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REGIONAL ECONOMIC OUTLOOK

WESTERN HEMISPHERE

Rebalancing Policies and Pressing on with Reforms

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Country Groupings

Country Groups

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 7 (LA7)	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	Venezuela	Chile
		Belize	Honduras	Montserrat	Paraguay		Colombia
		Dominica	Nicaragua	St. Kitts and Nevis	Peru		Ecuador
		Grenada	Panama	St. Lucia	Uruguay		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

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

Rebalancing Policies and Pressing on with Reforms

After successfully weathering a series of shocks, most countries in the region are converging to their (tepid) potential, although from different cyclical positions. Growth has been increasingly reliant on consumption as investment has generally stalled. Inflation has fallen considerably and is near target in most countries, but it is showing stickiness due mainly to still-strong domestic labor markets.

Growth is expected to moderate in late 2024 and 2025, with risks around the baseline mostly tilted to the downside. Meanwhile, inflation is projected to continue easing, although gradually, and converge to central banks' targets by 2026 in most cases. Risks to inflation remain tilted to the upside and stem from tight labor markets, persistent services inflation, incomplete re-anchoring of inflation expectations, and fiscal slippages.

With output and inflation gaps mostly closed but monetary policy still contractionary and public finances in need of strengthening, a further rebalancing of the policy mix is necessary. Fiscal consolidation, with emphasis on revenue mobilization, should advance without delay to rebuild buffers while protecting priority public investment and social spending. This would support the normalization of monetary policy and strengthen credibility and resilience of policy frameworks. Most central banks are well placed to proceed with monetary easing, striking a balance between fending off the risk of reemerging price pressures and avoiding an undue economic contraction. A durable return of inflation to the target will, in turn, help public debt dynamics.

Medium-term growth is expected to remain close to its low historical average, reflecting long-standing, unresolved challenges—including low investment and productivity growth—and shifting demographics. Worrisomely, the ongoing reform agenda is thin and could lead to a vicious circle of low growth, social discontent, and populist policies. Avoiding this requires pressing on with reforms to foster all drivers of growth. Improving governance—by strengthening the rule of law, enhancing government effectiveness, and tackling crime—is a priority that cuts across all areas of growth. Boosting capital accumulation requires improving the business environment, fostering competition, and increasing international trade. Greater and more effective public investment is also needed. Maintaining a dynamic labor force and increasing productivity requires tackling informality and making formal labor markets more flexible, including to adapt to new technologies. Increasing female labor participation can also help boost the labor force and offset demographic shifts. Policies to address climate change and embrace the green transition are increasingly important, although harnessing the benefits of the green transformation requires strengthening investment frameworks to attract capital while raising natural-resource revenues to attend social and public investment needs.

Global Economic Environment

Steady Global Growth but Slow Disinflation

Despite expectations of a slowdown, the external environment has remained broadly unchanged since last year. The global economy expanded by 3.3 percent in 2023 and is expected to grow at a similar pace in 2024 and 2025 (Figure 1, panel 1). In the United States, growth is expected to remain strong at 2.8 percent in 2024—considerably outperforming the October 2023 projections (1.5 percent)—but slow to 2.2 percent in 2025, reflecting a moderation in consumption and exports. In the euro area, while remaining tepid, growth is expected to accelerate to 0.8 percent in 2024 (from 0.4 percent in 2023)—on the back of improving services activity—and increase further to 1.2 percent in 2025. Meanwhile, growth in China has proven to be more resilient than expected, although still projected to slow from 5.2 percent in 2023 to 4.8 percent and 4.5 percent in 2024 and 2025, respectively. Medium-term global growth prospects remain low by historical standards, with the world economy projected to expand by 3.2 percent annually during 2025–29.

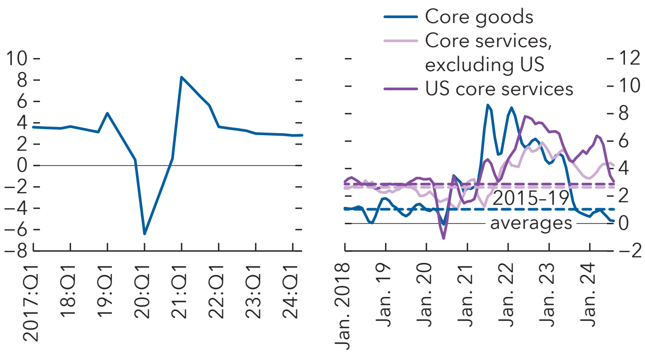
Figure 1. Global Economic Environment

Global growth has been steady, while disinflation continued despite elevated services inflation.

1. LAC Trading Partners: Real GDP Growth and Inflation

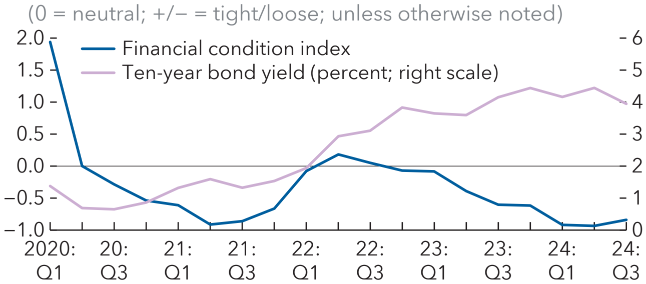
Real GDP Growth[1]
(Year-over-year percent change)

Inflation[2]
(Three-month-over-three-month percent change; annualized)



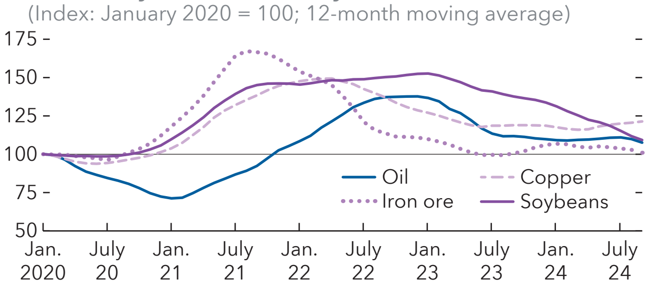
US long-term yields remain elevated, whereas financial conditions are loose.

2. United States: Financial Conditions Index and 10-Year Government Bond Yield[3]
(0 = neutral; +/− = tight/loose; unless otherwise noted)



Key commodity prices have weakened.

3. Commodity Prices Deflated by US CPI
(Index: January 2020 = 100; 12-month moving average)



Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. CPI = consumer price index; LAC = Latin America and the Caribbean.
[1]Trading partners' growth is weighted by exports.
[2]Sample of 11 advanced and 9 emerging market and developing economies (accounting for about 55 percent of 2021 world output).
[3]For methodology and variables included in the financial conditions index, see October 2018 *Global Financial Stability Report*.

Global disinflation continues, with inflation in advanced economies (United States, euro area) currently running near targets, helped by disinflation in core goods prices, whereas services inflation continues running high. Amid incipient signs of labor market weakening and the start of the easing cycle by the US Federal Reserve, US long-term yields have recently declined, although remaining elevated (Figure 1, panel 2). Despite high US interest rates, broad financial conditions remain accommodative on account of buoyant corporate valuations in the United States. Amid some volatility, prices of key commodities for the Latin America and the Caribbean (LAC) region have softened over the last year, helping the disinflation process but also reducing support to economic activity in the region (Figure 1, panel 3).

Latin America and the Caribbean: Recent Economic Developments

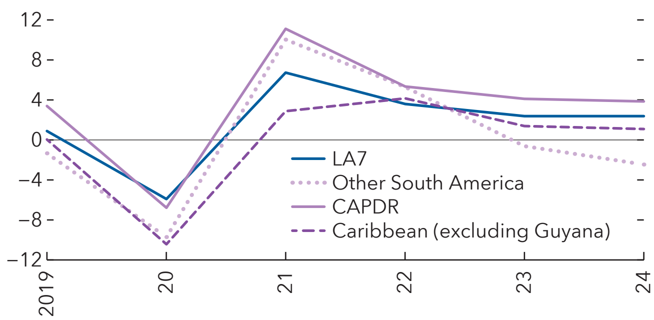
Operating Near Potential

Following a strong post-pandemic rebound, growth in LAC (excluding Argentina and Venezuela) has moderated, from 4.0 percent in 2022 to 2.6 percent in 2023, and a similar pace in early 2024 as most economies are now operating near potential although converging from different cyclical positions (Figure 2, panels 1 and 2). Within the region, growth in the Latin America 7 (LA7) group slowed from 3.6 percent in 2022 to about 2.4 percent in 2023 and 2.0 in the first half of 2024, albeit with notable heterogeneity. In Mexico, growth moderated, amid a positive output gap, partly because of weak external demand and tight policies to combat inflation. In Brazil, growth remained robust, while operating above potential, mainly reflecting strong labor markets and smaller-than-anticipated disruptions from the floods. In Chile and Colombia, growth strengthened after the post-overheating decline, which helped close the positive output gaps. In Peru and Uruguay, economic activity is rebounding after the normalization of weather conditions (exceptional rainfalls in Peru and droughts in Uruguay), helping to close negative output gaps. Meanwhile, in Paraguay, growth remained robust continuing with the rebound from the 2022 drought, helping close the negative output gap.

Figure 2. Recent Economic Developments

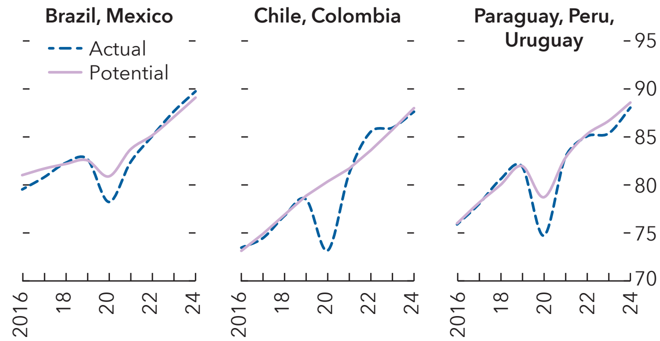
Growth has moderated across the region …

1. Real GDP Growth[1]
(Year-over-year percent change)



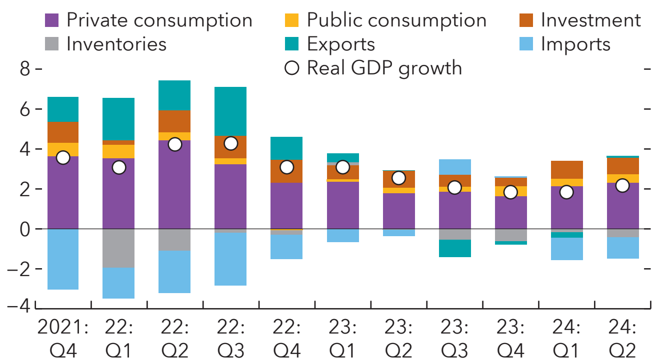
… albeit with some heterogeneity across countries, …

2. LA7: Actual and Potential Real GDP
(Index: 2029 = 100)



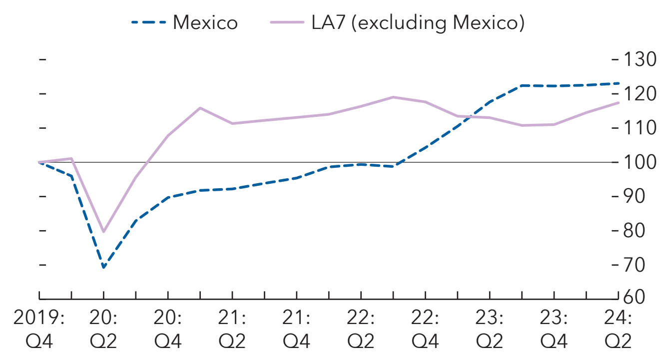
… and driven primarily by domestic consumption, …

3. LA7: Contributions to Real GDP Growth[2]
(Year-over-year percent change; seasonally adjusted)



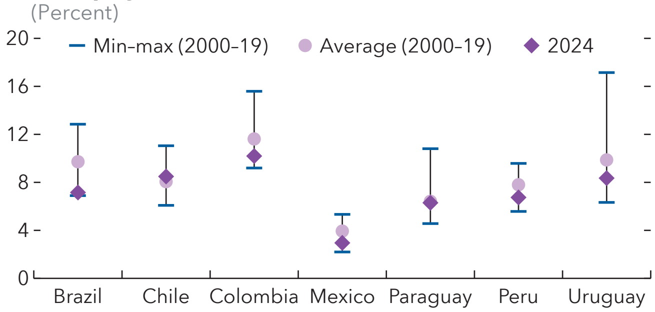
… as investment has stalled, except in Mexico.

4. LA7: Real Gross Fixed Capital Formation
(Index: 2019:Q4 = 100)



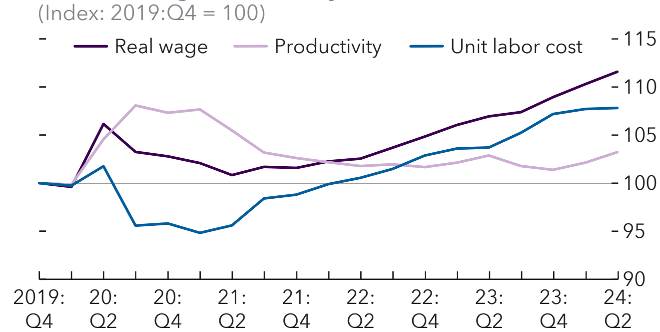
Unemployment is at historically low levels, …

5. Unemployment Rate
(Percent)



… and real wages have outpaced productivity.

6. LA7: Real Wage, Productivity, and Unit Labor Cost[3]
(Index: 2019:Q4 = 100)



Sources: Haver Analytics; IMF, Direction of Trade Statistics database; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. CAPDR = Central America, Panama, and the Dominican Republic; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).
[1]Caribbean excludes Guyana because it has very high growth rates since the end of 2019, when oil production started. In 2024, Guyana's growth is expected to accelerate to 44 percent because of ramping up oil production.
[2]Inventories include statistical discrepancies.
[3]Excludes Paraguay and Uruguay because of data limitations.

Overall, LA7 growth has been increasingly reliant on consumption amid stagnant investment, except in Mexico, and flat export volumes (Figure 2, panels 3 and 4). Underpinning the resilience of consumption is a strong labor market, as employment is back to its pre-pandemic trend, unemployment is at historically low levels, especially in Brazil and Mexico, and real wage growth has remained strong, outpacing productivity and contributing to price pressures, especially in services (Figure 2, panels 5 and 6).

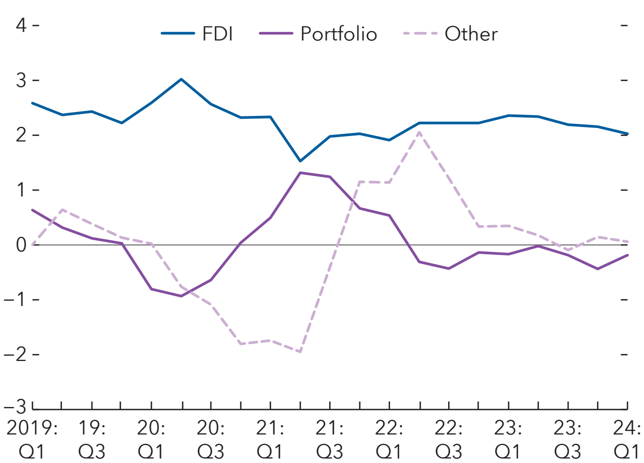
Growth in Central America, Panama, and the Dominican Republic (CAPDR) remained robust in early 2024—thanks to strong remittance-fueled consumption (El Salvador, Guatemala, Honduras) and robust exports (Costa Rica, the Dominican Republic, and Panama) (Box 1).[1] Meanwhile, growth in the Caribbean (excluding Guyana) is slowing as the post-pandemic tourism rebound is fading after reaching pre-pandemic levels (Box 2).

Mostly on the Sidelines of Global Geopolitical Tensions

Despite growing global geopolitical tensions and increasing harmful (trade-distorting) trade interventions by systemic economies since 2017, including measures affecting LAC economies, the region's structure of trade flows and trade policies have not materially changed. The United States remains the main export destination, with a broadly stable share of about half of all LA7 exports (over 80 percent in the case of Mexico).[2] Meanwhile, China's share has grown from about 10 percent pre-2017 to about 15 percent in recent years (Figure 3, panel 1), going beyond the expected effect of China's growing size in the world economy and its demand for commodities (Figure 3, panel 2). However, this increase is not a new phenomenon but a continuation of a long-term trend of increasing intensity of the region's trade with China (Figure 3, panel 3).

Figure 4. LA7: Net Capital Inflows
(Percent of GDP; four-quarter moving average)

Capital flows patterns, dominated by FDI, have remained broadly unchanged.



