

1. Navigating a Shifting Global Environment¹

The global economy is facing significant policy shifts and persistent shocks amid unusually high uncertainty. In this context, growth in Latin America and the Caribbean is expected to be affected by varying exposures to global trade and reliance on remittances, commodities, and global capital markets. Many economies are expected to decelerate, although a rebound in some countries recovering from recent shocks would help sustain regional growth in 2025. Amid spillovers from global policy shifts and persistent uncertainty, a slight deceleration is projected in 2026, with risks tilted to the downside. The disinflation process continues, but convergence to targets will likely take longer than previously envisaged in a few countries. In this context, credible policy frameworks that rely on central bank independence, rules-based fiscal policy, and exchange rate flexibility, where feasible, are essential. The continued increase in public debt underscores the need for fiscal consolidation, underpinned by further strengthening of policy frameworks. Addressing fiscal challenges would also support monetary policy implementation. Amid lackluster medium-term growth prospects—partly reflecting persistent resource misallocation—structural reforms remain critical to foster productivity, enhance the business environment, and harness opportunities for further trade integration, including within the region.

1.1 Global Economy

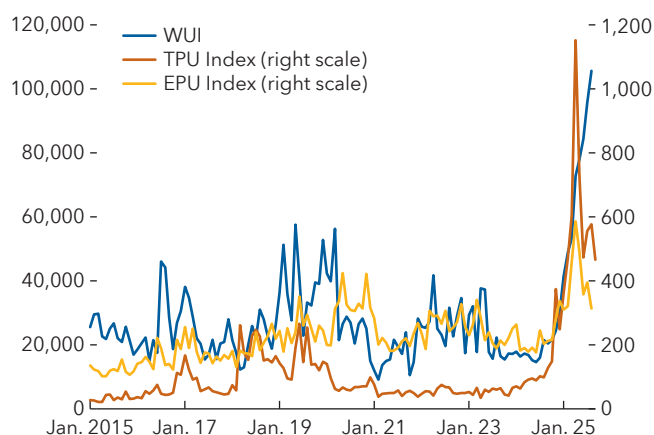
A Shifting Global Environment

The global economy is facing significant policy shifts and persistent shocks. The United States announced a series of trade policy measures—including country- and product-specific tariffs on imports from about 70 countries, some bilateral agreements, a 10-percent universal tariff for many countries, and some exemptions—that raised its import tariffs to levels not seen since 1930. This led to some retaliatory measures from several countries—some of them reversed—as trade negotiations unfolded. A shift in immigration policies is also taking place in several advanced economies—notably in the United States—which is likely to have a negative impact on net migration flows into those countries. Persistent geopolitical conflicts continue to disrupt global trade and affect commodity markets. These developments, along with a continued deceleration in some large economies and the associated surge in uncertainty (Figure 1.1) could affect Latin America and the Caribbean (LAC) countries through several channels (Box 1.1).

Key global markets remained relatively stable, and global growth was robust during the first half of 2025. Trade policy announcements triggered an increase in market volatility but did not have a persistent impact on commodity prices and financial conditions. Equity and other asset prices fell, the US dollar depreciated, and key commodity prices declined initially, but financial conditions eased, global equity markets recovered, and commodity prices remained

Figure 1.1. Uncertainty Indicators
(Index)

Uncertainty levels reached decade-highs.



Sources: Ahir, Bloom, and Furceri (2022); Caldara and others (2020); Davis (2016); and Haver Analytics.

Note: The uncertainty measures are news- and media-outlets-based indices that quantify media attention to global news related to uncertainty. EPU = Economic Policy Uncertainty; TPU = Trade Policy Uncertainty; WUI = World Uncertainty Index.

¹ Prepared by Camila Casas (co-lead), Eric Huang, Genevieve Lindow, and Juan Treviño (co-lead).

broadly stable around their end-2024 levels. Although uncertainty around trade policies has remained high and geopolitical tensions continued, global economic activity has shown notable strength in the first half of the year amid accommodative financial conditions, some frontloading of trade in anticipation of higher tariffs, lower tariffs than originally announced, and looser fiscal policies in some major economies.

Notwithstanding these developments, growth in key trading partners for LAC is anticipated to lose momentum in 2025. In the United States, IMF staff forecasts GDP growth to decelerate to 2 percent in 2025 and remain steady at 2.1 percent in 2026—from 2.8 percent in 2024. The projected slowdown is explained by weaker consumer spending and slowing investment. In China, growth in 2025 is projected at 4.8 percent—close to the 5 percent in 2024—with a further deceleration to 4.2 percent in 2026. China's activity was supported by exports to destinations other than the United States and domestic demand, possibly driven by policy stimulus. The euro area is expected to see a modest pickup this year to 1.2 percent, from 0.9 in 2024, and remain around 1.1 percent in 2026, partly reflecting a historically high increase in Ireland's pharmaceutical exports to the United States this year and the likely impact of increased defense spending in subsequent years. Other advanced economies are projected to decelerate, partly because of the impact of tariffs. Global inflation is expected to decline amid cooling global demand and falling energy prices. For countries where tariffs represent a negative demand shock, inflationary pressures are expected to ease.

1.2. Recent Economic Developments in Latin America and the Caribbean

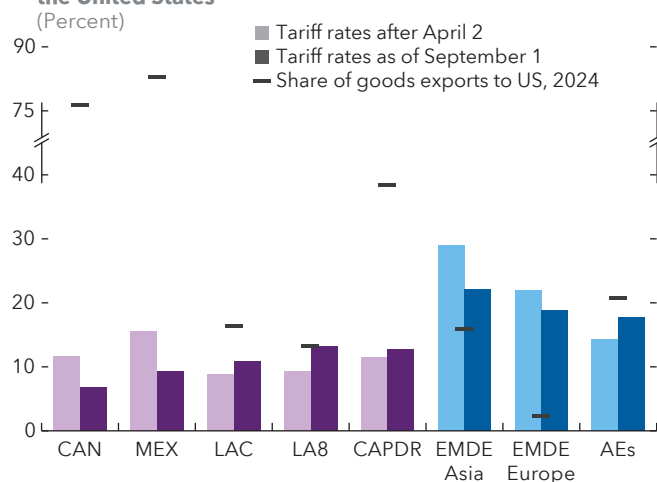
Growth Still Supported by the External Environment in the First Half of the Year

Structural and external factors have cushioned the short-term impact of global shifts in LAC. The relatively low trade exposure of many economies to the United States (Box 1.1), lower global tariff rates than those originally announced, and the region's lower tariff rates compared with other emerging market economies (Figure 1.2, panel 1) provided some buffers. The external environment remained generally favorable to LAC through the first half of the year. After the initial bout of volatility early in the spring, sovereign spreads fell below end-2024 levels (Figure 1.2, panel 2), regional

Figure 1.2. Tariffs, Exports, and Spreads

Statutory tariffs are low in LAC relative to peers.

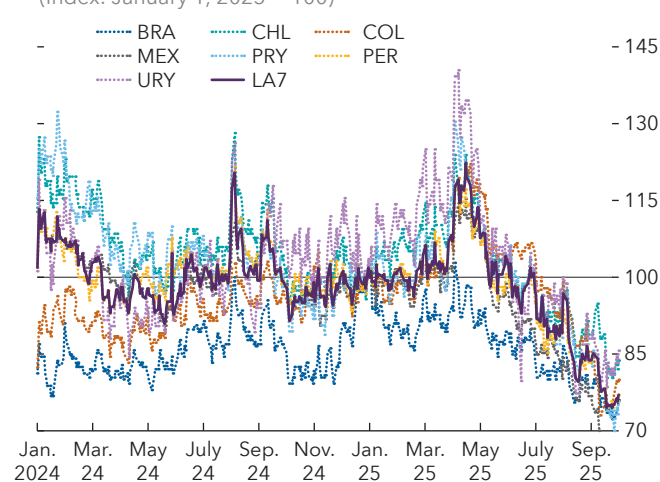
1. Statutory Tariff Rates and Share of Exports to the United States¹



After a short-lived spike, sovereign spreads fell below end-2024 levels.

2. EMBIG Sovereign Spreads²

(Index: January 1, 2025 = 100)



Sources: Bloomberg Finance L.P.; IMF, Direction of Trade Statistics database; IMF, World Economic Outlook database; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. AEs = advanced economies; CAPDR = Central America, Panama, and the Dominican Republic; EMBIG = emerging markets bond index global; EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LA8 = Latin America 8 (LA7 plus Argentina).

¹Tariff rates aggregates are simple averages. LAC and LA8 exclude Mexico.

²LA7 is median.

currencies rebounded after an initial depreciation, bond yields declined and exhibited greater differentiation across countries, and commodity prices stabilized. Moreover, empirical evidence points to lags in the effect of global uncertainty on growth in the region (Online Annex 1), and activity surprised to the upside in several LAC countries early in the year.

The recent US dollar depreciation may also be tempering the effects of shocks, including by reducing inflationary pressures. Exchange rate fluctuations can affect LAC through changes in the prices of imports, export competitiveness, and financial conditions (IMF 2023a, Obstfeld and Zhou 2023). Currency appreciation in LAC can lower prices of imported goods, easing inflationary pressures and potentially opening policy space. This, in turn, can support real income and boost private consumption (Figure 1.3). A stronger local currency can ease financial conditions and foster investment, although the evidence is not conclusive. Previous work also suggests that real appreciation can reduce debt.²

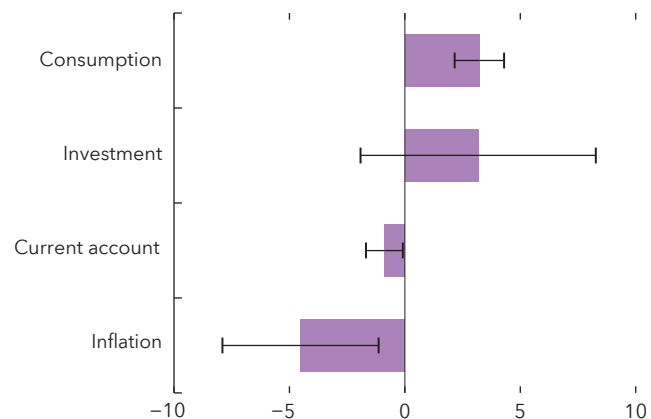
In this context, economic growth during the first half of 2025 remained relatively stable in LAC. The contribution of exports to growth increased, as export volumes grew at par with global trends (Figure 1.4, panels 1 and 2). This reflects solid copper and manufacturing exports (Chile, Mexico), and increased exports associated with strong agricultural output in several countries (Argentina, Brazil, Colombia, Uruguay). Conversely, the contribution of private consumption to growth declined in some large economies (Brazil, Mexico), although it still showed strength in some countries (Argentina, Colombia, Paraguay, Uruguay) as labor markets and consumer credit growth remained relatively strong (Figure 1.4, panels 3 and 4). Corporate lending showed signs of moderation, in line with the continued muted contribution of investment to growth in recent years (IMF 2024b). In Central America, Panama, and the Dominican Republic (CAPDR), activity was supported by a pickup in remittances during the first half of 2025 (Box 1.2), whereas growth in the Caribbean remained solid from expanding tourism and construction activities in some countries and higher energy production in others (Box 1.3).

The Disinflation Process Remains Slow

Inflation convergence toward targets continues, though at a slower pace since early 2024 (Figure 1.5, panel 1). Headline inflation is hovering around or moving closer to targets in some countries, but convergence is somewhat slower in others. More specifically, headline inflation has been broadly stable around the target in Peru and Paraguay, and continued to fall in Chile and Uruguay, amid currency appreciations, tighter policies, and/or fading effects of past hikes in utility tariffs. However, inflation in Brazil and Mexico picked up in early 2025 because of the still strong demand and/or residual exchange rate pass-through from previous depreciations (partly reversing during the summer), and after a decline in the first half of 2025, inflation edged up in Colombia. Argentina has continued to make progress in the context of its stabilization program. After declining rapidly from its 2022 peak, core goods and core services inflation rose slightly in the region in 2025 (Figure 1.5, panel 2), reflecting positive output gaps, increases in labor costs, and/or inflation expectations above target in some countries. Pressures from

Figure 1.3. LAC: Currency Appreciation and Macroeconomic Developments
(Percent)

Currency appreciations are associated with lower inflation.



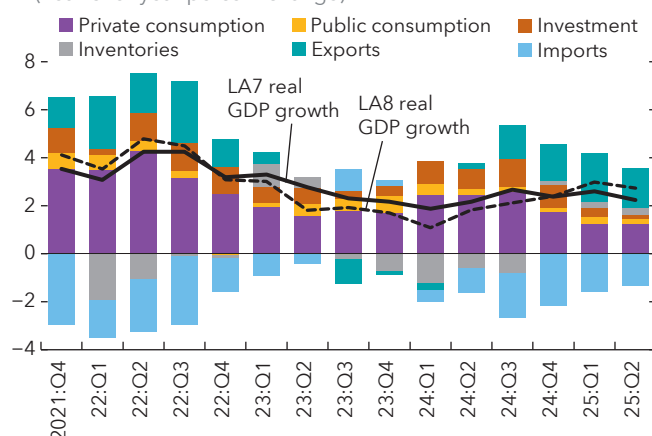
Source: IMF staff calculations.

