INTERNATIONAL MONETARY FUND

REGIONAL ECONOMIC OUTLOOK

WESTERN HEMISPHERE

Securing Low Inflation and Nurturing Potential Growth

2023
OCT

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Preface

The October 2023 *Regional Economic Outlook: Western Hemisphere* was prepared by Juan Trevino and Daniel Wales with contributions from Wafa Abdelati, Zamid Aligishiev, Chao He, Takuji Komatsuzaki, Flavien Moreau, Rafael Machado Parente, Hyunmin Park, Juan Passadore, Ana Sofia Pessoa, Ilya Stepanov, and Dmitry Vasilyev under the supervision of Anna Ivanova and the guidance of Gustavo Adler, with overall direction from Rodrigo Valdes and James Morsink. Genevieve Lindow provided outstanding support and coordinated the excellent research assistance work of Kenji Moreno, Damaris Garza Escamilla, Justin Lesniak, and Spencer Siegel.

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Country Groupings

Caribbean: Commodity Exporters (CARCE)	Caribbean: Non-Tourism Dependent (CARNT)	Caribbean: Tourism Dependent (CARTD)	Central America, Panama, and the Dominican Republic (CAPDR)	Eastern Caribbean Currency Union (ECCU)	Latin America 5 (LA5)	Other South America (OTSA)	South America (SA)
Guyana	Guyana	Antigua and Barbuda	Costa Rica	Anguilla	Brazil	Argentina	Argentina
Suriname	Haiti	Aruba	Dominican Republic	Antigua and Barbuda	Chile	Bolivia	Bolivia
Trinidad and Tobago	Suriname	The Bahamas	El Salvador	Dominica	Colombia	Ecuador	Brazil
	Trinidad and Tobago	Barbados	Guatemala	Grenada	Mexico	Paraguay	Chile
		Belize	Honduras	Montserrat	Peru	Uruguay	Colombia
		Dominica	Nicaragua	St. Kitts and Nevis		Venezuela	Ecuador
		Grenada	Panama	St. Lucia			Paraguay
		Jamaica		St. Vincent and the Grenadines			Peru
		St. Kitts and Nevis					Uruguay
		St. Lucia					Venezuela
		St. Vincent and the Grenadines					

List of Country Abbreviations

Antigua and Barbuda	ATG	Guyana	GUY
Argentina	ARG	Haiti	HTI
Aruba	ABW	Honduras	HND
The Bahamas	BHS	Jamaica	JAM
Barbados	BRB	Mexico	MEX
Belize	BLZ	Nicaragua	NIC
Bolivia	BOL	Panama	PAN
Brazil	BRA	Paraguay	PRY
Canada	CAN	Peru	PER
Chile	CHL	Puerto Rico	PRI
Colombia	COL	St. Kitts and Nevis	KNA
Costa Rica	CRI	St. Lucia	LCA
Dominica	DMA	St. Vincent and the Grenadines	VCT
Dominican Republic	DOM	Suriname	SUR
Ecuador	ECU	Trinidad and Tobago	TTO
El Salvador	SLV	United States	USA
Grenada	GRD	Uruguay	URY
Guatemala	GTM	Venezuela	VEN

Latin America and the Caribbean: Recent Developments, Outlook, and Policies

After a stronger-than-expected recovery from the pandemic and continued resilience in early 2023, economic growth in Latin America and the Caribbean (LAC) is softening as the effect of tighter policies to combat inflation is taking hold and the external environment is weakening. The early and swift monetary tightening across the region since 2021, together with the withdrawal of most of the pandemic fiscal stimulus and the reversal of external price pressures, have helped put headline inflation on a downward trajectory. Core inflation has also started to ease, as price pressures are becoming less generalized, although it remains elevated amid strong labor markets and positive output gaps in some countries. Banking systems have weathered the rise in interest rates well and are generally healthy, though credit to the private sector is decelerating amid tighter supply conditions and weaker demand.

Economic growth is projected to decline further in late 2023 and bottom out in 2024, while inflation is projected to converge gradually toward central banks' targets. Over the medium term, LAC's growth is projected to return to its low historical average. Downside risks to the near-term outlook have receded somewhat, but the balance of risks remains tilted to the downside. Key external downside risks include lower growth in main trading partners, commodity price volatility, new inflationary shocks, renewed turbulence in financial markets of large economies, and the intensification of geopolitical tensions. At the regional level, downside risks include a reemergence of inflationary pressures, increased social tensions and violence, and climate-related shocks. Upside risks comprise a more benign global environment, a faster-than-anticipated decline in inflation, less scarring from recent shocks than previously envisaged, and growth in green minerals and energy sectors.

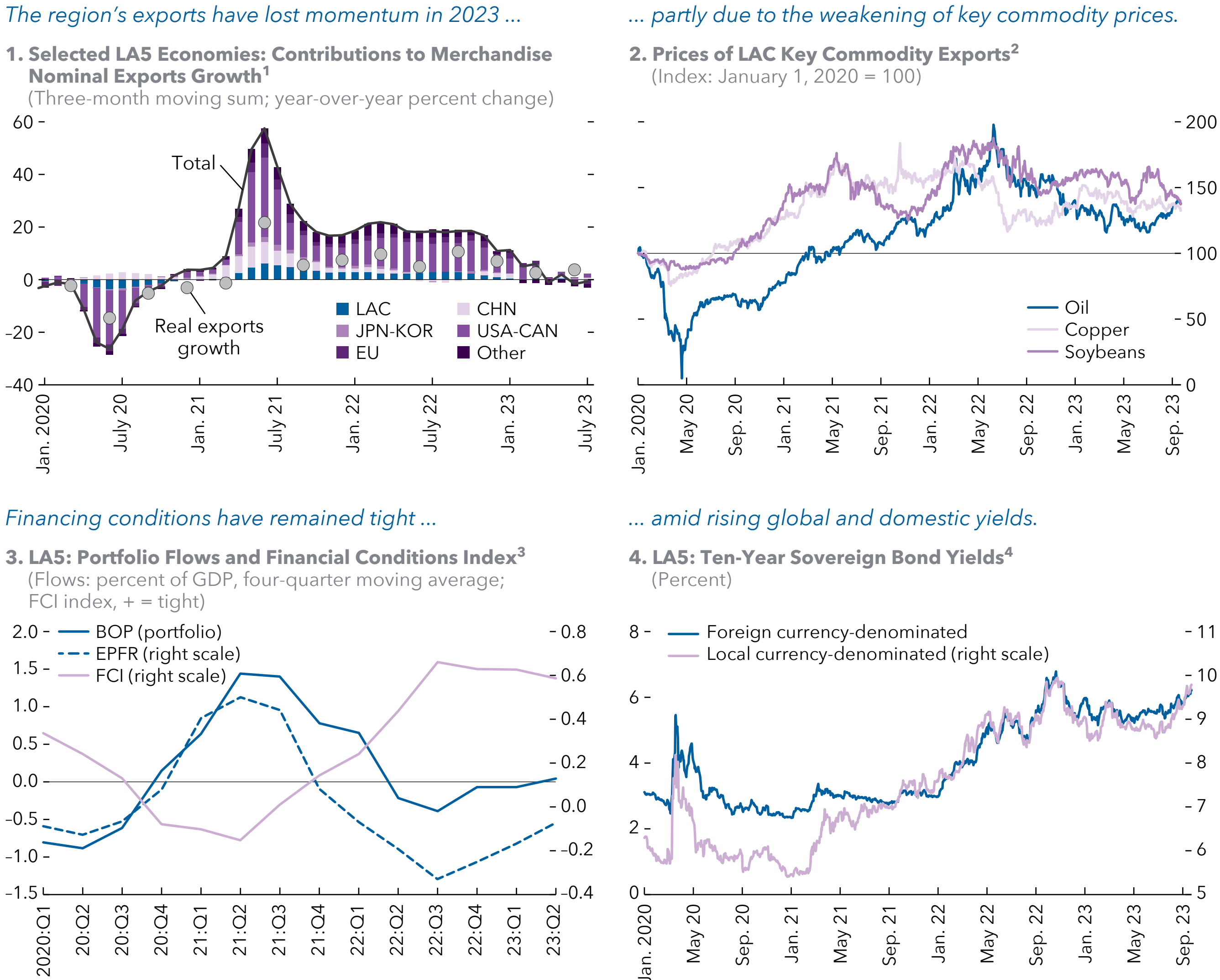
Most central banks in the region are well placed to move forward with the unwinding of their tight monetary policy stances as price pressures continue receding. Fiscal policy should focus on rebuilding policy space while protecting key social spending. Boosting medium-term growth requires addressing long-standing challenges—including lackluster productivity, low investment, and labor market rigidities that exacerbate informality. Enhancing trade, including within the region, can also bring significant opportunities for growth. Bolstering growth will also require adapting to the changing global landscape. The energy transition offers an opportunity for mineral-rich countries in the region—who will need investment-friendly frameworks—while the adoption of new digital technologies calls for greater efforts to improve the quality of education. Preserving social cohesion should be a centerpiece of any policy plan, and this will require strengthening social protection mechanisms and tackling insecurity.

Recent Developments

Domestic Demand Is Softening

After supporting activity in the region during 2022 and early 2023, external conditions have weakened in recent months. Robust growth in the United States and the post-COVID reopening in China supported growth in the region in 2022 and early 2023, but momentum slowed more recently as the growing real estate turmoil in China and the shift in growth composition towards services (nontradable sectors) in the United States weighed on global growth (Figure 1, panel 1). High commodity prices accompanied the favorable external environment—especially for commodity-exporting countries in LAC—although they are also showing signs of moderation more

Figure 1. Selected External Economic Indicators



Sources: Bloomberg Finance L.P.; Emerging Portfolio Fund Research (EPFR); Haver Analytics; IMF, Balance of Payments (BOP) Statistics database; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Data labels use International Organization for Standardization (ISO) country codes. EU = European Union; FCI = financial conditions index; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean.
[1]Real exports growth is purchasing-power-parity GDP-weighted average. Includes Brazil, Chile, Colombia, and Mexico.
[2]Oil refers to the average of Brent, West Texas Intermediate, and Dubai Fateh petroleum spot prices.
[3]BOP flows exclude Special Drawing Rights allocations. For FCI methodology, see October 2018 *Global Financial Stability Report*. FCI is purchasing-power-parity GDP-weighted average.
[4]Median of LA5 countries.

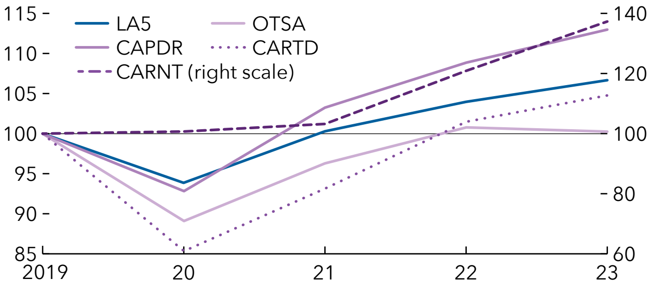
recently (Figure 1, panel 2). Meanwhile, global financing conditions remained tight throughout most of 2022 and 2023 reflecting contractionary monetary policy by major central banks to combat inflation (Figure 1, panels 3 and 4).

Amid mostly favorable external conditions, economic activity in LAC remained strong in 2022 and early 2023 (Figure 2, panel 1). However, there are signs of a slowdown more recently, especially in domestic manufacturing sectors (Figure 2, panel 2).

Figure 2. Selected Domestic Economic Indicators

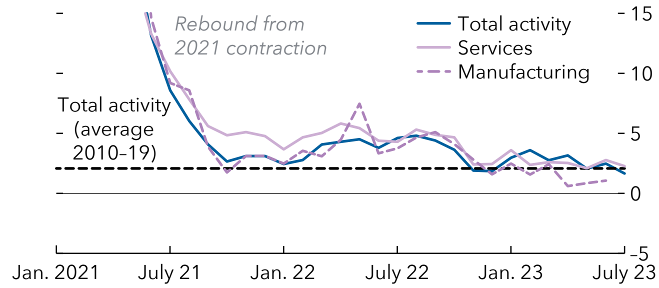
LAC's growth is decelerating after a strong recovery …

1. LAC: Real GDP Level[1]
(Index 2019 = 100)



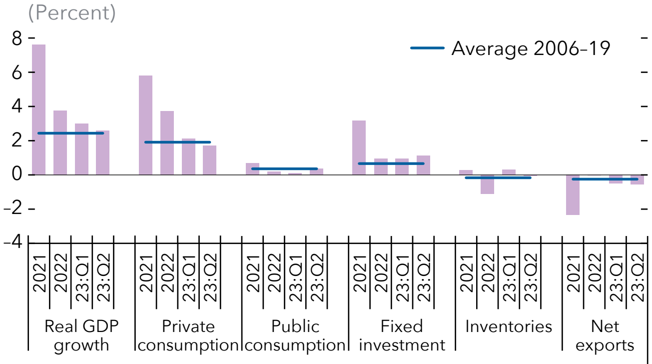
… mainly reflecting weaker manufacturing activity …

2. LA5: Economic Activity Index[1]
(Year-over-year percent change)



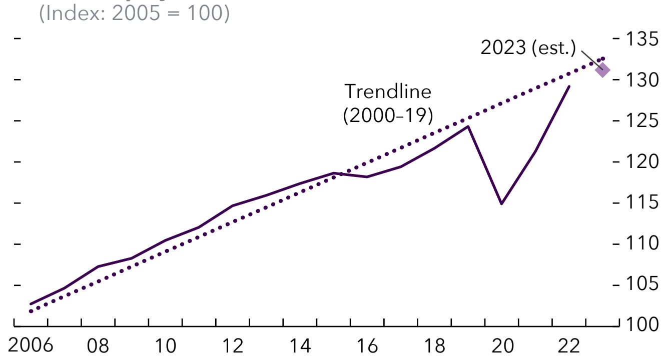
… while domestic consumption and investment have moderated.

3. LA5: Contributions to Year-over-Year Real GDP Growth[1, 2]
(Percent)



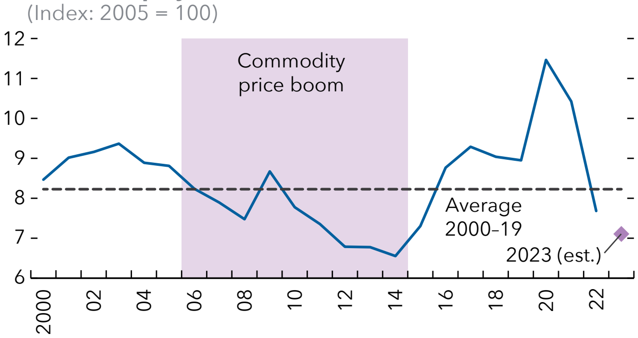
Employment has returned to its prepandemic trend …

4. LA5: Employment[3]
(Index: 2005 = 100)



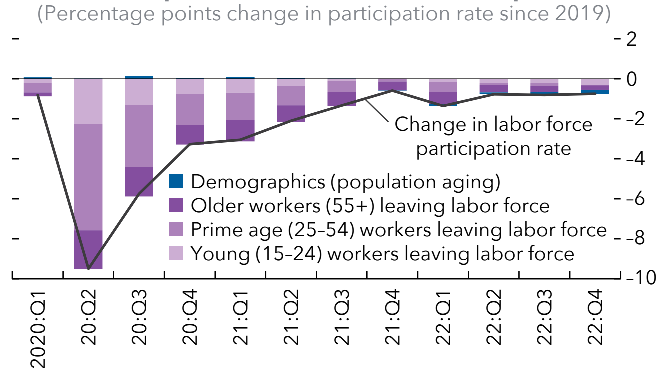
… and unemployment has fallen sharply…

5. LA5: Unemployment Rate[3]
(Index: 2005 = 100)



… as labor force participation has plateaued at a lower level.

6. LA5: Decomposition of the Labor Force Participation Rate[4]
(Percentage points change in participation rate since 2019)



Sources: Haver Analytics; IMF, World Economic Outlook database; International Labour Organization (ILOSTAT); national authorities; and IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic; CARNT = Caribbean: non-tourism dependent; CARTD = Caribbean: tourism dependent; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean; OTSA = other South America.
[1]Aggregates are purchasing-power-parity GDP-weighted averages.
[2]Seasonally adjusted. Inventories include statistical discrepancies.
[3]Labor force-weighted average.
[4]Aggregates are sums.

In LA5 countries (Brazil, Chile, Colombia, Mexico, Peru), decelerating economic activity reflected weakening private consumption—although still growing around its historical average—partly from the effects of past monetary tightening (Figure 2, panel 3). Domestic labor markets are strong and near a full recovery from the impact of the pandemic, with employment close to its prepandemic trend (Figure 2, panel 4) and unemployment below its historical average (Figure 2, panel 5). Although labor force participation has remained somewhat below its prepandemic level since late 2021, a breakdown into subgroups indicates that this, in part, reflects the likely permanent effect of older workers leaving the workforce during the pandemic (Figure 2, panel 6).

In Central America, Panama, and the Dominican Republic (CAPDR), growth has also softened recently, although less than in LA5, as activity in the services sector has remained resilient, supported by still strong remittances (Box 1). In the Caribbean, the rebound in tourism-dependent economies is moderating, while commodity-exporting Caribbean economies continue to benefit from favorable terms of trade (Box 2). Meanwhile, the group of other South American countries is experiencing a more pronounced slowdown, largely driven by the contraction in Argentina, in part due to drought, and idiosyncratic factors in Bolivia, Ecuador, and Uruguay, which more than offset Paraguay's strong rebound from the 2022 drought (Box 3).

Slowing Credit but Healthy Financial Systems

Credit growth continued decelerating in 2023 (Figure 3, panel 1). This reflected a moderation in consumer credit growth and a contraction in lending to firms, driven both by tighter credit supply conditions (lending standards) and weaker credit demand amid high interest rates and a slowing economy (Figure 3, panel 2).

The region's banks appear solid, as suggested by indicators of profitability, liquidity, and capital adequacy (Figure 3, panel 3). Moreover, unlike in some advanced economies—where high monetary policy rates have been accompanied by bouts of financial volatility—high policy rates in LA5 have not materially affected the profitability of the banking system, consistent with the historical pattern of high pass-through from policy rates to lending rates (Figure 3, panel 4; Online Annex 1), although the latter may lead to a worsening of credit quality. Non-bank financial institutions and nonfinancial firms are also generally solid. The latter have shown declining returns since 2022 but their profitability remains comparable to pre-COVID-19 levels, and the share of firms with sustained negative returns remains low (Figure 4, panel 1). Lastly, aggregate household balance sheets in LAC, as in other emerging market economies, remain in line with prepandemic levels (Figure 4, panel 2).