Sources: IMF, Balance of Payments Statistics database; IMF, World Economic Outlook database; and IMF staff calculations.
Note: FDI = foreign direct investment; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

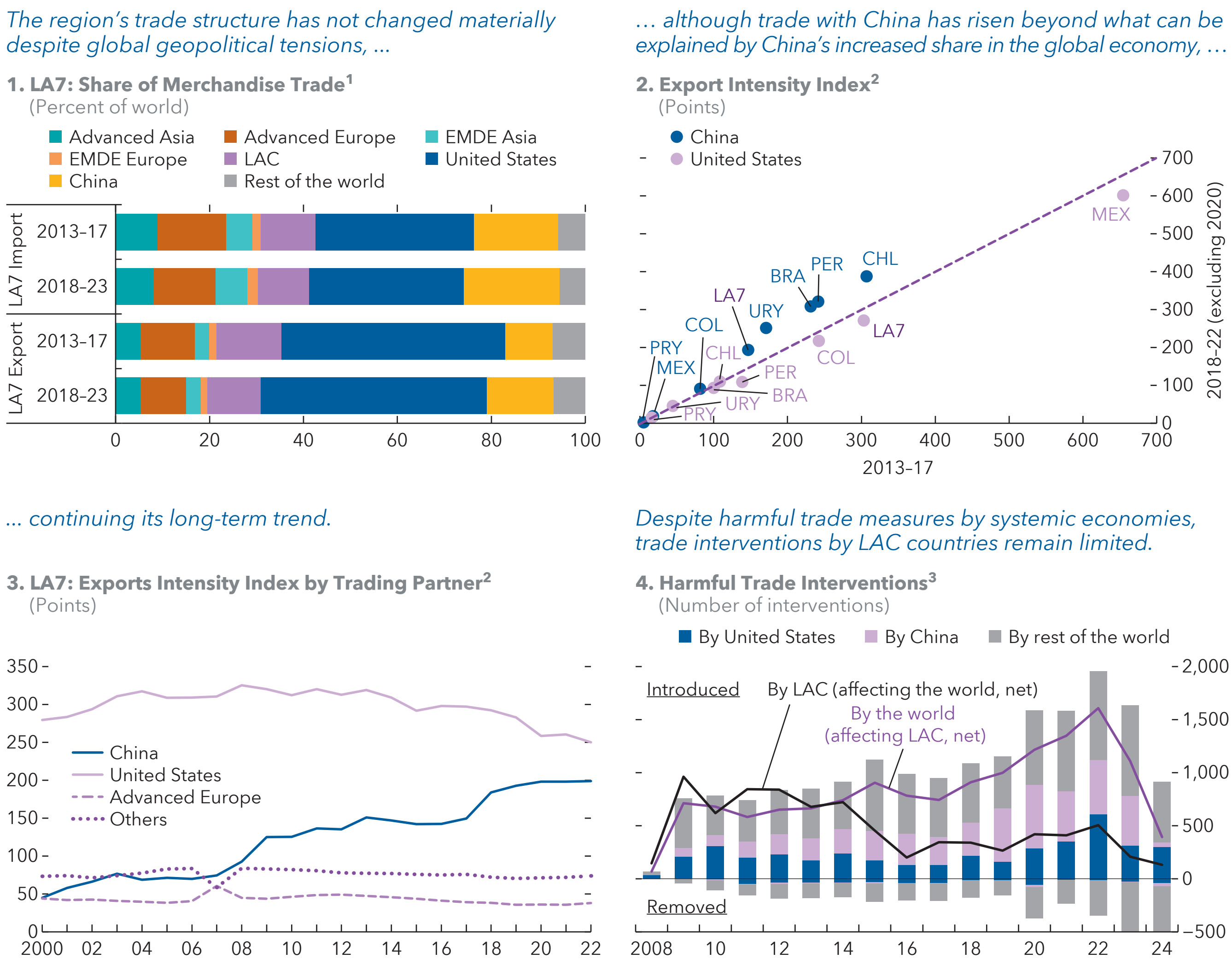
Despite the rise of harmful trade interventions by systemic economies until recently, comparable policy actions by LAC countries have been limited (Figure 3, panel 4), contributing also to a lower prevalence of trade-distortive policies in LAC relative to other emerging market or advanced economies.[3]

Geopolitical tensions do not appear to have affected capital flows to Latin America either. The United States and advanced European countries continue to be the main counterparts in foreign direct investment (FDI), the dominant form of capital flows to the region in recent years—although data on China's investments in the region are incomplete (Figure 4).

Overall, the region's external positions have generally strengthened (after deteriorating in the aftermath of the pandemic), with current account deficits declining to below 1 percent of GDP and international reserves remaining at comfortable levels in most countries.

[1] See also Online Annex 1, "Leaving but Sending Money Back Home: The Joint Effect of Migration and Remittances on Growth and Labor Force."
[2] See Online Annex 2, "Relocation of Global Value Chains: The Role of Mexico."
[3] See Online Annex 3, "Industrial Policy in Latin America."

Figure 3. Trade Patterns amid Global Geopolitical Tensions



Sources: Global Trade Alerts database; IMF, Direction of Trade Statistics database; World Bank, World Integrated Trade Solution database; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. EMDE = emerging market and developing economies; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LAC = Latin America and the Caribbean.

[1]Average for 2018–23 excludes 2020.

[2]Export intensity index—measured as a trade intensity index based on the World Integrated Trade Solution database—indicates if a country exports more, as a percentage, to a partner than the world does. The index shows the relative importance of a given exporter for a given partner country. A value greater than 100 indicates a relationship more intense than the world average for the partner. Aggregates are purchasing-power-parity GDP-weighted averages.

[3]Includes introduced and removed discriminatory measures. Bars represent interventions by China, the United States, and rest of the world affecting LAC. "By rest of the world" may include measures from LAC countries affecting other LAC countries. The data aggregates unique policy measures to avoid multiple counting in case an intervention affects more than one country. Data for 2024 are annualized.

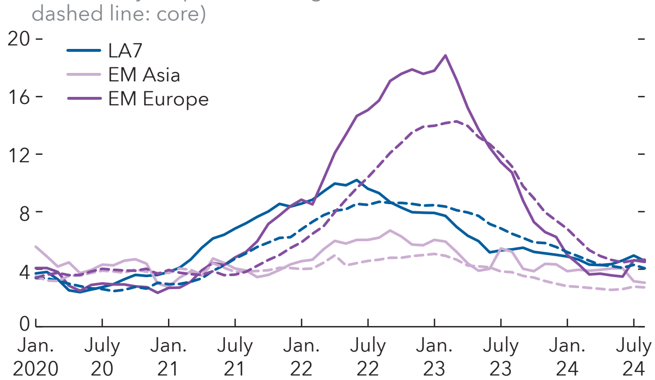
Inflation within Target Ranges but Showing Stickiness

Accompanying more moderate economic activity, and in line with other emerging market economies, headline and core inflation have been receding in the region since mid/end of 2022 (Figure 5), with headline inflation running within the target range in recent months (except in Colombia and Mexico) although not yet at the mid-point of the range. The disinflation process has been driven mainly by the unwinding of the earlier rise of noncore goods prices (food and energy) and appreciating domestic currencies (although some of this trend has reversed more recently). Core inflation, especially services inflation, has remained elevated partly because of still-high wage growth, amid a yet-incomplete re-anchoring of inflation expectations.

Figure 5. Inflation

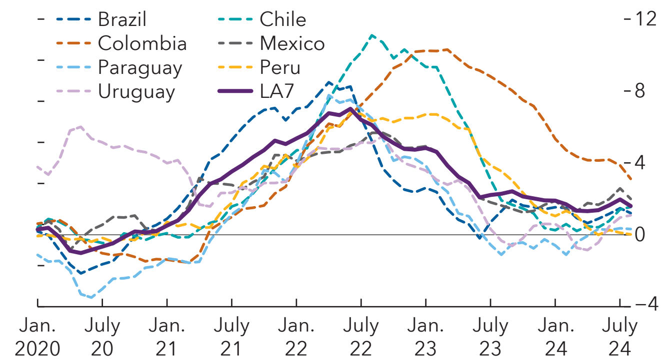
Inflation has been receding globally …

1. Headline and Core Inflation
(Year-over-year percent change; solid line: headline; dashed line: core)



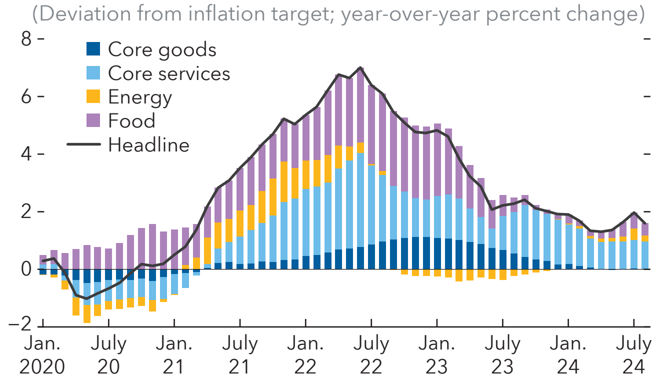
… and across the region …

2. LA7: Headline Consumer Price Inflation
(Deviation from inflation target; percentage points)



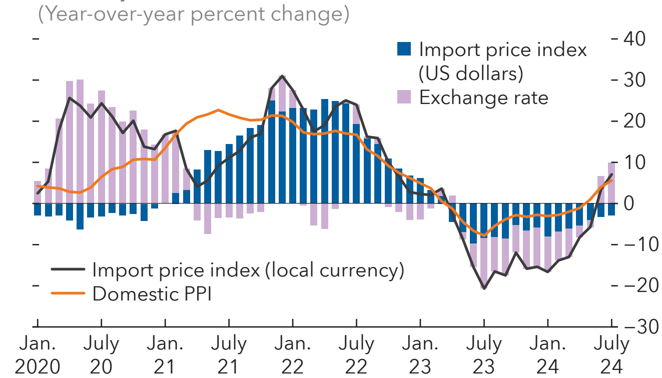
… as goods inflation slowed …

3. LA7: Contributions to Headline Inflation[1]
(Deviation from inflation target; year-over-year percent change)



… helped by global disinflation and, until recently, domestic currency appreciation.

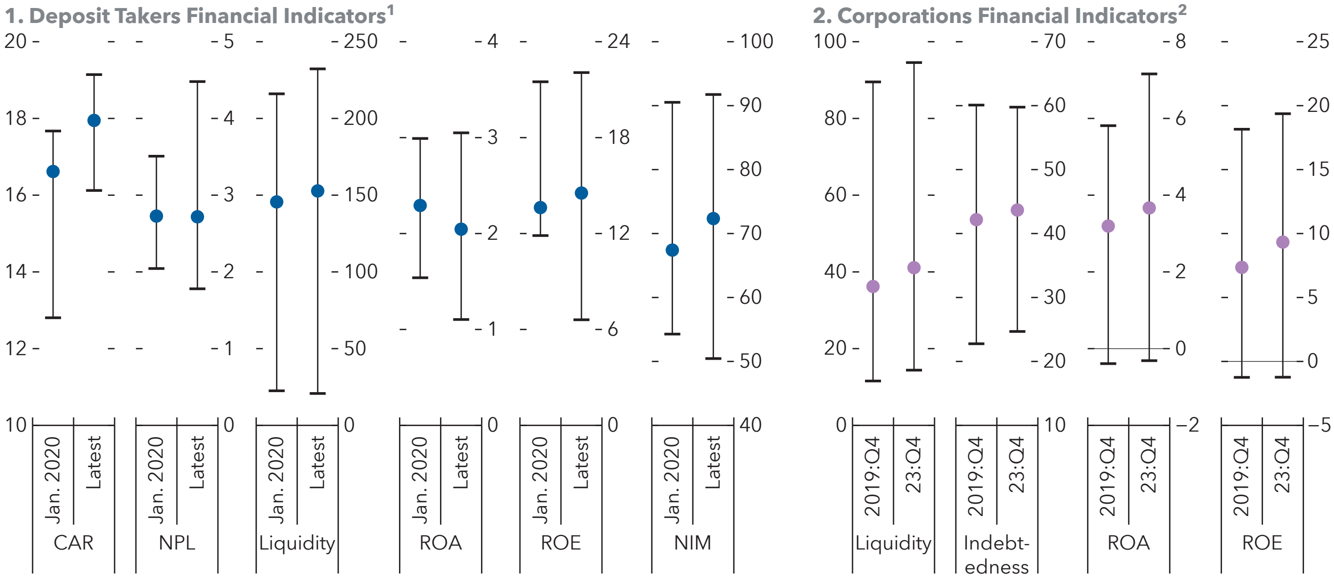
4. LA7: Imported Inflation and Producer Price Inflation[2]
(Year-over-year percent change)



Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. EM = emerging markets; EM Asia = India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam; EM Europe = Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); PPI = producer price inflation.
[1]Core services inflation is defined as headline inflation less food, energy, and core goods. LA7 excludes Paraguay and Uruguay because of data limitations.
[2]LA7 excludes Chile and Paraguay because of data limitations.

Figure 6. LA7: Financial Soundness Indicators
(Percent)

Bank balance sheets have remained healthy despite high interest rates ... *... and so have corporate balance sheets.*



Sources: Haver Analytics; IMF, Financial Soundness Indicators database; national authorities; and IMF staff calculations.
Note: CAR = capital adequacy ratio; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); NIM = net interest margin to gross income; NPL = nonperforming loans; ROA = return on assets; ROE = return on equity.
[1]Markers are purchasing-power-parity GDP-weighted averages; whiskers indicate min-max range across LA7 countries. "Liquidity" refers to the ratio of liquid assets to short-term liabilities. Chile is excluded from "liquidity" because of data limitations.
[2]Markers are medians across corporations of Brazil, Chile, Colombia, Mexico, and Peru. Whiskers indicate 25th/75th percentile range. "Liquidity" is the ratio of cash and short-term investments to short-term liabilities. "Indebtedness" is the ratio of total debt to total capital.

Healthy Balance Sheets

Reflecting contractionary monetary policy to combat inflation, domestic financial conditions have remained tight since 2022. Yet, the region's banks have generally remained liquid, well capitalized, and with low levels of nonperforming loans (Figure 6, panel 1)—amid resilient, consumer-driven, credit growth. While banks' profitability indicators have remained broadly stable on average—supported by the rise of net interest margins, as lending rates have responded more markedly to policy rates than deposit rates—the dispersion of profitability indicators has widened, pointing to potential pockets of balance sheet weakness. Corporate profitability has generally remained in line with pre-pandemic levels (Figure 6, panel 2).

Outlook and Risks

Slowing Growth and Sticky Inflation

Growth in LAC (excluding Argentina and Venezuela) is expected to moderate—from 2.6 percent in 2023–24 to 2.2 percent in 2025—amid mostly closed output gaps and a broadly unchanged external environment (Table 1; Box 3). Within the LA7 group, Mexico is projected to decelerate markedly in 2024 and 2025 partly reflecting capacity constraints, fiscal consolidation, and lower growth in the United States. Brazil's growth is projected to remain broadly unchanged in 2024, on the back of strong consumption—and so is Paraguay's—before slowing in 2025. Meanwhile, growth in Chile, Colombia, Peru, and Uruguay is expected to accelerate somewhat in 2024 and 2025 after a weak 2023. Economic activity in other South American economies (Argentina, Bolivia, Ecuador, and Venezuela), as a group, is projected to contract in 2024, but rebound significantly in some of these countries in 2025, mainly reflecting important ongoing stabilization efforts.

Table 1. Latin America and the Caribbean: 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 2024 WEO				Projections		Difference from April 2024 WEO	
	2022	2023	2024	2025	2024	2025	2022	2023	2024	2025	2024	2025
Latin America and the Caribbean	**4.2**	**2.2**	**2.1**	**2.5**	**0.1**	**0.0**	**14.9**	**17.2**	**13.2**	**6.9**	**0.5**	**0.4**
LA7	3.6	2.4	2.4	2.0	0.2	0.0	7.9	5.0	4.4	3.3	0.6	0.3
Other South America	5.6	-0.1	-1.8	4.0	-0.6	0.0	68.6	139.1	95.5	33.5	-5.5	0.0
CAPDR	5.4	4.1	3.8	3.8	-0.1	0.0	7.5	2.7	3.0	3.3	-0.3	0.0
Caribbean	13.1	7.5	11.9	5.5	2.2	-1.4	15.5	8.9	7.2	6.1	0.7	0.6
Tourism dependent	9.1	3.0	2.8	2.4	0.3	0.3	7.3	4.3	3.5	3.1	-0.1	-0.2
Non-tourism dependent	15.4	10.0	16.5	7.1	2.9	-2.2	20.6	11.5	9.1	7.6	1.0	0.9
Of which: Commodity exporters	22.7	14.3	22.7	8.7	3.9	-2.8	13.7	4.8	3.8	4.8	-0.3	0.0
Memorandum												
LAC excluding Argentina/Venezuela	4.0	2.6	2.6	2.2	0.2	-0.1	7.8	4.7	4.3	3.3	0.6	0.2

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

Note: Difference based on rounded figures for the current and April 2024 WEO forecasts. For country group information, see page vi. CAPDR = Central America, Panama, and the Dominican Republic; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LAC = Latin America and the Caribbean; Other South America = Argentina, Bolivia, Ecuador, Venezuela.

