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# REGIONAL ECONOMIC OUTLOOK

WESTERN HEMISPHERE

A Long and Winding Road to Recovery

**2021**  
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Regional Economic Outlook

**Western Hemisphere**

**A Long and Winding Road to Recovery**



**2021**

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# Preface

The October 2021 *Regional Economic Outlook: Western Hemisphere* was prepared by Takuji Komatsuzaki, Santiago Acosta-Ormaechea, Maximiliano Appendino, Samuel Pienknagura, and Carlo Pizzinelli under the supervision of Anna Ivanova and the guidance of Jorge Roldós, with the overall direction of Nigel Chalk and James Morsink. Roberto Garcia-Saltos, Mauricio Vargas, and Raadhika Vishvesh provided inputs for Caribbean countries. Dmitry Vasilyev and Justin Lesniak provided inputs for Central American countries, Panama, and the Dominican Republic. Genevieve Lindow and Adam Siddiq provided excellent research assistance. The report reflects the contents of a set of background papers (IMF 2021b, and 2021d), which are available online at <http://www.imf.org>. The background papers were prepared by the following contributors: Santiago Acosta-Ormaechea, Leo Bonato, Serhan Cevik, Luisa Charry, Ding Ding, Christopher Evans, Emilio Fernandez-Corugedo, Andres Gonzalez, Alejandro Guerson, Chao He, Janne Hukka, Anna Ivanova, Diane Kostroch, Huidan Lin, Constant Lonkeng, Emanuele Massetti, Sònia Muñoz, Joana Pereira, Samuel Pienknagura, Carlo Pizzinelli, and Chris Walker. Astrid Baigorria provided outstanding production support. Cheryl Toksoz and Lorraine Coffey of the Communications Department coordinated editing and production. Virginia Masoller and Carlos Viel led the translation and editing team in the production of the Spanish edition and Solange dos Santos led the translation of the Portuguese edition. This report reflects developments and staff projections through the end of September 2021.



# Outlook for Latin America and the Caribbean: A Long and Winding Road to Recovery

*An economic recovery is underway in Latin America and the Caribbean (LAC) but the pandemic still casts shadows on much of the region. The recovery was robust in the first quarter of 2021 but lost momentum in some countries in the second quarter, reflecting the rebound in COVID-19 cases. Real GDP is projected to grow by 6.3 percent in 2021, followed by a more moderate growth of 3 percent in 2022, but would not catch up with pre-pandemic trends in the medium term as persistent weakness in labor markets raises risks of scarring. Broadly favorable external conditions, high commodity prices, and pent-up demand support short-term growth, while monetary and fiscal policy reversals work in the other direction. Risks to the outlook are tilted downward. Main downside risks are the emergence of more transmissible and deadlier COVID-19 variants, tightening of global financial conditions, sovereign debt rollover risks, and social unrest as a year with heavy election schedule looms. Fiscal policy should allocate sufficient resources for health spending, including vaccination, and continue to support households and firms in a more targeted fashion while the pandemic persists, backed by credible assurances of medium-term debt sustainability to maintain access to finance. Monetary policy has started to address inflationary pressures but should continue to support economic activity insofar as the dynamics of inflation expectations permit. If rising inflation threatens to de-anchor inflation expectations, central banks should tighten monetary policy to signal a commitment to inflation targets and avoid persistent increases in inflation. Preemptive and decisive action should be accompanied with clear and transparent communication. Financial policy should shift from blanket support to targeted support of viable firms, to ensure that necessary labor and capital reallocations are not hindered. Supply-side policies should foster inclusive growth, including through progressive and growth-friendly tax reforms and measures to intensify climate change adaptation and mitigation.*

## Forces Driving the Outlook

### Vaccinations Are Mitigating the Impact of the Pandemic but the Battle Is Not Over

While the pandemic appears to be receding in LAC from the very heavy toll up to the first half of 2021, the battle against the virus is not over and countries are facing a race between vaccinations and the spread of new variants. New COVID-19 cases and deaths per capita have declined in LAC (Figure 1, panels 1 and 2). Nonetheless, at 2.2 per million, new deaths in LAC on average remain much higher than in advanced Europe (1.1 per million) (Figure 1, panel 2). The threat of new variants such as Delta, which is already making inroads in LAC, adds to the concerns of a potential COVID-19 resurgence in late 2021.<sup>1,2</sup>

Rapid vaccination campaigns in several countries have helped mitigate the pandemic's impact. For example, more than 40 percent of the population has already been fully vaccinated in Anguilla, Antigua and Barbuda, Argentina, Aruba, Brazil, Chile, the Dominican Republic, Ecuador, El Salvador, Panama, St. Kitts and Nevis, and Uruguay. The share of fully vaccinated population in LAC is slightly above the world average of 33 ½ percent.

Nonetheless, many LAC countries are still significantly below the 40 percent benchmark suggested by the IMF staff for December 2021 to end the pandemic (Agarwal and Gopinath

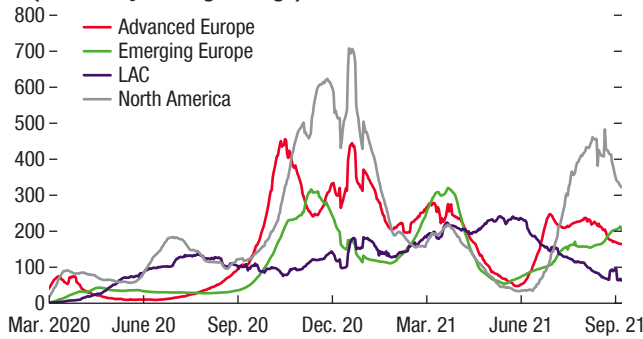
<sup>1</sup>Delta is dominant in Mexico so far but has been detected in a broad set of countries in South America and the Caribbean.

<sup>2</sup>LAC is a region characterized by inherent vulnerabilities (Bakker and Goncalves 2021). These include: (1) *institutional factors* such as low government effectiveness and weak healthcare systems; (2) *structural factors* such as a high degree of informality, which reduced the effectiveness of lockdowns (David and Pienknagura 2020); and (3) *certain medical conditions* such as a high proportion of the population that is overweight.

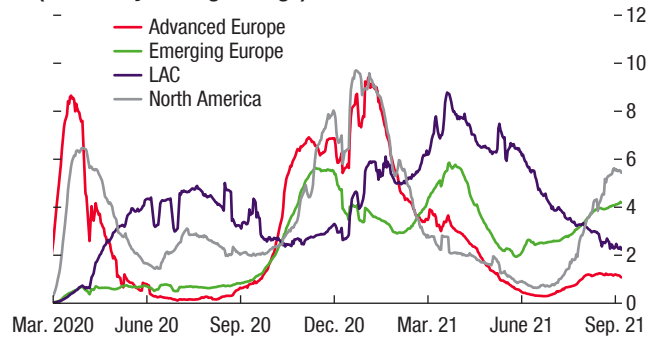


Figure 1. Recent Developments in the COVID-19 Pandemic

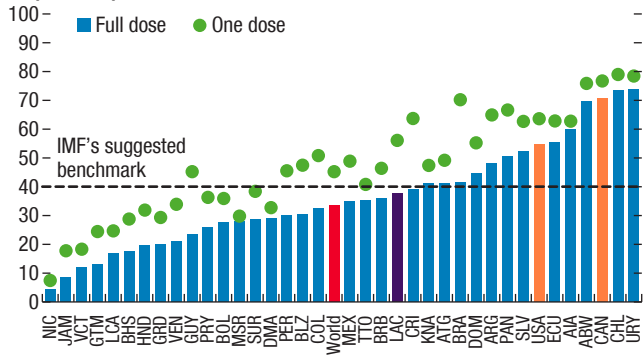
1. New COVID-19 Cases per Million (Seven-day moving average)



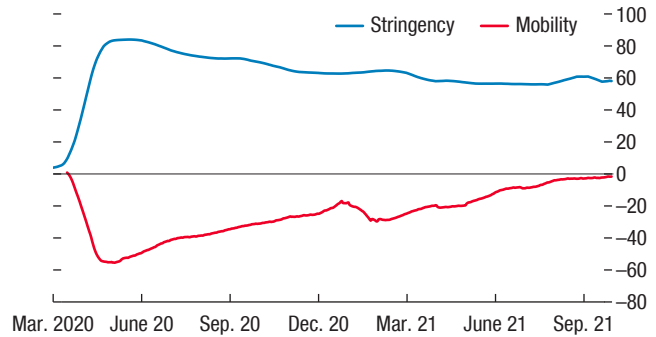
2. New COVID-19 Deaths per Million (Seven-day moving average)



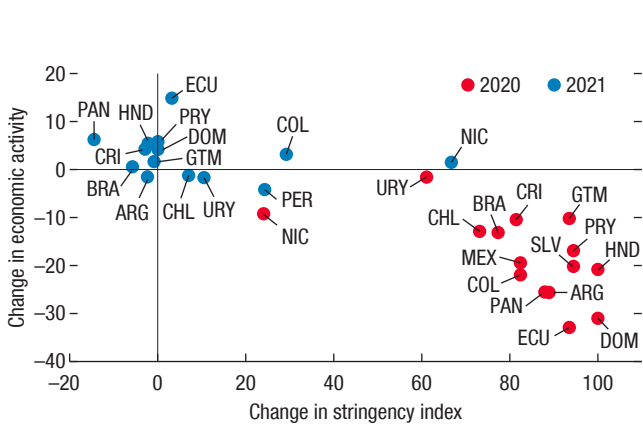
3. Share of People Vaccinated Against COVID-19<sup>1</sup> (Percent)



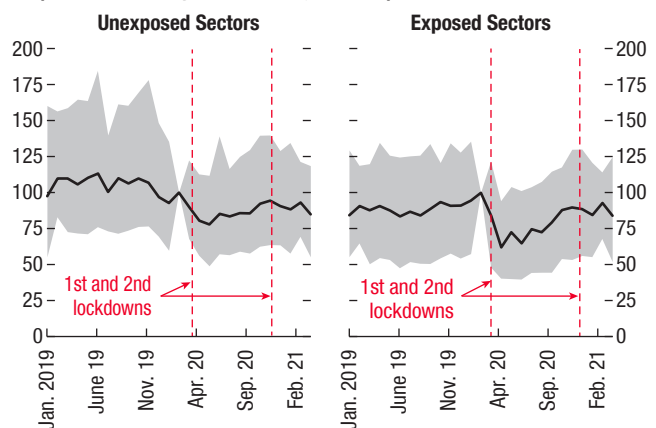
4. LAC: Stringency and Mobility (Index; thirty-day moving average)



5. Correlation of Lockdowns and Activity: 2020 versus 2021<sup>2</sup> (X-axis: index; Y-axis: percent change)



6. Colombia: Changes in Employment for Sectors Directly Exposed and Not Exposed to Lockdown Restrictions<sup>3</sup> (Index: February 2020 = 100; median)



Sources: Google Mobility; Gran Encuesta Integrada de Hogares; Haver Analytics; Johns Hopkins University; national authorities; Our World in Data database; Oxford COVID-19 Government Response Tracker; and IMF staff calculations.

Note: Data labels use International Organization for Standardization (ISO) country codes. LAC = Latin America and the Caribbean.

<sup>1</sup>Forty percent suggested benchmark comes from IMF Staff Discussion Note on "A Proposal to End the COVID-19 Pandemic" by Ruchir Agarwal and Gita Gopinath (Agarwal and Gopinath 2021).

<sup>2</sup>Period: January 1 to April 30. Positive change in stringency index (0–100) denotes stronger measures and positive change in economic activity index denotes relative expansion.

<sup>3</sup>The black lines report the average employment at the sector level relative to February 2020; the gray areas report the 25th–75th percentile range.

2021; Figure 1, panel 3) although constraints on vaccine supply are being eased gradually. Ten more countries are expected to cross the benchmark of 40 percent by year-end, bringing the share of LAC countries exceeding this threshold to 64 percent. Close to 55 percent of LAC countries are expected to fully vaccinate 70 percent of their populations by the end of 2022, crossing another important benchmark in the fight against the pandemic. In terms of regional population, about 60 percent of the total LAC population is projected to be fully vaccinated by the end of 2021. That number increases to about 84 percent by the end of 2022. Equal distribution of vaccines across and within LAC countries remains a major challenge, especially for less populous and lower income countries.

### Uneven Economic Recovery

The initial rebound in economic activity from the extraordinary pandemic shock in the second quarter of 2020 was stronger than expected. Growth picked up in the third quarter of 2020 as lockdowns were gradually eased, gained momentum by year-end, and led to a number of positive growth surprises in the first quarter of 2021. Despite continued strict lockdown measures in some of the largest countries in the region, mobility has largely recovered to its pre-pandemic level (Figure 1, panel 4), while the weakening relationship between restrictions and economic activity globally (April 2021 *World Economic Outlook* [WEO]) has also been observed in LAC (Figure 1, panel 5). Alvarez and Pizzinelli (2021) show that in Colombia, for instance, lockdowns in 2021 did not affect employment as much as the first lockdown in 2020, and the difference was especially large for industries severely affected in the first lockdown (Figure 1, panel 6). Finally, the vaccination also underpinned the recovery where progress was made.

Nevertheless, the recovery has been uneven and is far from complete. As of the second quarter of 2021, quarterly real GDP has reached pre-pandemic levels only in some of the Latin

America 5 (LA5) countries (Figure 2, panel 1). Private consumption rebounded strongly in Chile, Colombia, and Peru, supported by fiscal transfers and allowance of pension withdrawals (Figure 2, panel 2; Annex 1). In contrast, in Mexico, where fiscal support was scant, the recovery in consumption has been slow. There is significant heterogeneity in investment with stronger recovery momentum in Brazil and Peru (Figure 2, panel 3). Export performance has also been heterogeneous, and especially weak in Colombia and Peru (Figure 2, panel 4).<sup>3</sup> The recovery in the second half of 2020 was driven by the manufacturing sector, which subsequently slowed down in some countries in 2021 due to global supply chain constraints (Brazil) and social unrest (Colombia), while services accelerated in early 2021 but lost momentum in the second quarter in some countries (Chile and Colombia) (Figure 2, panels 5 and 6). High frequency indicators suggest slowing growth momentum for some countries in the third quarter of 2021, while some contact-intensive sectors, such as hospitality and entertainment, continue to remain well below their pre-pandemic levels.

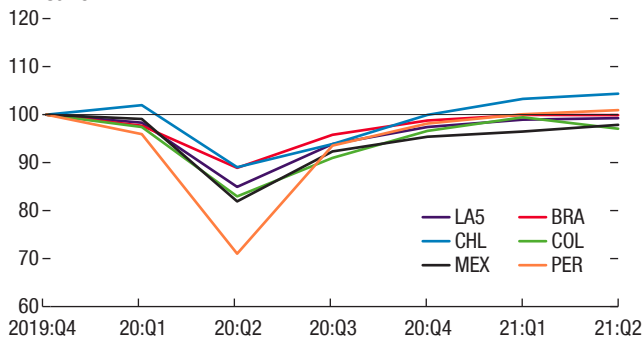
### External Tailwinds Are Supporting Growth

The recovery has been supported by external factors. Strong recovery in LAC trading partner growth— particularly in China, Europe, the United States, and partner countries in the region itself—created tailwinds for LAC. The rebound in global demand also led to a rapid increase in commodity prices starting in the second half of 2020, with metal and soybean prices rising by around 50 percent by mid-2021, compared to their pre-pandemic levels, and oil prices exceeding their pre-pandemic levels in early 2021 (Figure 3, panel 1), despite some recent corrections. These developments have led to an improvement in commodity terms-of-trade (TOT) in the LA5 countries exceeding pre-super-cycle levels (2003) in Chile and Peru by about 10–20 percent.

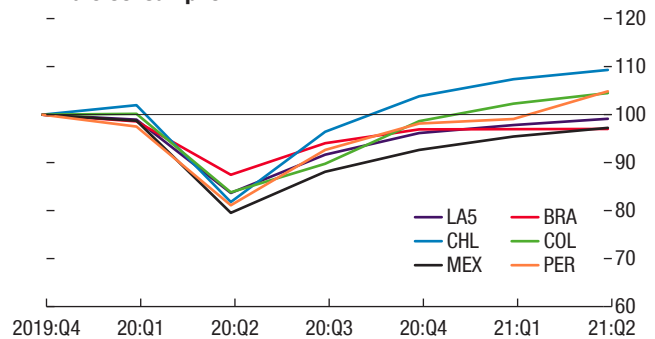
<sup>3</sup>Nontraditional exports are growing robustly in Peru.

**Figure 2. Recent Economic Developments**  
(Index: 2019:Q4 = 100)

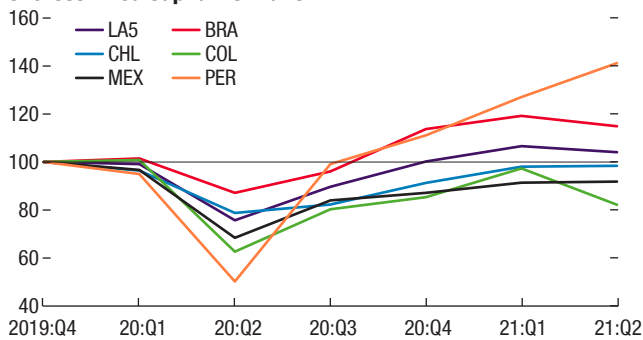
**1. Real GDP**



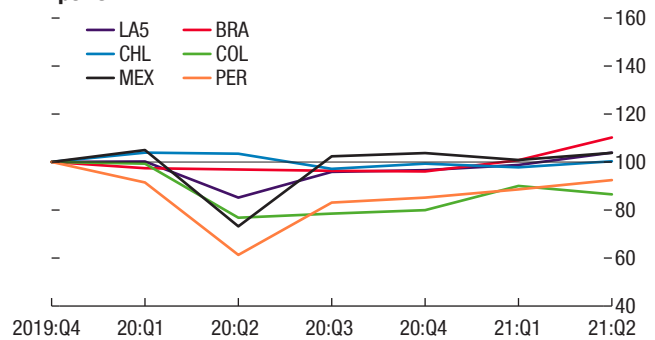
**2. Private Consumption**



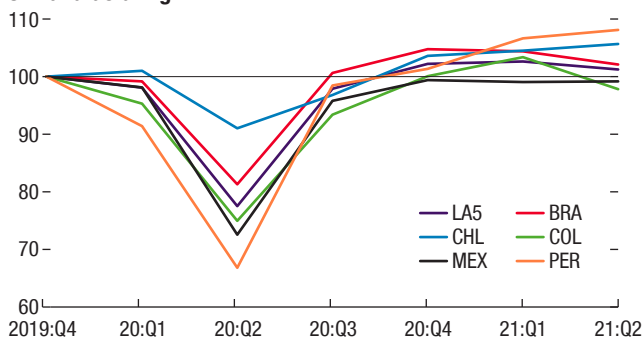
**3. Gross Fixed Capital Formation**



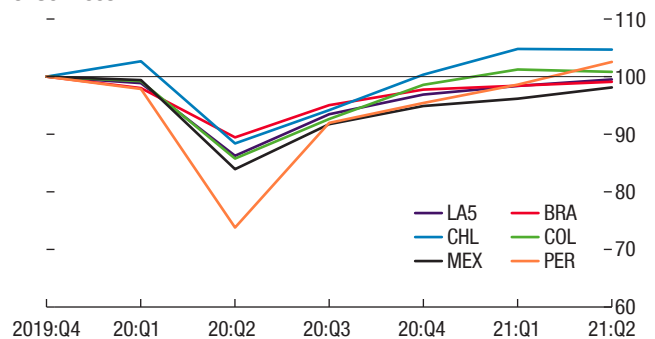
**4. Exports**



**5. Manufacturing**



**6. Services**

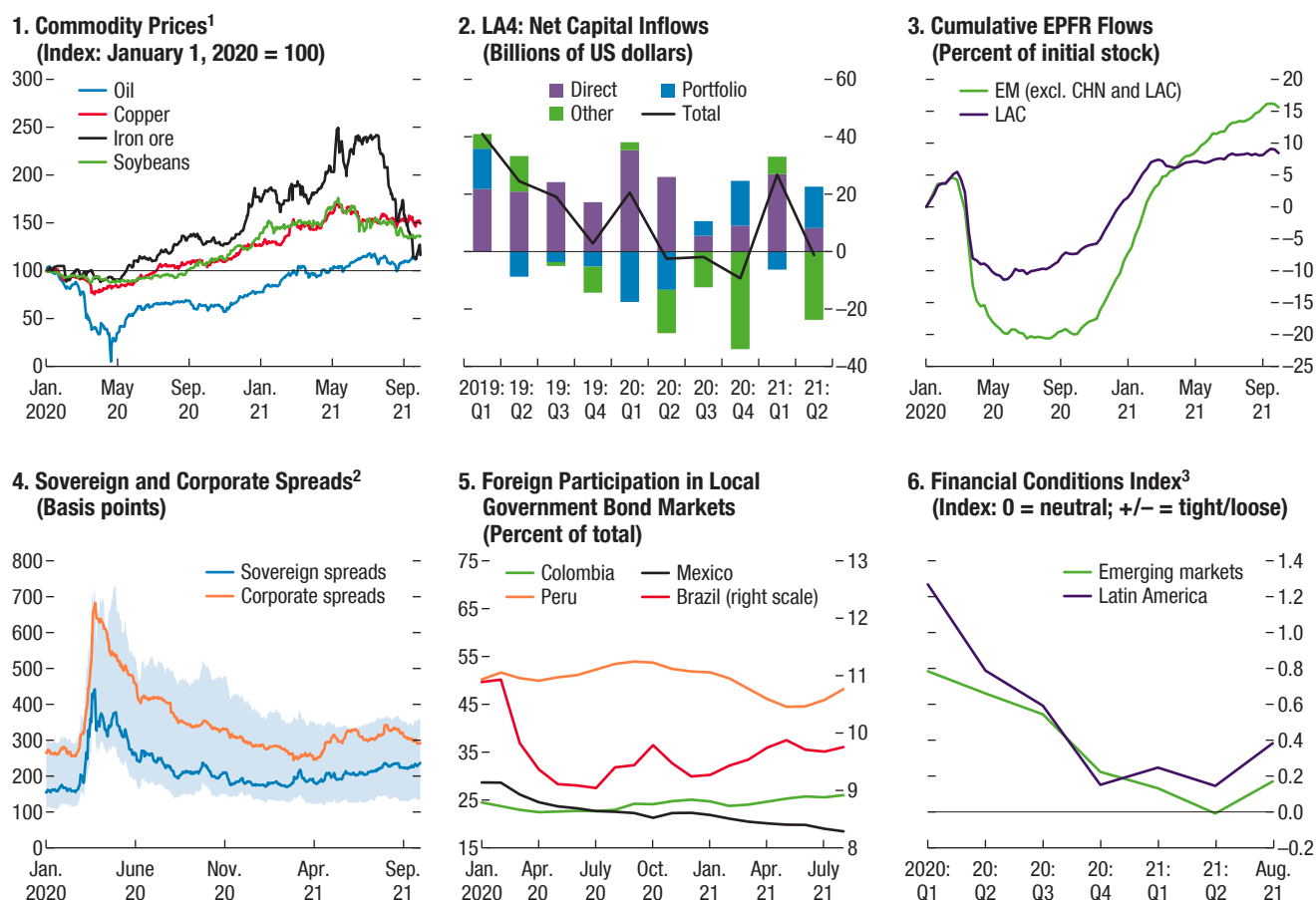


Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Aggregates are purchasing-power-parity GDP-weighted averages. Data labels use International Organization for Standardization (ISO) country codes. LA5 = Brazil, Chile, Colombia, Mexico, Peru.