Note: Currency appreciation or depreciation is evaluated based on yearly movements in the nominal effective exchange rates. The estimates are derived from local projections for the period 1990–2023, controlling for trade openness, exchange rate regime type, and commodity prices. The bars represent point estimates of the first-year impact of a one-standard-deviation appreciation, and the error bars indicate 90 percent confidence intervals. LAC = Latin America and the Caribbean.

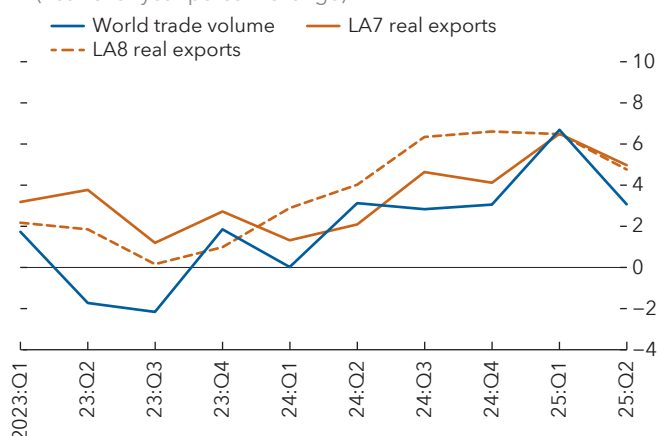
² A one-standard-deviation shock to the real exchange rate could decrease LA7 debt by about four percentage points of GDP over the next five years (IMF 2024a).

Figure 1.4. Selected Economic Indicators*The contribution of exports to growth increased ...***1. LA7: Contributions to Real GDP Growth¹**

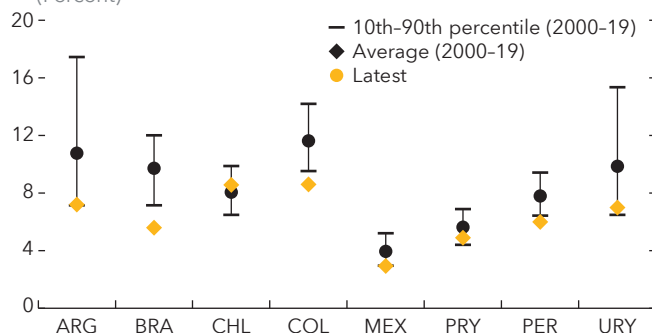
(Year-over-year percent change)

*... reflecting higher volumes growth earlier in 2025.***2. Exports Growth²**

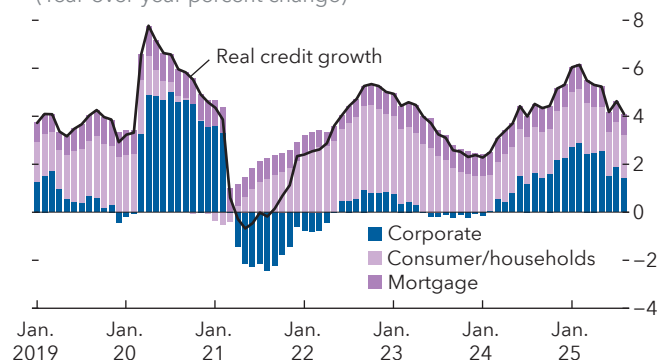
(Year-over-year percent change)

*Labor markets remained solid ...***3. Unemployment Rate**

(Percent)

*... while corporate credit growth moderated.***4. Real Credit Growth³**

(Year-over-year percent change)



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

Note: Aggregates are purchasing-power-parity GDP-weighted averages, unless noted otherwise. Data labels in the figure use International Organization for Standardization (ISO) country codes. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LA8 = Latin America 8 (LA7 plus Argentina).

¹Seasonally adjusted. Inventories include statistical discrepancies.

²Real exports growth is purchasing-power-parity GDP-weighted average. World trade volume is end of period.

³Includes Brazil, Chile, Colombia, Mexico, and Peru.

imported inflation are gradually receding, largely reflecting exchange rate dynamics—currency depreciations in 2024 pushed up imported inflation late that year, but inflationary pressures are unwinding as currencies strengthen (Figure 1.5, panel 3).

1.3 Policies

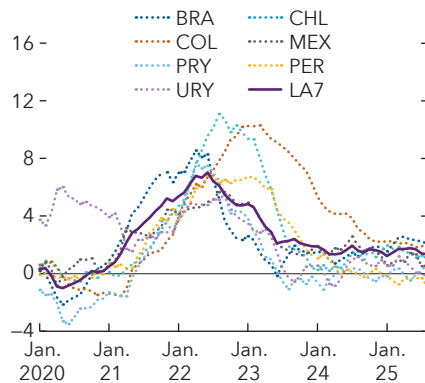
Fiscal Consolidation Efforts Are Not Turning the Debt Trajectory

Most countries are expected to strengthen their fiscal positions in 2025, but public debt ratios continue to increase and have reached or surpassed pandemic peaks in some (Figure 1.6, panels 1 and 2; Appendix Table 1.2). This is particularly concerning given the region's unfavorable interest rate-growth differential, especially since

Figure 1.5. Inflation Developments

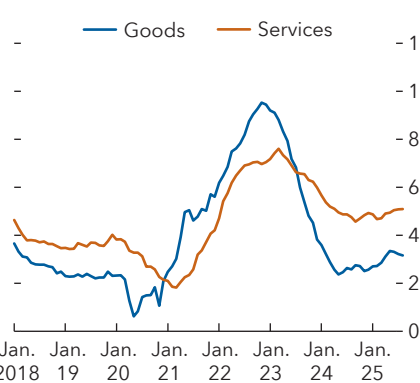
Headline inflation continues to recede ...

1. Headline Consumer Price Inflation
(Deviation from inflation target; percentage points)



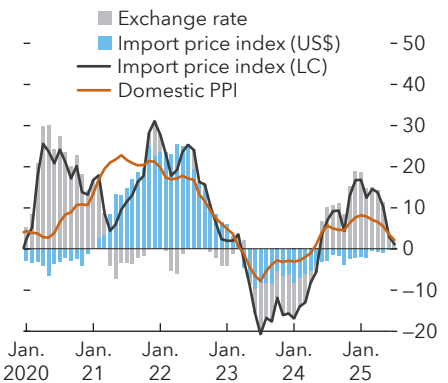
... with the recent uptick in core inflation ...

2. LA7: Core Goods and Core Services Inflation¹
(Year-over-year percent change)



... being offset by lower import price inflation.

3. LA7: Imported Inflation²
(Year-over-year percent change)



Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

Note: Aggregates are purchasing-power-parity GDP-weighted averages. Data labels in the figure use International Organization for Standardization (ISO) country codes. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LC = local currency; PPI = producer price index.

¹Core goods exclude food, transport, and housing items. Core services exclude transport and housing items.

²LA7 excludes Chile and Paraguay because of data limitations.

financing costs increase with debt.³ Primary balance improvements reflect a combination of revenue upticks, including because of improvements in tax administration (Paraguay), and expenditure restraint. Some countries are planning ambitious fiscal adjustments, although they continue to face challenges in identifying and enacting medium-term measures (Brazil, Mexico). Others are targeting deficit reductions more gradually, facing uncertainties around revenue performance and/or the approval of necessary measures by legislatures (Chile, Peru). Assuming financing costs in line with long-term trends, primary balances needed to stabilize LA7 debt at the current (high) levels are, on average, about 1½ percentage points of GDP higher than the 2024 outcomes (Figure 1.6, panel 3).

Disinflation Required Continued Calibration of Monetary Policy

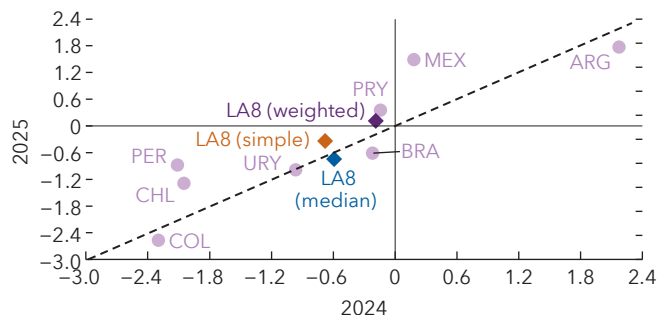
Monetary policy in LAC has appropriately responded to inflation developments across the region, keeping inflation contained amid fiscal consolidation delays. Central banks have remained data driven as global uncertainty rose. Mexico continued its easing cycle that started in early 2024, while others have resumed it after pausing and/or pivoting in early 2025 (Chile, Colombia, Peru, Uruguay). Brazil pivoted toward tightening in early 2025, and Paraguay stayed on hold. In some countries (Brazil, Colombia, Mexico), the monetary stance remains restrictive (Figure 1.6, panel 4). The timely monetary policy actions have also helped keep inflation expectations close to targets (Figure 1.6, panel 5). Nonetheless, a continued cautious approach to monetary policy is warranted in the current juncture of heightened uncertainty, as inflation expectations are stable but remain above target, and expectations regarding both the short-term policy rate path and the terminal rate have generally increased compared to last year (Figure 1.6, panel 6).

³ For a detailed analysis of debt dynamics in LAC since 2003 and the drivers of its determinants, including the rise of financing costs in both local and foreign currency (IMF 2024a).

Figure 1.6. Selected Fiscal Indicators and Recent Monetary Policy Actions

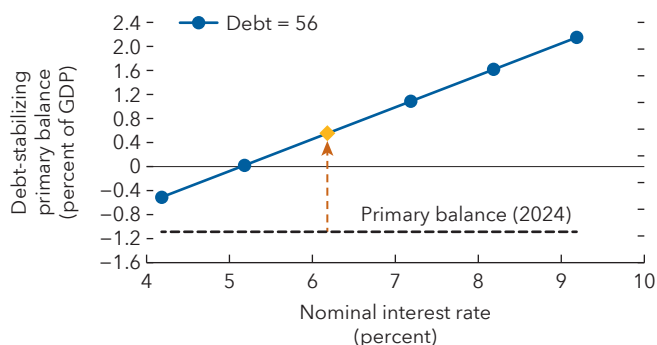
Primary balances are expected to improve in most LA8 countries ...

1. General Government Primary Balance (Percent of GDP)



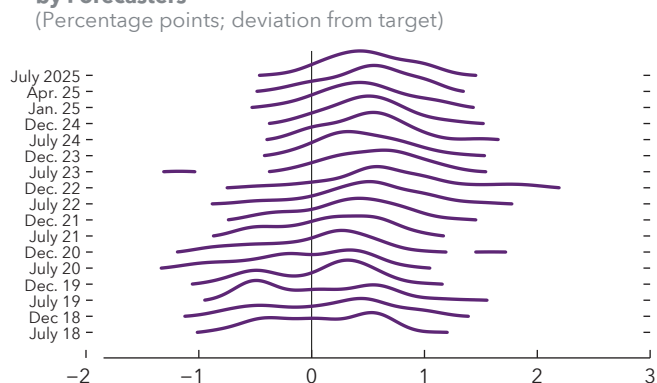
Higher primary balances are needed to stabilize debt.

3. LA7: Debt-Stabilizing Primary Balance, Gross Public Debt, and Nominal Interest Rate²



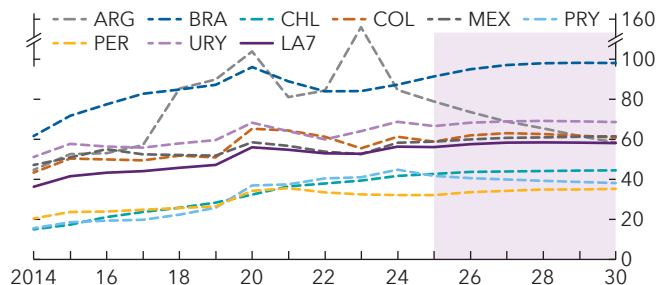
... keeping inflation expectations contained.

5. LA7: Distribution of Two-Year Ahead Inflation Expectations by Forecasters^{3,4}



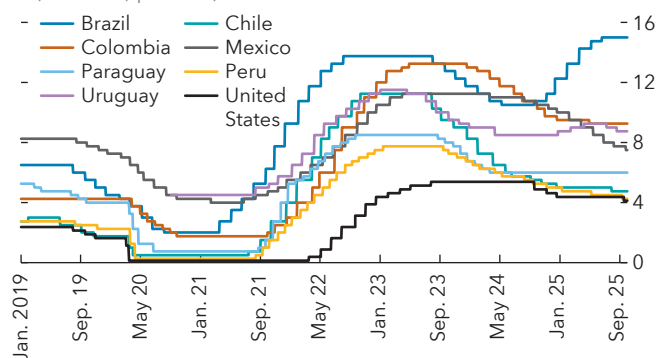
... but public debt remains on the rise, set to reach pandemic peaks.

2. General Government Gross Debt¹ (Percent of GDP)



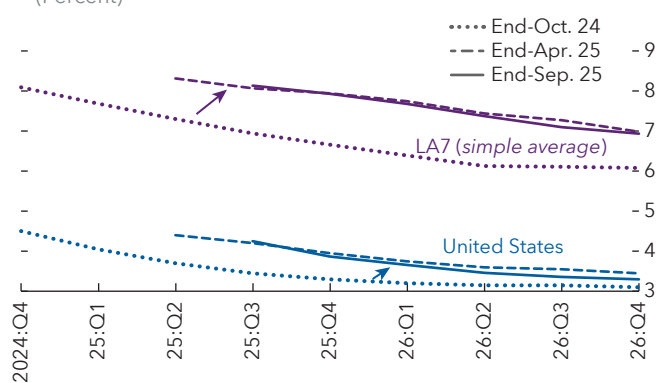
Monetary policy has generally been timely and well calibrated ...