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

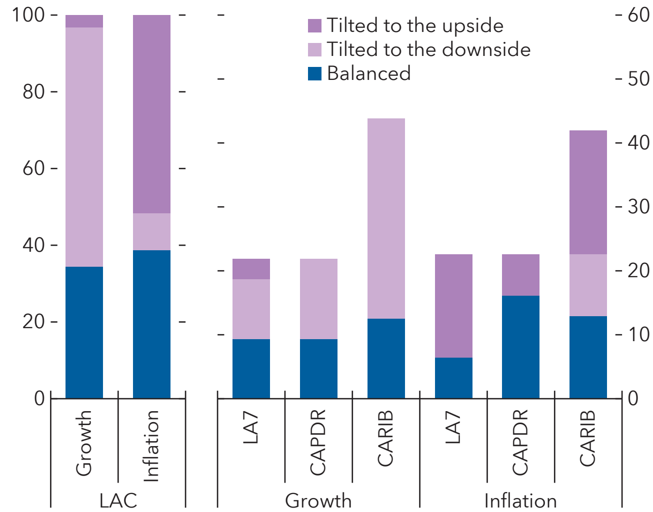
[2]End-of-period inflation refers to December-over-December inflation. Regional aggregates are geometric purchasing-power-parity GDP-weighted averages. Venezuela is excluded from all inflation aggregates.

While still growing generally faster than the rest of the region, Caribbean economies are expected to slow in 2024 and 2025, on the back of deceleration in tourism. By contrast, growth in the CAPDR region is expected to remain relatively robust, reflecting strong private consumption buoyed by sustained remittances inflows.

Inflation in LAC (excluding Argentina and Venezuela) is projected to gradually decline from 4.7 percent at the end of 2023 to 4.3 and 3.3 percent by the end of 2024 and 2025, respectively (Table 1). While inflation is already within the target range in most LA7 economies, it will take time for it to reach the target—in most cases, until 2026—partly because of the lagged effect of tight policies, the gradual process of global disinflation, and the delayed normalization of administered prices in some countries. Inflation is also projected to moderate in the Caribbean, from 8.9 percent in 2023 to 6.1 percent by 2025, while in CAPDR it is expected to remain low, although rising somewhat from its 2.7 percent level in 2023 to 3.3 percent by 2025.

Figure 7. Growth and Inflation Risks
(Percent of LAC countries)

Risks to growth are tilted to the downside, whereas upside risks to inflation prevail but with heterogeneity across subregions.



Source: IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LAC = Latin America and the Caribbean.

Downside Risks to Growth, Upside Risks to Inflation

Risks to near-term growth are generally tilted to the downside, especially in the Caribbean where downside risks largely dominate because of the possibility of climate-related shocks and weaker tourism demand (Figure 7). Throughout the region, external downside risks to growth relate mainly to tighter-than-expected US monetary policy and greater commodity price volatility. Policy uncertainty and social tensions are key domestic downside risks as these could hinder the implementation of economic policies and reforms. On the upside, stronger trading partner growth and a more benign global environment could boost exports and capital inflows. A pick-up in investment—reflecting greater interest in green minerals and energy as well as nearshoring projects—is also an upside risk to growth.

Risks to inflation are mostly tilted to the upside, although with heterogeneity across subregions, and stem from persistent services inflation, still-tight labor markets, and risk of fiscal slippages in some countries. Also, the relative price of core goods vis-à-vis services is yet to converge to its pre-pandemic trend, adding to the risk of further inflationary pressures if the adjustment takes place through rising services prices. Pronounced US dollar appreciation, higher commodity prices, and an escalation of global trade tensions are key external upside risks to inflation in the region.

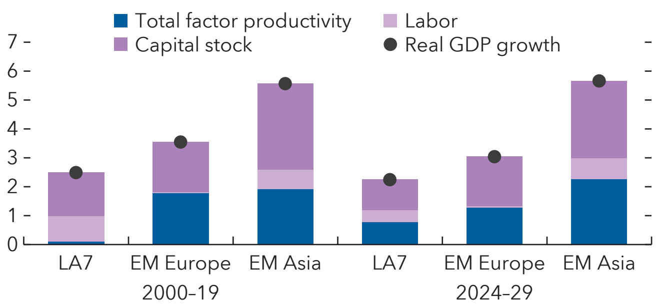
Lackluster Medium-Term Growth Prospects

Despite resilience to recent shocks, the medium-term growth outlook for LAC (excluding Argentina and Venezuela) remains lackluster, as output is projected to expand at about 2½ percent per year over the next five years, in line with the region's low historical average and low compared to other emerging market economies (Figure 8, panel 1). Average income per capita in the region would rise only marginally, implying limited progress in reducing the income gap with advanced economies (Figure 8, panel 2). Underlying these projections, potential growth in

Figure 8. Medium-Term Growth

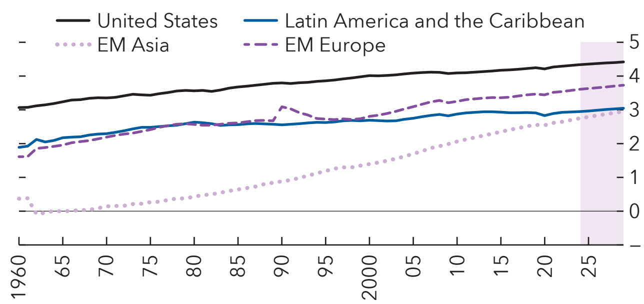
Medium-term growth is expected to remain low because of stagnant productivity and slow capital accumulation ...

1. Contributions to Real GDP Growth[1]
(Year-over-year percent change)



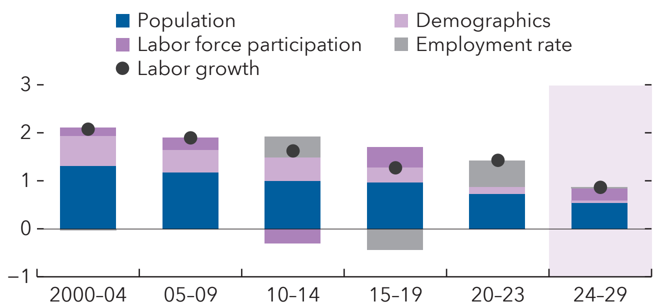
... perpetuating the region's income gap with advanced economies.

2. Real GDP per Capita
(Log of thousands of PPP 2017 international dollars)



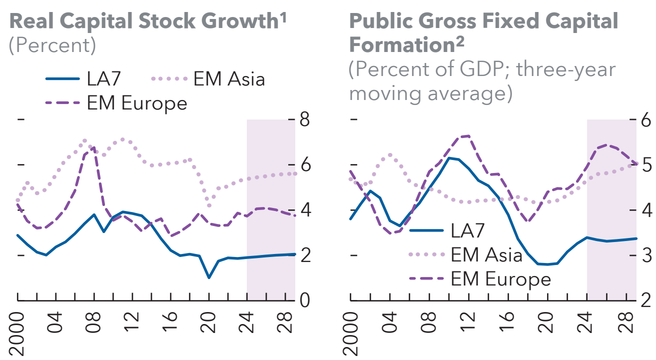
The growth of the labor force will slow as population growth decelerates and the "demographic dividend" fades.

3. LA7: Contributions to Labor Growth[1]
(Year-over-year percent change)



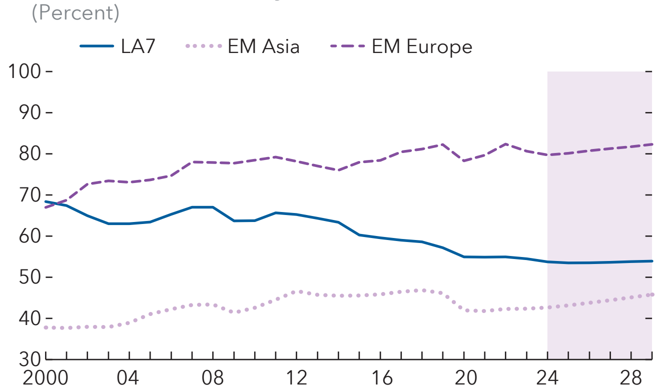
Prospects for capital accumulation are also tepid.

4. Real Capital Stock and Public Investment



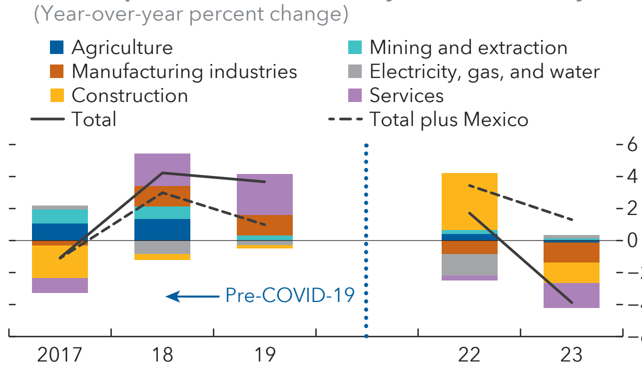
Total factor productivity is expected to stagnate, unlike in peers ...

5. Total Factor Productivity Relative to the United States[1]
(Percent)



... partly reflecting the concentration of investment in lower-productivity sectors.

6. Selected LA7 Economies: Contributions to Private Gross Fixed Capital Formation Growth by Economic Activity[3]
(Year-over-year percent change)



Sources: IMF, World Economic Outlook database; Penn World Table 10.0 database; World Bank, Population Estimates and Projections database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. Shaded areas refer to projection years. EM = emerging markets; EM Asia = India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay; Peru, Uruguay); PPP = purchasing power parity.
[1]LA7 excludes Paraguay because of data limitations.
[2]LA7 excludes Uruguay because of data limitations.
[3]Includes Brazil, Chile, Colombia, and Peru. Data for the COVID-19 years (2020-21) are not shown. "Construction" activity includes residential construction.

Colombia and Peru has declined toward the regional average, mainly reflecting a weaker business environment and increased policy uncertainty. At the same time, Brazil's potential growth estimates have been revised upwards on account of the expected impact of structural reforms and the acceleration of hydrocarbon production.

A factor underlying the region's tepid medium-term outlook is the shift in demographics as the expansion of the labor force seen in past decades—reflecting a "demographic dividend" from population growth and a rising share of working-age population—is projected to slow markedly and offset only partially by the rising labor force participation (Figure 8, panel 3; Background Paper 1 Summary).

The prospects for capital accumulation are also tepid, as investment is expected to remain near historic low levels—and lower than in other emerging market economies—partly reflecting low public investment (Figure 8, panel 4). Finally, despite a slight improvement relative to past decades—reflecting recent reforms, such as Brazil's landmark value-added tax overhaul, and some prospective reforms—total factor productivity growth is projected to remain stagnant and low relative to peers (Figure 8, panel 5), partly reflecting the increased concentration of investment in lower productivity sectors (Figure 8, panel 6).[4]

Policy Recommendations

Rebalancing the policy mix—toward strengthening public finances and normalizing monetary policy—would help rebuild policy buffers and strengthen macroeconomic resilience. Pressing on with structural reforms will be key to raise living standards.

The Case for Growth-Friendly Fiscal Consolidation

Supported by the timely withdrawal of the stimulus, the region's public finances withstood the impact of the pandemic better than expected, but public debt remains high and will increase further in the absence of additional fiscal consolidation (Figure 9, panel 1). Most countries have ambitious plans for strengthening public finances and stabilizing debt at current levels (Figure 9, panel 2). These plans should be implemented without further delays (Figure 9, panel 3) and should be underpinned with identified fiscal measures. Timely fiscal consolidation will support the normalization of monetary policy and further strengthen credibility and resilience of policy frameworks, including by lowering inflation expectations and country risk. Greater and more durable efforts would be needed to firmly put debt on a downward path given the unfavorable interest rate-growth differential that the region faces (Background Paper Summary 2).

While addressing spending inefficiencies could help strengthen public finances, especially in the near term, successful consolidation will require growth-friendly revenue mobilization—with a focus on increasing personal income tax collection—from currently low tax ratios (Figure 9, panel 4; IMF 2021). These efforts are critical to ensure that growth-enhancing public investment and key social spending are protected while creating fiscal space for front-loaded spending on climate policies and for lowering the region's relatively high corporate income tax rates.

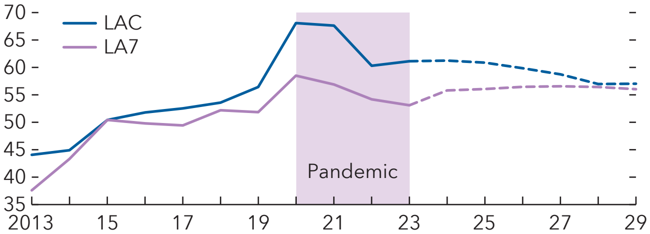
More generally, implementing the planned fiscal consolidations will require stronger discipline and institutional frameworks. The region's fiscal rules and compliance record provide a basis for delivering on consolidation objectives, but frameworks should be enhanced to prevent a repeat of the pre-pandemic debt buildup under the umbrella of fiscal rules (Figure 9, panels 5 and 6). Strengthening the link between stricter fiscal rules, operational targets, and medium-term budget frameworks, including to prevent frequent relaxation of fiscal targets, and introducing debt anchors would give consolidation plans greater credibility and reduce high financing costs.

4 See Online Annex 4, "Investment by Economic Activity in Latin America: Closing the Data Gaps."

Figure 9. Fiscal Policy

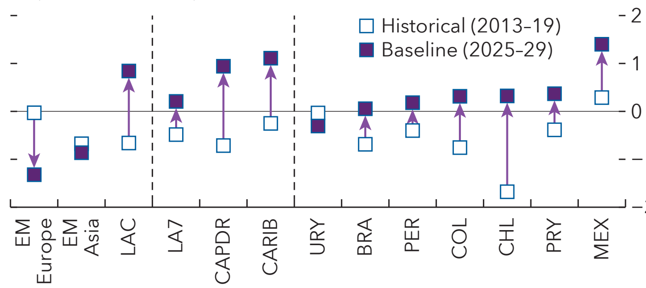
Following the prepandemic buildup, public debt is projected to remain elevated, …

1. General Government Gross Debt[1]
(Percent of GDP)



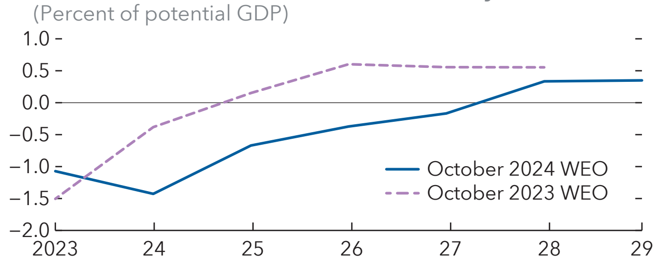
… despite fiscal plans that are ambitious relative to history and plans of peer economies …

2. General Government Primary Balance[1]
(Percent of GDP)



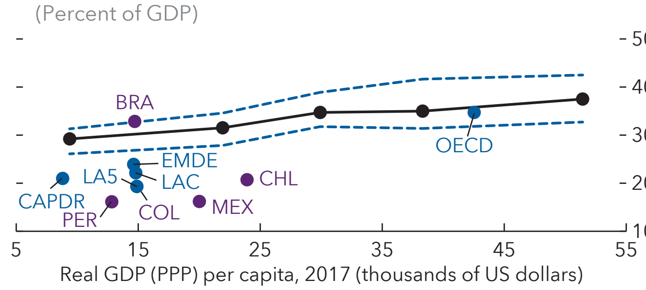
… and have already faced implementation delays.

