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IMFC Statement by Alfonso Prat-Gay
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Argentina

On behalf of
Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay

Statement by Governor H.E. Mr. Alfonso Prat-Gay, Minister of Treasury and Public Finance of Argentina
On behalf of the Southern Cone Constituency
(Argentina, Bolivia, Chile, Paraguay, Peru, and Uruguay)

Global Economic Outlook and Risks

In the US recovery seems well established but some signals are difficult to interpret. Whereas the country is at the forefront of innovation; productivity has slowed down. Why? Answers are not obvious and it is difficult to discern to what extent the apparent drop in productivity is due to shortcomings in our capacity to measure quality improvements and digital transactions. We expect the Fund to address this enigma.

In the EU growth is still tepid and the UK's exit has added one more uncertainty. Beyond Brexit, frustration with deflationary adjustment is breeding nationalism and populism. The risk that it could unravel the euro-zone, and even the EU, is quite significant. We see current account surpluses still growing in countries that can borrow at real negative interest rates. If these countries could grasp the opportunity and step-up investment in public infrastructure they would be lightening the burden of deflationary adjustment in the rest of the euro-zone.

In Japan, despite forceful monetary easing, CPI is currently negative (-0.4 percent yoy) and consensus GDP forecasts hover around 0.5 percent for 2016. The economy is also suffering from structural trends as a result of the aging population. Efforts to increase the work-force by facilitating women's integration into the labor-market are understandable but the authorities would be well advised to be more open to receiving migrants.

Political factors have the potential of bringing the economy to very different—and riskier—scenarios. The US faces a key presidential election, one of the most decisive in the country's recent history, and its outcome may alter its main political and economic coordinates. The Brexit vote, three months ago, reflects the prevailing skepticism, not only in UK but across Europe, and also underscores the need to evenly spread the benefits of globalization. International economic cooperation could be halted if people feel that it is alien to their interests. Globalization, despite all its benefits, cannot be rushed or forced onto intimidated voters. Citizens need to feel that they are at the steering wheel and that globalization is not stripping them from owning domestic political decisions. Our challenge is to ensure their support for international economic integration and the IMF needs to address this issue. If we fail, economic nationalism and populism will shape a new world—and quite an ugly one.

Protectionist pressures are ubiquitous. We feel them in our own country. The difficulties to stem them are compounded if monetary policies in reserve-issuing countries pursue exchange rate depreciations or when presidential candidates in countries that traditionally advocated trade liberalization, propose raising tariffs and non-tariff barriers to trade. We need to stand up for trade and this is not just for the sake of consumer choices and competitive prices; it is also about providing people in low and middle-income countries a chance to make a decent living in their own countries. Nationalism and "economic patriotism" can stop legal imports but not illegal immigrants. Economic immigrants face a simple option; either they can sell abroad what they produce at home, or they will move abroad themselves to make a better living.

Is globalization going in reverse? Having said this, we should not fall into pessimism and construe the slow-down of growth of trade volume as indicating that international economic integration is going in reverse**.** Even though it is true that trade in goods and (traditional) services (e.g., transportation, tourism) is barely growing at the rate of output, the tremendous explosion of trade in data-flows should not be ignored. The digital economy is challenging our capacity to measure trade flows. The use of cross-border bandwidth has grown 45 times larger since 2005.[1] Whereas not all this explosion of trans-border digital data could be categorized as "trade"[2], much of the international exchange of digital data could be rightly considered to be of a commercial nature. Unfortunately, it is difficult to measure digital flows and even more so to discern the actual value they add to trade and output. We would like to see the Fund spending more research efforts in this area.

What is the adequate mix of reforms and policies to boost growth? There is broad agreement that monetary policies in advanced economies should remain accommodative but that by themselves they cannot rekindle growth. Disagreements are mostly centered on whether monetary policies are starting to produce distortions, on the possibility of igniting demand by using fiscal instruments and whether the use of fiscal space should precede, accompany or follow structural reforms (of various sorts). Some also question whether fiscal space, even where it indisputably exists, should be used if the estimated output gap is narrow. This is a very important discussion and it is essential to approach it with an open mind.

