

2. Latin America and the Caribbean: Setting the Course for Higher Growth

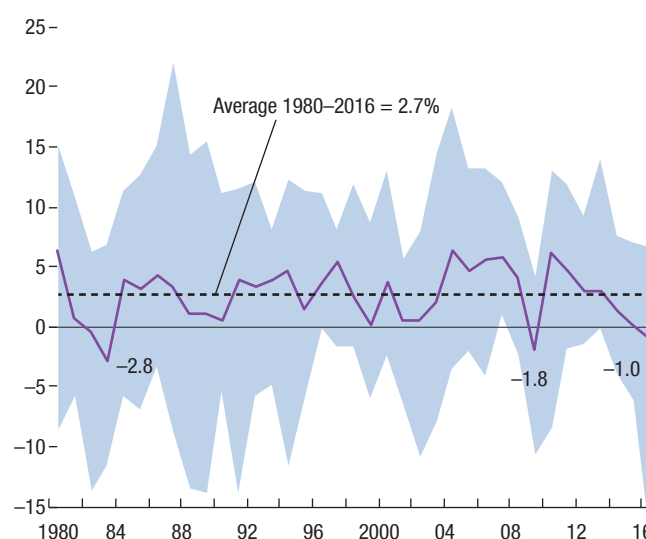
Alongside important shifts elsewhere in the global landscape, the economies of Latin America and the Caribbean are recovering from a regional recession in 2016. Activity is expected to pick up gradually this year and next, but the outlook is weaker than projected last fall, and medium-term growth remains modest at about 2.6 percent. Inflation is easing in many economies as the pass-through from past depreciations is fading. At the same time, risks to growth have widened in a setting of higher growth in advanced economies but also higher global policy uncertainty involving possible changes in the underlying direction of U.S. policies, a rising tide of economic nationalism in advanced economies, and potential tightening of financial conditions. In this challenging external context, countries should aim for completing fiscal and external adjustments to preserve or rebuild policy buffers. Charting a course toward higher, sustainable, and more equitable growth will also require strengthening structural reforms aimed at closing infrastructure gaps; improving the business environment, governance, and education outcomes; and encouraging female labor force participation to boost medium-term growth and foster income convergence.

Recent Developments and Outlook: Shifts in the Global Landscape

Economic growth in Latin America and the Caribbean in 2016 was the third-lowest in some 30 years, contracting by 1 percent in 2016 after stagnating in 2015 (Figure 2.1). Growth was held back by weak domestic demand, reflecting both the ongoing adjustment to earlier terms-of-trade shocks and country-specific domestic factors. The regional recession, however, masks divergent

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Figure 2.1. Historical Real GDP Growth in Latin America and the Caribbean
(Year-over-year percent change)



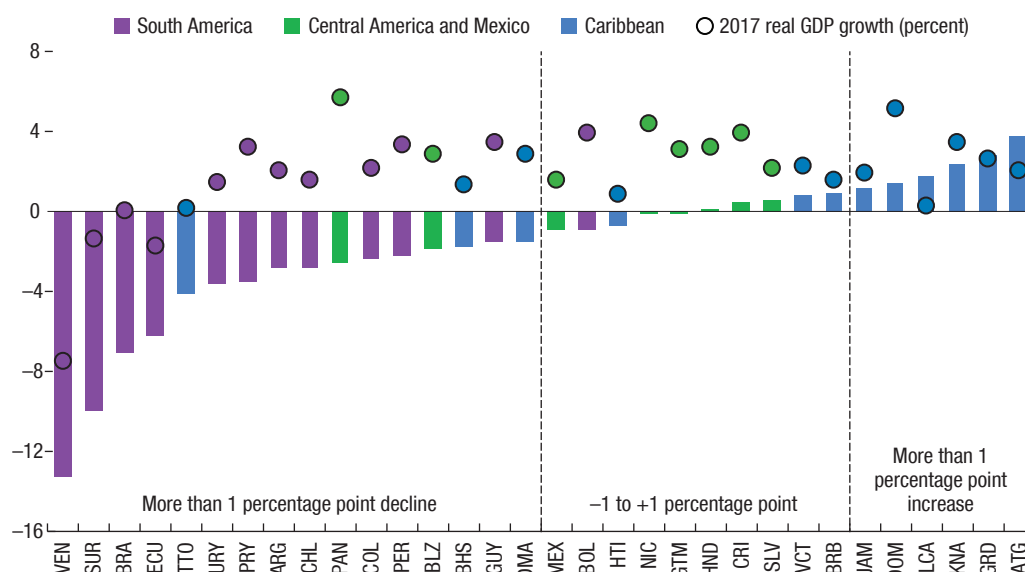
Source: IMF, World Economic Outlook database.
Note: Shaded region refers to the maximum and minimum range.

outcomes across the region, with relatively robust growth in Central America, deep contractions in Argentina, Brazil, Ecuador, and Venezuela, and modest growth elsewhere (Figure 2.2).

