Macro Report 2026
Inter-American Development Bank

Chapter 5: External Accounts

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1 Introduction

After a temporary improvement in 2024, Latin America and the Caribbean's external position weakened again in 2025. While regional currencies appreciated alongside the decline of the U.S. dollar, the gains were uneven and short-lived. A rebound in imports, continued fiscal pressures, and tighter global financing conditions pushed current account deficits back up, undoing much of the recent adjustment. At the same time, global uncertainty — driven by interest rates, commodity prices, and shifts in trade policy—affected both the volume and composition of external flows, revealing structural differences across countries. For a region where external balances support inflation control, reserves, and fiscal space, these pressures deserve renewed attention.

Beyond the near-term swings, deeper shifts in external dynamics are taking shape. Multinationals are reorganizing their production and investment patterns, especially in sectors linked to digital services and energy transition. Foreign direct investment remains concentrated, but the geography and sectoral composition of new flows signal strategic repositioning. At the same time, the role of multilaterals as a stable source of external financing has grown, especially for countries with limited market access. These evolving patterns of trade, investment, and financial flows are not only cyclical; they speak to broader questions about competitiveness, resilience, and the external constraints shaping growth in Latin America and the Caribbean.

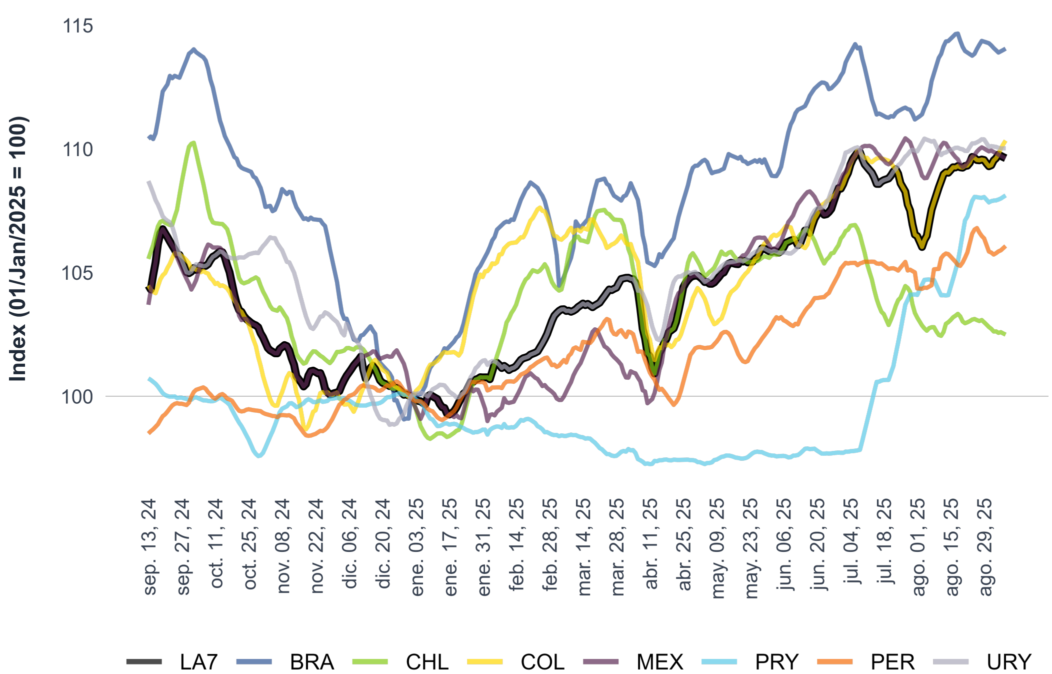
2 Exchange Rate Dynamics: Temporary Gains, Persistent Risks

After a period of volatility in 2023 and 2024, Latin American currencies strengthened against the U.S. dollar in the first half of 2025. The appreciation was broad across the region, driven by easier global financial conditions and renewed investor interest in emerging markets. Yet these gains are unlikely to prove lasting. As external drivers lose strength and interest rate differentials narrow, exchange rate pressures are expected to re-emerge, especially where underlying fundamentals remain fragile.

Widespread appreciation driven by global financial conditions

Since January, the U.S. dollar has depreciated by nearly 9 percent, while Latin American currencies have appreciated by an average of 6 percent. This marks one of the most synchronized episodes of exchange rate appreciation in recent years, in sharp contrast to the fragmented, often country-specific movements observed through 2024.

Figure 1: Bilateral exchange rates against the US dollar.



Sources: European Central Bank and IDB staff calculations. *Notes*: Series are weekly moving averages. An increase denotes an appreciation. LA7 = median (BRA, CHL, COL, MEX, PRY, PER, URY). Data as of September 7, 2025.

The region's appreciation has been shaped mainly by global factors. Shifting expectations about U.S. monetary policy, a temporary easing in global risk sentiment, and a recovery in capital flows improved financing conditions across emerging markets. Within the region, outcomes varied with fundamentals: countries with stronger terms of trade, high real rates, or credible macroeconomic anchors saw more pronounced appreciation, while others with weaker growth or limited fiscal space registered smaller gains.

The Brazilian real has been the standout performer, appreciating by about 11% year-to-date. Its strength reflects favorable terms of trade, particularly in agriculture and mining, combined with a still-attractive interest rate differential that has maintained foreign portfolio inflows. The Mexican peso follows closely, gaining 9.2 percent. Its performance has been underpinned by resilient remittances and continued investor positioning around supply chain reconfiguration, even as domestic growth forecasts have been revised downward.

Elsewhere in the region, appreciation has been more moderate. The Chilean peso has strengthened by 5.7%, initially supported by favorable copper prices and a gradual unwinding of restrictive monetary policy, though structural fiscal constraints limit further gains. The Colombian peso, up 4.8%, has benefited from a temporary boost in commodity exports and an improved perception of political risk, but investment and export growth remain weak. The Peruvian sol has appreciated by 2.9%, reflecting the broader regional trend rather than strong domestic fundamentals.

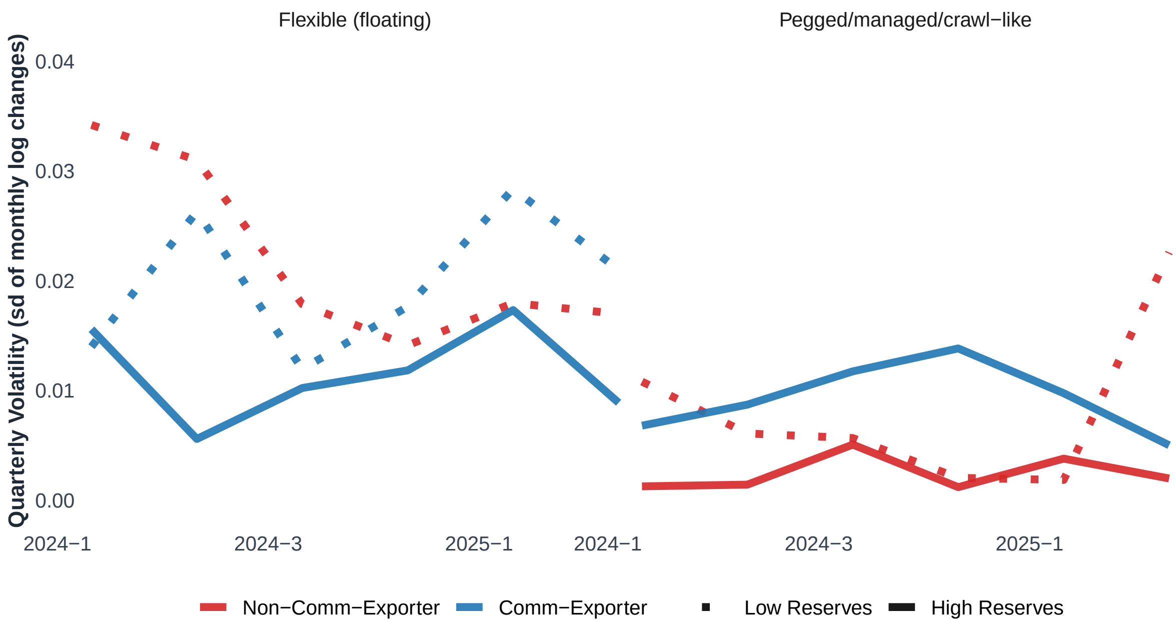
Overall, while regional currencies have appreciated in tandem with the dollar's decline, their performance also highlights heterogeneity. The largest economies, Brazil and Mexico, captured most of the upside driven by specific domestic factors. In contrast, the Andean countries experienced smaller gains, constrained by weaker growth outlooks and fiscal pressures. This suggests that the current episode of appreciation should be seen less as a sign of robust local fundamentals and more as a combination of cyclical global forces and selective country-specific advantages.