3. LA7: General Government Structural Primary Balance[1,2]
(Percent of potential GDP)



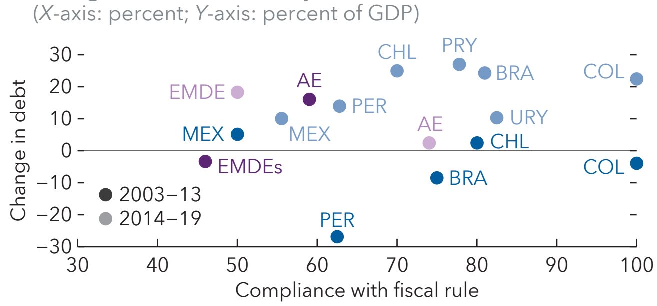
Revenue mobilization will be key as tax revenues remain low …

4. Tax Revenue Collection[3]
(Percent of GDP)



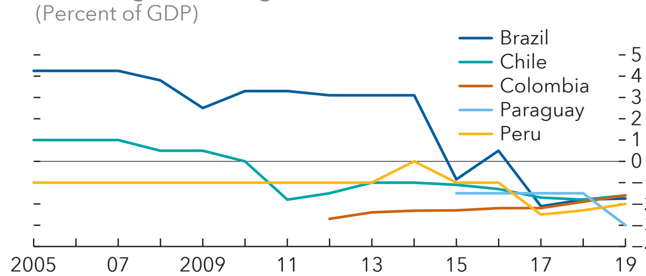
… and so will be strengthening fiscal frameworks, as high compliance with fiscal rules did not prevent the debt buildup …

5. Changes in Debt and Compliance with Fiscal Rules[4]
(*X*-axis: percent; *Y*-axis: percent of GDP)



… due to fiscal targets being repeatedly relaxed.

6. Fiscal Targets for Budget Balance Rules[5]
(Percent of GDP)



Sources: Acosta-Ormaechea, Sola, and Yoo (2019); Davoodi and others (2022); Larch and others (2023); IMF, World Economic Outlook database; Organisation for Economic Co-operation and Development, Tax Revenue Statistics database; Ulloa-Suarez and Valencia (2022); and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. AE = advanced economies; CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; EM = emerging markets; EM Asia = India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; EMDE = emerging market and developing economies; LA5 = Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru); LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); LAC = Latin America and the Caribbean (excluding Argentina and Venezuela); OECD = Organisation for Economic Co-operation and Development; PPP = purchasing power parity; WEO = *World Economic Outlook*.
[1]Aggregates are medians.
[2]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. Peru refers to the nonfinancial public sector's structural primary balance.
[3]See details in IMF (2021).
[4]See Background Paper 2. Debt refers to general government gross concept. Average compliance across all fiscal rules is reported for LA7 countries, and compliance with budget balance rules is reported for AE and EMDE groups. Aggregates are simple averages.
[5]Reflects ultimate fiscal target set for each given year.

The Final Stretch in Unwinding Monetary Policy

Although the region's central banks have moved forward with monetary easing—ahead of other countries, particularly the United States (Figure 10, panel 1)—policy rates have remained restrictive compared to past disinflation episodes (Figure 10, panel 2), reflecting lingering inflation risks including from yet-to-be fully anchored inflation expectations (Figure 10, panel 3). Moreover, current policy rates stand above the levels implied by standard Taylor-rule estimates (Figure 10, panel 4), reflecting a tracking of the US policy rate by the central banks on account of concerns over narrower interest rate differentials affecting capital flows and domestic currencies. Exchange rates have not shown material directional effects associated with current narrowing differentials, partly as expectations of future policy rates in the region have co-moved with those of the United States, dampening exchange rate movements.

Uncertainty about the neutral rate also conditions the path of monetary policy. Market expectations point to terminal rates for this easing cycle that would be higher than historical averages, while neutral rate estimates also suggest an increase over time, although associated with greater estimation uncertainty (Calderon, Dhungana, and Wales, forthcoming) (Figure 10, panels 5 and 6). Uncertainty about domestic neutral rates in LAC is amplified by the uncertainty about the neutral rate in the United States (IMF 2024), which is likely to affect emerging market economies (IMF 2023a), and possibly face upward pressures from persistently large fiscal deficits, expected productivity gains from artificial intelligence, higher investment needs for infrastructure and energy transition, and global financial fragmentation (which could wane the flow of savings from surplus economies).

Notwithstanding these factors, with inflation generally within the target range, in most countries, monetary policy should continue easing while remaining on guard given elevated uncertainty and upside inflation risks. Future policy actions should strike a balance between fending off the risk of reemerging price pressures—from still-tight labor markets, yet-to-be fully anchored inflation expectations, and slippages in fiscal consolidation efforts—and avoiding an undue economic contraction.

Pressing on with Structural Reforms to Boost Potential Growth

With output gaps mostly closed and inflation near targets, authorities' focus should shift from cyclical to structural policies aimed at lifting potential growth, which should target all drivers of growth (capital, labor, and productivity). Unfortunately, the ongoing reform agenda is thin. Improving governance is a key priority that cuts across all areas of growth and tops the reform priorities in many countries in the region (Table 2). This includes strengthening the rule of law, tackling corruption and crime (IMF 2023b), and enhancing government effectiveness.

Boosting capital accumulation requires improving the business environment and fostering competition, including by reducing the administrative burden and entry costs for firms, strengthening contract enforcement, and addressing delays in the judicial system. Fostering international trade and developing higher-tech sectors can also help boost investment (and productivity), as there is significant scope for increasing the region's degree of trade integration (IMF 2023c) and diversifying away from commodities and low-tech products (Figure 11). Although industrial policies could help in this regard, they should be time-bound, cost effective, transparent, and consistent with preserving macroeconomic stability and avoiding negative cross-border spillovers.[5] The region also needs higher and more effective public investment, which can catalyze private investment. Achieving this requires strengthening public investment management to ensure more transparent and competitive project selection processes, with clear funding mechanisms and high economic and social returns. There is also a need to align the relatively high corporate statutory rates with those observed in other regions to attract investment, mindful of fiscal implications (IMF 2021).

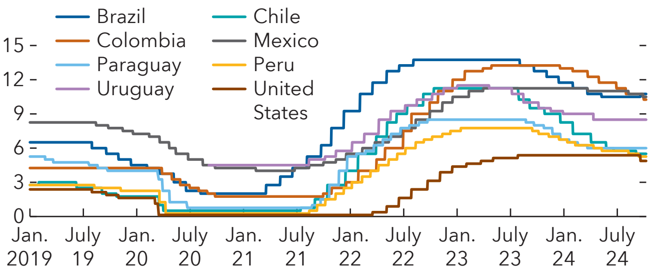
Meanwhile, maintaining a dynamic labor force and increasing productivity—including to mitigate the demographic headwinds—requires tackling informality and making labor markets more flexible and inclusive. This agenda should include revising tax policies and employment protection legislation to strengthen firms and workers'

[5] See Online Annex 3, "Industrial Policy in Latin America."

Figure 10. Monetary Policy

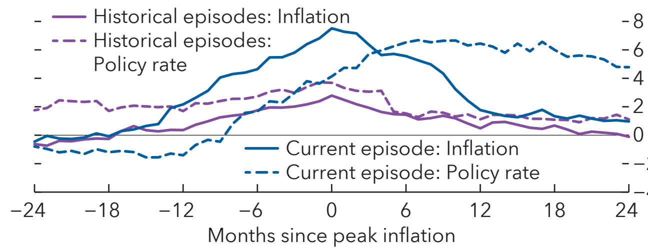
Central banks in the region have generally been easing ...

1. Monetary Policy Rates
(Nominal; percent)



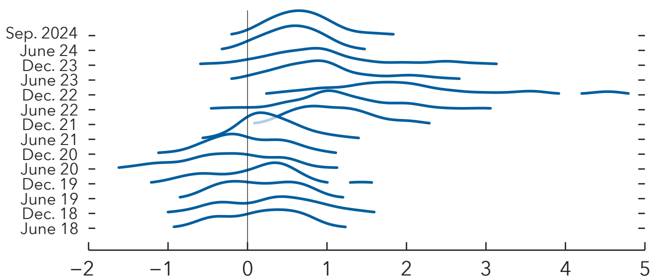
...although real interest rates remain high, ...

2. LA7: Headline Inflation and Real Monetary Policy Rate across Inflation Episodes[1]
(Percentage points)



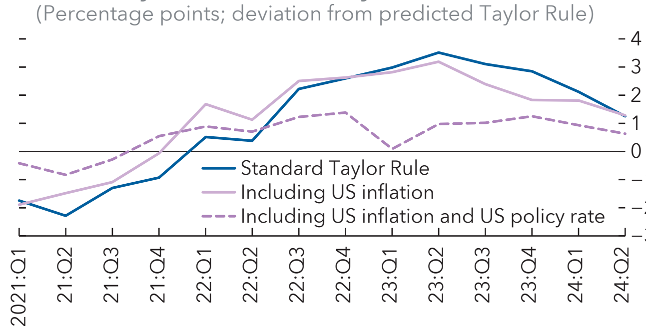
... reflecting in part not-yet-fully re-anchored inflation expectations ...

3. LA7: Distribution of One-Year-Ahead Inflation Expectations by Forecasters[2]
(Percentage points; deviation from inflation target)



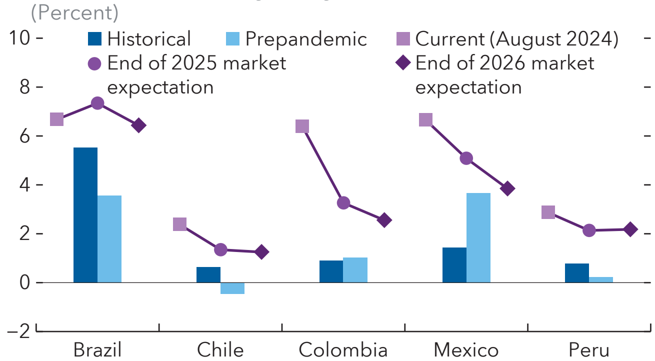
... and the mirroring of the US policy rate.

4. LA7: Policy Rates Relative to Taylor Rule Predictions[3]
(Percentage points; deviation from predicted Taylor Rule)



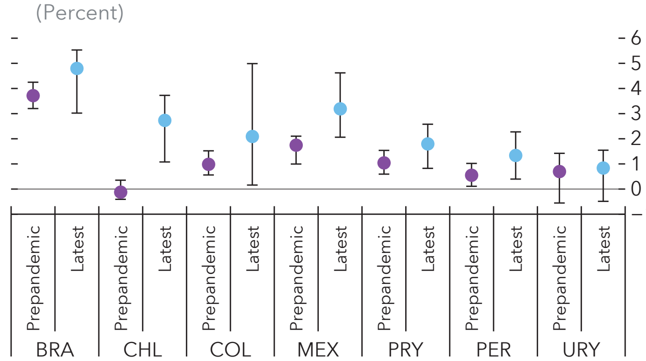
Market expectations for terminal policy rates are higher than those prevailing before the pandemic ...

5. Real Ex Ante Monetary Policy Rates and "Terminal" Rates[4]
(Percent)



... and so are most neutral rate estimates.

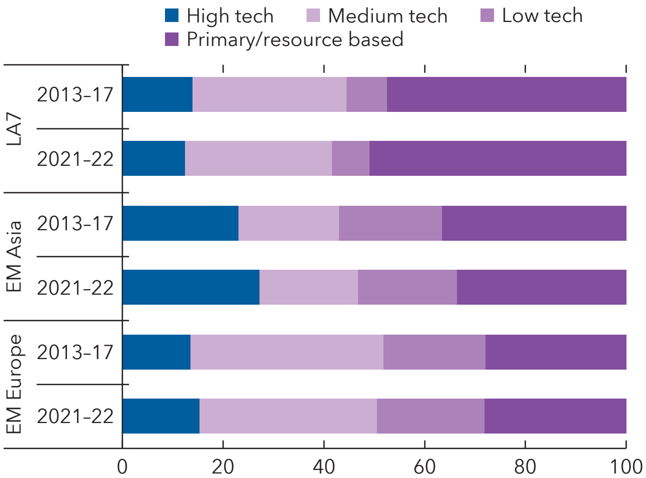
6. Real Neutral Rates Estimates[5]
(Percent)



Sources: Bloomberg Finance L.P.; Calderon, Dhungana, and Wales (forthcoming); Consensus Economics; Haver Analytics; IMF, World Economic Outlook database; national authorities; 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).
[1]Inflation is deviation from inflation target. Ex ante real policy rate (difference between nominal policy rate and one-year-ahead inflation expectations) is reported. 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 two years, since the adoption of inflation targeting. Current episodes exclude Colombia. Aggregates are medians.
[2]Density plots of one-year-ahead (December-over-December) inflation forecast deviation from inflation targets by Consensus Forecasts vintage. Excludes Paraguay and Uruguay because of data limitations.
[3]Median deviation of actual real interest rates from (Taylor-type policy rule) prediction.
[4]Historical (2001–19) and prepandemic (2017–19) refer to the average real ex ante monetary policy rates when headline inflation was within 1 percentage point of the inflation target during those periods. The end of 2025 and the end of 2026 reflect market expectations of monetary policy rates. Paraguay and Uruguay are not shown because of data limitations.
[5]Markers are the sample averages of the median of estimates across 13 model specifications; whiskers are interquartile range. Prepandemic refers to 2017:Q1–19:Q1. Latest refers to 2023:Q1–24:Q2.

Figure 11. Technological Classification of Exports
(Percent)

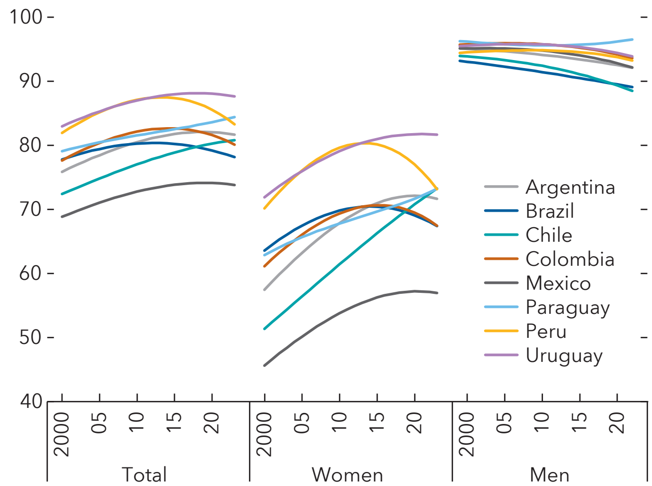
The region's exports remain concentrated in primary products.



Sources: World Bank, World Integrated Trade Solution database; and IMF staff calculations.
Note: EM = emerging markets; EM Asia = India, Indonesia, Malaysia, Philippines, Thailand, Vietnam; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Figure 12. Labor Force Participation Rates by Gender
(Percent of prime working-age population)

Despite progress, female labor force participation remains low.



Sources: ILOSTAT; and IMF staff calculations.
Note: Participation rates are based on prime working-age population (25–54). Moving averages are reported.

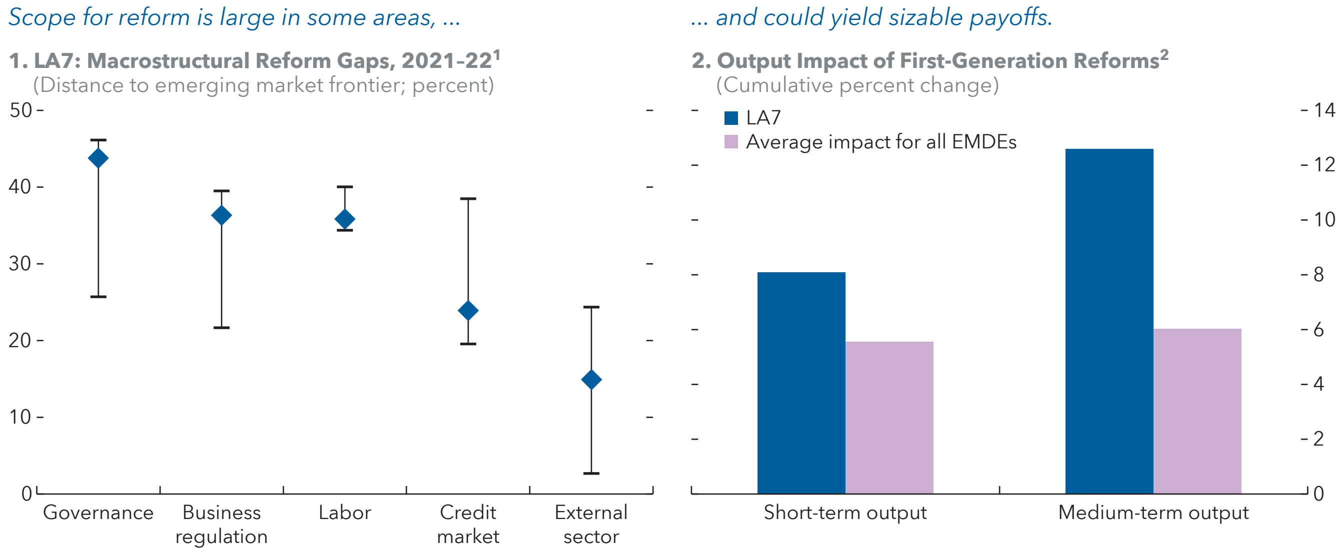
incentives to be formal and to provide greater flexibility for the labor market to adapt to rapid changes, including from new information technologies.[6] The latter will also require tackling skill mismatches through improved vocational training and youth education. Increasing female labor participation (Figure 12)—by improving the availability and affordability of childcare, eliminating asymmetries in parental benefits, and allowing for more flexible work schedules—can also help mitigate the demographic headwinds on the labor force.