The region is expected to gradually emerge from recession in 2017. Economic activity is expected to expand by 1.1 percent in 2017 and 2 percent in 2018 (Table 2.1). Over the medium term, growth is expected to remain subdued at 2.6 percent. The outlook is shaped by key shifts in the global economic and policy landscape as well as by domestic factors (Figure 2.3):

- *An improved near-term outlook for advanced economies and China*—reflecting the cyclical recovery and the expected fiscal stimulus in the United States, cyclical factors in Europe and Japan, and stronger-than-expected policy support for China—indicates higher external demand. This is expected to support

Figure 2.2. Latin America and the Caribbean: Change in Real GDP Growth and Growth Projections
(Average over 2010–14 to average over 2015–16; percentage points)



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

Note: For International Organization for Standardization (ISO) country codes used in data labels, see page 137.

the region's exports, contributing positively to growth and facilitating further external adjustment (Chapter 3). Over the medium term, however, external demand is likely to be lower than its historical standard, particularly given China's transition to a more sustainable growth pattern that is less reliant on investment and commodity imports.

- *A modest recovery in commodity prices* has reversed some of the earlier terms-of-trade losses and helped ease pressures on the region's commodity exporters. Nevertheless, commodity prices are still expected to remain low by historical standards, and the adjustment to these new levels will continue to play a key role in the outlook for some countries.
- *Financial conditions have eased* after the short-lived tightening in the aftermath of the U.S. election. Expectations of looser fiscal policy in the United States have contributed to a stronger dollar and higher U.S. Treasury interest rates. This upward pressure on yields so far has been offset by the decline in

sovereign spreads in the region (except for Mexico), reflecting improved global market sentiment and other domestic factors in stressed economies. At the same time, equity markets have strengthened and corporate spreads have narrowed, further easing financing conditions. Although capital flows have been volatile over the last year, portfolio

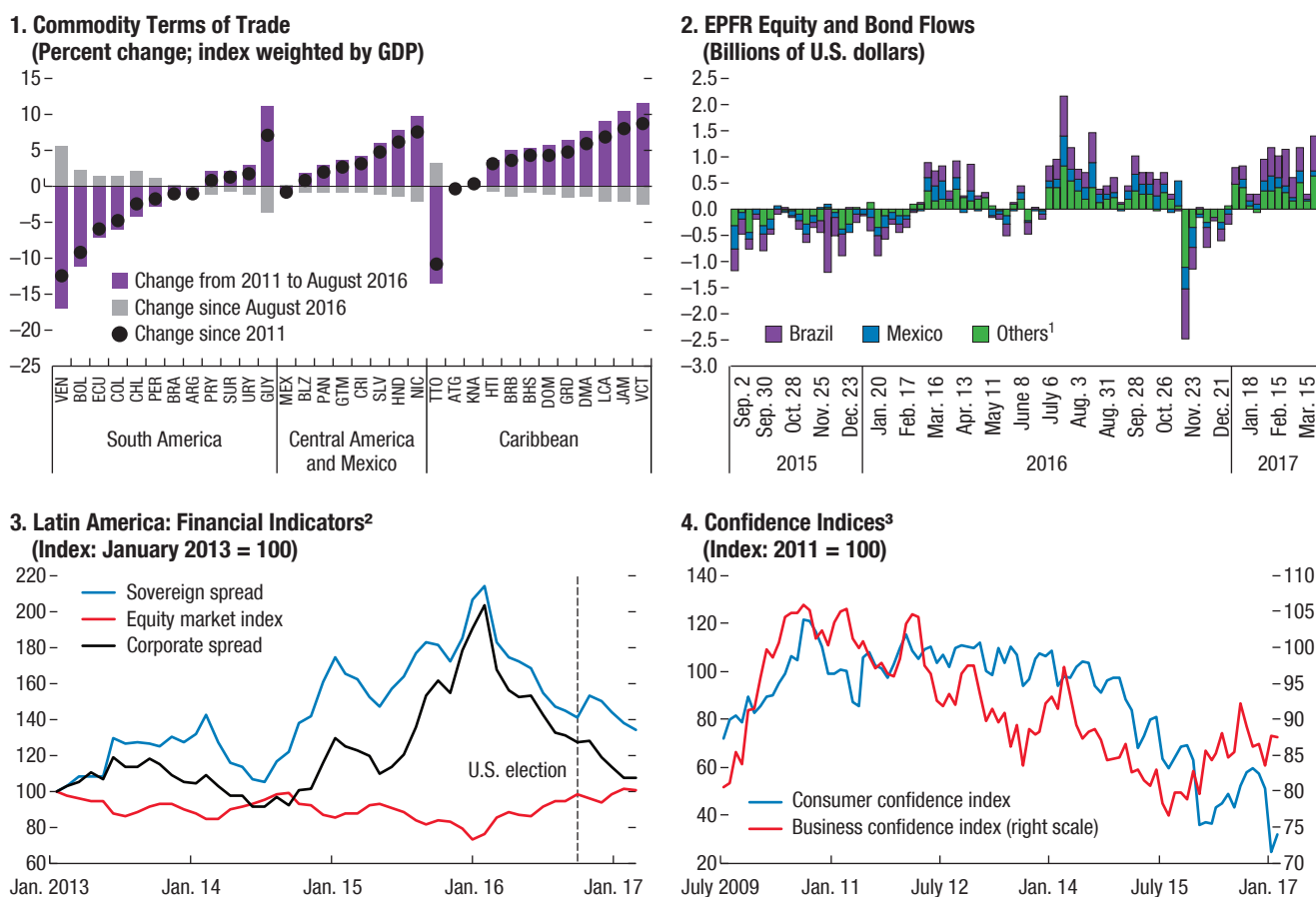
Table 2.1 Real GDP Growth in Latin America and the Caribbean
(Percent)