Capital flows have also been mildly supportive. Foreign direct investment strengthened in the first quarter of 2021 compared to the fourth quarter of 2020, particularly due to the recovery in the commodity sectors, but has lost momentum in the second quarter of 2021 and remains below 2020 levels, while resident outflows intensified in the second quarter of 2021 because of political

uncertainty (Figure 3, panel 2) (Barrett and others 2021). After a brisk return in the second half of 2020, gross portfolio inflows moderated in early 2021, as taper talks started in the US and social unrest flared up in some LAC countries. The moderation was more pronounced in LAC than in other emerging markets (excluding China), reversing the pattern of the second half of 2020

**Figure 3. Global Economic Conditions**


Sources: Bloomberg Finance L.P.; Emerging Portfolio Fund Research, Inc. (EPFR); Haver Analytics; IMF, Balance of Payments Statistics database; national authorities; and IMF staff calculations.

Note: CEMBI = JP Morgan Corporate Emerging Market Bond Index; CHN = China; EM = emerging markets; EMBIG = JP Morgan Emerging Market Bond Index Global; LAC = Latin America and the Caribbean; LA4 = Brazil, Chile, Colombia, Mexico; LA5 = Brazil, Chile, Colombia, Mexico, Peru; LA6 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

<sup>1</sup>Oil prices refer to the average petroleum spot prices: Brent, West Texas Intermediate, and Dubai Fateh.

<sup>2</sup>Sovereign spreads refer to the median of LA6 EMBIG spreads, US-dollar-denominated sovereign bonds. Corporate spreads refer to the median of LA5 CEMBI spreads, US-dollar-denominated corporate bonds. Shaded area refers to the minimum-maximum range of LA6 sovereign spreads.

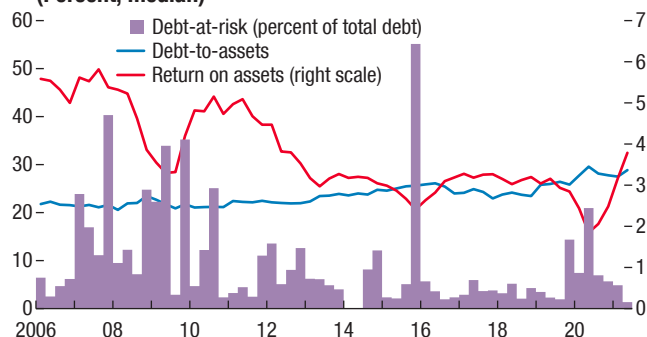
<sup>3</sup>For methodology and variables included in the financial conditions index, refer to the online annex of the October 2018 *Global Financial Stability Report*.

when capital inflows to the region strengthened (Figure 3, panel 3). This was also reflected in rising risk premiums for both LAC sovereigns and corporations (Figure 3, panel 4) and yields on long-term local currency bonds, in contrast to other emerging markets and developing economies, where spreads remained broadly stable or even declined and overall stress in local currency bond markets has declined in 2021. Despite the recent uptick, the levels of risk premiums in LAC remain moderate, and the low overall US dollar financing costs facilitate access

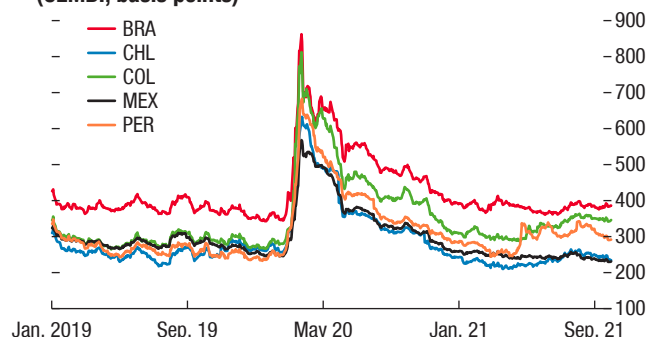
to financing. In fact, LAC sovereign Eurobond issuance in 2021 has remained robust, exceeding placements in 2018 and 2019 and by the end of July were at about 80 percent of the issuance in 2020. Sovereign bond issuance in local currency has been subdued in 2021 compared with 2020, with foreign participation remaining largely below its pre-COVID-19 level (Figure 3, panel 5), partly reflecting investor concerns about inflationary pressures, uncertainty regarding the path of fiscal consolidation, and fears of policy reversals. Overall financial conditions in the region appear to be

**Figure 4. Corporate and Banking Financial Conditions**

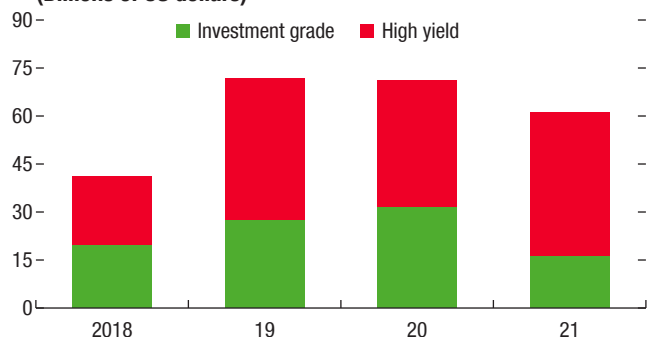
**1. Latin America: Corporate Riskiness and Profitability<sup>1</sup>**  
(Percent; median)



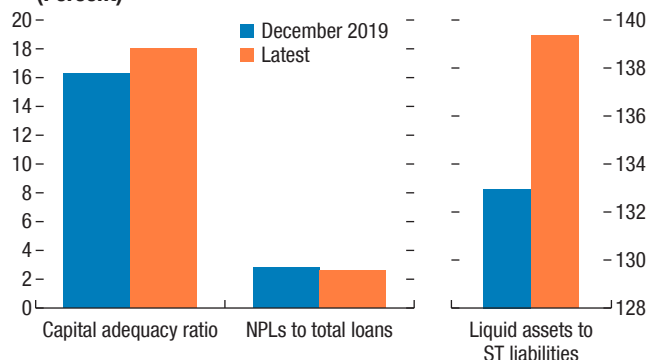
**2. Corporate Spreads**  
(CEMBI; basis points)



**3. LAC: Corporate and Financial Eurobond Issuance<sup>2</sup>**  
(Billions of US dollars)



**4. LA5: Financial Soundness Indicators<sup>3</sup>**  
(Percent)



Sources: Bloomberg Finance L.P.; Bond Radar; Haver Analytics; national authorities; and IMF staff calculations.

Note: Data labels use International Organization for Standardization (ISO) country codes. CEMBI = JP Morgan Corporate Emerging Market Bond Index; LAC = Latin America and the Caribbean; LA5 = Brazil, Chile, Colombia, Mexico, Peru; NPLs = nonperforming loans; ST = short term.

<sup>1</sup>Includes the nonfinancial corporations of Argentina, Brazil, Chile, Colombia, Mexico, and Peru. Debt-at-risk is defined as debt with an interest coverage ratio below one over total debt, expressed in percent.

<sup>2</sup>Data for 2021 is as of September 30, 2021.

<sup>3</sup>Purchasing-power-parity GDP-weighted average of LA5 countries. Chile is excluded from liquid assets to ST liabilities due to data limitations.

tightening slightly more than in other emerging markets (Figure 3, panel 6).

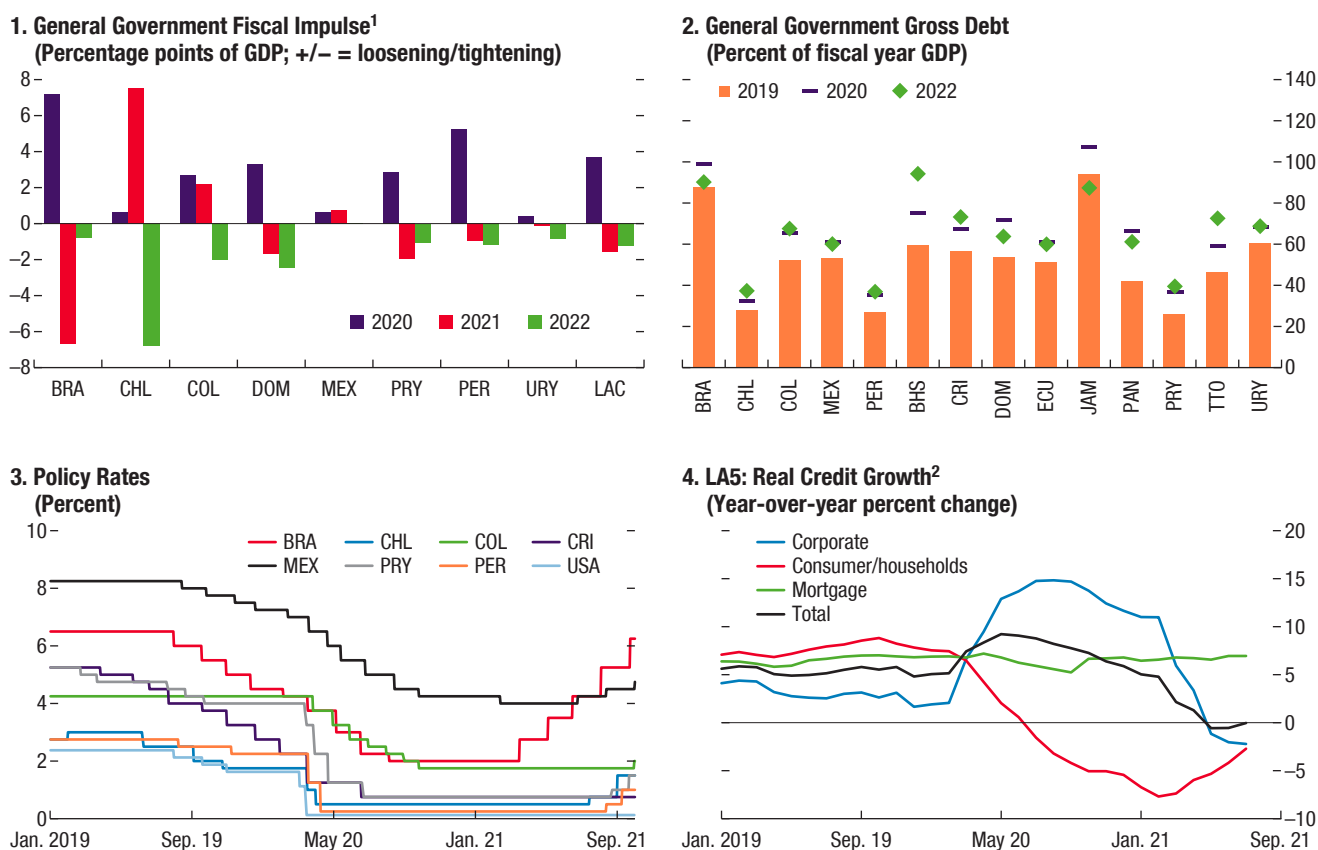
Strong remittances continue to provide a tailwind for Central America (Box 1), while weak tourism demand poses strong headwinds for the Caribbean (Box 2).

**Corporations Are Recovering and Banks Remain Stable**

Corporate leverage increased at the early stage of the pandemic and remains high, but profitability recovered, decreasing the riskiness of debt measured by the interest coverage ratio (Figure 4,

panel 1). So far, LAC has not seen a significant increase in corporate bankruptcies but this may reflect the impact of supportive financial policies. In parallel to rising sovereign yields, spreads on corporate debt have also increased in recent months. The increases have been especially pronounced in countries that experienced social unrest and policy uncertainty (Figure 4, panel 2). Nonetheless, corporate bond issuance has remained relatively strong in 2021, exceeding its level of 2018 and standing at about 70 percent of the 2020 issuance at the end of July (Figure 4, panel 3). However, the increase in the share of high-yield issuance could burden future debt repayment obligations.

Figure 5. Economic Policy Developments



Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.  
 Note: Data labels use International Organization for Standardization (ISO) country codes. LAC = Latin America and the Caribbean; LA5 = Brazil, Chile, Colombia, Mexico, Peru.  
<sup>1</sup>Defined as the change in structural primary deficit. Chile refers to the change in structural non-mining primary deficit. Colombia refers to the consolidated public sector's change in structural non-oil primary deficit.  
<sup>2</sup>Simple average.

The banking sector appears generally sound and stable. While the pandemic brought about temporary decreases in profitability and increases in nonperforming loans in the second half of 2020, the pattern was reversed in recent months as LAC economies rebounded. Nonperforming-loans-to-total-loans ratio has become lower than pre-pandemic level on average, banks' level of capital meets regulatory norms in all major LAC economies and liquidity remains abundant (Figure 4, panel 4).

### Policy Stimulus Is Being Gradually Reduced

The extraordinary fiscal stimulus in 2020 is being partially removed in 2021 with the exception of Chile and Colombia (Figure 5, panel 1), putting a damper on the recovery. Reflecting the reversal of fiscal impulse and the rebound in activity, the increase in public debt ratios has been arrested in most countries (Figure 5, panel 2) but the levels of public debt remain elevated. The continuing pandemic has prompted LAC governments to retain or augment transfers to households, albeit in a more targeted manner (Table 1) thereby somewhat cushioning the impact of a significant fiscal withdrawal in 2021 projected in April.

**Table 1. LA5: Developments in Selected Fiscal and Banking Sector Measures**

|   | 2020:Q1 | 20:Q2 | 20:Q3 | 20:Q4 | 21:Q1 | 21:Q2 | 21:Q3 | 21:Q4   |
|---|---------|-------|-------|-------|-------|-------|-------|---------|
| <b>A. Household Income Support</b>                                  |         |       |       |       |       |       |       |         |
| <b>Job-retention scheme</b>   |         |       |       |       |       |       |       |         |
| Brazil  |         |       |       |       |       |       |       |         |
| Chile   |         |       |       |       |       |       |       |         |
| Colombia  |         |       |       |       |       |       |       |         |
| Mexico  |         |       |       |       |       |       |       | Ongoing |
| Peru  |         |       |       |       |       |       |       | Ongoing |
| <b>Cash transfers</b>   |         |       |       |       |       |       |       |         |
| Brazil  |         |       |       |       |       |       |       |         |
| Chile   |         |       |       |       |       |       |       |         |
| Colombia  |         |       |       |       |       |       |       | Ongoing |
| Mexico  |         |       |       |       |       |       |       | Ongoing |
| Peru  |         |       |       |       |       |       |       | Ongoing |
| <b>B. Banking Sector Measures</b>                                   |         |       |       |       |       |       |       |         |
| <b>Use of flexible capital buffers</b>                              |         |       |       |       |       |       |       |         |
| Brazil  |         |       |       |       |       |       |       |         |
| Chile   |         |       |       |       |       |       |       |         |
| Colombia  |         |       |       |       |       |       |       |         |
| Mexico  |         |       |       |       |       |       |       |         |
| Peru  |         |       |       |       |       |       |       |         |
| <b>Changes to asset classification, valuation, and provisioning</b> |         |       |       |       |       |       |       |         |
| Brazil  |         |       |       |       |       |       |       |         |
| Chile   |         |       |       |       |       |       |       |         |
| Colombia <sup>1</sup>   |         |       |       |       |       |       |       |         |
| Mexico  |         |       |       |       |       |       |       |         |
| Peru  |         |       |       |       |       |       |       |         |
| <b>Loan guarantees</b>  |         |       |       |       |       |       |       |         |
| Brazil  |         |       |       |       |       |       |       | Ongoing |
| Chile <sup>2</sup>  |         |       |       |       |       |       |       |         |
| Colombia  |         |       |       |       |       |       |       | Ongoing |
| Mexico  |         |       |       |       |       |       |       |         |
| Peru <sup>2</sup>   |         |       |       |       |       |       |       |         |
| <b>Restrictions on dividend payouts and share buybacks</b>          |         |       |       |       |       |       |       |         |
| Brazil  |         |       |       |       |       |       |       |         |
| Chile   |         |       |       |       |       |       |       |         |
| Colombia  |         |       |       |       |       |       |       |         |
| Mexico  |         |       |       |       |       |       |       |         |
| Peru  |         |       |       |       |       |       |       |         |

Sources: IMF, Monetary and Capital Markets Department's COVID-19 Financial Regulatory Measures database.

Note: Among the measures that are still ongoing, some have set end dates, while others are open ended.

<sup>1</sup>The first phase of the program ended in July 2020 and was replaced by a more targeted, restrictive program whose expiration will be end-August 2021.

<sup>2</sup>Initial guarantee program was replaced by a new program in early 2021.

An acceleration of inflation in 2021 has prompted many large central banks in LAC to start raising policy rates, but monetary policy stances generally remain accommodative. Headline inflation in LAC accelerated more than core inflation, with rapidly rising food prices adding to the burden of the pandemic on low-income households, although core inflation made up for the initial dip on impact of the COVID-19 shock and has exceeded the pre-pandemic trend (Figure 6, panels 1 and 2). In response, the authorities have

started to raise policy interest rates in many LAC countries (Figure 5, panel 3), often combined with forward guidance that signaled further rate increases in the coming months. Although price pressures may be temporary, some removal of accommodation and a shift in forward guidance was warranted to preserve hard-won credibility of the central bank and prevent de-anchoring of inflation expectations, despite remaining slack in their economies (see Regional Outlook section). The speed of policy tightening differs across



countries depending on the countries' position in the economic cycle, degree and scope of inflationary pressures, and central bank credibility. Asset purchase programs, aimed at providing liquidity and ensuring proper functioning of financial markets, lasted until April 2020 in Colombia and June 2021 in Chile.

Some of the extraordinary financial sector support policies have also been withdrawn, while other measures have continued, or have been revised to better target the borrowers in need (Table 1). Growth in credit to the private sector is decelerating for the nonfinancial corporations, partly reflecting the base effect of the extraordinary policies deployed at the start of the pandemic, although the consumer credit decline is slowing and mortgages growth remains broadly stable (Figure 5, panel 4). There are substantial heterogeneities: although credit conditions generally remain accommodative, especially in Brazil, there are some signs of tightness in Mexico.

In sum, increasing vaccinations and favorable external conditions in most countries are supporting the recovery and creating conditions for a hand-off to private demand, as policy support is gradually reduced.

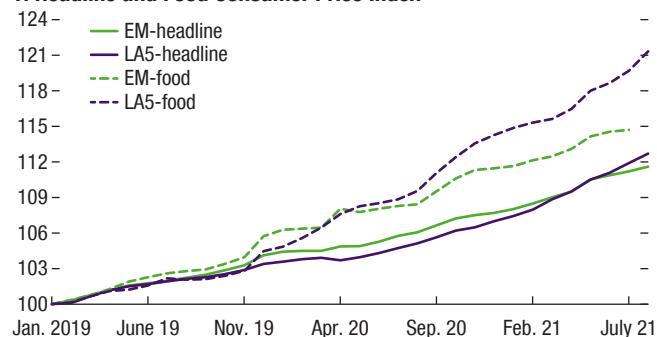
## Regional Outlook

Real GDP in LAC is projected to grow by 6.3 percent in 2021, followed by a more moderate growth of 3 percent in 2022 (Figure 7). The 2021 forecast was raised by 1.7 percentage points compared to the April 2021 WEO projections, as growth in the first half of 2021 was surprisingly strong, with contributions from both domestic demand and demand for exports.<sup>4</sup> This reflected a weaker-than-expected impact from the pandemic on economic activities, stronger-than-expected fiscal policy support, and higher commodity prices, among other factors.

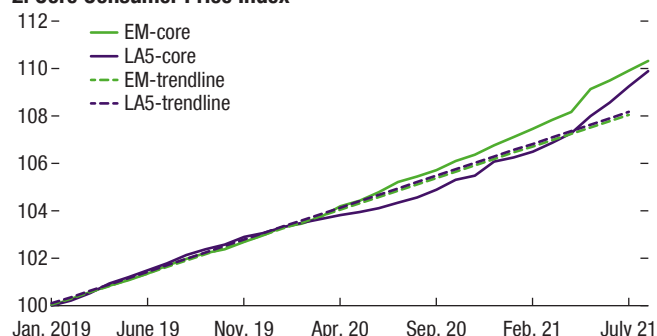
<sup>4</sup>The 1.7 percentage points upward revision can be decomposed into 0.9 percentage point upward revision in consumption, 1.5 percentage points upward revision in investment, and 1 percentage point upward revision in exports, minus 1.7 percentage points

**Figure 6. Inflation Developments**  
(Index: January 2019 = 100)

### 1. Headline and Food Consumer Price Index



### 2. Core Consumer Price Index



Sources: Haver Analytics; national authorities; and IMF staff calculations.  
Note: EM = emerging markets (Hungary, India, Indonesia, LA5, Malaysia, Philippines, Poland, Russia, South Africa, Thailand); LA5 = Brazil, Chile, Colombia, Mexico, Peru.