It seems reasonable to recommend using fiscal space in infrastructure and education in countries running current account surpluses, particularly if they can borrow at very low or even negative real interest rates. Nevertheless, public money is good to jump-start the economy but it will not suffice to make demand sustainable. Households in advanced economies have been deleveraging. While this sacrifice was necessary, families are not persuaded that their income will increase overtime. On the contrary, increasingly regressive income distribution is impoverishing (in relative terms) the middle-classes. As we noted above, this is a serious concern and we very much welcome the Managing Director's insistence on this critical issue.[3] In this regard, we would like the Fund to address two questions: How to improve income distribution without hindering competitiveness? How to enhance productivity without cutting

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[1] McKinsey Global Institute, the Use of Digital Globalization: The New Era of Global Flows, March 2016.

[2] As it includes personal messages exchanging text, photos and videos, and also digitally-enabled data and services delivered at no—apparent—price.

[3] The Managing Director recently said in Toronto that "growing inequality in wealth, income, and opportunity has added to a groundswell of discontent, especially in the industrialized world", underscoring that "countries need to extend the benefits of openness and integration, while alleviating the side effects". "Making Globalization Work for All" By Christine Lagarde, Sylvia Ostry Lecture, Toronto, September 13, 2016.

jobs or trimming salaries? We need fresh ideas to deal with these issues. This brings me to my next point.

How can we build momentum for structural reforms? Whereas structural reforms need to be defined idiosyncratically, difficulties in implementing them could be easier to overcome with international cooperation. The challenge to convince citizens to embrace structural changes is compounded when growth is tepid and labor's share in national income is shrinking. Here again we see the need to strive for international coherence in global economic policy making. While each of our countries should make an effort to improve domestic income distribution, moving coherently in that direction would minimize losses of international competitiveness. Fighting tax elusion and avoidance will be central and we see a role for the Fund and for the G20 in this regard. Whereas both, advanced economies and EMDCs should strengthen the foundations for inclusive and sustainable growth, in the latter this will require enhanced transparency and institutional quality, together with efficient investments in education, health programs, and public infrastructure. We welcome the initiation of automatic exchanges of information with more than 50 countries in 2017 and another 50 or so in 2018 and the continuous, coordinated efforts to mitigate BEPS. Argentina is currently under a tax amnesty exercise until March 2017, the purpose of which is to extend the tax base and allow for a more transparent and equitable tax regime from next year onwards.

Finally, the Fund needs to further strengthen and improve its legitimacy. We emphasize the need to modify the formula used to calculate quotas, which should reflect the changes in relative weights in the global economy. The present formula is seriously flawed, obscure, difficult to understand, almost impossible to explain, and fails to adequately reflect countries' share to global output.

Argentina

By December 2015 Argentina was running down its reserves despite having imposed self-inflicting restrictions in access to foreign exchange. Imports of essential inputs and machinery for the industry were delayed or simply blocked, putting firms and jobs at serious risk. The country was bound to a balance-of-payment crisis, yet in order to win the elections held in October 2015, the previous government kept kindling domestic demand by subsidizing consumption. For instance, electricity and gas prices (both regulated) barely covered 10 percent and 30 percent, respectively, of production costs. This required subsidies in excess of 4 percent of GDP; the benefits of which were mostly captured by affluent households in the city of Buenos Aires. Fiscal deficits were handsomely financed by money-printing and deposits at public institutions. Inflation was running at close to 30 percent, according to private estimates, as nobody trusted official figures. The crisis was imminent but in just nine months in office Argentina's new government has averted it. This required a significant dose of courage and strong political determination.

The external front was a priority. Foreign exchange controls were successfully dismantled and the litigation with creditors that had held-out from Argentina's debt restructuring was successfully settled. This allowed the country to regain access to credit markets. In April 2016, for the first time in 15 years, Argentina tapped international capital markets issuing bonds for US$ 16,500 million, the largest amount it had ever borrowed and a record in EMDCs´ history. The issuance was four times oversubscribed and the money was largely used to settle the claims of the aforementioned holdout creditors, leaving behind 15 years of litigation. Argentina now has a single and floating exchange rate and access to foreign currencies is unrestricted. Export taxes (except for soy-beans) were eliminated and exporters have up to five years to surrender their foreign currency payments.

On the fiscal front subsidies are being substantially reduced and carefully targeted to those that need them most. As noted before, energy prices had been effectively decoupled from the cost of production. This created perverse incentives for over-consumption and forced a country with abundant gas reserves to import an increasingly large part of the gas, oil, and electricity it needed. Overall, energy subsidies amounted to approximately 4 percent of GDP (in 2015) and were mostly pocketed by the affluent. This was perverse and the new government had to reverse it without delay. Prices are now being progressively reconciled with the actual cost of production. This painful process has been rather tortuous, as injunctions forced the government to temporarily reverse price increases. Nevertheless, it has already been agreed that subsidies on natural gas (approximately U$S 5.7 billion in 2015) will be largely eliminated during the next five years (except for low income-households that will benefit with a "social tariff"). As for electricity subsidies, they are already being phased out, again also cushioning low-income households. In total, in 2017 savings will be come close to 1 percent of GDP. Changes on the monetary front are not less impressive.