Price Pressures Are Receding Gradually

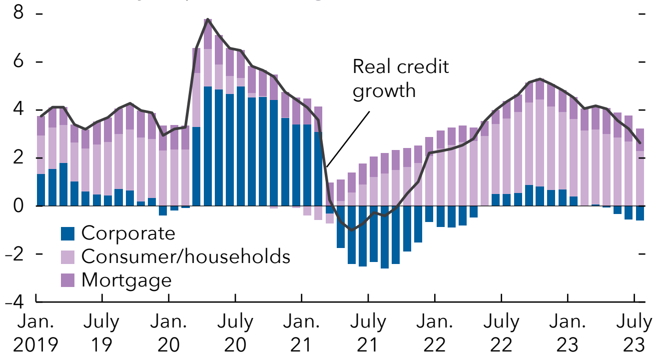
After reaching levels not seen since the mid-1990s in the second half of 2022, headline inflation in LAC has been declining (Figure 5, panel 1). The extent of price pressures has varied across subregions—reflecting different consumption baskets, exchange rate regimes, and strengths of economic activity—but they have shown highly synchronized dynamics, with headline inflation being on a declining path since mid-2022 in virtually all subregions (see discussion on CAPDR and the Caribbean in Boxes 1 and 2, respectively), pointing to the role of global inflation.

Inflation in LA5 economies has mirrored global developments—except for European emerging market economies, where inflation was amplified by the greater exposure to the consequences of Russia's invasion of Ukraine (Figure 5, panel 2)—although with some differences across countries. Headline inflation in Brazil, Chile, and Mexico has declined steadily since mid-2022, with core inflation also falling but less rapidly. In Colombia and Peru, both headline and core inflation have started declining only recently. The incipient easing of core inflation throughout the region (Figure 5, panel 3) has been driven by slower growth of core goods prices, while core services inflation has been stickier (Figure 5, panel 4). Rapidly receding international prices and domestic currency appreciation have contributed to the inflation decline through lower import prices (Figure 5, panel 5).

Figure 3. Bank Credit and Financial Soundness Indicators

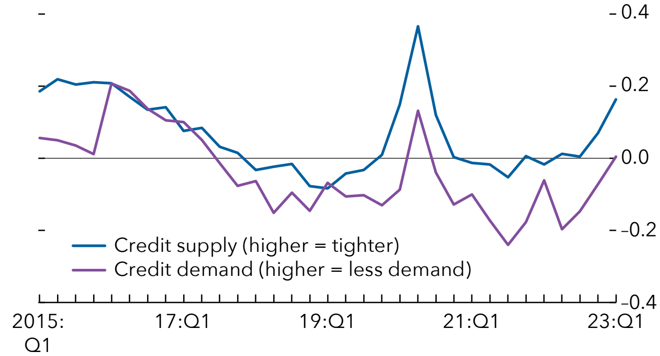
Credit to the private sector continues decelerating …

1. LA5: Real Credit Growth[1]
(Year-over-year percent change)



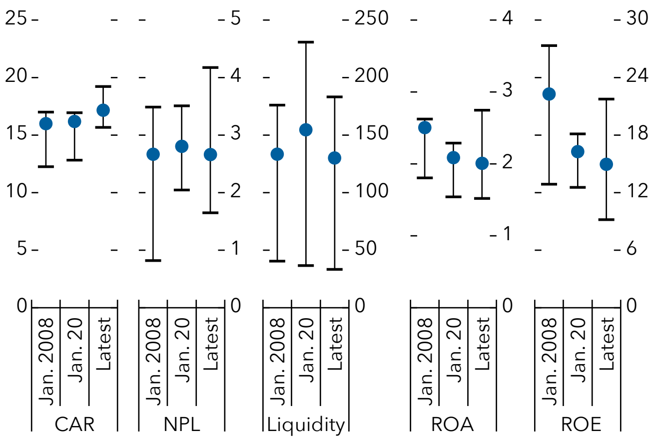
… amid tighter credit supply conditions and weaker demand.

2. Selected LA5 Economies: Credit Conditions Index[2]
(Index)



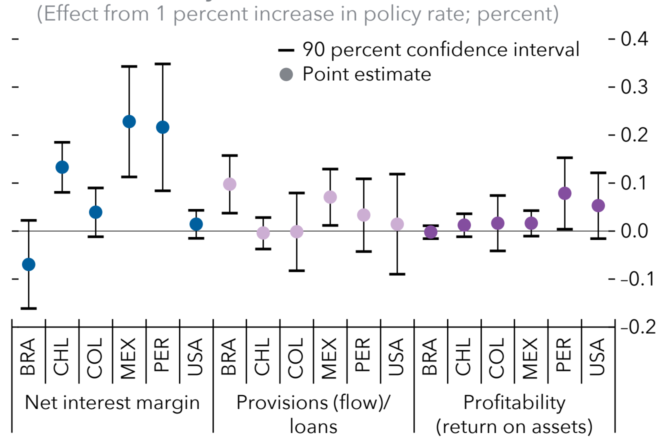
Banks have remained liquid, well capitalized, and profitable …

3. LA5: Financial Soundness Indicators[3]
(Percent)



… weathering the rise in interest rates well.

4. Historical Impact of Monetary Policy Rate Changes on Bank Profitability[4]
(Effect from 1 percent increase in policy rate; percent)



Sources: Haver Analytics; IMF, Financial Soundness Indicators database; IMF, International Financial Statistics database; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Data labels use International Organization for Standardization (ISO) country codes. CAR = capital adequacy ratio; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); Liquidity = liquid assets to short-term liabilities; NPL = nonperforming loans to total loans; ROA = return on assets; ROE = return on equity.
[1]Aggregates are purchasing-power-parity GDP-weighted averages.
[2]The credit conditions index captures quarterly shifts in loan officers' perceptions of lending willingness (supply conditions) and observed demand (demand conditions). Data sourced from central banks via Loan Officer Opinion Surveys and standardized for cross-country comparability, ranging from –1 to 1. A higher supply index indicates reduced lending willingness by banks, while a higher demand index indicates decreased interest from borrowers. Aggregates are purchasing-power-parity GDP-weighted averages of Brazil, Chile, Colombia, and Mexico.
[3]Markers are purchasing-power-parity GDP-weighted averages; whiskers are the minimum-maximum range. Chile is excluded from Liquidity measure due to data limitations. The latest data are as follows: Brazil (CAR: June 2023, NPLs/ROA/ROE: 2023:Q1, Liquidity: 2021:Q4); Chile (November 2022); Colombia (May 2023); Mexico (CAR: April 2023, NPLs:/ROA/ROE: May 2023, Liquidity: March 2023); Peru (2023:Q1).
[4]See details in Online Annex 1.

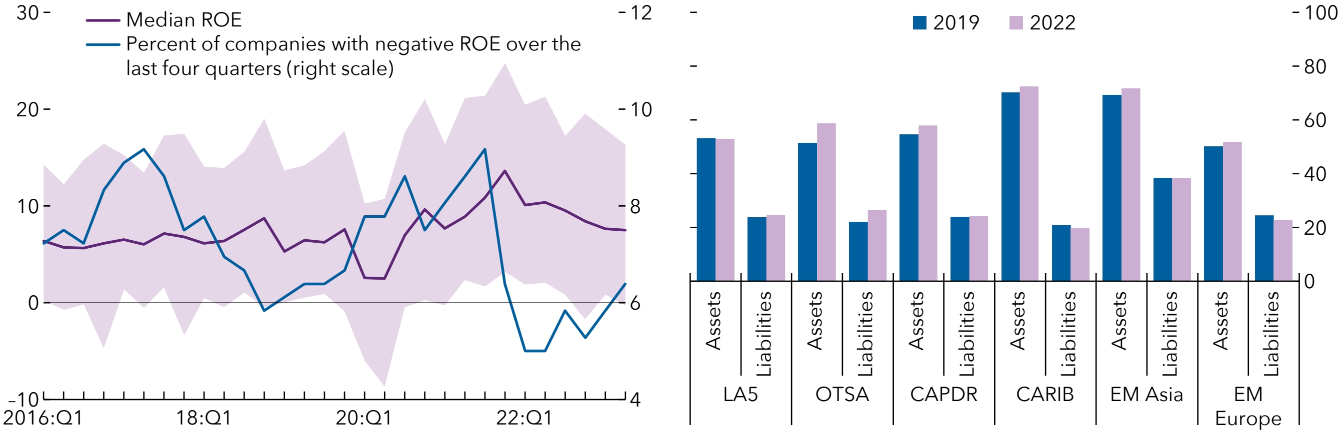
Figure 4. Firms and Households' Balance Sheets

Firms' balance sheets appear generally solid …

… and households' balance sheets in line with those prepandemic.

1. LA5: Nonfinancial Firms' Return on Equity[1]
(Percent)

2. Households' Gross Assets and Liabilities[2]
(Percent of GDP)



Sources: IMF, Balance Sheet Tool database; IMF, World Economic Outlook database; Standard and Poor's Capital IQ; and IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic (excluding El Salvador); CARIB = Caribbean (excluding Aruba, Barbados, and Belize); EM Asia = emerging markets Asia (Indonesia, Malaysia, Philippines, Thailand); EM Europe = emerging markets Europe (Hungary, Poland, Romania, Serbia); LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); OTSA = other South America (Ecuador, Uruguay); ROE = return on equity.
[1]Nonfinancial publicly listed companies are reported (sample is dominated by large companies). Shaded area refers to the 25th–75th percentile range.
[2]Aggregates are purchasing-power-parity GDP-weighted averages. Data for 2022 refer to the latest available for some countries.

Real wages have recovered to prepandemic levels and are outpacing labor productivity, pointing to possible underlying price pressures. At the same time, an analysis of the components of the GDP deflator suggests that corporate profits have been an important contributor to inflation since 2021, although they have moderated recently (Figure 5, panel 6).[1]

Tighter Policies Supported the Fight Against Inflation

The swift response of the region's central banks played a key role in controlling inflation. Their early and decisive actions stood out relative to those in other emerging market and advanced economies, as real ex ante policy rates increased sharply, going deep into contractionary territory (Figure 6, panel 1). This policy tightening also stands out relative to previous inflationary episodes in the region, although it is commensurate with greater price pressures this time (Figure 6, panels 2 and 3). While most central banks have maintained monetary policy interest rates unchanged well into 2023—on account of still-elevated core inflation and inflation expectations—some have started lowering nominal rates. Despite its apparent stickiness, the level of core inflation appears consistent with the magnitude of the shock to headline inflation (Figure 6, panel 4), suggesting that the current dynamic of core inflation is similar to that in past episodes.

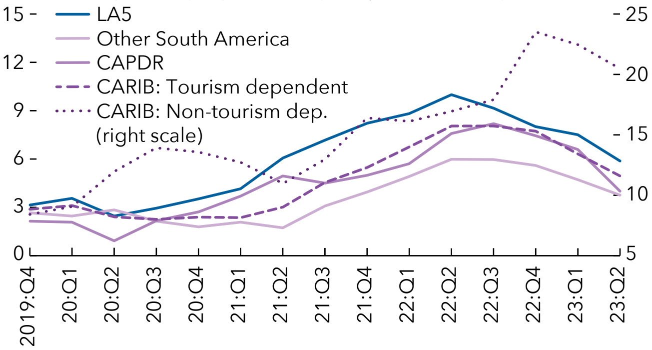
The timely withdrawal of the pandemic fiscal stimulus—which was key to support households and firms during the health crisis—has also played a role in containing inflationary pressures (Figure 7, panel 1). This prudent fiscal response, which partly reflected limited fiscal buffers and was helped by a rapid rebound, was observed

[1] This does not necessarily imply an increase in monopoly power, with firms raising prices in excess of the cost of producing an additional unit of output (marginal cost). See Chapter 1 of the October 2023 *World Economic Outlook* and Box 1.2 of the October 2022 *World Economic Outlook*.

Figure 5. Inflation

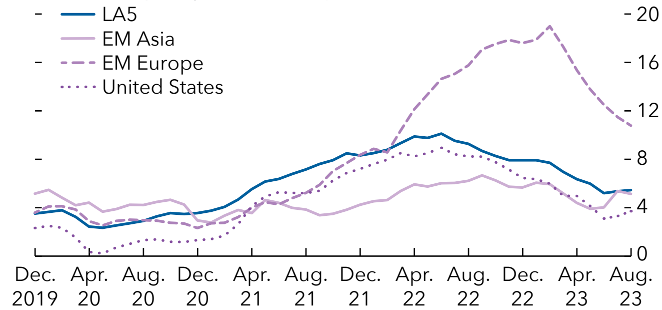
Headline inflation is falling throughout the region ...

1. LAC: Headline Inflation
(Quarterly average; year-over-year percent change)



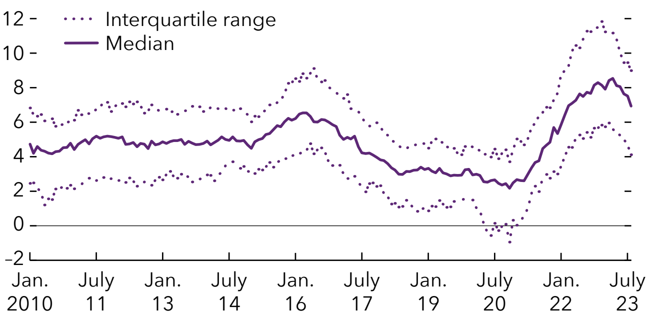
... in line with global trends.

2. LA5 and Peer Groups: Headline Inflation
(Year-over-year percent change)



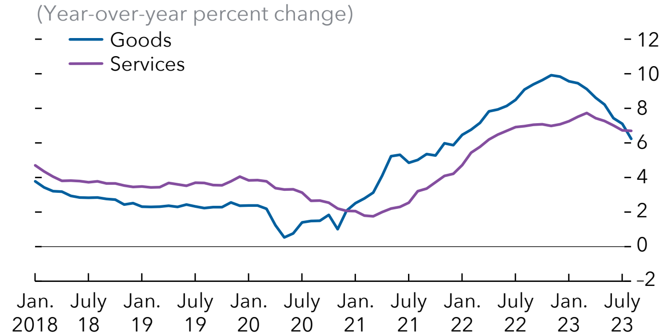
Core inflation appears to be slowly receding ...

3. Selected LA5 Economies: Core Inflation Distribution[1]
(Year-over-year percent change)



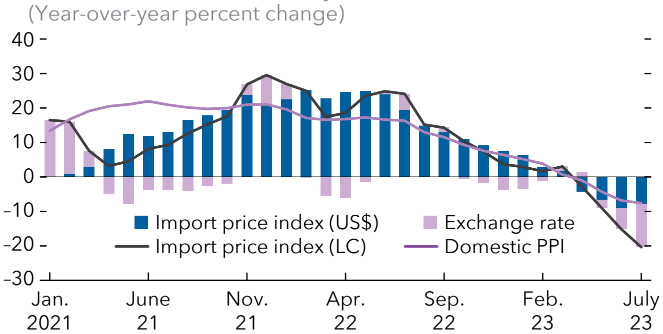
... driven initially by goods and recently by services prices ...

4. Selected LA5 Economies: Core Goods and Core Services Inflation[1]
(Year-over-year percent change)



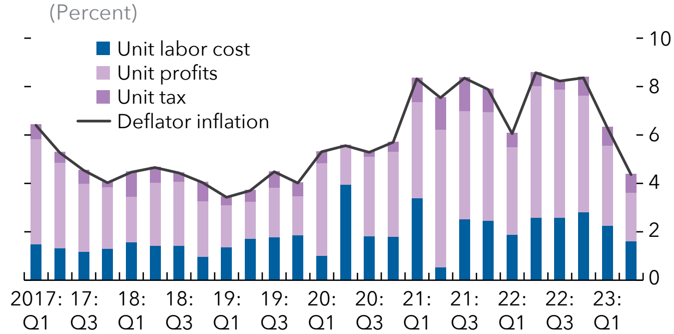
... helped by falling import prices and currency appreciation, ...

5. Selected LA5 Economies: Imported Inflation[2]
(Year-over-year percent change)



... and a limited impact of wages on prices.

6. LA5: Contribution to Year-over-Year GDP Deflator Growth
(Percent)

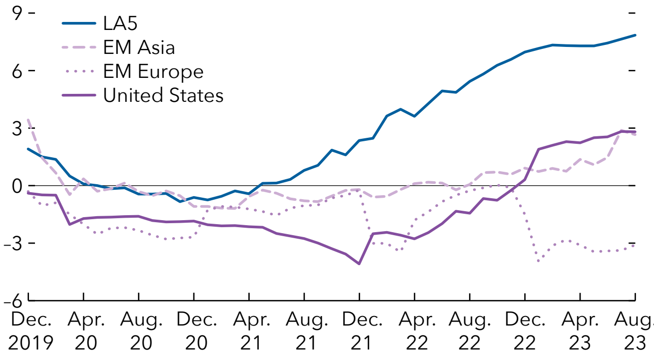


Sources: Haver Analytics; IMF, International Financial Statistics database; IMF, World Economic Outlook database; national authorities; Organisation for Economic Co-operation and Development; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages, unless noted otherwise. CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; dep. = dependent; EM Asia = emerging markets Asia (India, Indonesia, Malaysia, Philippines, Thailand, Vietnam); EM Europe = emerging markets Europe (Hungary, Poland, Romania, Serbia); LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean; LC = local currency; Other SA = other South America (excluding Argentina and Venezuela); PPI = producer price index.
[1]Core goods exclude food, transport, and housing items. Core services exclude transport and housing items. Interquartile range refers to item-level annual inflation. Includes Brazil, Chile, Colombia, and Mexico.
[2]Includes Brazil, Colombia, Mexico, and Peru. Excludes Chile due to data availability.

Figure 6. Monetary Policy

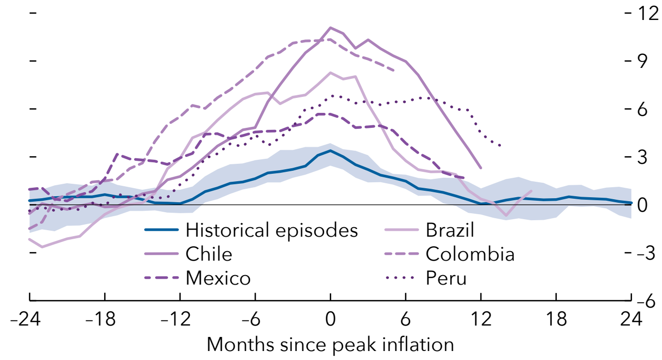
Monetary tightening in LA5 was substantial relative to peers ...