Volatility patterns reveal uneven shock absorption

While most currencies in the region appreciated in early 2025, the nature of those movements varied sharply—not just in magnitude, but in volatility. Some currencies adjusted gradually with limited disruption; others experienced sharper and more frequent swings. This distinction matters. Volatility, unlike appreciation, reveals how much of an external shock is absorbed smoothly—and how much is transmitted directly to prices, portfolios, and expectations.

This divergence has been most pronounced among commodity exporters with flexible regimes. In early 2025, quarterly real exchange rate fluctuations exceeded 3.5 percent in countries with limited reserve buffers, compared to about 2 percent among peers with stronger external positions. As global financial conditions tightened, the gap widened further.

Figure 2: Real exchange rate volatility by regime, commodity status, and reserves (LAC).



Notes: Volatility is the within–quarter standard deviation of monthly *log* changes in the bilateral real exchange rate vis-à-vis the U.S. dollar. Flexible (floating): Argentina, Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Pegged, managed, or crawl-like: Dominican Republic, Guatemala, Honduras, and Jamaica

These patterns suggest that regime choice alone cannot explain the divergence in volatility. Outcomes have differed depending on whether the regime is supported by adequate reserves and credible policy anchors. Countries like Mexico and the Dominican Republic, despite operating under different exchange rate arrangements, experienced similar levels of volatility. In contrast, Peru, Uruguay, and Jamaica—each with more substantial buffers—maintained far more stable exchange rate dynamics.

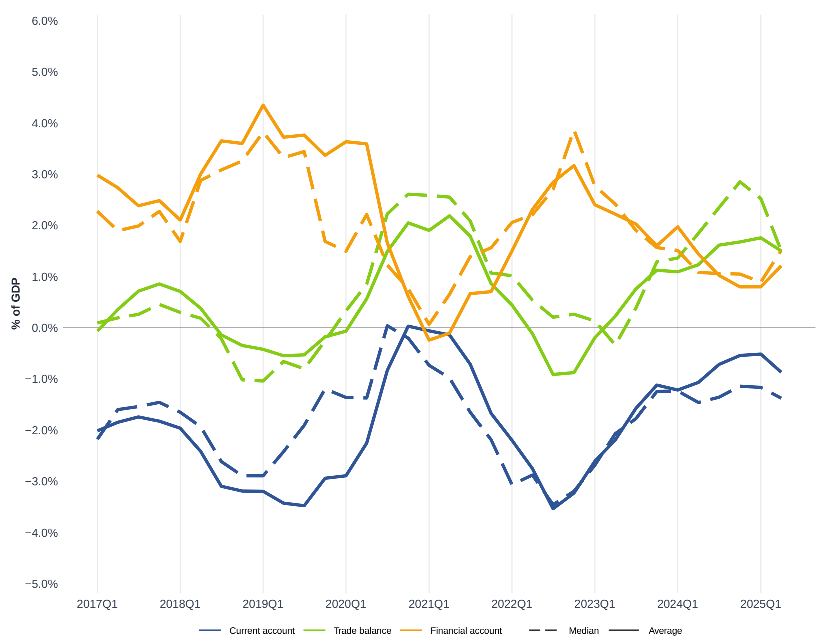
The role of international reserves is central. They serve both as a liquidity buffer and as a signal of macroeconomic credibility. Countries entering periods of uncertainty with stronger reserve positions have faced smaller depreciations, lower sovereign spreads, and more contained volatility. This is especially relevant for commodity exporters, where terms-of-trade shocks are frequent and persistent. In Latin America, reserve accumulation remains one of the most effective tools for containing volatility in economies with high external exposure (Aizenman et al. 2024).

3 From Adjustment to Fragility: LAC's External Balances

After a sharp correction in 2023–24, Latin America's external position weakened again in 2025. Current account deficits, which had narrowed significantly during the previous year, began to widen once more as imports recovered and fiscal pressures persisted. The median current account balance, which had improved to around –1.1% of GDP by late 2024, has since turned downward—underscoring the fragility of the earlier adjustment.

The compression in external imbalances during 2023–24 was driven by weak domestic demand, real depreciation, and an early start to monetary easing in several countries. Imports declined across the region, and current account deficits narrowed rapidly—falling from around 3% of GDP in 2022 to just over 1% in 2024. Financial inflows slowed, but the adjustment appeared relatively smooth. At the time, this dynamic suggested that external vulnerabilities were receding.

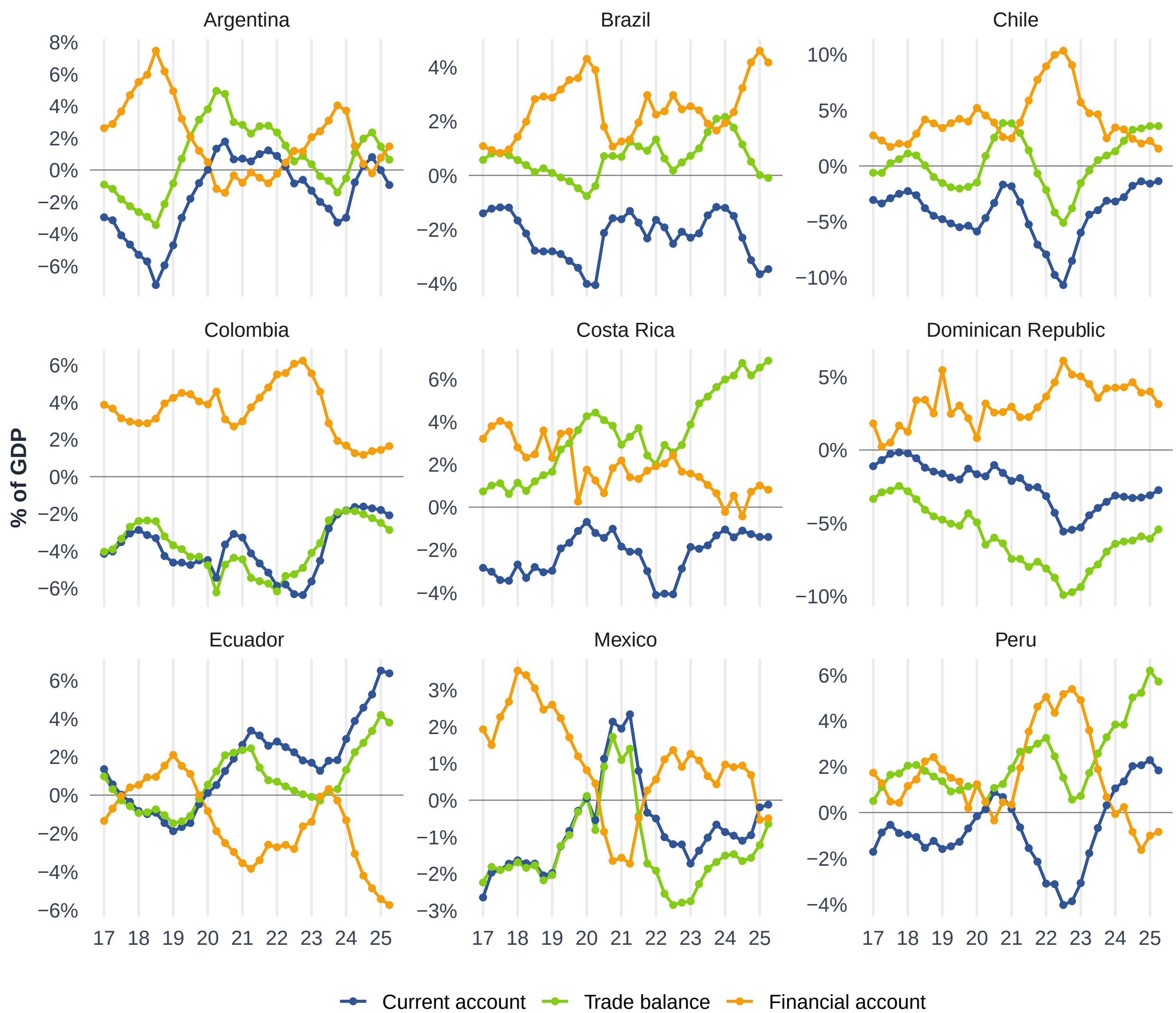
Figure 3: External accounts: averages and medians.