As a result of the above-mentioned distortions the economy was stagnating. Between 2011 and 2015 output grew at an accumulated rate of just 1 percent. Fiscal deficits (more than 6 percent of GDP in 2015) were largely financed by Argentina's central bank. Not surprisingly inflation was persistently high (hovering around 25-30 percent) and the country's default risk was priced at approximately 600 basis points. The combination of high borrowing costs, high inflation, decadent public infrastructure, high transaction costs, arbitrariness in policy decisions (the previous government picked winners and used the tax-agency to bully the "unruly") and rampant corruption made Argentina a "no-go" zone for productive investment. Productivity and competitiveness plunged.[4] There were around 1.2 million unemployed and about 3.8 million workers in the informal sector; yet unemployment figures under-estimated the problem because national and provincial governments were overstaffed.

Institutions had to be rebuilt; this was notably the case of the official statistics agency (INDEC). In early 2007, Argentina's official statistics agency lost its independence. Since then,

[4] In the competitiveness index prepared by the Global Economic Forum, between 2005 and 2015 Argentina descended from 54th position to 106th position.

it has been a well-known secret that inflation figures were systematically under-estimated and output figures conveniently inflated to fit a triumphant narrative. Eventually, the IMF found that Argentina was in breach of its obligations due to its inaccurate provision of CPI and GDP and issued a "Declaration of Censure" (February 1, 2013). However, despite some cosmetic changes, Argentina's statistics agency continued, undisturbed, to deliver inaccurate CPI and GDP statistics. When Argentina's new government took office, the country's statistical office was in shambles and its credibility all but lost. It is no exaggeration to say that by December 2015, no private economic agent gave any credit to official figures. The situation today is radically different.

Inflation has slowed dramatically. The monthly increase of consumer prices in August was 0.2 percent; from 4.2 percent in May, 3.1 percent in June, and 2.0 percent in July. This trend is well in line with the inflation targets recently announced by the BCRA. Indeed, consensus expectations for 2017 are currently at 19.3 percent (17.7 percent for core) and the aforementioned declining trend in inflation suggests that during the third quarter of 2016 consumer prices could already be rising at 17 percent (annualized), which is the government's target for 2017.

On Monday, September 26, 2016, the BCRA launched an inflation-targeting regime (whose target for 2017 is between 12-17 percent).[5]

Inflation - Targets	2017	2018	2019
	12%-17%	8%-12%	3,5%-6,5%

The drop in output has bottomed. For the first time in five quarters, the third quarter of 2016 will end with a slightly positive growth rate. Our estimations show activity picking up in several sectors; most notably in construction (anticipated by a 16 percent increase in August/July in cement producers), and an increase in private consumption. The government's growth projection for 2017 is 3.5 percent (from a negative rate of 1.5 percent expected for this year); however, some private consultants (including some advising the political opposition) are much more sanguine.

New rules to deepen exchange rate flexibility. In early August, the BCRA introduced additional flexibility to the rules on exchange rates, lifting remaining restrictions on foreign exchange transactions; removing bureaucratic requirements, and bringing down operating costs. Besides, operations related to external-asset formation of residents are no longer subject to a limited amount and restrictions in access to transactions in derivatives with external counterparts were eliminated. Moreover, rules on payments for imports of goods and services were simplified and regulations in terms of income and cancellation of financial debts loosened.[6]

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[5] http://www.bcra.gov.ar/Noticias/Regimen_de_Metas_de_Inflacion_en_Argentina.asp

[6] In line with the standards that prevent money laundering and financing of terrorism, certain monthly caps that limit the use of cash remain.

Eliminating poverty remains the top priority. Even though the size of the inherited fiscal deficit makes fiscal consolidation unavoidable, the administration remains committed to enhancing the social safety net and ensuring that expenditures are not used to finance political cronies. "Plan Nacional de Primera Infancia" (National Plan for Early Childhood) was launched at the beginning of 2016 whose objective is to eradicate malnutrition in children under the age of 4. In education, in 2017 the national system will include all children over the age of 3; this will benefit more than 638,000 children. Moreover, 3,000 new kindergartens will be built before 2019. It is also worth noting that the "Asignación Universal por Hijo", a program created by the previous government that reaches 3.8 million children, is being maintained, enlarged, and enhanced and now aims to add an additional 1 million infants with increased benefits.