Alleviating the most binding constraints on growth could yield sizable output gains (Budina and others 2023). For example, closing the region's structural reform gaps by half in the areas of governance, business regulation, and external sector—where the region has some of the largest gaps relative to best-practice countries—could lift output by up to 8 percent in the short term and 12 percent in the medium term (Figure 13, panels 1 and 2).

Policies to manage climate change–related risks and embrace opportunities from the green transition are also critical in the current juncture. Mitigation policies can bring substantial environmental and health benefits, whereas investment in adaptation and fostering green energy innovation could generate positive spillovers on other sectors of the economy. Adaptation policies will also be key to limit economic losses from climate change, which could be sizable if global mitigation goals are not met.[7] With its rich endowment of green minerals, the region is in a unique position to harness the benefits of global green transformation, although doing so requires strengthening investment frameworks to attract capital while raising natural-resource revenues to attend social and public investment needs.

[6] See Online Annex 5, "Artificial Intelligence: Risks and Opportunities for Latin America and the Caribbean."
[7] See Online Annex 6, "On Economic Losses from Climate Change in Latin America and the Caribbean."

Figure 13. Structural Reforms for Growth



Sources: Budina and others (2023); and IMF staff calculations.
Note: EMDEs = emerging market and developing economies; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).
[1]Structural gaps are calculated as the deviation of each reform area from its frontier (best performer in the same year). Each reform indicator is normalized between 0 and 1 based on the sample. Governance refers to 2022, others are 2021. Markers indicate medians and whiskers interquartile ranges.
[2]Impact from reducing first-generation reform gaps relative to global frontier by half. Purchasing-power-parity GDP-weighted averages are reported.

Finally, although reforms are critical to boost growth, appetite for them is limited in most cases, and prospects are constrained by limited implementation capacity in some countries. Making progress will require building technical capacity and consensus around priorities, and allowing for reasonable transition periods and compensating mechanisms to ensure reform acceptability and durability. To avoid falling into a trap of low growth, social discontent, and growth-damaging populist policies, countries need to press on with reforms.

Table 2. LA7: Pro-Growth Reform Priorities and Reforms Underway

First Priority	Second Priority	Third Priority

	Reform Priorities					Reforms Underway
	Fiscal Structural Reforms	Governance and Economic Security	Labor Market Reforms	Product and Credit Market Reforms	Trade Liberalization	
Brazil	• Implement value-added tax reform and simplify tax system • Enhance fiscal framework, building on the fiscal rule • Implement ecological transformation plan to boost green growth		• Facilitate skill upgrade • Increase female labor force participation (for example, increase daycare services, implement pay transparency measures)		• Reduce tariff and nontariff barriers to trade	• Implementation of value-added tax reform enacted in 2023
Chile	• Strengthen tax compliance • Strengthen public investment management	• Streamline the process of investment permit application • Strengthen security	• Continue to increase female labor participation (for example, by improving childcare)			• Strengthening tax compliance • Reforming pension • Improving access to childcare • Streamlining investment permit process
Colombia		• Strengthen enforcement of legal frameworks on governance and transparency	• Reduce non-wage labor costs (employers' social security contributions, payroll taxes, severance payments, and paid leave)	• Reduce administrative burden on startups, ease regulations to promote firm entry/exit and a level playing field for private and public companies • Eliminate barriers in service and network sectors and barriers to trade and investment • Ease small and medium-sized enterprises' access to credit	• Reduce nontariff barriers to trade • Strengthen trade infrastructure	• Pension reform • Tax reform to incentivize investments and green transition • Health care reform • Reducing informality • Granting greater remuneration and protection to formal employees
Mexico	• Non-oil revenue mobilization to finance infrastructure, health, and education spending needs • Strengthen public investment management • Improve targeting of social protection programs	• Strengthen rule of law and control of corruption		• Enhance private participation in water and energy sectors • Deepen financial development and inclusion		
Paraguay	• Reform tax policies (personal income tax) • Institutional reforms to raise tax collection efficiency • Strengthen climate-public investment management and multiyear budgeting	• Improve government effectiveness in provision of public services • Strengthen control of corruption and rule of law	• Enhance benefits and better explanation of benefits (health care and unemployment) can make formal employment more attractive • Strengthen employment protection policies			• Public-private partnerships law to encourage private investment in infrastructure • Public sector retirement • Investment framework of pension funds • Electricity tariffs and operational/financial capacities of public electricity company • Bankruptcy framework allowing firms' swifter exit

Table 2. *(Continued)*

First Priority	Second Priority	Third Priority

	Reform Priorities					Reforms Underway
	Fiscal Structural Reforms	Governance and Economic Security	Labor Market Reforms	Product and Credit Market Reforms	Trade Liberalization	
Peru	• Strengthen public investment management • Revise tax code to eliminate incentives for informality/firms to stay small • Enhance coverage and the funding of social spending	• Reduce political instability and violence/terrorism • Improve government effectiveness especially at the local level • Strengthen control of corruption and law enforcement	• Liberalize employment protection • Reduce non-wage labor costs • Reduce labor informality			• Revamping income tax regime for small companies to incentivize formalization
Uruguay			• Differentiate wage negotiation across sectors • Improve education to mitigate skills mismatch • Liberalize labor mobility and migration restrictions	• Ease access to credit, develop financial market • Reduce public ownership (state-owned enterprises) • Strengthen competition policies/ agency	• Eliminate nontariff barriers and enhance nontraditional services trade inside Mercosur • Strengthen port infrastructure and quality of roads • Reduce tariff on trade outside Mercosur	• Public expenditure efficiency reform • Refining fiscal rules • Continuing dedollarizaiton program • Modernizing payment system

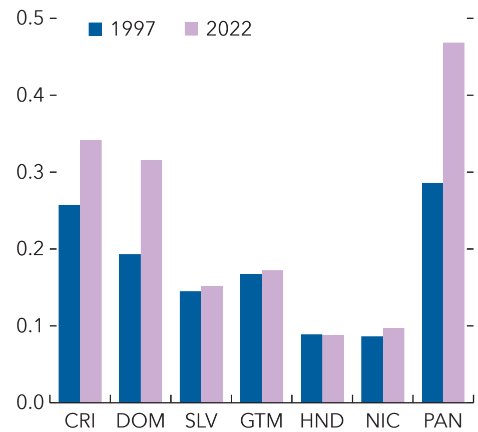
Source: IMF staff.
Note: For further country details, see latest Article IV Consultation Staff Reports at https://www.imf.org/en/Countries.

Box 1. Central America, Panama, and the Dominican Republic: GDP Convergence and Differences

In the past 25 years, there have been stark differences among the Central America, Panama, and the Dominican Republic (CAPDR) countries in convergence of GDP per capita with the United States (Box Figure 1.1). Costa Rica, Panama, and the Dominican Republic (CPD) saw rapid convergence, comparable to East Asia and Central Europe and the Baltics, whereas convergence of the Northern Triangle (El Salvador, Guatemala, and Honduras) and Nicaragua (NTN) was very modest (Box Figure 1.2, panel 1).

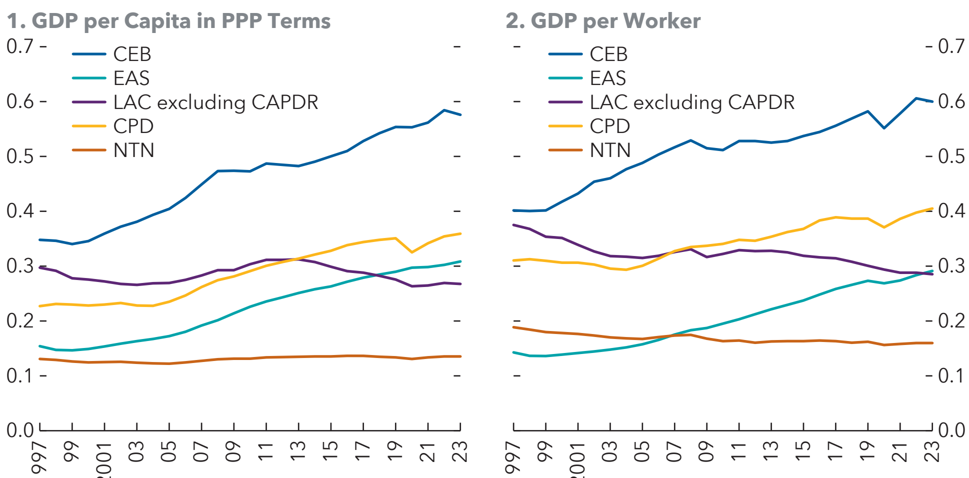
These differences do not reflect varying patterns of employment creation as both regions saw a rapid rise in employment-to-population ratios on account of the rising share of working-age population and female labor force participation. Rather, differences in convergence are the result of diverging paths in labor productivity growth. In CPD, labor productivity increased relative to the United States, whereas it declined in NTN (Box Figure 1.2, panel 2).

Box Figure 1.1. GDP per Capita
(Ratio to US GDP per capita)



Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization (ISO) country codes.

Box Figure 1.2. GDP per Capita Convergence and Its Contributors
(Ratio to US GDP)

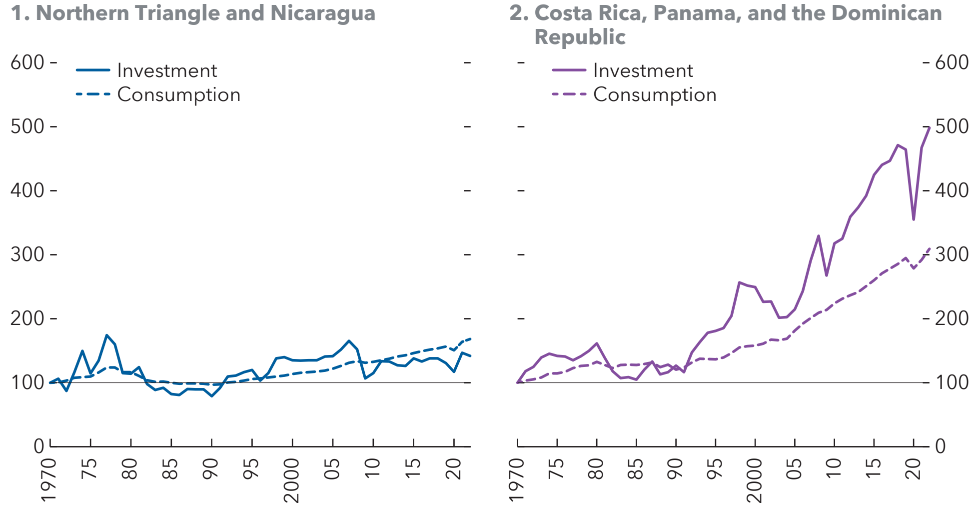


Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: CAPDR = Central America, Panama, and Dominican Republic; CEB = Central Europe and the Baltics; CPD = Costa Rica, Panama, and the Dominican Republic; EAS = East Asia; LAC = Latin America and the Caribbean; NTN = Northern Triangle and Nicaragua; PPP = purchasing power parity.

The author of this box is Bas Bakker based on Bakker (forthcoming).

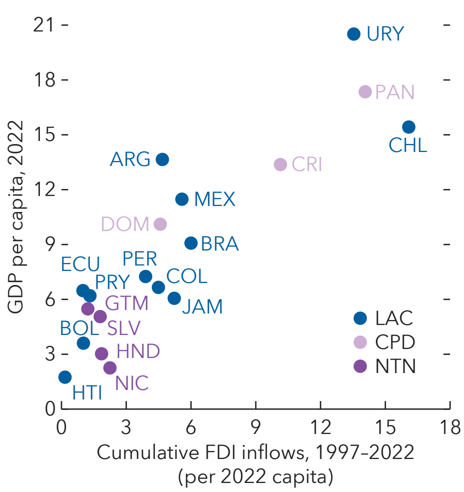
Box 1. *(continued)*

Box Figure 1.3. Per Capita Consumption and Investment
(Index: 1970 = 100)



Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: Northern Triangle = El Salvador, Guatemala, Honduras.

Box Figure 1.4. FDI Inflows per Capita and GDP per Capita
(Thousands of US dollars)



Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. CPD = Costa Rica, Panama, and the Dominican Republic; FDI = foreign direct investment; LAC = Latin America and the Caribbean; NTN = Northern Triangle and Nicaragua.

These diverging productivity paths are linked to different growth drivers. In NTN, growth has been mainly driven by consumption, whereas in CPD investments (and exports) have also played an important role. Per capita investment in NTN is no higher now than it was in the 1970s, whereas per capita investment in CPD has quadrupled (Box Figure 1.3).

The contrast between the two growth models is also visible in the balance-of-payments inflows. CPD saw a sharp rise in foreign direct investment (FDI) inflows, whereas FDI inflows in NTN remained flat. FDI inflows boosted investment and brought new technology, increasing labor productivity and GDP per capita. There is a clear positive link between cumulative FDI inflows and GDP per capita levels (Box Figure 1.4).

By contrast, remittances grew more strongly in NTN, helping to support consumption despite limited per capita output growth. For example, in Honduras, the average annual growth rate of consumption per capita between 1997 and 2022 has been one full percentage point higher than the growth of GDP per capita and only slightly below the consumption growth rate in Panama. Similarly, whereas the GDP per capita levels in Panama are more than five times as high as in Honduras, consumption

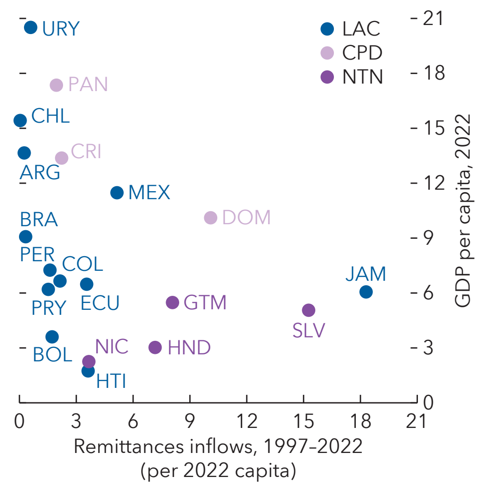
Box 1. *(continued)*

per capita is only three times as high. Although remittances boosted consumption, they did not boost GDP in NTN, as stronger remittances mostly translated into higher consumption and larger imports, rather than goods and services produced domestically. Indeed, higher remittances are not associated with higher GDP (Box Figure 1.5)—if anything, the link is negative.[1] This negative link between remittances and GDP growth likely reflects that the same factors that boost emigration (high crime and low governance) also reduce GDP growth.

Why did CPD receive more FDI whereas NTN received more remittances? While the explanation is likely to be multi-faceted, both governance and insecurity likely played a key role. Better governance is associated with higher FDI inflows, while more crime is associated with larger emigration and remittances.

Compared with CPD, in the past 25 years, NTN has had weaker governance and more crime (the latter with the notable exception of Nicaragua). Causality also went the other way: low growth boosted emigration and remittances, whereas high growth induced more FDI inflows. To grow faster, NTN needs to attract more FDI, notably by improving the business climate, security, and governance.

Box Figure 1.5. Remittances per Capita and GDP per Capita
(Thousands of US dollars)



Sources: World Bank, World Development Indicators database; and IMF staff calculations.
Note: Data labels in the figure use International Organization for Standardization (ISO) country codes. CPD = Costa Rica, Panama, and the Dominican Republic; LAC = Latin America and the Caribbean; NTN = Northern Triangle and Nicaragua.

