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IMF REGIONAL CONFERENCE
on Central America, Panama, and the Dominican Republic

FMI CONFERENCIA REGIONAL
sobre Centroamérica, Panamá, y la República Dominicana

SAN JOSÉ, COSTA RICA

BCCR BANCO CENTRAL DE COSTA RICA | 60 AÑOS | INTERNATIONAL MONETARY FUND | COSEFIN | CCSBSO
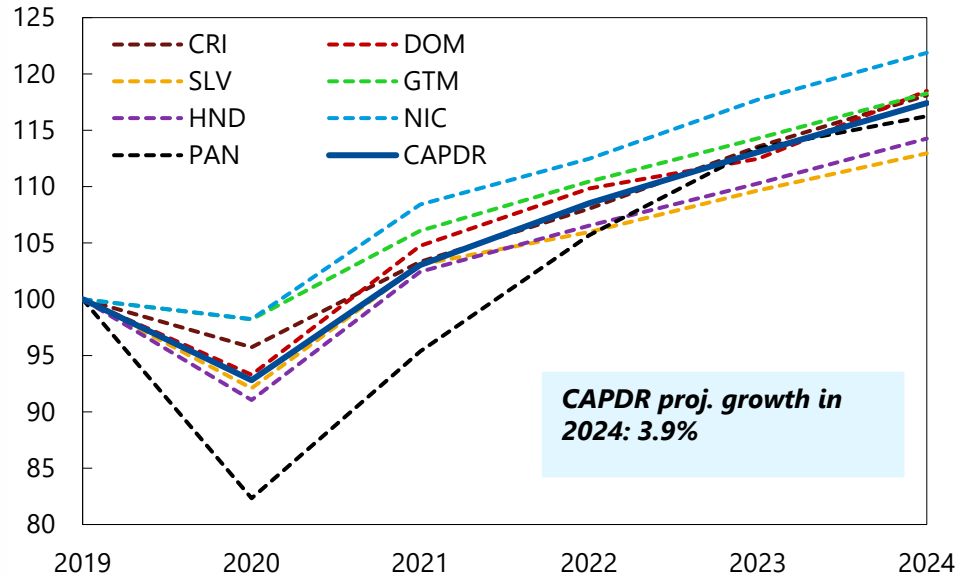
Regional Developments and Economic Outlook

JULY 29, 2024

Ding Ding
Division Chief, Central America Division
Western Hemisphere Department
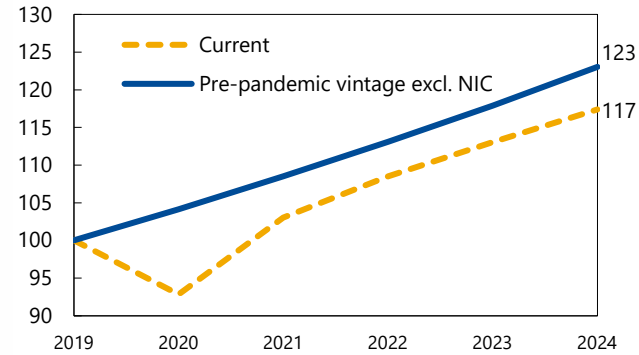International Monetary Fund

Source: iStock/billberryphotography

Recent Developments in CAPDR

Despite post-pandemic shocks, growth in the CAPDR region has held up well

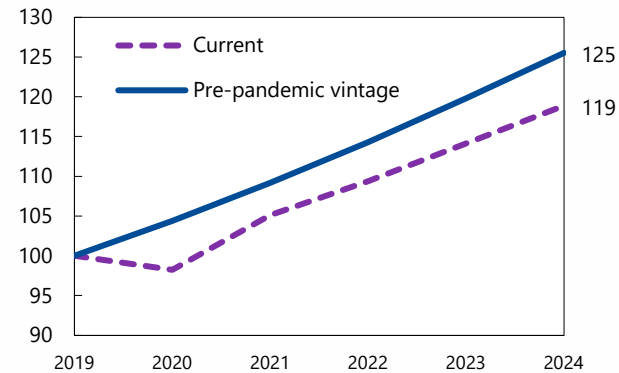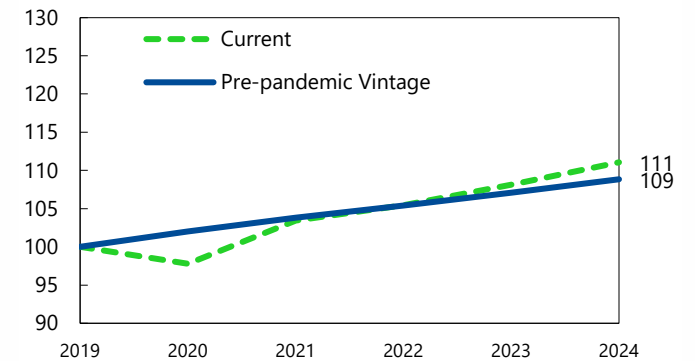**CAPDR Countries Real GDP**
(Index, 2019=100)

Legend: CRI, DOM, SLV, GTM, HND, NIC, PAN, CAPDR

CAPDR proj. growth in 2024: 3.9%

CAPDR Real GDP
(Index, 2019=100)

Current — Pre-pandemic vintage excl. NIC

123
117

Latin America and the Caribbean Real GDP
(Index, 2019=100)

Current — Pre-pandemic Vintage

112
109

EMDEs Real GDP
(Index, 2019=100)

Current — Pre-pandemic vintage

125
119

US Real GDP
(Index, 2019=100)