Growth in 2021 reflects a bounce back from the collapse in 2020 and is broad based, encompassing consumption, investment, and exports, offset by the increase in imports associated with the domestic demand rebound. External demand has been an important growth driver for commodity exporters in South America. US demand supported growth especially in Mexico and Central America; Central America is additionally supported by robust remittances (Box 1). External demand for tourism-dependent Caribbean countries will remain subdued until the safety of international travel is secured by higher vaccination uptake globally and COVID-19 cases decline further (Box 2).

upward revision in import, indicating that the forecasts of both domestic and exports demand were revised upward.

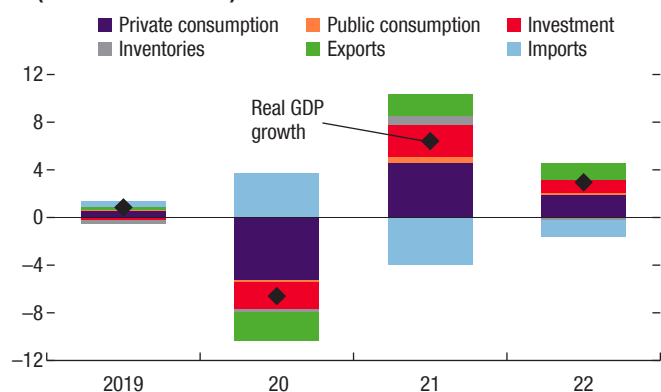


**Figure 7. LAC: Growth Outlook**  
(Year-over-year percent change)

### 1. Real GDP Growth

|  | 2019       | 2020        | Projections |            |
|--|------------|-------------|-------------|------------|
|  |            |             | 2021        | 2022       |
| <b>Latin America and the Caribbean</b> | <b>0.1</b> | <b>-7.0</b> | <b>6.3</b>  | <b>3.0</b> |
| LAC excluding Venezuela                | 0.9        | -6.7        | 6.5         | 3.1        |
| South America                          | -0.1       | -6.6        | 6.3         | 2.3        |
| CAPDR                                  | 3.2        | -7.1        | 7.7         | 4.6        |
| Caribbean                              |            |             |             |            |
| Tourism dependent                      | -0.03      | -9.5        | 2.3         | 4.1        |
| Commodity exporters                    | 0.4        | 4.0         | 5.6         | 21.1       |
| <b>Memorandum Items</b>                |            |             |             |            |
| LA6                                    | 1.1        | -6.3        | 6.4         | 2.9        |
| Brazil                                 | 1.4        | -4.1        | 5.2         | 1.5        |
| Mexico                                 | -0.2       | -8.3        | 6.2         | 4.0        |

### 2. Contributions to Real GDP Growth<sup>1</sup> (Excludes Venezuela)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.  
Note: Aggregates are purchasing-power-parity GDP-weighted averages. For country group information, see Country Groups and Country Abbreviations page. CAPDR = Central America, Panama, and the Dominican Republic; LAC = Latin America and the Caribbean; LA6 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay.  
<sup>1</sup>Also excludes Aruba, Barbados, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago due to data limitations. Inventories include statistical discrepancies.

## Short-Term Outlook

The short-term outlook is highly dependent on the evolution of the pandemic, commodity prices, global financial conditions, and the extent of pent-up private sector demand, as well as on a difficult balancing act between inflation and monetary policy.

### High Commodity Prices versus Global Financial Conditions

Increases in commodity prices have historically been associated with higher real GDP growth in Latin American countries, most of which are commodity exporters. Indeed, impulse responses of real GDP growth to commodity TOT growth show that an increase in commodity TOT growth rates equivalent to a 1 percent of GDP windfall income gain is associated with a 0.1 percentage point increase in GDP growth in the global sample, but with a 0.5 percentage point increase in Latin America, underscoring the importance of commodity prices for the region (Figure 8, panel 1).<sup>5</sup>

The positive association of commodity price increases and growth has been contingent on certain economic conditions in LAC. For instance, Figure 8, panel 2 shows that dividing the sample between countries that had above- or below-median public-debt-to-GDP ratios suggests that the former group has a much weaker response to the price impulse. Similarly, dividing the sample by above- or below-median capital inflows, the effect on output is much smaller for LAC countries experiencing low capital inflows (Figure 8, panel 3). Thus, the currently high sovereign debt levels imply that the favorable impact of high commodity prices may be offset by an eventual tightening of global financial conditions.<sup>6</sup>

Moreover, the supply and investment response to high commodity prices may be dampened by other factors. Although soybeans production is expected to increase in Brazil, droughts may damage some of the crops. The sharp increase in iron ore prices has recently been partly reversed. And copper production in Chile and Peru remains moderate following pandemic-related disruptions in 2020. Finally, mining investments have long gestation lags and, having been burned by failed

<sup>5</sup>Latin America includes Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela.

<sup>6</sup>In addition, the extraordinary nature of the COVID-19 shock suggests caution when using empirical results estimated with pre-pandemic data.

investments in the previous boom, some global firms are being more cautious under the uncertain conditions of the pandemic.

*How Big Is Pent-Up Demand?*

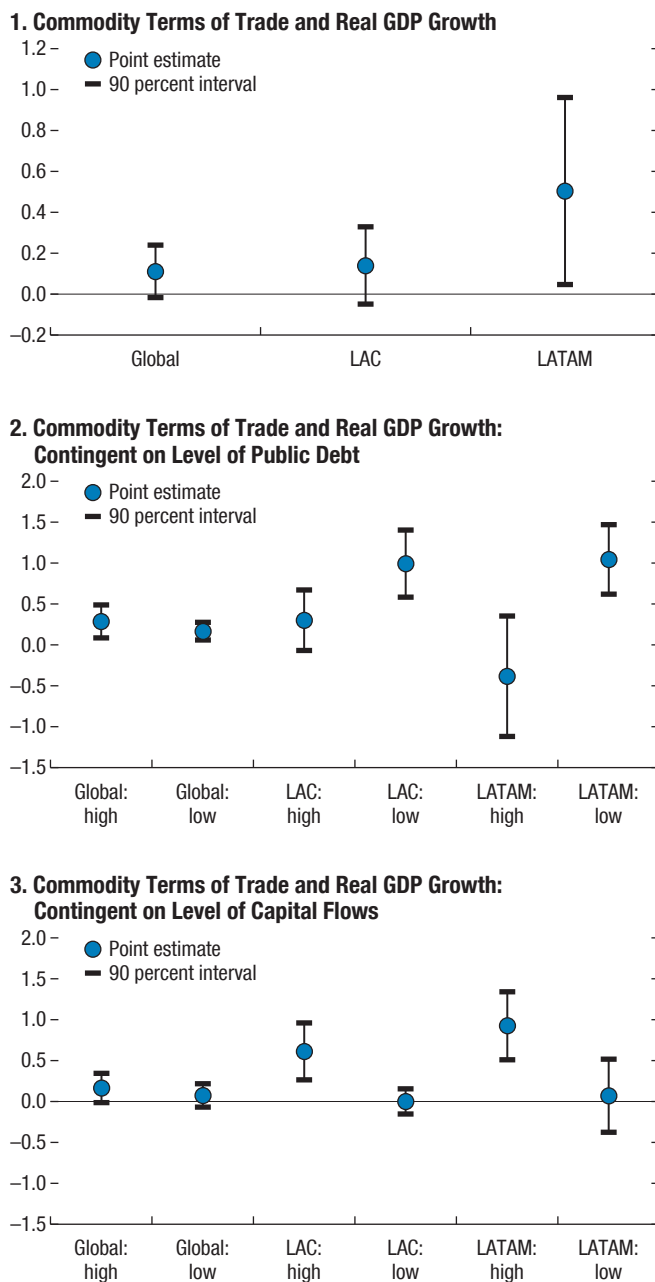
Private sector demand is expected to become a stronger driver of the recovery going forward. The pandemic caused a compression in consumption globally due to both supply and demand disruptions. Private sector saving increased in LA5 countries in 2020 by an amount comparable to the increase in advanced economies, although household indebtedness did not increase as much as it did in advanced economies (Figure 9, panel 1). This suggests that there is at least some potential of materialization of pent-up demand in LA5 countries. Indeed, this report’s baseline projection points to a 2 percentage point decrease in the private sector saving-to-GDP ratio in 2021 for LA5 in aggregate, which is more than the advanced economies’ 1 percentage point decrease. Furthermore, the private sector saving-investment-balance-to-GDP ratio is projected to decrease by 3.3 percentage points—more than the private sector savings reduction—suggesting a mild strengthening of private sector investment (Figure 9, panel 2).

A few factors could still create headwinds against the realization of pent-up demand. For instance, precautionary savings may persist due to continued uncertainty about the pandemic and future government policies in light of elevated public-debt ratios as well as the structural post-pandemic transformation (Ercolani, Guglielminetti, and Rondinelli 2021); demand recovery tends to be slower in recessions with expenditure cuts concentrated in services (Beraja and Wolf 2021); and savings accumulated in 2020 belongs to higher-income households with lower marginal propensities to consume—in an already highly unequal region.

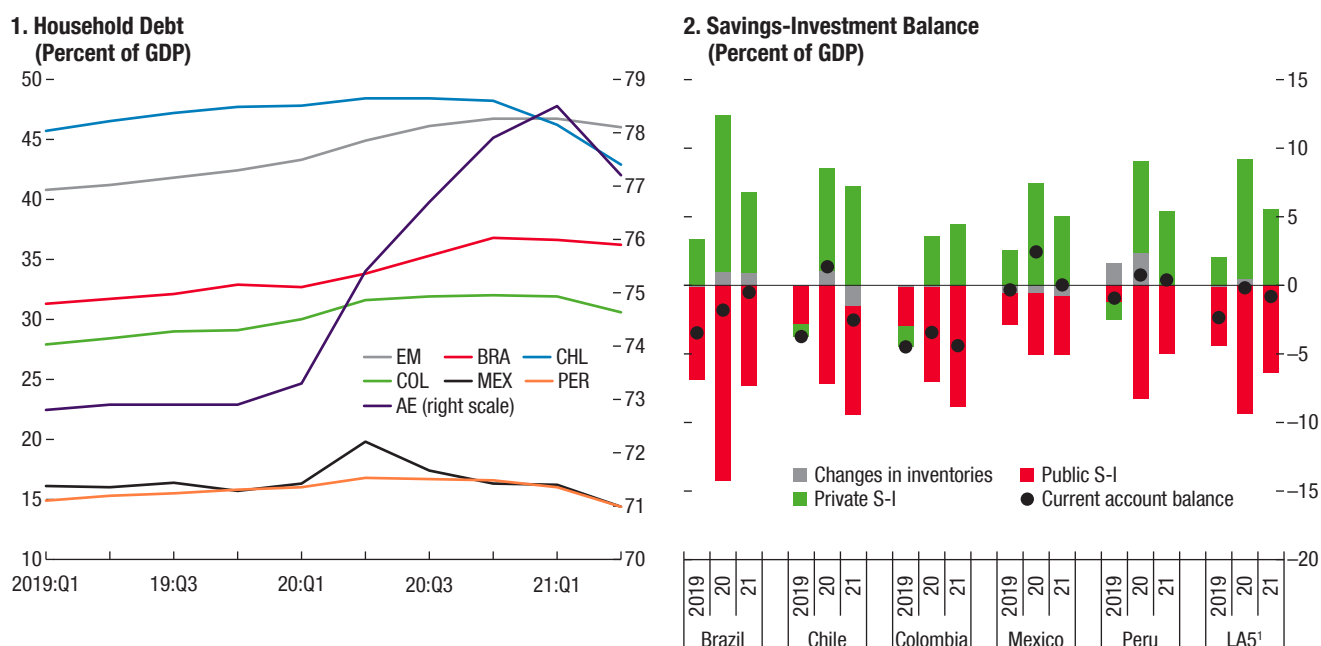
*Uncertain Inflation Outlook*

Medium-term inflation expectations have remained anchored despite the acceleration in inflation, reflecting the likely temporary nature

**Figure 8. Commodity Price and Economic Growth (Percentage points)**



Sources: Gruss and Kebabj (2019); Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations. Note: For panel 1, impulse response functions are estimated by the local projection method following the specification of Gruss and Kebabj (2019). For panels 2 and 3, impulse response functions are estimated by dividing the sample into subsamples whether public-debt-to-GDP ratio and financial-account-to-GDP ratio in the year of the change are above or below median, respectively. LAC = Latin America and the Caribbean; LATAM = Latin America.

**Figure 9. Private Sector Savings and Household Debt**


Sources: Haver Analytics; Institute of International Finance; IMF, World Economic Outlook database; and IMF staff calculations.

Note: Data labels use International Organization for Standardization (ISO) country codes. AE = advanced economies; EM = emerging markets; I = investment; LA5 = Brazil, Chile, Colombia, Mexico, Peru; S = savings.

<sup>1</sup>LA5 aggregate is purchasing-power-parity GDP-weighted average.

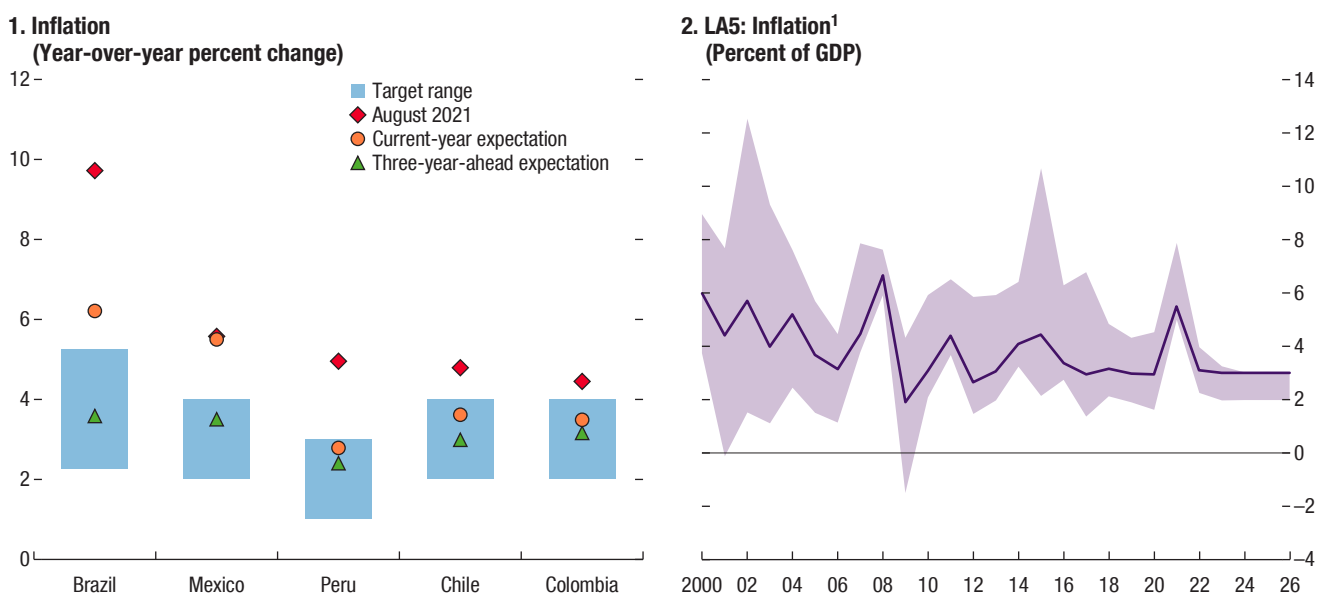
of this acceleration and policy rate increases and forward guidance by central banks. While annual inflation rates are above the central banks' inflation target ranges, three-year-ahead inflation expectations are within the target ranges according to survey measures—despite the spike in short-term expectations (Figure 10, panel 1). This is a testament to the improved monetary policy frameworks and hard-won credibility. Indeed, the region has made big strides towards low and stable inflation since the turn of the century, and the high inflation in 2021 is expected to revert quickly to around 3 percent by 2023 (Figure 10, panel 2).

However, the inflation outlook is subject to substantial uncertainty. First, the dynamics of inflation are highly uncertain after an unusual pandemic shock that has led to supply bottlenecks and sharp increases in shipping costs (see October 2021 WEO, Chapters 1 and 2). Second, some countries in the region are closing their output gaps relatively fast. Third, wage- and price-backward indexation practices from a

higher-inflation past could trigger a stronger and more persistent bout of above-target inflation. Fourth, an early move towards normalization may be needed to preserve credibility in a region with a history of high and unstable inflation, avoid capital outflows and preserve financial stability. And fifth, a tightening of global financial conditions, accompanied by a local currency depreciation, could add to inflationary pressures. In this context, central banks face difficult trade-offs to keep long-term inflation expectations anchored amid increasing inflationary pressures and a backdrop of persistent labor-market slack.

## Medium-Term Outlook

The COVID pandemic is expected to leave long-lasting scars in LAC. Gaining medium-term growth momentum is crucial to minimize these scars, narrow the gap opened by the pandemic, and avoid a further divergence relative to advanced economies.

**Figure 10. Inflation**


Sources: Consensus Economics; Haver Analytics; and national authorities.

Note: LA5 = Brazil, Chile, Colombia, Mexico, Peru.

<sup>1</sup>Median of average inflation of LA5 countries. Shaded area shows minimum-maximum range.

### *Output Not Catching up with Pre-Pandemic Trend*

Medium-term growth is projected to be subdued in the region. LAC average real GDP and real GDP per capita are projected to exceed their pre-pandemic *levels* only in 2022 and 2023, respectively, but they will not return to the path envisaged pre-pandemic within this report's projection horizon (Figure 11, panel 1). This weak growth performance is similar to that of other emerging market and developing economies but diverges from advanced economies, which are expected to broadly return to their pre-pandemic GDP path (Figure 11, panel 2). Similarly, employment is not projected to return to the pre-pandemic trend in the medium term, either. Smaller policy support packages, compared to those of advanced economies, combined with LAC's structural characteristics—such as weaknesses in its health system, prevalence of the informal sector, and fewer opportunities for remote work and remote learning—all contribute to the lingering effects of the pandemic in the region.

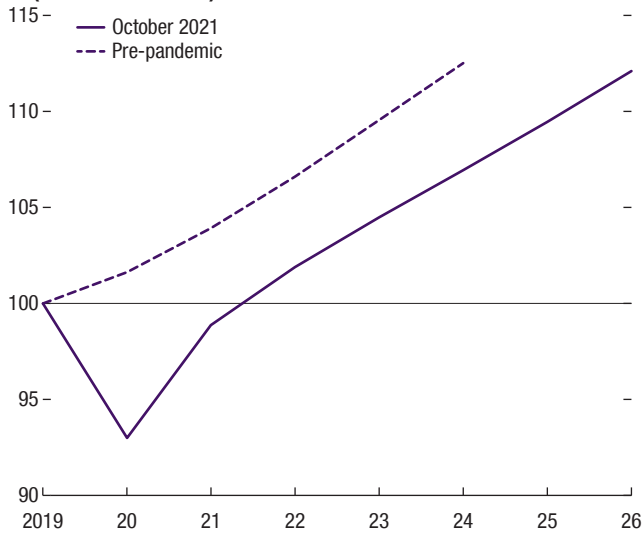
### *Persistently Weak Labor Market Raises Risks of Scarring*

Employment in the largest countries has recovered in recent quarters on the back of informal employment but remains substantially below its pre-pandemic level and lower than economic activity (Figure 12, panel 1). Favored by the relaxation of containment measures, informal employment, which is more likely to be found in contact-intensive jobs that do not lend themselves to telework, bounced back in the second half of 2020 after experiencing an unprecedented decline in the early stages of the pandemic. This more than compensated for the relative sluggishness of formal employment, which, despite signs of improvement in recent months, has remained at roughly 3 percent below its pre-pandemic level.

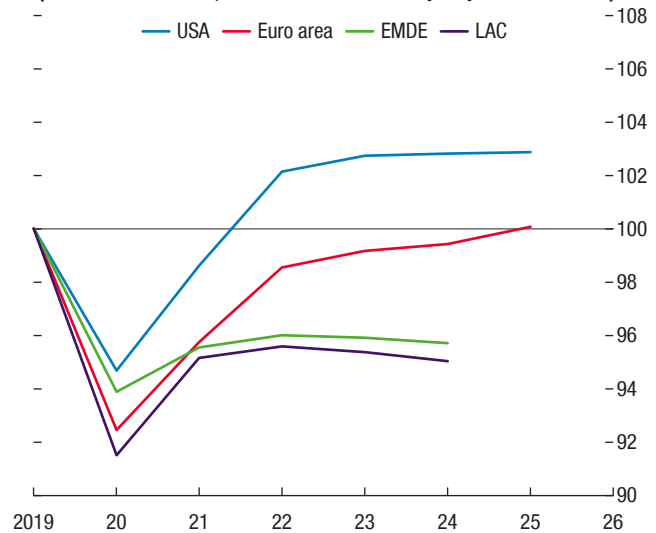
The impact of COVID-19 has differed across segments of the labor market (Annex 2). Employment in some countries remains substantially below pre-pandemic levels, although in others (most notably Mexico) it has recovered almost fully (Annex Figure 2.2, panel 1). However, in some cases the recovery may have come at the expense of job quality, as workers in Mexico

**Figure 11. Medium-Term Projections on GDP**

**1. Latin America and the Caribbean: Real GDP (Index: 2019 = 100)**



**2. Change in Real GDP Forecasts (Index: 2019 = 100; October 2021 versus pre-pandemic WEO)**

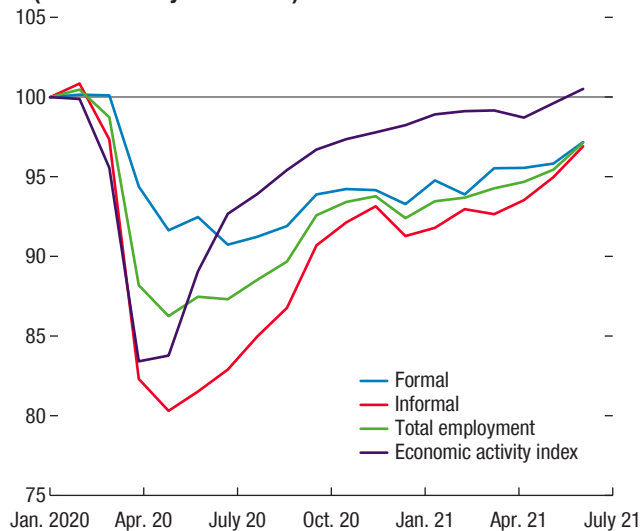


Sources: IMF, World Economic Outlook (WEO) database; and IMF staff calculations.

