

LAC Economic Outlook

Key Points:

- Oil shocks to generate differentiated economic impacts
- We expect supply-driven oil shocks to raise inflation and slow growth
- Watch for reshaping of consumption, FX flows, and payment patterns

Oil shock ripples through LAC economies and payments

Oil is back in the headlines, and for Latin America and the Caribbean (LAC), that's not just a macro story; it's also a payments story. When oil prices jump because the world economy is growing faster, the region can often ride the wave. But when the jump comes from supply disruptions (think geopolitical conflict, shipping chokepoints like the Strait of Hormuz, and higher risk premiums), the usual result is a rough mix of higher inflation and softer growth with some of the effects only felt months after the initial shock.

Overall, we project that this shock should reduce GDP growth in the 10 largest LAC economies by an average of 0.2 percentage points (ppts) and push inflation up by 0.4 ppts. Forecast revisions are asymmetric, reflecting the different degrees of local vulnerabilities. Central America and the Caribbean may be potentially more vulnerable because they import most of their fuel and have limited buffers. Mexico, an oil producer as well as a net importer

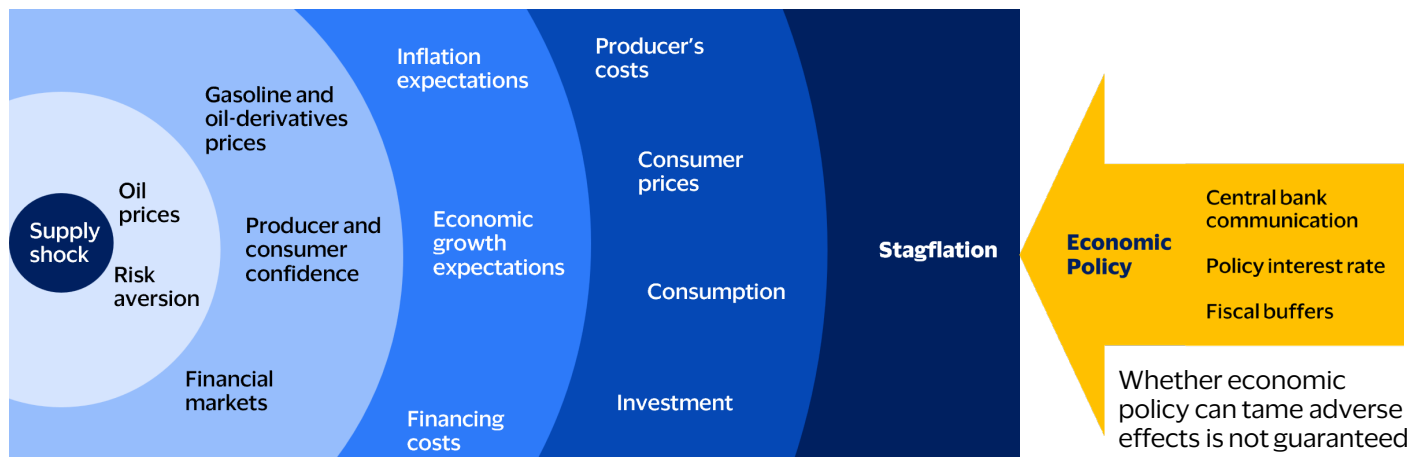
of refined fuels, presents a complicated middle case. Meanwhile, South America is more insulated but not immune.

For the payments industry, this matters because oil shocks don't just move the consumer price index, they reshuffle how people pay and what they buy. Expect pressure on discretionary spend and a tilt toward essentials, more volatility in cross-border volumes and FX-linked flows, and a bigger role for digital payments where governments lean on targeted transfers or subsidy redesigns.

The takeaway is that headline regional GDP can hide huge divergence in payments growth by subregion and category. Our mid-year outlook unpacks the transmission channels for energy shocks, where growth constraints are most likely to show up, and which indicators payments teams should watch as the shock evolves.

Fig. 1: Oil shock waves

Typical sequence of economic impacts following an oil shock



Source: Visa Business and Economic Insights

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High oil prices, uneven economic and payments impact

Supply-driven energy shocks may raise inflation unevenly and slow economic growth

Global oil prices have surged before, but what’s important about this instance is that it’s largely explained by supply disruptions rather than strong global growth. Geopolitical tensions in the Middle East and associated disruptions to energy infrastructure, along with constraints on key shipping routes, have made oil harder and riskier to supply, pushing prices higher. History shows that this type of oil shock tends to raise inflation while weighing on growth, especially in emerging markets. Higher energy costs quickly feed into transportation, electricity, and everyday prices, squeezing household purchasing power and raising costs for businesses.