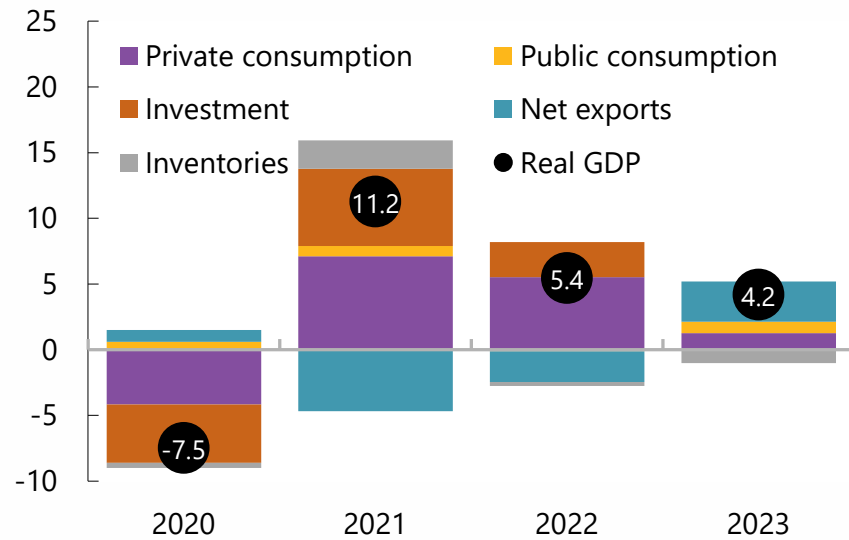Current — Pre-pandemic Vintage

111
109
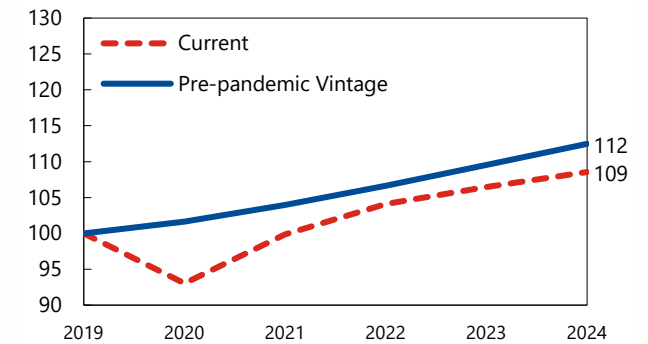
Sources: WEO; and IMF staff calculations.
Note: Aggregates are PPP GDP-weighted averages. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Private consumption led the recovery; net exports are now expanding
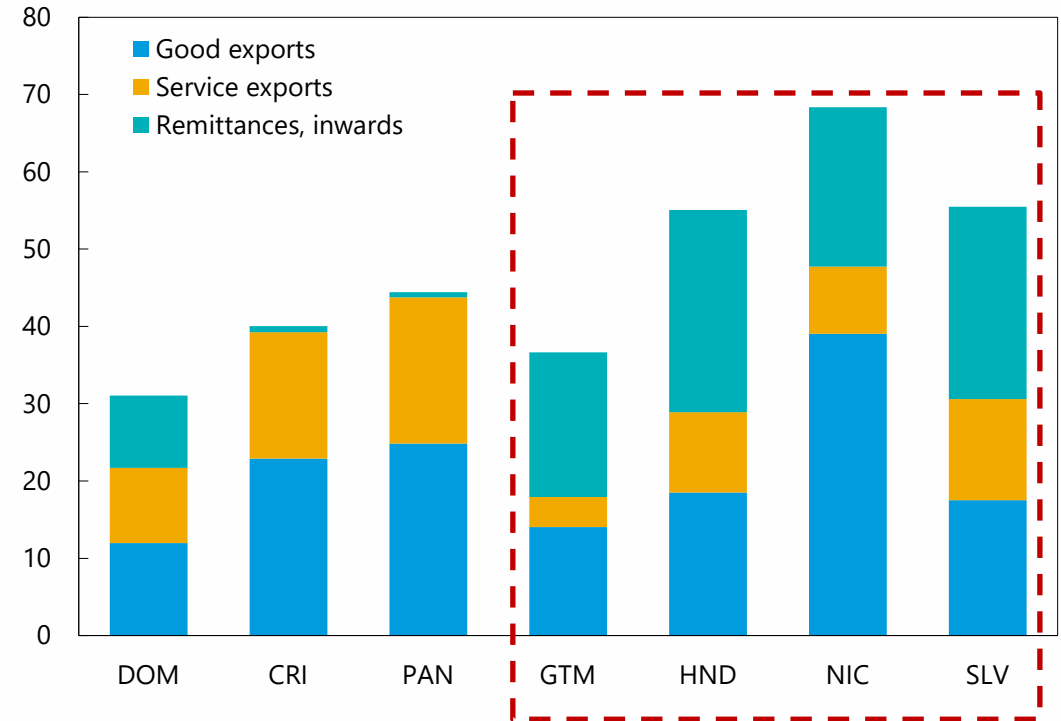
CAPDR: Contributions to Real GDP Growth
(Year-over-year percent change)

Legend:
- Private consumption
- Public consumption
- Investment
- Net exports
- Inventories
- ● Real GDP

Data labels: -7.5 (2020), 11.2 (2021), 5.4 (2022), 4.2 (2023)

Source: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Purchasing-power parity GDP-weighted average. Inventories include statistical discrepancies. CAPDR= Costa Rica, Guatemala, El Salvador, Nicaragua, Honduras, Panama, and Dominican Republic.
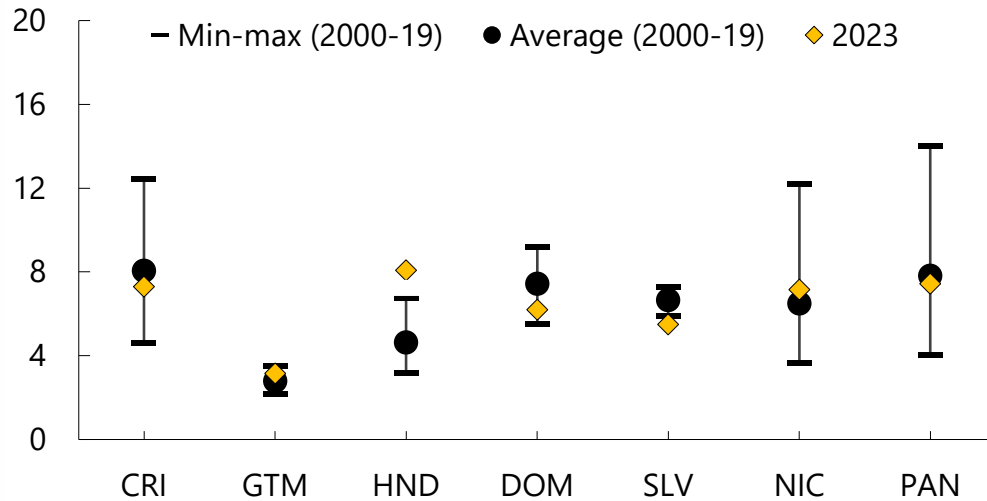
Exports and Remittances
(Percent of GDP, 2021-2023 average)