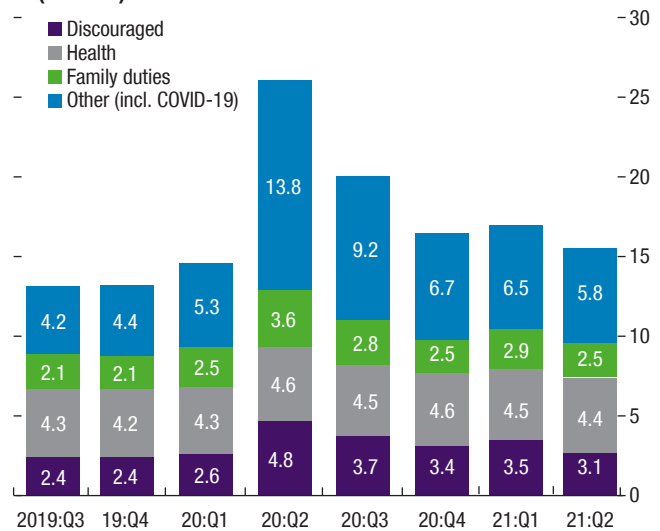
Note: Pre-pandemic WEO refers to the January 2020 WEO vintage. Aggregates are purchasing-power-parity GDP-weighted averages. EMDE = emerging market and developing economies; LAC = Latin America and the Caribbean; USA = United States.

**Figure 12. Labor Market Developments**

**1. LA4: Employment and Economic Activity Index<sup>1</sup> (Index: January 2020 = 100)**



**2. LA5: Reasons for Labor Force Inactivity (Male) (Millions)**



Sources: Haver Analytics; national authorities; and IMF staff calculations.

Note: LA4 = Brazil, Chile, Colombia, Mexico; LA5 = Brazil, Chile, Colombia, Mexico, Peru.

<sup>1</sup>Data for Brazil and Chile are three-month moving averages as reported by the authorities. Employment is labor force-weighted average. Economic activity is purchasing-power-parity GDP-weighted average.

appear to have re-entered the labor force in lower-paying jobs and underemployment remains elevated (see IMF 2020 for the case of Mexico).

There are also clear differences in employment levels across gender and education lines (Annex Figure 2.2, panel 2). Female employment suffered more than male employment, and employment among workers with low educational attainment fell more than that among those with medium-to-high educational attainment.

Importantly, formal employment's weak performance may be an early sign of a slowdown in the creation of high-productivity jobs. Evidence for Chile in 2005–2016, a period of strong growth performance, shows that roughly half of employer transitions occur from high-productivity firms to low-productivity ones.<sup>7</sup> The pandemic may accentuate or mitigate this pattern depending on several factors. On the one hand, the unprecedented support programs enacted during the pandemic may result in the survival of low-productivity firms, which coupled with an increase in labor-market search frictions caused by a mismatch in skills or uncertainty about sectoral prospects post-pandemic may lead to allocative inefficiencies. On the other hand, dimmed growth prospects in some sectors may result in firm closures that may accelerate reallocations of factors of production towards high productivity firms in growing sectors. Early evidence for countries like Chile shows that, while a majority of firms experienced total factor productivity (TFP) contractions during COVID-19, employment in firms that experienced TFP growth expanded, an early indication of TFP-enhancing reallocations.<sup>8</sup> However, it is still too early to tell whether this pattern will remain or whether new formal jobs in the next phases of the recovery are concentrated among low productivity firms.<sup>9</sup>

<sup>7</sup>See Albagli and others (2021): <https://www.nber.org/papers/w28657>

<sup>8</sup>See Central Bank of Chile (2021): [https://www.bcentral.cl/documents/33528/3006211/MPR\\_June\\_2021.pdf/f72e0016-92ba-5e88-8ea7-df07c63fbc44?t=1623942237877](https://www.bcentral.cl/documents/33528/3006211/MPR_June_2021.pdf/f72e0016-92ba-5e88-8ea7-df07c63fbc44?t=1623942237877)

<sup>9</sup>Similar administrative data for the Dominican Republic shows that a large share of job transitions occur within production networks, which highlights the importance of preserving firm-to-firm links that are critical for the creation of new productive

Labor supply factors remain another important constraint to the recovery and could result in medium-term human capital losses. Inactivity remains above pre-pandemic levels in LA5, suggesting that there is still a sizeable number of potential workers who continue to face difficulties in rejoining the labor force. Several factors lie behind the rise in inactivity but concerns about the pandemic stand as the main reason (Figure 12, panel 2). This highlights the importance of bringing the pandemic under control in order for labor markets to fully recover. Similarly, the economic impact of the pandemic has led to a significant rise in the number of discouraged workers (those who “gave up” searching for a job). Prolonged periods of inactivity could lead to further discouragement and result in human capital losses and difficult reattachment to the labor force.

#### *Growth Accounting Shows Broad-Based Scarring*

The fact that output in LAC is not expected to reach pre-pandemic projections under the baseline outlook (Figure 11) suggests that scarring is likely to be pervasive in the region, unlike in the aftermath of the global financial crisis, when economic damage to LAC was smaller than it was to advanced economies. Large and persistent employment losses contribute significantly to scarring, but other sources of growth also are likely to be affected. Average labor productivity would be negatively impacted as low-productivity firms in contact-intensive sectors recover pre-pandemic levels of activity (a composition effect) and if the frictions in the labor reallocation process lead to labor underutilization or employer-employee mismatches. Moreover, investment would be subdued if prospects for productivity growth are low (Bakker and others 2020) or uncertain (Baker, Bloom, and Davis 2016; Gulen and Ion 2016).

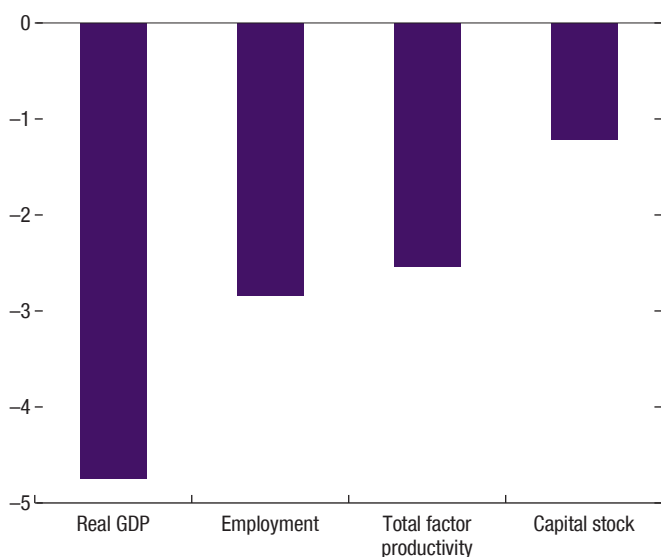
A simple growth accounting exercise on baseline projections pre- and post-pandemic for the Latin America 7, following the methodology of Sosa, Tsounta, and Kim (2013), suggest that *levels*

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employer-employee matches. See Cardoza and others (2020): <https://www.imf.org/en/Publications/WP/Issues/2020/09/25/Worker-Mobility-and-Domestic-Production-Networks-49769>.



**Figure 13. LA7: Potential Output and Production Factors Post-Pandemic Relative to Pre-Pandemic**  
(Percent of pre-pandemic projection)



Sources: IMF, World Economic Outlook (WEO) database; Penn World Table 10.0; Feenstra, Inklaar and Timmer (2015); and IMF staff calculations.  
Note: Comparison of January 2020 and October 2021 WEO projections in 2024. Purchasing-power-parity GDP-weighted average of LA7 countries.  
LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

of potential output and its determinants (total factor productivity, capital, and labor) would stay below pre-pandemic paths in 2024, with labor and productivity remaining more than 2 percent below the previous trend levels (Figure 13).<sup>10,11</sup> This likely involves scarring from the pandemic as well as uncertainties about (or lack of) structural policies to respond to the challenges left by the pandemic (in terms of likely needed structural transformation).

## Risks to the Outlook

Risks to the outlook are tilted downward.

<sup>10</sup>Comparing 2024 data, the last year where this comparison is feasible.

<sup>11</sup>While this section is based on detrending WEO baseline projections, one could consider different trends depending on the evolution of the pandemic and structural reforms, for example. Upside and downside scenarios are shown below to illustrate these different trends.

## External Risks

Downside external risks stem primarily from (1) *the emergence of more transmissible and deadlier COVID-19 variants*, which could lead to another resurgence of cases globally and in LAC with negative consequences for economic activity and employment; (2) *a tightening of global financial conditions* due to faster-than-anticipated monetary policy normalization in advanced economies or a sudden change in risk sentiment, which could trigger capital outflows and depreciate local currencies, inducing a tighter monetary policy stance, with negative consequences for private sector recovery and growth, as well as, in extreme scenarios, financial stability with banks' assets underperforming at a time of rapidly rising funding costs; (3) *a smaller US fiscal package*, which could lead to lower growth in Mexico and Central America; (4) *an escalation of trade and technology tensions*, which could weigh on global investment and productivity growth with negative spillovers to LAC; and (5) *cyberattacks* involving critical infrastructure, which could jeopardize growth, especially as teleworking and automation increase.

Upside external risks stem from faster vaccine *production and global distribution*, together with the improvement in testing and treatment, which can raise growth in LAC through both supply and demand factors.

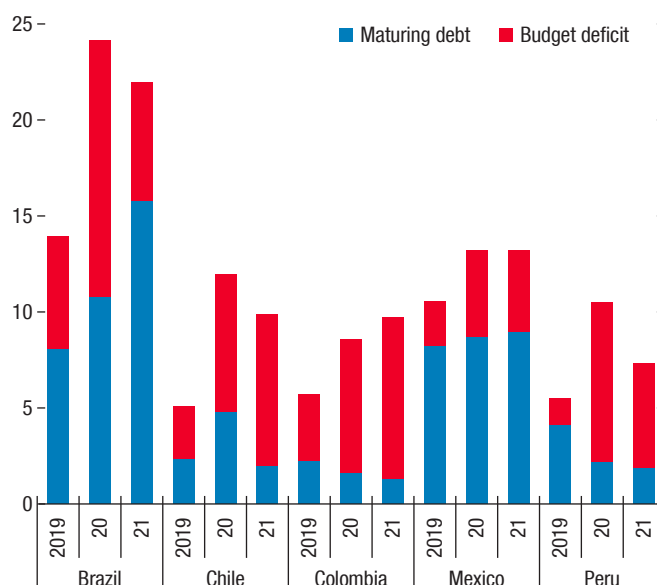
## Regional and Domestic Risks

Downside regional and domestic risks stem from some combination of (1) *tightening of domestic financial conditions* due to more persistent inflationary pressures and especially if medium-term inflation expectations become de-anchored, which could lead to a more rapid normalization of domestic monetary policy with similar consequences as those arising from global tightening of financing conditions; (2) *higher-than-anticipated corporate defaults and weaker-than-anticipated financial sector balance sheets*, which could hinder credit provision to productive investment and therefore economic

growth; (3) a rise in sovereign risk premiums due to worse-than-expected debt dynamics, large funding needs, negative rating actions, or political dynamics; (4) *social unrest*, which could intensify as a result of a prolonged pandemic, tighter financing conditions, or reduced fiscal support; and (5) *adverse climate shocks*, which may pose additional challenges to the Caribbean and Central America regions that are vulnerable to extreme weather phenomena as recently exemplified by hurricanes Irma and Maria (2017), Dorian (2019), and Eta and Iota (2020).

The sovereign debt rollover risk could increase on the back of large public gross financing needs in some countries (Figure 14), which would confront higher refinancing costs as domestic and global monetary policy tightens. Higher risk premiums and the realization of contingent liabilities combined with a lack of political consensus on medium-term sustainable fiscal policy strategy could exacerbate such risk (Annex 3).

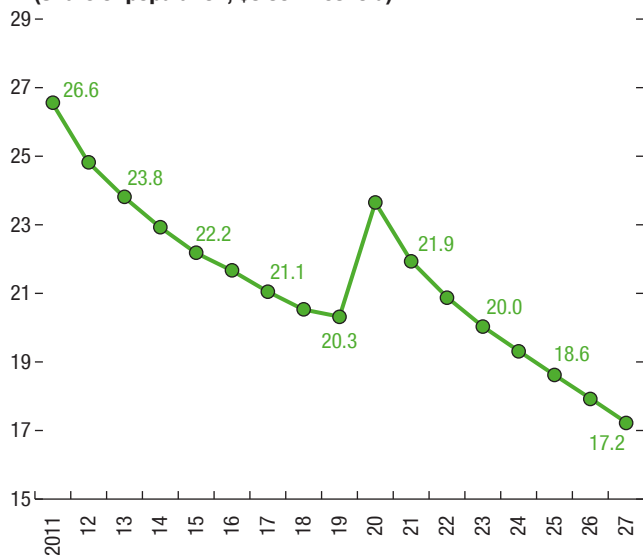
**Figure 14. Public Gross Financing Needs**  
(Percent of GDP)



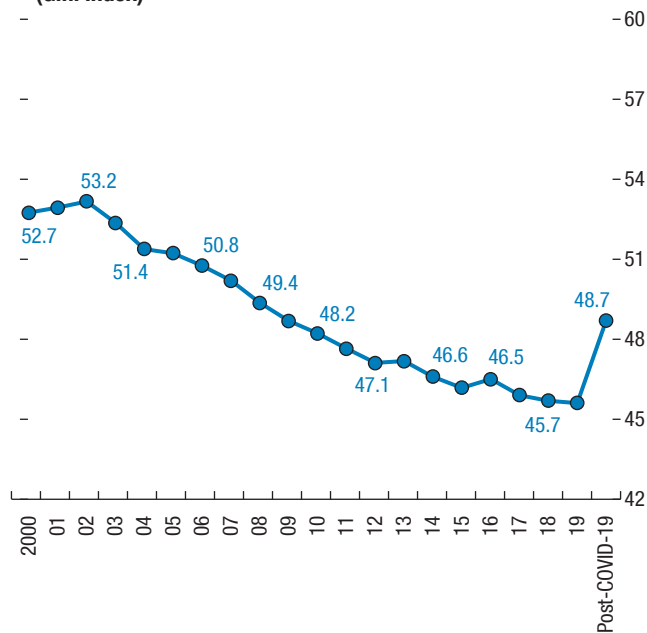
Sources: IMF, World Economic Outlook database; and IMF staff calculations.

**Figure 15. Social Indicators**

**1. Poverty Ratio**  
(Share of population; \$5.50 threshold)



**2. Gini Coefficient**  
(Gini index)



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



The risk of social unrest in LAC is amplified by (1) a recent history of social unrest episodes, for example in Chile, Ecuador, and Colombia in 2019, and Colombia again in 2021; and (2) rapidly rising food prices (Figure 6, panel 1; Hlatshwayo and Redl [forthcoming]). LAC was already the most unequal region in the world before the pandemic and inequality and poverty are estimated to have increased significantly during the pandemic reversing earlier gains (Figure 15, panels 1 and 2). The stagnation of earnings and more precarious economic position of many in the middle class, combined with dislocations of youth (including through high unemployment and problems with the education system), and perceptions of corruption could amplify the risk in a year with a heavy election calendar.

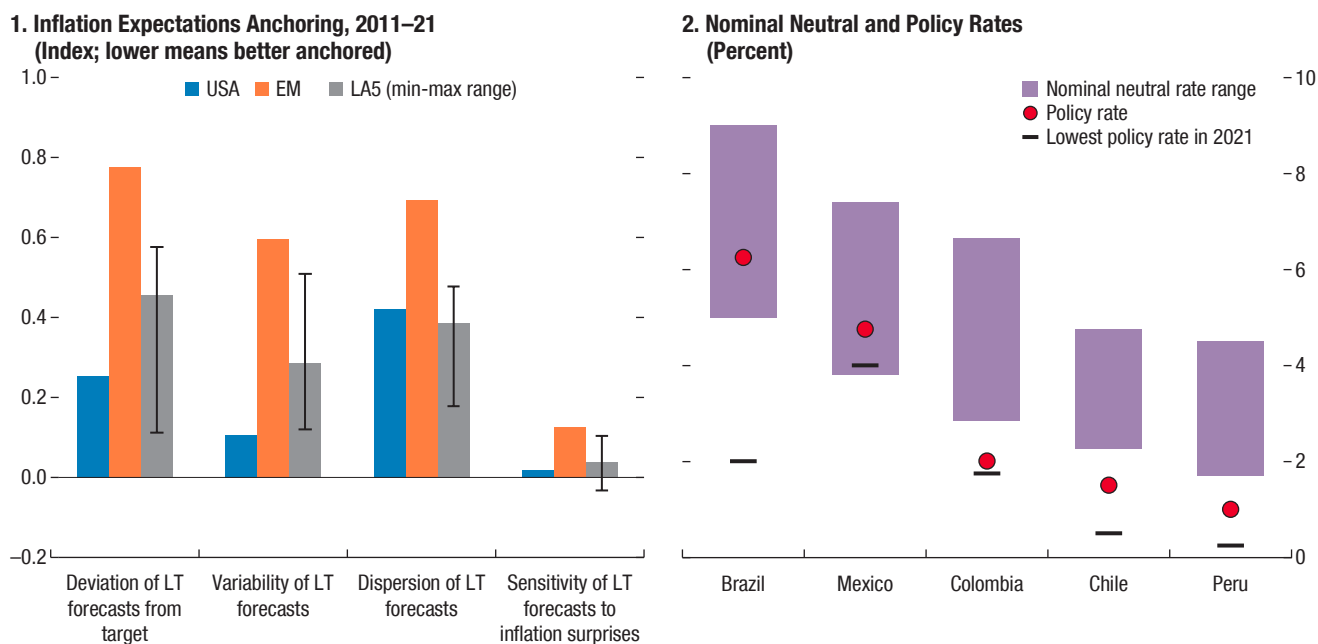
Upside regional and domestic risks include (1) *faster-than-anticipated vaccine deployment and better testing, tracing, and treatments* through better allocation of health resources, which would help end the pandemic faster; and (2) *faster-than-anticipated productivity growth* due to better reallocation of labor resources and greater automation and use of digital solutions and technology platforms to conduct work remotely with positive consequences for investment and growth in the medium term.

## Regional Policy Focus

After unprecedented policy support in 2020, the environment is changing in 2021, as policy space is shrinking even further. Public debt has increased by more than 10 percentage points relative to 2019, inflation is on the rise in many countries, and global financial conditions are likely to tighten while the course of the pandemic remains uncertain and employment recovery continues to be slow. As the policy space shrinks, LAC countries have generally started to reduce policy support despite this fragile outlook. Many central banks have tightened monetary policy to underpin credibility in the face of a rapid rise in inflation, and going forward, there is a good chance they will continue to have to withdraw monetary

support to anchor inflation expectations, which will represent a drag on activity. On the fiscal side, countries are likely to continue to unwind the extraordinary fiscal support. This will be necessary to establish their seriousness about fiscal prudence, especially given the steep increase in debt since 2019. Countries will, as a result, have to rely on private demand coming back quickly to offset these policy headwinds and sustain the bounce back from the pandemic shock. The tightening of monetary and fiscal policies makes it more difficult for LAC policymakers to strike a balance between continuing to fight the pandemic, facilitating an inclusive economic recovery, and minimizing adverse medium-term effects while building resilience against future shocks. In this regard, the policy mix should continue to be tailored to country-specific pandemic and economic conditions. The pandemic and associated transformations also provide an opportunity to accelerate supply-side reforms that could strengthen potential output growth.

*Fiscal policy* should continue to allocate sufficient resources for health-related spending, in particular, to ensure equal and speedy vaccine distribution, and to expand testing, tracing, and treatment. Where fiscal space permits and the economic recovery is incomplete, support to vulnerable households should continue while also taking measures to secure the recovery and invest in longer-term structural goals such as climate change. Fiscal space is limited in most countries in the region; thus, spending efficiencies and reallocations will be needed. Lifelines will have to become increasingly more targeted to the most vulnerable to provide retraining and support for labor reallocation. Domestic and foreign monetary policy normalization could add to fiscal pressures in LAC, particularly in those countries already experiencing high public-debt levels (Annex 3). To provide the needed short-term fiscal support and hedge against downside risks, LAC countries would benefit from adopting medium-term policy frameworks that provide a credible commitment to fiscal sustainability and are supported by well-designed social safety nets (October 2021 *Fiscal Monitor*, Chapter 2).

**Figure 16. Inflation and Monetary Policy Indicators**


Sources: Bloomberg Finance L.P.; Consensus Economics; national authorities; and IMF staff calculations.

Note: EM = emerging markets (Bulgaria, China, Hungary, Indonesia, India, Malaysia, Philippines, Poland, Romania, Russia, Thailand, Turkey); LA5 = Brazil, Chile, Colombia, Mexico, Peru; LT = long term; USA = United States. Nominal neutral interest rates are estimated following the methodologies in Magud and Tsounta (2012).

In many LAC countries, putting public finances on a sustainable footing will require additional revenue mobilization. As discussed in IMF 2021d and in Annex 4, this could be achieved in a progressive and growth-friendly manner by strengthening the design of value-added taxes; aligning corporate income tax statutory rates with those observed in other regions; strengthening personal income taxes by addressing critical design flaws while providing incentives to formalization and labor force participation; taxing nonlabor income; and fostering immovable property, inheritance, and environmental taxes. At the same time, poorly targeted recurrent expenditures will need to be scaled back to create room for the needed social spending and green public investment. These reforms will require a broad social consensus and political cohesion around several crucial dimensions (Cardenas and others 2021), and consideration of country-specificity given the heterogeneous economic and social conditions behind the different existing tax structures.