As a result, consumption often weakens, investment slows, and financial conditions tighten. While uncertainty remains around how long geopolitical tensions will last, the economic pattern is well understood: inflation pressures rise faster than growth, and the effects tend to be uneven across countries depending on energy dependence and policy buffers. For payments, this means slower and more uneven growth, pressure on discretionary spending categories, and greater volatility across markets, not because demand is overheating, but because higher energy costs are acting like a tax on everyday economic activity. The impact is likely to be gradual and uneven. Nominal payment volumes may initially rise with higher prices, but real volumes could soften over time as consumers adjust spending to weaker purchasing power.

How vulnerable is the region?

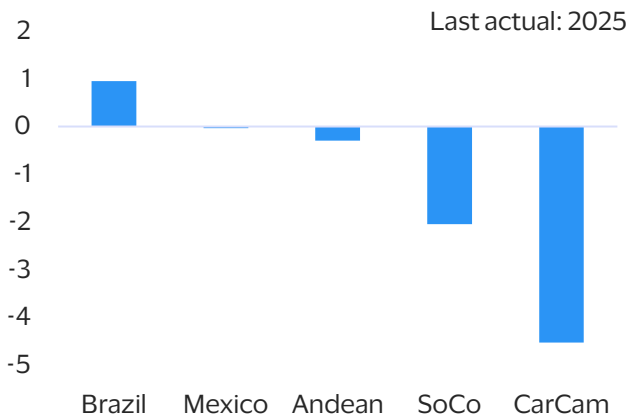
During 2026, Latin America and the Caribbean face a challenging macroeconomic environment, marked by a renewed increase in oil prices. This episode follows a strong close to 2025 and early 2026, when the global economy proved more resilient than expected before being disrupted by geopolitical events in late February.

So far, the impact on LAC as a whole has been moderate and mainly concentrated in fuel-related prices and spending. Nevertheless, there are significant differences across countries and subregions. These differences are critical for understanding what lies ahead for payments.

Central America and the Caribbean are the most exposed, as they rely heavily on imported fuels (see fig. 2). Higher energy prices act as an immediate “tax” on income, squeezing consumer spending and affecting categories tied to everyday consumption. Governments in this subregion are constrained in how they cushion the shock—after years of post-pandemic support and rising financing costs, fiscal buffers in these countries are already stretched thin, making broad energy subsidies unlikely. In contrast, countries in the Andean subregion are more insulated, while dependence on fuel imports is higher in the Southern Cone (less Brazil).

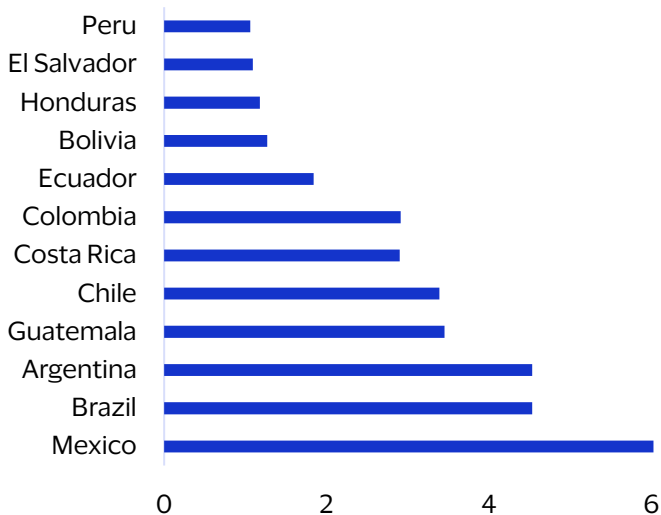
When anticipating the oil shock’s economic impact, another consideration is the relative weight of fuel in producer and consumer price indexes. Fuel is a relevant component of the consumer basket included in the CPI (see fig. 3); however, its importance varies across countries, with factors such as income per capita, geography (territorial size), and motorization rates (vehicles per 100,000 inhabitants) explaining its moderate weight in Central America and its higher weight in Argentina, Brazil, and Mexico. That said, Central America and the Caribbean are still the most exposed due to higher levels of public deficits and debt, which can reduce the fiscal space available to mitigate gasoline price shocks.

Fig. 2: Fuel trade balance (exports - imports)
(Percent of GDP, regional median)



Sources: Visa Business and Economic Insights and local consensus forecast surveys

Fig. 3: Weight of fuel in the Consumer Price Index
(percent of total CPI)



Sources: Visa Business and Economic Insights and National Statistical Offices.