4. Monetary Policy Rates (Nominal; percent)



Terminal rates are expected to be higher.

6. Monetary Policy Rate Expectations³ (Percent)



Sources: Bloomberg Finance L.P.; Consensus Economics; Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LA8 = Latin America 8 (LA7 plus Argentina).

¹LA7 is simple average. For gross debt, the break in y-axis applies to Argentina only.

²Blue dots are computed by increasing or decreasing the average nominal rate of local and foreign currency debt by 100 basis points, keeping growth and debt-to-GDP fixed.

³LA7 excludes Paraguay and Uruguay because of data limitations.

⁴Density plots of two-year-ahead (December-over-December) inflation forecast deviation from inflation targets by Consensus Forecasts vintage.

1.4. Outlook and Risks

Growth Moderating amid Gradual Inflation Convergence

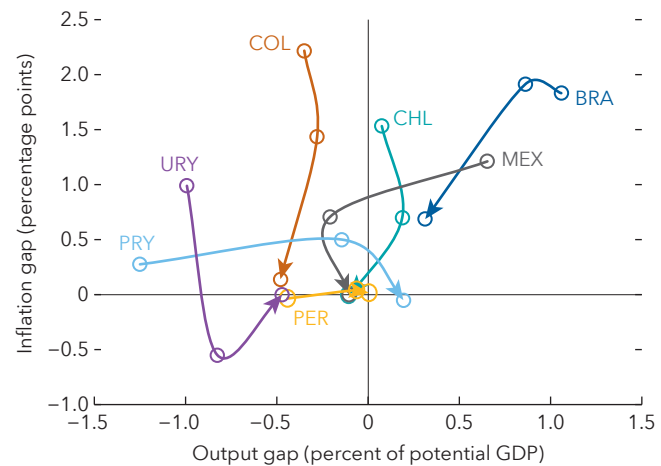
Growth in LAC is projected at 2.4 percent in 2025, moderating to 2.3 percent in 2026 (Appendix Table 1.1; Boxes 1.2-1.4). Growth in 2025 is expected to be lifted by a rebound in economies that tightened policies and/or experienced shocks in 2024 (Argentina, Ecuador, Jamaica). On the other hand, growth in LA7 is expected to decelerate—mainly driven by Brazil and Mexico. As for 2026, the projected slight moderation is mainly driven by a deceleration in most LA7 countries and Argentina, partly offset by a recovery in Mexico, along with the Dominican Republic, Ecuador, and several countries in the Caribbean. The global slowdown is contributing to this outlook, but country-specific factors are important, as countries in the region continue to approach potential from different cyclical positions (Figure 1.7):

- Positive output gaps are expected to narrow in Brazil and Mexico and remain broadly balanced in Chile. In Brazil, growth is projected to moderate in 2025 and 2026 amid tighter policies and the impact of tariffs, although strong growth in agriculture earlier this year would help moderate the slowdown. In Chile, growth is also anticipated to moderate this year and next—domestic demand is expected to be the main driver of economic activity, whereas the contribution of net exports will narrow as imports rise and mining export growth moderates. Mexico is expected to decelerate in 2025 because of ongoing fiscal consolidation, still-restrictive monetary policy, and headwinds from tariff-related uncertainty—given its deep integration with the United States—despite recent resilience of exports. Activity should recover in 2026, supported in part by less restrictive macroeconomic policies.
- After a strong recovery in 2024, growth in Peru and Uruguay is expected to moderate this year and next despite stronger-than-anticipated domestic demand (Peru) and strong tourism and agriculture (Uruguay) early in 2025. Paraguay growth momentum is expected to continue in 2025 and moderate in 2026.
- Amid strong private consumption and some fiscal easing, growth in Colombia is expected to pick up this year but moderate somewhat in 2026. In Argentina, domestic demand is projected to support growth in 2025 despite tight macroeconomic policies; growth is expected to moderate in 2026.
- Growth in CAPDR (Box 1.2) is expected to decelerate in 2025 before picking up in 2026, particularly in the Dominican Republic, reflecting the region's exposure to US trade.
- Caribbean economies (excluding Guyana and Haiti) are expected to grow 1.9 percent in 2025 and 2026, after the strong postpandemic recovery (Box 1.3).

Inflation in LAC (excluding Argentina and Venezuela) is expected to remain broadly stable at 4.3 percent in 2025, resuming its downward trend to reach 3.5 percent in 2026. Some countries are projected to remain within the target range (Paraguay, Peru, Uruguay), while inflation is expected to remain above the upper limit in others, converging gradually to the target (Brazil, Chile, Colombia, Mexico). Argentina is projected to continue making

Figure 1.7. Output Gap and Inflation Gap, 2024-26

Output is set to edge closer to potential in some countries as inflation gaps close.



Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

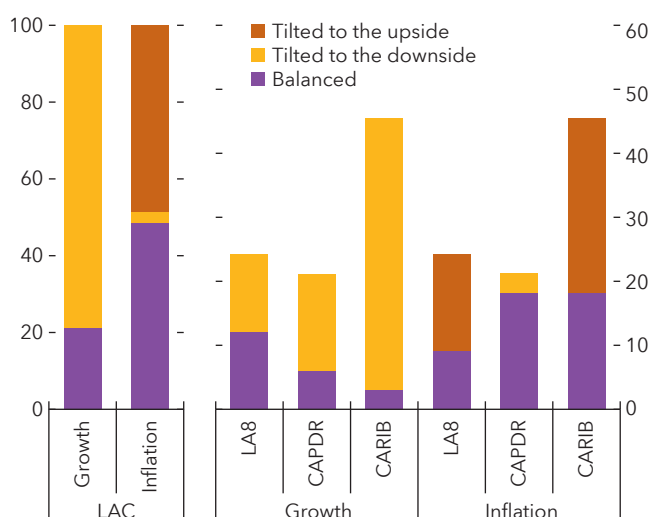
Note: Inflation gap is the deviation of end-of-period inflation from the inflation target. Data labels in the figure use International Organization for Standardization (ISO) country codes.

progress to curb inflation in the context of its stabilization program despite the recent peso depreciation. In CAPDR, inflation is expected to rise to 2.2 percent in 2025 and 3.3 percent next year, reflecting a pickup in dollarized countries with very low readings in 2024 (El Salvador and Panama) and Costa Rica, where inflation has been below the target since early 2023 (Box 1.2). For the Caribbean, external factors such as higher shipping and import costs are projected to lift inflation moderately in 2025, before dropping to 6.1 percent by the end of 2026 (Box 1.3).

The medium-term growth outlook for LAC remains lackluster, with output expected to grow at about 2½ percent annually, close to its low historical average and lagging its peers. This tepid outlook is partly due to slowing labor force growth, as population growth decelerates and population ages while labor participation has plateaued (IMF 2024c). Capital accumulation will likely stay at historic lows, reflecting also low public investment. Total factor productivity growth, though slightly improving, is projected to remain stagnant and low relative to peers, amid persistent resource misallocation (Chapter 2).

Figure 1.8. Growth and Inflation Risks
(Percent share of total number of LAC countries)

Downside risks to growth, balanced risks to inflation.



Source: IMF staff calculations.

Note: CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; LAC = Latin America and the Caribbean; LA8 = Latin America 8 (Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Downside Risks to Growth, Balanced for Inflation

Risks to growth remain tilted to the downside (Figure 1.8). At the global level, slower-than-expected growth in major economies, heightened global policy uncertainty, tighter financial conditions, and higher trade barriers and shipping costs could weigh on growth. On the domestic front, tighter-than-expected macroeconomic policies and more frequent or intense natural disasters pose downside risks for several countries. Potential trade diversion, stronger progress in long-standing reforms, and higher commodity prices pose upside risks to growth in some countries.

Risks to inflation are more balanced. Persistent services inflation, higher labor costs, and delays in fiscal consolidation could lead to higher inflation

while a stronger negative demand shock from trade policies and elevated uncertainty could put downward pressure on prices. Exchange rate movements and commodity price fluctuations pose risks in both directions.

1.5. Policy Recommendations

Fiscal Consolidation Is Critical and Cannot Be Further Delayed

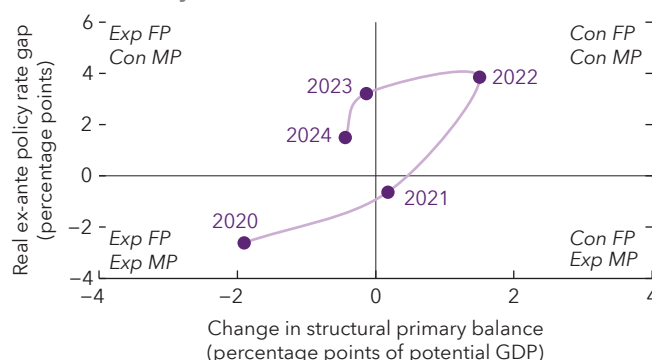
The uncertain external environment, high financing costs, and an unfavorable interest rate-growth differential in the region call for fiscal consolidation to reduce debt levels. Despite the timely withdrawal of policy support deployed during the pandemic, a rebalancing of the policy mix remains necessary, as fiscal policy has been expansionary amid tight monetary policy since 2022 (Figure 1.9, panel 1). Structural primary balances for 2025 and 2026 are projected to be lower than anticipated in October 2024 (Figure 1.9, panel 2), pointing to fiscal consolidation delays. Moreover, greater efforts would be needed to put debt on a downward path, and fiscal targets need to be supported by concrete actions, as they rely on measures yet to be identified in some

Figure 1.9. Fiscal Consolidation

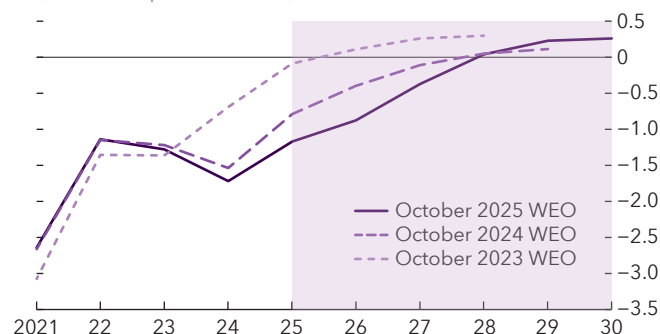
Fiscal policy has been expansionary amid tight monetary policy ...

... with consolidation further delayed.

1. LA7: Monetary and Fiscal Policies



2. LA7: General Government Structural Primary Balance (Percent of potential GDP)



Sources: Calderon, Dhungana, and Wales (forthcoming); Consensus Economics; Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.

Note: LA7 is simple average. For structural primary balance, Chile refers to the central government's structural non-mining primary balance, Colombia refers to the consolidated public sector's structural non-oil primary balance, and Peru refers to the nonfinancial public sector's structural primary balance. Con = contractionary; Exp = expansionary; FP = fiscal policy; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); MP = monetary policy.

countries. Fiscal consolidation is crucial for rebuilding buffers and would also support inflation convergence to targets, including through its impact on inflation and inflation expectations (Chapter 3). Addressing spending inefficiencies and implementing growth-friendly revenue mobilization should help protect investment and social spending (IMF 2021). Anchoring fiscal policy within credible multiyear frameworks underpinned by clear rules is instrumental for reducing debt and financing costs, supporting growth over time through a better investment climate.

Monetary Policy Should Remain Guided by Strong Policy Frameworks

The complex global environment calls for a cautious and data-driven approach to monetary policy to bring inflation back to targets while avoiding undue pressures on activity. In this context, monetary authorities should remain vigilant to global trade developments and financial conditions, inflation expectations, and fiscal policy stances. They should also strive to preserve the solid monetary policy frameworks established in recent decades, underpinned by reforms that enhance central bank independence. These reforms have served the region well in reducing inflation and better anchoring expectations, particularly in low-public-debt environments (Figure 1.10). Further steps to continue strengthening central banks' autonomy, capitalization, and governance will be instrumental for maintaining price stability and managing external shocks (Chapter 3). Where feasible, exchange rates should be allowed to absorb shocks, and, when warranted, the IMF's Integrated Policy Framework can guide foreign exchange market interventions to address financial stability risks from disorderly market conditions.