*Monetary policy* has started to tighten to address inflationary pressures, but authorities should try to continue supporting economic activity insofar as the dynamics of inflation expectations permit. On the one hand, even though LA5 central banks have demonstrated more credibility than their emerging market peers on average, their credibility still falls short of large central banks such as the US Federal Reserve (Figure 16, panel 1; April 2018 WEO).<sup>12</sup> Moreover, expectations of increases in monetary policy rates and large funding needs in local bond markets are putting pressures on local currency yields, and higher rates might be needed to avoid capital outflows and preserve

<sup>12</sup>Central bank credibility is associated with the anchoring of inflation expectations (see October 2021 WEO, Chapter 2), and this is in turn summarized by a number of indicators. Considering the most common indicators of anchoring of inflation expectations in Bems and others (2021), Figure 16, panel 1 shows that long-term forecasts of inflation—three to seven years ahead—in LA5 countries have been (1) closer to their central banks' targets, (2) less variable both over time and among forecasters, and (3) less sensitive to shocks to short-term expectations than in the average emerging market.

financial stability. Still, policy rates continue to remain below their respective mid-point nominal neutral interest rates even after recent policy rate hikes (Figure 16, panel 2). On the other hand, labor market slack is projected to persist despite the recovery in output growth. In countries where inflation pressures are contained, expectations are well-anchored, and labor market slack remains, monetary policy should remain accommodative. However, if rising inflation threatens to de-anchor inflation expectations, central banks should take timely and decisive actions to tighten monetary policy, signal a commitment to inflation targets and avoid persistent price increases. Clear and transparent communication about the intention of monetary policy is key to maintaining central banks' credibility and anchoring expectations, underpinned by strong fundamentals and credible medium-term fiscal frameworks. In addition, policymakers need to spell out contingent actions and take assertive actions in line with their communication while maintaining consistency in their messages, metrics, and goalposts (October 2021 WEO, Chapter 2).

*Financial policy* support should become more targeted, as emergency measures are scaled back and eventually eliminated. Support could focus on the sectors where the recovery is lagging due to health-related concerns but should be balanced against the future cost of higher default rates from extended support and should be carefully calibrated to avoid hindering the necessary labor and capital reallocation to the post-pandemic era. LAC countries should also prepare for monetary policy normalization in advanced economies by extending maturities of their debt, minimizing the buildup of balance sheet mismatches, and considering other measures, including tightening macroprudential policies as the recovery takes hold.

*Supply-side policies* should aim at minimizing scarring from the pandemic, greening the recovery, and addressing longer term structural weaknesses of LAC countries, such as low productivity, informality, and weak competitiveness, thereby transforming the economies. To minimize losses

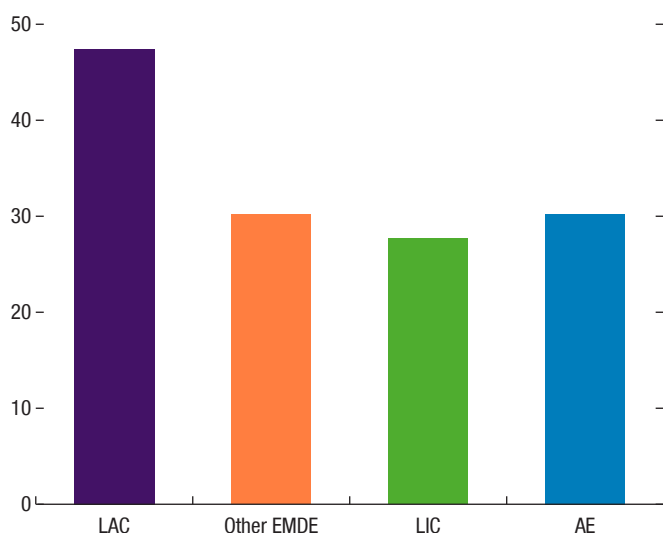
associated with the sectoral transformations related to the pandemic, labor market policies should aim at retraining and reskilling workers (see April 2021 WEO) and at facilitating labor reallocations from stagnant sectors into dynamic ones. A variety of measures could help reverse the setback to human capital accumulation from school closures, which have been particularly large in LAC, given prolonged school closures in the region (Figure 17). These include spending more time in school, providing additional teacher training on methods to aid catch-up, expanding extracurricular tutoring programs, supporting digitalization, and promoting the smart use of technology and data-driven interventions in schools while protecting public funding for education. Addressing long-term structural weaknesses will require expanding access to high-quality education and health care, broadening social safety nets, removing barriers to trade, improving competition laws, facilitating credit markets, and making labor market regulations less rigid and the tax systems more efficient and equitable while providing incentives to formal labor market participation (IMF 2021d). These approaches can help boost productivity and competitiveness in LAC and help the region avoid another lost decade.

Adopting some of these structural measures would help close the gap to the pre-pandemic trends. However, if countries mismanage their pandemic response, the pandemic becomes prolonged (October 2021 WEO, Scenario Box 2), or countries do not take advantage of the opportunity to rebuild a more efficient, sustainable, and equitable economy, the outcome may be worse than the current baseline.

In the following illustrative upside scenario, potential output could overtake the January 2020 WEO pre-pandemic projection by 2024 and would be higher than the baseline potential output by about 5 percent in 2026 (Figure 18, green line).<sup>13</sup> In this scenario:

<sup>13</sup>Specifically, the upside scenario assumes: (1) a gradual 0.6 percentage point increase in average TFP growth due to resource reallocation to high-productivity sectors and firms, efficiency increases

**Figure 17. Duration of Complete and Partial School Closures**  
(Number of weeks)



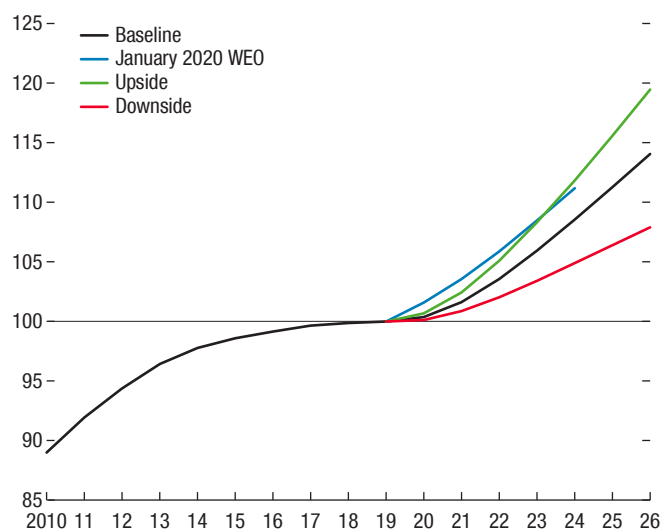
Sources: United Nations Educational, Scientific and Cultural Organization (UNESCO); and IMF staff calculations.

Note: Excludes pre-primary education group. Data are as of June 30, 2021. AE = advanced economies; Other EMDE = emerging markets and developing economies excluding LAC countries; LAC = Latin America and the Caribbean; LIC = low-income countries.

1. Productivity increases due to resource reallocations from low to high labor-productivity sectors and firms (Albagli and others 2021; World Bank 2021); accelerated automation and a workplace transformation triggered by the pandemic (October 2021 WEO, Chapter 1); and research and development efforts, basic scientific research, and their spillovers (October 2021 WEO, Chapter 3).
2. Investment increases from structural reforms (David, Pienknagura, and Komatsuzaki, forthcoming) and associated higher growth prospects, lower economic policy uncertainty (Baker, Bloom, and Davis 2016; Gulen and Ion 2016), and infrastructure investment, including green investment (IMF 2021b).

from accelerated automation and a transformation of workplaces, and research and development efforts and basic scientific research and its spillovers; (2) a 10 percent increase in investment due to a decrease in economic policy uncertainty and green investment; and (3) halving of the pre-pandemic v. post-pandemic projection employment gap, to align with the emerging market and developing economies average (October 2021 WEO, Figure 1.17, panel 4).

**Figure 18. LA7: Potential Output**  
(Index: 2019 = 100)



Sources: IMF, World Economic Outlook (WEO) database; Penn World Table 10.0; Feenstra, Inklaar, and Timmer (2015); and IMF staff calculations.

Note: LA7 = Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

3. Labor supply increases with higher labor participation (due to a successful deployment of vaccines that controls pandemic fears) and formalization of the labor force, facilitated by tax reforms (IMF 2021d).

Conversely, a downside scenario (Figure 18, red line) could lead to a further slowdown in potential output growth and leave the level of GDP about 5 percent lower in 2026. This illustrative scenario could be the result of (1) a prolonged pandemic (see October 2021 WEO, Scenario 2 Box) that leads to lower productivity due to higher bankruptcies, and an erosion of business organizational capital; (2) a human capital erosion due to long-term spells of unemployment; (3) lower investment due to lack of structural reforms and high economic policy uncertainty; and (4) lower labor input due to segments of the labor force permanently leaving the labor market.

As discussed in the IMF 2021b (see also Annex 5), LAC is one of the most diverse regions with respect to climate risks, and to address these challenges a combination of mitigation and adaptation measures would be needed.

On the mitigation side, this would require a combination of price-based solutions (such as a carbon tax, removal of fuel subsidies, feebates, and emissions trading systems) and non-price mitigation measures (such as regulation, for example, standards to support nature-based solutions, green investment, and fiscal incentives for green research and development [IMF 2021b]). Countries should adopt the policy mixes that best suit their specific circumstances.

On the adaptation side, scaling up investment in resilient public capital (structural resilience) would yield significant long-term benefits in the Caribbean and Central America and should be complemented by a comprehensive layered insurance framework (financial resilience). Given the upfront fiscal costs of building resiliences, a comprehensive disaster resilience strategy could aid scaling up funding for governments during the transition. Deeper private sector contribution to adaptation investment could ease the burden on public finances and would need to be accompanied by stepping up climate risk resilience of the financial system by strengthening

supervision, reporting, and regulatory frameworks (IMF 2021b).

Addressing the immediate tasks of fighting the pandemic while laying the groundwork for medium-term inclusive and green growth in the context of shrinking policy space is a major challenge. Support of the international community is imperative for LAC countries to navigate this difficult path. The IMF has provided over \$68 billion to 21 countries in the LAC region and continues to engage with the region through surveillance, programs, and technical assistance. In addition, the new general allocation of the Special Drawing Rights, of which approximately \$52 billion are being directed to LAC, will augment resources and help loosen financial constraints in addressing these critical needs.

### Box 1. Recovery in Central America Boosted by Exports to US and Remittances

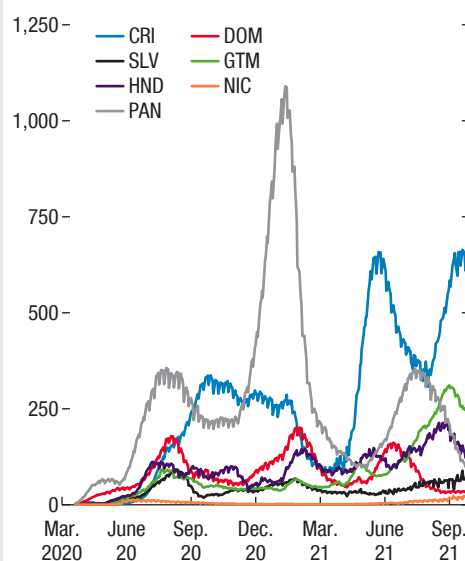
The pandemic and tropical storms had devastating but varying effects on people and economies of the CAPDR countries (Central America, Panama, Dominican Republic) in 2020. On the one hand, a strong fiscal impulse and resilient exports supported growth in Guatemala with a GDP contraction of only 1.5 percent. On the other hand, with a dense population around the capital, Panama experienced high contagion and fatalities (Box Figure 1.1). Its economy contracted by 18 percent in 2020 (largest in the region), as tourism, construction, and commerce collapsed. Resilient remittances supported consumption especially in El Salvador, Guatemala, and Honduras but tropical storms Eta and Iota interrupted the recovery, damaging crops and halting manufacturing, particularly in Honduras and Nicaragua. The IMF supported the region with emergency financing (Costa Rica, the Dominican Republic, El Salvador, Guatemala, Nicaragua, Panama) and new and augmented programs (Costa Rica, Honduras, Panama) to cope with these shocks.

While countries used a wide array of measures to protect the vulnerable, poverty deteriorated in some cases. Honduras distributed electronic cash vouchers to more than 70,000 households via mobile phones. Costa Rica launched the *Bono Proteger* program to provide a monthly subsidy to about 375,000 families economically affected by the crisis. Guatemala ramped up cash transfers from 160,000 households pre-COVID-19 to 2.8 million households in 2020, supported by extensive digitalization of transfer payments. Despite these efforts, poverty is expected to have increased by 3 percentage points in Guatemala, at least 3.5 percentage points in Panama, and over 6 percentage points in Honduras.

The recovery in the US will support growth in the region (Box Figure 1.2). Having grown by 46 percent year over year in the first half of 2021, remittances from the US are expected to continue to support domestic demand especially in El Salvador, the Dominican Republic, Guatemala, and Honduras, while the US recovery will also boost exports especially in Costa Rica. Countries in Central America are expected to grow by 6.8 percent in 2021 and 4.2 percent in 2022, as domestic activity remains hampered by relatively low vaccination rates in some countries. In the Dominican Republic, supported

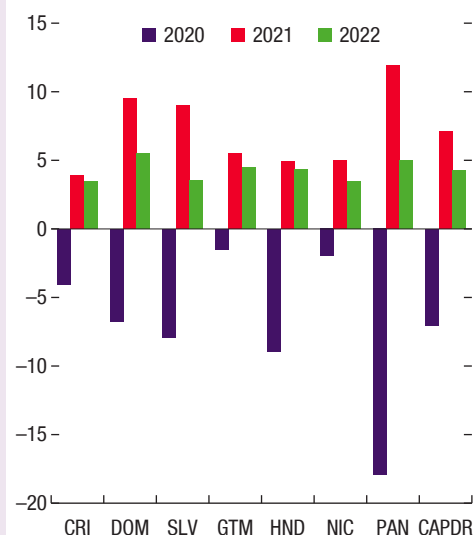
This box was prepared by Dmitry Vasilyev and Justin Lesniak.

**Box Figure 1.1. COVID-19 Daily Cases per Million**  
(Fourteen-day moving average)



Sources: Johns Hopkins University; and IMF staff calculations.  
Note: Data labels use International Organization for Standardization (ISO) country codes.

**Box Figure 1.2. Real GDP Growth**  
(Year-over-year percent change)



Source: IMF, World Economic Outlook database.  
Note: Data labels use International Organization for Standardization (ISO) country codes. CAPDR = Central America, Panama, and the Dominican Republic.

**Box 1** *(continued)*

by rapid vaccinations and recovering demand for services, including tourism, growth is expected to reach close to 10 percent in 2021 and 5.5 percent in 2022 with upside risks in 2021. Panama is also expected to strongly rebound in 2021, with 12 percent growth, and maintain a growth of 5 percent in 2022, supported by full-scale copper production, a recovery in private investment, and robust external activity related to the Canal, logistics, and exports from the Free Zone. Most CAPDR countries are expected to return to pre-pandemic GDP levels only in 2022, with the exception of the Dominican Republic, Guatemala, and Nicaragua.



## Box 2. Weak Tourism Holds Back Recovery in the Caribbean

The economic recovery in the Caribbean is subject to considerable uncertainty related to the evolution of the COVID-19 pandemic. The number of COVID-19 cases in the Caribbean was initially well-contained, but the situation deteriorated following a reopening of borders, with an uptick in cases in 2021 leading some countries to reinstate lockdowns. The pace of COVID-19 vaccinations so far in the region has been mixed, with a few countries seeing low levels of coverage (Haiti, Jamaica), and others reaching coverage rates like in advanced economies (Anguilla, Aruba, St Kitts and Nevis), while vaccine hesitancy is becoming a major challenge. There is also uncertainty related to the return of tourists from North America and Europe, the main tourist markets for the Caribbean.

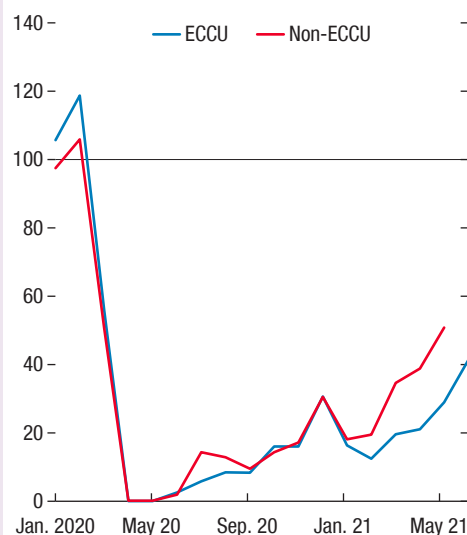
The economic recovery in the region has been slow especially for tourism-dependent economies where tourists have been slow to return (Box Figure 2.1), and there is the possibility of significant and persistent economic damage to supply potential (that is, scarring effects). Over the medium term, GDP is projected to be 6 percent lower than its pre-pandemic projection for these economies, suggesting that the burden of debt service and corporate vulnerabilities would act as a drag on growth during the recovery (Box Figure 2.2).

- Tourism to the region is projected to grow only slowly, remaining at just 60 percent of pre-COVID-19 levels in 2021 due to renewed local outbreaks, lockdowns, suspension of flights, and increased costs for travelers from COVID-19 testing and quarantine requirements for arrival and departure. Correspondingly, after a 9½ percent contraction in the tourism-dependent countries' GDP in 2020, growth this year will be only 2⅓ percent before accelerating to 4 percent in 2022 and 3 percent in 2023 (Box Figure 2.2).
- Guyana (among the commodity exporters) will continue to grow at double-digit rates driven by a large expansion of oil production and higher international oil prices together with a rebound in the non-oil economy in 2021. A more modest performance is expected in Suriname and Trinidad and Tobago. The volatility of global commodity prices is an important risk to the outlook.

Inflation in the region is expected to increase in 2021 due to higher imported inflation, including energy prices. Haiti and Suriname's higher-than-average inflation rates are driven by monetary financing of the fiscal deficit and a significant depreciation of the local currency, respectively.

Current account deficits are expected to widen in 2021, reflecting the slow recovery of tourism, higher prices of imported goods, and worsening remittances.<sup>1</sup> The external position of most Caribbean countries might

**Box Figure 2.1. Caribbean: Tourism**  
**Dependent: Total Tourist Arrivals**  
 (Index: 2019 = 100)



Sources: Caribbean Tourism Organization; Eastern Caribbean Central Bank; and IMF staff calculations.  
 Note: ECCU (Eastern Caribbean Currency Union) includes AIA, ATG, DMA, GRD, MSR, KNA, LCA, and VCT.  
 Non-ECCU includes ABW, BHS, BRB, BLZ, and JAM. Data labels use International Organization for Standardization (ISO) country codes.

This box was prepared by Roberto Garcia-Saltos and Mauricio Vargas, with the research assistance of Raadhika Vishvesh.

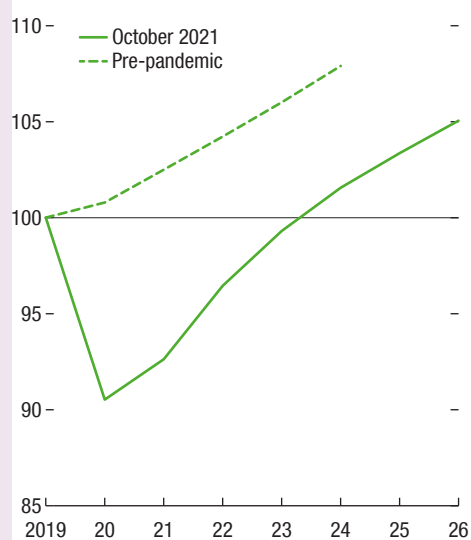
<sup>1</sup>In the Caribbean, only Haiti and Jamaica have remittances similar in importance as a revenue source as those in Central America.



**Box 2** (continued)

deteriorate in 2021, driven by robust imports and lower net transfers, including remittances. The expected rebound of the tourism sector in 2022–23 would reduce current account deficits over the medium term. However, if tourism doesn't rebound soon, countries may face fiscal and external financing risks.

**Box Figure 2.2. Caribbean: Tourism Dependent: Real GDP**  
(Index: 2019 = 100)



Sources: IMF, World Economic Outlook (WEO) database; and IMF staff calculations.  
Note: Pre-pandemic WEO refers to the January 2020 WEO vintage.

## Annex 1. Pension Withdrawals in Chile and Peru<sup>1</sup>

*Chile and Peru approved several rounds of withdrawals from private pension fund accounts to help households cope with the adverse impact of the pandemic. Withdrawals supported private consumption and impacts on financial markets in both countries were cushioned by the fast reactions of central banks. However, they mostly favored high-income households and are expected to erode both systems' ability to yield adequate future pensions.*

As part of the policy response to mitigate the adverse economic effects of COVID-19, Chile and Peru approved several rounds of withdrawals from private pensions accounts. In Chile, legislation passed in July and December 2020 and in April 2021 authorized workers to tap into their private pension accounts. The allowed amount for each withdrawal was 10 percent of the outstanding balance, subject to minimum and maximum withdrawals. In Peru, withdrawals of up to S/.2,000 by members who had not contributed for six consecutive months were authorized under emergency decrees by the government in April 2020. This was followed by Congress-led legislation in May and November 2020 and again in March 2021, authorizing additional withdrawals each with specific amounts and eligibility criteria. As of July 2021, over 10 million people had withdrawn funds in Chile under the first withdrawal, more than 8 million made use of the second withdrawal, and close to 7 million took advantage of the third round, totaling withdrawals of US\$50 billion (or about 20 percent of GDP equivalent to about 25 percent of June 2020 pension assets). In Peru 2.8 million and 3.7 million made withdrawals under the April and May measures, respectively, and the November 2020 measure had some 2 million potential beneficiaries. The fourth round of withdrawals could amount to about 4.7 percent of GDP, in addition to the 7.6 percent of GDP withdrawn

from the funds last year. As of May 2021, withdrawals are estimated at 21 percent of pension fund assets.