Legend:
- Good exports
- Service exports
- Remittances, inwards

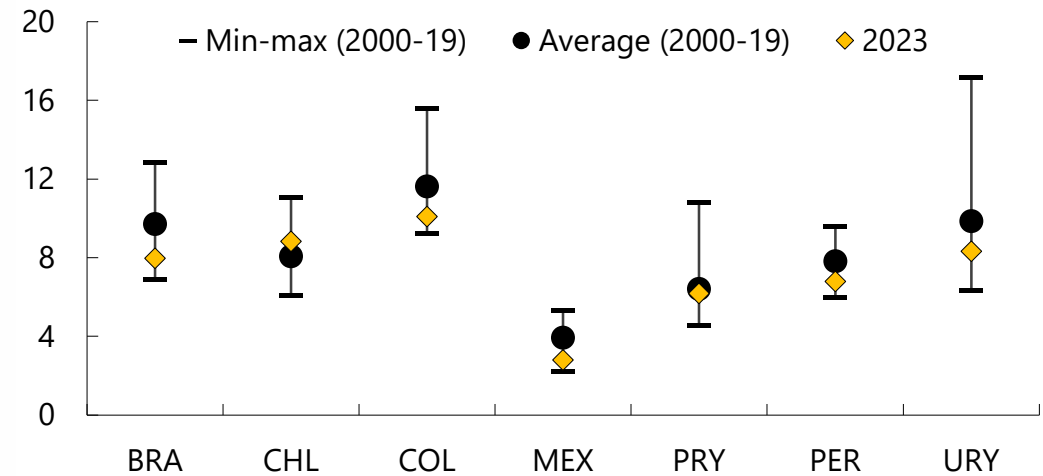Countries: DOM, CRI, PAN, GTM, HND, NIC, SLV

Labor market has also recovered

CAPDR: Unemployment rate
(Percent)

Sources: IMF, World Economic Outlook database, ILO; and IMF staff calculations.
Note: CAPDR = Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama and the Dominican Republic.
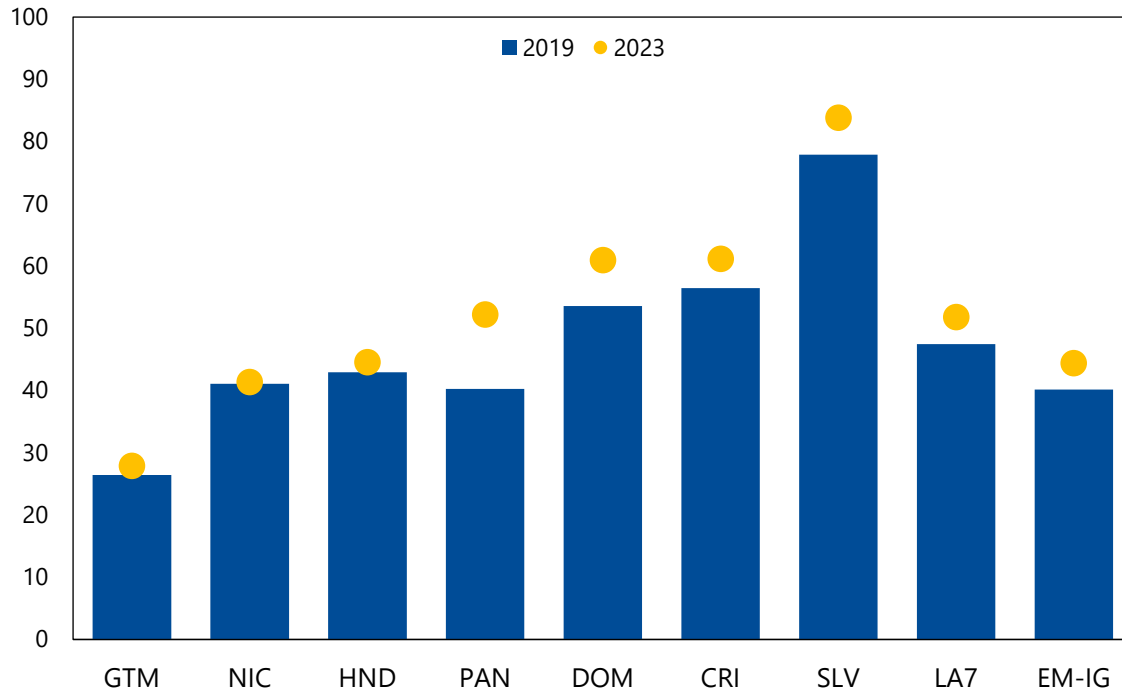
LA7: Unemployment rate
(Percent)