Sources: IMF and national sources. Series are four-quarter moving averages. Countries considered: Argentina, Belize, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Panama, Peru, Paraguay, Suriname, and Uruguay.

Disaggregated data by country reveal important heterogeneity in the composition and evolution of external balances. In several cases, current account improvements were driven by temporary import compression or favorable terms of trade. Elsewhere, external deficits persisted or re-emerged despite weak growth, reflecting structural constraints or high import dependency. Trade balances and financial flows have also moved differently across countries, highlighting distinct external adjustment paths.

Figure 4: External accounts in selected LAC countries.

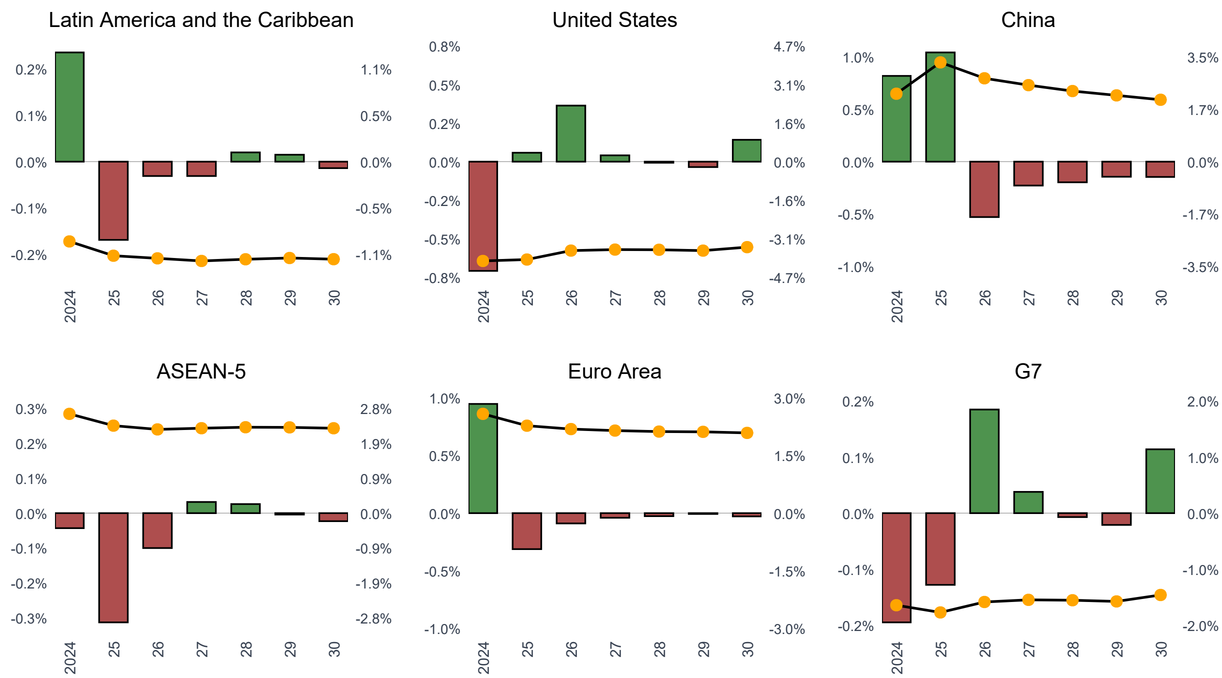


Sources: IMF and national sources. Series are four-quarter moving averages.

In 2025, the picture has shifted. The current account position deteriorated even as growth slowed. Import volumes rose as consumption and investment rebounded, particularly in countries where earlier forecasts had been revised downward. Mexico's projected growth, for instance, fell from 1.3% to –0.5%, while Colombia and the Dominican Republic also saw significant downgrades. Yet despite weaker activity, current account deficits widened again, underscoring how transitory the 2024 adjustment had been.

With global interest rates still high, debt service costs remain elevated, and capital flows are uneven. Without the temporary import compression that helped narrow deficits in 2024, financing needs have increased. The region's external accounts are once again vulnerable to changes in global sentiment, commodity prices, and trade policy uncertainty.

Figure 5: Projected change in current account balance (percentage points of GDP).



Notes: This figure displays the projected current account balance for selected economies and regions over the period 2024–2030. The bars represent the annual change in the current account balance, expressed as percentage points of GDP, and are plotted on the left axis. The orange line tracks the current account balance as a share of GDP, shown on the right axis. Projections are based on data from the October 2025 edition of the IMF's World Economic Outlook, with additional calculations by IDB staff.

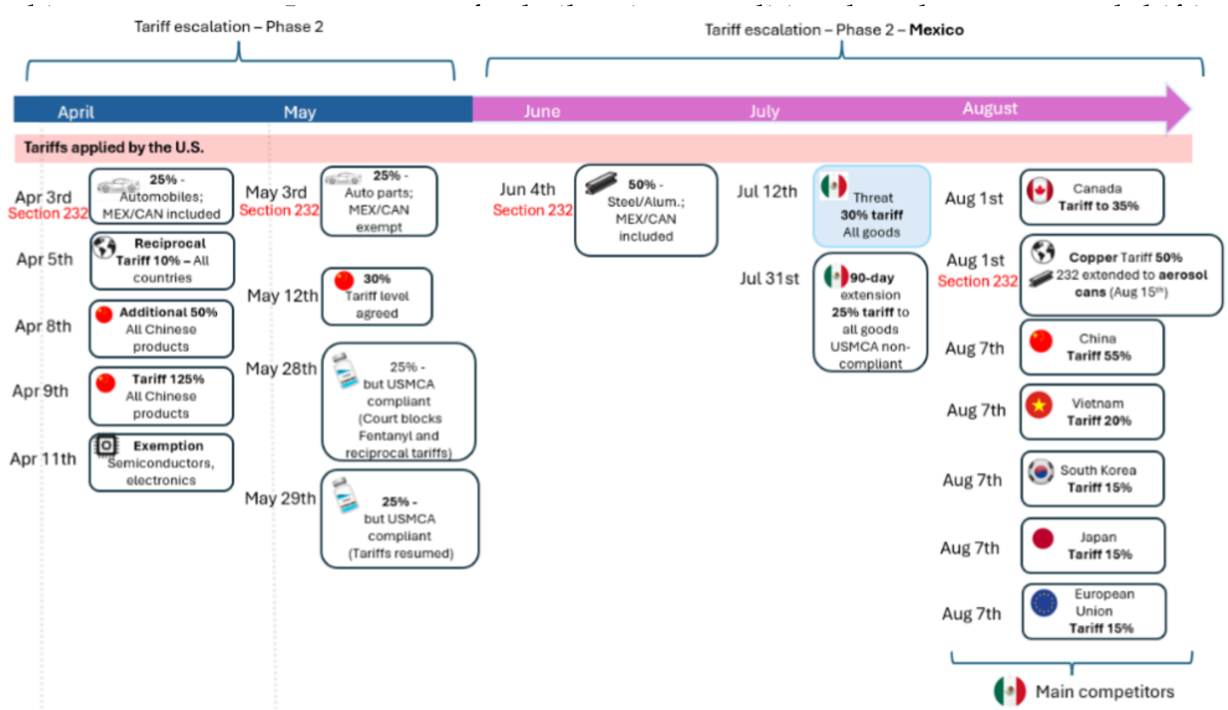
Projections of current account dynamics point to a persistent gap between Latin America and other regions. After a temporary narrowing in 2024, current account deficits in LAC are expected to widen again and remain elevated through the end of the decade. In contrast, balances in economies such as China, the United States, and the Euro Area are projected to stabilize or improve gradually. This outlook underscores the structural nature of LAC's external vulnerabilities, which extend beyond cyclical adjustments.

3.1 Trade Dynamics and Tariff Uncertainty

Recent shifts in current account balances reflect not just changes in volumes, but in relative prices and policy conditions. In particular, decomposing trade balances into volume and price effects—especially for commodities—helps identify whether external pressures stem from structural trade imbalances or temporary shocks. For some countries, widening deficits reflect higher energy and input costs; for others, improvements have been driven by still-elevated commodity export prices, which are now stabilizing. Apparent resilience often masks exposure to volatile terms of trade.