	2015	2016	Projections	
			2017	2018
LAC	0.1	-1.0	1.1	2.0
South America	-1.2	-2.7	0.6	1.8
CAPDR	5.1	4.5	4.3	4.3
Caribbean				
Tourism-dependent	0.8	1.4	1.9	2.3
Commodity exporters	-0.4	-4.8	0.6	3.1
Memorandum				
LAC6	-0.3	-0.3	1.2	2.1
Brazil	-3.8	-3.6	0.2	1.7
Mexico	2.6	2.3	1.7	2.0

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

Note: Purchasing-power-parity GDP-weighted averages. For country group information, see page 137. CAPDR = Central America, Panama, and the Dominican Republic; LAC = Latin America and Caribbean.

Figure 2.3. Recent Developments: External Conditions Easing but Domestic Confidence Subdued



Sources: Bloomberg L.P.; Emerging Portfolio Fund Research (EPFR) database; Gruss 2014; Haver Analytics; IMF, Information Notice System database; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

Note: For International Organization for Standardization (ISO) country codes used in data labels, see page 137.

¹Others include Argentina, Chile, Colombia, Peru, Uruguay, and Venezuela.

²Sovereign spread refers to J.P. Morgan Emerging Market Bond Index Global; equity market index refers to Morgan Stanley Capital International (MSCI) local currency index; and corporate spread refers to J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified.

³Consumer confidence index is the simple average of Brazil, Chile, Colombia, and Mexico. Business confidence index is the simple average of Brazil, Chile, Colombia, Mexico, and Peru.

inflows have recovered after sharp declines following the U.S. election, and overall inflows to the region have proven to be resilient, particularly relative to other emerging markets (Chapter 4).

- *Higher policy uncertainty at the global level*—notably in the United States, including about the nature and extent of possible reforms in tax, trade, and immigration policies—has reduced business and consumer confidence in Mexico, and is expected to weigh on the investment and consumption decisions of

Mexican firms and households. At the same time, preempting potential changes in U.S. immigration policy, remittances to Mexico and some countries in Central America have recently increased.

- *Domestic fundamentals and developments* will continue to play a significant role in many economies. The progress in ongoing reforms and in reducing political uncertainty in *Brazil*, a lingering crisis in *Venezuela*, the fiscal rebalancing and disinflation process in *Argentina*, and limited fiscal space,

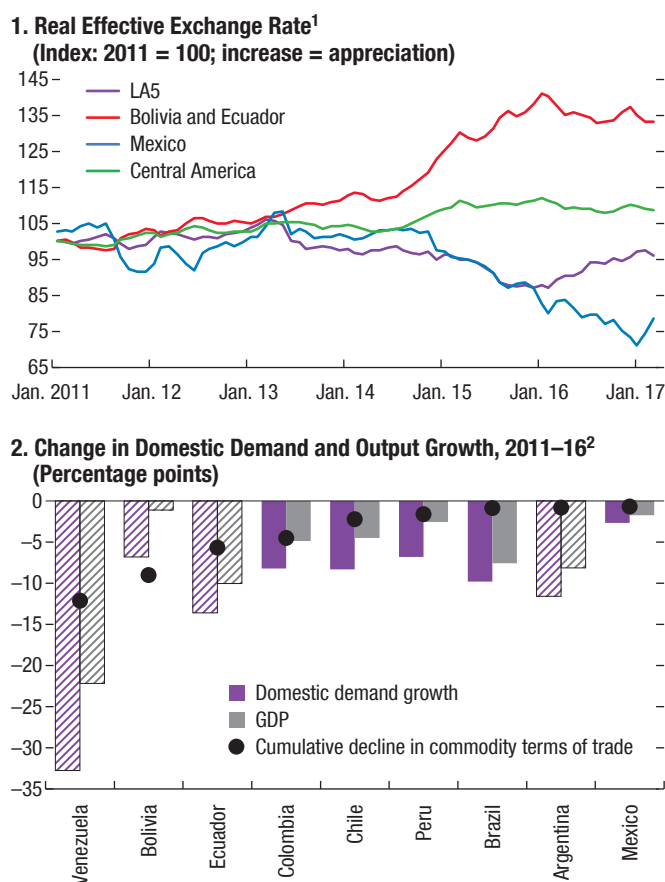
overvaluation, and the need for structural reforms in *Ecuador* will continue to dominate their outlooks. At the same time, continuing corruption scandals are weighing on sentiment in many countries in the region.