1. LA5 and Peer Economies: Real Monetary Policy Rates[1]
(Percent)



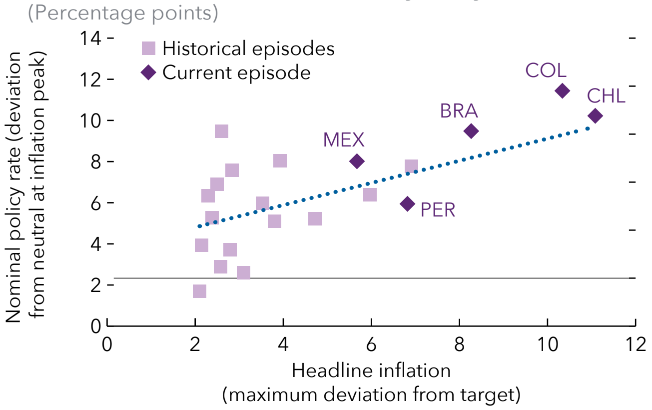
... as the unprecedented inflationary shock ...

2. LA5: Headline Inflation across Inflation Episodes[2]
(Deviation from inflation target; percentage points)



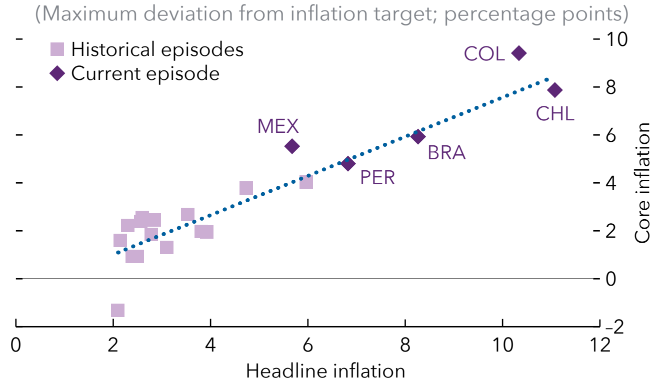
... called for a commensurate response ...

3. LA5: Headline Inflation and Monetary Policy Rate[2]
(Percentage points)



... to combat the rise in headline and core inflation.

4. LA5: Headline and Core Inflation[2]
(Maximum deviation from inflation target; percentage points)



Sources: Consensus Economics; Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. Data labels use International Organization for Standardization (ISO) country codes. EM Asia = emerging markets Asia (India, Indonesia, Malaysia, Philippines, Thailand, Vietnam); EM Europe = emerging markets Europe (Hungary, Poland, Romania, Serbia); LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru).
[1]Ex ante real policy rate (the difference between nominal policy rate and one-year ahead inflation expectations) are reported.
[2]Historical episodes are defined as periods when headline inflation rises above the target by 2 percentage points and returns within 2 percentage points in under 2 years, since the adoption of inflationary targeting. For panel 2, the shaded area refers to the interquartile range. For panel 3, neutral policy rates are estimated using an average of four univariate smoothing methods.

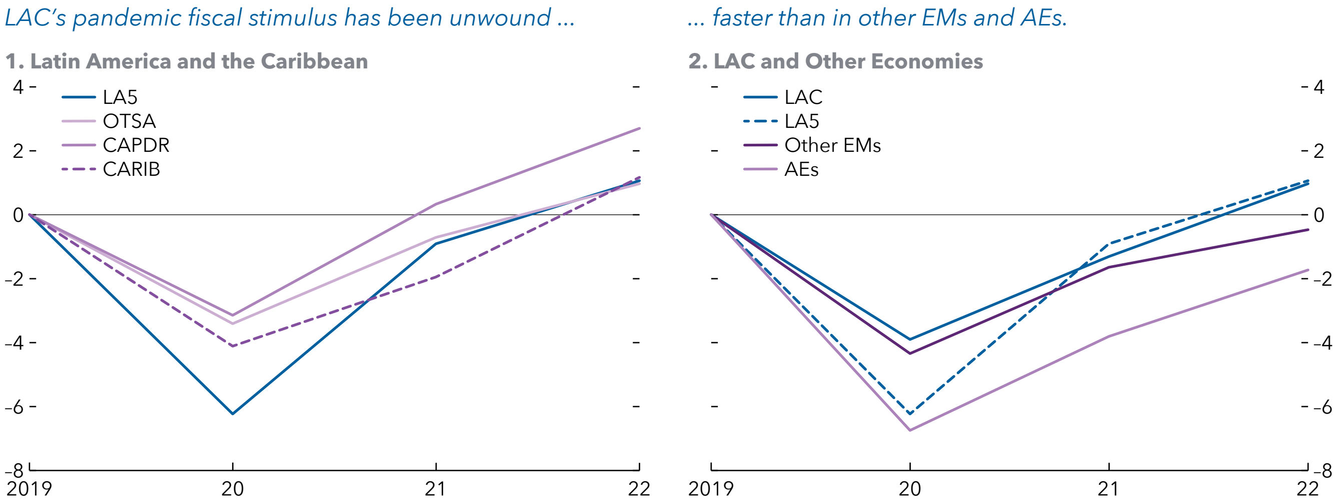
throughout most of the region and contrasts with that in other emerging market and developing economies as well as advanced economies, which have unwound their pandemic-related fiscal expansions more gradually (Figure 7, panel 2).

Outlook and Risks

Growth and Inflation to Slow in Tandem

After reaching 4.1 percent in 2022, LAC's growth is projected to moderate to 2.3 percent in 2023 and bottom out in 2024 (Table 1). The slowdown reflects a normal deceleration, after high growth rates during the rebound from the pandemic trough, as well as the less supportive external conditions—including slower growth in trading partners, still tight financing conditions, and lower commodity prices—and the lagged effects of earlier

Figure 7. General Government Primary Balance
(Cumulative changes; percentage points of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Government coverage varies across countries. Aggregates correspond to medians. AEs = advanced economies; CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean (excluding Argentina and Venezuela); Other EMs = emerging markets (excluding LAC and China); OTSA = other South America (Bolivia, Ecuador, Paraguay, Uruguay).

domestic monetary tightening. In LA5, these conditions are expected to slow growth from 3.7 percent in 2022 to 2.6 percent in 2023 and 1.9 percent in 2024. Growth in CAPDR is projected to soften further this year and pick up modestly in 2024, amid a weaker external environment and severe weather conditions affecting parts of the region. Growth in tourism-dependent Caribbean economies is also expected to moderate in 2023 and 2024 as the demand for tourism services continues to soften. Similarly, growth in the Caribbean commodity exporters will slow down in 2023 and further in 2024 as these countries face less favorable external conditions, although Guyana will continue to grow at a robust pace following the discovery of sizable oil reserves.

Weakening external and domestic demand, along with the lagged effects of the appreciation of domestic currencies in some countries, are expected to gradually bring down inflation throughout the region—including toward established targets in countries with inflation-targeting regimes (Figure 8, panel 1). After reaching 7.8 percent in 2022, inflation in LAC (excluding Argentina and Venezuela) is anticipated to decline to 5.0 percent in 2023 and to 3.6 percent in 2024 (Table 1). For LA5, inflation is projected to drop from 7.8 percent in 2022 to 5.1 this year and 3.6 in 2024. Inflation is also projected to moderate this year and next for CAPDR and both tourism- and non-tourism-dependent Caribbean economies.

Over the medium term, prospects for LAC's growth remain subdued, and the region's GDP is expected to expand annually at about 2½ percent, similar to its prepandemic historical average (1980–2019), compared to 4.4 percent average envisaged for emerging market and developing economies (excluding China). In per capita terms, LAC is projected to expand by 1.7 percent annually over the medium term (2026–28), compared to 1.6 percent in the United States—implying virtually no convergence—and 2.7 percent in emerging market and developing economies (excluding China). The level of output is projected to remain below its prepandemic trend, pointing to permanent losses from various shocks since early 2020. As elsewhere in the world, however, such losses are expected to be considerably smaller than envisaged at the peak of the pandemic, pointing to significant resilience and a similar pattern to the one observed following the global financial crisis (Figure 8, panel 2).

Table 1. Western Hemisphere: Real GDP Growth and End-of-Period Inflation

(Year-over-year percent change)

	Real GDP Growth[1]							End-of-Period Inflation[2]						
				Projections		Difference from April 2023 WEO					Projections		Difference from April 2023 WEO	
	2020	2021	2022	2023	2024	2023	2024	2020	2021	2022	2023	2024	2023	2024
United States	–2.8	5.9	2.1	2.1	1.5	0.5	0.4	1.6	7.4	6.4	3.0	2.6	0.0	0.5
Canada	–5.1	5.0	3.4	1.3	1.6	–0.2	0.1	0.8	4.7	6.6	2.7	2.1	–0.3	0.0
Latin America and the Caribbean	**–7.0**	**7.3**	**4.1**	**2.3**	**2.3**	**0.7**	**0.1**	**6.3**	**11.5**	**14.6**	**13.6**	**8.8**	**1.8**	**1.1**
LAC excluding ARG/VEN	–6.2	7.1	4.0	2.8	2.2	1.1	0.0	3.5	7.8	7.8	5.0	3.6	–0.4	-0.1
South America	–6.3	7.5	3.8	1.6	2.0	0.6	0.1	8.0	14.1	18.3	19.1	11.9	3.5	2.0
CAPDR	–7.2	11.2	5.4	3.8	3.9	0.0	0.1	2.8	5.1	7.3	3.4	3.5	–1.3	-0.1
Caribbean														
Tourism Dependent	–14.6	9.1	9.0	3.2	2.3	0.0	–0.1	2.5	5.2	7.4	4.1	3.5	–0.2	0.1
Non-Tourism Dependent	0.7	2.5	17.1	13.6	11.6	0.0	–8.4	14.4	11.8	20.4	13.0	7.4	–0.6	0.7
Of which: Commodity Exporters	3.0	4.8	25.4	19.3	15.0	0.6	–10.8	8.6	11.1	13.0	7.2	5.6	–0.4	0.7
Memorandum														
LA5	–6.1	6.8	3.7	2.6	1.9	1.4	0.2	3.5	8.3	7.8	5.1	3.6	–0.3	–0.1

Sources: IMF, World Economic Outlook (WEO) database; and IMF staff calculations.

Note: Difference based on rounded figures for the current and April 2023 WEO forecasts. For country group information, see page vi. Data labels use International Organization for Standardization (ISO) country codes. CAPDR = Central America, Panama, and the Dominican Republic; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean.

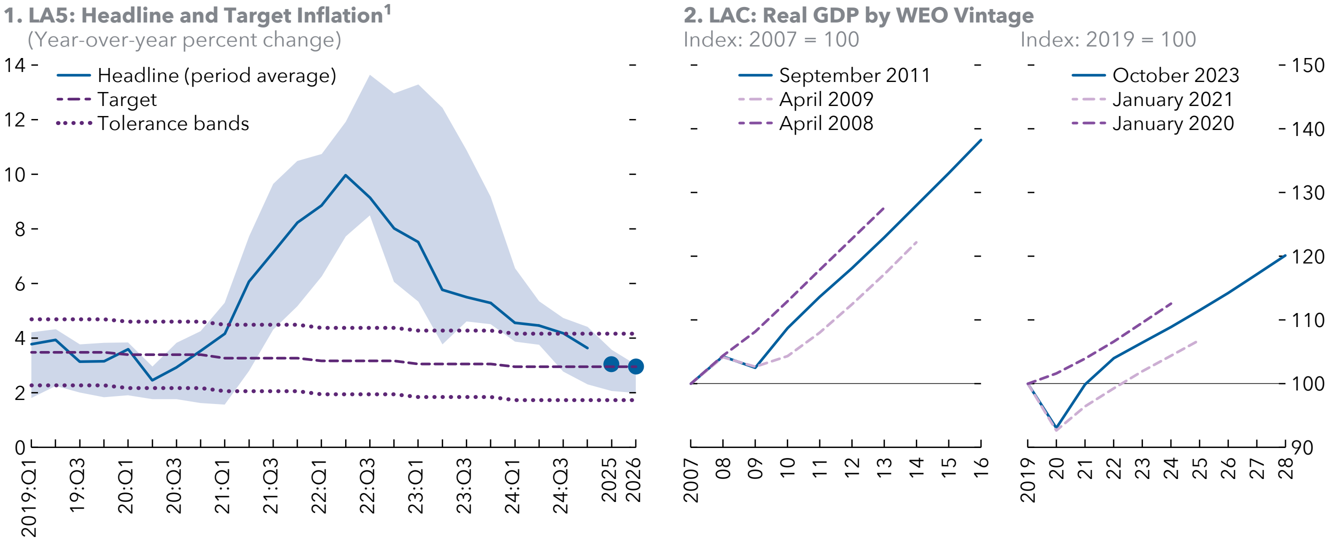
[1]Regional aggregates for real GDP growth are purchasing-power-parity GDP-weighted averages.

[2]End-of-period inflation refers to December-over-December inflation. Regional aggregates are geometric purchasing-power-parity GDP-weighted averages. Venezuela is excluded from all inflation aggregates.

Figure 8. Growth and Inflation Outlook

Inflation is projected to decline gradually toward targets.

Medium-term output losses are lower than initially expected.



Sources: Haver Analytics; IMF, World Economic Outlook (WEO) database; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages, unless noted otherwise. LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean.
[1]The shaded area shows minimum-maximum range of headline inflation. Markers refer to the 2025 and 2026 average inflation.

Risks to the Outlook Have Receded but Remain Tilted to the Downside

While risks to the region's outlook are more balanced than in April 2023, they remain tilted to the downside. Key external downside risks include:[2]

- *Lower growth in key trading partners*—including due to a deeper-than-anticipated slowdown in China—could have important growth spillovers to the region through lower exports, commodity prices, remittances, and tourism.
- *Greater commodity price volatility* could lead to increased uncertainty about the path of key commodity prices for the region, affecting production, investment, and exports of commodity-dependent economies.
- *New bouts of global inflationary pressures*—including from an intensification of Russia's war in Ukraine, weather-related shocks, or miscalibration of monetary policy by major central banks—could lead to higher food and fuel prices, especially if these shocks lead to supply disruptions. This could entail a resurgence of external inflationary pressures for LAC.
- *Renewed turbulence in financial sectors of advanced economies,* due to inflation surprises and further interest rate hikes, could trigger a tightening of financial conditions in LAC and currency depreciations, which would add to inflationary pressures in LAC.
- *Heightened global geopolitical tensions* could lead to higher commodity prices in the near term and increased restrictions on capital flows and trade over the medium term. While higher commodity prices could support economic activity in many LAC economies, they would exacerbate inflationary pressures. Increased restrictions on capital flows and trade could reduce external financing and adversely impact the region's growth prospects. Geopolitical tensions would also impair global cooperation on common challenges, including climate change.

[2] See discussion of global risks in Chapter 1 of the October 2023 *World Economic Outlook*.

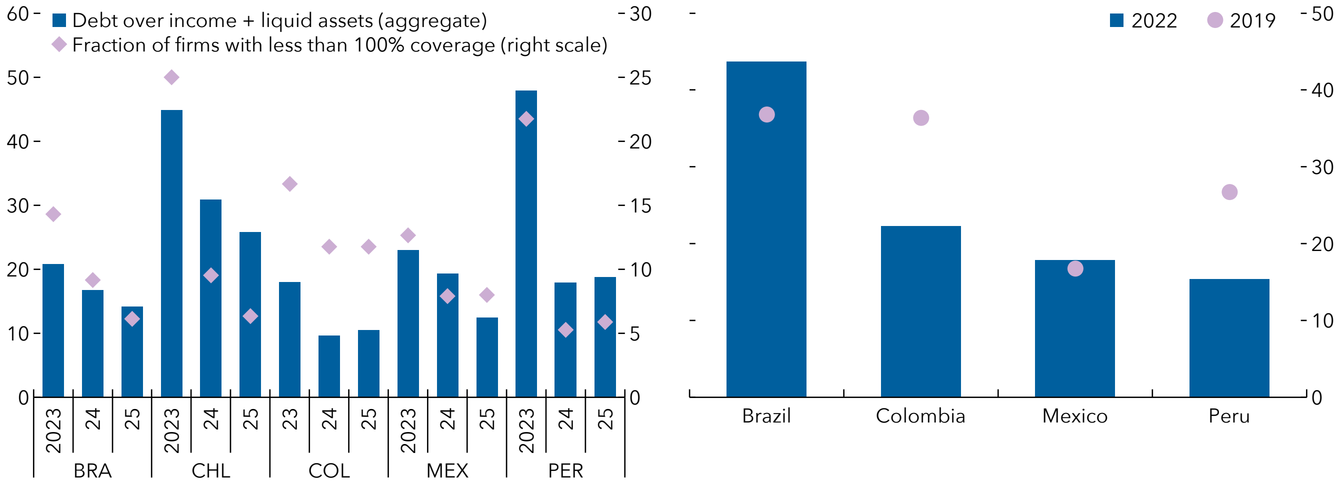
Figure 9. Nonfinancial Firms

Nonfinancial firms generally have sufficient liquidity …

1. Maturing Long-Term Debt[1]
(Percent of EBITDA and cash and equivalents, left scale; percent of total number of firms, right scale)

… and a low share of variable-rate debt, except in Brazil.

2. Fraction of Variable Interest Rate Debt[2]
(Percent of total debt)



Sources: Standard and Poor's Capital IQ; and IMF staff calculations.
Note: Nonfinancial firms are publicly listed companies, excluding those in the financial sector. The focus on publicly listed companies implies that the sample is dominated by large companies. Data labels use International Organization for Standardization (ISO) country codes.
EBITDA = earnings before interest, income taxes, depreciation, and amortization.
[1]Based on long-term debt, excluding unamortized discount, due in 2023–25, according to the latest balance sheet data in 2022. Cash and equivalents refer to highly liquid funds in the form of cash, readily convertible deposits, and securities having maturities of less than three months. Aggregate is the total maturing long-term debt over total EBITDA and cash and cash equivalent in each country. Share (over 100 percent) is the share of firms whose maturing debt exceeds 100 percent of the sum of EBIDTA and cash and cash equivalent in each country.
[2]Total debt refers to the total debt of the company. Variable rate debt is the total amount of variable rate debt a company has outstanding.