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
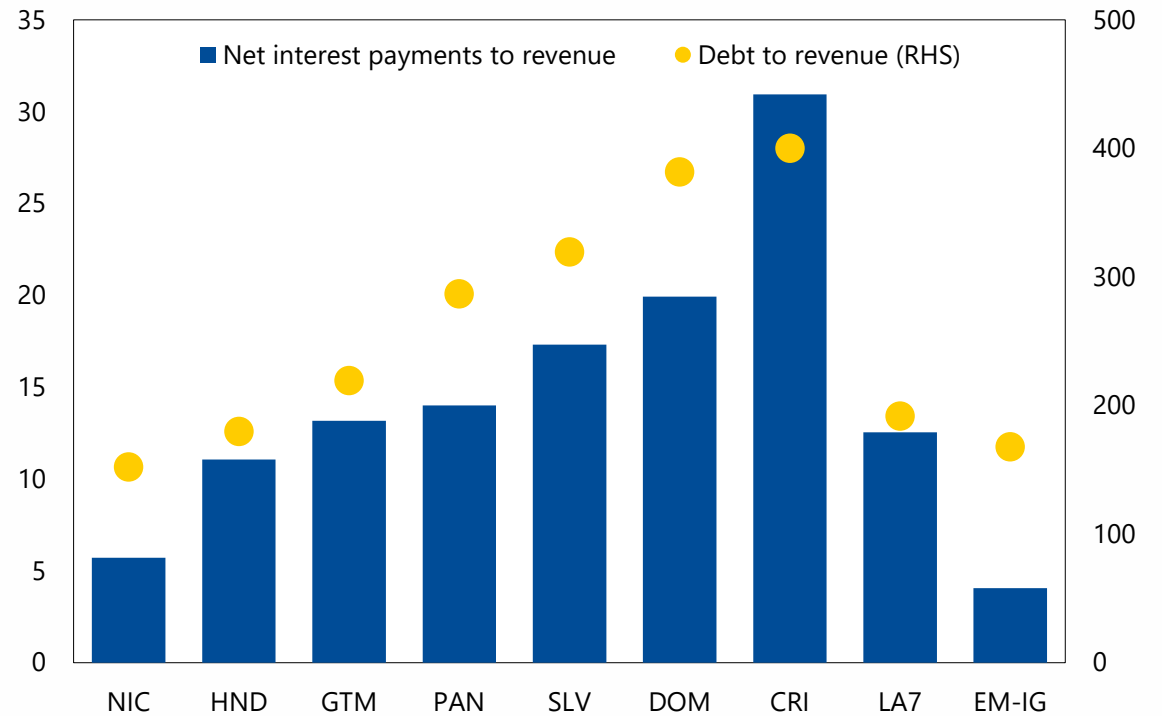Note: LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru and Uruguay.

Fiscal consolidation has helped stabilize public debt in most countries but debt to revenue remains high

General Government Gross Public Debt
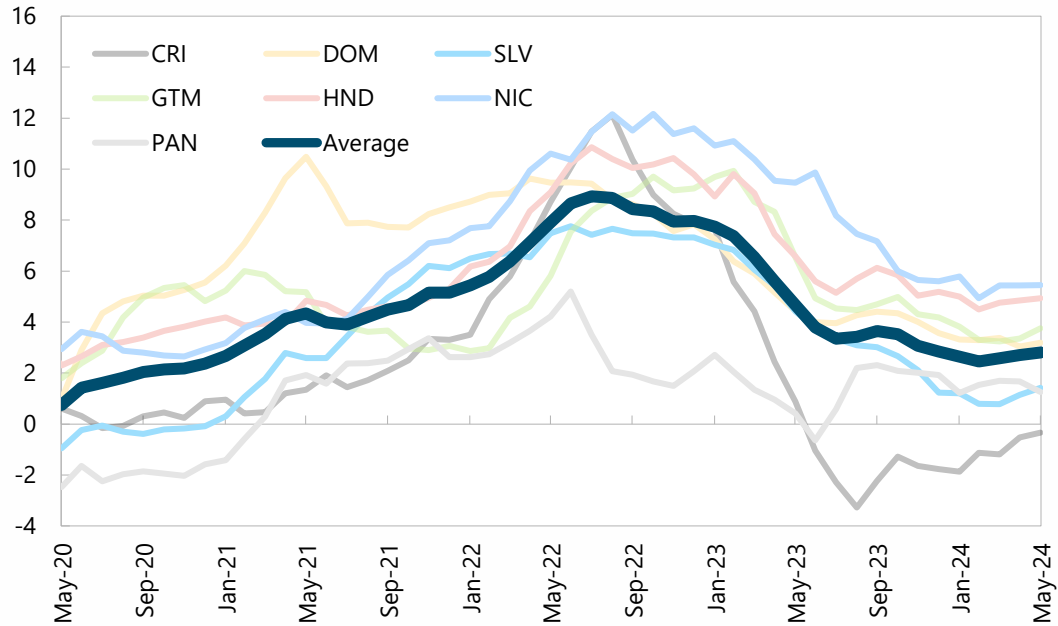(Percent of GDP)

Source: WEO

Net interest Payments to Revenue and Debt-to-Revenue, 2023
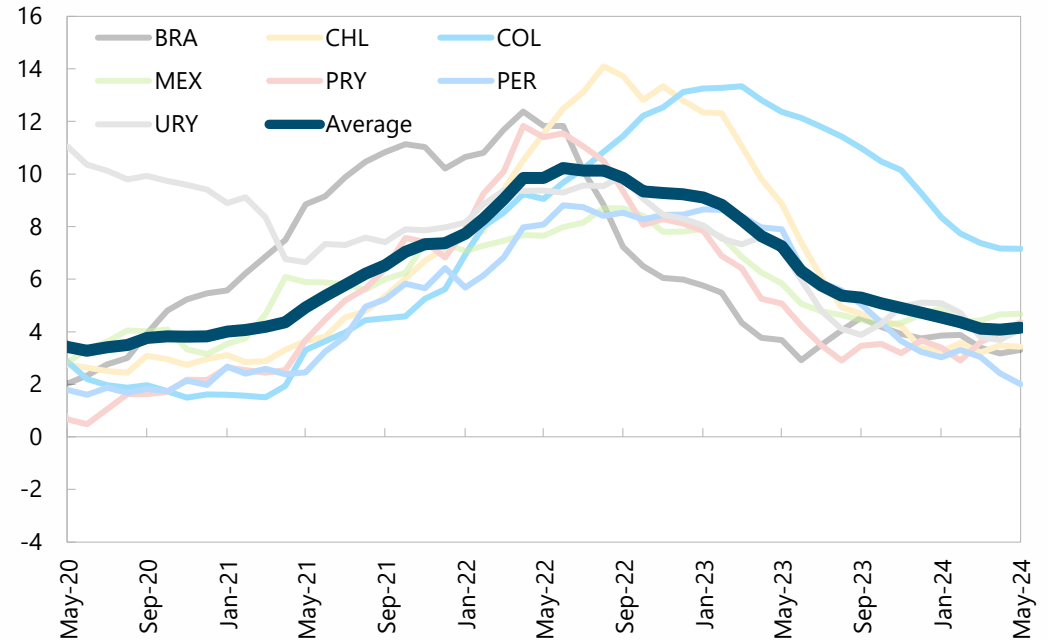(Percent)