Other programs that transfer wealth to the poor will also continue, such as "Argentina Trabaja" and "Ellas Hacen", albeit ensuring transparency and effectively ring-fencing transfers from all political interference. Moreover, a new law approved by Congress refunds low-income households and pensioners 15 percentage points on VAT collected on all debit card purchases, the minimum wage will also be increased by 33 percent in three stages, and important programs on housing, water, transport, and health are underway. SMEs are also benefiting from several measures and increased credit. Also, a recently approved bill will allow the Government to pay existing claims to pensioners and improve pensions to minimum-pension earners; this fiscal effort, which the previous administration had denied despite existing Supreme Court rulings, will also serve as a buffer to those at the bottom end of the income distribution. All in all, Social Services will be 64 percent of total expenditures in 2017, which will represent 15 percent of GDP. As said, all of these measures will help the middle-class and, especially, the most vulnerable, to deal with this stage of relative price adjustments.

Transparency and back to being a normal country. In this vein, the authorities have re-initiated the annual consultations with the Fund. During the last two weeks of September an IMF mission visited Argentina and maintained intensive consultations with government officials and private sector representatives. This is the first Article IV consultation in ten years and deliberations have been fruitful and highly successful. We are looking forward to the upcoming discussion at the IMF Executive Board.

Bolivia

Economic performance has continued to be strong up to the first quarter of the year. In fact, the observed GDP shows a 12-month growth rate of 4.9 percent while growth by the end of the year is projected to be around 5 percent, although adverse climate events coming from El Niño and La Niña may affect growth in 2016. Nevertheless, Bolivia continues to perform well in the region in terms of growth. Manufacturing, financial services, insurance, transport and communications are the main drivers of growth while domestic demand is still strong. Countercyclical policies are being applied to offset external conditions dominated by low international commodity prices.

The **Bolivian** government plans to use public spending as an economic boost amid adverse external conditions which have affected fiscal revenue. Fortunately, the significant surpluses achieved before 2015 are allowing the authorities room to retain the level of public spending and maintain social programs, which are crucial for protecting the poor and improving social indicators. The fiscal authorities are envisaging a deficit of 6.1 percent for 2016, mainly as a result of implementing the public investment program financed by fiscal savings and foreign resources, in accordance with the 2016-20 National Development Plan. Maintaining the dynamism of the economy through public investment is paramount for Bolivia in order to pursue the expansion of the output base, industrialization, greater productivity and better physical infrastructure.

The monetary policy is also supporting economic activity in response to adverse external conditions and lower export revenue. As such, an expansive stance is warranted through adequate liquidity allowing interest rates to be low enough to incentivize credit, mainly to productive sectors and social housing, within the framework of the 2013 Financial Services Law. Inflation is continuously monitored and developments of price indexes show that inflationary pressures are absent as 12-month inflation as of August 2016 reached 3.5 percent, in line with the projected annual inflation of 5 percent. The exchange rate policy continues to rely on a stable exchange rate so as to keep inflation under control (domestic and imported) as a high pass-through still prevails. This policy also supports the de-dollarization and the authorities do not perceive persistent misalignments of the real exchange rate. The financial sector is stable with a low ratio of non-performing loans (1.8 percent as of July 2016), while credit is evolving positively; the credit growth rate was 9.4 percent as of August 2016.

As forecast the external balance has been adverse for Bolivia; the balance of payments registered a deficit in 2015, as well as in the first quarter of 2016, as a consequence of a fall in terms-of-trade and, therefore, the trade balance was negative. While the current account deficit as of the first quarter of 2016 reached 1.5 percent of GDP, imports did not fall substantially as they are mainly capital goods associated with the public investment level. As expected, international reserves decreased but they are still at a comfortable level around 31 percent of GDP. In addition, Bolivia holds foreign exchange in other public funds which, combined with the international reserves, represents an external buffer of around 42 percent of GDP. The Bolivian authorities are expecting a current account deficit of 6.4 percent for 2016, lower than that of 2015.

Chile

The Chilean economy is expected to grow between 1.5 and 2 percent in 2016, amid a weak external scenario and subdued domestic demand conditions. The economic deceleration of recent years has been more intense than expected, and growth forecasts suggest that the economy will still grow below potential during the next year. Several factors lie behind these results; among them, the end of the commodity super cycle, with its significant negative impact on mining investment, has a prominent role. At the same time, domestic confidence indicators have remained weak, while the labor market has shown signs of deterioration. Nevertheless, the unemployment rate is still low by historical standards.