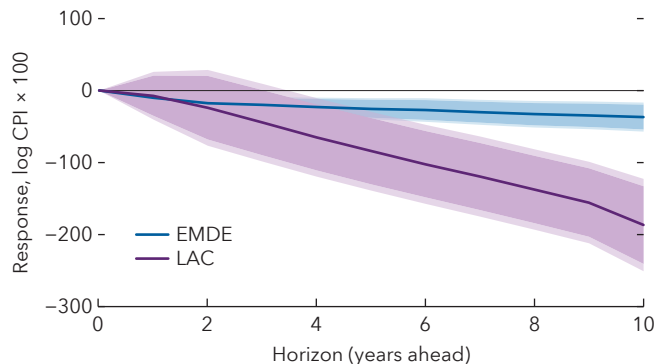
Addressing Structural Challenges

Advancing structural reforms will be crucial to address long-standing challenges and lift LAC's potential growth and living standards. These reforms are critical to cope with the shifting global environment and to foster investment amid heightened uncertainty, as short-term macroeconomic policies alone cannot achieve these goals. The lackluster productivity growth associated with persistent resource misallocation is among the most binding constraints in the region (Figure 1.11, panel 1), together with sluggish firm-level productivity growth (Chapter 2). Several frictions—for example, size-based policies, financial constraints, and limited competition—are likely behind

Figure 1.10. Central Bank Independence and Monetary Policy

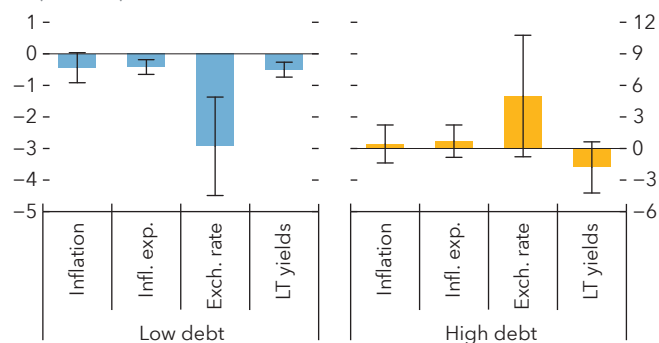
Central bank independence has helped to reduce inflation ...

1. Response of Inflation to Changes in CBI (Cumulative change of $100 \times \log \text{CPI}$)



... with monetary policy highly effective in low-debt economies.

2. Response to a 100-Basis-Point Monetary Policy Tightening Shock at 18-Month Horizon² (Percent)



Sources: Romelli (2024); and IMF calculations.

Note: CBI = central bank independence; CPI = consumer price index; EMDE = emerging market and developing economies; Exch. = exchange; Infl. exp. = inflation expectations; LAC = Latin America and the Caribbean; LT = long term.

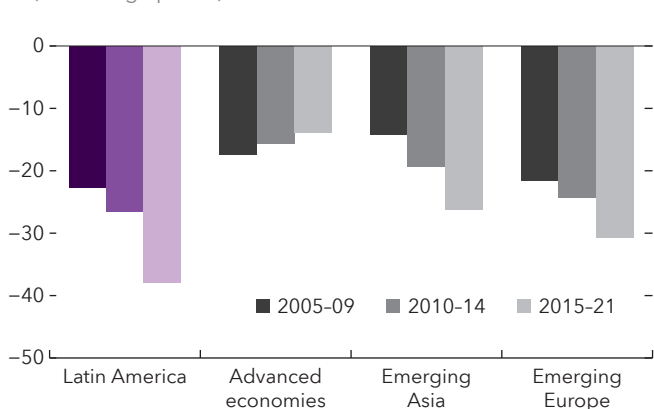
¹Local projection of cumulative change of 100 times the log of CPI in country i between year $t + h$ and year t on CBI index, over a 10-year horizon. Control variables are one lag of output gap, transformed CPI inflation, exchange rate regime, general government gross debt, a fiscal rule indicator, and US inflation. Solid line is the point estimate; dark and light-shaded areas are the 90 and 95 percent confidence bands, respectively.

²Change in the level of each of the variables at 18-month horizon from a local projection into monetary policy shocks from Checo, Grigoli, and Sandri (2024). Local projections specification is calculated as follows: $Y_{i,t+h} - Y_{i,t} = \alpha_c^h + \delta_i^h + \beta_i^h I_i + \gamma_i^h Interaction_{it} \times I_i + u_{it}$. Interaction is an indicator for each country that debt is higher than the 80th percentile. Plots depict the response to a 100 basis point shock. Left panel: β_i^h . Right panel: $\beta_i^h + \gamma_i^h$. Inflation, inflation expectations, and LT yields denote change in level of the variable (measured in percent). Exchange rates are measured in logs, and an increase denotes depreciation. Monthly frequency. Sample: Brazil, Chile, Colombia, Egypt, Hungary, India, Indonesia, Malaysia, Mexico, Nigeria, Peru, Philippines, Poland, Romania, Russia, South Africa, Thailand, Türkiye.

Figure 1.11. Total Factor Productivity and Trade Integration

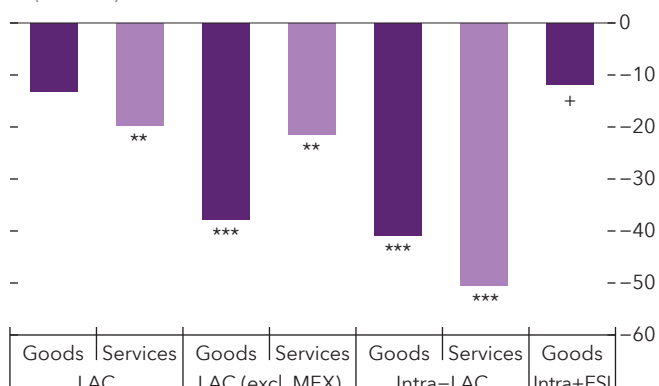
Low productivity growth partly reflects resource misallocation.

1. TFP Losses from Resource Misallocation¹ (Percentage points)



There are opportunities for enhancing trade in the region.

2. LAC: Trade Integration Relative to Peers After Accounting for Country Characteristics² (Percent)



Sources: Moody's Orbis; World Bank Enterprise Surveys (WBES); and IMF staff calculations.

Note: ESI = export similarity index; LAC = Latin America and the Caribbean; MEX = Mexico; TFP = total factor productivity.

¹Estimates for the entire economy from 2005 to 2021. Observations are reweighted to match the size distribution in the WBES. Advanced economies include Estonia, France, Germany, and Spain. Emerging Asia includes Malaysia, Thailand, and Vietnam. Emerging Europe includes Latvia, Lithuania, Poland, Romania, Slovak Republic, and Slovenia. Latin America includes Brazil, Colombia, and Mexico.

²Percent difference in each region's trade flows relative to non-LAC trade flows, conditional on population, GDP, distance, border, common language, and landlocked. ESI is the Spearman index for goods trade at the product level. *** $p < 1\%$, ** $p < 5\%$, * $p < 10\%$, + $p < 20\%$.

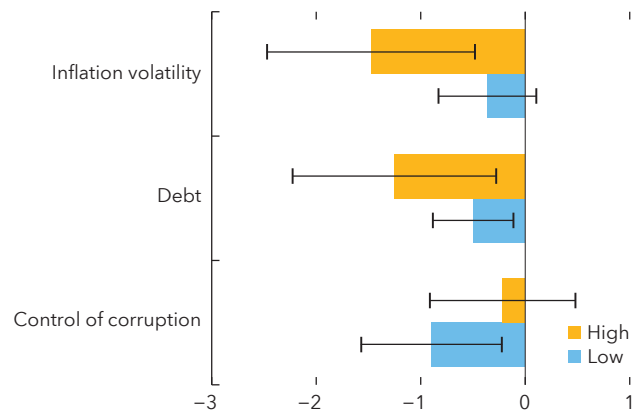
the weak business dynamism and the prevalence of small and inefficient firms in the region. Boosting productivity calls for eliminating barriers to factor reallocation and financing frictions that hinder firm expansion. Removing policy distortions, such as subsidies and differential tax treatment, could also strengthen incentives for firms to grow.

Low trade integration, including within the region, is also constraining growth in LAC (IMF 2023b). The recent changes in the international trade landscape underscore the need for the region to capitalize on opportunities to deepen global integration and foster trade diversification. With a few exceptions, regional exports rely heavily on commodity-related goods, and most countries are not integrated into global value chains (Box 1.1). The low level of integration is particularly striking when looking at intra-regional trade—it is between 40 and 50 percent lower than in regions with similar economic and geographic characteristics (Figure 1.11, panel 2). This is partly explained by shortfalls in transport- and customs-related infrastructure and, in some cases, weak governance and capacity constraints. Hence, the potential gains from improving infrastructure in the region are sizable. Streamlining regulatory frameworks and reaching trade agreements could help boost integration, investment, and growth.

Stronger governance, less volatile inflation, and lower debt are instrumental to foster growth, including by mitigating the negative impact from uncertainty (Figure 1.12). In recent years, improvements to policy frameworks have played a critical role in the ability of emerging markets to withstand risk-off shocks (IMF 2025a). In addition, improving security and addressing crime in the region, including by curtailing money laundering and combating the financing of terrorism, would further help boost investment, productivity, and long-term growth (IMF 2023c, 2025b).

Figure 1.12. Uncertainty and Effect on Real GDP by Domestic Vulnerabilities, Two Years After Shock

Uncertainty effects are more contained with stronger institutions and lower debt.



Source: IMF staff calculations.

Note: The estimates are derived from impulse responses of real GDP growth to a one-standard-deviation increase in the World Uncertainty Index using local projections. Online Annex 1 provides details on the estimation.

Box 1.1. Spillovers and Transmission Channels of Policy Shifts

The economic impact of recent policy shocks will depend on country-specific characteristics and vulnerabilities. Trade structure, commodity dependence, the degree of reliance on global capital markets, and the importance of remittances as a source of external income can all play a role in the propagation of shocks. These features can also amplify the negative effects of heightened policy uncertainty, which in turn could weigh on global growth, upend commodity markets, and affect financing conditions for the region.

The region's heterogeneous trade structure in terms of export destinations and participation in global value chains (GVCs) suggests that recent shifts in trade policy can have a larger effect in Central America, Panama, and the Dominican Republic (CAPDR) and Mexico, where the share of exports to the United States is higher than in the rest of the region (Box Figure 1.1.1, panel 1). As for participation in GVCs, exports from Latin America and the Caribbean (LAC) are used less as inputs in other countries' exports (forward, or upstream participation) relative to peers, whereas Mexico uses more imported inputs in its exports (backward, or downstream participation) (Box Figure 1.1.1, panel 2).¹ LAC is also characterized by its dependence on commodities (Box Figure 1.1.1, panel 3). Economies that rely on primary commodities could be particularly affected through lower export receipts and larger shifts in commodity terms of trade (Gruss 2014).² A slowdown in key trading partners (IMF 2025c) could also affect regional growth through lower demand for exports and, in some countries, through reduced tourism and remittance flows (IMF 2019a).³

The increase in policy uncertainty can also affect economic activity through several intertwined channels. It can impact growth by distorting consumption and investment decisions, especially in the presence of domestic vulnerabilities (Carrière-Swallow and Céspedes 2013; Bloom 2014; IMF 2025d). For LAC, the estimated immediate impact of uncertainty on growth is limited (Online Annex 1), but it becomes increasingly negative over time (Box Figure 1.1.1, panel 4). Importantly, this holds irrespective of whether the uncertainty is a result of global, regional, or domestic shocks.⁴ Heightened tensions and uncertainty can also trigger a reassessment of risk and assets valuation, leading to increased price volatility and higher risk premiums (IMF 2024d, 2025e). These developments can tighten financial conditions, raising financing costs (Box Figure 1.1.1, panel 5).

On balance, and despite the differences across countries, the impact of policy shifts and the associated increase in uncertainty on LAC growth is likely to be negative. This could be mitigated by a reconfiguration of trade patterns by redirecting exports where there appears to be trade potential (Figure 1.1.1, panel 6). The complex interplay of shocks and propagation channels makes the impact on inflation in the region less clear, but it is likely to be deflationary. The slowdown in global growth—a negative demand shock—and the US dollar depreciation are likely to ease pressures on inflation. However, for countries that are more integrated with the United States, ongoing developments could lead to a disruption of supply chains (a negative supply shock) that pushes inflation up. The overall effect would depend on monetary policy space to respond to shocks—including from exchange rate regimes, output and inflation gaps, anchoring of inflation expectations, and the level and composition of debt, in terms of both currency denomination and term structure.

The author of this box is Camila Casas.

¹ Overall, the region's participation in GVCs is significantly lower than in other emerging markets (IMF 2023b).

² The aggregate impact of changes in commodity prices and the changes in the terms of trade can mask country-specific differences (Gruss 2014). In general, trade theory suggests that the prices of goods with high (low) demand (supply) elasticities and a large share of demand by countries imposing tariffs would adjust the most in international markets.

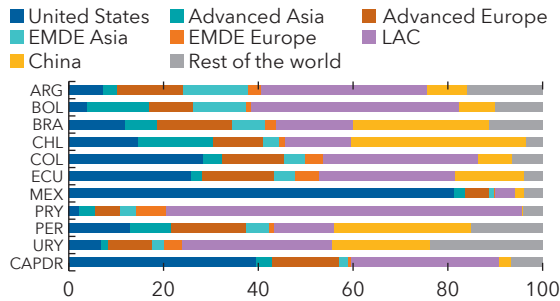
³ This impact will depend on the correlation with the United States and/or China's GDP growth (Ahuja and Nabar 2012; Duval and others 2014; Dizioli and others 2016; Kose and others 2017).

⁴ Online Annex 1 shows the statistical decomposition of the World Uncertainty Index (WUI) as well as impulse-responses of growth to a shock in each component of the WUI.