Source: WEO

Inflation has remained under control despite large external shocks …

CAPDR: Headline Inflation
(Year-over-year percent change)

Source: Haver Analytics; national authorities; and IMF staff calculations.
Note: CAPDR = Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama and the Dominican Republic.
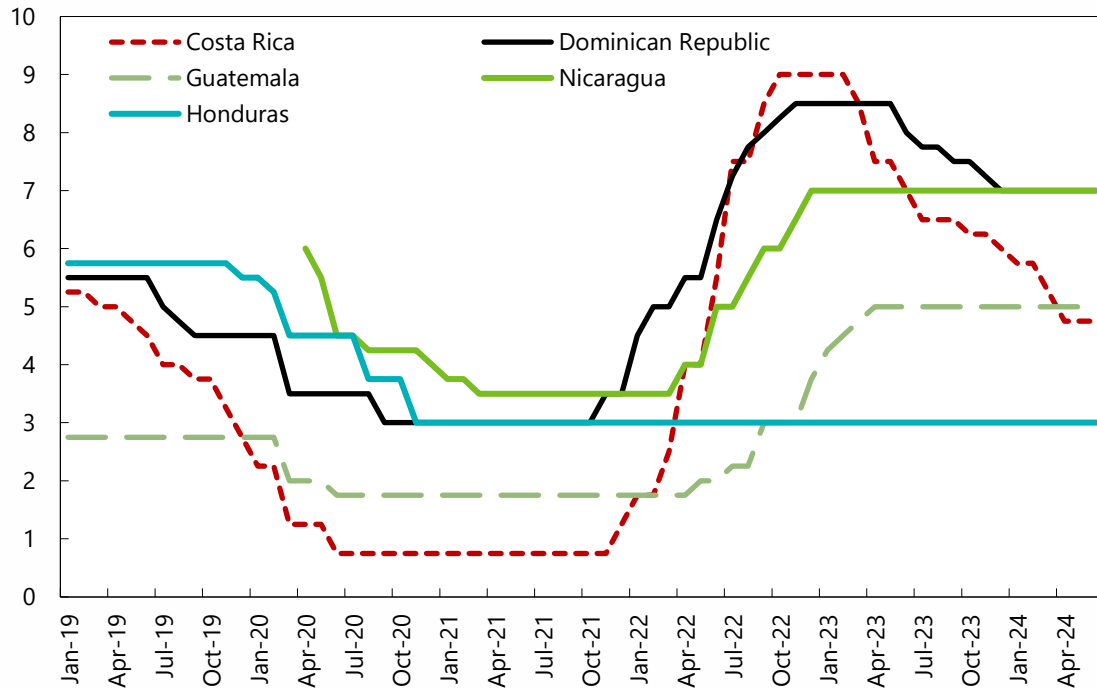
LA7: Headline Inflation
(Year-over-year percent change)

Source: Haver Analytics; national authorities; and IMF staff calculations.
Note: LA7 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay, and Paraguay.

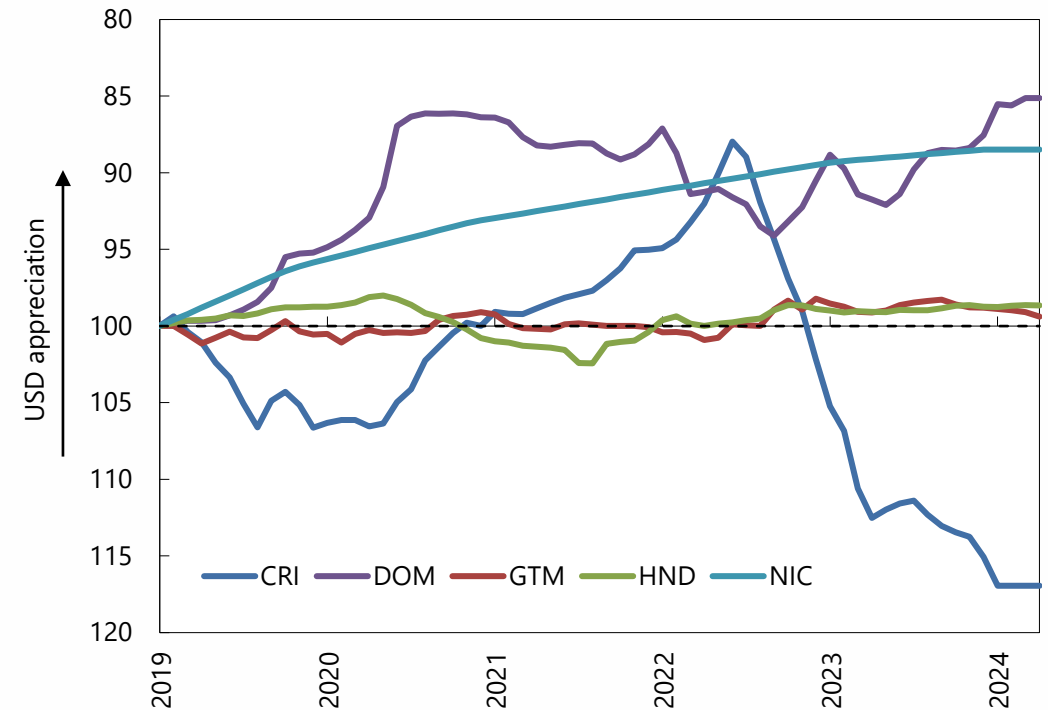# ... through different approaches

Policy rate in CAPDR
(Percent)

Source: Haver Analytics.

US Dollar per National Currency
(Index, 2019=100)

Source: IMF, World Economic Outlook database.
Note: El Salvador and Panama are dollarized.