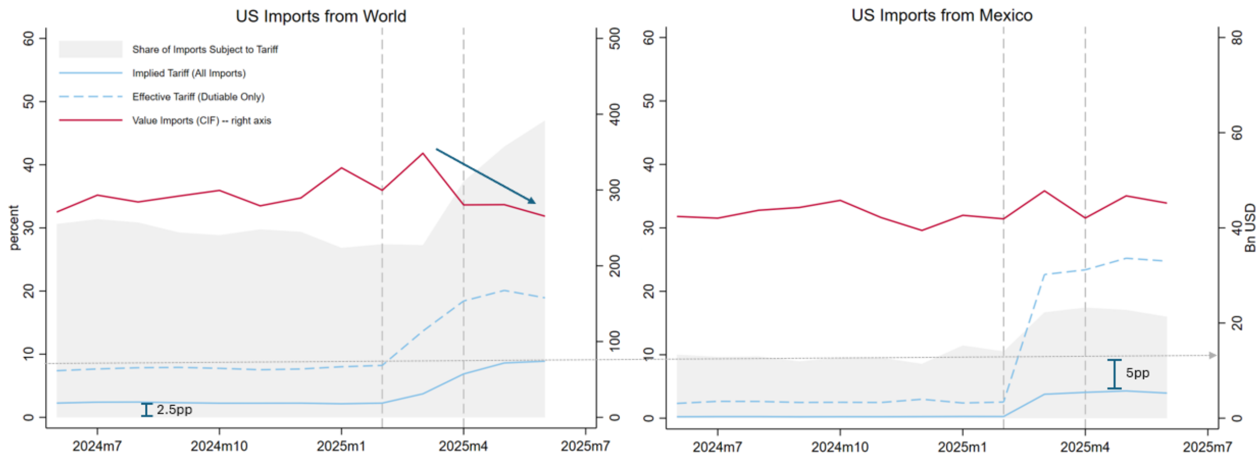
Policy uncertainty has further complicated external performance. Tariff schedules and access conditions in key markets—especially the United States—have become increasingly difficult to predict. What matters is not only statutory tariffs, but the effective access granted under contingent rules, carve-outs, and exemptions. In Mexico, for example, conditions attached to Section 232 steel and aluminum exemptions tie market access to specific production standards. The volatility introduced by these mechanisms—combined with gaps between policy announcements and implementation—has blurred the signals for exporters and investors alike.

These factors jointly limit the reliability of recent trade trends as a basis for forward-



- U.S. imports fall; Mexico's hold steady.

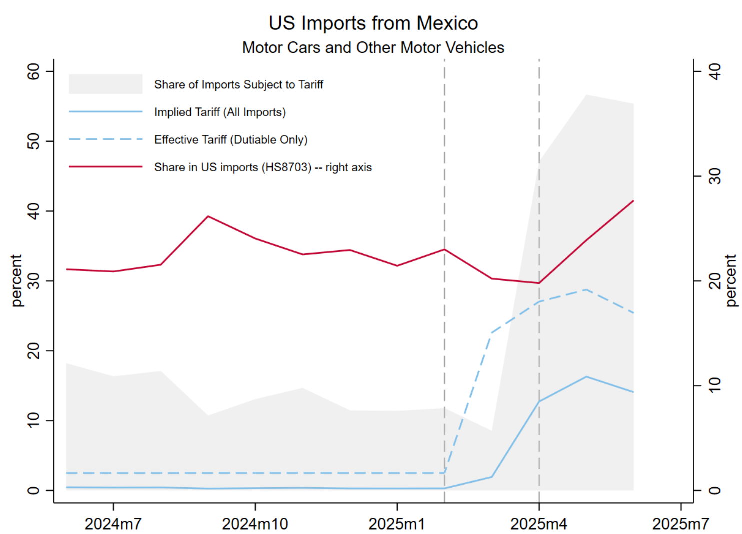
Figure 6: Impact of Tariff on Total US Imports (World Vs Mexico)



Calculations: (a) share of imports subject to tariff=dutiable imports/total imports. (b) Implied tariff=duties paid/total imports. (c) Effective tariff=duties paid/dutiable imports.

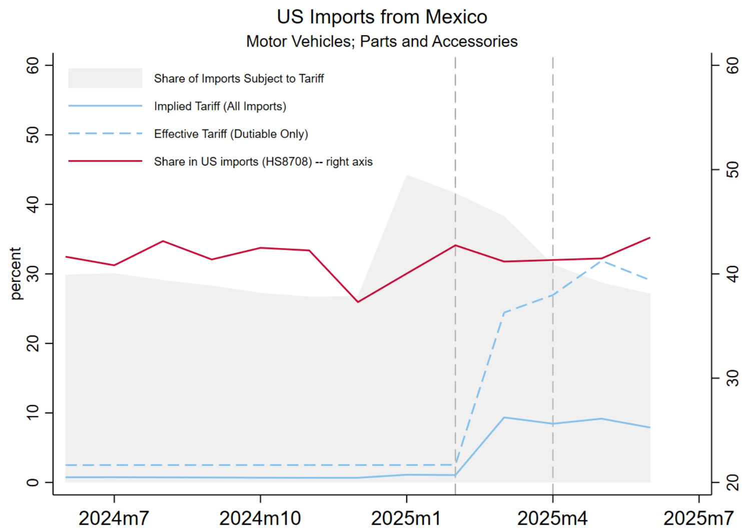
- Mexico's implied-tariff upside widens from 2.5 to 5 p.p. after February 2025.

The Trade Impact of U.S. Tariff on Motor Cars



Calculations: (a) share of imports subject to tariff=dutiable imports/total imports. (b) Implied tariff=duties paid/total imports. (c) Effective tariff=duties paid/dutiable imports.

Trade Impact of U.S. Tariff on Auto Parts



Calculations: (a) share of imports subject to tariff=dutiable imports/total imports. (b) Implied tariff=duties paid/total imports. (c) Effective tariff=duties paid/dutiable imports.

3.2 FDI in LAC: Weak Momentum, Shallow Recovery

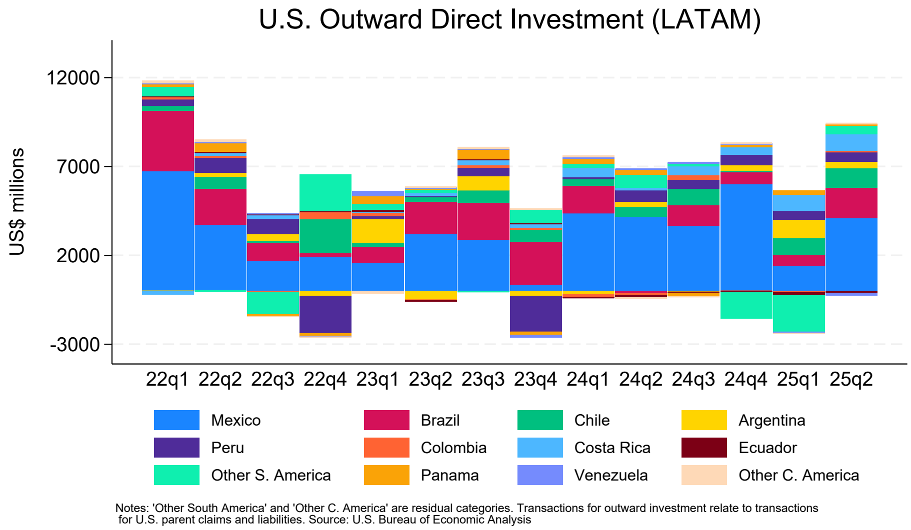
Foreign direct investment (FDI) in Latin America and the Caribbean increased modestly in 2024, reaching $189 billion—an annual growth of 7.1 percent (ECLAC, 2024). Most of this increase reflected reinvested earnings by existing multinational firms, rather than new capital contributions or greenfield projects. While this signals continued confidence in ongoing operations, it also underscores the region's difficulty in attracting fresh investment to expand productive capacity.

Recent data confirm this disconnect. Figure 7 shows quarterly direct investment flows from U.S. parent companies to Latin America, based on transactions data. Panel (a) reports the distribution by destination country, highlighting the dominance of Mexico and Brazil. Panel (b) shows total U.S. outward FDI by industry. Despite strong narratives around nearshoring and energy transitions, actual flows to the region remain concentrated and volatile, with no clear upward trend in strategic sectors.