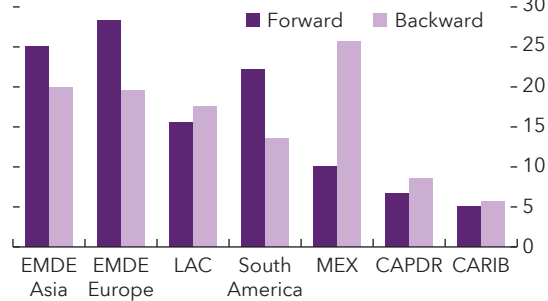
Box 1.1. (continued)

Box Figure 1.1.1. Trade and Effect of Uncertainty on LAC Economic Activity and Financial Conditions**1. Goods Exports by Destination**

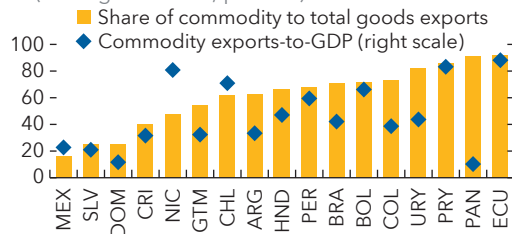
(Average 2018–24 excluding 2020; percent)

**2. Forward and Backward GVC Participation¹**

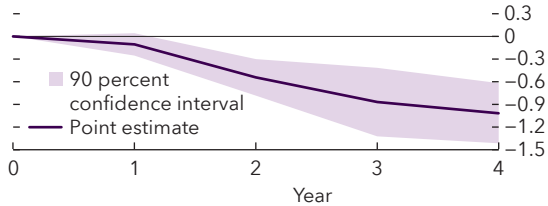
(Average 2015–18; percent of gross exports)

**3. Commodity Exports²**

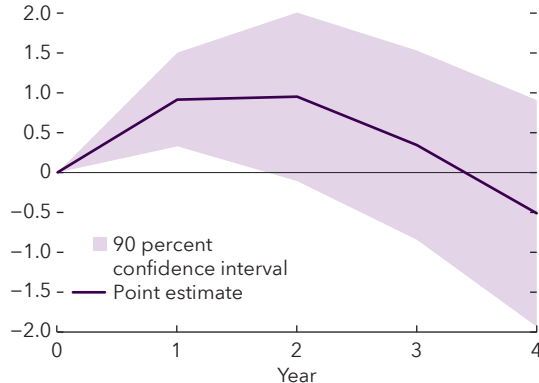
(Average 2018–24; percent)

**4. Response of Real GDP Growth to a One-Standard-Deviation Increase in Uncertainty**

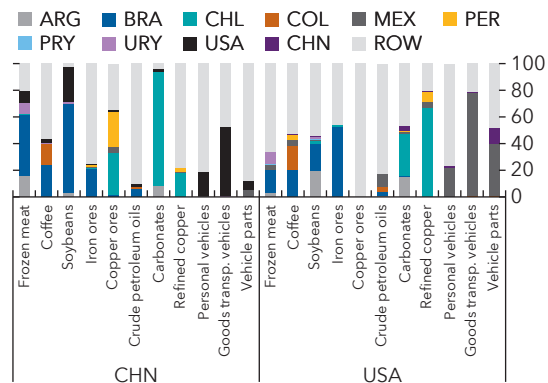
(Percent)

**5. Response of Sovereign Spread to a One-Standard-Deviation Increase in Uncertainty**

(Percent)

**6. The United States and China's Imports by Origin: LA8 Top Export Products, 2022–24³**

(Percentage of goods imports)



Sources: EORA Global Supply Chain database; IMF, Direction of Trade Statistics database; IMF, World Economic Outlook database; Trade Data Monitor; UN Comtrade (Standard International Trade Classification Revision 4, SITC Rev. 4); World Bank, World Integrated Trade Solution; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; EMDE = emerging market and developing economies; GVC = global value chains; LAC = Latin America and the Caribbean; LA8 = Latin America 8 (Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); ROW = rest of the world; transp. = transport.

¹Forward participation refers to the export of inputs used in the importing country's exports. Backward participation refers to the use of imported inputs in exports.

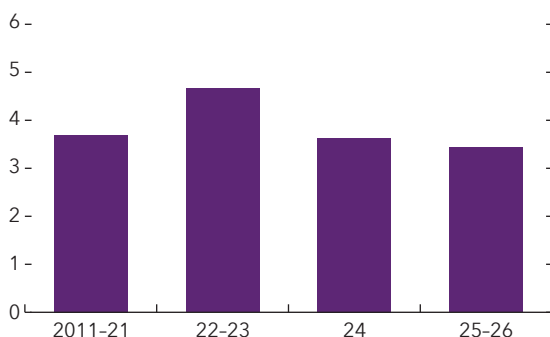
²Commodity exports include SITC Rev. 4 codes 0–4 for traditional (non-manufactured) commodities.

³Country aggregates are calculated as the total nominal imports in US dollars at the HS4-digit level. Selected LA8 top export products are HS4-digit items accounting for more than 10 percent of exports to the United States and China. Carbonates include percarbonates.

Box 1.2. CAPDR in Changing Migration and Trade Policy Environments

In Central America, Panama, and the Dominican Republic (CAPDR), real GDP growth eased in 2024—to 3.6 percent—and continued to do so in the first half of 2025. Growth is projected to ease further

Box Figure 1.2.1. CAPDR: Real GDP Growth
(Year-over-year percent change)

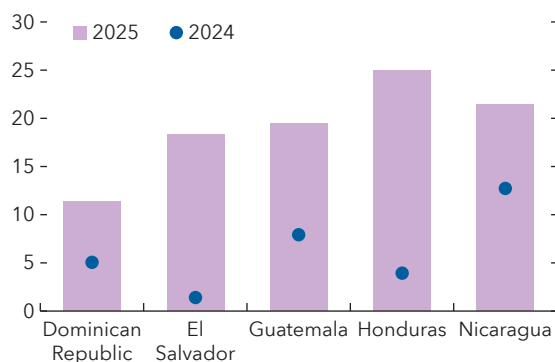


Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Aggregate is simple average. CAPDR = Central America, Panama, and the Dominican Republic.

to 3.4 percent in 2025–26 (Box Figure 1.2.1), reflecting weaker growth in key trading partners and elevated global uncertainty weighing on the region’s exports and private investment. Domestic activity remains supported by resilient consumption. Remittances are anticipated to stay robust through 2025 supported by precautionary transfers, and to start easing from 2026 onward. Inflation is projected to remain broadly unchanged from 2024—with a sharper disinflation expected in Nicaragua and a rise in inflation in Costa Rica toward the 3 percent target, from very low levels.

Box Figure 1.2.2. CAPDR: Remittances Growth
(January to August cumulative; year-over-year percent change)



Sources: National authorities; and IMF staff calculations.
Note: For Nicaragua, data for May is estimated by IMF staff and changes shown are for January to May cumulative. CAPDR = Central America, Panama, and the Dominican Republic.

The growth of remittances accelerated in the first half of 2025—consistent with temporary precautionary transfers—but is projected to decline going forward amid US migration policy tightening. The growth rate of remittances to CAPDR in January–August 2025 was much higher than that in 2024 (Box Figure 1.2.2). This was not the result of the US labor market: US Hispanic unemployment rose, which should have reduced remittances growth.¹ Data for El Salvador and Nicaragua show that the rise primarily reflected larger per-transfer amounts. The recent rise in remittances is projected to unwind as tighter US migration policies are expected to outweigh increased transfers from remaining migrants, thereby leading to a decline in remittances (especially as a percent of GDP) from 2026 onward. For CAPDR, the United States has terminated the parole program for Nicaragua, and the Temporary Protected Status for Nicaragua and Honduras. IMF staff estimates show an increase in repatriations from the United States to CAPDR countries in 2025, in particular starting in May (Box Figure 1.2.3).

The authors of this box are Juan Pablo Celis and Alexander Culiuc, with research analysis by Manuel Escobar and Alfredo Alvarado. Bas Bakker, Alina Carare, and Varapat Chensavasdijai provided useful edits and suggestions.

¹ An improvement in the host country’s economic conditions (as measured by the US Hispanic unemployment rate or US real wages) is associated with an increase in remittances and explains a significant share of the region’s remittance dynamics. For example, see Babii and others (2022).

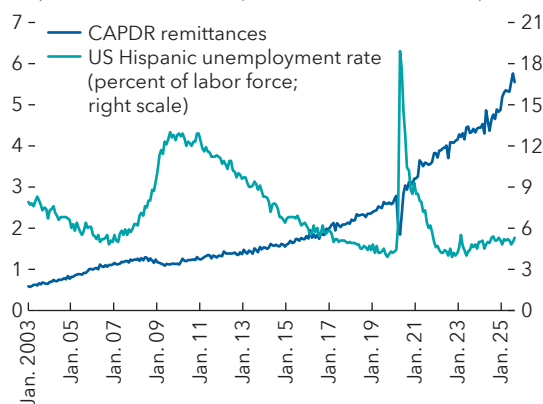
Box 1.2. (continued)

Box Figure 1.2.3. CAPDR: Remittances and Repatriations Developments

Remittances growth points to precautionary savings being transferred in 2025, rather than changes in US labor market ...

1. Remittances to CAPDR and US Unemployment Rate¹

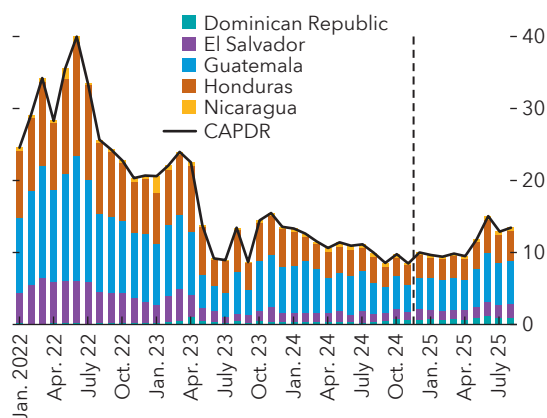
(Billions of US dollars, unless noted otherwise)



... and the latest data suggest that repatriations are trending upward, although they are still below their 2022 high.

2. Repatriations to CAPDR²

(Thousands of persons)



Sources: National authorities; US Bureau of Labor Statistics; US Department of Homeland Security; US Immigration and Customs Enforcement (ICE); and IMF staff calculations.

Note: Includes the Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. CAPDR = Central America, Panama, and the Dominican Republic.

¹Seasonally adjusted. For Nicaragua, data for May is estimated by IMF staff. Remittances data for June to August 2025 excludes Nicaragua.

²Repatriations include administrative and enforcement returns, removals and Title 42 expulsions. Since December 2024, repatriations are estimated using ICE book-ins. The repatriations-to-book-ins ratio is calculated through November 2024 and projected to remain constant. Since data for book-ins are published through August 2025, this allows to estimate the repatriations in 2025.

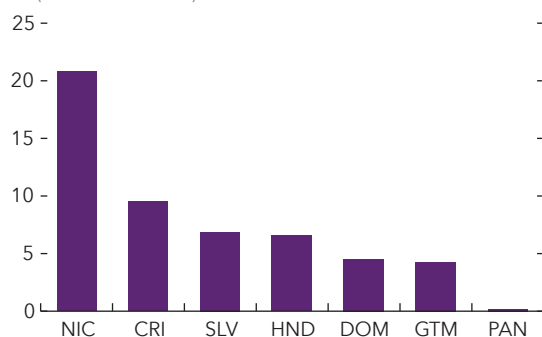
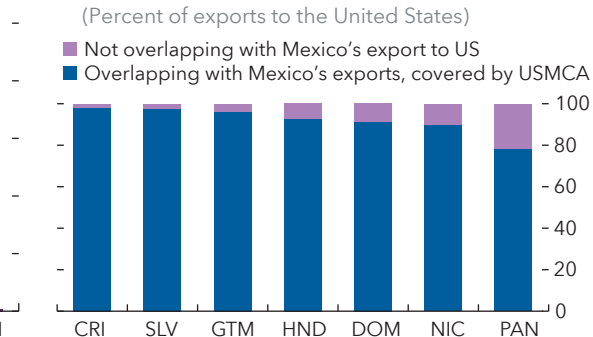
Most of CAPDR is subject to relatively low US import tariffs, but the region's reliance on the US market combined with an export basket heavily overlapping with that of Mexico poses risks. The United States is the largest market for CAPDR: exports constitute between a third and a half of all exports, accounting for 4-21 percent of GDP (except Panama, where goods exports are a small share of GDP).

Risks associated with this reliance are partly mitigated by the fact that CAPDR countries (except Costa Rica and Nicaragua)² face the baseline 10 percent tariff in the US market, comparatively lower than in other emerging markets. However, as shown in Box Figure 1.2.4, a significant share of products that CAPDR countries export to the United States are also exported by Mexico, and virtually all of these products are covered by the US-Mexico-Canada Agreement (USMCA). As of now, Mexico faces no tariffs on these products on the US market, which puts CAPDR at a competitive disadvantage.³ In addition, since CAPDR producers are not deeply integrated in USMCA-based supply chains, any indirect benefits from a potential expansion of intra-USMCA trade would be limited.

² As of August 7, 2025, announced tariffs are 15 percent for Costa Rica and 18 percent for Nicaragua, broadly in line with the World Trade Organization trade-weighted world average of about 18 percent.

³ The direction of trade diversion is subject to uncertainty, as the tariff landscape is rapidly evolving.