CAPDR: Near-term Outlook

Growth is projected to remain robust for the near term

Latin America and the Caribbean: Real GDP Growth
(Year-over-year percent change)

	Latin America and the Caribbean	Latin America 7 (LA7)	CAPDR
2024 (Apr WEO)	2.0	2.2	3.9
2024 (July WEO)	1.9	2.2	3.9
2025 (Apr WEO)	2.5	2.0	3.8
2025 (July WEO)	2.6	2.1	3.8

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are PPP GDP-weighted averages. Difference based on rounded figures for the April 2024 and July 2024 WEO vintages. LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Other South America includes Argentina, Bolivia, Ecuador, and Venezuela. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

... while inflation will continue on its downward path

Latin America and the Caribbean: End-of-period Inflation
(Year-over-year percent change)

	Latin America and the Caribbean	Latin America 7 (LA7)	CAPDR
2024 (Apr WEO)	12.7	3.8	3.3
2024 (July WEO)	12.4	4.0	3.3
2025 (Apr WEO)	6.5	3.0	3.3
2025 (July WEO)	6.6	3.1	3.3

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are PPP GDP-weighted averages. All inflation aggregates exclude Venezuela. Difference based on rounded figures for the April 2024 and July 2024 WEO vintages. LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Other South America includes Argentina, Bolivia, and Ecuador. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

CAPDR: Longer-term Challenges

MT growth will remain solid across CAPDR, but with large variations in income convergence ...
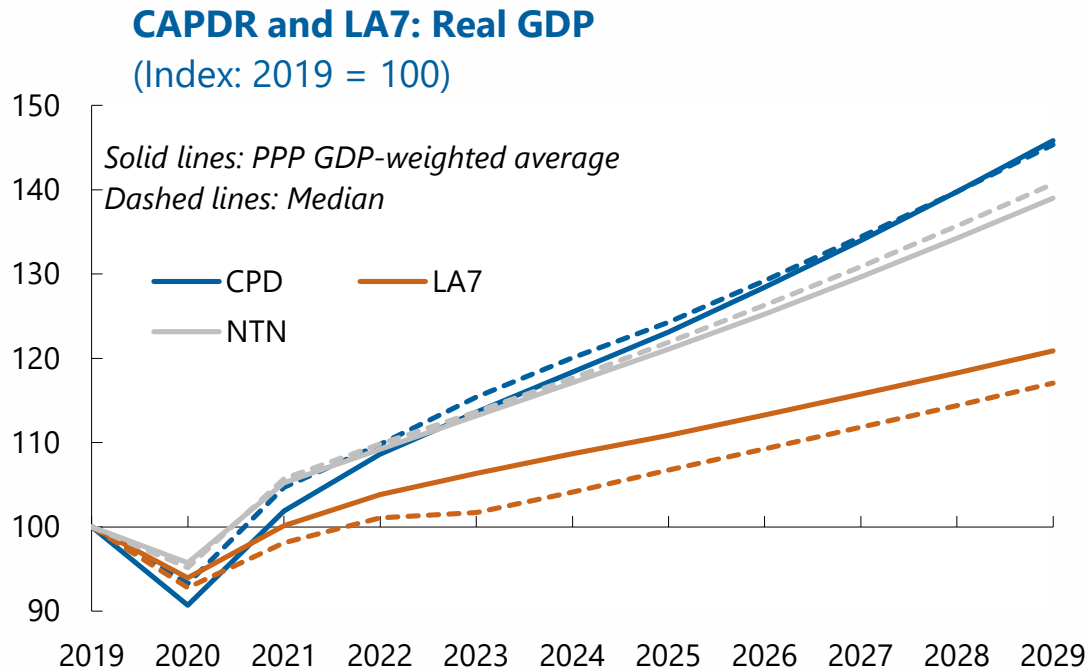
CAPDR and LA7: Real GDP
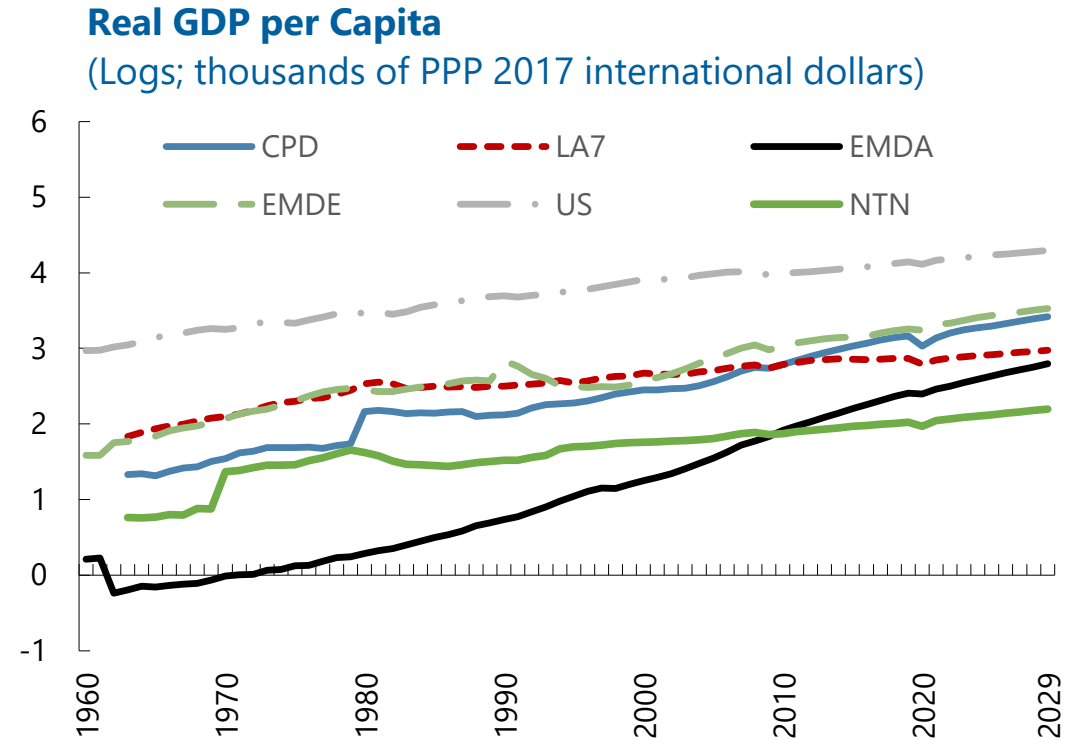(Index: 2019 = 100)