Sound macroeconomic policies in place facilitated an early adjustment of the economy. In particular, a credible monetary policy, the exchange rate flexibility, a consistent fiscal framework, and a sound and well-regulated financial system have helped through this process. After more than two years, annual inflation returned to the tolerance range in July and thereafter reached 3.4 percent in August. According to the last Monetary Policy Report and private expectations, inflation should gradually approach the 3 percent target in the coming months. The recent period of inflation above the target was driven by a significant peso depreciation. Monetary policy has remained accommodative to smoothen the downturn of the economic cycle, while inflation expectations have remained firmly anchored during the process.

The fiscal authorities remain committed to a gradual fiscal consolidation in order to reach a structural balanced budget position over the medium term, while allowing automatic stabilizers to operate. Accordingly, policy makers seek to gradually reduce the structural deficit by approximately 0.25 percentage points per year, which in 2016 is estimated to reach 1.7 percent of GDP. Consistently with this objective, early this year, the authorities implemented an extraordinary expenditure reduction, equivalent to 0.25 percent of GDP. The 2017 Public Budget was recently presented to Congress, in line with the medium-term consolidation objective. Credit agencies have reaffirmed their positive evaluation of the Chilean economy and sound macroeconomic policy framework. The country's risk premium is among the lowest in emerging markets and around its historical low.

The government has progressed in implementing its structural reform agenda oriented to improve the quality of Chile's human capital and secure inclusive medium-term growth. Reforms to strengthen primary and secondary public education and teachers' career continue to be implemented gradually, while a new legislation for improving post-secondary education was submitted for discussion in Parliament in July this year. In turn, new labor legislation to modernize labor relations was approved. Finally, the authorities have continued advancing in a productivity agenda oriented to enhance the inclusion and growth capacity of the economy. In August, Congress approved several measures to strengthen productivity. This included simplifying procedures for companies, facilitating export services, and broadening of financing options for financial companies —among them, insurance and pension fund companies— in non-traditional assets, including infrastructure projects. Also, a new Antitrust law was approved in July. Furthermore, lower energy prices recently established by a successful electricity tender will contribute to invigorate Chile's growth potential.

Paraguay

The Paraguayan economy has remained resilient to the more complex international and regional scenario. While economic activity has moderated since mid-2015, in the second quarter of 2016 it has regained momentum, mainly due to the recovery of some secondary and tertiary sectors, such as manufacturing, construction, and commerce. Inflation, increased significantly in January (5.2 percent y-o-y) as a result of supply shocks that affected specific food prices and the depreciation of the exchange rate. In the following months these effects were reversed reflecting an inflation slowdown (3.2 percent in August), maintaining a consistent path with the target of 4.5 percent for this year. Likewise, the different measures of trend inflation began to show a downward trajectory in recent months, generating space to provide monetary stimulus to the economy. In this context, the Central Bank of Paraguay reduced the monetary policy rate by 25 basis points in May and July, to stand at 5.5 percent annually. The local exchange rate followed the regional dynamics. Pressures on the major currencies, and in particular the Guarani, have moderated throughout 2016, in line with a weaker US dollar in international markets, partly explained by the successive postponements of the Federal Reserve rate adjustments.

Efforts in the fiscal sector continue to improve the quality of public spending. As of July 2016, central government current expenditure (employee remuneration) grew 0.9 percent more than the same period in 2015, well below the average growth observed in the last ten years (15 percent). Meanwhile, public investment grew by over 30 percent for the same time frame, well above the 10-year average (12.3 percent). Given this greater investment, a deficit of 1.5 percent of GDP is expected by the end of the year complying with the Fiscal Responsibility Law (LRF). On the other hand, there are efforts to strengthen fiscal institutions, with a long-term perspective. In this regard, the Ministry of Finance has been analyzing the need to entitle the fiscal policy with a greater countercyclical approach, promoting improvements to the current LRF. These include the introduction of a fiscal rule based on a structural balance and the establishment of a fiscal advisory board and a sovereign stabilization fund.