Oil shocks are reshaping payment patterns

Higher energy costs shift spending, drive uneven payments growth

From a payments perspective, an oil price shock can disrupt both how much money people spend and how they spend it. In periods of supply-driven price increases, households typically adjust discretionary spending more quickly and flexibly than spending on essentials (non-discretionary spending). While higher oil and fuel prices are already reflected in recent inflation data globally, evidence of a pullback in spending remains uneven.

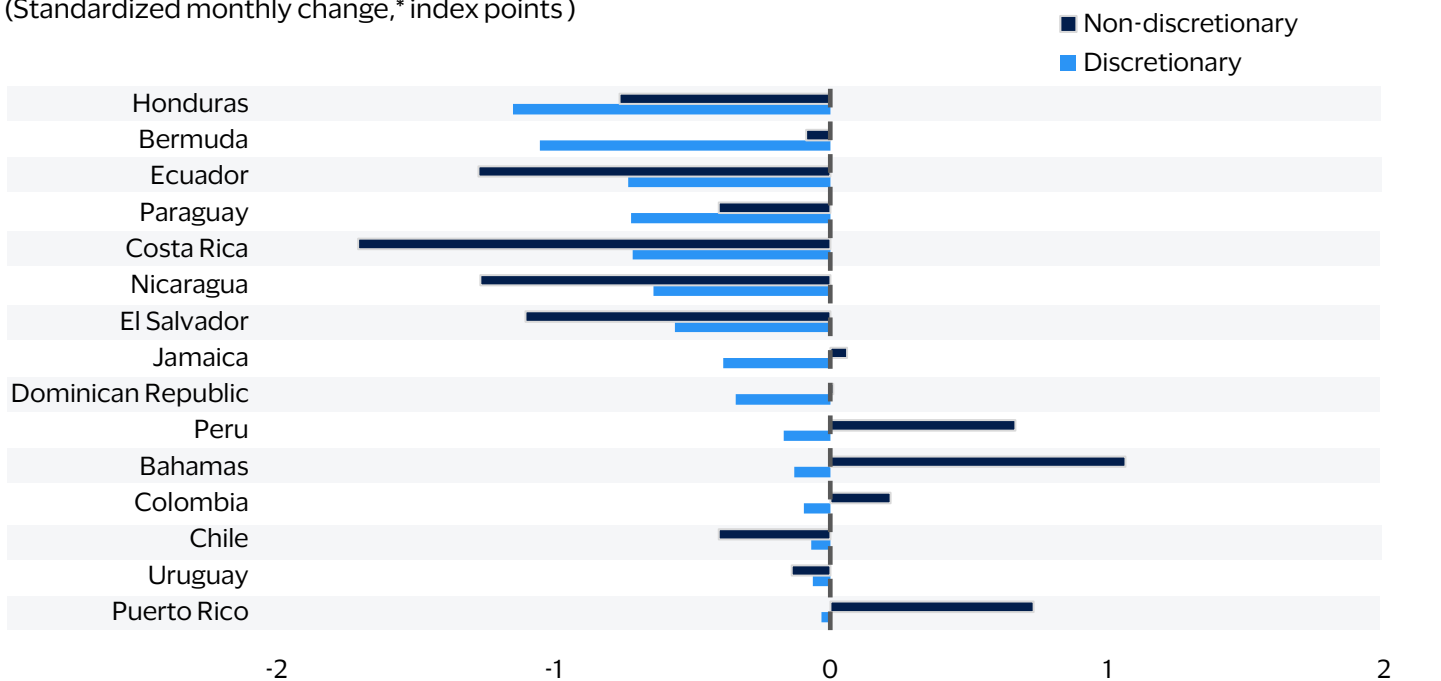
A timely look at early spending effects

Our proprietary Spending Momentum Index (SMI), which tracks whether more consumers are increasing or reducing their spending based on depersonalized and aggregated Visa transaction data, suggests that early impacts, concentrated in higher fuel prices, began to emerge in March and continued through April. Data for the 26 countries covered by the SMI indicates that local, idiosyncratic factors still dominate, as impact on spending momentum has been diverse and inconsistent. Early indications suggest, though, that the largest downward shifts are concentrated in Central America and the Caribbean, with few exceptions (see fig. 4). The global oil price shock is still ongoing, which is why further effects may emerge in the region in the coming months. However, it is not surprising that impacts remain uneven, reflecting differences in how exposed each country is to energy price shocks.