At the regional level, downside risks include monetary and fiscal policy slippages, a reemergence of inflationary pressures—including from the withdrawal of policies to contain food and energy prices (such as price caps, tax cuts, and subsidies)—and social tensions. The risk of climate-related shocks is also noteworthy, including because of the arrival of El Niño, a recurrent climate phenomenon that could negatively impact economic activity through floods in Ecuador and northern Peru, and droughts in Colombia, Panama, and southern Peru (Online Annex 2). Climate-related shocks also pose important risks to CAPDR and the Caribbean, including through their impact on migration (see Online Annex 3).

There are also upside risks to the region's outlook, including from the possibility of a more benign global environment, faster-than-anticipated decline in inflation, less-than-anticipated scarring from recent shocks, less severe climate-related shocks, and the opportunity to boost the region's production of green energy and minerals.

Downside risks could be amplified by balance sheet vulnerabilities in some economies. One is the sovereign-bank nexus, which is significant in some countries and could trigger a negative feedback loop—for example, a prolonged period of high monetary policy interest rates could exacerbate difficulties in servicing sovereign and private debt, affecting sovereign and banks' balance sheets (see Online Annex 1). Also, while risks in the nonbank financial sector remain limited in most of the region, there are some signs of vulnerability in a few smaller economies, and these could emerge more prominently if downside risks materialize (Box 2).[3]

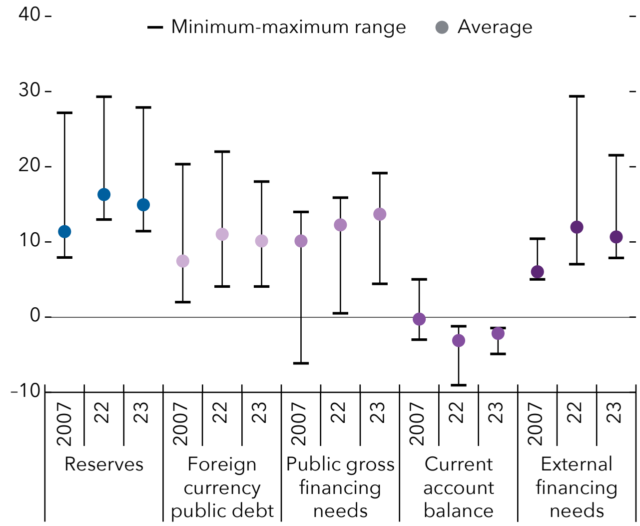
On the other hand, short-term risks to corporate balance sheets appear contained. Nonfinancial firms generally have liquidity buffers to cover maturing debt in the near term (Figure 9, panel 1) and the share of variable rate debt is low, limiting the impact of high interest rates, except in Brazil (Figure 9, panel 2).

[3] See also Annex 5 of the October 2022 *Regional Economic Outlook: Western Hemisphere*.

External sector indicators also look generally strong, with healthy reserve levels (complemented by precautionary credit lines in many cases) although current account deficits and elevated public and external financing needs in some economies (Figure 10) represent vulnerabilities to a tightening of external financing conditions.

Current account deficits and public financing needs pose some risks.

Figure 10. LA5: Selected Vulnerability Indicators
(Percent of GDP)



Sources: IMF, International Finance Statistics database; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Average is purchasing-power-parity GDP-weighted. LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru).

Policy Recommendations

Easing Monetary Policy as Price Pressures Recede

Monetary policy should focus on securing the return to low inflation. This requires a difficult balance between placing inflation on a durable downward trend—including by re-anchoring short-term inflation expectations and ensuring that core inflation is also firmly on a downward path—while minimizing the risk of a prolonged period of low growth. Key to achieving the right balance is the pace of monetary easing and a proper assessment of the impact of past tightening on inflation, as monetary policy operates with lags.

With headline inflation firmly on a downward trend, core inflation slowing, and interest rates that are deep in contractionary territory, central banks can start easing monetary policy (Figure 11, panel 1). This process has already begun in countries where the tightening started earlier or was more pronounced. Absent new shocks, monetary policy easing would still allow for a gradual return of inflation toward inflation targets, although central banks should be mindful of several considerations when assessing the optimal pace of easing.

On the one hand, given that the full transmission of monetary policy to the economy takes place with lags, the effect of past monetary hikes is yet to be fully felt (Figure 11, panel 2). Moreover, sustaining current policy rates or lowering them gradually could still entail additional monetary tightening as near-term inflation expectations move closer to the target.

On the other hand, core inflation and near-term inflation expectations, which are key to inflation dynamics, remain elevated. Broadly consistent with IMF staff's views, most professional forecasters expect that inflation across LA5 economies will remain close to the upper bound of the target range well into 2024 (Figure 11, panel 3). Most economies are also operating above or close to potential, indicating that central banks do not face a serious inflation-output tradeoff at this stage of the disinflation process (Figure 11, panel 4). Moreover, with real wages currently above prepandemic levels and strong labor markets, price pressures from wages cannot be ruled out in the near term. Finally, while the balance of risks has improved, concerns about global inflation remain high.

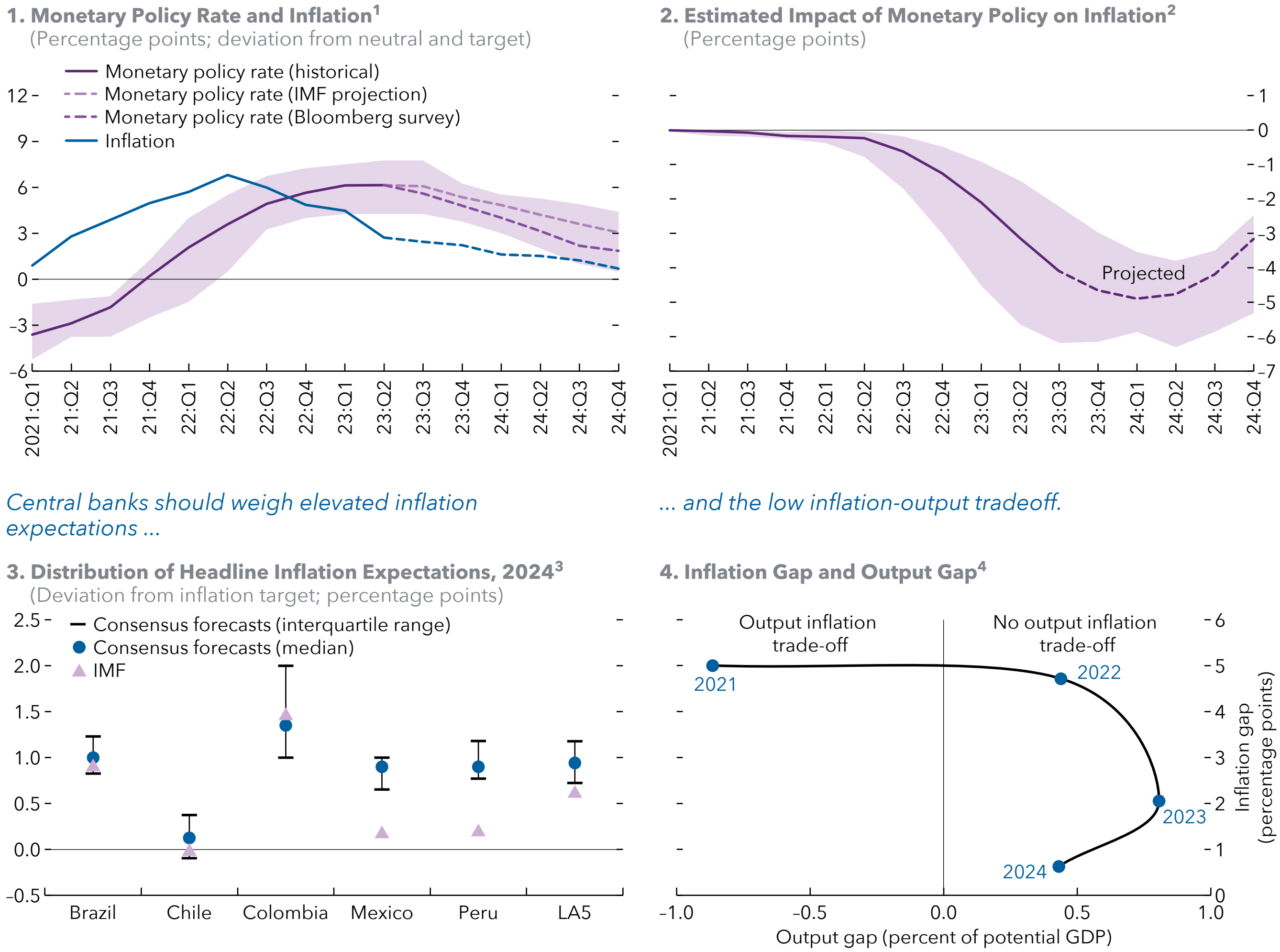
Figure 11. LA5: Monetary Policy

Absent new shocks, monetary policy would ease gradually …

… with its impact on inflation still peaking in early 2024.

Central banks should weigh elevated inflation expectations …

… and the low inflation-output tradeoff.



Sources: Bloomberg Finance L.P.; Consensus Economics; Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing power-parity GDP-weighted averages, unless stated otherwise. LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru).
[1]Monetary policy rate is measured as deviation of the nominal policy rate from the nominal neutral rate. Inflation is measured as the deviation of period average inflation from the inflation target. Bloomberg is the weighted average of analysts' forecasts. The shaded area refers to the minimum-maximum range of IMF baseline.
[2]Estimated impact of observed and expected (by IMF staff) monetary policy path, based on methodology of October 2022 *Regional Economic Outlook: Western Hemisphere,* "The Inflation Surge: Policy Trade-offs amid Uncertainty" (Background Paper 2). Lines are simple average. The shaded area refers to the minimum-maximum range of LA5.
[3]Projections are for the end of 2024 taken from the August 2023 survey by Consensus Economics. IMF desk projections are from the October 2023 *World Economic Outlook*.
[4]The inflation gap is the deviation of end-of-period inflation from the inflation target.

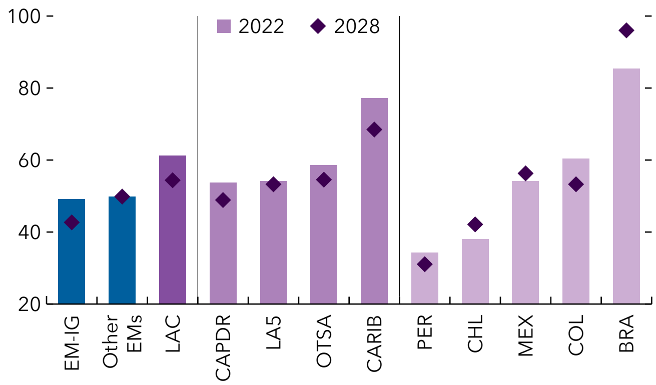
Central bank communication remains instrumental to the success of the disinflation effort. Conveying to the public the expected path of inflation and which economic developments are likely to steer policy, along with explicit guidance (for example, an easing or tightening "bias") in the run-up to monetary policy decisions, would help reduce uncertainty about future inflation and policy actions, anchor expectations, and secure the disinflation path.[4] Preserving central bank independence also remains key to sustain credibility.

[4] Central banks that communicate clearly and unambiguously tend to be among the most predictable, see Chapter 3 of the April 2018 *Regional Economic Outlook: Western Hemisphere*.

Figure 12. Public Debt and Fiscal Primary Balance
(Percent of GDP)

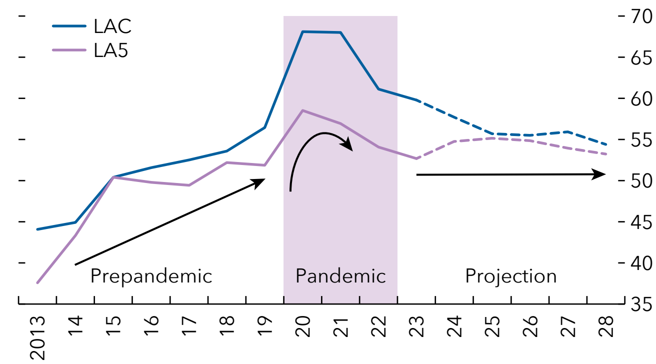
LAC's public debt is high relative to peer economies …

1. LAC and Other Economies: General Government Gross Debt[1]



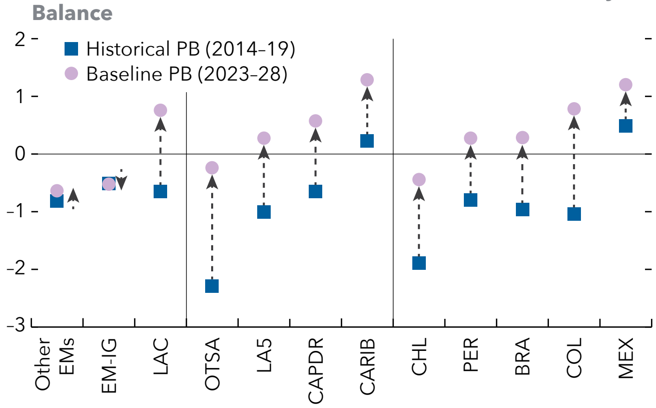
… and is projected to decrease only gradually.

2. LAC and LA5: General Government Gross Debt



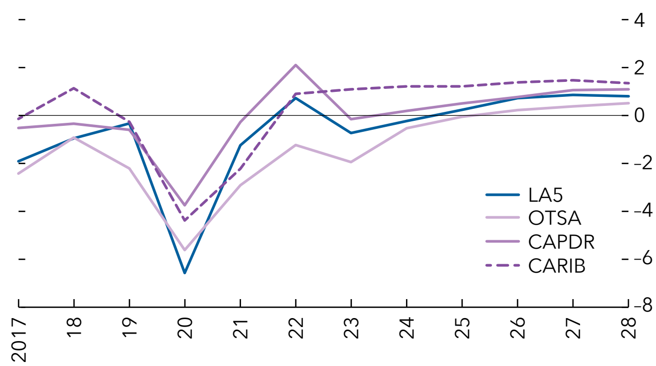
Fiscal plans are ambitious by historical standards …

3. LAC and Other Economies: General Government Primary Balance



… with primary balances expected to improve somewhat from 2024 on.

4. LAC Subregions: General Government Primary Balance



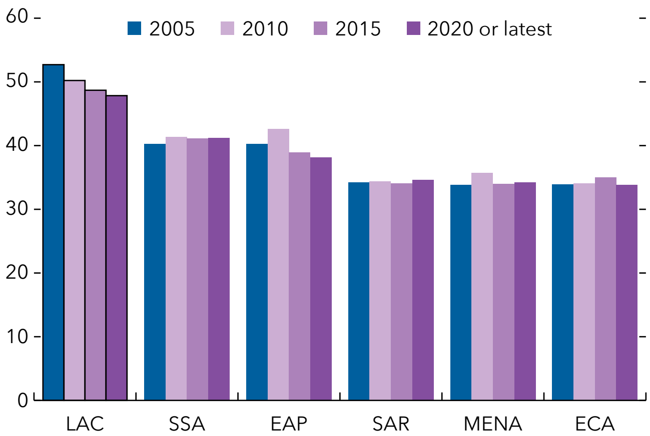
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Government coverage varies across countries. Aggregates correspond to medians. Data labels use International Organization for Standardization (ISO) country codes. CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; EM-IG = emerging markets investment grade; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LAC = Latin America and the Caribbean (excluding Argentina and Venezuela); Other EMs = emerging markets (excluding LAC and China); OTSA = other South America (excluding Argentina and Venezuela); PB = primary balance.
[1]Investment-grade economies are based on the median sovereign credit rating of Fitch Ratings, Moody's, and Standard and Poor's as of mid-August 2023.

Rebuilding Fiscal Policy Space

Fiscal policy should focus on rebuilding policy space to maintain fiscal sustainability and boost resilience against future shocks while protecting key social spending needs. The timely withdrawal of the pandemic stimulus—together with the rapid rebound in activity and the inflation surprise—helped contain the impact of the COVID-19 health crisis on public finances in LAC. Yet, public debt remains high, including in comparison to other emerging market and developing economies, on account of the rapid rise seen in the years preceding the pandemic (Figure 12, panels 1 and 2). Moreover, LAC's public debt is projected to remain above that of their peers, and markedly so in comparison to peer countries with investment grade, by 2028. Most countries in the region have plans to strengthen public finances and further reduce debt over the medium term, as reflected by some additional improvement in primary balances under the baseline scenario. These plans are ambitious compared to

LAC has advanced in reducing inequality, but it remains high relative to other regions.

Figure 13. Gini Index
(Population-weighted average)



Sources: IMF, World Economic Outlook database; World Bank, World Development Indicators database; and IMF staff calculations.
Note: EAP = East Asia Pacific; ECA = Europe and Central Asia; LAC = Latin America and the Caribbean; MENA = Middle East and North Africa; SAR = South Asia; SSA = Sub-Saharan Africa.

the region's history and relative to peer countries in other regions (Figure 12, panel 3), with primary balances projected to improve somewhat over the medium term, after some deterioration in 2023 (Figure 12, panel 4). The pace of fiscal consolidation should weigh the strength of economic activity, the evolution of debt-servicing costs, and the evolution of public debt.

Maintaining social cohesion should be a centerpiece of fiscal consolidation plans as poverty and inequality remain high despite progress in the past decades (Figure 13). Meeting social demands while rebuilding fiscal policy space will require mobilizing revenues, including by strengthening the design of personal income taxes and making greater efforts to reduce informality. This may also require revisiting the design of social protection frameworks, including to make them more responsive to income shocks (see Background Paper 1 Summary) and provide incentives for formalization. There is also scope for reducing spending inefficiencies and some expenditure items, which vary country by country, to free-up much needed fiscal space.

Preserving strong fiscal frameworks anchored by credible fiscal rules will be instrumental for maintaining fiscal discipline and achieving the ambitious consolidation plans. Experience suggests that fiscal rules have helped LAC countries strengthen fiscal discipline and build credibility over the past two decades—on average, fiscal balances improved by 1.4 percentage points of GDP following the adoption of fiscal rules. Some countries are considering introducing, or have introduced, refinements to their fiscal rules in the aftermath of the pandemic. This presents an opportunity to enhance these frameworks by, for example, adopting transparent fiscal anchors, making rules flexible to respond to large shocks while striking the right balance between flexibility and credibility (Caselli and others, 2022), designing rules around the assessment of risks (including potential changes in the countries' capacity to borrow) and further strengthening fiscal institutions.