Box 1.2. (continued)

Box Figure 1.2.4. CAPDR Goods Exports to the United States and Their Overlap with Mexico's Goods Exports**1. CAPDR: Exports to the United States, 2023**
(Percent of GDP)**2. CAPDR: Overlap with Mexico's Exports to the United States**
(Percent of exports to the United States)

Sources: IMF, Direction of Trade Statistics; UN Comtrade; and IMF staff calculations.

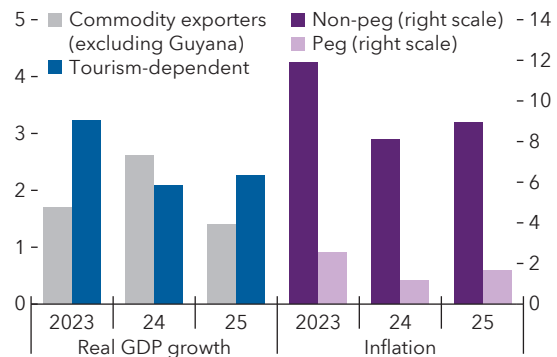
Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. CAPDR = Central America, Panama, and the Dominican Republic; USMCA = US-Mexico-Canada Agreement.

Box 1.3. The Caribbean: Navigating External Uncertainties with Fiscal Resilience

Real GDP growth in the region—excluding Guyana and Haiti—is projected to rise to 1.9 percent in 2025, after a slight easing in 2024 following the strong post-pandemic recovery (Box Figure 1.3.1).¹ In 2024, tropical cyclones (especially hurricane Beryl) dented growth in some tourism-dependent economies (for example, Jamaica), and an ongoing security crisis continued to weigh on Haiti. Meanwhile, Guyana's oil and non-oil growth remained exceptionally strong. In 2025, tourism-dependent countries are expected to experience broadly stable growth—supported by expanding tourism capacity, increased construction activity, and a rebound from the storm-related slowdown. Activity in commodity-exporting economies is projected to expand modestly in 2025, supported by higher energy production and a resilient non-energy sector. In Haiti, growth is projected to contract for the seventh consecutive year because of persistent insecurity, which has displaced over 1.3 million people internally. The direct impact of the US tariffs on the region has been limited so far, as a large portion of its exports to the United States is exempt from tariffs. Inflation in the Caribbean is expected to rise moderately to 6.9 percent (year over year) in 2025, up from 6.1 percent in 2024. This uptick is driven by higher import prices and the pass-through effect of the US dollar depreciation in economies with currency pegs. Inflation is anticipated to begin easing in 2026.

Risks to growth are tilted to the downside, whereas inflation is subject to upside risks. For tourism-dependent countries, key risks include a potential slowdown in major tourism source markets, particularly the United States. Economies reliant on Citizenship-by-Investment (CBI) programs may see reduced fiscal revenues amid heightened international scrutiny. For commodity exporters, commodity price volatility and weaker-than-expected global growth could dampen economic performance. The region's high vulnerability to natural disasters also poses a threat to infrastructure and economic activity. In Haiti, policy changes in the United States—for example, expiration of the Temporary Protected Status, termination of HOPE/HELP preferential trade access for textiles and apparel, and the one percent remittance tax—coupled with increasing gang violence could deepen the humanitarian and economic crises. On the inflation front, unexpected price increases in key trading partners, commodity price increases (for example, food or oil), exchange rate movements, or supply-chain disruptions linked to geopolitical tensions could lead to higher inflation.

Box Figure 1.3.1. Real GDP Growth and Inflation (Percent)



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

Note: Real GDP growth is based on purchasing-power-parity GDP-weighted averages, and inflation is presented as annual averages. The 2025 figures are IMF staff forecasts. Haiti is not classified as a tourism-dependent or commodity-exporting country. Because of idiosyncratic factors, Haiti experienced negative growth rates over the period.

The authors of this box are Junghwan Mok, Peter Nagle, and Jongsoon Shin, with research analysis from Spencer Siegel.

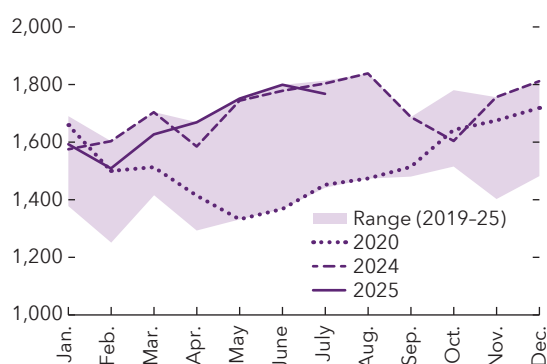
¹ Guyana and Haiti are excluded from the average growth rates for the Caribbean, as both are outliers in terms of economic performance: (i) Guyana had one of the world's highest growth rates in 2024 (43.6 percent) because of a ramp-up in oil production; and (ii) in Haiti, a multidimensional crisis, driven by global and country-specific shocks, resulted in negative growth rates over the period.

Box 1.3. (continued)

Exposure to Trade Policy Uncertainty

Caribbean economies—affected by geographic isolation with difficult production and trade logistics and a heavy dependence on imported goods—are highly vulnerable to shifts in global trade policy. So far, high-frequency data through July indicate that import volumes are broadly comparable to 2024 levels

Box Figure 1.3.2. Monthly Import Volumes
(Thousands of metric tons)



Sources: Portwatch; and IMF staff calculations.

Note: The figure shows cargo import volumes only and excludes Guyana.

(Box Figure 1.3.2), suggesting a still-limited impact of policy changes on the region's international trade. Nevertheless, persistent trade policy uncertainty—particularly if it translates into elevated shipping and import costs—can increase inflation and erode the region's tourism competitiveness, primarily by disrupting supply chains. As a result, diversifying import sources geographically emerges as a strategic way to bolster economic resilience over time.

Navigating External Uncertainties with Fiscal Resilience

Global policy uncertainties also underscore the need for stronger policy buffers. Although several Caribbean countries have made notable progress in reducing debt-to-GDP ratios since the pandemic, public debt levels remain elevated, constraining the authorities' ability to

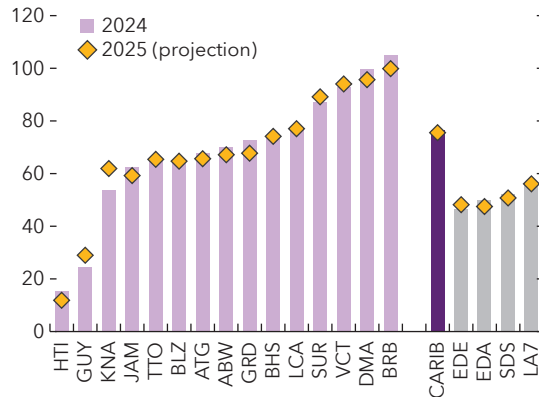
respond effectively to external shocks (Box Figure 1.3.3). Moreover, debt sustainability concerns may limit growth-enhancing investments—particularly in education, health, and infrastructure—which are vital to reversing the region's decline in potential growth (see Box 2 of IMF 2024b for more details).

In this context, strengthening fiscal policy frameworks and rebuilding fiscal buffers are critical to safeguard macroeconomic resilience. IMF staff analysis suggests that the region—excluding Guyana and Haiti—is currently operating approximately 8.5 percent of GDP below its estimated tax potential, highlighting ample scope for tax revenue mobilization (Box Figure 1.3.4). Priority reforms could include broadening the tax base, reducing distortionary tax exemptions, and strengthening tax administration capacity. At the same time, improving public spending efficiency—by streamlining overlapping expenditures and prioritizing capital investments—can elevate the quality of fiscal adjustments.

Taken together, these reforms will support a more sustainable public debt trajectory while safeguarding public investment and targeted social protection for the most vulnerable.

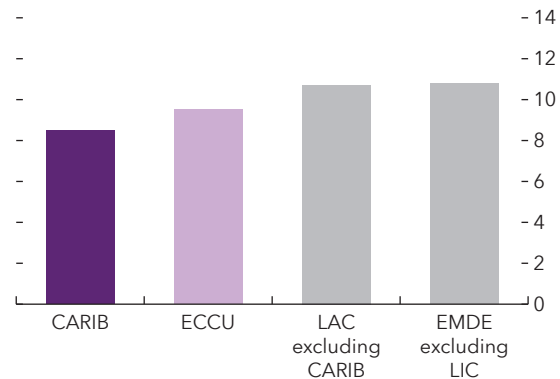
Box 1.3. (continued)

Box Figure 1.3.3. General Government Gross Debt
(Percent of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are simple averages. CARIB = Caribbean (excluding Guyana and Haiti); EDA = emerging and developing Asia; EDE = emerging and developing Europe; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); SDS = small developing states (excluding Caribbean).

Box Figure 1.3.4. Average Tax Gap: Difference between Tax Revenue and Potential
(Average 2014–18; percent of GDP)



Sources: Rayner and others (2022); and IMF staff calculations.
Note: The results are obtained from a stochastic frontier analysis with 2000–19 data from 127 EMDEs. CARIB = Caribbean (excluding Guyana and Haiti); ECCU = Eastern Caribbean Currency Union; EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean; LIC = low-income countries.

Box 1.4. Latin America 8 and Other South American Countries: Country Focus

In *Argentina*, tight fiscal and monetary policies under the new Extended Fund Facility (EFF) program have supported the transition to a more flexible exchange rate regime and the easing of most foreign exchange (FX) restrictions. Annual core inflation continues to gradually fall, while activity has softened more recently, also reflecting election-related shocks and uncertainties. Sustained efforts are needed to maintain the fiscal anchor, strengthen the monetary and liquidity management framework, and boost reserve buffers to facilitate durable access to international capital markets. Under baseline policies, real GDP growth is projected to moderate from around 4½ percent this year to 4 percent in 2026, with annual inflation falling from around 28 percent by the end of 2025 to around 7–12 percent by the end of 2026.

Having shown a remarkable resilience in the past three years, growth in *Brazil* is expected to moderate in 2025. GDP growth is forecast to slow to 2.4 percent amid tight monetary policy, a scaling back of fiscal support, and increased global uncertainty. Higher US tariffs are expected to have a relatively minor effect on the Brazilian economy, for several reasons: the United States is Brazil's third-biggest export market (about 12 percent) after China (30 percent) and the European Union (14 percent); targeted products represent only about 36 percent of Brazil's exports to the United States; and many are commodities, which can be redirected elsewhere. Headline inflation has declined in recent months and is projected at 4.9 percent for the end of 2025, above the target tolerance interval, while inflation expectations remain above the target. As a result, continued monetary restraint remains appropriate; staff expects inflation to gradually converge to the 3 percent target by the end of 2027. At about 0.6 percent of GDP, the primary fiscal deficit is expected to remain within the target tolerance interval in 2025 after allowed deductions. The authorities' commitment to improving the fiscal position, while protecting targeted social support and investment spending, is welcome. To put public debt on a firmly downward path and open space for priority investments, IMF staff recommends a sustained and ambitious fiscal effort.

In *Bolivia*, economic conditions have deteriorated markedly in 2025. Liquid international reserves are nearly depleted, and the boliviano has been trading at an average of nearly twice the official exchange rate in parallel markets, forcing large import compression. Inflation surged to 24 percent as of August because of high import costs and supply bottlenecks, including prolonged fuel shortages. Food inflation reached 37 percent. External pressures are mounting as external financing remains limited, and a 36 percent year-over-year fall in gas exports widened the trade deficit to 1.1 percent of yearly GDP in the first half of 2025. GDP growth fell to 0.7 percent in 2024 and is expected to moderate further in 2025. Fiscal imbalances remain large, with the 2025 deficit projected above 10 percent of GDP, mostly financed by the central bank, and debt nearing 100 percent of GDP. Urgent steps are needed to restore macroeconomic stability, including a credible fiscal consolidation program, realignment of the exchange rate, and supply-side reforms to boost growth and support reserve accumulation.

Chile's economy is expected to grow by 2.5 percent in 2025, supported by continued strong export growth and recovering private consumption and investment, before moderating to 2.0 percent growth in 2026 because of global trade tensions. Inflation is likely to converge toward the 3-percent target early in 2026, as the effects of electricity price hikes dissipate. The central government fiscal deficit is projected to narrow to 2.1 percent of GDP in 2025, a notable consolidation but less than envisaged by the authorities (1.5 percent of GDP) with the difference reflecting uncertainty about the implementation of corrective measures. Over the medium term, additional fiscal efforts of about 1.5 percent of GDP are needed to reach a broadly balanced fiscal position by 2028.

The authors of this box are the Latin America 8 (Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay) and other South America country teams.

Box 1.4. (continued)

Colombia's real GDP growth is projected to reach around 2½ percent in 2025 but is expected to decline somewhat in 2026 because of planned fiscal adjustment. Inflation is expected to gradually fall to about 4½ percent by the end of 2025 and reach the 3 percent target by early 2027, conditional on tight monetary policy and the resumption of fiscal restraint. A decisive and credible fiscal adjustment is urgently needed to re-anchor expectations, lower borrowing costs, and improve the overall policy mix. Meeting the revised 2025 deficit target (7.1 percent of GDP) will still require immediate spending cuts and a reduction in budgetary backlogs. The proposed fiscal plan over 2026–28 will require a structural adjustment to be underpinned by fundamental reforms. Given fiscal slippages and the upside risks to inflation, monetary policy should remain tight, with rate cuts proceeding at a backloaded pace.