Implications for payments

In the coming months, we may see softer momentum in discretionary categories, increased volatility in cross-border and exchange-rate-sensitive flows, and a greater role for digital payments, particularly as governments rely more on targeted support measures to offset the impact on households. These programs are increasingly delivered through electronic payment channels, reinforcing digital adoption. For issuers and acquirers, the key takeaway is that payments growth in 2026 is likely to be more uneven and driven more by each market's exposure to energy prices than by overall economic growth. Understanding these differences will be critical to anticipating shifts in transaction volumes, spending patterns, and financial flows.

Fig. 4: Spending Momentum Index
(Standardized monthly change,* index points)



Sources: Visa Business and Economic Insights and National Statistical Offices.

* Standardized changes measure movements relative to typical volatility, enabling fair comparisons across series with different inherent levels of variability.

Forecasts

	Real GDP		Real private consumption		Inflation		Monetary policy interest rate	
Country	2026	2027	2026	2027	2026	2027	2026	2027
Brazil	2.0	1.7	1.9	1.6	5.3	4.1	13.75	12.00
Mexico	1.2	1.8	1.3	2.0	4.4	3.9	6.50	6.50
Argentina	3.1	3.1	5.4	5.4	30.5	19.9	-	-
Colombia	2.3	2.3	3.0	3.0	6.5	4.9	12.1	10.3
Chile	1.6	2.6	1.0	1.6	4.1	3.0	4.50	4.25
Peru	3.0	3.3	2.8	3.1	3.5	2.6	4.3	4.3
Dom. Rep.	3.8	4.5	3.7	4.4	5.0	4.5	5.25	5.25
Costa Rica	3.6	3.6	3.0	3.0	1.0	2.4	-	-
Uruguay	1.8	2.6	1.5	2.2	4.5	4.5	-	-

Sources: Visa Business and Economic Insights, Central Bank Consensus Forecasts Surveys, and multilateral organizations.

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Accessibility notes

Fig. 1: A conceptual flow diagram showing the sequence of economic effects following an oil shock. It begins with an initial oil price shock on the left, followed by interconnected channels including inflation expectations, exchange rates, producer prices, and financial market conditions. These channels feed into intermediate outcomes such as consumer prices, investment, and consumption. The diagram then leads to broader macroeconomic outcomes labeled as stagflation, with reduced economic growth and higher inflation. The visual uses directional arrows to connect the stages, indicating the progression from the initial shock through transmission channels to final economic outcomes.

Fig. 2: A vertical bar chart displaying fuel trade balances as a percent of GDP for selected regions. The x-axis lists regions including Brazil, Mexico, the Andean region, the Southern Cone, and Central America and the Caribbean, while the y-axis shows percent of GDP ranging from negative to positive values. Brazil has a positive value just under 1 percent of GDP, while Mexico is close to zero but slightly negative. The Andean region shows a moderate negative value around negative 0.3 percent, the Southern Cone shows a larger negative value around negative 2 percent, and Central America and the Caribbean have the most negative value at approximately negative 4.5 percent. All bars except Brazil extend below zero, indicating net fuel imports.

Fig. 3: A horizontal bar chart showing the weight of fuel in the consumer price index across multiple countries. The y-axis lists countries including Mexico, Brazil, Argentina, Guatemala, Chile, Costa Rica, Colombia, Ecuador, Bolivia, Honduras, El Salvador, and Peru, while the x-axis shows percentage weights. Mexico has the highest weight at approximately 6.1 percent, followed by Brazil and Argentina both near 4.5 percent. Guatemala and Chile are slightly lower around 3.4 percent, while Costa Rica and Colombia are near 2.9 percent. Ecuador is around 1.8 percent, Bolivia around 1.3 percent, and Honduras, El Salvador, and Peru are close to or just above 1 percent. The bars decrease in length from top to bottom, indicating lower fuel weight shares in the CPI for the lower-listed countries.

Fig. 4: A horizontal bar chart showing standardized monthly changes in a spending momentum index across multiple countries, with separate bars for discretionary and non-discretionary spending. The y-axis lists countries including Puerto Rico, Uruguay, Chile, Colombia, Bahamas, Peru, Dominican Republic, Jamaica, El Salvador, Nicaragua, Costa Rica, Paraguay, Ecuador, Bermuda, and Honduras. The x-axis represents index points with both negative and positive values. Discretionary spending bars are mostly negative across all countries, with the largest declines observed in Honduras, Bermuda, Ecuador, Paraguay, and Costa Rica, where values extend furthest left below zero. Non-discretionary spending bars are mixed, with some positive values in Puerto Rico, Bahamas, Peru, and Colombia, and negative values in countries such as Costa Rica, Paraguay, Ecuador, and Bermuda. The chart shows variation in both magnitude and direction across countries and spending categories.