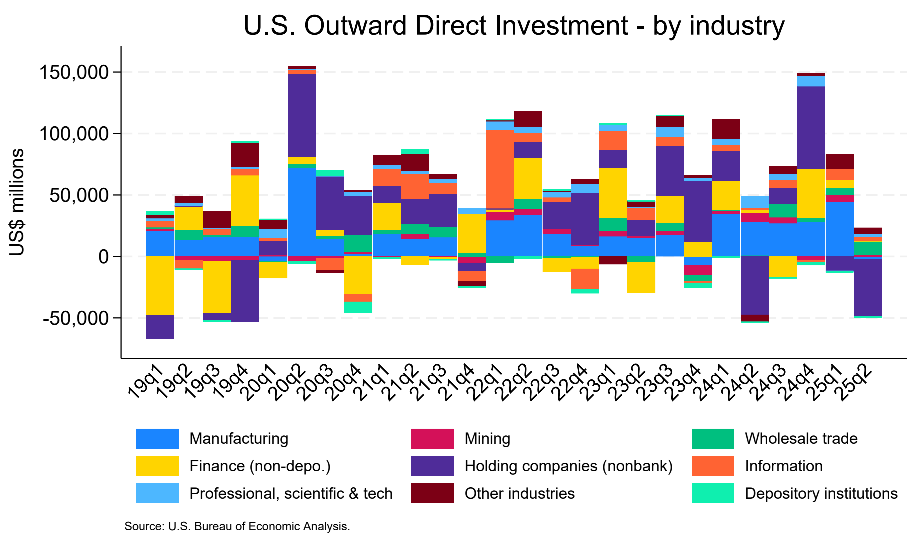
Early indicators for 2025 suggest that the region's FDI momentum has weakened. Announcements through May were about 50 percent below the 2022–24 average, reflecting persistent global uncertainty and domestic structural constraints. While long-term narratives around nearshoring remain intact, realized inflows continue to fall short of expectations. High interest rates, subdued growth, and trade policy volatility have contributed to investor hesitation across the region.

Figure 7: U.S. Outward Direct Investment to Latin America and the World

(a) U.S. outward direct investment to Latin America (current US$)



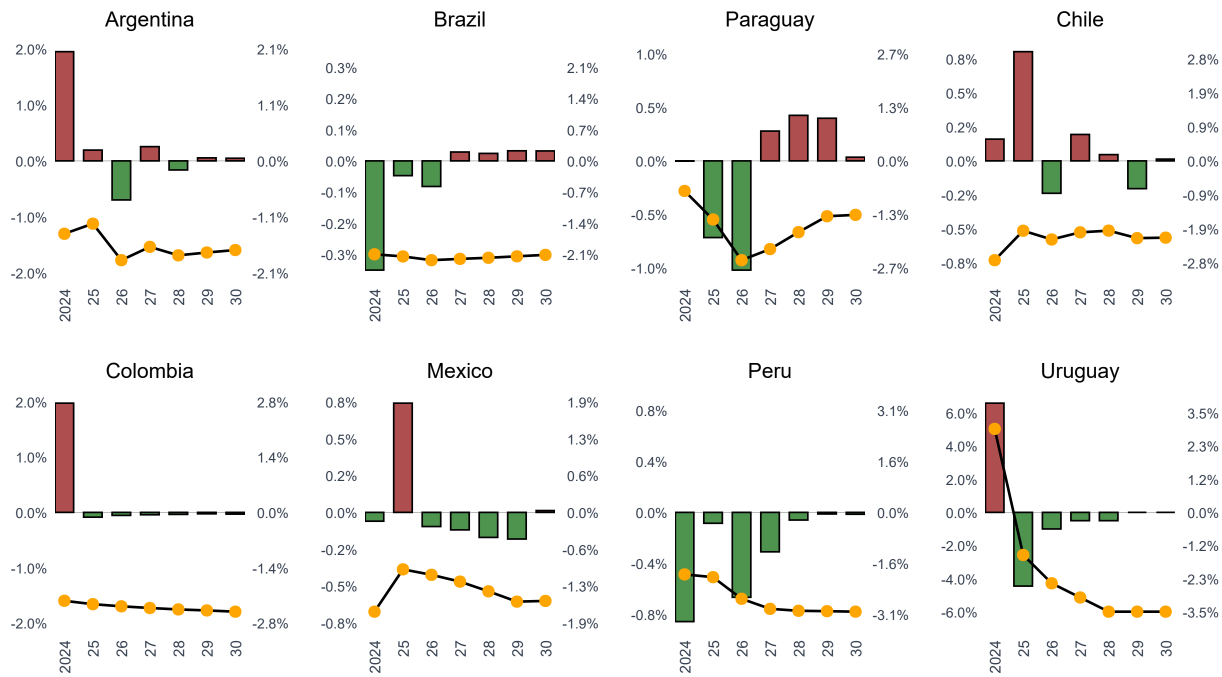
(b) U.S. outward direct investment to the world, by industry (current US$)



Notes: Panel (a) shows quarterly U.S. direct investment flows to selected Latin American countries. Panel (b) shows total U.S. direct investment outflows to the world, disaggregated by industry. Values are expressed in current U.S. dollars and correspond to transactions between U.S. parent companies and their foreign affiliates. Source: U.S. Bureau of Economic Analysis, International Transactions Accounts, Table 6.2.

Looking ahead, the outlook remains flat. Projections suggest that total inflows will stagnate or decline slightly relative to 2024, with limited evidence of a region-wide rebound in new capital formation. Figure 8 presents projected changes in net FDI across selected countries through 2030, showing low aggregate momentum and continued geographic concentration.

Figure 8: Latin America: Projected change in direct investment, net (percentage points of GDP)



Notes: This figure presents projected changes in net foreign direct investment for selected Latin American countries from 2024 to 2030. Bars show annual changes in net FDI as a share of GDP (left axis), while the orange line represents the level of net FDI (right axis). Data from IMF, *World Economic Outlook*, October 2025, and IDB staff calculations.

FDI in Latin America during 2025 and 2026 is expected to remain highly concentrated, both geographically and by sector. A small number of large economies will continue to attract most inflows, while capital increasingly targets strategic, high-growth industries aligned with global transitions.

At the country level, Brazil and Mexico continue to dominate. Together they account for nearly 60 percent of regional FDI. Brazil alone received 41 percent of inflows in 2023, supported by its large domestic market, diversified industrial base, and expanding renewable energy and technology sectors. Mexico remains the second-largest destination, driven by proximity to the United States, trade integration via USMCA, and a strong manufacturing platform. Chile, Colombia, Argentina, and Peru also attract consistent investment—particularly in natural resources and energy-related sectors. Guyana stands out as an exception, with high projected growth due to rapid expansion in its oil sector.

Sectoral patterns are also shifting. Investment is increasingly focused on future-oriented industries. Technology and digital services—including fintech, e-commerce, and software—are among the fastest-growing FDI segments, led by flows into Mexico and Brazil. Renewable energy and critical minerals continue to draw capital, reflecting the region's advantage in solar, wind, and green hydrogen, as well as in reserves of copper, lithium, cobalt, and nickel. Agribusiness also remains relevant, especially when paired with sustainability and technology. Manufacturing linked to nearshoring is gaining traction in Mexico and parts of Central America, supported by diversification of global supply chains. Infrastructure investment continues across Brazil, Chile, Colombia, and Peru, particularly in transport, logistics, and energy transmission.

4 External Financing: Tighter Access, Shifting Buffers

The external financing landscape for Latin America and the Caribbean has shifted under tighter global financial conditions. Persistently high interest rates, wider sovereign spreads, and a stronger U.S. dollar have made market access more costly and less predictable. In this environment, countries have relied more heavily on non-market buffers—remittances, multilateral disbursements, and international reserves—to sustain external stability. This section examines how these components interact and how financing dynamics differ across countries with varying levels of market access and reserve coverage.