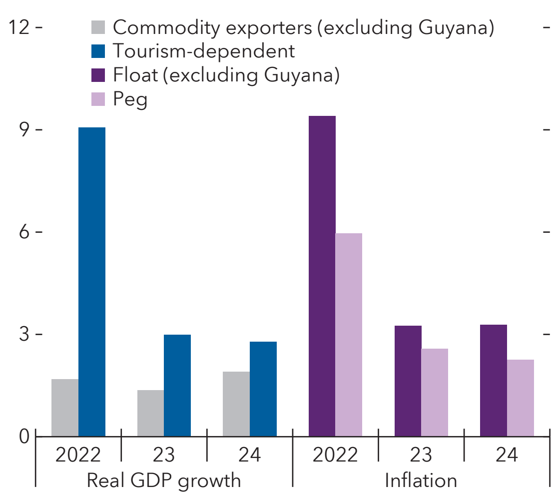
[1] Online Annex 1 shows that although remittances support economic activity by boosting demand, they only partially offset the adverse effects of emigration, leading to a net negative impact on output growth.

Box 2. The Caribbean: Fostering Higher, Sustainable, and More Inclusive Growth

Economic momentum in the Caribbean slowed in 2023 compared to 2022. Real GDP growth in the region (excluding Guyana) is estimated to have been 1.4 percent in 2023, declining from 4.2 percent in 2022.[1] In tourism-dependent countries, tourism growth slowed as tourist arrivals approached pre-pandemic levels, partially supported by efforts to improve connectivity and expand hotel capacity (Box Figures 2.1 and 2.2). In commodity-exporting countries, headwinds in the energy sector were offset by strong performance in the non-energy sector, which benefited from policy support. Inflation moderated significantly in 2023–24 compared to 2021–22 and has recently returned to prepandemic levels, mainly driven by global factors, including lower commodity prices and the reversal of supply-chain disruptions. In Haiti, however, the supply-side shock caused by the security crisis has fed inflation pressures since February 2024. The region (excluding Guyana) is projected to grow 1.1 percent in 2024 and 2.2 percent in 2025, while inflation is expected to remain low.

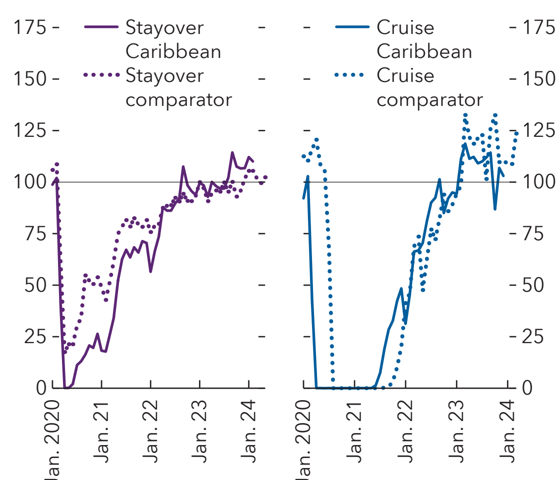
Risks to economic growth remain tilted to the downside. In addition to natural disasters, a key risk for tourism-dependent countries is an economic slowdown in tourism-source countries. Countries reliant on citizenship-by-investment programs may see lower fiscal revenues—which have supported spending and activity in recent years—amid greater international scrutiny.[2] For commodity-exporting countries, commodity price

Box Figure 2.1. Real GDP Growth and Inflation
(Percent)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. Year average is reported for inflation. IMF staff forecasts for 2024. Haiti is a fragile and conflict-affected state and is not classified as a tourism-dependent or commodity- exporting country. Because of idiosyncratic factors, Haiti had negative growth rates over the period of analysis.

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



Sources: Caribbean Tourism Organization; Eastern Caribbean Central Bank; national authorities; Tourism Analytics; and IMF staff calculations.
Note: Caribbean 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. Comparator sample includes Costa Rica, the Dominican Republic, and Mexico for stayover arrivals, and the Dominican Republic and Mexico for cruise ship arrivals.

The authors of this box are Sophia Chen and Camilo E. Tovar, with research analysis from Spencer Siegel.

[1] Guyana had one of the world's highest real GDP growth rates in 2023 (33 percent) because of ramping up of oil production.

[2] Citizenship-by-investment revenues vary significantly, ranging from less than 1 percent of GDP in St. Lucia to 30 percent in Dominica in 2023.

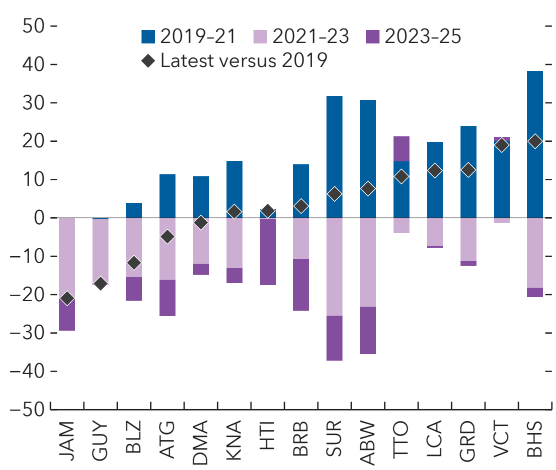
Box 2. *(continued)*

volatility and a global slowdown could create uncertainty in export demand. However, new energy projects and structural reforms under discussion provide an upside potential over the medium term. In Haiti, a further deterioration of security could undermine recent efforts toward normalization of economic activity led by the deployment of the Multicountry-Security Support Mission. The region remains exposed to commodity price shocks, which could see a return of inflationary pressures. The region also remains highly vulnerable to climate change and natural disasters, as powerfully demonstrated by Hurricane Beryl, which caused fatalities and extensive physical destruction in early July, particularly in Grenada and St. Vincent and the Grenadines (and to a lesser extent in Barbados and Jamaica). While a detailed assessment of the full scale of damages is still ongoing, initial reports indicate that damages and losses for the region may well exceed US$0.5 billion.

Despite the progress made, a key policy priority is to continue building fiscal buffers while protecting the most vulnerable. Government debt-to-GDP ratios are projected to continue declining in 2024 in most countries, mainly supported by economic growth and primary surpluses in some countries. But in many countries, debt remains above the already high 2019 levels, averaging in these countries 74 percent of GDP in 2023 (Box Figure 2.3). Mobilizing revenue and enhancing spending efficiency are crucial for debt sustainability.

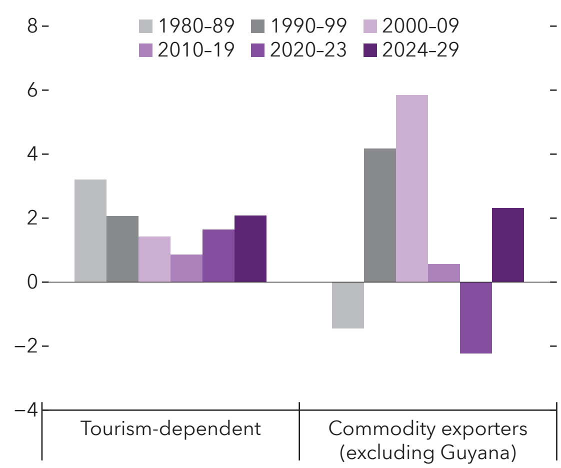
Another priority is to achieve higher and more inclusive growth. The region's subdued medium-term growth outlook (Box Figure 2.4) is insufficient to materially reduce public debt ratios and support income convergence. Caribbean per capita income levels have remained stagnant at about 40 percent of the US level since the turn of the century. Evidence indicates that low aggregate productivity growth and insufficient human capital largely explain this low potential growth. Key impediments to productivity growth include the inefficient allocation of productive resources—in both the goods and services sectors—and structural obstacles to firm-level productivity, such as regulatory burdens and the lack of financing.

Box Figure 2.3. Change in General Government Gross Debt
(Percentage points of GDP)



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

Box Figure 2.4. Real GDP Growth
(Percent; period average)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Tourism-dependent includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Commodity exporters include Guyana, Suriname, and Trinidad and Tobago.

Box 2. *(continued)*

Boosting growth and inclusion requires sound, credible, and sustainable macroeconomic policies to strengthen human capital and measures to address the impediments to productivity growth. Specifically, this includes improving resource allocation (for example, product market reforms), expanding financial access (for example, centralized credit systems and financial sector reforms to increase competition), maintaining a sound and stable financial sector with adequate supervision and regulation, addressing structural and youth unemployment (for example, labor market reforms, education, and training programs), improving the efficiency of government services (for example, developing digital infrastructure, streamlining business registration and tax administration), and fostering integration within and outside the region in transportation and trade.

Finally, the region needs to accelerate investment in climate resilience and green energy transition. Policies should focus on integrating adaptation and mitigation strategies into public investment management, strengthening public–private partnerships for investment, improving the efficiency of energy systems while reducing domestic fossil fuel consumption through electrification, and lowering the carbon intensity of fossil fuel production in commodity-exporting countries. Mobilizing private climate financing and drawing on official financing, including the IMF's Resilience and Sustainability Facility (as Barbados and Jamaica have done) can help address external financing needs by catalyzing additional funding, including from the private sector.

Box 3. Latin America 7 and Other South American Countries: Country Focus

In *Argentina*, firm program implementation is helping restore macroeconomic stability. Through the first half of 2024, the authorities have achieved a fiscal surplus (the first in 16 years), rebuilt reserves, and brought down inflation more quickly than anticipated. Signs of economic stabilization are emerging, with economic activity expanding after April, although the pace of recovery remains uncertain and uneven across sectors. Sustaining gains will require that policies continue to evolve, including on the monetary, foreign exchange, and structural fronts. Under baseline policies, after contracting by about 3.5 percent this year, the economy is projected to expand by about 5 percent in 2025. Meanwhile, annual inflation is projected to end the year below 140 percent before dropping to about 45 percent by the end of 2025.

In *Brazil*, growth is projected to remain robust at 3.0 percent in 2024, underpinned by resilient private consumption—aided by fiscal transfers and strong labor markets—rising investment, and smaller-than-anticipated disruptions from the floods, before moderating to 2.2 percent because of smaller statistical carryover effects, a still restrictive monetary policy, and the expected cooling of the labor market. Over the medium term, growth is expected to strengthen to 2.5 percent—an upward revision of 0.5 percentage point since the 2023 Article IV Consultation—reflecting supportive structural factors, including the efficiency-enhancing value-added tax reform and the acceleration in hydrocarbon production. Given Brazil's stronger-than-expected economic growth, tight labor market, and above-target inflation expectations, maintaining flexibility on future interest rate changes is prudent. The authorities' commitment to improve the fiscal position is welcome. To put public debt on a firmly downward path, staff recommends a sustained and more ambitious fiscal effort.

Bolivia's economy is facing significant challenges. Acute fiscal and external imbalances—amid declining natural gas production, constraints on external financing, the ongoing monetization of the fiscal deficit, and an overvalued exchange rate—have depleted international reserves. The lack of foreign exchange, low agricultural production because of El Niño, and sociopolitical tensions are expected to drive a deceleration in growth from 3.1 in 2023 to 1.6 percent in 2024. After a prolonged period of low inflation, inflation is expected to reach 6 percent in the end of 2024 and average of about 4 percent thereafter. Preventing a more disorderly unwinding of these imbalances will require a credible multiyear fiscal consolidation plan that incorporates a phasing out of fuel subsidies, supported by strengthened social safety nets, a realignment of the exchange rate, and improving the environment for private sector-led investment and job creation.

Chile's economy is on track to grow around trend as imbalances built during the pandemic have been largely resolved. The near-term outlook has also improved because of higher copper prices and a pick-up in mining exports, with growth projected at 2.5 and 2.4 percent in 2024 and 2025, respectively. Inflation picked up in the third quarter, and the convergence to the central bank's 3 percent target is now expected only by the first half of 2026 because of one-off factors, particularly, the increase in electricity tariffs. Because of the weaker-than-expected revenue growth, additional efforts are needed to meet the fiscal deficit target of 1.9 percent of GDP in 2024. Medium-term fiscal policy remains appropriately targeted at a broadly balanced fiscal position by 2026 guided by the structural balance rule and the (45 percent of GDP) debt anchor.

In *Colombia*, economic growth is expected to pick up to 1.6 percent in 2024 and 2.5 in 2025, as macroeconomic policies normalize, while inflation continues falling despite headwinds from supply shocks and resilient consumption. Monetary policy is expected to normalize gradually while remaining tight to bring inflation to below 6 percent by the end of 2024 and inside the 2- to 4-percent target band by the end of 2025. Staff recommends cautious and backloaded cuts aiming to return inflation firmly to the 3 percent target during 2025. Fiscal policy remains bounded by the fiscal rule, though the planned increases in headline

The authors of this box are the Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay) and other South American country teams.

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

deficits and debt pose risks. Lower deficits and debt levels than those implied by the fiscal rule and reorienting expenditure toward investment would safeguard fiscal sustainability and support potential growth.

Ecuador's growth is projected to slow to 0.3 percent in 2024 and 1.2 percent in 2025, as the economy faces significant headwinds, including from a challenging security situation and power outages. Over the medium term, growth is expected to gradually rise to 2½ percent as macroeconomic stability takes hold and reforms are implemented under the IMF-supported program. Inflation is projected to reach 2.8 percent by the end of 2024, partly driven by a value-added tax rate hike and lower fuel subsidies, before declining to 1.7 percent in 2025. Significant fiscal effort is needed to put public finances on a sound footing, while protecting vulnerable groups and preserving space for priority spending on security, social protection, and public investment. Rebuilding liquidity buffers remains key to enhance resilience.

In *Mexico*, after robust growth in 2023, activity has slowed in recent quarters. Notwithstanding expansionary fiscal policy, slowing exports to the United States and the restrictive monetary stance are expected to limit growth in 2024 to about 1.5 percent. A further slowdown to 1.3 percent is expected for 2025 reflecting the planned fiscal tightening and a weaker external environment. The gradual easing of the restrictive monetary stance, alongside a narrowing output gap and slower credit growth, is expected to help inflation return to Banxico's target by the end of 2025. The 2025 budget, expected in mid-November, needs to provide a credible consolidation plan to meet medium-term fiscal targets and maintain fiscal sustainability.

In *Paraguay*, economic growth was among the fastest in the region (4.7 percent) in 2023, and medium-term prospects are strongly supported by projected large green projects and underpinned by two IMF programs (Policy Consultation Instrument and Resilience and Sustainability Facility). Headline inflation dropped sharply in 2023 and has recently stabilized around the 4-percent central bank target. While the fiscal deficit for the budgetary central government rose to 4.1 percent of GDP in 2023, as a result of the recognition of unrecorded expenditures during the pandemic, fiscal consolidation is underway to bring the deficit back into compliance with the 1.5 percent of GDP limit under the Fiscal Responsibility Law by 2026. Public debt has increased because of recent external shocks but remains relatively low at about 40 percent of GDP. Moody's upgraded the country's credit rating to investment grade for the first time in July 2024.

Peru's economy is rebounding, after contracting in 2023 as a result of consecutive climate-related shocks and social turmoil, led by a strong recovery in primary sectors as supply shocks have dissipated. From the demand side, growth is mostly driven by public investment, while the recovery in private consumption and investment is still modest as political uncertainty continues to weigh on confidence. With headline inflation already at the midpoint of the 1 to 3 percent target range, conditions allow for further monetary policy easing. The fiscal consolidation was delayed to avoid endangering the incipient recovery given available fiscal space, but fiscal policy guidance could be improved to enhance credibility, especially as the revised 2024 fiscal deficit target could be at risk if revenue recovery takes longer than envisaged. Over the medium term, fiscal consolidation is necessary to preserve fiscal sustainability while structural reforms are essential to lift potential growth.

Uruguay's economic growth is expected to rebound to 3.2 percent in 2024 and 3 percent in 2025, reflecting the recovery from a once-in-a-century drought, increased cellulose production, easing of financial conditions, and the normalization of price differentials with Argentina. Inflation is projected to pick up in the second half of 2024 but stay within the 3- to 6-percent target range, following a gradual easing of monetary

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

policy and robust wage growth. The projected non-financial public sector deficit of 3 percent of GDP in 2024 balances deficit reduction with safeguarding social spending, while the debt-to-GDP ratio is projected to remain broadly stable, aligned with the net indebtedness target of the fiscal rule.

Venezuela's economy is expected to grow at 3 percent in 2024 as oil production continues to recover even if PDVSA's own production has remained relatively constant. Political uncertainty ahead of the presidential election weighed on domestic demand, which has remained flat. Inflation has been decelerating faster than initially anticipated and is now projected at 60 percent by the end of 2024. Two main factors explain the deceleration of inflation: exchange rate stability as the central bank has increased foreign exchange interventions, and a moderate increase in fiscal spending in the lead-up to the election. Despite the improved outlook in recent years brought by the end of hyperinflation and the easing of sanctions, the country continues to be immersed in a deep economic, political, and humanitarian crisis, which has resulted in about 7.8 million people (25 percent of the population) leaving the country since 2014.