The financial system soundness indicators remain at adequate levels, despite the more difficult international economic scenario due to the slowdown in economic activity. The fall in international commodity prices and economic recession in Brazil have resulted in a negative impact on some specific sectors, such as agriculture and commerce. Nonetheless, solvency indicators remain above the required minimum levels and profitability ratios are among the highest in the region. Regarding the legal framework, a set of measures are being developed and will be key to match the best international practices in terms of the financial system regulation. The package includes the reform of the Banking Law, the Charter Law of the Central Bank of Paraguay, and the Charter Law of the National Development Bank, as well as the creation of a Superintendence of Pension Funds.

Peru

Peru’s growth has been among the highest in the region. The economy has expanded at a rate closer to its potential output level (4.0 percent from January to July 2016), driven mainly by the performance of commodity exports and investment at the sub-national level. Growth in 2016-2018 is expected to further bridge the output gap (4.0 percent, 4.5 percent, and 4.2 percent in 2016, 2017, and 2018, respectively). This trend will likely be sustained by the momentum of consumption (forecasted at 3.8 percent and 4.0 percent in 2017 and 2018, respectively). Private investment growth is expected to recover to 5 percent annually over the next two years. Recent surveys show a favorable trend in business confidence, underpinned by indicators pointing to a sustainable recovery in production, employment, income, and by expectations on policies geared to promote private and public projects.

Inflation has been on a downward trend due to the reversal of food inflation (originally associated with the El Niño Phenomenon) and the appreciation of the domestic currency during the first months of the year. Additionally, the central bank has contributed to anchoring inflation expectations through timely increases in its benchmark interest rate (September and December 2015 and January and February 2016). As a result, inflation dropped from 4.4 percent in December 2015 to 2.9 percent in August 2016. It is expected to converge towards the upper band of the inflation target over the coming months and further decline thereafter towards the 2 percent midpoint of the target range by the end of 2017.

The current account deficit continues to decline, from 5.4 percent of GDP in the first half of 2015 to 4.4 percent in the first half of 2016. It is expected to continue to diminish over the next years, to 3.3 percent of GDP in 2018, coupled with a gradual improvement in export volumes and prices.

Credit to the private sector has increased vigorously, at real annual rates of 9.4 percent as of December 2015 and 7.7 percent as of July 2016. The strengthening of the domestic currency since end-February has promoted a further decline in credit and deposit dollarization ratios.

Uruguay

Uruguay is about to record its fourteenth year of positive growth, constituting a singular period in the country's modern history. Admittedly, economic expansion is much more modest than the average of the above-referred period; nonetheless, the most relevant fact is the positive path that the country continues following. Amidst complex regional circumstances in which Uruguay's largest neighbors have been exhibiting a substantial decline in their economic activities, Uruguay's economy shows an outstanding resilience. We must recall that many specialized papers, including a number from the IMF, concluded that shocks stemming from Argentina and Brazil had unambiguous effects on Uruguay, particularly on its growth rates. In the past, Uruguay's GDP would have unavoidably followed a similar course—or even more acute—to these two neighbors. Evidently, this is not currently the case, given a number of reasons that could be condensed in a few words: a long road of sound policies and structural transformations.

Fruits from such policies and reforms can be reaped in good times, but harvest tends to be more distinguishable in more difficult times. Uruguay's latest data are displaying gradual but firm signals of improvements in key areas and variables: economic activity seems to reveal some kind of renewed dynamism; inflation rates continue to follow a sound downward pattern over the past four months; and developments regarding investment continue to reflect confidence instilled by Uruguay's policies and results. Well-designed fiscal consolidation measures, tighter monetary policies, flexible exchange rate, and consistent income policies have driven the country to establish the needed corrections without putting economic and social achievements at risk. Political determination and leadership are key factors to support the above-referred economic directions.

Uruguay looks to the future from a sound position; of course, much remains to be done in many areas, such as education and infrastructure, on which the Uruguayan authorities have expressed their commitment to make critical changes. The authorities have also expressed their willingness to continue the process of further opening Uruguay to trade and investment.

Finally, the Uruguayan authorities would like to welcome the emphasis that the IMF has been putting worldwide on two key issues: the first is the importance of addressing inequality due to the intrinsic social wounds that this entails, and also because of its perverse effects on economic stability; the second is related to the relevance of promoting good governance and institutional quality, which have clear effects on countries' economic stability, growth, investment, productivity and social capital, among other things. In this regard, it is worth noting that Uruguay exhibits robust governance indicators, not only in comparison to other Latin American countries, but also relative to many advanced economies. The Uruguayan authorities reiterate their firm willingness to continue efforts and actions in order to maintain the virtuous cycle of economic stability, robust institutions, and social gains.