In *Ecuador*, the economy is recovering well from last year's recession after the electricity supply normalized, with growth expected to reach 3.2 percent in 2025, despite recent weather-related oil production disruption. Inflation remains low at only 0.8 percent year-over-year as of August 2025. Strong current account performance, driven by high non-oil trade surplus and sizable remittance inflows, is helping build external buffers and improve liquidity in the domestic financial system. Fiscal performance remains satisfactory and broadly in line with program targets, as the authorities continue to pursue measures to firmly place public finances on a sustainable path while protecting vulnerable populations.

In *Mexico*, economic activity has been slow since mid-2024, reflecting capacity constraints, fiscal tightening, and a restrictive monetary stance. The introduction of U.S. tariffs added to these headwinds, mainly as uncertainty dampened consumption and investment. As a result, growth in 2025 has remained subdued. A modest pickup in activity is anticipated for 2026 as the drag from fiscal and monetary policies eases. However, tariffs and lingering trade uncertainty will continue weighing on growth. Inflation is projected to gradually converge to the target by the second half of 2026, accompanied by a gradual decline in the policy rate. While medium-term fiscal consolidation is planned, a more front-loaded and ambitious deficit reduction is needed to put debt-to-GDP on a downward trajectory.

Paraguay's growth momentum continues backed by strong domestic demand with real GDP expected to expand 4.4 percent in 2025, and 3.7 percent in 2026. Medium-term growth prospects remain robust supported by foreign investment and structural reforms. Monetary policy remains data-driven as inflation is contained and medium-term inflation expectations are firmly anchored around the central bank target. Fiscal consolidation is proceeding as planned. The fiscal deficit would reach 1.9 percent of GDP this year, down from 2.6 percent of GDP in 2024, and the 2026 draft budget envisages a further reduction to 1.5 percent of GDP, which would restore compliance with the Fiscal Responsibility Law. Public debt remains relatively low at around 42 percent of GDP and trades with one of the lowest risk spreads in the region. Increased issuance of local-currency-denominated bonds both in the domestic and global capital markets is helping de-dollarize public debt.

In *Peru*, after a strong recovery in 2024, a favorable momentum in private investment and consumption continues but is moderating. The economy is expected to grow at 2.9 percent in 2025, amid global policy uncertainty and pre-election tensions. Low inflation, an improving labor market, and buoyant business expectations have supported strong domestic demand. Strong terms of trade are sustaining a current account surplus. With headline inflation expected to remain firmly within the 1–3 percent target range, a broadly neutral monetary policy stance is adequate. The fiscal deficit has fallen, after increasing in 2024, but additional measures will be needed to meet the 2025 fiscal deficit target. In the medium term, fiscal

Box 1.4. (continued)

consolidation measures are necessary to ensure compliance with the fiscal targets and maintain public debt low and on a sustainable downward path, while structural reforms are urgently needed to lift potential growth.

Domestic demand and exports are expected to support *Uruguay's* GDP growth of 2.5 percent in 2025 and 2.4 percent in 2026. Inflation is projected to consolidate around the Central Bank's target of 4.5 percent. The monetary policy stance has been appropriately contractionary, with recent declines in policy rates justified by lower inflation and inflation expectations. The fiscal deficit of the nonfinancial public sector, including *cuarentones*, is expected to increase to 3.3 percent of GDP in 2025. The new five-year budget law and a new fiscal rule with expanded mandate for the fiscal council are expected to lead to a reduction of the deficit by 1.5 percent of GDP over 5 years, permitting a stabilization in the debt-to-GDP ratio in the medium term.

In *Venezuela*, growth is forecast to decelerate to 0.5 percent in 2025 amid mounting macroeconomic challenges. Trade and political uncertainty have increased, reigniting economic distortions and weighing on domestic demand. Despite a relatively strong performance from the oil sector (at about one million barrels per day), lower oil prices, larger price discounts, and logistical issues have weakened oil export proceeds, triggering a generalized FX scarcity. Fiscal deficit has widened, leading to a larger monetary financing of the deficit. Against this background, the depreciation of the Bolivar exchange rate is expected to continue, with the Bolivar losing about 80 percent of its value in 2025. Despite larger FX interventions and efforts to control price increases, inflation will reverse its 6-year downward trend and rise to about 549 percent. Venezuela remains in a deep economic, political, and humanitarian crisis, which has led to about 8 million people (25 percent of the population) leaving the country since 2014.

Box 1.5. Argentina's Structural Reform Agenda

Since December 2023, the Milei administration has implemented an ambitious package of market-oriented reforms to boost productivity and growth. Reforms have focused on eliminating entrenched barriers in trade, lifting stringent financial, product, and labor market regulations, and enacting governance reforms.

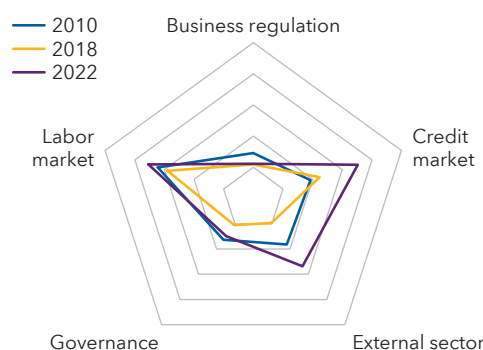
Background

Argentina has faced substantial structural impediments to growth that worsened during 2010–22 (Box Figure 1.5.1) resulting from (1) harsh restrictions and heavy price, interest rate, and foreign exchange (FX) controls; (2) stringent product and labor market regulations that discouraged formal employment and increased the cost of doing business; and (3) a deterioration in regulatory quality, government effectiveness, and overall governance and transparency.

Core Reform Areas

- **Trade Liberalization**—To boost trade and competition, the Milei administration has reduced numerous (and highly discretionary) tariff and non-tariff trade barriers, eased most FX restrictions (although some were reintroduced recently), simplified customs procedures through digitalization, and better aligned regulations with international norms. A new investment regime (RIGI) has secured commitments of over 15 billion dollars in foreign direct investment (FDI), primarily in energy and mining.
- **Financial Deregulation**—To foster credit and investment, as well as improve monetary policy transmission, interest rate controls on loans and deposits were removed, and new financial instruments were introduced. The securities regulator shifted focus to market-friendly post-issuance oversight, making capital markets more accessible.
- **Product Market Deregulation**—To remove market distortions, reduce administrative burdens, and enhance competition, over 1,000 regulations were repealed or amended across key sectors such as oil, gas, mining, electricity, transportation, retail, and real estate.
- **Labor Market Modernization**—As a first step toward improving labor market flexibility, regulations were updated to permit sectoral collective bargaining, simplify the tax system for independent workers, and extend the trial periods for new hires.
- **State Transformation**—To streamline the state, increase efficiency, reduce intervention, and improve transparency, numerous regulations were issued enabling the streamlining of public entities, the closing of trust funds, and the conversion of state-owned enterprises to joint-stock companies ahead of their privatization. Administrative processes were also modernized, and a civil service reform was put in place.

Box Figure 1.5.1. Evolution of Structural Gaps
(Compared to Emerging Markets Frontier)



The author of this box is Tannous Kass-Hanna.

Box 1.5. (continued)**Ongoing Agenda and Outlook**

After the expiration of delegated executive powers in July 2025, the administration has launched the “Zero Bureaucracy” initiative to further reduce red tape and gather public input to further reduce regulatory burdens. Additional efforts to reform labor markets and tax policy are seen as vital for addressing informality and boosting productivity. The IMF expects that, if sustained and deepened, these reforms could generate significant medium-term gains by opening Argentina’s economy, improving the quality and predictability of the regulatory and tax regime, and streamlining administrative procedures.¹ These policies will need to be complemented by efforts to address governance weaknesses and to close critical infrastructure and skills gaps.

¹ See Box 5 of IMF (2025f) for a discussion on the potential output gains from structural reforms.

Appendix Table 1.1. Western Hemisphere: Main Economic Indicators¹

	Real GDP Growth (Year-over-year percent change)					Inflation ² (End of period; percent)					External Current Account Balance (Percent of GDP)				
	2022	2023	2024	Projections		2022	2023	2024	Projections		2022	2023	2024	Projections	
				2025	2026				2025	2026				2025	2026
North America	2.8	2.9	2.6	1.8	2.0	6.6	3.4	2.8	2.7	2.3	-3.4	-3.0	-3.6	-3.6	-3.3
Canada	4.2	1.5	1.6	1.2	1.5	6.6	3.2	1.9	2.0	2.1	-0.3	-0.6	-0.5	-1.4	-1.3
Mexico	3.7	3.4	1.4	1.0	1.5	7.8	4.7	4.2	3.7	3.0	-1.3	-0.7	-0.9	-0.2	-0.3
United States	2.5	2.9	2.8	2.0	2.1	6.4	3.2	2.7	2.6	2.2	-3.8	-3.3	-4.0	-4.0	-3.6
Puerto Rico ³	3.0	0.5	3.2	-0.8	-0.1	6.1	1.9	1.9	1.9	2.5	...	...	...	...	...
South America	4.1	1.7	2.3	2.7	2.2	18.4	24.4	16.8	8.0	4.6	-2.7	-1.5	-1.1	-1.6	-1.5
Argentina	6.0	-1.9	-1.3	4.5	4.0	94.8	211.4	117.8	28.0	10.0	-0.6	-3.2	0.9	-1.2	-0.4
Bolivia	3.6	3.1	0.7	0.6	...	3.1	2.1	10.0	26.2	...	2.6	-2.5	-3.0	-3.4	...
Brazil	3.0	3.2	3.4	2.4	1.9	5.8	4.6	4.8	4.9	3.7	-2.2	-1.3	-2.7	-2.5	-2.3
Chile	2.2	0.5	2.6	2.5	2.0	12.8	3.9	4.5	3.7	3.0	-8.8	-3.1	-1.5	-2.5	-2.2
Colombia	7.3	0.7	1.6	2.5	2.3	13.2	9.3	5.2	4.4	3.1	-6.0	-2.3	-1.7	-2.3	-2.6
Ecuador	5.9	2.0	-2.0	3.2	2.0	3.7	1.3	0.5	3.6	1.7	1.9	1.9	5.7	4.9	3.4
Paraguay	0.2	5.0	4.2	4.4	3.7	8.1	3.7	3.8	4.0	3.5	-7.0	-0.4	-3.9	-3.5	-3.7
Peru	2.8	-0.4	3.3	2.9	2.7	8.5	3.2	2.0	2.0	2.0	-4.0	0.3	2.2	1.8	1.2
Uruguay	4.5	0.7	3.1	2.5	2.4	8.3	5.1	5.5	4.0	4.5	-3.8	-3.4	-1.0	-1.4	-1.5
Venezuela	8.0	4.0	5.3	0.5	-3.0	234.0	190.0	47.2	548.6	628.8	4.0	5.8	4.9	4.2	2.5
CAPDR	5.5	4.0	3.9	3.4	3.8	7.5	2.7	1.8	2.2	3.3	-2.9	-1.1	-0.4	-0.1	-1.0
Costa Rica	4.6	5.1	4.3	3.6	3.3	7.9	-1.8	0.8	0.1	3.0	-3.3	-1.4	-1.4	-1.9	-2.1
Dominican Republic	5.2	2.2	5.0	3.0	4.5	7.8	3.6	3.3	3.7	4.0	-5.8	-3.7	-3.3	-2.5	-2.5
El Salvador	2.9	3.5	2.6	2.5	2.5	7.3	1.2	0.3	0.7	1.2	-6.7	-1.1	-1.8	-0.8	-1.8
Guatemala	4.2	3.5	3.7	3.8	3.6	9.2	4.2	1.7	2.2	4.0	1.2	3.1	2.9	3.9	2.2
Honduras	4.1	3.6	3.6	3.8	3.5	9.8	5.2	3.9	4.9	4.0	-6.7	-3.9	-4.4	-0.4	-2.5
Nicaragua	3.6	4.4	3.6	3.0	2.9	11.6	5.6	2.8	2.0	2.7	-2.9	8.2	4.2	7.1	2.1
Panama	11.0	7.2	2.7	4.0	4.0	2.1	1.9	-0.2	0.7	2.0	0.0	-3.1	1.9	-0.9	-1.7
Caribbean	13.6	8.1	12.1	3.6	8.2	15.3	8.8	6.1	6.9	6.1	4.5	1.7	2.6	-0.2	-0.6
Caribbean: Tourism Dependent	9.2	3.2	2.1	2.3	2.0	7.3	4.4	2.7	2.8	3.0	-5.7	-3.4	-2.5	-3.2	-3.4
Antigua and Barbuda	9.1	2.4	3.7	2.5	2.5	9.2	3.3	5.4	3.0	2.0	-15.6	-13.5	-8.2	-11.0	-10.4
Aruba	5.1	7.7	6.8	2.0	2.2	5.7	2.3	0.3	1.9	2.1	6.5	5.6	9.5	10.1	9.2
The Bahamas	10.9	3.0	3.4	2.2	2.1	5.5	1.9	0.0	0.6	1.4	-8.9	-7.0	-7.6	-7.6	-7.3
Barbados	17.8	4.1	4.0	2.7	2.1	3.8	3.2	0.4	3.3	2.4	-9.9	-8.8	-4.5	-6.3	-5.7
Belize	9.3	0.5	3.5	1.5	2.4	6.7	3.7	2.6	1.5	1.3	-8.3	-0.6	-1.6	-1.7	-1.6
Dominica	5.6	4.7	3.5	4.2	3.3	8.7	2.5	2.1	3.1	2.3	-27.0	-34.2	-33.4	-32.9	-26.4
Grenada	7.3	4.5	3.3	3.3	3.4	2.9	2.2	0.8	1.0	1.6	-12.1	-18.2	-16.3	-15.9	-13.9
Jamaica	6.4	2.7	-0.5	2.1	1.5	9.4	6.9	5.0	4.5	5.0	-0.7	2.7	3.1	1.8	0.4
St. Kitts and Nevis	10.3	4.7	2.0	1.7	2.2	3.9	1.6	1.9	1.7	2.1	-11.4	-11.5	-14.4	-14.5	-14.0
St. Lucia	20.6	3.3	4.7	2.4	2.1	6.9	1.7	1.6	1.3	-0.9	-3.6	-1.6	-1.0	-1.5	-1.0
St. Vincent and the Grenadines	5.0	5.5	5.2	4.4	2.7	6.7	4.0	2.1	2.2	2.0	-20.6	-16.9	-18.4	-15.8	-13.5
Caribbean: Non-Tourism Dependent	16.2	10.8	17.3	4.2	11.2	20.5	11.4	7.9	9.0	7.6	12.6	6.3	6.4	2.0	1.4
Haiti ⁴	-1.7	-1.9	-4.2	-3.1	-1.2	38.7	31.8	27.9	29.4	24.1	-2.5	-3.5	-0.6	0.0	-0.6
Commodity Exporters	23.7	15.4	23.5	6.1	14.0	13.6	4.8	2.7	4.2	4.1	18.9	10.5	9.7	3.1	2.5
Guyana	63.3	33.8	43.6	10.3	23.0	7.2	2.0	2.9	4.3	4.5	25.9	9.9	16.4	7.9	11.8
Suriname	2.4	2.5	3.0	2.7	3.7	54.6	32.6	10.1	10.6	8.2	1.9	4.3	0.2	-33.4	-51.8
Trinidad and Tobago	0.9	1.5	2.5	1.0	1.2	8.7	0.7	0.5	2.2	2.3	17.5	11.8	4.8	4.9	2.9
<i>Memorandum</i>															
Latin America and the Caribbean	4.3	2.4	2.4	2.4	2.3	14.9	17.2	12.2	6.5	4.2	-2.2	-1.2	-0.9	-1.1	-1.1
LAC (simple average)	7.7	3.9	4.0	2.7	3.0	12.5	11.6	7.3	5.3	4.4	-3.6	-2.8	-2.3	-3.6	-4.2
LAC excluding Argentina and Venezuela	4.0	2.8	2.7	2.2	2.2	7.8	4.7	4.2	4.3	3.5	-2.5	-1.1	-1.3	-1.2	-1.3
Latin America 7	3.6	2.6	2.6	2.0	1.9	7.9	5.0	4.5	4.2	3.3	-2.8	-1.2	-1.6	-1.4	-1.4
Latin America 8	3.9	2.1	2.1	2.3	2.2	16.0	19.5	13.7	6.8	4.1	-2.5	-1.4	-1.3	-1.4	-1.3
Eastern Caribbean Currency Union ⁵	11.6	4.0	4.0	3.0	2.6	6.7	2.3	2.4	1.9	1.2	-12.4	-10.3	-9.9	-10.4	-9.0