Background Paper 1 Summary. Closing the Gap: Labor Market Participation in Latin America[1]

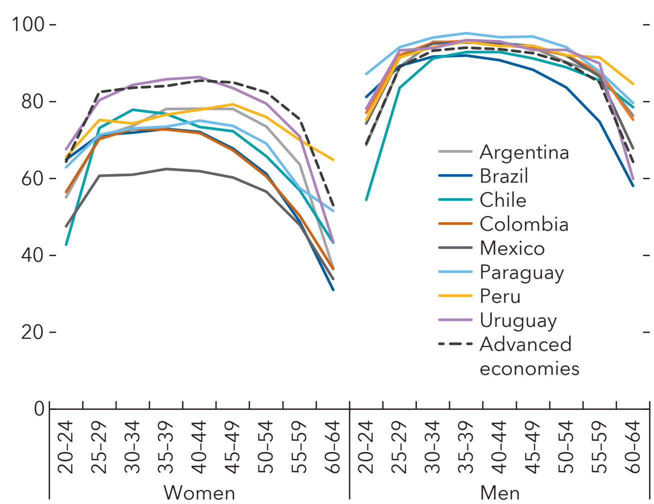
The expanding labor force has been an important driver of economic growth in Latin America over the last decades. However, as population growth decelerates and population ages, the contribution from demographics to growth will diminish. Increasing labor force participation can mitigate these demographic headwinds. Using microdata from several Latin American household surveys, this paper documents key patterns in labor market participation and identifies demographic groups with the potential to boost the labor force going forward. There is significant scope to offset the demographic shift by increasing female participation, although household responsibilities remain a crucial obstacle. Implementing policies that improve the availability and affordability of childcare, eliminate asymmetries in parental benefits, and make work schedules more flexible can relax constraints to women's labor force participation. Incentivizing older adults to remain active longer and more effectively integrating the youth into the workforce can provide an additional boost to the labor force.

Labor Force Participation Patterns

Latin America witnessed a remarkable surge in labor force participation in the decades preceding 2010. Led by women joining the labor force, total participation rates increased from less than 60 percent to about 80 percent between 1951 and 2010. However, with male participation already at relatively high levels, total labor force participation rates in the region have plateaued since 2010.

Despite the important gains made over time, gender disparities in participation rates persist, and female participation is still relatively low across the region. Latin America's average participation gender gap is now close to 20 percentage points, comparable to those of peer economies but twice as large as the average gap in advanced economies. This average, however, masks a significant heterogeneity in prime working-age (25–54) female labor force participation across the countries in the sample, from less than 60 percent in Mexico to more than 80 percent in Uruguay, where participation is as high as in advanced economies (Background Paper Figure 1.1).

Background Paper Figure 1.1. Labor Force Participation Rate by Gender and Age, 2023
(Percent of working-age population)



Sources: ILOSTAT; and IMF staff calculations.
Note: Advanced economies is simple average. Data labels in the figure use International Organization for Standardization (ISO) country codes.

Participation rates are also uneven across age groups. Although a decline with age is expected, female participation rates notably start declining from a relatively early age. Women in Latin America exit the labor force sooner than men, and sooner than women in advanced economies—in some cases, even while still in their prime working

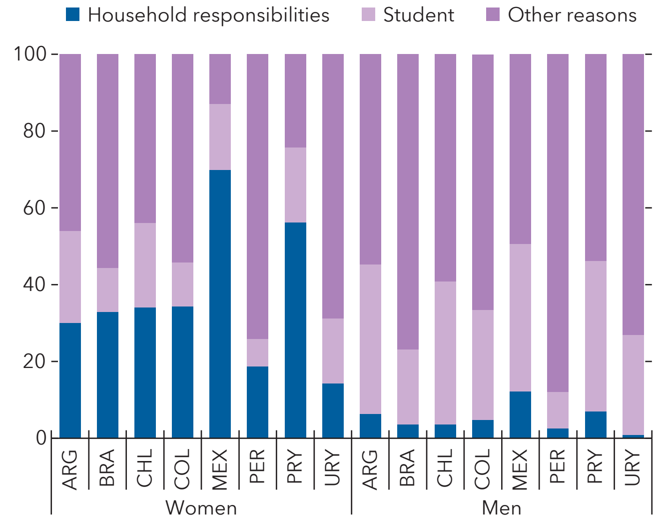
[1] See October 2024 *Regional Economic Outlook: Western Hemisphere*, "Closing the Gap: Labor Market Participation in Latin America" (Background Paper 1) prepared by Camila Casas (co-lead) and Flavien Moreau (co-lead), with support from Nicolás Gómez Parra and Kenji Moreno, under the guidance of Gustavo Adler and Lusine Lusinyan.

age. At the opposite end of the age spectrum, a significant share of youth, ranging from 17 to 27 percent in the region, is neither employed, nor enrolled in education or training, which is also largely explained by young women not entering the labor force upon the completion of their education.

Obstacles and Opportunities for Increasing Participation

Women face numerous obstacles to labor force participation, with household responsibilities being a key reason for staying outside the labor force and the main driver of the gender participation gap (Background Paper Figure 1.2), especially among women with lower educational attainment. Although these include chores and caring for other relatives, tending to children plays a crucial role as participation gaps broaden after parenthood. While many women exit (at times, permanently) the labor force around the arrival of their first child, men's participation is largely unaffected. Hence, policies that improve the availability and affordability of childcare, and that address the disparities in parental benefits between men and women, could help reduce constraints for some women. More flexible work arrangements that allow work patterns to adapt to family needs would also facilitate participation. Reforms to tax systems that reduce fiscal costs for second earners within households, such as individualizing taxation and increasing progressivity, can further strengthen women's incentives to work.

Background Paper Figure 1.2. Reported Reasons for Inactivity
(Share of working-age population not in the labor force)



Sources: EPH (INDEC); PNADC (IBGE); ENE (INE); GEIH (DANE); ENOE (INEGI); ENAHO (INEI); ECH (INE); and IMF staff calculations.
Note: Self-reported by working-age population not in the labor force. Data labels in the figure use International Organization for Standardization (ISO) country codes.

Beyond gender, additional strategies targeting age groups outside prime working age can also raise labor force participation. Increasing statutory retirement ages and/or generating incentives to work after retirement, for instance, by allowing workers to improve their pension by working past a minimum retirement age, can boost participation among older adults. For the youth, providing vocational training or other short-cycle programs can help integrate both inactive and unemployed into the labor force by equipping them with job-ready skills in a short time, hence reducing skills mismatches.

The demographic clock is ticking for Latin American economies to better prepare for the impending shifts. Policies to make labor markets more inclusive by closing participation gaps across gender and age groups could go a long way in boosting the labor force and long-term growth prospects. Closing gender participation gaps to levels comparable to those of advance economies can increase annual GDP growth rates by around half a percentage point per year, more than offsetting the negative effect of the population shift on growth for several countries in the region.

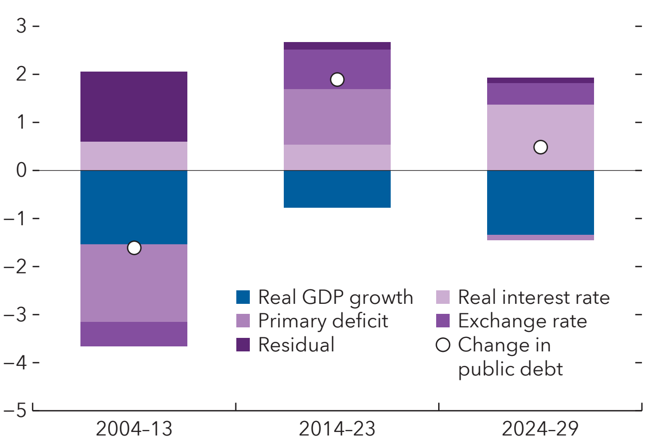
Background Paper 2 Summary. Public Debt Dynamics in Latin America: Time to Rebuild Buffers and Strengthen Fiscal Frameworks[1]

Understanding the drivers of public debt is paramount to assessing fiscal sustainability risks. This paper studies Latin America's debt dynamics over the last two decades, the factors behind the buildup of debt preceding the pandemic, and their possible role going forward. Drivers of debt changed substantially, with forces that drove debt down during the commodity price boom reversing once it came to an end, growth decelerated, and public finances weakened substantially despite compliance with fiscal rules. With many of these forces still at play, and an unfavorable interest rate-growth ('r-g') differential, maintaining debt on a sustainable path will require strong fiscal discipline. Strengthening fiscal frameworks will also be of paramount importance.

Understanding the Debt Buildup

The drivers of public debt dynamics in Latin America have shifted markedly over the last two decades (Background Paper Figure 2.1).[2] During the commodity price boom (2004–13), indebtedness fell considerably (from 45 to 34 percent of GDP), supported by strong growth, positive primary balances, and appreciating domestic currencies. In the decade following the boom (2014–23), however, these forces reversed, and primary surpluses turned into deficits, currencies weakened, and growth slowed. The result was a buildup of debt, to about 47 percent of GDP in 2019 despite the prevalence of fiscal rules (Background Paper Figure 2.2) as they were met by frequently modifying and relaxing targets over time. The pandemic shock further increased debt ratios to about 56 percent in 2020, falling back to about 53 percent in 2023.

Background Paper Figure 2.1. LA7: Decomposition of Changes in Public Debt
(Annual average; percentage points of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Simple average. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Public Debt Outlook and Vulnerabilities

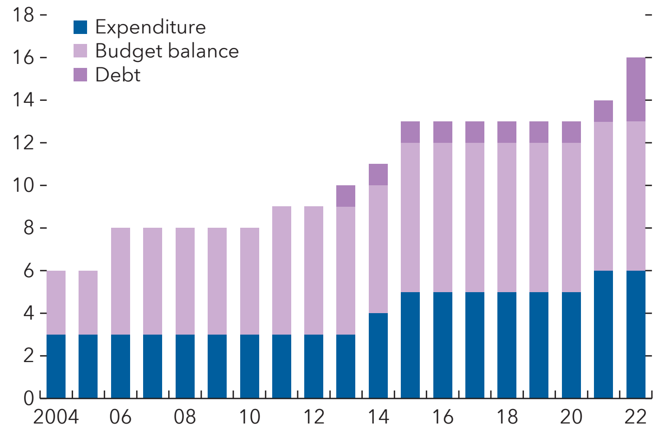
Public debt is projected to remain around current levels over the next five years, but this largely hinges on ambitious fiscal consolidation plans, which will require sustaining considerably higher primary balances than in the past and those of other emerging markets, while continuing to face an unfavorable interest-growth differential because of high financing costs and low growth. Implementation of these consolidation plans

[1] See the October 2024 *Regional Economic Outlook: Western Hemisphere,* "Public Debt Dynamics in Latin America: Time to Rebuild Buffers and Strengthen Fiscal Frameworks" (Background Paper 2), prepared by Juan Passadore (co-lead), Juan Treviño (co-lead), Santiago Acosta Ormaechea, Luiza Antoun de Almeda, Chao He, and Roberto Perrelli, with support from Nicolás Gómez Parra, Genevieve Lindow, and Kenji Moreno, under the guidance of Gustavo Adler and Lusine Lusinyan.

[2] In this study, Latin America refers to Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay (LA7).

could be challenging as efforts have already been subject to delays, with changes to fiscal targets within existing fiscal rules, as in the past. Moreover, in some cases, consolidation plans rely on measures yet to be identified.

Background Paper Figure 2.2. LA7: Evolution of Fiscal Rules
(Number of rules)



Sources: Davoodi and others (2022); and IMF staff calculations.
Note: Each bar denotes the number of countries in a region that has a particular fiscal rule (budget balance, debt, expenditure, revenue). LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Improvements in debt management strategies over the last decade have helped increase the average debt maturity and reduce the share of foreign currency debt, mitigating the region's vulnerability to shocks. Yet, public finances remain vulnerable to large commodity price fluctuations and changes in external financing conditions, which could jeopardize ongoing efforts to stabilize debt-to-GDP ratios. The rising frequency and severity of natural disasters also pose a risk to public finances, requiring careful monitoring and rebuilding fiscal buffers.

Ensuring debt sustainability requires advancing fiscal consolidation without further delay. To improve debt dynamics, it is also essential to address the region's high financing costs, including by further strengthening medium-term fiscal frameworks to enhance credibility, along with careful monitoring of potential risks. The addition of meaningful debt anchors—a common feature of fiscal rules in other regions—could also help to ensure that debt remains in check.