Tale of Two Adjustments: First, External

Against the backdrop of lower commodity prices from their past peak, many countries had allowed their currencies to depreciate, mainly starting in 2013, in a setting of weak external demand. The currencies of these countries generally strengthened in 2016 in response to the recovery in commodity prices, bouts of strong capital inflows, and a reduction in domestic policy uncertainties. An exception is Mexico, where the currency movements reflected delayed restructuring of the state-owned oil company Pemex, some deterioration in the perception of the health of public finances, and the uncertainty surrounding the possible direction of U.S. policies. Countries with less flexible exchange rate frameworks, in contrast, have faced persistent appreciations in real effective terms (Figure 2.4). Indeed, the cost of adjustment has increased for these countries, as increasing use of flexible regimes in trading partners and competitors led to sharper effective appreciations (Chapter 3).

Increased exchange rate flexibility has made the ongoing external adjustment less painful. For many countries facing negative terms-of-trade shocks, a major portion of the external adjustment has been attributable to import compression (Figure 2.5). Nevertheless, the amount of demand compression needed to narrow external imbalances (defined in Chapter 3 as the *sacrifice ratio of external adjustment*) has been considerably smaller in countries with flexible exchange rate regimes (Figure 2.4). At the aggregate level real exports do not seem to react significantly to sizable depreciations, but exports and value added of noncommodity sectors have increased. In addition, real imports have declined in some

Figure 2.4. Exchange Rate Adjustment and Domestic Demand Compression

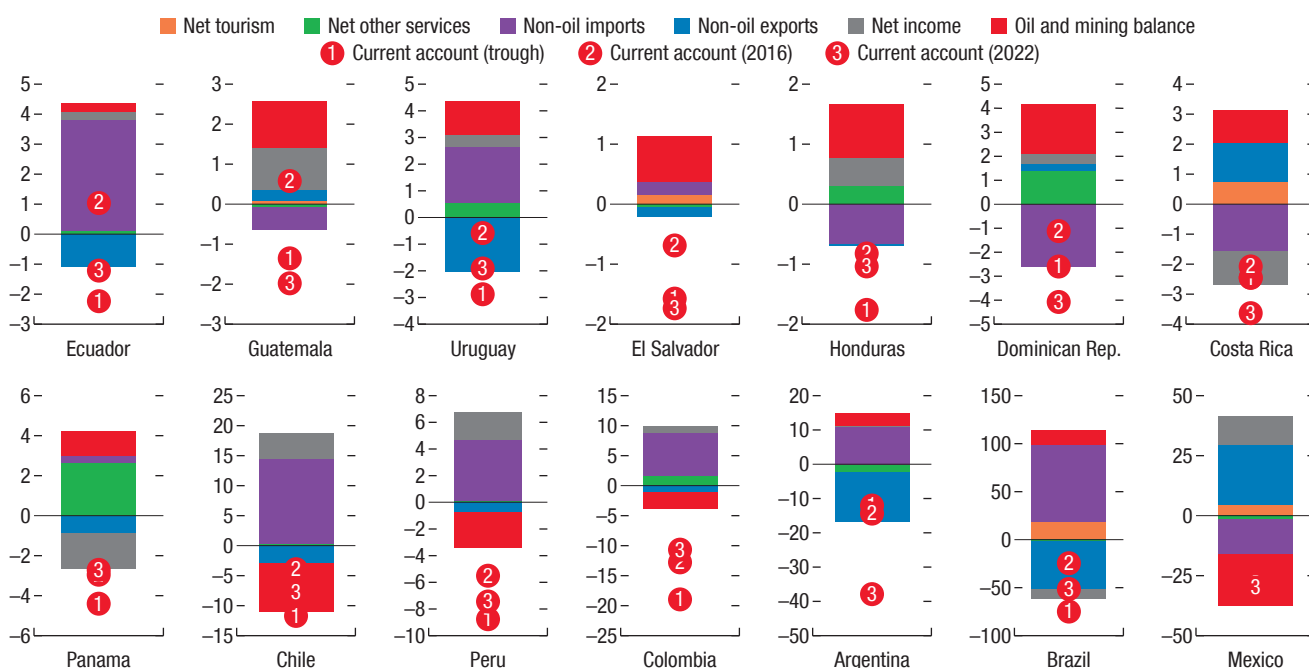


Sources: IMF, Information Notice System database; IMF, World Economic Outlook database; and IMF staff calculations.
 Note: Central America = Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama; LA5 = Brazil, Chile, Colombia, Peru, Uruguay.
¹Aggregates are simple averages.
²Data for 2016 are estimates. Bars with pattern denote country with a managed exchange rate regime. Argentina was reclassified as a floating exchange rate arrangement in December 2015.