The potential adverse impact of withdrawals on financial markets was cushioned by the fast and ample reaction of central banks. Following an initial period of turbulence in the early months of the pandemic, financial markets in both Chile and Peru recovered, erasing initial losses. The rapid recovery of financial markets was in part due to decisive measures by the central banks of Chile and Peru (IMF 2021a, 2021c).

Pension withdrawals compensated income losses and boosted domestic consumption, but they were not a targeted instrument to support low-income and informal households. In Peru, withdrawals provided households with financial relief (more than through direct cash transfers) and in Chile they overcompensated the loss of income due to the pandemic for people in all income quintiles. As a result, the measure likely helped boost consumption and provided spare liquidity to households, as shown in the increase in deposits in Chile and Peru. In both cases year-over-year growth in demand deposits jumped from an average 12 percent between January 2011 and December 2019, to an average of over 50 percent in the months following the approval of the first withdrawal.<sup>2</sup> However, the measure did not necessarily favor those in need. In fact, in Peru, which has high levels of informality, it mostly reached formal workers. In Chile, the bulk of withdrawals accrued to households in the upper quintiles of the income distribution (see Barrero and others 2020).

Pension withdrawals, however, are expected to weaken private pension systems, by eroding expected benefits of those participating in the system and this may create implicit and explicit fiscal costs. The privately funded pensions systems

<sup>2</sup>In Peru, the increase in demand deposits is largely attributable to a government-guaranteed lending program targeted to small and medium enterprises. A large part of pension withdrawals in Peru seems to have been parked in saving deposits, which increased much faster for households.

<sup>1</sup>This annex was prepared by Luisa Charry, Christopher Evans, and Samuel Pienknagura.

of Chile and Peru yielded replacement rates of approximately 40 percent pre-pandemic, below those seen in the Organization for Economic Co-operation and Development and in other LAC peers. Withdrawals are expected to lower replacement rates, especially for older cohorts who do not have time to rebuild their assets. In the case of Chile, Evans and Pienknagura (2021) project a 20 percent decline in the self-funded component

of pensions due to the withdrawals, or equivalently a decline of 3 percentage points in replacement rates. In turn, the impact of withdrawals on pensions may give rise to explicit and implicit fiscal costs. In Chile, Evans and Pienknagura (2021) estimate that withdrawals would have a net present value fiscal cost of 3 to 6 percent of GDP due to an increase in the cost of the publicly funded solidarity pillar of the pension system.

## Annex 2. Labor Markets' Sluggish and Uneven Recovery<sup>1</sup>

Labor markets in Latin America and the Caribbean improved after the dramatic loss in 2020, when 26 million people lost jobs (Maurizio 2021), but their recovery has been partial and continues to be vulnerable to the spread of the virus. After falling steeply at the onset of the pandemic (more so than in other emerging markets and advanced economies), employment in Latin American and the Caribbean began recovering as countries relaxed containment policies and businesses and consumers adapted to the pandemic. However, according to the latest available monthly data, employment remained below its precrisis level for all LA5 countries.

Employment's sluggish recovery stands in contrast to the recovery of activity, which by early 2021 was close to its pre-pandemic levels. This divergence likely reflects continued health concerns and, in some cases, government support to the unemployed as well as possibly a shift towards more automation. The gap between current and pre-pandemic employment is in line with that gap predicted by the simulation exercise presented in the October 2020 *Regional Economic Outlook: Western Hemisphere*, but actual employment numbers are closer to the upper end of the employment-at-risk interval while output is closer to the lower end of the value-added-at-risk interval (Annex Figure 2.1).<sup>2</sup> In fact, employment in the Latin America 5 (Brazil, Chile, Colombia, Mexico, Peru) experienced a mild decline in the early months of 2021, when the region saw a sharp increase in COVID-19 cases that led to a stalling of reopening plans.

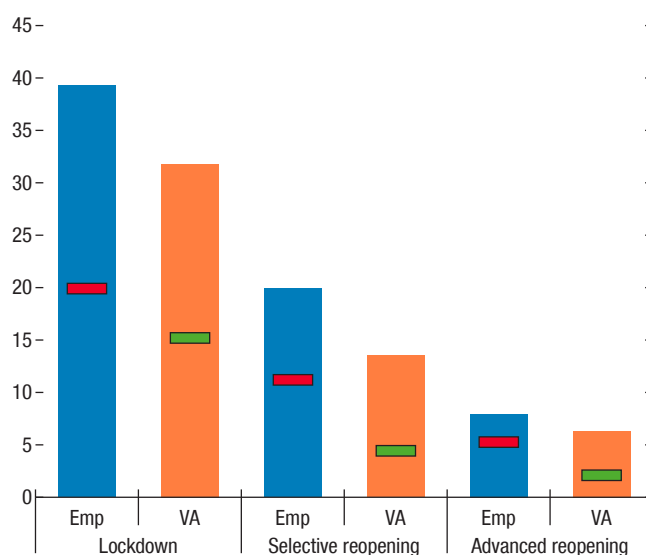
The pandemic's impact on employment has varied across countries, sectors, and types

<sup>1</sup>This annex was prepared by Samuel Pienknagura.

<sup>2</sup>The simulation in Annex Figure 2.1 calculates the share of employment and value added at risk in different stages of the pandemic. It makes assumptions about how containment measures affect employment and activity in different sectors under three alternative scenarios: a lockdown stage, a selective reopening phase, and an advanced reopening phase. Sectors differ in their level of contact-intensiveness and their ability to accommodate remote work, which ultimately affects their exposure to containment measures.

### Annex Figure 2.1. LA5: Employment and Value Added at Risk versus Actual Losses

(Percent share; bars = Fall 2020 REO simulations; markers = actual/projection)



Source: IMF staff calculations.

Note: Emp = employment; Fall 2020 REO = October 2020 *Regional Economic Outlook: Western Hemisphere*; LA5 = Brazil, Chile, Colombia, Mexico, Peru; VA = value added.

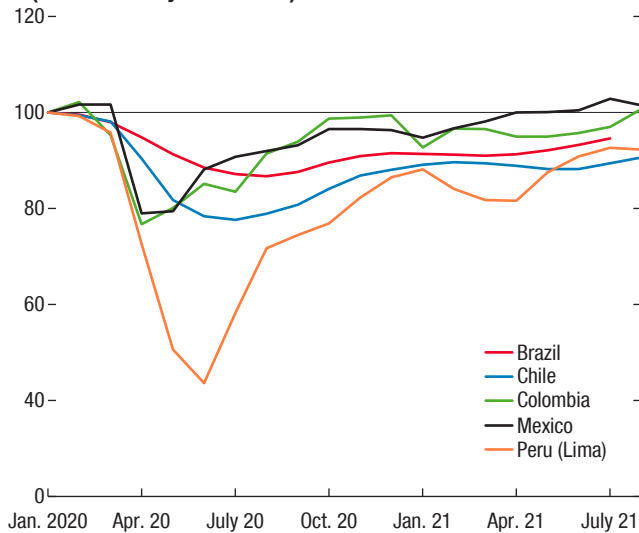
of workers. Employment in some countries remains substantially below pre-pandemic levels, while in others (most notably Mexico) it has recovered almost fully (Annex Figure 2.2, panel 1).<sup>3</sup> However, in some cases the recovery in employment may have come at the expense of job quality, as workers in Mexico appear to have reentered the labor force in lower paying jobs (see IMF 2020 for the case of Mexico).

There are also clear differences in employment levels across gender and education lines (Annex Figure 2.2, panel 2). Female employment suffered more compared to male employment, and employment among workers with low educational attainment fell more than for those with medium-to-high educational attainment. These patterns reflect differences in employment support programs across countries, access to

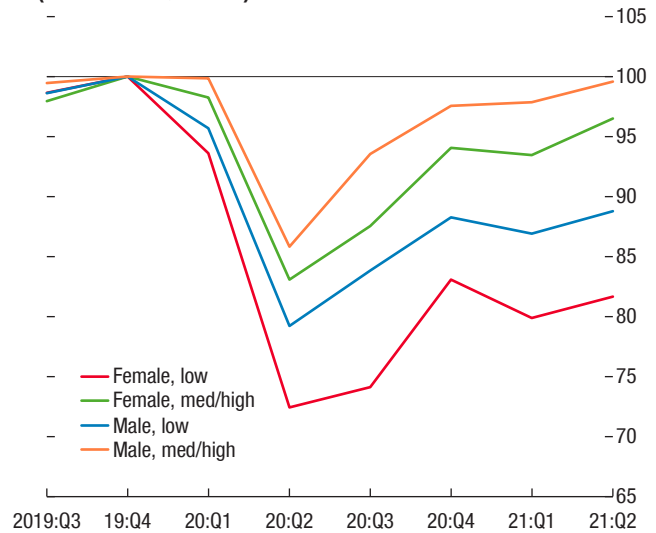
<sup>3</sup>Underemployment remains substantially higher than pre-pandemic in Mexico, however. National data show a slightly more favorable picture for Peru, where total employment for the second quarter of 2021 is 3 percent below that in the fourth quarter of 2019.

**Annex Figure 2.2. Employment Across Countries and Worker Types**

**1. Total Employment<sup>1</sup>**  
(Index: January 2020 = 100)



**2. LA5: Employment by Gender and Education**  
(Index: 2019:Q4 = 100)



Sources: Haver Analytics; national authorities; and IMF staff calculations.

Note: LA5 = Brazil, Chile, Colombia, Mexico, Peru.

<sup>1</sup>Data for Brazil, Chile, and Peru (Lima) are three-month moving averages as reported by the authorities.

remote work options, subdued activity in sectors affecting disproportionately specific countries/workers, and health and family considerations. They also highlight the fact that contact-intensive sectors, which typically employ more female and low-skilled workers, continue to be affected by the

pandemic. These trends may be partly offset to the extent that contact-intensive sectors can embrace digitalization over time, allowing them to adapt to current constraints (such as health concerns by consumers).

## Annex 3. Public Debt Dynamics and Monetary Policy Normalization in LA5<sup>1</sup>

*Strong fiscal response to the pandemic has sustained economic activity* (see “Forces Driving the Outlook” in this report and the October 2020 *Regional Economic Outlook: Western Hemisphere*) but going forward, the already limited fiscal space of many Latin American and Caribbean countries could become even tighter due to (1) monetary policy normalization domestically and in the US (see “Forces Driving the Outlook” in this report), and (2) contingent liabilities that could arise once fiscal policy support for corporations is scaled back in a context of higher interest rates (April 2021 *Fiscal Monitor*).

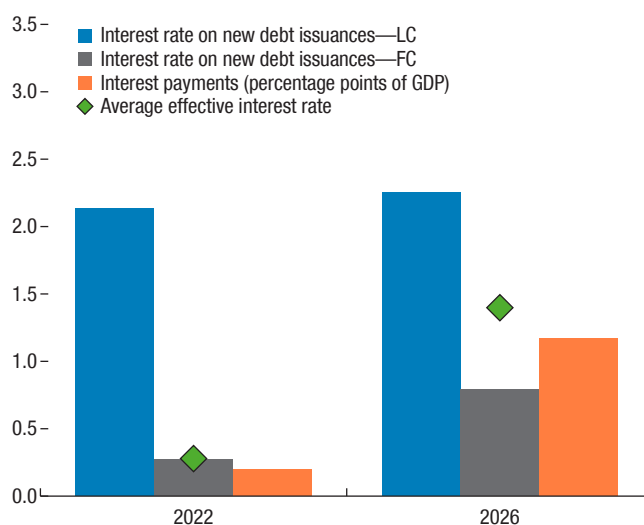
*Domestic and foreign monetary policy normalization could add fiscal pressures in Latin America and the Caribbean*, particularly in those countries already experiencing high public debt levels.<sup>2</sup> The impact of monetary policy normalization on local-currency rates affecting new debt issuances is more frontloaded than that on foreign-currency rates triggered by the Federal Reserve (Annex Figure 3.1). After an initial small increase in interest payments of 0.2 percentage points of GDP in 2022, the effects of interest rate increases build up over time, yielding a rise of about 1¼ percentage points of GDP in interest payments by 2026 for the average Latin America 5 (LA5) country. This impact becomes higher the larger the extent of monetary policy normalization and the initial stock of debt, as in the case of Brazil (where interest payments could increase by 2.9 percentage points by 2026).<sup>3</sup>

<sup>1</sup>This annex was prepared by Santiago Acosta-Ormaechea and Maximiliano Appendino.

<sup>2</sup>Simulations were constructed using a public debt dynamics tool (Acosta-Ormaechea and Martinez 2021), assuming as a benchmark that the interest rates on new debt issuances to finance the public sector gross financing needs remain as observed in 2020 throughout the projection period. Local-currency and foreign-currency interest rates were then shocked upward, incorporating survey expectations of monetary policy normalization in each LA5 country and the Federal Reserve.

<sup>3</sup>Monetary policy normalization could also help avoid an increase in risk premiums and a reduction in the maturity of debt, decreasing the risk of debt distress.

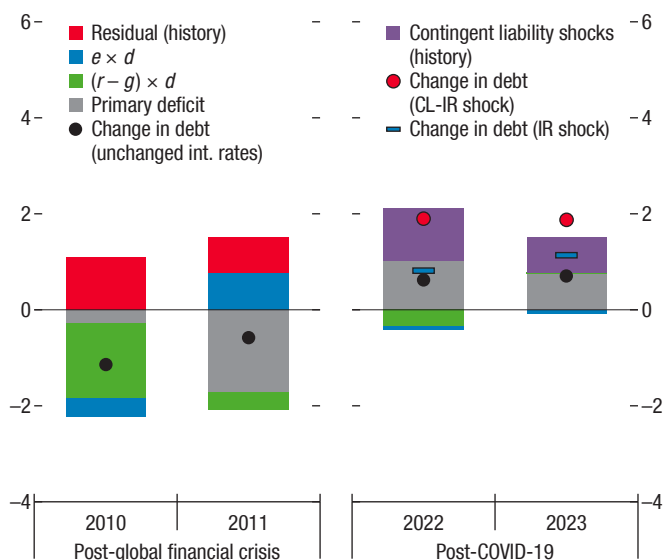
**Annex Figure 3.1. LA5: Impact of Normalization of Monetary Policy**  
(Percentage points, unless otherwise indicated)



Sources: IMF, World Economic Outlook (WEO) database; and IMF staff calculations. Note: Changes relative to a benchmark where the financing cost of the public sector gross financing needs remains as observed in 2020 throughout the projection period. Macro-fiscal variables, other than those affected by the shock, remain as in the October 2021 WEO throughout projections. FC = foreign currency; LA5 = Brazil, Chile, Colombia, Mexico, Peru; LC = local currency.

*The realization of contingent liabilities, which could arise as countries scale back fiscal support in a context of higher interest rates, may increase debt further.* Contingent liabilities have been an important source of public debt increases in the past in emerging and developing countries (October 2021 *Fiscal Monitor*). The average of unidentified sources of debt-to-GDP increases after the global financial crisis (see residuals in Annex Figure 3.2) amounts to half of the outstanding stock of the guarantees pledged by the public sector to support credit to small and medium enterprises during the pandemic in LA5 countries (April 2021 *Fiscal Monitor*). Such guarantees are more likely to become liabilities of the public sector if corporations default. Such defaults may be more likely when fiscal support to small and medium enterprises is scaled back and interest rate increase. Annex Figure 3.2 shows that the realization of contingent liabilities in 2022 and 2023 similar in size to that observed after the global financial crisis may add a one-off increase in total public debt of about 1.8 percentage points of GDP by

**Annex Figure 3.2. LA5: Decomposition of Public Debt Changes**  
(Percentage points of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.  
 Note: LA5 is calendar year US-dollar-nominal GDP-weighted average of Brazil, Chile, Colombia, Mexico, and Peru. Macro-fiscal variables, other than those affected by the shocks, remain as in the October 2021 WEO throughout projections. CL = contingent liabilities;  $e \times d$  = contribution of exchange rate;  $(r-g) \times d$  = contribution of interest rate-growth differential; IR = interest rate.

2023, creating additional fiscal pressures in LA5 countries.

*Credible medium-term fiscal frameworks are of the essence to contain these downside risks.* The shocks discussed in this annex may be a lower bound of potential risks to debt dynamics in the region. Monetary policy normalization may be stronger or take place more rapidly than expected, or financing costs could be higher due to further risk or term premiums shocks not incorporated in this exercise; and realized contingent liabilities may be a larger fraction of the outstanding stock of the public sector guaranteed debt, or come from alternative sources such as public-private partnerships (Fouad and others 2021) or state-owned enterprises (Musacchio and Pineda 2019).<sup>4</sup>

This exercise also abstracts away from other general equilibrium effects on debt dynamics, such as a reduction in growth as monetary policy normalizes or debt level increases. These findings highlight further the importance of a credible medium-term fiscal framework that would ensure debt sustainability while managing these types of risks to avoid the need for premature consolidation (see “Regional Policy Focus” in this report and Cardenas and others 2021).

<sup>4</sup>Increases in risk premiums, however, could become less likely to the extent central banks preserve their credibility.



## Annex 4. Tax Policy for Inclusive Growth in LAC<sup>1</sup>

The COVID-19 shock exacerbated preexisting fiscal challenges faced by Latin American and Caribbean (LAC) countries, a key one being the region's low average tax-collection levels. Relative to the Organisation for Economic Co-operation and Development (OECD) countries, the region collects much more in corporate income taxes (CIT) and much less in personal income taxes (PIT) (Annex Figure 4.1, panel 1).<sup>2</sup> Tax reforms to improve revenue collection in a progressive and growth-friendly manner are thus central to the region's economic policy agenda.

Given that the region's significant reliance on corporate tax revenue might have adversely impacted growth, corporate tax reforms in LAC would need to focus on setting statutory rates aligned with those of other regions—when assessed to be relatively high—to attract investment and alleviate profit shifting, and on broadening the corporate tax base—streamlining tax deductions and incentives to ensure that they are uniform and rules-based for all investors. Implications of ongoing global corporate tax reforms would need to be evaluated on a country-by-country basis.

PIT reforms aimed at reducing tax expenditures while providing incentives to formalization and labor force participation (especially of female workers) can increase revenue, make the system more progressive, and mitigate potential adverse growth effects. In fact, deductions, which disproportionately benefit richer households, severely undermine the PIT base in the region making effective tax rates across workers' income levels significantly lower than statutory rates (as illustrated in Annex Figure 4.1, panel 2, which

<sup>1</sup>This annex presents a summary of key messages in IMF (2021d), prepared by Santiago Acosta-Ormaechea (lead), Samuel Pienknagura, and Carlo Pizzinelli.

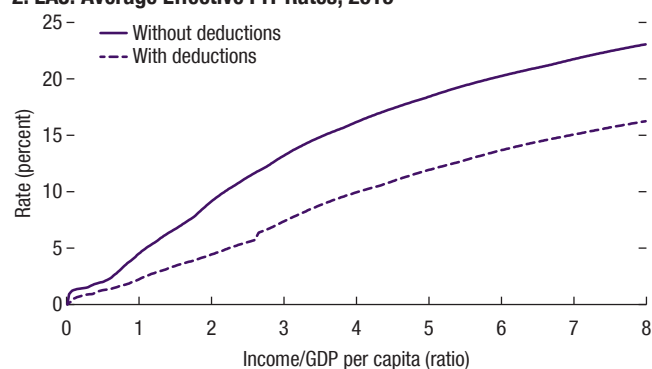
<sup>2</sup>Cross-country comparisons of corporate and personal income taxes should be assessed carefully due to differences in the classification of taxable income as generated by either an individual or a corporate. For instance, OECD countries apply imputation systems where the CIT is only an 'advance payment' of the PIT (fully or partially), an approach seldom used in LAC.

### Annex Figure 4.1. Total Tax Revenue Collection and PIT Microsimulations

#### 1. Total Tax Revenue Collection, 2019<sup>1</sup> (Percent of GDP)

|   | LAC         | OECD        |
|---|-------------|-------------|
| Value-added taxes                               | 6.3         | 7.2         |
| Personal income taxes                           | 2.3         | 8.8         |
| Corporate income taxes                          | 3.7         | 2.8         |
| Social security contributions and payroll taxes | 4.0         | 10.2        |
| Other taxes                                     | 6.1         | 6.4         |
| <b>Total tax revenue</b>                        | <b>22.4</b> | <b>35.5</b> |

#### 2. LA5: Average Effective PIT Rates, 2019<sup>2</sup>



#### 3. LA5: Microsimulations of PIT Reforms, 2019<sup>3</sup> (Percent)

| Scenario             | Revenue change relative to baseline | Average effective PIT rate |                    | Gini change relative to baseline |
|----------------------|-------------------------------------|----------------------------|--------------------|----------------------------------|
|                      |                                     | All tax payers             | Top 10% of earners |                                  |
| Baseline             | ...                                 | 4.3                        | 9.2                | ...                              |
| No deductions        | 137                                 | 6.1                        | 14.3               | -1.6                             |
| No deductions + EITC | 106                                 | 6.2                        | 14.3               | -3.6                             |

Sources: EY Worldwide Personal Tax and Immigration Guide (2019); Organisation for Economic Co-operation and Development (OECD) Tax Revenue Statistics database; national household surveys; and IMF staff calculations.

Note: EITC = earned income tax credit; LAC = Latin America and the Caribbean; LA5 = Brazil, Chile, Colombia, Mexico, Peru; PIT = personal income tax.

<sup>1</sup>Group averages reflect simple country averages. OECD (members as of end-2019) average excludes Chile and Mexico.

<sup>2</sup>For effective rates with deductions, computations are for a single worker with two children. LA5 is simple average.

<sup>3</sup>The Gini coefficient and the income percentiles are based on the distribution of labor earnings among formal workers only. LA5 is simple average.

focuses on LA5). IMF (2021d) studies two 'reform' scenarios to strengthen the PIT—one in which PIT deductions are eliminated (no-deductions scenario) and one in which incentives for formal labor force participation of low-wage earners are



added through the introduction of an earned income tax credit (EITC) as currently exists in the US (no-deductions + EITC scenario).<sup>3</sup> Results from the microsimulation exercise show that eliminating deductions and adding an EITC substantially increases PIT revenues while reducing inequality in a meaningful way for the average LA5 country (Annex Figure 4.1, panel 3).