Solid lines: PPP GDP-weighted average
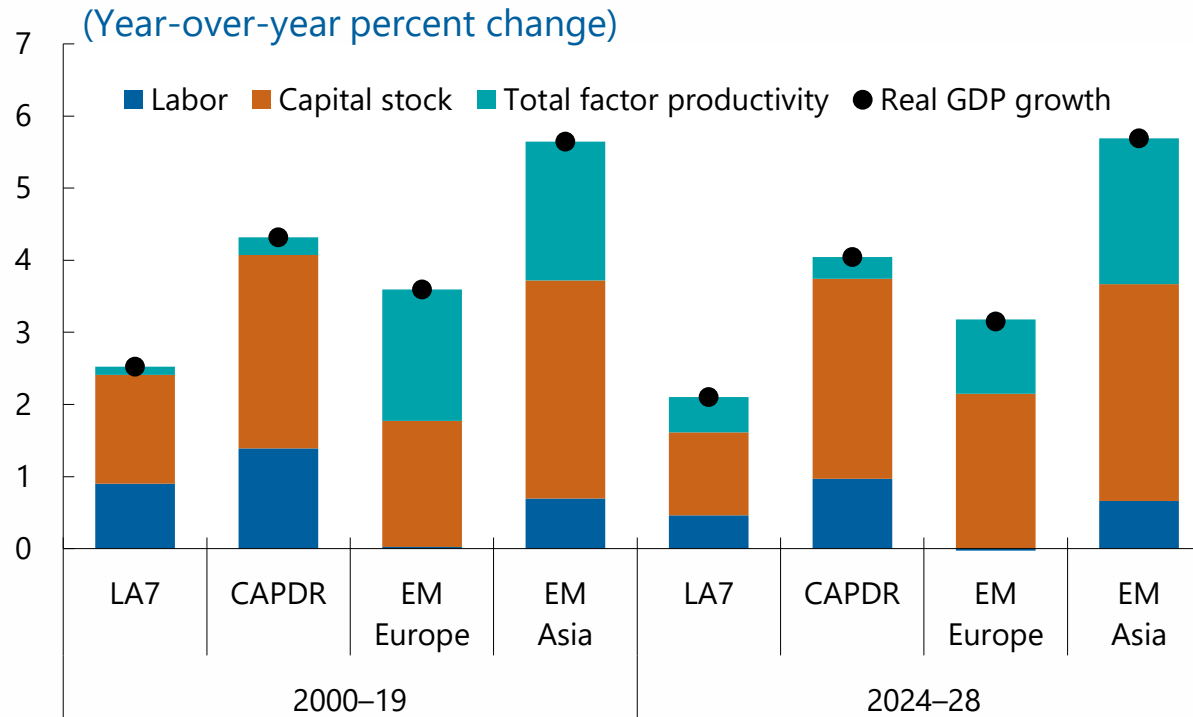*Dashed lines: Median*

CPD   LA7
NTN

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: PPP = purchasing-power-parity. CPD = Costa Rica, Panama, and the Dominican Republic.
NTN = Nicaragua, Guatemala, El Salvador, and Honduras. LA7 = Brazil, Chile, Colombia, Mexico,
Peru, Paraguay, and Uruguay.

Real GDP per Capita
(Logs; thousands of PPP 2017 international dollars)

CPD   LA7   EMDA
EMDE   US   NTN

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: PPP = purchasing power parity. EMDE = Emerging and Developing Europe. EMDA = Emerging and Developing Asia. CPD = Costa Rica, Panama, and the Dominican Republic. NTN = Nicaragua, Guatemala, El Salvador, and Honduras. LA7 = Brazil, Chile, Colombia, Mexico, Peru, Paraguay, and Uruguay.

Narrowing the convergence gap requires boosting productivity growth …

CAPDR and other EMs: Contributions to Real GDP Growth
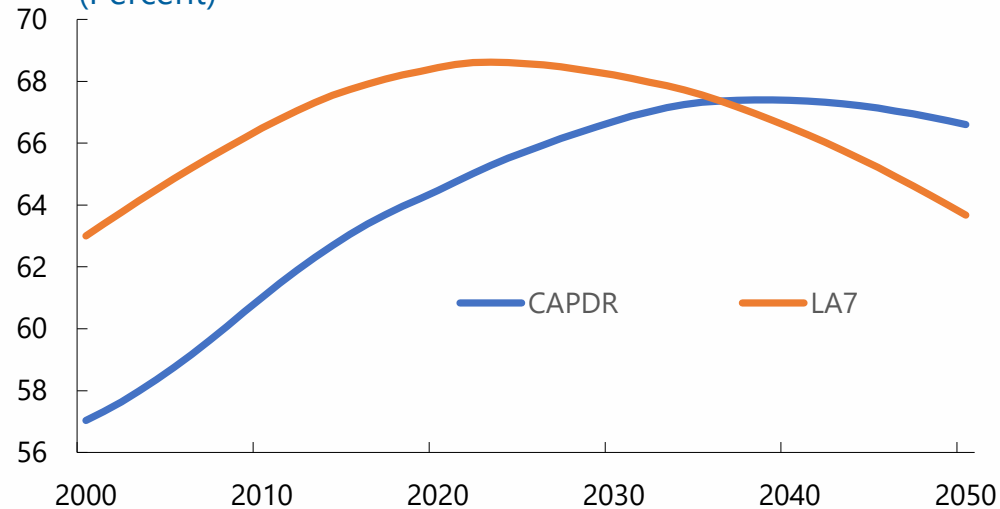
(Year-over-year percent change)

Sources: IMF, World Economic Outlook database; Penn World Table 10.1 database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP- weighted averages. Emerging Asia = India, Indonesia, Malaysia, Philippines, Thailand; Emerging Europe = Bosnia and Herzegovina, Bulgaria, Estonia, Hungary, Poland, Romania, Serbia; LA7 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay; CAPDR = Costa Rica, Nicaragua, Guatemala, Honduras, Panama and the Dominican Republic.

... overcoming headwinds in demographic trends and weak public investment ...