economies as consumer spending has switched between foreign-produced to domestically produced goods in response to these depreciations (Chapter 3).

External adjustment is ongoing at the regional level, but progress differs across countries. After worsening from -2.1 percent of GDP from 2010–12 to -3.5 percent of GDP in 2015, the region’s current account deficit narrowed by 1.4 percentage points in 2016:

Figure 2.5. Contributions to Current Account Adjustment, Trough to 2016
(Cumulative change; billions of U.S. dollars)



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
 Note: Trough is 2013, except for Colombia and Ecuador, for which it is 2015.

- Within the region, metal-exporting countries (Chile and Peru) appear to have already adjusted to the terms-of-trade shock, with current account balances improving by about 2 percentage points of GDP from their trough. In the medium term, current account balances are expected to widen given the trend decline in savings that reflects the impact of aging in Chile and the recovery of private investment in Peru.
- Oil-exporting countries are still adjusting to the drop in prices that began in 2014. In Colombia, the pace of adjustment picked up in 2016 and is expected to continue as public savings increase. In Ecuador, given dollarization, the adjustment has come mainly as a result of fiscal consolidation, a fall in private investment, and balance of payments safeguards. In Venezuela, the current account deficit narrowed as a result of a reduction in the government's foreign exchange allocation for public and private imports and lack of access to external financing.
- Argentina and Brazil are going through structural changes that are affecting their equilibrium current account dynamics. In Brazil, the current account deficit has contracted sharply, mostly reflecting the contraction in investment, which has both cyclical elements and a more permanent component as a consequence of the reduction of Petrobras's medium-term investment plans. However, most of the improvement in the current account is likely to be durable, given the projected increase in public savings. In Argentina, continued capital inflows and a structural increase in investment from its current low levels are expected to lead to higher current account deficits over the next five years. However, productivity gains resulting from the reversal of the microeconomic distortions inherited from the previous administration and further

investment in the energy sector will likely support a lower current account deficit over the long term.

- Lower commodity prices have translated into lower external imbalances for net commodity importers in *Central America*. From a historical perspective, the improvement in the terms of trade and the subsequent currency appreciation have been larger than previous terms-of-trade booms in other emerging markets (Adler and others 2017). Overall, the current account balance for the region improved, on average, from -7 percent of GDP in 2013 to -3.6 percent in 2016, and is expected to reach -4.4 percent in the medium term.

Exchange rate flexibility has also helped smooth the response of capital flows to shifts in the global landscape, including swings in global risk aversion, monetary policy normalization in the United States, and changes in commodity prices. In particular, exchange rate flexibility, along with deeper financial markets with an important presence of domestic investors, has helped countries experience less capital flow volatility in the face of external shocks (Chapter 4).

Despite a sizable weakening in regional currencies, inflation has increased less than during previous episodes of similar depreciations, reflecting lower rates of pass-through and improved credibility of the monetary policy frameworks (Chapter 4 of the April 2016 *Regional Economic Outlook: Western Hemisphere*). After peaking in early 2016, inflation has been declining in many countries in the region (with a few exceptions such as Mexico) despite the recovery in commodity prices, reflecting still-negative output gaps and receding depreciation pressures (Figure 2.6).

Tale of Two Adjustments: Second, Fiscal

Latin America's countercyclical fiscal response to the global financial crisis was helpful in containing

output losses, but many countries did not fully rebuild their fiscal space during the subsequent period of buoyant commodity revenues and strong growth (Celasun and others 2015). With the decline in commodity prices and slowing growth, the primary fiscal deficit in the region increased from 0.2 percent in 2013 to 2.6 percent in 2016. In South America and commodity-exporting Caribbean countries, along with the decline in revenues from their peaks in 2014, capital expenditures were cut by about 1–1½ percent of GDP, but current expenditures continued to increase until 2015 and remain high. Overall, debt-to-GDP ratios in countries with slumping commodity revenues have continued to increase. Facing structurally lower revenues, elevated expenditure levels, and an increasing debt burden, many countries have put consolidation plans in place, but primary balances remain below historical and debt-stabilizing levels (Figure 2.7).