Structural Reforms to Boost Growth and Adapt to a Changing World

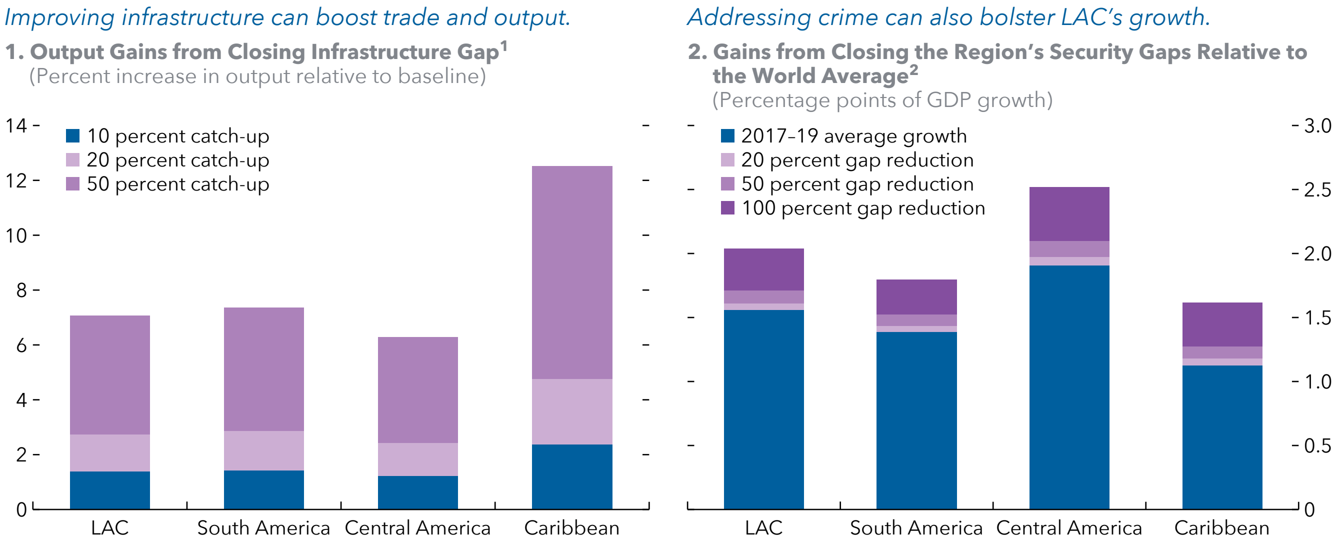
The region faces long-standing challenges to growth, including lackluster productivity and low investment. LAC policymakers should develop comprehensive medium-term strategies to address these challenges, taking social demands into account.[5]

Boosting productivity and investment should be a key element of the strategy. Eliminating rigidities that curtail the reallocation of productive resources (including labor) and pose barriers to entry and exit of firms (including burdensome regulations, complex and distortive taxation, and weak governance) would help in this regard.[6] These reforms would also help foster innovation, reduce informality, and strengthen economic resilience to

[5] This includes prioritizing, packaging, and sequencing macrostructural reforms that can help frontload output gains. See IMF (forthcoming).

[6] See the October 2021 *Regional Economic Outlook: Western Hemisphere*, "Tax Policy for Inclusive Growth in Latin America and the Caribbean," Background Paper 1.

Figure 14. Structural Challenges



Sources: UN Office on Drugs and Crime (UNODC); and IMF staff calculations.
Note: UNODC includes both official data from national authorities and other sources approved by UN member states. Central America includes Mexico. LAC = Latin America and the Caribbean.
[1]Based on general equilibrium Armington trade model where infrastructure improvements reduce trade costs.
[2]Estimates of the impact on GDP growth from reducing the gap in crime rates relative to the world (by 20, 50, and 100 percent) are reported. A 20 percent gap reduction means that the distance between each country's 2017–19 average homicide rate and the world average is reduced by 20 percent.

adverse shocks.[7] Trade integration remains a largely untapped engine of growth in the region, with sizable potential gains. New evidence suggests that, in addition to lowering trade barriers, improving transportation infrastructure and customs efficiency can significantly boost integration both within and outside the region and increase aggregate output as well as mitigate the risks arising from global fragmentation (Figure 14, panel 1; Background Paper 2 Summary).

Crime and insecurity have become increasingly widespread in LAC, entailing not only social costs but significant negative effects on productivity, capital accumulation, and economic growth. Preliminary analysis suggests that strengthening domestic security in the region could meaningfully bolster growth (Figure 14, panel 2; Online Annex 4). With spending on law and order already high in many countries and limited fiscal space, authorities should work on finding ways to increase efficiency of security spending. Reducing poverty, which increased during COVID-19, should also remain a central element in the fight against crime.

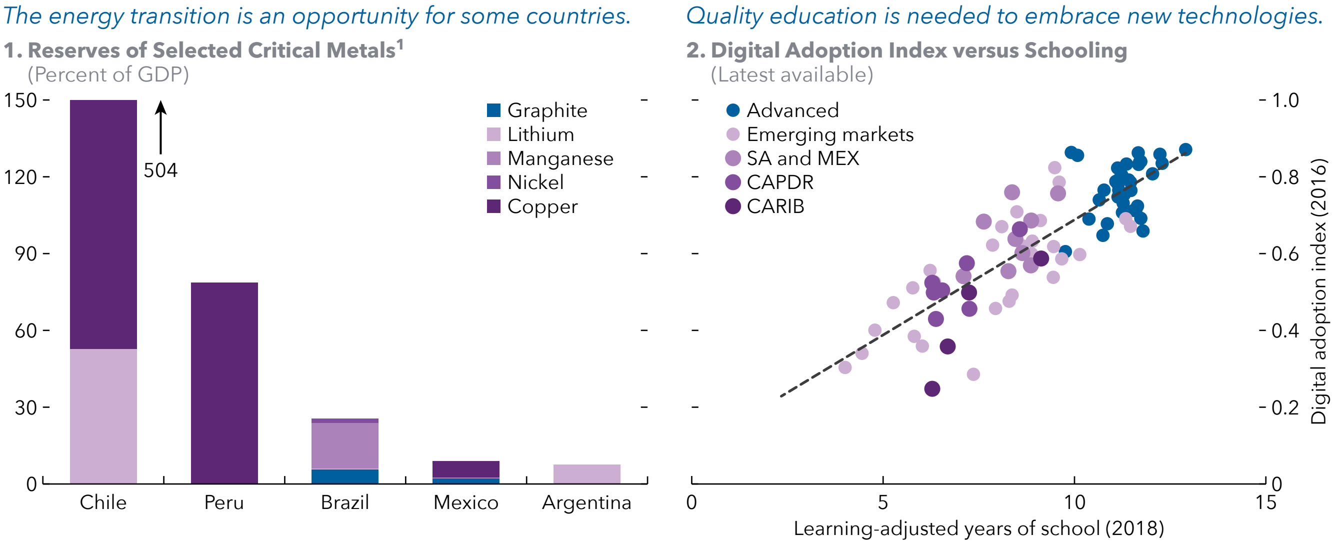
Policymakers in the region will also need to confront new challenges, such as the global transition to a low-carbon economy and the effects of rapidly evolving digital technologies.

Tackling climate challenges is a balancing act of weighing the costs versus the benefits of climate policy.[8] For example, countries in the region that rely heavily on fossil fuel revenues could face a tradeoff between scaling down investment in fossil fuels to contain transition risks (for example, stranded assets) and continuing to invest in fossil fuels to secure higher revenues. At the same time, the energy transition presents significant opportunities for some LAC economies, which can leverage their rich reserves of critical minerals needed for renewable energy systems (Figure 15, panel 1). However, reaping these benefits will require significant investments, which

[7] See the October 2022 *Regional Economic Outlook: Western Hemisphere*, "Productivity in Latin America and the Caribbean: Recent Trends and the COVID-19 Shock," Background Paper 3.

[8] See the October 2023 *Fiscal Monitor* for a detailed discussion of appropriate fiscal policies to cope with climate change. See also the October 2021 *Regional Economic Outlook: Western Hemisphere*, "Climate Change Challenges in Latin America and the Caribbean," Background Paper 2.

Figure 15. Structural Opportunities and Challenges



Sources: UN Comtrade; US Geological Survey 2023; World Bank, Digital Adoption Index database; World Bank, Human Capital Project database; and IMF staff calculations.
Note: Emerging markets include countries with a 2010–19 average growth below the median. CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; SA and MEX = South America and Mexico.
[1]Metal-reserves-to-GDP ratios are calculated using metal prices inferred from country-level export data. For Mexico, Brazil's manganese export prices are used due to lack of data. Mineral reserves indicate a portion of mineral resources that can be utilized in economic activities presently. Resources (or potential reserves) in Latin American and the Caribbean are considerably higher than reserves and disproportionately more important for countries such as Bolivia, Chile, and Argentina, which are situated in the lithium triangle.

public sectors alone may not be able to finance. Hence, designing investment frameworks—including partnerships between public and private sectors—that credibly balance the need to attract investment and to raise fiscal revenues from natural resources to finance pressing government priorities (including social spending and investment) is a key priority for policymakers in the region. Throughout the region, countries will also need affordable, long-term financing to implement climate mitigation and adaptation policies. Some novel initiatives are already making waves, including recent debt-for-nature swaps (see Online Annex 5), and more support from the international community will be needed. The IMF stands ready to continue supporting countries in the region, including with its Resilience and Sustainability Facility, which is intended to help low-income and vulnerable middle-income countries address longer-term challenges such as climate change and pandemic preparedness, enhancing sustainable growth, and prospective balance of payments stability—as well as with policy advice and technical assistance.

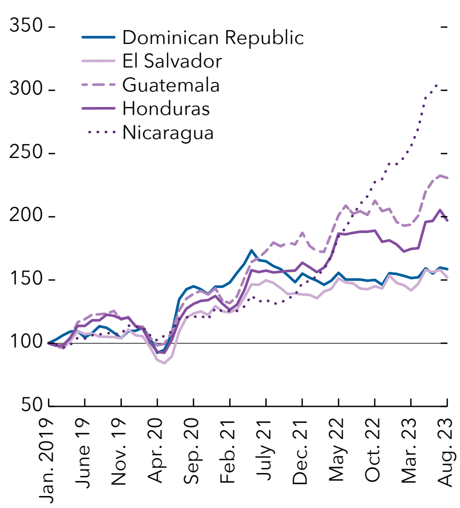
Adapting to new technologies is also a balancing act of building a workforce capable of adjusting to the rapidly changing world while protecting those who may be negatively affected by these technologies. This requires investing in human capital through comprehensive education strategies aimed at strengthening quality of education, equalizing access, and adapting existing programs to the new reality of the labor market (Figure 15, panel 2). Further improvements in social safety nets, including by broadening their coverage and strengthening the insurance aspect of social programs (see Background Paper 1 Summary), will be key to protect those negatively impacted by these changes and allow for a smoother green and digital transition. Many of these priorities will require government support and will need to be weaved in their medium-term fiscal plans without jeopardizing fiscal policy objectives.

Box 1. Central America, Panama, and the Dominican Republic: Country Focus

Economic activity in Central America, Panama, and the Dominican Republic (CAPDR) since early 2022 has been driven by strong private consumption, sustained by still buoyant remittances—especially in Nicaragua, but also in Guatemala and Honduras—as well as the continued recovery in services (Box Figure 1.1). Exports have generally underperformed across the region due to subdued external demand—except for Costa Rica. Growth in CAPDR is projected to soften further in 2023–24 amid a weaker external environment as well as severe weather affecting parts of the region, and the outlook remains subject to sizable downside risks, including related to a sharper-than-expected global slowdown, more persistent inflation, renewed financial sector turbulence in advanced economies, and natural disasters.

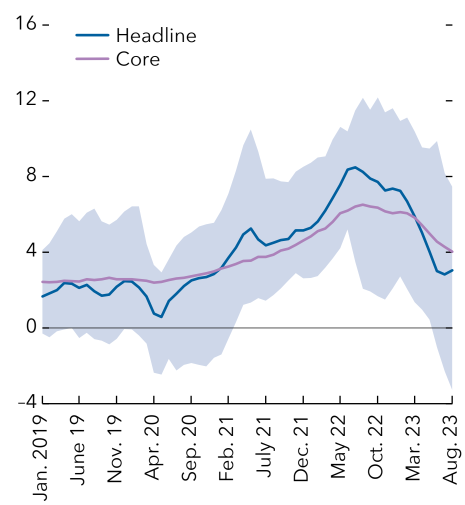
Headline inflation has been coming down across the region since 2022:Q3, most prominently in Costa Rica, while core shows more persistence (Box Figure 1.2). Following a series of policy rate hikes by most countries with independent monetary policy, the central banks of Costa Rica and the Dominican Republic—which had the fastest and most decisive reaction to the inflation shock within the CAPDR region—have started lowering rates amid rapidly declining headline inflation, while other central banks across the region have paused the tightening cycle. The inflation shock has disproportionately impacted the most vulnerable, who were already affected by high poverty, inequality, and informality. To mitigate this impact, most countries introduced discretionary fiscal measures in 2022—only partly targeted—which have been largely discontinued or pared back in the course of 2023.

Box Figure 1.1. CAPDR: Remittances
(Index: January 2019 = 100; three-month moving average)



Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic.

Box Figure 1.2. CAPDR: Headline and Core Inflation
(Year-over-year percent change)



Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. Shaded area refers to the minimum-maximum range of headline inflation. Core inflation excludes Panama due to data limitations. CAPDR = Central America, Panama, and the Dominican Republic.

Prepared by Metodij Hadzi-Vaskov with inputs from CAPDR country teams, with research assistance from Justin Lesniak.

Box 1. *(continued)*

Banking sectors across the CAPDR region appear broadly sound, well-capitalized, and liquid, and spillovers from financial sector developments in some advanced economies earlier in 2023 have been limited. Nonetheless, pockets of vulnerability persist, underlining the importance of continued monitoring and enhancement of prudential measures and supervisors' toolkits.

Going forward, monetary policy in countries with flexible exchange rates will need to remain data-dependent and focused on durably bringing down inflation while ensuring financial stability and debt sustainability. Monetary policy should stay responsive to incoming data, with particular attention to inflation expectations and core inflation. The key challenge for fiscal policy is to strike the right balance between supporting the most vulnerable and tackling fiscal vulnerabilities. It is essential to strengthen social safety nets, upscale health and education systems, enhance infrastructure, and increase resilience to climate change and natural disasters across the region. Meeting these spending needs while strengthening public finances requires raising fiscal revenues and advancing reforms to boost potential growth.

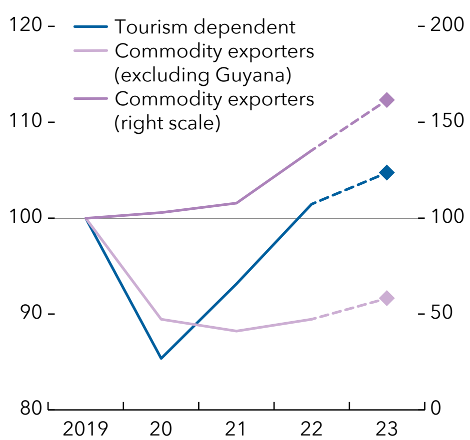
- In *Costa Rica*, the decline in inflation provides scope for further monetary easing in 2023 amid well-anchored inflation expectations. The planned tax reforms will help make the system more progressive, equitable, efficient, and environmentally friendly. Further steps are being taken to strengthen social protection, formalize employment, support female labor force participation, attract climate financing, and integrate climate transition risks in fiscal planning.
- In the *Dominican Republic*, policies should focus on continuing to enhance the credibility of policy frameworks, improving the business climate to boost productivity, enhancing governance and social safety nets, and advancing electricity sector reforms. Durably raising revenues through reforms to widen the tax base would also facilitate a medium-term inclusive fiscal consolidation.
- In *El Salvador*, although the April 2023 debt exchange (on 24 percent of GDP of public debt held by private pension funds) provided cash flow relief, implementing a credible fiscal consolidation and improving fiscal transparency are top policy priorities, including to protect liquidity buffers and regain market access. Risks stemming from the adoption of Bitcoin as legal tender need to be addressed.
- In *Guatemala*, scaling up the implementation of structural reforms, including a much-needed transformative infrastructure agenda, fostering human capital and well-targeted social policies, enhancing legal certainty, and improving security are critical to support a sustainable and inclusive medium-term model with higher potential growth.
- In *Honduras*, careful fiscal management and supportive fiscal structural policies remain essential to create space for much-needed investment, in particular on the energy sector, climate adaptation, and social spending while preserving debt sustainability. Enhanced consistency between monetary and exchange rate policies should support disinflation, reduce exchange rate pressures, and safeguard reserves.
- In *Nicaragua*, priorities include safeguarding medium-term fiscal sustainability in an inclusive manner, strengthening financial system resilience, supporting medium-term growth through investment in infrastructure and connectivity, enhancing the business climate, and increasing labor force participation. Frameworks for anti–money laundering and combating the financing of terrorism require further strengthening.
- In *Panama*, policies should focus on boosting resilience to shocks, including by reducing the fiscal deficit in line with the Fiscal Responsibility Law, ensuring that banks remain well capitalized and liquid, and strengthening human capital and governance to sustain the rapid income convergence with advanced economies.

Box 2. The Caribbean: The Key Priority Is to Continue Rebuilding Fiscal Buffers

Economic growth in the Caribbean was strong in 2022 but is moderating this year (Box Figure 2.1). Real GDP growth in the region (excluding Guyana) firmed to an estimated 4.2 percent in 2022 as countries continued reopening after the COVID-19 lockdowns.[1] In tourism-dependent countries, growth was driven by a rebound in tourism and, in some countries, strong construction activity (Box Figure 2.2). In commodity-exporting countries, economic growth benefited from the favorable terms of trade associated with higher oil and gas prices. However, the tailwinds that supported growth in 2022 appear to be weakening, and growth in the region (excluding Guyana) is expected to moderate to 1.9 percent in 2023.