LAC countries should aim to strengthen value-added taxes by tackling reduced rates and exemptions. While informality and inequality

remain key obstacles to broaden the tax base, the design of targeted transfers that encourage the use of electronic payment methods (for example, Uruguay's social card program) could help ease such challenges while fostering formalization. Measures such as the requirement of online vendors to register for value-added tax should also be taken to reap the benefits brought by digitalization. Also, other untapped revenue sources should be considered more forcefully, including the taxation of immovable property, inheritance taxes, and environmental taxes.

<sup>3</sup>Some of these reform proposals may require improving administrative, enforcement and monitoring capacities in the region.

## Annex 5. Climate Change Challenges in LAC<sup>1</sup>

Latin America and the Caribbean (LAC) is one of the most diverse regions with respect to climate risks. While Brazil and Mexico do not stand out in terms of per capita net greenhouse gas (GHG) emissions, each of these countries, together with Argentina, contributed more than one percent to total net GHG or net non-CO<sub>2</sub> emissions globally in 2018 just due to their sheer size.<sup>2</sup> LAC is also home to countries that are especially vulnerable to the impact of climate change (notably in the Caribbean and Central America), and countries that do not contribute significantly to global GHG emissions but are sensitive to transition risks arising from global efforts to reduce GHG emissions (that is, fossil fuel and agricultural exporters). LAC's share of global net GHG emissions is broadly consistent with the size of LAC economies and population so that per capita net GHG emissions of 6.4 metric tons CO<sub>2</sub>-eq<sup>3</sup> are close to the world average.<sup>4</sup>

LAC, with the exception of the Caribbean, makes limited use of fossil fuels in electricity generation (renewable share of 60 percent) thanks to enabling policies and governments' catalytic role in financing green technologies. The energy sector amounts to only 43 percent of total GHG emissions in LAC, well below the world average of 74 percent. LAC, however, stands out for its large share of emissions from agriculture, livestock, forestry, and change in land use (45 percent in LAC versus the world average of 14 percent).

Mitigation policy actions that could help LAC countries reach their climate goals, known as "nationally determined contributions" (NDCs),

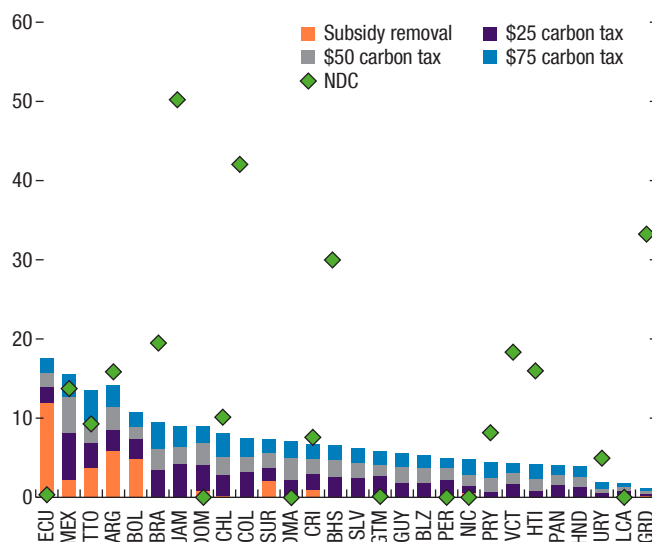
<sup>1</sup>This Annex was prepared by Anna Ivanova, Constant Lonkeng, and Chao He. It is based on IMF (2021b).

<sup>2</sup>Since emissions constitute an externality that is related to climate change globally, it is total emissions that characterize country's contribution to the climate change.

<sup>3</sup>CO<sub>2</sub>-eq (carbon dioxide equivalent) stands for a unit based on the global warming potential of different GHGs. The CO<sub>2</sub>-eq unit measures the environmental impact of one metric ton of these GHGs in comparison to the impact of one metric ton of CO<sub>2</sub>.

<sup>4</sup>LAC comprises about 8 percent of the total world population and GDP.

**Annex Figure 5.1. Reduction of Gross Greenhouse Gas Emissions (excluding LULUCF) from Illustrative Scenario of Subsidy Removal and Carbon Tax**  
(Percent of 2030 BAU)



Sources: IMF, Carbon Pricing Assessment Tool; and IMF staff calculations. Note: NDCs are harmonized to 2030, to exclude LULUCF, and to be unconditional, or, where available, the average of conditional and unconditional. For some countries, NDCs are not shown because they are difficult to quantify. Data labels use International Organization for Standardization (ISO) country codes. BAU = business as usual; LULUCF = land use, land-use change, and forestry; NDC = nationally determined contributions.

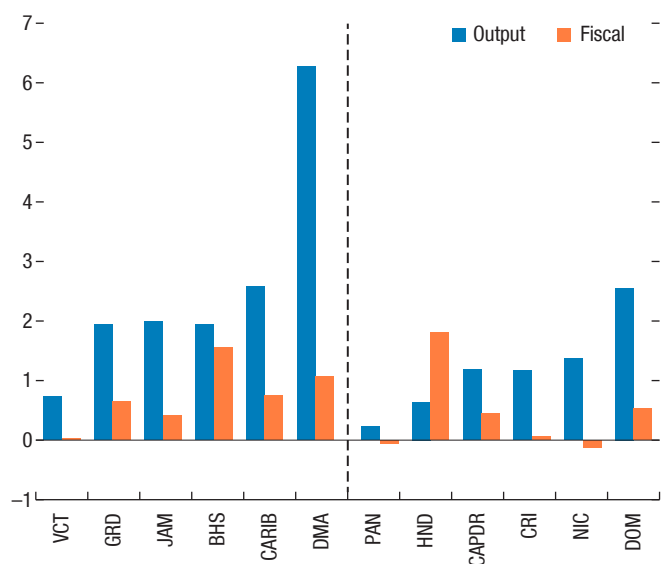
could include (1) gradually removing fuel subsidies, (2) raising carbon taxes, (3) introducing feebates and emissions trading systems, (4) adopting supportive regulations (for example, industry and product emissions targets, standards to support nature-based solutions), and (5) greening investments and research and development spending. Countries should adopt the policy mixes that best suit their specific circumstances, ideally articulated as national strategies.

Annex Figure 5.1 illustrates the impact of two such policies: a gradual removal of fossil fuel subsidies and an introduction of universal carbon taxes of up to \$75 per ton, demonstrating that these policies could help closing NDC gaps, although significant gaps would remain in some countries.<sup>5</sup>

<sup>5</sup>The impact on emissions from a carbon tax is estimated using the Carbon Pricing Assessment Tool (CPAT) developed by the IMF and World Bank staff, which evolved from an earlier IMF tool used, for example, in the October 2019 Fiscal Monitor and in IMF (2019a).

### Annex Figure 5.2. Output and Fiscal Gains from Resilient Investment in the Long Term

(Change relative to no resilience; Output: percent; Fiscal: percentage points of GDP)



Sources: Caribbean Catastrophe Risk Insurance Facility; EM-DAT; and IMF staff calculations.

Note: Aggregates are simple averages. Data labels use International Organization for Standardization (ISO) country codes. CARIB = Caribbean (BHS, DMA, GRD, JAM, VCT); CAPDR = Central America, Panama, and the Dominican Republic (CRI, DOM, HND, NIC, PAN).

Carbon taxes and the removal of fossil fuel subsidies could negatively affect consumption and labor incomes but would generate substantial revenues (between ½ and 4½ percent of GDP), which could be used to compensate vulnerable households. Simulations suggest that universal cash transfers could fully compensate lower-consumption households in LAC's four largest nations and more targeted transfers could also release additional resources for green investment and labor market support programs. Aggregate jobs losses in energy and agriculture are estimated to be generally small due to the typically small share of employment in these sectors. However, there will be significant disparities within and across countries with income losses in the energy

For descriptions of the model and its parameterization, see IMF (2019a), Appendix III and Parry, Mylonas, and Vernon (2021). For further understanding, see Heine and Black (2019). A high degree of model and data uncertainty means these results should be taken as indicative rather than precise numerical estimates. The model and data used here were last updated on Oct. 6, 2021.

sector concentrated in higher-income groups and more evenly distributed in agriculture. These losses could be potentially offset by newly created green jobs but much would depend on the labor intensity of such industries and the quality of those new jobs that are created. While IMF staff estimates indicate that the impact of subsidy removal and carbon taxes on growth is generally negative, it could be offset to a large extent by “recycling” of collected revenues back into the economy through cash transfers. Moreover, countries could compensate the effects on activity with an upfront green investment push as suggested in the October 2020 World Economic Outlook. In addition, there will be environmental and health welfare benefits not captured in GDP.<sup>6</sup>

Countries need to integrate climate-related risks into their macro-financial and fiscal frameworks and to invest in resilience building that might require additional external financing. This is particularly important for the vulnerable countries in the Caribbean and Central America. Scaling up climate resilient investment (structural resilience) could yield significant long-term benefits (Annex Figure 5.2) in these countries, but it would take time and a comprehensive layered insurance framework (financial resilience) may be needed to ensure liquidity for relief and reconstruction. It is estimated that an insurance coverage of 15–30 percent of GDP for Caribbean countries and 10–20 percent of GDP for Central America, Panama, and the Dominican Republic could cover 99 percent of the fiscal costs related to natural disasters<sup>7</sup> with cost estimated in the range of 0.5–2 percent of GDP per year. Given the upfront costs of building structural and financial resilience, a

<sup>6</sup>Health and environmental co-benefits include lower air pollution mortality and morbidity, reduced road fatalities, direct economic savings due to reduced road damage and traffic congestion, and reduced extreme weather phenomena associated with climate change assuming global cooperation.

<sup>7</sup>This calculation is based on an illustrative insurance framework with three layers: (1) building a precautionary government saving fund for immediate post-natural disaster liquidity needs against relatively less damaging but more frequent natural disasters, (2) scaled-up access to parametric insurance under the Caribbean Catastrophe Risk Insurance Facility against less frequent natural disasters with damages beyond the scope of the savings fund, and (3) issuance of state-contingent bonds to provide debt service relief for extreme events.

comprehensive disaster resilience strategy could help manage the transitional financing gap. Deeper private sector contributions to adaptation investment, which is impeded by credit access constraints and weak insurance affordability, could ease the burden on public finances but would need to be accompanied by enhanced climate risk resilience of the financial system.

## Annex 6. Country Notes

For *Argentina*, fiscal and inflation variables are excluded from publication for 2021–26 as these are to a large extent linked to still-pending program negotiations. The official national consumer price index (CPI) for Argentina 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 on account of differences in geographical coverage, weights, sampling, and methodology, the average CPI inflation for 2014–16 and end-of-period inflation for 2015–16 are not reported in the April 2021 *World Economic Outlook*. Also, Argentina discontinued the publication of labor market data in December 2015 and a new series became available starting in the second quarter of 2016.

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

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

The fiscal data for *Ecuador* reflect net lending or borrowing for the nonfinancial public sector. Ecuadorian authorities, with technical support from the IMF, are undertaking revisions of the historical fiscal data for the net lending/borrowing of the nonfinancial public sector over the period 2012–17, with the view of correcting recently identified statistical errors in data compilation at the subnational level and the consistency between above-the-line and financing data by subsectors.

In December 2020, the *Uruguay* authorities began reporting the national accounts data according to the 2008 System of National Accounts, with the base year 2016. The new series began 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 began receiving transfers in the context of a new law that compensates persons affected by the creation of the mixed pension system. These funds are recorded as revenues, consistent with the IMF's methodology. Therefore, data and projections for 2018–21 are affected by these transfers, which amounted to 1.2 percent of GDP in 2018, 1.1 percent of GDP in 2019, and 0.6 percent of GDP in 2020, and are projected to be 0.3 percent of GDP in 2021, and 0 percent thereafter. See IMF (2019b) for further details.<sup>1</sup> 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 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 where the counterpart is the central bank are not netted out in debt figures. In this context, capitalization bonds issued in the past by the government to the central bank are now part of the nonfinancial public sector debt. Gross and net debt estimates for 2008–11 are preliminary.

Projecting the economic outlook in *Venezuela*, including assessing past and current economic developments as the basis for the projections, is complicated by the lack of discussions with the authorities (the last Article IV consultation took

<sup>1</sup>Uruguay: Staff Report for the 2018 Article IV Consultation, Country Report 19/64 (Washington, DC: International Monetary Fund, February 2019).

place in 2004), incomplete understanding of the reported data, and difficulties in interpreting certain reported economic indicators given economic developments. The fiscal accounts include the budgetary central government; social security; FOGADE (insurance deposit institution); and a sample of public enterprises including Petróleos de Venezuela, S.A.; data for 2018–21 are IMF staff estimates. The effects of hyperinflation and the paucity of reported data mean that the

IMF staff's projected macroeconomic indicators need to be interpreted with caution. For example, nominal GDP is estimated assuming the GDP deflator rises in line with the IMF staff's projection of average inflation. Public external debt in relation to GDP is projected using the IMF staff's estimate of the average exchange rate for the year. Wide uncertainty surrounds these projections. Venezuela's consumer prices are excluded from all WEO group composites.

Appendix Table 1. Western Hemisphere: Main Economic Indicators<sup>1</sup>

|   | Real GDP Growth<br>(Year-over-year percent change) |              |             |             |             | Inflation <sup>2</sup><br>(End of period; percent) |             |             |             |            | External Current Account Balance<br>(Percent of GDP) |             |             |             |             |
|---|--|--------------|-------------|-------------|-------------|--|-------------|-------------|-------------|------------|--|-------------|-------------|-------------|-------------|
|   | 2018   | 2019         | 2020        | Projections |             | 2018   | 2019        | 2020        | Projections |            | 2018   | 2019        | 2020        | Projections |             |
|   |  |              |             | 2021        | 2022        |  |             |             | 2021        | 2022       |  |             |             | 2021        | 2022        |
| <b>North America</b>                          | <b>2.8</b>   | <b>2.0</b>   | <b>-4.0</b> | <b>6.0</b>  | <b>5.0</b>  | <b>2.2</b>   | <b>2.1</b>  | <b>1.6</b>  | <b>5.1</b>  | <b>2.6</b> | <b>-2.1</b>  | <b>-2.1</b> | <b>-2.6</b> | <b>-3.0</b> | <b>-3.0</b> |
| Canada  | 2.4  | 1.9          | -5.3        | 5.7         | 4.9         | 2.1  | 2.1         | 0.8         | 3.8         | 2.0        | -2.3   | -2.1        | -1.8        | 0.5         | 0.2         |
| Mexico  | 2.2  | -0.2         | -8.3        | 6.2         | 4.0         | 4.8  | 2.8         | 3.2         | 5.9         | 3.1        | -2.1   | -0.3        | 2.4         | 0.0         | -0.3        |
| United States                                 | 2.9  | 2.3          | -3.4        | 6.0         | 5.2         | 1.9  | 2.1         | 1.6         | 5.1         | 2.6        | -2.1   | -2.2        | -2.9        | -3.5        | -3.5        |
| Puerto Rico <sup>3</sup>                      | -4.2   | 1.5          | -3.9        | -0.6        | -0.3        | 0.6  | 0.5         | -0.1        | 4.0         | 1.9        | ...  | ...         | ...         | ...         | ...         |
| <b>South America</b>                          | <b>0.5</b>   | <b>-0.1</b>  | <b>-6.6</b> | <b>6.3</b>  | <b>2.3</b>  | <b>9.5</b>   | <b>10.5</b> | <b>8.0</b>  | <b>12.0</b> | <b>8.9</b> | <b>-2.8</b>  | <b>-2.6</b> | <b>-0.9</b> | <b>-0.7</b> | <b>-1.3</b> |
| Argentina <sup>4</sup>                        | -2.6   | -2.1         | -9.9        | 7.5         | 2.5         | 47.6   | 53.8        | 36.1        | ...         | ...        | -5.2   | -0.8        | 0.9         | 1.0         | 0.8         |
| Bolivia                                       | 4.2  | 2.2          | -8.8        | 5.0         | 4.0         | 1.5  | 1.5         | 0.7         | 2.5         | 2.8        | -4.5   | -3.4        | -0.5        | -2.2        | -2.8        |
| Brazil  | 1.8  | 1.4          | -4.1        | 5.2         | 1.5         | 3.7  | 4.3         | 4.5         | 7.9         | 4.0        | -2.7   | -3.5        | -1.8        | -0.5        | -1.7        |
| Chile   | 3.7  | 1.0          | -5.8        | 11.0        | 2.5         | 2.1  | 3.0         | 2.9         | 5.5         | 3.4        | -3.9   | -3.7        | 1.4         | -2.5        | -2.2        |
| Colombia                                      | 2.6  | 3.3          | -6.8        | 7.6         | 3.8         | 3.1  | 3.8         | 1.6         | 4.3         | 3.1        | -4.1   | -4.5        | -3.4        | -4.4        | -4.0        |
| Ecuador                                       | 1.3  | 0.0          | -7.8        | 2.8         | 3.5         | 0.3  | -0.1        | -0.9        | 1.8         | 2.2        | -1.2   | -0.1        | 2.5         | 1.7         | 1.7         |
| Paraguay                                      | 3.2  | -0.4         | -0.6        | 4.5         | 3.8         | 3.2  | 2.8         | 2.2         | 4.0         | 4.0        | 0.1  | -1.1        | 2.2         | 3.5         | 2.1         |
| Peru  | 4.0  | 2.2          | -11.0       | 10.0        | 4.6         | 2.2  | 1.9         | 2.0         | 3.2         | 2.6        | -1.7   | -0.9        | 0.8         | 0.4         | 0.1         |
| Uruguay                                       | 0.5  | 0.4          | -5.9        | 3.1         | 3.2         | 8.0  | 8.8         | 9.4         | 7.2         | 5.8        | -0.5   | 1.3         | -0.7        | -1.3        | -0.3        |
| Venezuela <sup>4</sup>                        | -19.6  | -35.0        | -30.0       | -5.0        | -3.0        | 130,060  | 9,585       | 2,960       | 2,700       | 2,000      | 8.8  | 7.8         | -4.3        | 0.3         | -0.7        |
| <b>CAPDR</b>                                  | <b>3.9</b>   | <b>3.2</b>   | <b>-7.1</b> | <b>7.7</b>  | <b>4.6</b>  | <b>1.6</b>   | <b>2.5</b>  | <b>2.8</b>  | <b>4.2</b>  | <b>3.1</b> | <b>-2.9</b>  | <b>-1.1</b> | <b>1.3</b>  | <b>-0.9</b> | <b>-1.1</b> |
| Costa Rica                                    | 2.6  | 2.3          | -4.1        | 3.9         | 3.5         | 2.0  | 1.5         | 0.9         | 1.6         | 1.5        | -3.2   | -2.1        | -2.2        | -3.0        | -2.7        |
| Dominican Republic                            | 7.0  | 5.1          | -6.7        | 9.5         | 5.5         | 1.2  | 3.7         | 5.6         | 6.5         | 4.0        | -1.5   | -1.3        | -2.0        | -2.0        | -2.0        |
| El Salvador                                   | 2.4  | 2.6          | -7.9        | 9.0         | 3.5         | 0.4  | -0.0        | -0.1        | 4.5         | 1.6        | -3.3   | -0.6        | 0.5         | -2.8        | -2.9        |
| Guatemala                                     | 3.3  | 3.9          | -1.5        | 5.5         | 4.5         | 2.3  | 3.4         | 4.8         | 4.6         | 4.3        | 0.9  | 2.3         | 5.5         | 4.3         | 3.0         |
| Honduras                                      | 3.8  | 2.7          | -9.0        | 4.9         | 4.4         | 4.2  | 4.1         | 4.0         | 4.1         | 4.0        | -5.7   | -1.4        | 3.0         | -3.0        | -3.2        |
| Nicaragua                                     | -3.4   | -3.7         | -2.0        | 5.0         | 3.5         | 3.9  | 6.1         | 2.9         | 4.1         | 3.5        | -1.8   | 6.0         | 7.6         | 4.1         | 4.0         |
| Panama <sup>5</sup>                           | 3.6  | 3.0          | -17.9       | 12.0        | 5.0         | 0.2  | -0.1        | -1.6        | 2.0         | 2.0        | -7.6   | -5.0        | 2.3         | -3.7        | -3.5        |
| <b>Caribbean: Tourism Dependent</b>           | <b>2.0</b>   | <b>-0.03</b> | <b>-9.5</b> | <b>2.3</b>  | <b>4.1</b>  | <b>5.9</b>   | <b>9.0</b>  | <b>10.4</b> | <b>8.3</b>  | <b>8.3</b> | <b>-4.8</b>  | <b>-1.3</b> | <b>-5.7</b> | <b>-7.4</b> | <b>-6.4</b> |
| Antigua and Barbuda                           | 7.0  | 4.7          | -20.0       | 1.0         | 7.0         | 1.7  | 0.7         | 2.8         | 2.0         | 2.0        | -14.5  | -6.6        | -8.0        | -10.3       | -9.9        |
| Aruba   | 1.3  | -2.1         | -22.3       | 12.8        | 7.5         | 4.5  | 3.6         | -3.1        | 1.7         | 1.6        | -0.5   | 2.5         | -13.1       | -7.0        | -4.7        |
| The Bahamas                                   | 2.8  | 0.7          | -14.5       | 2.0         | 8.0         | 2.0  | 1.4         | 1.2         | 5.0         | 3.5        | -8.7   | 4.0         | -18.1       | -20.9       | -15.8       |
| Barbados                                      | -0.6   | -1.3         | -18.0       | 3.3         | 8.5         | 0.6  | 7.2         | 1.3         | 3.2         | 2.5        | -4.0   | -3.1        | -7.3        | -12.7       | -8.4        |
| Belize  | 2.9  | 1.8          | -14.0       | 8.5         | 5.4         | -0.1   | 0.2         | 0.4         | 4.1         | 2.2        | -7.9   | -9.3        | -7.5        | -8.2        | -8.2        |
| Dominica                                      | 3.5  | 7.5          | -11.0       | 3.4         | 7.9         | 4.0  | 0.1         | -0.7        | 2.0         | 2.0        | -42.4  | -37.9       | -24.5       | -35.5       | -24.9       |
| Grenada                                       | 4.4  | 0.7          | -13.1       | 2.7         | 6.2         | 1.4  | 0.1         | -0.8        | 2.5         | 0.6        | -15.5  | -17.0       | -22.2       | -22.8       | -20.6       |
| Haiti <sup>6</sup>                            | 1.7  | -1.7         | -3.3        | -0.7        | 1.3         | 13.3   | 19.7        | 25.2        | 15.0        | 16.3       | -2.9   | -1.2        | 3.4         | -0.3        | 0.2         |
| Jamaica                                       | 1.8  | 1.0          | -10.0       | 4.6         | 2.7         | 2.4  | 6.2         | 5.2         | 6.0         | 6.5        | -1.6   | -2.3        | -0.1        | -1.6        | -3.7        |
| St. Kitts and Nevis                           | 2.7  | 4.8          | -14.4       | -1.0        | 10.0        | -0.7   | -0.8        | -1.2        | -0.8        | -0.3       | -5.4   | -4.8        | -14.5       | -11.3       | -7.3        |
| St. Lucia                                     | 2.9  | -0.1         | -20.4       | 3.5         | 13.1        | 2.2  | -0.7        | -0.4        | 3.8         | 1.8        | 2.2  | 6.1         | -13.2       | -13.5       | -9.1        |
| St. Vincent and the Grenadines                | 2.2  | 0.5          | -3.3        | -6.1        | 8.3         | 1.4  | 0.5         | -1.0        | 2.2         | 2.0        | -12.1  | -9.7        | -16.0       | -21.5       | -13.4       |
| <b>Caribbean: Commodity Exporters</b>         | <b>1.7</b>   | <b>0.4</b>   | <b>4.0</b>  | <b>5.6</b>  | <b>21.1</b> | <b>2.0</b>   | <b>1.4</b>  | <b>8.8</b>  | <b>8.2</b>  | <b>4.9</b> | <b>0.4</b>   | <b>-6.9</b> | <b>-1.7</b> | <b>5.4</b>  | <b>15.7</b> |
| Guyana  | 4.4  | 5.4          | 43.5        | 20.4        | 48.7        | 1.6  | 2.1         | 0.9         | 3.4         | 2.8        | -29.0  | -54.4       | -14.5       | -16.8       | 13.8        |
| Suriname                                      | 4.9  | 1.1          | -15.9       | 0.7         | 1.5         | 5.4  | 4.2         | 60.7        | 48.6        | 25.2       | -3.0   | -11.3       | 9.0         | 3.4         | -1.7        |
| Trinidad and Tobago <sup>4</sup>              | 0.1  | -1.2         | -7.9        | -1.0        | 5.4         | 1.0  | 0.4         | 0.8         | 1.2         | 1.4        | 6.9  | 4.4         | 0.1         | 13.2        | 18.8        |
| <i>Memorandum</i>                             |  |              |             |             |             |  |             |             |             |            |  |             |             |             |             |
| <b>Latin America and the Caribbean</b>        | <b>1.2</b>   | <b>0.1</b>   | <b>-7.0</b> | <b>6.3</b>  | <b>3.0</b>  | <b>7.6</b>   | <b>7.7</b>  | <b>6.3</b>  | <b>9.7</b>  | <b>6.9</b> | <b>-2.6</b>  | <b>-2.0</b> | <b>0.0</b>  | <b>-0.6</b> | <b>-1.0</b> |
| <b>LAC Excluding Venezuela</b>                | <b>1.9</b>   | <b>0.9</b>   | <b>-6.7</b> | <b>6.5</b>  | <b>3.1</b>  | <b>7.6</b>   | <b>7.7</b>  | <b>6.3</b>  | <b>9.7</b>  | <b>6.9</b> | <b>-2.9</b>  | <b>-2.1</b> | <b>0.1</b>  | <b>-0.6</b> | <b>-1.0</b> |
| Eastern Caribbean Currency Union <sup>7</sup> | 4.1  | 2.5          | -16.4       | 1.0         | 9.6         | 1.5  | -0.1        | -0.1        | 2.1         | 1.4        | -11.8  | -7.9        | -14.8       | -17.0       | -12.7       |