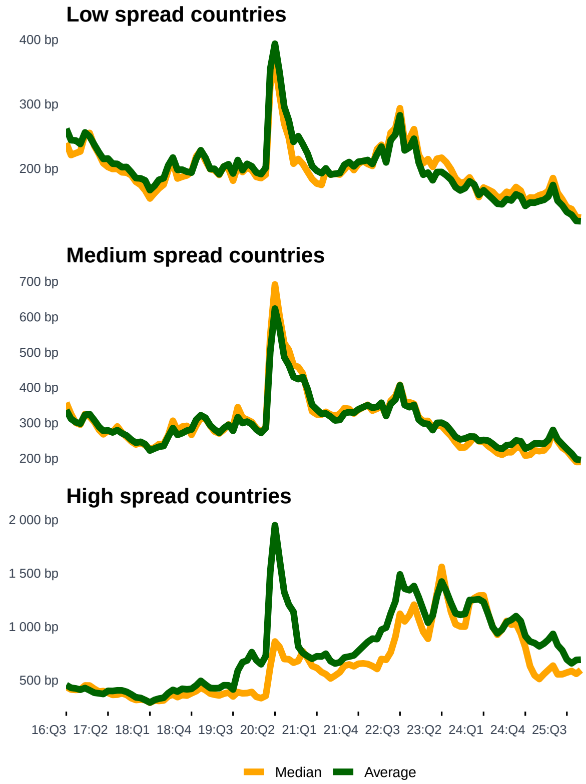
4.1 Tighter Access and Shorter Maturities

Higher global interest rates have raised the cost of sovereign borrowing and limited market access, especially for frontier and lower-rated issuers. Debt issuance has become more sporadic, maturities shorter, and spreads remain wider than pre-pandemic levels. As fiscal pressures mount, many countries now face tighter external financing constraints, even in the absence of large increases in debt stocks. Figure 9 illustrates these conditions. Sovereign spreads across all rating groups remain elevated relative to pre-pandemic norms, while long-term government bond yields have yet to stabilize. For many countries in the region, the expected cost of refinancing remains high, and market access limited or uneven.

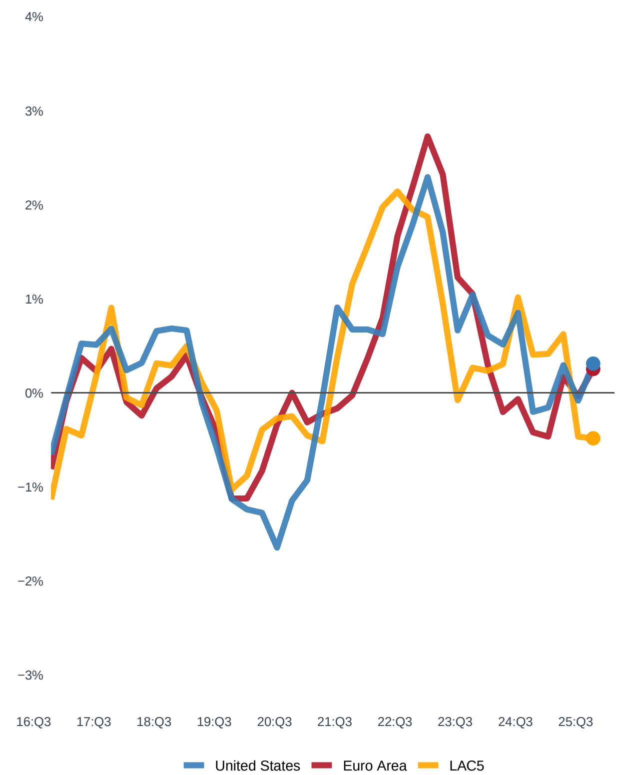
For most of the region, the challenge lies in the interaction between higher financing costs and a slowdown in export growth. South American commodity exporters such as Chile, Peru, and Brazil saw a mild recovery in export volumes, but prices remained weak—particularly for metals and energy. In Mexico and Central America, export levels held up better due to proximity to the U.S. cycle, while remittances and nearshoring-related flows helped mask softer momentum in manufacturing. Caribbean and smaller economies continued to post persistent current account deficits as tourism plateaued.

Figure 9: Latin America: EMBIG country spreads (left) and long-term government bond yields (right).

((a)) EMBIG country spreads (bp)

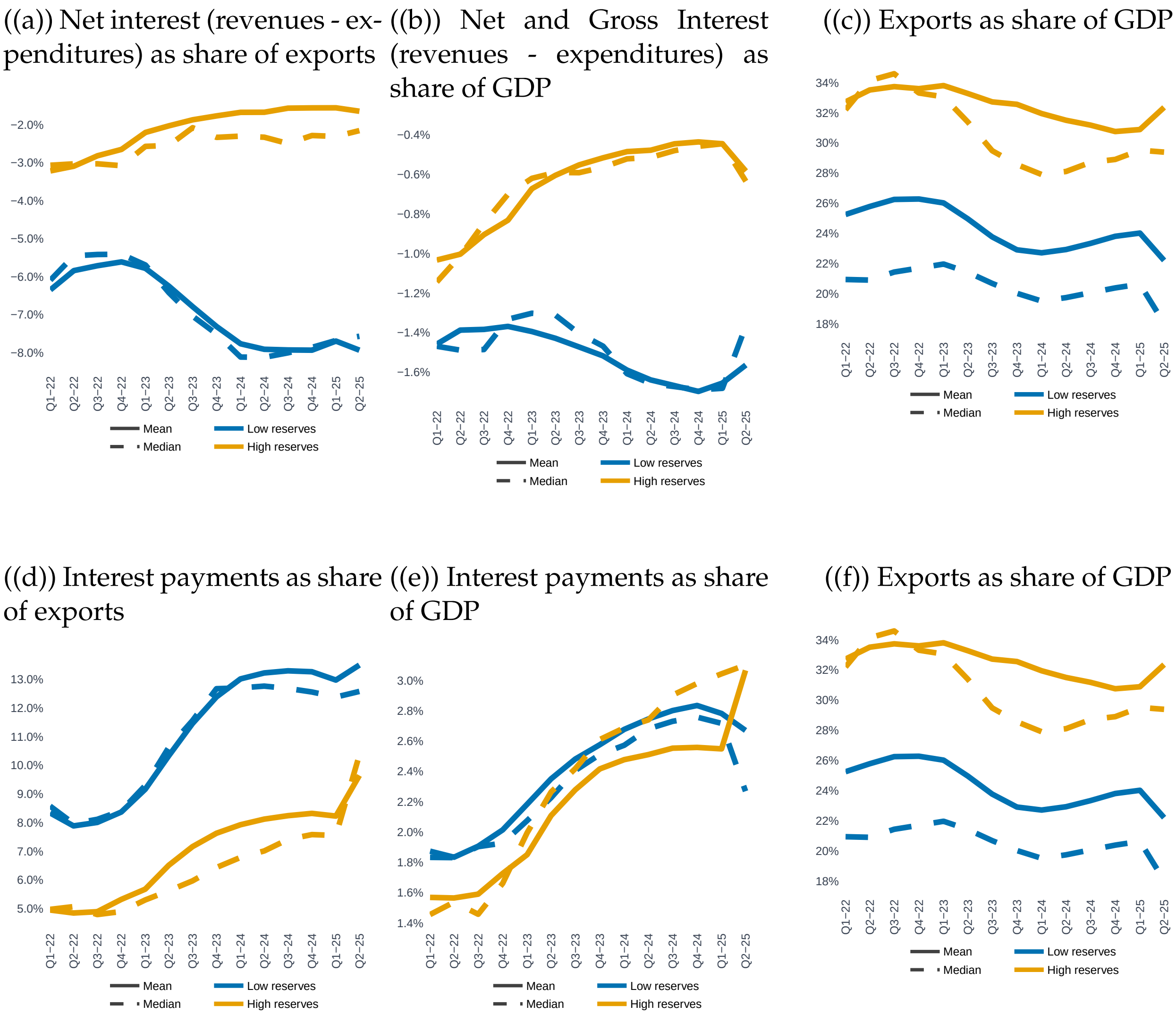


((b)) Long-term government bond yields (Percent, YoY)



Notes: Left panel shows J.P. Morgan EMBIG country spreads (basis points). Right panel shows the year-over-year change in 10-year government bond yields, in percentage points, computed from quarterly averages. Low spread: Chile, Guatemala, Jamaica, Paraguay, Peru, Uruguay. Medium spread: Brazil, Costa Rica, Dominican Republic, Mexico, Panama, Trinidad and Tobago. High spread: Argentina, Bolivia, Colombia, Ecuador, El Salvador, Honduras. LAC5: Brazil, Colombia, Mexico, Chile, and Peru. Source: J.P. Morgan EMBI Global; OECD/FRED; Bloomberg; IDB staff calculations.