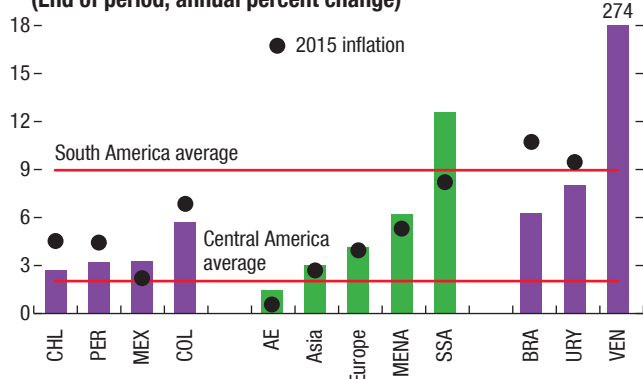
Domestic Developments

As economies in the region continue to adjust, unemployment has remained relatively stable in most countries except for a few that are still contracting. At the same time, real wages are increasing, as a result of declining inflation, and are expected to support the gradual recovery in consumption.

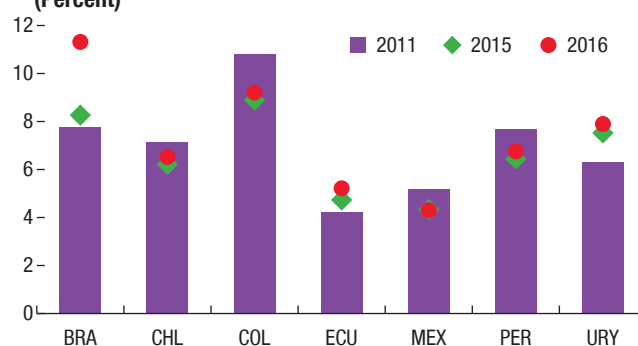
With weaker domestic demand, real credit growth decelerated in many countries, with a few exceptions such as Mexico. Nonperforming loans have been increasing (albeit from a low base) and, given subdued growth, warrant close monitoring. Overall, even though banking sector profitability has declined for many countries, the capital ratios of financial institutions in the region remain above regulatory requirements (Figure 2.6). While Latin American firms have benefitted from a narrowing of corporate spreads as well as a partial recovery in equity prices, corporate profitability has remained low and leverage remained high for listed companies as of the first half of 2016.

Figure 2.6. Domestic Developments: Declining Inflation and Real Credit, Recovering Real Wages, and Stable Unemployment

1. Inflation Comparison, 2016¹
(End of period; annual percent change)



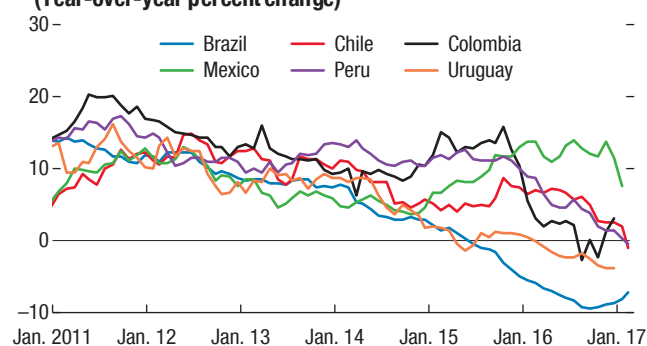
2. Unemployment Rate²
(Percent)



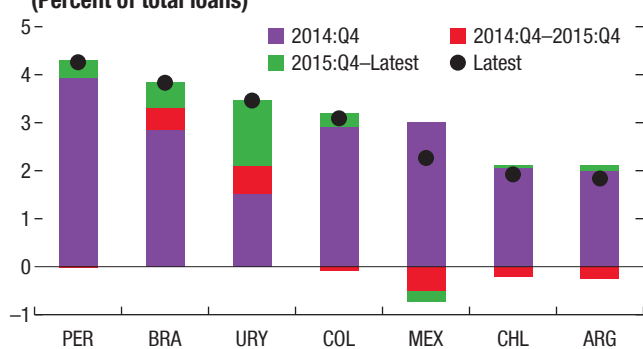
3. Rate Wage Growth³
(12-month percentage change; seasonally adjusted)



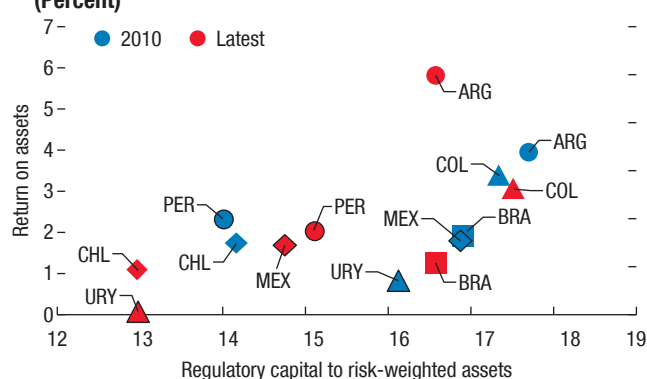
4. Real Credit to the Private Sector⁴
(Year-over-year percent change)



5. Nonperforming Loans^{2,5}
(Percent of total loans)



6. Capital Adequacy Ratio versus Return on Assets⁵
(Percent)



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

Note: For International Organization for Standardization (ISO) country codes used in data labels, see page 137. AE = advanced economies; Asia = emerging and developing Asia; Europe = emerging and developing Europe; MENA = Middle East and North Africa; SSA = sub-Saharan Africa.

