issues.

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