Figure 10: Net and gross interest payments and exports in Latin America



Notes: This figure shows six indicators related to interest payments and export performance for countries with high and low international reserves. Panels a–c (top row) present net interest payments—defined as interest revenues minus expenditures—as a share of exports (Panel a), as a share of GDP (Panel b), and the corresponding exports-to-GDP ratio (Panel c). Panels d-f (bottom row) report the same indicators using gross interest payments instead of net: gross interest as a share of exports (Panel d), as a share of GDP (Panel e), and exports-to-GDP ratios based on the same grouping (Panel f). All series are shown quarterly, with solid lines representing group *means* and dashed lines representing *medians*. Country groups are defined by whether international reserves exceed or fall below 20% of GDP. High-reserve countries include Uruguay, Paraguay, Jamaica, Peru, Honduras, Nicaragua, and Guatemala. Low-reserve countries include Brazil, Argentina, Mexico, Colombia, Chile, and the Dominican Republic.

Interest payments have increased across the board. With U.S. policy rates above 5% and a stronger dollar, rolling over external debt has become more expensive. Sovereigns in the region have issued debt at higher spreads and shorter maturities, pushing up annual interest costs. In Brazil, for example, domestic issuance costs reached multi-year highs in early 2025, partly reflecting tighter financial conditions. In some cases—such as Argentina and Colombia—local currency depreciation has further raised the cost of external debt servicing in domestic terms.

As a result, net interest burdens are rising, not necessarily because countries are borrowing more, but because export growth has slowed while servicing costs have climbed. On average, net interest payments rose from 6.5% of exports in 2023 to an estimated 8–9% in 2025. In several frontier and smaller economies, the ratio has reached double digits. Gross interest payments and debt-to-GDP ratios show similar trends.

Figure 10 presents six indicators that track these dynamics, separating countries by reserve coverage. The top row displays net interest payments as a share of exports and GDP, and their corresponding export-to-GDP ratios. The bottom row shows the same indicators using gross interest payments. Across panels, countries with lower reserve buffers consistently show higher interest burdens and weaker export performance.

4.2 Remittances in LAC: A Buffer That's Holding, But Shifting

Remittance flows continue to provide an important cushion for external accounts in Latin America and the Caribbean. In several countries, they help sustain income, stabilize domestic consumption, and offset weaker capital inflows. But while the aggregate role of remittances remains strong, country-level patterns are no longer aligned.

In 2024, remittances exceeded 25% of GDP in Nicaragua and Honduras, and remained above 20% in El Salvador and Guatemala (Figure 11a). These flows are central to external and household balances in much of Central America. Mexico, by contrast, receives the largest volume of remittances in the region, but they account for a smaller share of output—just 3–4% of GDP. This distinction matters: Mexico's flows are large and stable, but increasingly exposed to regulatory shifts. In contrast, Central America's flows are smaller in dollar terms, but more sensitive to migration dynamics and labor market risk.

Early 2025 data confirm this divergence. Remittances to Mexico fell sharply in April—down 12.1% year-on-year, the steepest drop since 2012. This decline coincided with increased U.S. immigration enforcement, which may have discouraged transfers among undocumented migrants. The contraction reflects both fewer transactions and smaller average amounts. In contrast, remittance flows to Central America surged, growing by double digits in El Salvador, Honduras, and Guatemala (Figure 12). In Nicaragua, larger average remittance amounts also drove up total inflows.

These trends cannot be explained by economic fundamentals alone. U.S. Hispanic unemployment increased during the same period—typically a drag on remittances. Instead, the rise in Central America appears precautionary: migrants may be front-loading transfers in response to policy risk. The expiration of Temporary Protected Status and the termination of parole programs for certain nationalities may accelerate repatriations later in the year. In Guatemala, strong inflows have helped finance external deficits, but this buffer would be at risk if the trend reverses.

Figure 11b shows that the number of U.S. residents born in El Salvador, Guatemala, and Honduras has continued to grow, even as the Mexican-born population plateaus. These migration patterns partly explain why Mexico's remittance performance has diverged from the rest. The relative weight of Mexico's flows compared to its Central American neighbors has also declined, as shown in Figure 13.

Together, these dynamics point to an evolving role for remittances. They remain a vital stabilizer in many countries—but the patterns behind the flows are shifting. Future vulnerability will depend not just on U.S. labor market conditions, but on enforcement policy, migrant composition, and the legal framework under which transfers occur.

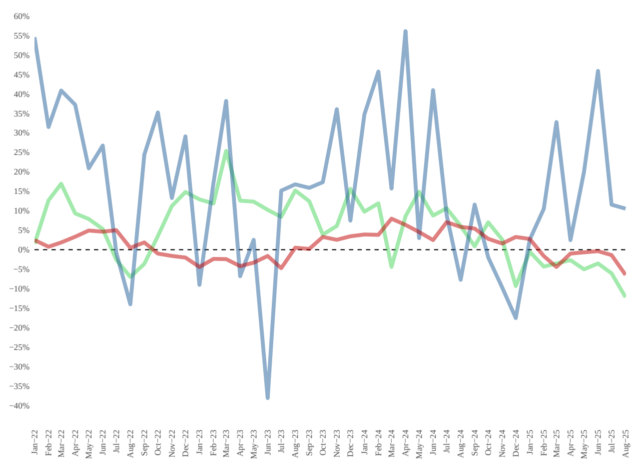
Figure 11: Remittance Dependence and Migration Trends in Latin America

(a) Remittances by country (% of GDP)

Country	% of GDP
Nicaragua	26.6
Honduras	25.6
El Salvador	23.6
Guatemala	19.0
Haiti	14.8
Dominican Republic	8.7
Ecuador	5.2
Mexico	3.5
Colombia	2.8
Bolivia	2.7

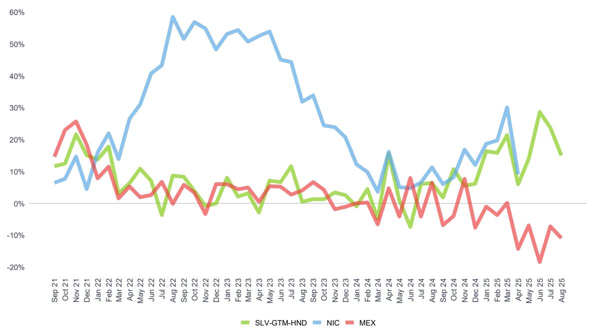
Source: IMF. Values are simple averages of quarterly data for 2024.

(b) Annual change in the U.S. foreign-born population



Notes: 12-month % change in CPS-weighted counts of foreign-born residents by birthplace. Series include Mexico, Nicaragua, and the combined El Salvador–Guatemala–Honduras group (SLV–GTM–HND). Source: IPUMS CPS Basic Monthly microdata using person weights.

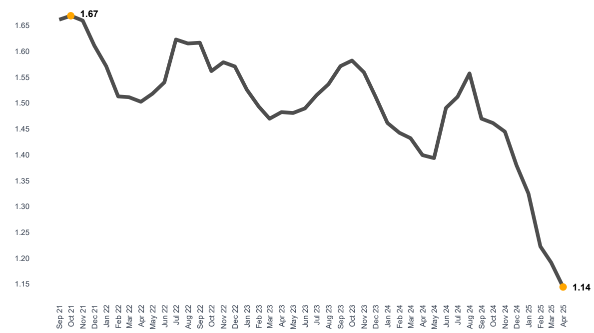
Figure 12: Annual percentage change in real remittances.



Sources: National statistical offices and central banks.

Notes: Normalized using U.S. CPI (Jan-19 = 100). SLV = El Salvador; GTM = Guatemala; HND = Honduras; NIC = Nicaragua; MEX = Mexico.

Figure 13: Ratio of Mexico's remittances to El Salvador, Guatemala, Honduras, and Nicaragua.



Sources: National statistical offices and central banks.

Notes: Series shows the ratio $\mathrm{MEX}/(\mathrm{SLV}+\mathrm{GTM}+\mathrm{HND}+\mathrm{NIC})$, smoothed with a quarterly moving average.