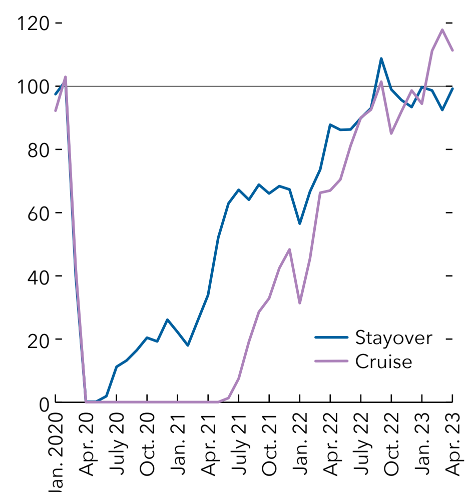
Inflation rose sharply in 2021–22 but is expected to moderate in almost all countries in 2023.[2] The sharp increase in inflation was mostly driven by global factors—including high commodity prices and supply-chain disruptions—particularly in countries with currency pegs, while exchange rate pass-through played a greater role in countries with a floating exchange rate (Box Figure 2.3). Unemployment has declined relative to the rates observed during the pandemic, but it remains high for certain groups (for example, youth and female workers). Current account balances improved in 2022, boosted by the recovery in tourism-dependent countries and higher oil and gas prices in commodity-dependent countries. However, this was somewhat offset by increased import costs (for example, food and energy).

Box Figure 2.1. The Caribbean: Real GDP Levels
(Index: 2019 = 100)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. IMF staff forecasts for 2023.

Box Figure 2.2. The Caribbean: Tourist Arrivals
(Percent of 2019 levels)



Sources: Caribbean Tourism Organization; Eastern Caribbean Central Bank; national authorities; Tourism Analytics; and IMF staff calculations.
Note: Sample includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

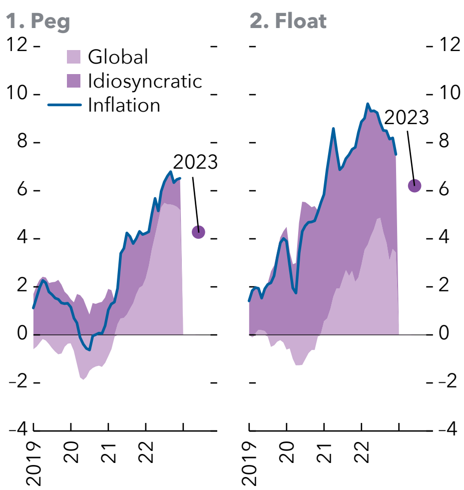
Prepared by Peter Nagle and Camilo Tovar, with research assistance from Spencer Siegel.

[1] Guyana had the world's highest real GDP growth rate in 2022 (62.3 percent) due to ramping up oil production.

[2] The use of subsidies and price control measures in 2022 reduced the immediate pass-through of high international food and fuel prices in some countries (for example, Grenada and St. Kitts and Nevis).

Box 2. *(continued)*

Box Figure 2.3. The Caribbean: Contributions to Headline Inflation
(Percent)



Sources: Guajardo and others (2023); IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Global and country-specific components of average monthly year-over-year headline inflation from Guajardo and others (2023). IMF staff forecasts for 2023. Sample includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago.

The financial sector appears sound and liquid in most countries despite tighter and more volatile global financial conditions. Financial institutions in the region were unscathed by financial sector developments in some advanced economies earlier in 2023, due to their limited direct cross-border exposures. Bank credit growth remains subdued in most countries. However, lending by credit unions has been strong amid rising nonperforming loans.

Risks to economic growth remain tilted to the downside. A key risk for tourism-dependent countries is an economic slowdown in tourism source countries. Moreover, countries reliant on citizenship-by-investment programs may see lower fiscal revenues amid greater international scrutiny.[3] For commodity-exporting countries, a sharper-than-expected global slowdown could reduce demand for their exports.

However, with new energy projects in the pipeline, future production could surprise to the upside over the medium term. The region is exposed to commodity price shocks, which could see a return of inflationary pressures, while tighter global financial conditions could adversely affect debt sustainability. The region also remains highly vulnerable to climate change and natural disasters.[4]

The key policy priority is to continue rebuilding fiscal buffers. Government debt-to-GDP ratios are projected to continue declining in 2023, albeit at a more modest pace than in 2022 (Box Figure 2.4). Nonetheless, debt in some countries remains above its 2019 levels. Recent improvements have been driven by high inflation and rebounding economic activity. However, as economic growth and inflation slow, debt dynamics will be increasingly determined by primary fiscal balances. Many countries have made progress in this regard and are running primary surpluses. Mobilizing additional revenues, improving tax administration, and enhancing spending efficiency (including by phasing out subsidies and better targeting transfers) are critical. In countries with floating exchange rate regimes, monetary policy must remain data dependent to secure convergence to inflation targets, aided by a prudent fiscal stance.

Structural reforms can help boost potential growth (hovering below 2 percent across the region, on average) and build resilience to shocks. These include measures to enhance competitiveness and the business environment (for example, education and governance reforms and public safety), address structural and youth unemployment (for example, training and apprenticeship programs), maximize the

[3] Citizenship-by-investment revenues vary significantly, ranging from less than 1 percent of GDP in St. Lucia to nearly 30 percent in Dominica.

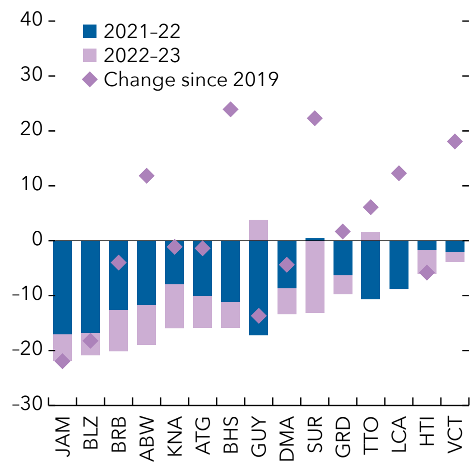
[4] See Guerson, Morsink, and Muñoz (2023).

Box 2. *(continued)*

benefits from digitalization (for example, in the provision of public services), and improve physical infrastructure (for example, roads and ports). The regulation and supervision of credit unions needs to be strengthened amid their growing importance in some countries.

The region also needs to invest in climate resilience projects and accelerate the energy transition. Several countries have adopted or are developing disaster resilience strategies and national disaster plans. A number of large-scale solar projects have become operational or are under construction, while some countries are exploring geothermal power. In commodity-exporting countries, efforts are being made to reduce domestic fossil fuel consumption and lower the carbon intensities of fossil fuel and hydrogen production. Sustained progress requires additional external financing, and the sharp increase in the global cost of capital poses a key challenge. Drawing on official financing, including the IMF's Resilience and Sustainability Facility (as Barbados and Jamaica have done), and finding new ways to mobilize private climate financing will be critical.

Box Figure 2.4. Cumulative Change in General Government Debt
(Percentage points of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Data labels use International Organization for Standardization (ISO) country codes.

Box 3. Latin America 5 and Other South American Countries: Country Focus

In *Argentina*, real GDP is projected to contract by 2.5 percent in 2023 on account of the severe drought. Inflation is projected to average 122 percent in 2023, although this will depend on the evolution of the exchange rate passthrough and the degree of policy tightening. Downside risks continue to dominate the outlook, reflecting the fragile economic and social situation, election-related uncertainties, and vulnerabilities to external shocks. Strong implementation and ownership of the IMF-supported program will be critical to safeguard stability and address lingering macroeconomic imbalances.

In *Brazil*, growth has been more resilient than expected in 2023. With inflation declining since last year and expectations falling in recent months, the central bank started the easing cycle with a 50 basis points cut in August, while maintaining an adequately tight stance. The authorities' commitment to improve the fiscal position, guided by the new fiscal rule (with a ceiling on real spending growth contingent on revenue collection and meeting the primary balance target), is very welcome. To put debt on a firmly declining path, staff recommends a more ambitious fiscal effort, anchored in an enhanced framework that builds on the new rule. Structural policies are rightly focused on fostering more sustainable, inclusive, and green growth. The balance of risks has considerably improved.

In *Bolivia*, growth is expected to weaken in 2023–24 to 1.8 percent (from 3.5 percent in 2022) reflecting persistent declines in natural gas production, financing constraints on public investment, and slowdown in credit growth. Risks from low international reserves and political tensions remain elevated. Inflation is projected to rise to 3.6 percent by the end of 2023 and 3.8 in 2024, with risk to the upside from currency weakness. A credible medium-term fiscal adjustment is needed to ensure debt sustainability and restore reserve adequacy, while protecting vulnerable groups and ensuring a minimum level of productive public investment. Bolivia should also advance supply-side reforms to encourage private domestic and foreign investment, and to diversify exports away from hydrocarbons.

In *Chile*, growth is expected to be –0.5 percent in 2023, reflecting the adjustment of domestic demand towards a more sustainable path following the overheating of 2021–22. Growth is projected to pick up to 1.6 percent in 2024, supported by exports and the recovery of private consumption. The main risk is tied to a possible abrupt global slowdown and sharply tighter global financial conditions, which could result in lower and more volatile commodity prices and capital flows. Inflation is projected to decelerate to 4.5 percent by the end of 2023 and to converge to the 3-percent target by the end of 2024, driven by the cooling domestic demand and decline in import prices. Monetary policy is expected to continue to loosen as price pressures ease. After a small positive impulse in 2023, the fiscal stance is set to gradually tighten in 2024 and thereafter, guided by the structural balance rule over the medium term and the (45 percent of GDP) debt ceiling.

In *Colombia*, while domestic demand and the services sector have proven more resilient than expected, the economy is gradually slowing after overheating in 2021–22. Growth is forecasted to be 1.4 percent this year and 2.0 percent in 2024, on the back of tight macroeconomic policies and less favorable external conditions. Inflation has turned the corner and is expected to decline to 8.8 percent in 2023, lower than previously forecasted, and 4.5 percent in 2024. Maintaining a tight policy stance will be necessary to durably reduce inflation and external imbalances and ensure the economy's convergence toward a sustainable growth path.

Prepared by the Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru) and other South American country teams.

Box 3. ***(continued)***

In *Ecuador*, following a strong 2022, growth is expected to slow down amid political uncertainty, lower oil output, worsening security situation, and El Niño-related natural disasters. Downside risks dominate in the near term, including due to a more severe El Niño, a further decrease in oil production, and tighter global financial conditions. Inflation has been easing since the second half of 2022 and is forecasted to continue declining in 2023 and 2024. The fiscal position has weakened since late 2022. Strengthening fiscal discipline and reinvigorating the reform momentum in 2023 and beyond are key to cement fiscal and debt sustainability and gradually reestablish market access.

In *Mexico*, growth is projected at 3.2 percent in 2023, outperforming expectations. The delayed recovery from COVID-19 is now broad-based with sectors previously lagging, like contact-intensive services and construction, now leading the pack. The labor market is very strong, although inflation is receding thanks to lower global commodity prices as well as the early monetary policy reaction. The central bank is committed to continue keeping inflation in check and announced a stable policy rate for an extended period. This implies a tightening in real terms, which is appropriate given risks related to service prices and formal wage growth. The 2024 budget envisions a significant expansion in the fiscal stance followed by a large fiscal consolidation in 2025. The authorities face stark choices to comply with the targeted medium-term fiscal path. Looking beyond, Mexico is very well placed to benefit from the nearshoring trend but needs deeper structural reforms to attract more foreign firms. These can include policies facilitating labor participation of women, tackling impediments such as crime, regulatory hurdles, lack of access to finance, and reducing the costs of formalization.

Paraguay is firmly recovering from the 2021–22 drought, with GDP projected to grow by 4.5 percent in 2023 led by a resurgence in agriculture and electricity generation. The central bank's policy has been instrumental in controlling price pressures, and the inflation projections have been recently trimmed from 4.5 to 4.1 percent for the end of 2023, in line with the 4 percent inflation target. The fiscal position has improved since 2020 and the government is committed to reducing the fiscal deficit to 1.5 percent of GDP in the next few years, as prescribed in the Fiscal Responsibility Law, though the gradual convergence would take longer than previously expected.

In *Peru*, growth has been weaker than expected in 2023, due to severe climate shocks (El Niño Costero), weak private investment, and lingering political uncertainty after social unrest early in the year. Subdued global growth, additional adverse climate shocks (El Niño–Southern Oscillation, or ENSO), tighter global financial conditions, and continued political uncertainty would weigh on growth in 2024. Inflation is slowing and expected to return to the 1 to 3 percent target range in 2024. The central bank would start easing monetary policy in 2023Q4. The fiscal deficit would remain within the fiscal rule limit in 2023, reflecting a small fiscal impulse. A negative fiscal impulse—implying some fiscal consolidation— would be required in 2024 to remain within the fiscal rule limit.

In *Uruguay*, real economic activity has been affected by the most severe drought in decades. As a result, real GDP growth has been revised to 1 percent in 2023 with a moderate rebound to 3.2 percent in 2024. Inflation has fallen into the target range aided by tight monetary policy and the appreciation of the peso. The central bank has started to ease monetary policy, but the stance remains appropriately contractionary. Fiscal policy has become marginally looser in response to the drought, but public debt is expected to remain largely stable. Strong macroeconomic performance has resulted in the lowest spreads in the region and an improvement in Uruguay's credit rating by all major rating agencies.

Box 3. *(continued)*

In *Venezuela*, after shrinking to one-fifth of the size it had 10 years ago, fragile stabilization efforts stopped the economy's free fall in 2021. Favorable domestic demand conditions and a gradual recovery of oil production drove economic growth to about 8 percent in 2022, but it is expected to moderate in 2023 due to headwinds from the external sector and renewed inflationary pressures, despite the central bank's ramping up of foreign exchange interventions. The country continues to be immersed in a deep economic, political, and humanitarian crisis, which has resulted in about 7.3 million people (25 percent of the population) fleeing the country since 2014.

Background Paper 1 Summary. Income Volatility and Social Insurance in Latin America[1]

Historically, Latin America has been a volatile region, with aggregate income volatility higher than in other emerging economies (EMs) and twice as high as in advanced economies (AEs).[2] Large income swings can disrupt household consumption and investment decisions, push individuals into poverty, and lead to social unrest. This paper documents the level and evolution of income volatility in Latin America and the role of social insurance in mitigating this volatility.

Although remaining higher than in other EMs and AEs, *aggregate* income volatility in Latin America has experienced a marked reduction in the last two decades (Background Paper Figure 1.1). Moreover, a variance decomposition analysis indicates that this reduction can be largely explained by domestic factors (Background Paper Figure 1.2)—pointing to better macroeconomic policies—which more than offset the rise in volatility due to external factors.

However, income volatility at the *individual* level is still quite high, with labor market surveys indicating that, on average, about 22 percent of the labor force experience income losses greater than 25 percent each year. Some segments of the population are particularly vulnerable to large income fluctuations, especially the older, less educated, poorer, and, above all, informal workers. Some of these groups, like the less educated and the informal workers, also face a substantial risk of falling into poverty following large income losses, and are also particularly vulnerable to economic downturns as their individual incomes are more sensitive to aggregate income fluctuations.

The role of *social transfers* in mitigating income volatility is very limited for workers as large income losses are generally not mitigated by these transfers (Background Paper Figure 1.3).[3] While social transfers serve to alleviate poverty (Background Paper Figure 1.4), systems often lack mechanisms to support workers at times of temporary income loss, including because the coverage of unemployment protection is very low.[4]

Overall, the analysis suggests that better macroeconomic policies have helped reduce aggregate income volatility. At the same time, despite some success of social transfers in alleviating poverty, there is still significant work to do to alleviate income volatility, especially of vulnerable workers. Latin American governments should revisit the coverage of social insurance programs (e.g., unemployment savings accounts, unemployment insurance) as well as the design of social assistance programs so that they respond more quickly to income shocks. Social insurance schemes that protect not only the poor but also those who are at risk of falling into poverty will be crucial for maintaining social cohesion in a world of larger and more frequent shocks–such as those associated with climate change or geoeconomic fragmentation.

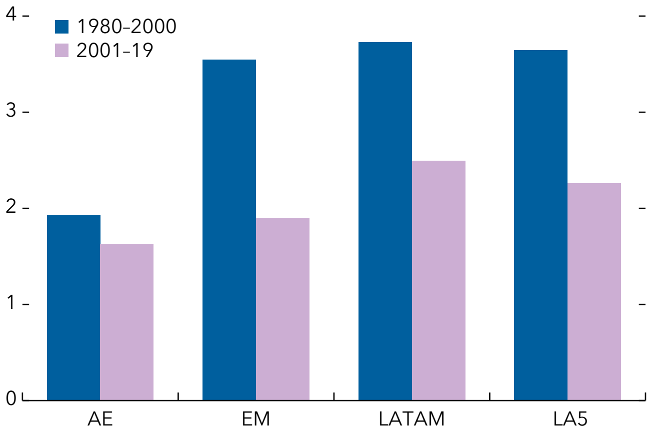
[1] See the October 2023 *Regional Economic Outlook: Western Hemisphere*, "Income Volatility and Social Insurance in Latin America" (Background Paper 1), prepared by Juan Passadore (lead), Hyunmin Park, and Ana Sofia Pessoa under the guidance of Gustavo Adler and Anna Ivanova.

[2] Country groups. Advanced Economies: Australia, Austria, Belgium, Canada, Czech Republic, France, Germany, Israel, Italy, Japan, Netherlands, Norway, South Korea, Spain, Sweden, United States of America. Emerging Markets: China, India, Indonesia, Malaysian, Philippines, Russia, South Africa, Thailand, Turkey, Vietnam. Latin America: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay.

[3] Please refer to the background paper for the composition of social transfers.

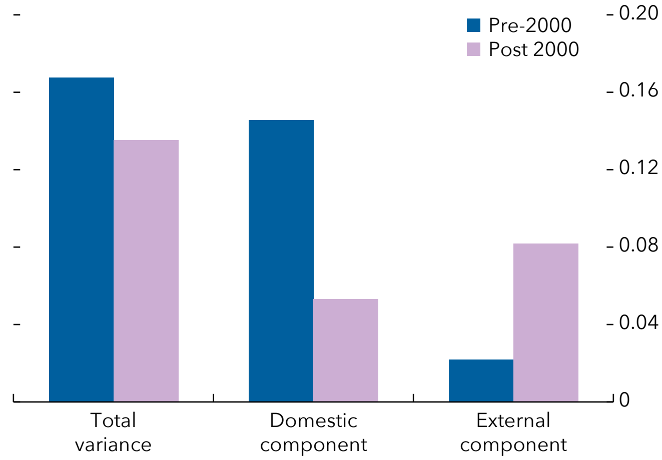
[4] Individuals outside of the labor force that benefit from such programs include the elderly, retirees, students, children, stay at home parents, discouraged workers.