¹South America average excludes Argentina and Venezuela. Venezuela's end of period inflation for 2015 was 181 percent.

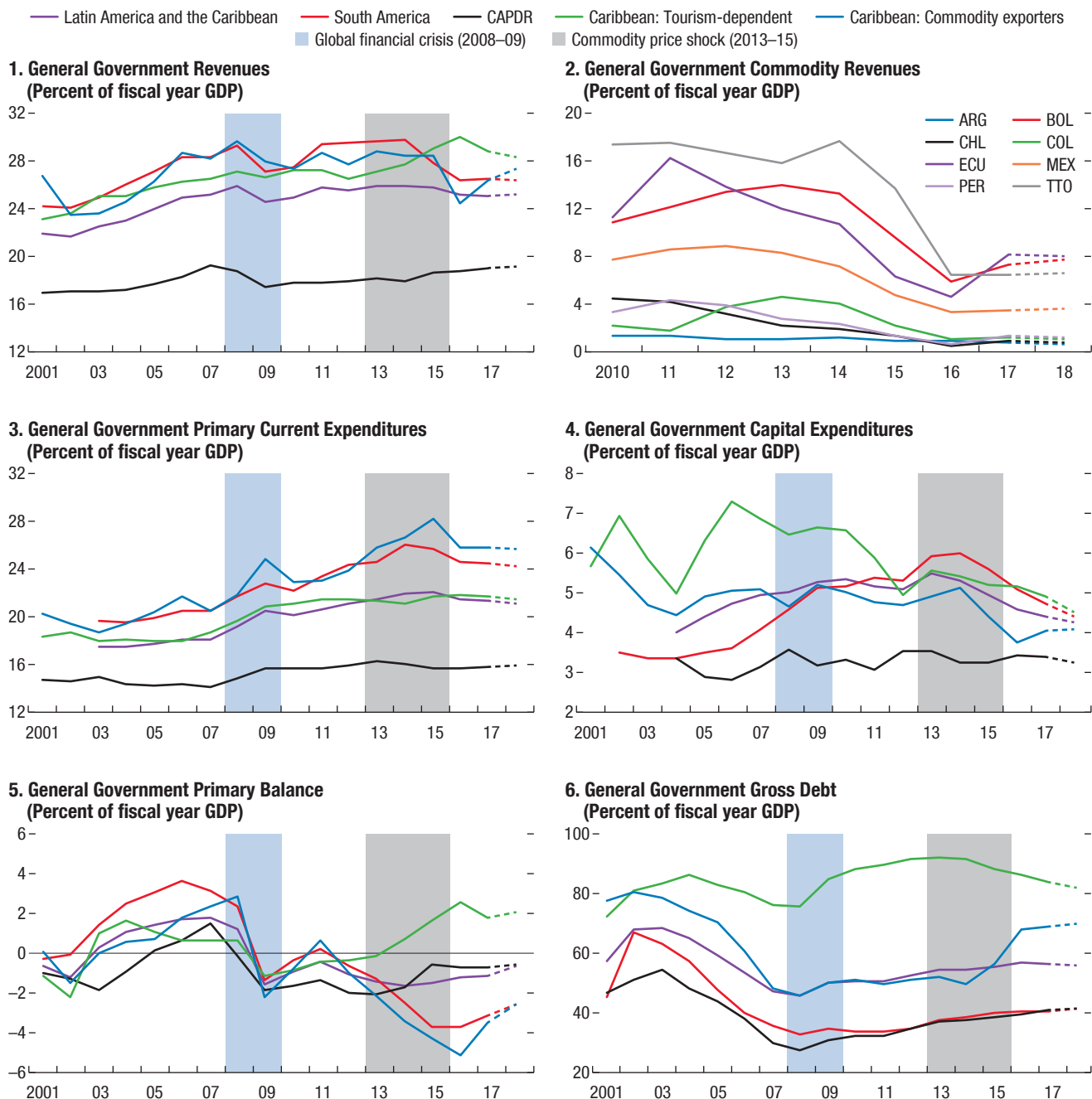
²Definitions may vary across countries.

³Simple average of Brazil, Chile, Colombia, Ecuador, Mexico, Peru, and Uruguay. Peru data are minimum wage real index.