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	
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
North America	**6.0**	**2.7**	**2.8**	**2.5**	**2.1**	**7.2**	**6.6**	**3.4**	**2.5**	**2.1**	**–3.2**	**–3.5**	**–2.9**	**–2.9**	**–2.8**
Canada	5.3	3.8	1.2	1.3	2.4	4.7	6.6	3.2	2.0	1.9	0.0	–0.4	–0.7	–1.0	–1.3
Mexico	6.0	3.7	3.2	1.5	1.3	7.4	7.8	4.7	4.5	3.2	–0.3	–1.2	–0.3	–0.7	–0.9
United States	6.1	2.5	2.9	2.8	2.2	7.4	6.4	3.2	2.3	1.9	–3.7	–3.9	–3.3	–3.3	–3.1
Puerto Rico[3]	0.4	3.6	0.6	1.0	–0.8	4.2	6.1	1.9	2.2	1.6	…	…	…	…	…
South America	**7.5**	**4.0**	**1.5**	**1.8**	**2.7**	**14.2**	**18.4**	**24.3**	**18.0**	**8.7**	**–2.3**	**–2.6**	**–1.4**	**–1.2**	**–1.3**
Argentina	10.4	5.3	–1.6	–3.5	5.0	50.9	94.8	211	140	45.0	1.4	–0.6	–3.2	0.6	0.6
Bolivia	6.1	3.6	3.1	1.6	2.2	0.9	3.1	2.1	6.0	4.0	3.9	2.1	–2.6	–5.4	–5.5
Brazil	4.8	3.0	2.9	3.0	2.2	10.1	5.8	4.6	4.3	3.3	–2.4	–2.1	–1.0	–1.7	–1.8
Chile	11.3	2.1	0.2	2.5	2.4	7.1	12.8	3.9	4.5	3.5	–7.3	–8.7	–3.5	–2.3	–2.7
Colombia	10.8	7.3	0.6	1.6	2.5	5.7	13.2	9.3	5.7	3.5	–5.6	–6.1	–2.5	–2.5	–2.6
Ecuador	9.8	6.2	2.4	0.3	1.2	1.9	3.7	1.3	2.8	1.7	2.9	1.8	1.9	2.8	2.4
Paraguay	4.0	0.2	4.7	3.8	3.8	6.8	8.1	3.7	4.0	4.0	–0.9	–7.1	0.3	–0.6	–2.5
Peru	13.4	2.7	–0.6	3.0	2.6	6.4	8.5	3.2	2.4	2.0	–2.1	–4.0	0.8	0.3	–0.1
Uruguay	5.6	4.7	0.4	3.2	3.0	8.0	8.3	5.1	5.4	5.3	–2.5	–3.9	–3.8	–2.7	–2.6
Venezuela	1.0	8.0	4.0	3.0	3.0	686	234	190	60.0	60.1	–1.2	3.6	3.1	4.1	3.3
CAPDR	**11.1**	**5.4**	**4.1**	**3.8**	**3.8**	**5.1**	**7.5**	**2.7**	**3.0**	**3.3**	**–1.8**	**–2.9**	**–1.3**	**–1.1**	**–1.2**
Costa Rica	7.9	4.6	5.1	4.0	3.5	3.3	7.9	–1.8	0.9	2.6	–3.2	–3.2	–1.4	–2.2	–2.2
Dominican Republic	12.3	4.9	2.4	5.1	5.0	8.5	7.8	3.6	3.7	4.0	–2.8	–5.8	–3.6	–3.4	–3.4
El Salvador	11.9	2.8	3.5	3.0	3.0	6.1	7.3	1.2	2.0	1.8	–4.3	–6.8	–1.4	–2.2	–2.4
Guatemala	8.0	4.2	3.5	3.5	3.6	3.1	9.2	4.2	4.0	4.0	2.2	1.3	3.1	2.4	1.8
Honduras	12.6	4.1	3.6	3.6	3.5	5.3	9.8	5.2	4.7	4.5	–5.5	–6.6	–3.9	–5.3	–5.1
Nicaragua	10.3	3.8	4.6	4.0	3.8	7.2	11.6	5.6	4.8	4.0	–3.8	–2.4	7.7	6.8	6.1
Panama	15.8	10.8	7.3	2.5	3.0	2.6	2.1	1.9	1.3	2.0	–1.2	–0.6	–4.5	–0.4	–0.5
Caribbean	**4.7**	**13.1**	**7.5**	**11.9**	**5.5**	**9.4**	**15.5**	**8.9**	**7.2**	**6.1**	**–3.2**	**4.8**	**2.2**	**5.6**	**1.7**
Caribbean: Tourism Dependent	**9.0**	**9.1**	**3.0**	**2.8**	**2.4**	**5.1**	**7.3**	**4.3**	**3.5**	**3.1**	**–9.5**	**–5.7**	**–3.4**	**–3.6**	**–3.8**
Antigua and Barbuda	8.2	9.5	4.2	5.8	3.5	1.2	9.2	3.3	5.4	2.0	–18.0	–15.9	–12.8	–10.5	–9.8
Aruba	27.6	10.5	5.3	5.5	2.0	3.6	5.7	2.3	2.7	2.1	–2.1	6.0	4.8	6.2	5.8
The Bahamas	15.4	10.8	2.6	1.9	1.7	4.1	5.5	1.9	1.2	1.7	–21.4	–9.1	–7.7	–7.9	–7.2
Barbados	–0.3	17.8	4.1	3.9	3.0	2.4	3.8	3.2	3.0	2.4	–10.3	–9.9	–8.6	–6.4	–6.1
Belize	17.9	9.8	1.1	5.4	2.5	4.9	6.7	3.7	2.6	1.3	–6.5	–8.3	–0.6	–3.0	–2.6
Dominica	6.9	5.6	4.7	4.6	4.2	3.5	8.7	2.3	2.2	2.0	–32.9	–26.7	–33.9	–33.1	–30.7
Grenada	4.7	7.3	4.7	3.0	3.9	1.9	2.9	2.2	2.8	1.8	–14.5	–11.0	–9.1	–11.3	–14.6
Jamaica	4.6	5.2	2.6	1.3	2.1	7.3	9.4	6.9	5.3	5.0	1.0	–0.8	2.9	1.6	0.5
St. Kitts and Nevis	–1.7	10.5	2.3	4.4	4.3	1.9	3.9	1.6	2.3	2.0	–5.1	–10.8	–13.6	–10.4	–12.4
St. Lucia	11.6	20.4	2.2	3.9	2.6	4.1	6.9	2.1	0.6	1.4	–11.9	–2.9	–1.9	–1.5	–1.3
St. Vincent and the Grenadines	2.1	3.1	5.8	4.5	4.0	3.4	6.7	4.0	3.0	2.0	–22.2	–18.9	–17.5	–18.9	–15.4
Caribbean: Non-Tourism Dependent	**2.1**	**15.4**	**10.0**	**16.5**	**7.1**	**12.1**	**20.6**	**11.5**	**9.1**	**7.6**	**1.6**	**12.7**	**6.7**	**12.2**	**5.6**
Haiti[4]	–1.8	–1.7	–1.9	–4.0	1.0	13.1	38.7	31.8	29.0	18.7	0.4	–2.3	–3.5	–0.4	–0.9
Commodity Exporters	4.0	22.7	14.3	22.7	8.7	11.5	13.7	4.8	3.8	4.8	2.3	18.9	10.9	18.1	9.0
Guyana	20.1	62.3	33.0	43.8	14.4	5.7	7.2	2.0	3.5	5.5	–26.0	26.2	10.3	36.9	12.6
Suriname	–2.4	2.4	2.1	3.0	3.0	60.7	54.6	32.6	12.7	11.3	5.7	2.1	3.9	1.8	1.6
Trinidad and Tobago	–1.0	1.5	1.1	1.6	2.4	3.5	8.7	0.7	1.8	2.0	10.7	17.4	12.1	5.5	7.2
Memorandum															
Latin America and the Caribbean	**7.4**	**4.2**	**2.2**	**2.1**	**2.5**	**11.7**	**14.9**	**17.2**	**13.2**	**6.9**	**–1.8**	**–2.2**	**–1.1**	**–0.9**	**–1.1**
LAC (simple average)	*8.3*	*7.8*	*3.7*	*4.1*	*3.3*	*8.2*	*12.5*	*11.6*	*8.7*	*5.0*	*–5.6*	*–3.5*	*–2.7*	*–1.9*	*–2.8*
LAC excluding Argentina and Venezuela	7.1	4.0	2.6	2.6	2.2	7.8	7.8	4.7	4.3	3.3	–2.1	–2.4	–0.9	–1.1	–1.4
Latin America 7	6.7	3.6	2.4	2.4	2.0	8.3	7.9	5.0	4.4	3.3	–2.3	–2.7	–1.0	–1.4	–1.5
Latin America 5	6.8	3.6	2.4	2.3	2.0	8.3	7.8	5.0	4.4	3.2	–2.4	–2.7	–0.9	–1.4	–1.5
Eastern Caribbean Currency Union[5]	6.5	11.4	3.9	4.5	3.6	2.7	6.7	2.4	2.7	1.8	–18.9	–12.9	–11.6	–11.1	–10.8

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 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. See Country Notes for details on the data. Data in this table have been compiled based on information available through October 7, 2024, 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.

[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]Fiscal year data.

[5]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	
	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025	2021	2022	2023	2024	2025
North America	**39.2**	**33.0**	**32.3**	**33.0**	**32.7**	**–7.9**	**–0.9**	**–3.1**	**–3.4**	**–2.8**	**120.1**	**114.2**	**113.9**	**116.1**	**118.9**
Canada	42.8	38.3	39.3	40.0	39.2	–3.6	–0.3	–0.2	–1.5	–0.7	113.5	107.4	107.5	106.1	103.2
Mexico	22.8	23.2	22.4	24.7	22.6	0.0	0.7	1.5	–0.8	1.0	56.9	54.2	53.1	57.7	57.9
United States	39.9	33.1	32.4	33.0	32.8	–8.7	–1.1	–3.6	–3.7	–3.2	124.5	118.6	118.7	121.0	124.1
Puerto Rico[2]	19.2	19.9	21.3	22.0	22.9	1.7	2.5	1.3	0.4	0.4	48.9	16.7	16.7	17.7	18.8
South America	**32.3**	**32.5**	**33.6**	**32.7**	**32.7**	**–0.8**	**0.1**	**–1.9**	**–0.4**	**–0.1**	**77.6**	**75.1**	**85.9**	**77.2**	**77.6**
Argentina	36.1	35.6	35.3	30.2	30.9	–2.5	–1.7	–2.8	1.8	2.9	81.0	84.5	155.4	91.5	78.5
Bolivia	33.0	33.0	35.8	34.2	33.3	–8.0	–5.5	–8.7	–7.2	–6.5	81.4	80.1	88.4	93.9	97.9
Brazil	33.6	35.4	37.2	37.7	37.8	2.0	1.3	–2.0	–0.5	–0.7	88.9	83.9	84.7	87.6	92.0
Chile	32.7	25.6	26.3	25.9	25.8	–6.9	1.8	–1.9	–1.7	–0.8	36.4	37.8	39.4	41.0	41.6
Colombia	31.1	29.7	30.8	28.4	27.9	–4.4	–2.4	1.1	–0.1	0.2	64.0	60.1	54.3	55.8	56.1
Ecuador	36.1	37.2	38.0	38.1	35.5	–1.4	0.5	–2.7	–0.9	0.2	61.6	57.0	55.3	56.5	56.5
Paraguay	19.4	18.9	19.9	18.9	18.2	–2.3	–1.4	–2.2	–0.3	0.2	37.5	40.5	41.2	41.9	41.2
Peru	22.1	22.0	20.9	20.8	20.6	–1.2	0.0	–1.3	–1.6	–0.5	36.1	34.0	33.0	34.2	35.3
Uruguay	28.2	28.2	28.6	28.8	28.3	–0.6	–0.5	–0.9	–0.7	–0.6	64.1	60.3	64.5	64.7	65.0
Venezuela	11.8	14.1	14.1	…	…	–4.6	–5.9	–3.3	…	…	249.7	160.7	146.3	…	…
CAPDR	**17.9**	**16.9**	**16.7**	**16.9**	**16.7**	**–0.9**	**0.3**	**0.5**	**0.4**	**0.4**	**55.7**	**52.8**	**51.8**	**51.6**	**51.3**
Costa Rica	16.0	14.3	13.7	13.6	13.3	–0.3	2.1	1.6	1.3	1.6	67.6	63.0	61.1	61.2	60.9
Dominican Republic	15.4	15.7	15.8	15.9	14.8	0.2	–0.4	–0.1	0.4	0.5	63.2	59.5	60.0	59.2	58.1
El Salvador	27.2	24.2	26.3	26.5	25.9	–1.0	2.0	–0.1	0.0	0.6	88.0	83.3	84.7	84.8	84.6
Guatemala	11.7	12.6	12.1	11.9	12.9	0.6	0.0	0.4	0.6	–0.4	30.6	29.0	27.2	26.8	26.8
Honduras	26.3	21.8	23.4	24.7	25.1	–2.1	2.7	0.9	–0.1	–0.3	51.0	49.8	45.0	43.9	43.2
Nicaragua	28.9	27.2	24.8	26.9	27.1	–0.1	2.0	4.0	2.0	1.6	47.1	44.6	41.7	39.3	38.2
Panama	21.6	19.3	18.4	18.7	18.2	–4.4	–1.8	–0.3	–1.0	–0.3	55.6	53.7	52.4	54.6	55.8
Caribbean	**23.0**	**21.1**	**21.3**	**20.5**	**20.2**	**–2.4**	**1.0**	**1.3**	**1.4**	**0.9**	**70.5**	**61.1**	**59.6**	**53.2**	**51.3**
Caribbean: Tourism Dependent	**26.4**	**24.2**	**23.3**	**23.2**	**23.0**	**–0.4**	**2.2**	**3.1**	**3.6**	**3.5**	**97.7**	**84.9**	**80.4**	**75.7**	**73.5**
Antigua and Barbuda	21.2	18.1	16.3	16.8	17.0	–2.3	–0.3	0.4	0.6	0.7	93.0	82.0	76.8	69.6	67.3
Aruba	24.5	17.8	18.0	17.2	17.3	–4.8	3.4	6.3	6.4	5.7	101.8	90.1	78.7	70.9	66.3
The Bahamas	27.7	22.4	20.1	18.2	18.4	–8.9	–1.3	0.3	2.9	3.7	99.7	88.6	81.5	78.7	79.1
Barbados	26.8	25.2	23.1	22.2	21.8	–0.8	2.4	3.5	3.8	4.3	121.6	113.2	110.8	103.2	97.5
Belize	24.3	21.2	22.0	21.9	22.0	–1.9	1.3	0.9	1.1	1.2	82.3	67.1	66.8	62.3	60.8
Dominica	64.4	67.1	59.3	59.7	48.5	–5.6	–4.3	0.2	0.5	0.7	108.5	103.6	96.5	97.1	93.7
Grenada	29.5	30.2	27.4	36.1	35.3	2.1	2.5	9.5	5.2	–3.8	86.6	78.8	75.2	75.3	74.1
Jamaica	24.2	24.3	24.8	25.5	25.6	6.8	5.8	5.7	5.6	4.9	94.2	77.0	73.3	67.9	64.9
St. Kitts and Nevis	40.0	48.0	40.9	40.4	39.3	6.4	–3.0	1.9	–3.1	–2.9	69.1	60.2	55.9	51.0	52.1
St. Lucia	22.7	19.8	20.7	21.4	21.5	–1.7	1.2	0.7	0.9	0.8	81.9	73.4	74.5	73.8	74.1
St. Vincent and the Grenadines	34.6	33.6	35.5	35.3	29.8	–4.9	–7.1	–10.1	–7.1	–2.2	88.3	84.7	87.1	88.8	88.1
Caribbean: Non-Tourism Dependent	**20.4**	**18.7**	**19.7**	**18.7**	**18.3**	**–4.0**	**0.0**	**–0.1**	**–0.2**	**–1.0**	**49.0**	**42.7**	**42.8**	**36.8**	**35.8**
Haiti	9.0	8.0	6.1	4.4	5.7	–2.0	–1.5	1.2	7.3	0.1	28.9	29.5	28.5	14.0	11.3
Commodity Exporters	27.4	23.2	25.1	25.3	24.9	–5.2	0.7	–0.7	–3.7	–1.5	61.3	48.3	48.4	47.5	48.6
Guyana	25.5	20.3	23.1	23.6	22.8	–6.8	–4.9	–5.4	–5.9	–1.8	43.2	26.5	26.4	25.5	26.0
Suriname	26.9	25.8	23.9	23.3	21.9	–0.5	1.0	1.3	2.8	3.5	115.8	116.9	90.3	85.7	78.6
Trinidad and Tobago	28.0	24.4	26.4	27.1	27.2	–5.2	3.5	1.9	–3.2	–2.2	60.0	50.7	56.1	59.0	62.5
Memorandum															
Latin America and the Caribbean	**28.6**	**28.8**	**29.1**	**29.0**	**28.5**	**–0.6**	**0.3**	**–0.8**	**–0.4**	**0.2**	**70.5**	**68.0**	**73.9**	**69.4**	**69.8**
LAC (simple average)	*26.8*	*25.6*	*25.2*	*25.3*	*24.5*	*–2.0*	*–0.2*	*0.0*	*0.3*	*0.4*	*76.8*	*69.0*	*68.7*	*65.2*	*64.0*
LAC excluding Argentina and Venezuela	28.0	28.2	28.6	29.2	28.5	–0.4	0.6	–0.5	–0.6	0.0	67.1	64.3	63.7	66.0	68.0
Latin America 7	28.8	29.2	29.7	30.4	29.8	–0.2	0.7	–0.5	–0.7	0.0	68.1	65.5	64.9	67.8	70.1
Latin America 5	28.9	29.4	29.8	30.5	29.9	–0.1	0.8	–0.5	–0.7	0.0	68.5	65.8	65.1	68.1	70.5
Eastern Caribbean Currency Union[3]	31.0	30.3	28.9	29.1	27.5	–0.9	–0.7	0.6	1.0	0.3	81.9	73.6	71.1	67.6	65.3

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 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. 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 October 7, 2024, 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.
[2]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.
[3]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 geographic coverage, weights, sampling, and methodology, 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 since the fourth quarter of 2015, and new series became available in the second quarter of 2016. For the fiscal series, primary expenditure and primary balance include the federal government, provinces, and social security funds. Gross debt is for the federal government only.

Bahamas, The. Coverage of fiscal series is central government.

Barbados. Overall and primary balances cover budgetary central government. Gross debt covers central government debt, central government guaranteed debt, and arrears.

Belize. Coverage of fiscal series is central government.

Bolivia. Nonfinancial public sector is reported excluding the operations of nationalized mixed-ownership companies in the hydrocarbon and electricity sectors.

Brazil. Nonfinancial public sector is reported 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.

Colombia. Nonfinancial public sector is reported for primary balances (excluding statistical discrepancies); combined public sector, including Ecopetrol and excluding Banco de la República’s outstanding external debt, is reported for gross public debt.

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

Dominican Republic. 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.

Eastern Caribbean Currency Union (ECCU). For all countries, coverage for primary expenditure and primary balance is central government; public sector gross debt is reported.

Ecuador. 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.

El Salvador. Coverage for primary expenditure and primary balance is central government. Gross debt is presented on a consolidated basis.

Guatemala. Coverage of fiscal series is central government.

Guyana. Coverage of fiscal series is central government.

Haiti. Coverage of fiscal series is central government.

Jamaica. Central government is reported for primary expenditure and primary balance. Public debt includes central government, guaranteed, and PetroCaribe debt.

Mexico. Fiscal series have the following coverage: central government, social security system funds, nonfinancial public corporations, and nonmonetary public financial corporations.

Nicaragua. Coverage for primary expenditure and primary balance is central government. Gross debt is presented on a consolidated basis.

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

Paraguay. Coverage of fiscal series for the WEO is broader than the budgetary central government, which is used by the authorities to measure fiscal rules and targets.

Peru. Gross debt is that of the nonfinancial public sector.

Suriname. Primary expenditures exclude net lending.

Trinidad and Tobago. Coverage of fiscal series is central government.

United States. 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 Appendix Table 2 may thus differ from data published by the US Bureau of Economic Analysis.

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.

Starting in October 2018 *Uruguay*'s public pension system received transfers in the context of Law 19,590 of 2017, which compensates persons affected by the creation of the country's mixed pension system. These funds are recorded as revenues, consistent with the IMF's methodology. Therefore, data for 2018–22 are affected by these transfers, which amounted to 1.2 percent of GDP in 2018, 1.0 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. 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 WEO. 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.

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 for limited reported statistics, and difficulties in reconciling reported indicators with economic developments. The fiscal accounts include the budgetary central government; social security; FOGADE (the country's insurance deposit institution); and a reduced set of public enterprises, including Petróleos de Venezuela, S.A. 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 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 WEO group composites.

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