Background Paper Figure 1.1. Aggregate Income Volatility
(Percent)



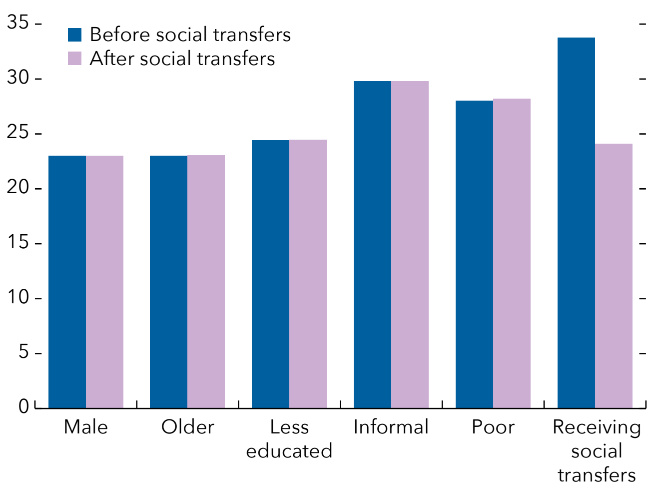
Sources: Haver Analytics; and IMF staff calculations.
Note: Income volatility denotes the sample standard deviation of annual real GDP series (HP detrended, lambda 100). Aggregates are purchasing-power-parity GDP-weighted averages. AE = advanced economies; EM = emerging markets; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LATAM = Latin America.

Background Paper Figure 1.2. LATAM: Aggregate Income Volatility
(Percent)



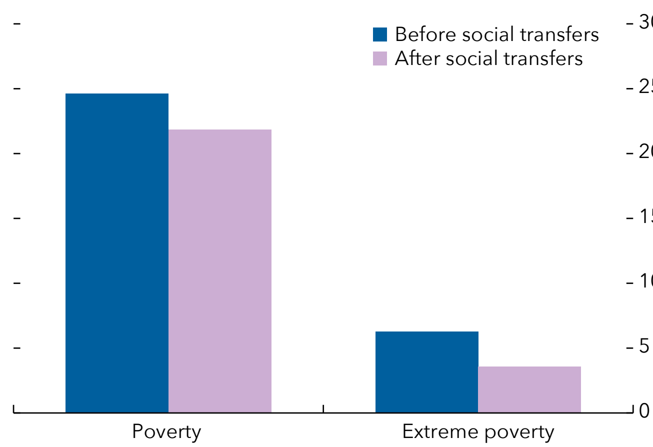
Sources: Haver Analytics; IMF, International Financial Statistics database; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Decomposition of variance of detrended real GDP is reported. LATAM = Latin America.

Background Paper Figure 1.3. Fraction of Each Group with Large Income Losses
(Percent)



Sources: National authorities (labor market surveys); and IMF staff calculations.
Note: Large income changes are defined as changes in real income greater than 25 percent in absolute value. The sample is restricted to the labor force. "Older" refers to 40–65 year-olds. "Less educated" are those who did not complete secondary education. "Informal" workers are those who do not pay social security contributions. "Poor" refers to individuals whose daily per capita household income is lower than US$ 6.85 a day (2017 purchasing- power-parity). "Receiving social transfers" are the individuals who receive social transfers. Values are purchasing-power-parity GDP-weighted averages of Argentina, Brazil, Chile, and Peru.

Background Paper Figure 1.4. Fraction of Population in Poverty and Extreme Poverty
(Percent)



Sources: National authorities (labor market surveys); and IMF staff calculations.
Note: Poverty threshold of US$6.85 per person per day in 2017 at purchasing-power-parity is compared to per capita household income in 2019. Extreme poverty threshold of US$2.15 per person per day in 2017 purchasing-power-parity is compared to per-capita household income in 2019. Values represent purchasing-power-parity GDP-weighted averages of Argentina, Brazil, Chile, and Peru.

Background Paper 2 Summary. Trade Integration and Implications of Global Fragmentation for Latin America and the Caribbean[1]

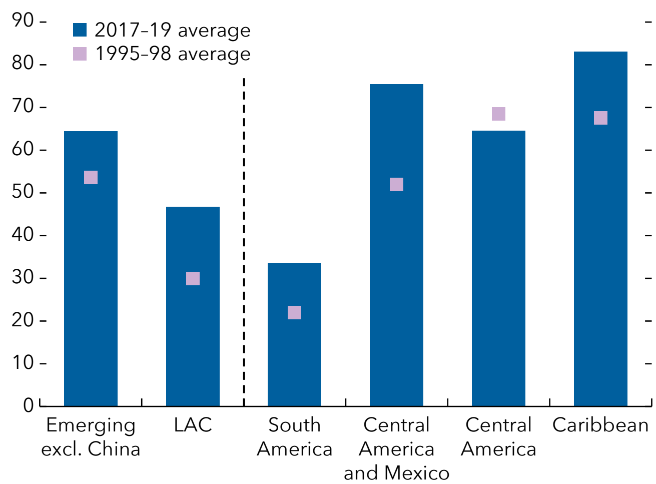
Countries in Latin America and the Caribbean trade substantially less than those in other EMDEs. Poor infrastructure is an important impediment to trade and closing the infrastructure gap can yield sizable trade and output gains. LAC is well placed to withstand a mild scenario of global trade tensions (fragmentation) in which trade barriers are erected only among large economies, although output losses could be sizable in more extreme scenarios. Reducing trade barriers, closing infrastructure gaps, and putting in place policies that make LAC an attractive investment destination could pay a double dividend of boosting trade and growth in the region and mitigating the risks from global fragmentation.

Patterns of Trade and Obstacles to Integration

LAC's trade integration with the rest of the world lags that of peer regions, with its total trade (exports plus imports) standing at less than 50 percent of its GDP (Background Paper Figure 2.1). Exports remain concentrated in a few sectors (mostly primary commodities), with limited integration into global value chains, and with strong ties to the US, EU, and China. On the other hand, the region relies heavily on imported investment goods, with China playing an increasingly dominant role as a main source of machinery products. These features of the region's trade speak to its potential for greater trade integration as well as the risks from global fragmentation.

Background Paper Figure 2.1. Trade Openness over Time

(Total trade of goods and services; percent of GDP)



Sources: IMF, Balance of Payments Statistics database; and IMF staff calculations.
Note: Includes intraregional trade.

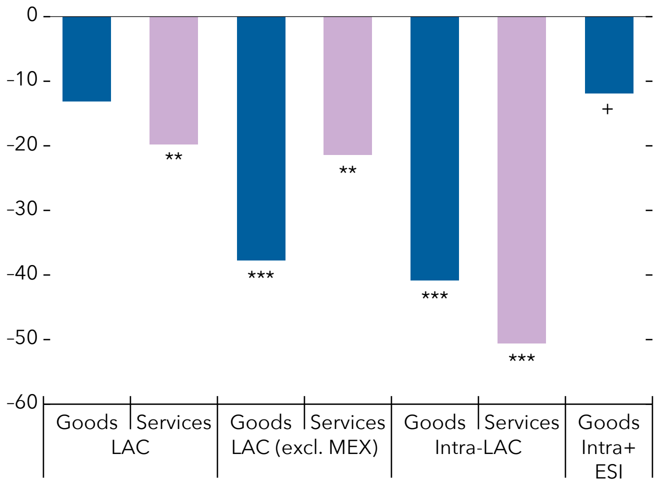
Despite progress in lowering trade barriers over the last three decades, LAC continues to trade considerably less than other countries with similar economic and geographic characteristics (Background Paper Figure 2.2). This is particularly evident at the intra-regional level and applies to both trade in goods and in services. It also holds true even after controlling for the similarity of export baskets across countries in the region.

Poor infrastructure—along with low quality of human capital and inadequate governance—has been a key obstacle preventing LAC from increasing trade integration. Potential gains from closing transport- and customs-related infrastructure gaps relative to other economies are sizable both in terms of boosting trade and raising output throughout the region, including by fostering greater integration into global value chains and intra-regional

[1] See the October 2023 *Regional Economic Outlook: Western Hemisphere*, "Trade Integration and Implications of Global Fragmentation for Latin America and the Caribbean" (Background Paper 2), prepared by Rafael Machado Parente (co-lead), Flavien Moreau (co-lead), Rina Bhattacharya, and Samuel Pienknagura under the guidance of Gustavo Adler and Anna Ivanova.

Background Paper Figure 2.2. LAC's Trade Performance

(Percent)



Sources: Bhattacharya and Pienknagura (forthcoming).
Note: Percent difference in trade flows in LAC versus non-LAC regions, conditional on population, GDP, distance, border, common language and landlocked. Export similarity index (ESI) is the Spearman index for goods trade at the product level. ***p<1%, **p<5%, *p<10%, +p<20%. LAC = Latin America and the Caribbean.

trade (Figure 14, panel 1). Importantly, infrastructure investments may entail potentially large costs,[2] requiring a case-by-case analysis of key bottlenecks that need to be prioritized, while observing fiscal policy constraints and creating an environment conducive of private investment.

Opportunities and Challenges in a Changing Global Environment

LAC's vast reserves of critical minerals needed for the green transition (Figure 15, panel 1) also present an opportunity to boost trade and output—with rising global demand for these minerals will expected to benefit South American countries with large reserves, including Chile, Peru, Brazil, Mexico, and Argentina.

At the same time, geopolitical tensions among the largest economies are deepening, with rising risks of trade fragmentation – a split of the global economy into competing economic blocs. Increasing restrictions to global trade could reverse gains from globalization, disrupt trade and financial flows, and ultimately reduce global GDP.

While LAC would be negatively affected by the reduced global trade and output due to fragmentation, it could benefit from a reorientation of trade flows and a relocation of production by firms. For instance, Mexico's proximity with the United States could boost its manufacturing sector, particularly the automobile sector—and some of this is already visible—while South America commodity exporters could gain market shares. As a result, LAC is better placed than most Emerging markets to face mild scenarios of global trade fragmentation, for example, where only trade between US/EU and China/Russia is disrupted while LAC's trade ties remain intact.

In more extreme (and less likely) scenarios in which all trade between global economic blocs comes to a halt, the loss of major export destinations would result in more sizeable costs for the region. Moreover, with LAC countries being reliant on imports of capital goods from China for their physical investment needs (including for the green energy transition), extreme scenarios of global fragmentation could substantially impact the region's development by raising the cost of capital.

Strengthening trade integration, including within the region, and trade policy coordination among LAC countries will be instrumental to boost growth and mitigate the risks of global fragmentation. Reducing trade barriers, closing infrastructure gaps, and putting in place policies that make LAC an attractive investment destination should be key elements of the region's trade strategy.

[2] Examples of policies that could help closing infrastructure gaps: streamlining, automating, and digitizing customs procedures, reducing bureaucratic red tape, adopting electronic data interchange systems, investing in the integration of different transport modes, developing a logistics sector with efficient freight forwarding by encouraging competition and fostering public-private partnerships, and training customs and transportation personnel.

Appendix Table 1. Western Hemisphere: Main Economic Indicators[1]

	Real GDP Growth (Year-over-year percent change)					Inflation[2] (End of period; percent)					External Current Account Balance (Percent of GDP)				
				Projections					Projections					Projections	
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
North America	**–3.5**	**5.8**	**2.3**	**2.1**	**1.5**	**1.7**	**7.2**	**6.6**	**3.1**	**2.6**	**–2.5**	**–3.2**	**–3.4**	**–2.7**	**–2.6**
Canada	–5.1	5.0	3.4	1.3	1.6	0.8	4.7	6.6	2.7	2.1	–2.2	–0.3	–0.3	–1.0	–1.0
Mexico	–8.7	5.8	3.9	3.2	2.1	3.2	7.4	7.8	4.5	3.2	2.0	–0.6	–1.2	–1.5	–1.4
United States	–2.8	5.9	2.1	2.1	1.5	1.6	7.4	6.4	3.0	2.6	–2.8	–3.6	–3.8	–3.0	–2.8
Puerto Rico[3]	–4.4	0.2	2.0	–0.7	–0.2	–0.1	4.2	6.2	1.1	1.9	…	…	…	…	…
South America	**–6.3**	**7.5**	**3.8**	**1.6**	**2.0**	**8.0**	**14.1**	**18.3**	**19.1**	**11.9**	**–1.2**	**–2.5**	**–3.0**	**–1.9**	**–1.6**
Argentina[4]	–9.9	10.7	5.0	–2.5	2.8	36.1	50.9	94.8	135.7	69.5	0.7	1.4	–0.7	–0.6	1.2
Bolivia	–8.7	6.1	3.5	1.8	1.8	0.7	0.9	3.1	3.6	3.8	–0.0	2.1	–0.4	–2.7	–3.3
Brazil	–3.3	5.0	2.9	3.1	1.5	4.5	10.1	5.8	4.9	3.9	–1.9	–2.8	–2.8	–1.9	–1.8
Chile	–6.1	11.7	2.4	–0.5	1.6	2.9	7.1	12.8	4.5	3.0	–1.9	–7.3	–9.0	–3.5	–3.6
Colombia	–7.3	11.0	7.3	1.4	2.0	1.6	5.6	13.1	8.8	4.5	–3.5	–5.6	–6.2	–4.9	–4.3
Ecuador	–7.8	4.2	2.9	1.4	1.8	–0.9	1.9	3.7	2.4	1.5	2.9	3.2	2.4	1.5	1.6
Paraguay	–0.8	4.0	0.1	4.5	3.8	2.2	6.8	8.1	4.1	4.0	3.6	–0.8	–6.0	0.6	0.1
Peru	–11.0	13.3	2.7	1.1	2.7	2.0	6.4	8.5	4.2	2.2	1.1	–2.2	–4.1	–1.9	–2.1
Uruguay[4]	–6.3	5.3	4.9	1.0	3.2	9.4	8.0	8.3	5.4	5.7	–0.8	–2.5	–3.5	–3.7	–3.3
Venezuela[4]	–30.0	1.0	8.0	4.0	4.5	2,960	686	234	250	230	–3.5	–1.2	3.6	2.2	3.4
CAPDR	**–7.2**	**11.2**	**5.4**	**3.8**	**3.9**	**2.8**	**5.1**	**7.3**	**3.4**	**3.5**	**1.0**	**–1.9**	**–3.2**	**–2.2**	**–2.1**
Costa Rica	–4.3	7.8	4.3	4.4	3.2	0.9	3.3	7.9	–0.9	3.0	–1.0	–2.5	–3.7	–2.8	–2.3
Dominican Republic	–6.7	12.3	4.9	3.0	5.2	5.6	8.5	7.8	4.0	4.0	–1.7	–2.8	–5.6	–3.7	–3.5
El Salvador	–7.9	11.2	2.6	2.2	1.9	–0.1	6.1	7.3	3.1	1.7	1.6	–4.3	–6.6	–4.5	–4.5
Guatemala	–1.8	8.0	4.1	3.4	3.5	4.8	3.1	9.2	5.4	4.6	5.0	2.2	1.4	2.4	1.8
Honduras	–9.0	12.5	4.0	2.9	3.2	4.0	5.3	9.8	5.3	4.2	2.8	–4.7	–3.2	–5.2	–4.9
Nicaragua	–1.8	10.3	3.8	3.0	3.3	2.9	7.2	11.6	7.6	4.8	3.6	–3.1	–1.3	2.1	0.2
Panama[5]	–17.7	15.8	10.8	6.0	4.0	–1.6	2.6	2.1	2.2	2.2	–0.3	–3.0	–3.9	–3.6	–3.2
Caribbean: Tourism Dependent	**–14.6**	**9.1**	**9.0**	**3.2**	**2.3**	**2.5**	**5.2**	**7.4**	**4.1**	**3.5**	**–10.7**	**–8.8**	**–6.6**	**–5.1**	**–4.8**
Antigua and Barbuda	–17.5	6.6	8.5	5.6	5.4	2.8	1.2	9.2	4.0	2.5	–16.3	–15.6	–16.2	–12.5	–12.0
Aruba	–24.0	27.6	10.5	2.3	1.2	–3.1	3.6	5.7	3.2	2.2	–12.4	2.7	11.1	9.5	10.5
The Bahamas	–23.5	17.0	14.4	4.3	1.8	1.2	4.1	5.5	3.4	2.6	–23.4	–21.1	–13.6	–9.5	–8.8
Barbados	–13.3	–0.2	9.8	4.5	3.9	0.4	2.2	5.7	5.0	3.6	–5.9	–11.2	–11.1	–8.5	–7.8
Belize	–13.4	15.2	12.7	4.0	3.0	0.4	4.9	6.7	2.0	1.2	–6.1	–6.3	–7.3	–6.1	–6.0
Dominica	–16.6	6.9	5.7	4.6	4.6	–0.7	3.5	6.6	5.0	2.9	–35.4	–27.6	–27.9	–27.1	–19.9
Grenada	–13.8	4.7	6.4	3.9	3.8	–0.8	1.9	2.9	3.4	2.6	–16.4	–13.0	–17.0	–14.8	–12.7
Jamaica	–9.9	4.6	5.2	2.0	1.8	5.2	7.3	9.4	5.0	5.0	–1.1	1.0	–0.8	–1.2	–1.7
St. Kitts and Nevis	–14.6	–0.9	8.8	4.9	3.8	–1.2	1.9	3.9	2.6	2.3	–10.9	–5.9	–3.4	–2.5	–2.0
St. Lucia	–23.6	11.3	15.7	3.2	2.3	–0.4	4.1	6.9	2.2	2.1	–15.2	–7.0	–2.3	–0.7	–0.4
St. Vincent and the Grenadines	–3.7	0.8	5.5	6.2	5.0	–1.0	3.4	6.7	3.4	2.0	–15.7	–22.7	–19.5	–17.6	–18.4
Caribbean: Non-Tourism Dependent	**0.7**	**2.5**	**17.1**	**13.6**	**11.6**	**14.4**	**11.8**	**20.4**	**13.0**	**7.4**	**–4.5**	**1.8**	**12.3**	**5.2**	**6.8**
Haiti[6]	–3.3	–1.8	–1.7	–1.5	1.4	25.2	13.1	38.7	30.1	12.7	0.4	0.4	–2.3	–2.9	–2.3
Commodity Exporters	3.0	4.8	25.4	19.3	15.0	8.6	11.1	13.0	7.2	5.6	–7.0	2.6	18.5	9.6	11.5
Guyana	43.5	20.1	62.3	38.4	26.6	0.9	5.7	7.2	3.8	5.5	–16.3	–25.9	23.8	18.0	20.0
Suriname	–15.9	–2.7	1.0	2.1	3.0	60.7	60.7	54.6	40.0	20.0	9.0	5.9	2.2	1.5	1.0
Trinidad and Tobago	–9.1	–1.0	1.5	2.5	2.2	0.8	3.5	8.7	3.5	2.3	–6.7	11.3	17.9	5.7	7.1
Memorandum															
Latin America and the Caribbean	**–7.0**	**7.3**	**4.1**	**2.3**	**2.3**	**6.3**	**11.5**	**14.6**	**13.6**	**8.8**	**–0.4**	**–2.0**	**–2.4**	**–1.8**	**–1.5**
LAC (simple average)	*–9.3*	*8.0*	*7.4*	*4.0*	*3.7*	*5.3*	*8.2*	*12.5*	*10.0*	*6.1*	*–5.0*	*–5.1*	*–3.6*	*–3.0*	*–2.5*
LAC excluding Argentina and Venezuela	–6.2	7.1	4.0	2.8	2.2	3.5	7.8	7.8	5.0	3.6	–0.4	–2.4	–2.8	–2.0	–1.8
Latin America 5	–6.1	6.8	3.7	2.6	1.9	3.5	8.3	7.8	5.1	3.6	–0.5	–2.6	–3.0	–2.1	–2.0
Eastern Caribbean Currency Union[7]	–16.9	6.0	9.9	4.7	4.0	–0.0	2.7	6.4	3.3	2.3	–16.4	–15.1	–13.4	–11.3	–10.2

Sources: IMF, World Economic Outlook database; and IMF staff calculations and projections.