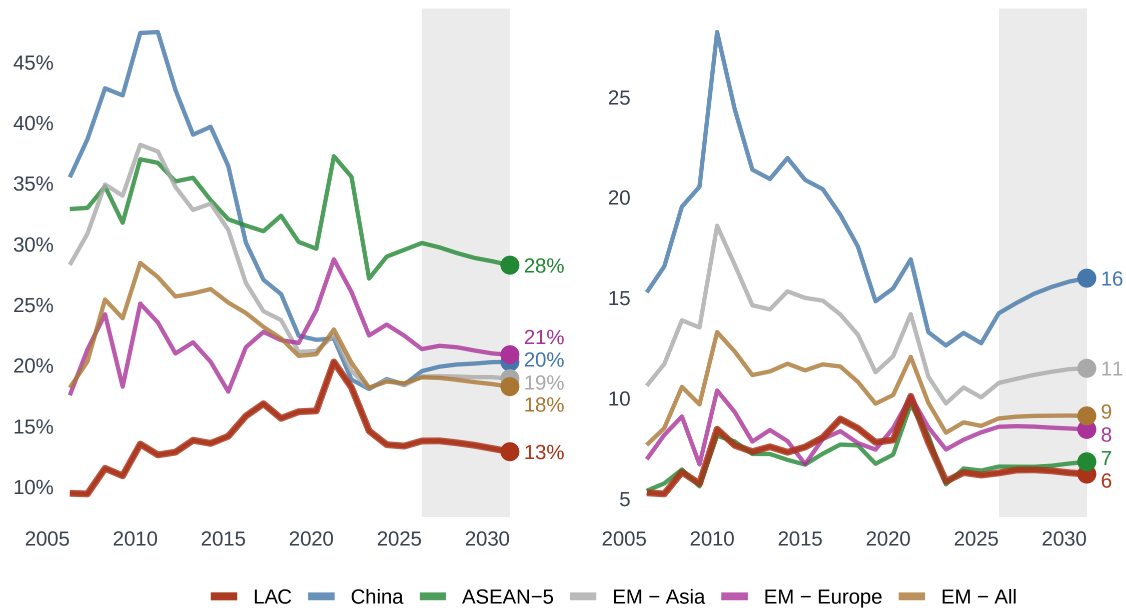
4.3 The Reserve Buffer in LAC: Adequate, But Not Rebuilt

Most countries in Latin America and the Caribbean maintain international reserves that offer a basic level of protection against sudden stops or commodity shocks. However, reserve adequacy remains uneven. While commodity exporters benefited from earlier windfalls and preserved larger buffers, several commodity importers have drawn down reserves to manage external pressures. This divergence highlights where vulnerabilities are concentrated.

As of 2025, international reserves in LAC stand at around 13% of GDP, compared to ratios above 25–30% in emerging Asia and China (IMF, World Economic Outlook, October 2025). In months of import coverage, the region averages just under six months—about half the levels observed in Asia and below pre-pandemic norms (Figure 14). The decline in LAC's reserves reflects the combined effects of exchange rate interventions amid tighter global financial conditions, lower commodity revenues for non-oil exporters, and higher external debt service burdens. Countries with limited fiscal space and persistent current account pressures have often used reserves to manage exchange rate volatility, eroding liquidity buffers in the process.

Looking ahead, only modest increases in reserve coverage are expected through 2030. In the absence of stronger capital inflows or improved access to external financing, the gap with peer regions is likely to persist. While reserve levels remain adequate by standard metrics, their role as a buffer will increasingly depend on the policy environment, fiscal anchors, and the availability of external financing.

Figure 14: Reserves as share of GDP (left) and reserves in months of imports (right).



Source: IMF *World Economic Outlook*. Shaded gray regions (2025–2030) denote forecast values.

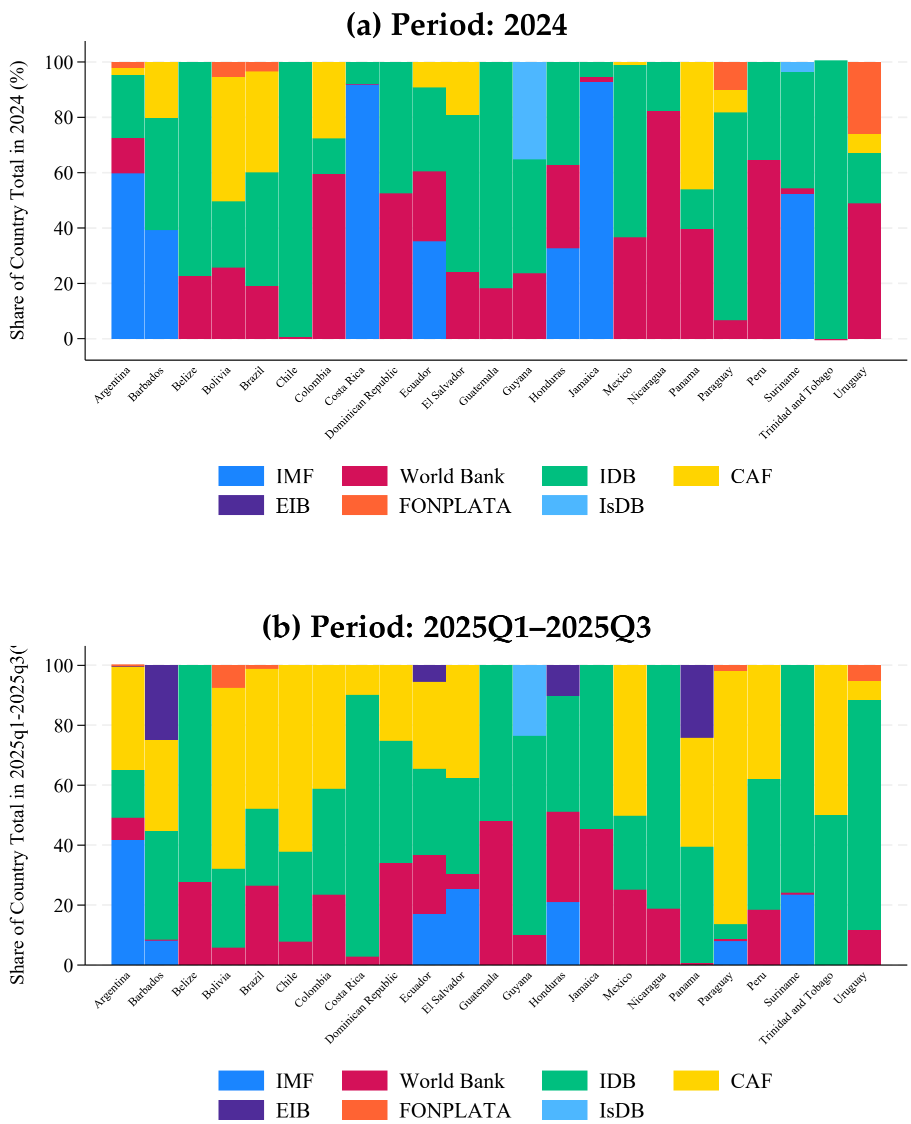
4.4 Multilaterals as a Stable Anchor in a Tighter Environment

Amid tighter global financial conditions, multilateral institutions have taken on a leading role in financing Latin America's external needs. With private issuance subdued and sovereign spreads remaining elevated, disbursements from the IDB, World Bank, CAF, and IMF have increasingly filled the space left by constrained market access.

The nature of this support varies across the region. In countries such as Argentina and Ecuador, multilateral flows have been central to maintaining macroeconomic stability and anchoring reform programs. Elsewhere, including in Peru and Chile, access to precautionary credit lines and programmatic lending has helped preserve market confidence. In Central America and the Caribbean, where domestic capital markets are limited and external debt burdens are high, official financing continues to play a critical role—both for current-account support and for responding to climate-related and external shocks.

The growing weight of official flows in the region's external financing architecture raises broader questions. Long-term sustainability, the structure and implementation of conditionality frameworks, and the alignment between multilateral lending and domestic fiscal strategies have all become more salient as the role of multilaterals expands.

Figure 15: Distribution of Multilateral Disbursements by Institution (% of Country Total)



Notes: Each panel shows the composition of total external disbursements received by each country in Latin America and the Caribbean, disaggregated by multilateral institution. Values are expressed as a share of each country's total multilateral financing in the corresponding period. Institutions include the IMF, World Bank, Inter-American Development Bank (IDB), CAF, and others. *Source*: IDB staff calculations based on official disbursement data.

References

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