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.

<sup>1</sup>Regional output growth aggregates are purchasing-power-parity GDP-weighted averages. Consumer price index (CPI) inflation aggregates exclude Venezuela but include Argentina starting from 2017 and are geometric averages. Current account aggregates are US dollar nominal GDP-weighted averages. Consistent with the IMF *World Economic Outlook*, the cutoff date for the data and projections in this table is September 27, 2021.

<sup>2</sup>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.

<sup>3</sup>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.

<sup>4</sup>See Annex 6 for details on the data.

<sup>5</sup>Ratios to GDP are based on the 2007-base GDP series.

<sup>6</sup>Fiscal year data.

<sup>7</sup>Eastern Caribbean Currency Union comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, and Anguilla and Montserrat, which are not IMF members.



## OUTLOOK FOR LATIN AMERICA AND THE CARIBBEAN: A LONG AND WINDING ROAD TO RECOVERY

 Appendix Table 2. Western Hemisphere: Main Fiscal Indicators<sup>1</sup>

|   | General Government Primary Expenditure<br>(Percent of GDP) |             |             |             |             | General Government Primary Balance<br>(Percent of GDP) |             |              |             |             | General Government Gross Debt<br>(Percent of GDP) |              |              |              |              |
|---|--|-------------|-------------|-------------|-------------|--|-------------|--------------|-------------|-------------|---|--------------|--------------|--------------|--------------|
|   | 2018   | 2019        | 2020        | Projections |             | 2018   | 2019        | 2020         | Projections |             | 2018  | 2019         | 2020         | Projections  |              |
|   |  |             |             | 2021        | 2022        |  |             |              | 2021        | 2022        |   |              |              | 2021         | 2022         |
| <b>North America</b>                              | <b>32.5</b>  | <b>32.7</b> | <b>42.4</b> | <b>39.4</b> | <b>37.1</b> | <b>-2.7</b>  | <b>-2.9</b> | <b>-11.9</b> | <b>-8.5</b> | <b>-5.0</b> | <b>102.7</b>                                      | <b>103.8</b> | <b>129.1</b> | <b>127.6</b> | <b>124.9</b> |
| Canada  | 37.9   | 38.1        | 50.0        | 45.2        | 40.7        | 0.3  | 0.6         | -10.6        | -7.1        | -2.1        | 88.8  | 86.8         | 117.5        | 109.9        | 103.9        |
| Mexico <sup>2</sup>                               | 21.5   | 21.8        | 24.6        | 24.2        | 22.9        | 1.6  | 1.4         | -0.5         | -0.6        | -0.1        | 53.6  | 53.3         | 61.0         | 59.8         | 60.1         |
| United States <sup>3</sup>                        | 32.8   | 33.0        | 42.8        | 39.8        | 37.6        | -3.2   | -3.5        | -12.7        | -9.2        | -5.6        | 107.1   | 108.5        | 133.9        | 133.3        | 130.7        |
| Puerto Rico <sup>4</sup>                          | 19.2   | 19.5        | 19.4        | 19.4        | 19.2        | 2.5  | 2.1         | 0.2          | 0.2         | -0.8        | 50.2  | 50.2         | 52.6         | 52.4         | 53.7         |
| <b>South America</b>                              | <b>30.8</b>  | <b>29.6</b> | <b>34.0</b> | <b>31.1</b> | <b>29.3</b> | <b>-2.5</b>  | <b>-1.1</b> | <b>-7.5</b>  | <b>-3.2</b> | <b>-1.4</b> | <b>74.0</b>                                       | <b>75.8</b>  | <b>86.2</b>  | <b>79.2</b>  | <b>80.1</b>  |
| Argentina <sup>5</sup>                            | 35.7   | 33.7        | 39.7        | ...         | ...         | -2.2   | -0.4        | -6.2         | ...         | ...         | 85.2  | 88.7         | 102.8        | ...          | ...          |
| Bolivia <sup>6</sup>                              | 35.9   | 34.7        | 36.5        | 34.3        | 34.3        | -7.0   | -5.8        | -11.2        | -7.5        | -5.4        | 53.8  | 59.1         | 78.8         | 82.7         | 83.9         |
| Brazil <sup>7</sup>                               | 30.5   | 30.5        | 36.6        | 30.2        | 28.9        | -1.7   | -0.9        | -9.2         | -1.6        | -0.8        | 85.6  | 87.7         | 98.9         | 90.6         | 90.2         |
| Chile   | 24.6   | 25.5        | 28.3        | 32.4        | 24.5        | -1.1   | -2.4        | -6.6         | -7.5        | -1.1        | 25.6  | 28.2         | 32.5         | 34.4         | 37.3         |
| Colombia <sup>8</sup>                             | 31.7   | 29.7        | 30.5        | 32.5        | 31.9        | -2.5   | -1.0        | -4.3         | -5.6        | -3.4        | 53.6  | 52.3         | 65.4         | 66.7         | 67.6         |
| Ecuador <sup>9</sup>                              | 35.2   | 33.7        | 33.1        | 34.3        | 32.4        | 0.4  | -0.0        | -3.3         | -1.1        | 1.4         | 49.1  | 51.4         | 61.2         | 61.0         | 59.9         |
| Paraguay  | 19.5   | 21.7        | 24.3        | 21.5        | 20.8        | -0.5   | -2.5        | -5.7         | -3.4        | -2.1        | 22.3  | 25.8         | 36.7         | 38.4         | 39.5         |
| Peru  | 20.2   | 20.0        | 24.7        | 22.1        | 21.1        | -0.9   | -0.2        | -6.9         | -3.9        | -2.4        | 26.1  | 27.1         | 35.1         | 35.0         | 36.9         |
| Uruguay <sup>10</sup>                             | 28.3   | 28.8        | 30.2        | 29.4        | 28.6        | 0.6  | -0.5        | -2.1         | -1.9        | -1.1        | 58.6  | 60.5         | 68.1         | 67.5         | 68.8         |
| Venezuela <sup>11</sup>                           | 48.4   | 21.3        | 10.9        | ...         | ...         | -31.0  | -10.0       | -5.0         | ...         | ...         | 180.8   | 232.8        | 304.1        | ...          | ...          |
| <b>CAPDR</b>                                      | <b>16.9</b>  | <b>17.1</b> | <b>20.1</b> | <b>18.5</b> | <b>17.5</b> | <b>-0.6</b>  | <b>-0.7</b> | <b>-4.4</b>  | <b>-1.9</b> | <b>-0.6</b> | <b>43.5</b>                                       | <b>46.4</b>  | <b>59.6</b>  | <b>58.7</b>  | <b>58.2</b>  |
| Costa Rica <sup>12</sup>                          | 15.5   | 17.7        | 17.8        | 16.7        | 15.6        | -2.2   | -2.6        | -3.9         | -1.2        | -0.3        | 51.8  | 56.7         | 67.5         | 71.2         | 73.3         |
| Dominican Republic <sup>14</sup>                  | 13.8   | 13.8        | 18.9        | 16.2        | 14.1        | 0.4  | 0.6         | -4.7         | -1.7        | 0.5         | 50.4  | 53.5         | 71.5         | 66.1         | 63.8         |
| El Salvador <sup>14</sup>                         | 23.7   | 23.5        | 28.3        | 26.6        | 26.6        | 0.9  | 0.6         | -3.8         | -0.8        | -0.7        | 70.4  | 71.3         | 89.2         | 84.2         | 84.5         |
| Guatemala <sup>13</sup>                           | 11.7   | 11.8        | 13.9        | 11.9        | 12.0        | -0.3   | -0.6        | -3.2         | -0.4        | -0.7        | 26.5  | 26.5         | 31.5         | 32.1         | 31.9         |
| Honduras  | 24.0   | 23.6        | 25.4        | 26.3        | 25.1        | 0.8  | 0.8         | -3.8         | -3.7        | -1.7        | 39.7  | 43.3         | 51.3         | 58.9         | 58.6         |
| Nicaragua <sup>14</sup>                           | 26.5   | 26.6        | 27.8        | 28.7        | 27.9        | -1.9   | 0.9         | -1.0         | -1.8        | -1.0        | 37.7  | 41.7         | 47.9         | 49.5         | 48.1         |
| Panama <sup>15</sup>                              | 21.2   | 20.2        | 25.9        | 23.6        | 22.4        | -1.5   | -1.9        | -7.7         | -4.9        | -1.6        | 37.3  | 42.2         | 66.3         | 62.2         | 61.2         |
| <b>Caribbean: Tourism Dependent</b>               | <b>19.3</b>  | <b>19.2</b> | <b>22.8</b> | <b>21.5</b> | <b>20.1</b> | <b>2.0</b>   | <b>2.5</b>  | <b>-1.9</b>  | <b>-1.5</b> | <b>0.5</b>  | <b>67.3</b>                                       | <b>68.7</b>  | <b>80.0</b>  | <b>78.1</b>  | <b>75.6</b>  |
| Antigua and Barbuda <sup>16</sup>                 | 19.8   | 19.9        | 24.2        | 24.9        | 23.5        | 0.0  | -1.2        | -3.8         | -1.1        | -0.6        | 87.7  | 81.3         | 101.3        | 105.2        | 99.1         |
| Aruba   | 20.7   | 19.7        | 35.5        | 31.2        | 20.4        | 1.9  | 4.2         | -11.5        | -11.7       | -0.8        | 75.0  | 72.9         | 115.1        | 117.5        | 114.6        |
| The Bahamas <sup>13</sup>                         | 17.0   | 17.5        | 22.6        | 28.3        | 23.9        | -0.8   | 0.8         | -4.1         | -9.4        | -4.8        | 61.8  | 59.7         | 75.2         | 102.5        | 94.2         |
| Barbados <sup>17</sup>                            | 25.7   | 24.8        | 32.9        | 28.4        | 25.2        | 3.4  | 6.2         | -1.0         | 0.0         | 4.0         | 126.0   | 124.8        | 156.8        | 138.3        | 126.6        |
| Belize <sup>13,18</sup>                           | 29.0   | 29.9        | 35.4        | 31.3        | 29.3        | 1.5  | -0.3        | -6.6         | -4.2        | -1.0        | 94.3  | 94.4         | 123.3        | 117.9        | 113.9        |
| Dominica <sup>16</sup>                            | 60.8   | 44.1        | 54.6        | 46.0        | 43.5        | -16.5  | -5.9        | -11.0        | -2.1        | 0.6         | 84.6  | 94.7         | 108.7        | 107.8        | 103.1        |
| Grenada <sup>16</sup>                             | 20.4   | 20.2        | 25.3        | 25.6        | 23.4        | 6.6  | 6.9         | 3.3          | 2.6         | 3.5         | 64.5  | 60.6         | 71.3         | 70.2         | 69.4         |
| Haiti <sup>13</sup>                               | 11.0   | 9.1         | 9.5         | 9.7         | 10.0        | -0.8   | -1.1        | -2.0         | -1.8        | -2.1        | 21.6  | 25.8         | 21.3         | 24.9         | 25.1         |
| Jamaica <sup>16</sup>                             | 23.2   | 23.5        | 26.2        | 23.6        | 23.0        | 7.5  | 7.1         | 2.9          | 6.0         | 6.5         | 94.4  | 94.3         | 107.4        | 95.8         | 87.3         |
| St. Kitts and Nevis <sup>16</sup>                 | 34.4   | 34.1        | 34.8        | 33.9        | 29.1        | 2.4  | 1.4         | -3.5         | -0.7        | 1.5         | 53.6  | 51.4         | 56.9         | 61.7         | 57.7         |
| St. Lucia <sup>16</sup>                           | 20.1   | 21.8        | 28.4        | 26.0        | 22.1        | 1.9  | -0.3        | -7.2         | -3.7        | -0.2        | 60.0  | 61.4         | 92.1         | 95.6         | 91.4         |
| St. Vincent and the Grenadines <sup>16</sup>      | 27.6   | 30.8        | 34.0        | 40.0        | 37.1        | 1.2  | -0.9        | -3.8         | -9.2        | -1.1        | 75.6  | 75.1         | 85.0         | 101.0        | 94.0         |
| <b>Caribbean: Commodity Exporters</b>             | <b>27.1</b>  | <b>29.4</b> | <b>30.4</b> | <b>29.9</b> | <b>26.0</b> | <b>-2.8</b>  | <b>-3.1</b> | <b>-8.3</b>  | <b>-7.3</b> | <b>-1.8</b> | <b>46.1</b>                                       | <b>50.8</b>  | <b>66.3</b>  | <b>71.2</b>  | <b>67.8</b>  |
| Guyana <sup>13</sup>                              | 27.0   | 27.6        | 30.0        | 26.5        | 20.4        | -2.0   | -2.0        | -7.3         | -6.7        | -1.6        | 47.4  | 43.9         | 51.4         | 47.0         | 36.2         |
| Suriname <sup>19</sup>                            | 23.1   | 39.4        | 27.9        | 24.4        | 30.0        | -2.5   | -19.0       | -9.5         | -1.8        | -5.7        | 66.1  | 85.2         | 148.2        | 140.6        | 137.5        |
| Trinidad and Tobago <sup>13</sup>                 | 27.8   | 28.1        | 30.9        | 31.7        | 27.9        | -3.0   | -0.6        | -8.4         | -8.2        | -1.4        | 42.4  | 46.5         | 59.3         | 70.4         | 72.5         |
| <i>Memorandum</i>                                 |  |             |             |             |             |  |             |              |             |             |   |              |              |              |              |
| <b>Latin America and the Caribbean</b>            | <b>27.6</b>  | <b>26.7</b> | <b>30.4</b> | <b>28.3</b> | <b>26.7</b> | <b>-1.4</b>  | <b>-0.5</b> | <b>-5.5</b>  | <b>-2.4</b> | <b>-1.0</b> | <b>67.1</b>                                       | <b>68.0</b>  | <b>77.7</b>  | <b>72.7</b>  | <b>73.3</b>  |
| <b>LAC Excluding Venezuela</b>                    | <b>27.2</b>  | <b>26.8</b> | <b>30.6</b> | <b>28.5</b> | <b>26.8</b> | <b>-0.8</b>  | <b>-0.3</b> | <b>-5.5</b>  | <b>-2.4</b> | <b>-0.9</b> | <b>65.0</b>                                       | <b>66.0</b>  | <b>75.2</b>  | <b>70.3</b>  | <b>71.1</b>  |
| Eastern Caribbean Currency Union <sup>16,20</sup> | 26.7   | 25.9        | 31.8        | 30.9        | 28.0        | 0.8  | 0.4         | -3.7         | -1.9        | 0.5         | 68.9  | 66.8         | 85.1         | 88.2         | 83.1         |

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.

<sup>1</sup>Definitions of government vary across countries, depending on country-specific institutional differences, including on what constitutes the appropriate coverage from a fiscal policy perspective, as defined by the IMF staff. All indicators are reported on a fiscal year basis. Regional aggregates are fiscal year US dollar nominal GDP-weighted averages. Consistent with the IMF *World Economic Outlook*, the cutoff date for the data and projections in this table is September 27, 2021.

<sup>2</sup>Includes central government, social security system funds, nonfinancial public corporations, and nonmonetary public financial corporations.

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

<sup>4</sup>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.

<sup>5</sup>Primary expenditure and primary balance include the federal government, provinces, and social security funds. Gross debt is for the federal government only.

<sup>6</sup>Nonfinancial public sector, excluding the operations of nationalized mixed-ownership companies in the hydrocarbon and electricity sectors.

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

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

<sup>9</sup>See Annex 6 for details on Ecuador's data. 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.

<sup>10</sup>See Annex 6 for details on Uruguay's data. The coverage of the fiscal data was changed from consolidated public sector to nonfinancial public sector with the October 2019 *World Economic Outlook*. Historical data were revised accordingly.

<sup>11</sup>See Annex 6 for details on Venezuela's data.

<sup>12</sup>Central government only. As of January 2021, the central government definition has been expanded to include 51 public entities as per Law 9524. Data are adjusted back to 2019 for comparability.

<sup>13</sup>Central government only.

<sup>14</sup>Central government for primary expenditure and primary balance; gross debt is presented on a consolidated basis.

<sup>15</sup>Ratios to GDP are based on the 2007-base GDP series. Fiscal data cover the nonfinancial public sector excluding the Panama Canal Authority.

<sup>16</sup>Central government for primary expenditure and primary balance; public sector for gross debt. For Jamaica, the public debt includes central government, guaranteed, and PetroCaribe debt.

<sup>17</sup>Overall and primary balances cover budgetary central government. Gross debt covers central government debt, central government guaranteed debt, and arrears.

<sup>18</sup>For 2017, primary balance includes a one-off capital transfer of 2.5 percent of GDP. Excluding this one-off capital transfer, a primary surplus of 1.3 percent of GDP is estimated.

<sup>19</sup>Primary expenditures for Suriname exclude net lending.

<sup>20</sup>Eastern Caribbean Currency Union comprises Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, and Anguilla and Montserrat, which are not IMF members.

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# Country Groups and Country Abbreviations

## Country Groups

| Caribbean: Commodity Exporters            | Caribbean: Tourism-Dependent   | Central America, Panama, and the Dominican Republic (CAPDR)                                     | Eastern Caribbean Currency Union (ECCU)  | LA5   | LA6  | South America  |
|---|--|---|--|---|--|--|
| Guyana<br>Suriname<br>Trinidad and Tobago | Antigua and Barbuda<br>Aruba<br>The Bahamas<br>Barbados<br>Belize<br>Dominica<br>Grenada<br>Haiti<br>Jamaica<br>St. Kitts and Nevis<br>St. Lucia<br>St. Vincent and the Grenadines | Costa Rica<br>Dominican Republic<br>El Salvador<br>Guatemala<br>Honduras<br>Nicaragua<br>Panama | Anguilla<br>Antigua and Barbuda<br>Dominica<br>Grenada<br>Montserrat<br>St. Kitts and Nevis<br>St. Lucia<br>St. Vincent and the Grenadines | Brazil<br>Chile<br>Colombia<br>Mexico<br>Peru | Brazil<br>Chile<br>Colombia<br>Mexico<br>Peru<br>Uruguay | Argentina<br>Bolivia<br>Brazil<br>Chile<br>Colombia<br>Ecuador<br>Paraguay<br>Peru<br>Uruguay<br>Venezuela |

## List of Country Abbreviations

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