Note: CAPDR = Central America, Panama, and the Dominican Republic; LAC = Latin America and the Caribbean; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru).

[1]Regional output growth aggregates are purchasing-power-parity GDP-weighted averages. Consumer price index (CPI) inflation aggregates exclude Venezuela and are geometric purchasing-power-parity GDP-weighted averages. Current account aggregates are US dollar nominal GDP-weighted averages. Consistent with the IMF *World Economic Outlook*, the cutoff date for the data and projections in this table is September 25, 2023.

[2]These figures will generally differ from period average inflation reported in the IMF *World Economic Outlook*, although both are based on the same underlying series.

[3]Puerto Rico is classified as an advanced economy. It is a territory of the United States, but its statistical data are maintained on a separate and independent basis.

[4]See Country Notes for details on the data.

[5]Ratios to GDP are based on the 2007-base GDP series.

[6]Fiscal year data.

[7]Eastern Caribbean Currency Union comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as Anguilla and Montserrat (which are not IMF members).

Appendix Table 2. Western Hemisphere: Main Fiscal Indicators[1]

	General Government Primary Expenditure (Percent of GDP)					General Government Primary Balance (Percent of GDP)					General Government Gross Debt (Percent of GDP)				
				Projections					Projections					Projections	
	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024	2020	2021	2022	2023	2024
North America	**41.8**	**39.6**	**33.2**	**33.9**	**33.6**	**–11.2**	**–8.5**	**–1.2**	**–4.8**	**–3.8**	**128.6**	**121.8**	**116.5**	**117.6**	**120.4**
Canada	49.8	43.2	38.7	38.2	38.0	–10.5	–5.0	–1.3	–1.0	–0.7	118.9	115.1	107.4	106.4	103.3
Mexico[2]	23.5	22.8	23.2	22.0	24.2	–0.5	–0.0	0.7	1.6	–0.7	58.5	56.9	54.1	52.7	54.7
United States[3]	42.2	40.3	33.4	34.4	34.0	–11.9	–9.3	–1.3	–5.5	–4.3	133.5	126.4	121.3	123.3	126.9
Puerto Rico[4]	19.3	19.2	19.7	21.4	20.5	1.5	1.7	2.5	1.3	1.1	50.2	48.8	16.5	16.7	17.1
South America	**38.0**	**33.9**	**33.9**	**34.7**	**34.7**	**–6.9**	**–0.8**	**0.4**	**–1.3**	**–0.3**	**84.9**	**78.0**	**75.9**	**77.2**	**77.1**
Argentina[5]	39.6	36.0	35.2	35.4	35.1	–6.2	–2.5	–1.8	–1.6	–0.5	102.8	80.8	84.7	89.5	79.9
Bolivia[6]	36.5	33.0	33.9	30.9	30.1	–11.2	–8.0	–5.5	–3.6	–3.3	78.0	81.4	80.0	80.8	81.4
Brazil[7]	44.2	36.7	38.3	40.0	40.1	–7.9	2.0	2.1	–1.2	–0.2	96.0	90.1	85.3	88.1	90.3
Chile	28.1	32.6	25.8	25.8	25.7	–6.6	–6.9	0.9	–2.0	–1.2	32.4	36.3	38.0	38.4	41.2
Colombia[8]	30.6	31.2	29.8	30.3	30.2	–4.4	–4.4	–2.4	0.3	1.7	65.7	64.0	60.4	55.0	55.1
Ecuador[9]	36.1	36.5	37.7	35.8	34.9	–5.6	–1.4	0.5	–0.2	0.2	60.9	62.3	57.7	55.5	53.8
Paraguay	24.4	23.2	21.8	21.8	20.4	–5.7	–4.4	–1.9	–2.2	0.1	36.9	37.5	40.8	40.9	42.9
Peru[10]	24.6	22.2	22.0	21.1	20.8	–6.9	–1.2	–0.0	–0.7	–0.2	35.0	36.4	34.3	33.9	34.0
Uruguay[11,12]	30.2	27.9	27.8	27.8	27.8	–2.1	–0.6	–0.5	–1.7	–1.1	68.1	63.4	59.3	61.6	61.4
Venezuela[11]	9.2	10.5	11.8	…	…	–4.9	–4.6	–5.8	…	…	327.7	248.4	159.5	…	…
CAPDR	**20.0**	**17.9**	**17.0**	**17.0**	**16.3**	**–4.4**	**–0.9**	**0.3**	**0.1**	**0.5**	**58.8**	**55.1**	**52.4**	**51.8**	**51.2**
Costa Rica[11,13]	17.7	16.0	14.5	14.3	13.9	–3.7	–0.3	2.1	1.6	1.9	66.9	68.0	63.8	63.0	61.8
Dominican Republic[11,14]	18.9	15.4	15.7	15.8	14.8	–4.7	0.2	–0.4	–0.1	0.2	71.5	63.2	59.5	59.8	59.4
El Salvador[14]	28.3	26.8	23.6	24.0	23.9	–3.8	–1.0	2.2	–0.4	–0.3	88.1	80.4	75.1	73.0	73.4
Guatemala[15]	13.9	11.8	12.7	12.2	12.1	–3.2	0.6	–0.0	–0.2	–0.1	31.5	30.8	29.2	28.3	27.9
Honduras	25.3	26.0	21.6	24.4	24.5	–3.6	–2.1	2.6	–0.7	–0.4	51.7	49.8	49.1	46.3	46.6
Nicaragua[14]	27.9	29.1	27.2	26.0	25.7	–1.1	0.0	2.1	1.8	1.6	47.3	46.2	43.9	41.5	40.2
Panama[16]	24.8	21.4	19.6	20.0	17.9	–7.8	–4.5	–2.2	–0.5	0.8	62.0	55.6	53.7	52.8	52.3
Caribbean: Tourism Dependent	**27.5**	**26.9**	**24.4**	**23.5**	**23.3**	**–1.9**	**–0.4**	**2.2**	**3.0**	**3.2**	**100.6**	**98.6**	**85.5**	**80.5**	**77.6**
Antigua and Barbuda	23.4	21.7	21.3	20.6	20.1	–3.7	–2.3	–1.2	–0.0	0.4	98.2	96.3	86.2	80.5	77.2
Aruba	35.1	24.5	17.8	17.7	18.0	–11.1	–4.8	3.4	4.5	4.5	112.3	101.8	90.1	82.9	80.2
The Bahamas[15]	22.9	27.7	22.4	20.6	20.4	–4.4	–9.0	–1.3	0.6	1.6	75.3	100.0	88.9	84.2	83.7
Barbados[17]	31.3	29.8	27.1	25.6	25.2	–1.0	–0.9	2.5	3.5	4.0	148.8	135.1	122.5	115.0	107.5
Belize[15]	30.9	23.7	20.9	21.2	21.3	–6.7	–1.8	0.9	1.2	1.2	101.4	80.1	63.4	59.3	57.3
Dominica[18]	64.6	63.5	43.5	43.9	41.2	–5.6	–6.2	–0.4	0.1	1.1	113.1	107.2	98.5	93.9	91.0
Grenada[18]	30.7	29.5	30.6	31.1	25.4	–2.6	2.1	2.6	3.6	3.6	71.4	69.9	63.6	60.2	57.7
Jamaica[18]	26.0	24.2	24.3	24.2	24.6	3.5	6.8	5.8	5.5	5.0	109.7	94.2	77.1	72.3	68.4
St. Kitts and Nevis[18]	36.7	43.7	54.0	41.1	40.7	–1.7	6.8	–2.0	5.9	4.3	68.0	69.1	61.1	53.2	48.8
St. Lucia[18]	29.3	23.8	20.4	20.3	20.2	–7.7	–2.2	1.5	1.1	0.9	94.2	82.9	74.2	74.2	75.6
St. Vincent and the Grenadines[18]	31.0	35.3	34.6	33.8	33.0	–2.9	–5.0	–7.2	–5.0	–4.3	79.5	90.0	87.9	86.2	89.2
Caribbean: Non-Tourism Dependent	**24.3**	**20.6**	**18.9**	**19.9**	**18.6**	**–6.3**	**–4.1**	**–0.4**	**–1.4**	**–1.3**	**53.2**	**48.3**	**40.9**	**38.6**	**37.1**
Haiti[15]	9.8	9.0	8.0	7.8	8.7	–2.2	–2.2	–1.7	–1.2	–1.6	22.0	25.6	23.9	19.6	18.6
Commodity Exporters	31.5	27.9	23.7	26.4	23.9	–8.3	–5.3	0.2	–1.5	–1.2	68.6	62.5	48.4	48.9	46.9
Guyana[15]	30.0	25.5	20.3	25.1	20.9	–7.3	–6.8	–4.9	–6.3	–4.8	51.1	43.2	26.0	29.9	29.0
Suriname[19]	26.8	27.8	26.7	24.5	21.8	–8.4	–0.6	1.1	1.7	3.5	147.8	119.6	120.1	107.0	93.9
Trinidad and Tobago[15]	32.5	28.8	25.0	27.4	26.2	–8.6	–5.4	2.7	0.9	0.7	62.3	61.6	51.0	52.5	52.9
Memorandum															
Latin America and the Caribbean	**32.7**	**29.6**	**29.7**	**29.6**	**30.1**	**–5.0**	**–0.7**	**0.5**	**–0.4**	**–0.3**	**76.0**	**70.7**	**68.3**	**68.1**	**68.3**
LAC (simple average)	*28.6*	*27.2*	*25.4*	*25.0*	*24.3*	*–4.9*	*–2.1*	*–0.2*	*0.0*	*0.4*	*82.9*	*76.6*	*68.6*	*66.4*	*64.7*
LAC excluding Argentina and Venezuela	32.3	29.2	29.3	29.3	29.9	–4.9	–0.4	0.9	–0.1	–0.2	70.6	67.4	64.6	64.4	65.9
Latin America 5	33.7	30.3	30.6	30.6	31.4	–4.9	–0.2	1.1	–0.1	–0.3	72.3	68.9	66.4	66.2	68.0
Eastern Caribbean Currency Union[18,20]	33.2	32.1	30.1	28.5	27.0	–3.9	–1.1	–0.6	0.8	0.8	85.5	82.9	75.2	71.7	70.4

Sources: IMF, World Economic Outlook database; and IMF staff calculations and projections.

Note: CAPDR = Central America, Panama, and the Dominican Republic; LAC = Latin America and the Caribbean; Latin America 5 = Brazil, Chile, Colombia, Mexico, Peru.

[1]Government coverage varies across countries, depending on country-specific institutional differences, including on what constitutes the appropriate coverage from a fiscal policy perspective, as defined by the IMF staff. All indicators are reported on a fiscal year basis. Regional aggregates are fiscal year US dollar nominal GDP-weighted averages. Consistent with the IMF World Economic Outlook, the cutoff date for the data and projections in this table is September 25, 2023.

[2]Includes central government, social security system funds, nonfinancial public corporations, and nonmonetary public financial corporations.

[3]For cross-country comparability, expenditure and fiscal balances of the United States exclude the items related to the accrual-basis accounting of government employees' defined-benefit pension plans, which are counted as expenditure under the 2008 System of National Accounts (2008 SNA) adopted by the United States but not for countries that have not yet adopted the 2008 SNA. Data for the United States in this table may thus differ from data published by the US Bureau of Economic Analysis.

[4]Puerto Rico is classified as an advanced economy. It is a territory of the United States, but its statistical data are maintained on a separate and independent basis.

[5]Primary expenditure and primary balance include the federal government, provinces, and social security funds. Gross debt is for the federal government only.

[6]Nonfinancial public sector, excluding the operations of nationalized mixed-ownership companies in the hydrocarbon and electricity sectors.

[7]Nonfinancial public sector, excluding Petrobras and Eletrobras, and consolidated with the Sovereign Wealth Fund. The definition includes treasury securities on the central bank's balance sheet, including those not used under repurchase agreements (repos). The national definition of general government gross debt includes the stock of Treasury securities used for monetary policy purposes by the central bank (those pledged as security in reverse repo operations). It excludes the rest of the government securities held by the central bank.

[8]Nonfinancial public sector reported for primary balances (excluding statistical discrepancies); combined public sector including Ecopetrol and excluding Banco de la República's outstanding external debt reported for gross public debt.

[9]Public sector gross debt includes liabilities under advance oil sales, which are not treated as public debt in the authorities' definition. In late 2016, the authorities changed the definition of debt to a consolidated basis; both the historical and projection numbers are now presented on a consolidated basis.

[10]Gross debt is that of the nonfinancial public sector.

[11]See Country Notes for details on the data.

[12]The coverage of the fiscal data was changed from consolidated public sector to nonfinancial public sector with the October 2019 *World Economic Outlook*. Historical data were revised accordingly.

[13]Central government only. As of January 2021, the central government definition has been expanded to include 51 public entities as per Law 9524. Data are adjusted back to 2019 for comparability.

[14]Central government for primary expenditure and primary balance; gross debt is presented on a consolidated basis.

[15]Central government only.

[16]Ratios to GDP are based on the 2007-base GDP series. Fiscal data cover the nonfinancial public sector excluding the Panama Canal Authority.

[17]Overall and primary balances cover budgetary central government. Gross debt covers central government debt, central government guaranteed debt, and arrears.

[18]Central government for primary expenditure and primary balance; public sector for gross debt. For Jamaica, the public debt includes central government, guaranteed, and PetroCaribe debt.

[19]Primary expenditures for Suriname exclude net lending.

[20]Eastern Caribbean Currency Union comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as Anguilla and Montserrat (which are not IMF members).

Country Notes

Argentina. The official national consumer price index (CPI) starts in December 2016. For earlier periods, CPI data for *Argentina* reflect the Greater Buenos Aires Area CPI (prior to December 2013); the national CPI (IPCNu, December 2013 to October 2015); the City of Buenos Aires CPI (November 2015 to April 2016); and the Greater Buenos Aires Area CPI (May 2016 to December 2016). Given limited comparability of these series because of differences in geographical coverage, weights, sampling, and methodology, the WEO does not report average CPI inflation for 2014–16 and end-of-period inflation for 2015–16. Also, *Argentina* discontinued the publication of labor market data starting in the fourth quarter of 2015, and new series became available starting in the second quarter of 2016.

Costa Rica. The central government definition has been expanded as of January 1, 2021, to include 51 public entities as per Law 9524. Data back to 2019 are adjusted for comparability.

Dominican Republic. The fiscal series have the following coverage: public debt, debt service, and the cyclically adjusted/structural balances are for the consolidated public sector (which includes the central government, the rest of the nonfinancial public sector, and the central bank); the remaining fiscal series are for the central government.

Uruguay. In December 2020 the authorities began reporting the national accounts data according to the SNA 2008, with the base year 2016. The new series begin in 2016. Data prior to 2016 reflect the IMF staff's best effort to preserve previously reported data and avoid structural breaks.

Since October 2018 *Uruguay*'s public pension system has been receiving transfers in the context of law 19,590 that compensates persons affected by the creation of the mixed pension system. These funds are recorded as revenues, consistent with the IMF's methodology. Therefore, data and projections for 2018–22 are affected by these transfers, which amounted to 1.2 percent of GDP in 2018, 1.1 percent of GDP in 2019, 0.6 percent of GDP in 2020, 0.3 percent of GDP in 2021, 0.1 percent of GDP in 2022, and 0 percent thereafter. See IMF Country Report 19/64 for further details.[3] The disclaimer about the public pension system applies only to the revenues and net lending/borrowing series.

The coverage of the fiscal data for *Uruguay* was changed from consolidated public sector to nonfinancial public sector with the October 2019 *World Economic Outlook*. In *Uruguay*, nonfinancial public sector coverage includes the central government, local government, social security funds, nonfinancial public corporations, and Banco de Seguros del Estado. Historical data were also revised accordingly. Under this narrower fiscal perimeter—which excludes the central bank—assets and liabilities held by the nonfinancial public sector for which the counterpart is the central bank are not netted out in debt figures. In this context, capitalization bonds issued in the past by the government to the central bank are now part of the nonfinancial public sector debt. Gross and net debt estimates for 2008–11 are preliminary.

Venezuela. Projecting the economic outlook, including assessing past and current economic developments used as the basis for the projections, is rendered difficult by the lack of discussions with the authorities (the most recent Article IV consultation took place in 2004), incomplete metadata of limited reported statistics, and difficulties in reconciling reported indicators with economic developments. The fiscal accounts include the budgetary central government; social security; FOGADE (insurance deposit institution); and a reduced set of public enterprises, including Petróleos de Venezuela, S.A. (PDVSA). Following some methodological upgrades to achieve a more robust nominal GDP, historical data and indicators expressed as a percentage of GDP have been revised from 2012 onward. For most indicators, data for 2018–22 are IMF staff estimates. The effects of hyperinflation

[3] IMF. 2019. "Uruguay: Staff Report for the 2018 Article IV Consultation." Country Report 19/64, Washington, DC.

and the paucity of reported data mean that the IMF staff's projected macroeconomic indicators should be interpreted with caution. Broad uncertainty surrounds these projections. *Venezuela*'s consumer prices are excluded from all *World Economic Outlook* group composites.

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