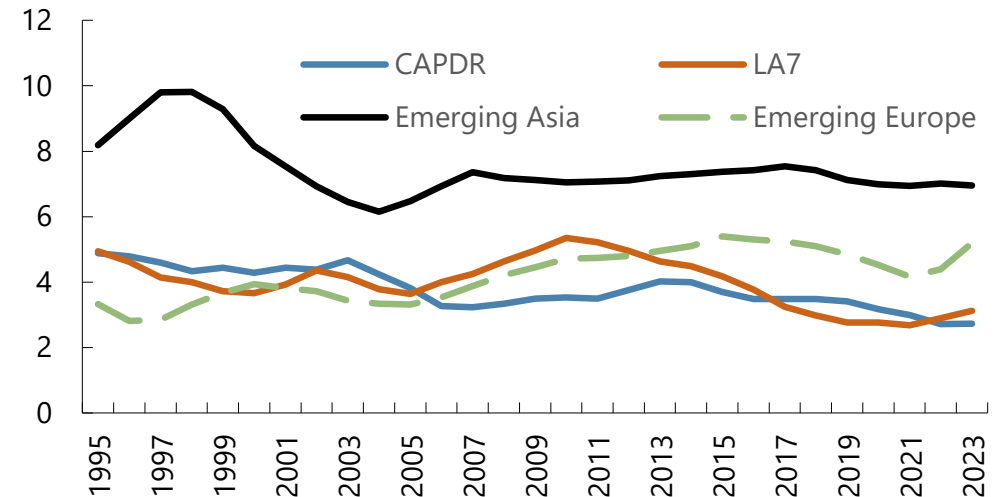**CAPDR and LA7: Working Age Population to Total Population**
(Percent)

Sources: World Bank and United Nations Population Division's World Population Prospects: 2022 Revision.
Note: CAPDR = Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama and the

Public gross fixed capital formation
*(Percent of GDP, three-year moving average)*

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted averages. CAPDR = Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama and the Dominican Republic. Emerging Asia excludes China; LA7 = Brazil, Chile, Colombia, Mexico, Peru, Paraguay, and Uruguay.

... and addressing structural reform gaps

Gaps in Macrostructural Reforms, 2021
(Relative to emerging market economies frontier; percent; larger gap indicates greater distance to frontier)
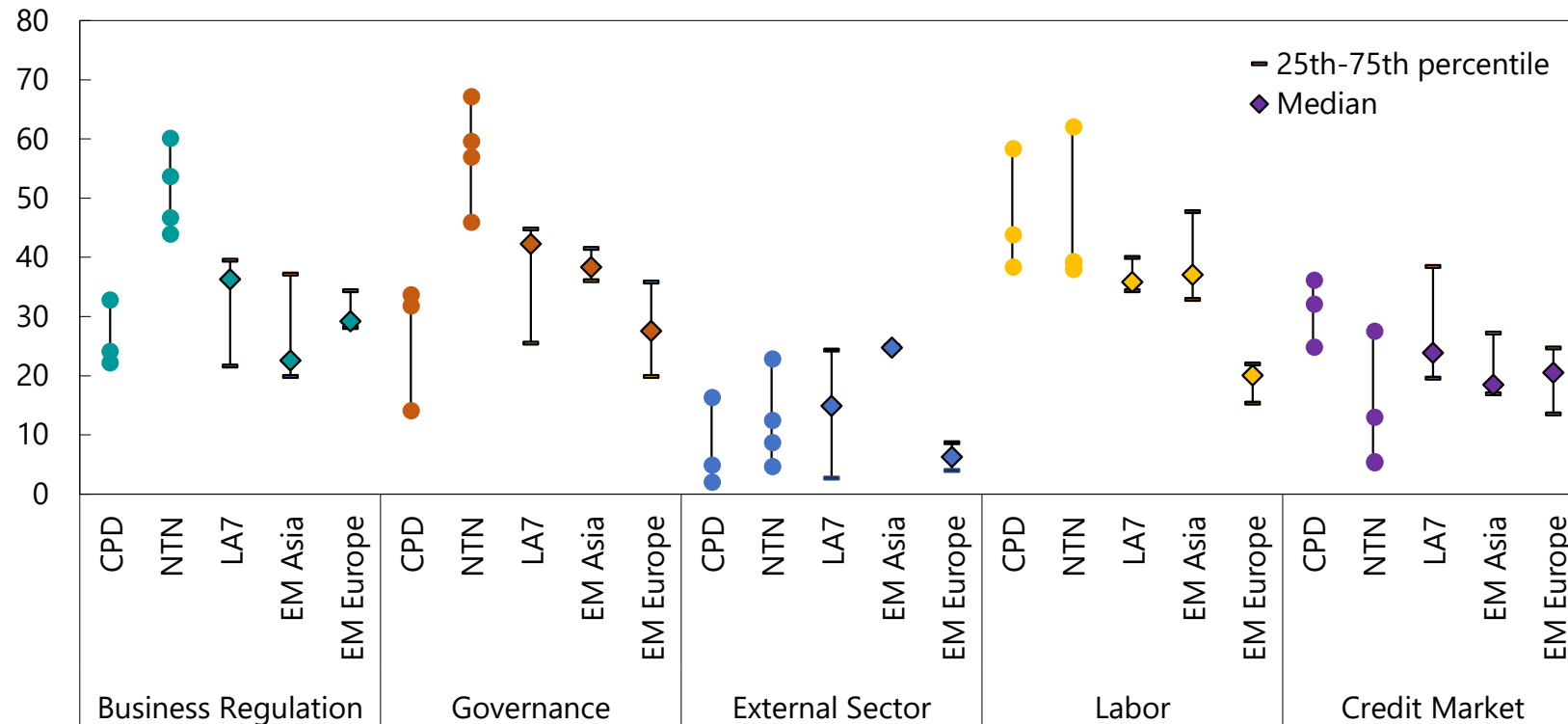
Sources: Fraser Institute; World Bank; "Structural Reforms to Accelerate Growth, Ease Policy Trade-offs, and Support the Green Transition in Emerging Market and Developing Economies," Budina and others (2023); and IMF staff calculations.
Note: Structural gaps are calculated as the deviation of each reform area from its frontier (best performer in the same year). Each reform indicator is normalized between 0 and 1 based on the sample. EM Asia = India, Indonesia, Malaysia, Philippines, Thailand; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; CAPDR = Costa Rica, Nicaragua, Guatemala, El Salvador, Honduras, Panama and the Dominican Republic. LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

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