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 7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay; Latin America 8 = Latin America 7 plus Argentina.

¹Regional 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. See Country Notes for details on the data. Data in this table have been compiled based on information available through September 30, 2025, but may not reflect the latest published data in all cases. For the date of the last data update for each economy, please refer to the notes provided in the online *World Economic Outlook* database.²These figures will generally differ from period average inflation reported in the IMF *World Economic Outlook*, although both are based on the same underlying series.³Puerto 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.⁴Fiscal year data.⁵Eastern 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 1.2. Western Hemisphere: Main Fiscal Indicators¹

	General Government Primary Expenditure (Percent of GDP)					General Government Primary Balance (Percent of GDP)					General Government Gross Debt (Percent of GDP)				
	2022	2023	2024	Projections		2022	2023	2024	Projections		2022	2023	2024	Projections	
				2025	2026				2025	2026				2025	2026
North America	33.4	33.7	33.8	33.4	33.4	-0.8	-4.0	-4.1	-3.4	-3.6	114.4	114.8	117.6	120.4	123.5
Canada	37.9	38.9	41.2	41.1	41.0	0.2	0.3	-1.9	-1.9	-2.0	104.2	107.7	111.3	113.9	113.0
Mexico	23.2	22.3	23.8	22.3	22.2	0.7	1.5	0.2	1.5	1.6	53.8	52.6	58.3	58.9	59.9
United States	33.7	34.1	34.0	33.6	33.6	-1.0	-4.7	-4.6	-3.8	-4.1	119.1	119.8	122.3	125.0	128.7
Puerto Rico ²	19.9	21.2	21.2	22.1	21.8	2.5	1.3	0.4	0.4	0.4	16.7	16.6	16.9	18.0	18.7
South America	32.5	33.4	32.5	32.9	32.7	0.1	-1.9	-0.5	-0.7	-0.3	75.2	85.3	77.5	81.5	82.5
Argentina	35.5	35.1	29.3	30.4	30.4	-1.7	-2.8	2.2	1.8	2.7	84.3	154.6	84.7	78.8	73.6
Bolivia	34.4	36.4	36.7	35.0	...	-5.5	-8.7	-7.5	-9.9	...	80.1	90.8	98.0	93.7	...
Brazil	35.4	37.2	37.4	38.0	37.9	1.3	-2.2	-0.2	-0.6	-0.4	83.9	84.0	87.3	91.4	95.0
Chile	25.7	26.3	25.5	25.5	25.3	1.8	-1.9	-2.1	-1.3	-0.6	37.9	39.4	41.7	42.7	43.7
Colombia	29.8	30.8	30.3	29.7	29.0	-2.5	0.9	-2.3	-2.6	-1.5	61.3	55.5	61.2	58.9	61.9
Ecuador	37.3	37.3	35.8	...	...	0.5	-2.6	-0.2	...	...	57.2	54.3	53.8	...	...
Paraguay	18.9	19.8	19.0	18.3	18.0	-1.4	-2.1	-0.1	0.4	0.7	40.5	41.1	44.8	41.7	40.6
Peru	21.7	20.6	20.8	20.2	19.8	0.0	-1.3	-2.1	-0.9	-0.7	33.5	32.4	32.2	32.1	33.6
Uruguay	28.0	28.4	28.9	29.9	30.2	-0.5	-1.0	-1.0	-1.0	-1.5	59.9	64.0	68.7	66.6	68.3
Venezuela	14.1	12.4	16.9	...	...	-4.3	-0.5	-2.9	...	...	164.4	138.5	164.3	...	...
CAPDR	16.9	16.9	17.1	16.8	16.6	0.2	0.2	-0.2	0.2	0.4	52.8	51.9	51.9	52.5	52.3
Costa Rica	14.3	13.7	14.0	13.5	13.4	2.1	1.6	1.1	1.3	1.3	63.0	61.1	59.8	59.7	59.5
Dominican Republic	15.7	16.0	16.1	15.8	15.1	-0.4	-0.1	0.3	0.2	0.4	59.6	60.5	58.8	60.0	58.9
El Salvador	24.0	26.0	26.8	25.7	24.8	2.0	-0.1	0.0	2.0	2.9	83.7	85.1	87.5	87.6	86.9
Guatemala	12.6	12.1	11.8	13.3	13.4	0.0	0.4	0.7	-0.9	-1.0	29.0	27.2	26.3	27.0	27.8
Honduras	21.8	24.7	23.4	23.7	23.4	2.7	-0.7	-0.4	-1.0	-0.8	51.0	47.9	47.1	45.1	44.1
Nicaragua	27.3	24.5	25.1	25.5	25.6	1.9	3.8	4.4	4.0	4.3	45.9	42.3	39.1	39.3	40.1
Panama	19.6	18.8	20.2	18.1	18.3	-2.3	-1.4	-4.5	-0.5	-0.4	52.7	51.2	57.4	59.6	60.3
Caribbean	20.9	21.5	20.9	21.3	20.6	0.9	1.3	1.5	0.4	0.4	60.5	59.7	53.1	51.4	50.7
Caribbean: Tourism Dependent	23.3	22.5	22.9	23.1	22.8	2.0	2.9	3.8	3.3	3.0	81.8	77.3	72.9	70.9	68.9
Antigua and Barbuda	18.1	16.6	17.5	19.3	19.7	-0.3	0.5	3.9	2.9	0.9	82.0	76.3	67.6	65.7	63.8
Aruba	19.3	18.5	17.1	18.6	18.6	3.7	7.0	7.9	5.3	4.9	97.8	82.5	70.2	67.1	63.9
The Bahamas	21.4	19.3	17.0	17.5	18.3	-1.3	0.3	2.7	3.3	3.4	84.7	78.3	73.8	74.1	72.9
Barbados	25.2	23.2	24.6	23.0	23.2	2.4	3.5	4.3	4.4	4.4	113.7	111.5	104.8	99.8	94.6
Belize	21.7	23.5	23.8	24.9	25.6	0.7	-0.2	1.3	1.3	1.0	66.8	67.5	65.4	64.7	63.5
Dominica	67.1	62.1	56.9	53.1	45.4	-4.3	-2.0	-0.3	0.3	0.6	104.3	99.8	99.9	95.7	92.5
Grenada	30.4	27.2	33.8	34.8	29.6	2.6	9.4	10.0	-3.5	0.1	79.3	74.5	72.7	67.7	65.5
Jamaica	22.1	22.5	24.9	25.1	24.5	5.3	5.2	5.4	4.8	3.4	70.2	66.5	62.4	59.2	57.4
St. Kitts and Nevis	48.2	42.0	41.9	39.3	37.7	-2.9	0.9	-9.8	-11.0	-6.1	60.3	55.7	53.8	61.9	67.5
St. Lucia	19.9	21.9	21.1	22.1	21.8	1.3	0.2	1.1	0.5	0.7	73.9	75.2	76.6	77.0	77.2
St. Vincent and the Grenadines	34.3	36.4	36.0	33.3	26.4	-7.2	-10.3	-10.1	-4.8	1.9	86.3	89.4	92.7	94.0	90.5
Caribbean: Non-Tourism Dependent	19.0	20.6	19.3	19.9	18.9	0.0	-0.2	-0.3	-1.7	-1.6	43.2	44.1	37.9	36.9	37.1
Haiti	8.0	6.2	5.0	4.9	5.7	-1.5	1.1	7.2	0.8	0.0	29.5	28.5	15.5	11.8	10.0
Commodity Exporters	23.8	26.8	25.9	28.3	25.9	0.7	-0.7	-3.8	-3.0	-2.4	49.1	50.8	48.2	50.8	51.4
Guyana	20.0	23.3	22.9	24.5	22.6	-4.8	-5.4	-7.0	-4.6	-4.0	24.8	26.7	24.3	29.0	29.3
Suriname	25.8	25.9	26.4	33.5	26.7	1.0	1.4	0.3	-5.8	2.0	116.9	98.2	87.3	89.1	82.7
Trinidad and Tobago	25.6	29.1	28.7	30.9	29.1	3.6	2.1	-1.4	-1.1	-1.6	53.2	60.2	64.6	65.3	68.5
<i>Memorandum</i>															
Latin America and the Caribbean	28.8	29.0	28.7	28.6	28.2	0.3	-0.8	-0.3	0.0	0.3	67.9	73.5	69.8	72.6	73.2
LAC (simple average)	25.6	25.5	25.4	25.5	24.4	-0.2	-0.1	0.0	-0.6	0.2	69.3	68.9	66.7	72.7	72.1
LAC excluding Argentina and Venezuela	28.2	28.6	28.9	28.5	28.2	0.6	-0.6	-0.5	-0.1	0.1	64.2	63.3	66.4	67.8	69.3
Latin America 7	29.2	29.6	30.0	29.7	29.3	0.7	-0.6	-0.5	-0.1	0.2	65.4	64.5	68.2	69.9	71.8
Latin America 8	30.0	30.2	29.9	29.8	29.5	0.4	-0.8	-0.2	0.1	0.4	67.8	74.7	70.0	70.9	72.0
Eastern Caribbean Currency Union ³	30.3	29.3	30.0	30.5	26.0	-0.5	0.8	0.8	-2.1	1.7	76.5	73.9	72.1	72.4	71.3

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 7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay; Latin America 8 = Latin America 7 plus Argentina.

¹Government 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. See Country Notes for details on the data. All indicators are reported on a fiscal year basis. Regional aggregates are fiscal year US dollar nominal GDP-weighted averages. Data in this table have been compiled based on information available through September 30, 2025, but may not reflect the latest published data in all cases. For the date of the last data update for each economy, please refer to the notes provided in the online *World Economic Outlook* database.

²Puerto 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.

³Eastern 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).