⁴Deflated by Consumer Price Index inflation.

⁵Latest data for Colombia and Peru are 2016:Q4; Argentina, Mexico, and Uruguay are 2016:Q3; Brazil are 2016:Q2; and Chile are 2016:Q1.

Figure 2.7. Fiscal Indicators: Lower Revenues, Elevated Current Expenditures and Debt



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
 Note: Aggregates are simple averages. Dashed lines refer to projections. For International Organization for Standardization (ISO) country codes used in data labels, see page 137. For country group information, see page 137. CAPDR = Central America, Panama, and the Dominican Republic.

Wider Range of Risks

Shifts in the global landscape have also contributed to a wider range of risks around

the baseline. The region is subject to risks and uncertainty at the global level, in particular to uncertainty around the U.S. policy mix, tighter financial conditions for emerging market

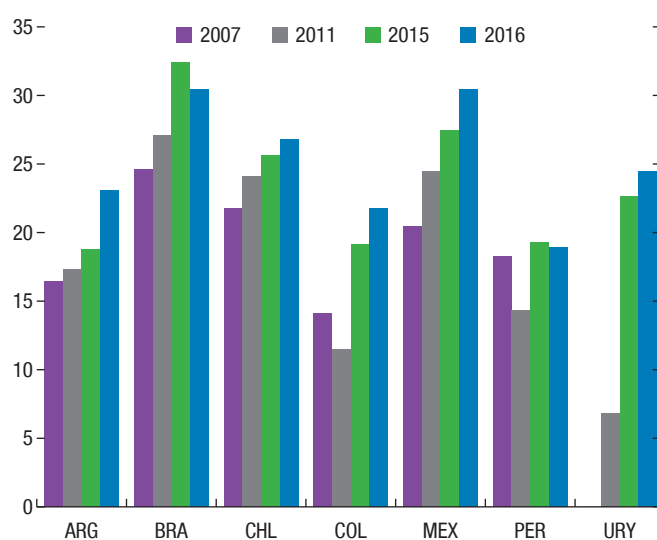
economies, and an inward shift in policies in advanced economies, including toward protectionism.

With the expected change in the policy mix in the *United States* (Chapter 1), the near-term fiscal stimulus is expected to support its trading partners' growth, particularly if U.S. imports increase, but a faster pace of monetary policy normalization and higher level of U.S. public debt may lead to tighter financial conditions as global real interest rates increase (Box 2.1). Although sovereign spreads in the region have declined over the last year, they are highly responsive to shifts in both global risk aversion and regional market spillovers, and therefore can easily revert back if these conditions deteriorate (Caceres forthcoming). In addition, such a change in global conditions could reduce capital inflows (Chapter 4) and raise corporate sector stress (Chapter 3 of the April 2016 *Regional Economic Outlook: Western Hemisphere*), given high corporate leverage in some countries (Figure 2.8). In a subdued growth environment, corporate sector problems could spill over to the banking system by reducing collateral values and increasing nonperforming loans further.

Central America and Mexico are vulnerable to possible spillovers from changes in U.S. trade and immigration policies, given their close ties (Box 2.1 and Chapter 1). In this context,

- Renegotiation of the North American Free Trade Agreement (NAFTA) could have considerable implications for Mexico. If well executed, cooperative efforts to update the agreement (for example e-commerce and financial and other services) could potentially generate growth dividends for all signatories. However, renegotiation based on the objective of affecting the bilateral trade balance, including a unilateral imposition of tariffs or other trade barriers on imports, would prove damaging. In the meantime, uncertainty regarding the exact nature and outcome of such negotiations has already taken a toll on confidence and may weigh on investment in the short term.

Figure 2.8. Corporate Leverage
(Median across firms; percent of debt to assets)



Sources: Bloomberg L.P.; and IMF staff calculations.
Note: For 2016, the numbers refer to the average of the first and second quarters. For International Organization for Standardization (ISO) country codes used in data labels, see page 137.

- A more restrictive U.S. immigration policy would reduce remittances, which have played a key financing and stabilization role for the Caribbean and Central America. At the same time, lower immigration or intensified deportations could depress productivity in countries where emigration tends to be lower skilled (Mexico and Central America) and put downward pressure on wages. In some countries, absorbing additional labor could prove challenging if unemployment is already high, investment response is sluggish, or there are skills mismatches (Box 2.1 and Chapter 5). Furthermore, a sudden increase in unemployment, even a temporary one, may lead to additional social costs, including heightened security concerns. Overall, in the near term, the positive effects of reverse migration on growth are likely to be offset by these transitional factors, particularly for Central America and Mexico.

Finally, a renewed decline in commodity prices caused by a global slowdown could add to the

earlier terms-of-trade losses, reduce capital inflows, and further elevate corporate and sovereign sector risks.

Policy Priorities: Setting the Course for Higher Growth

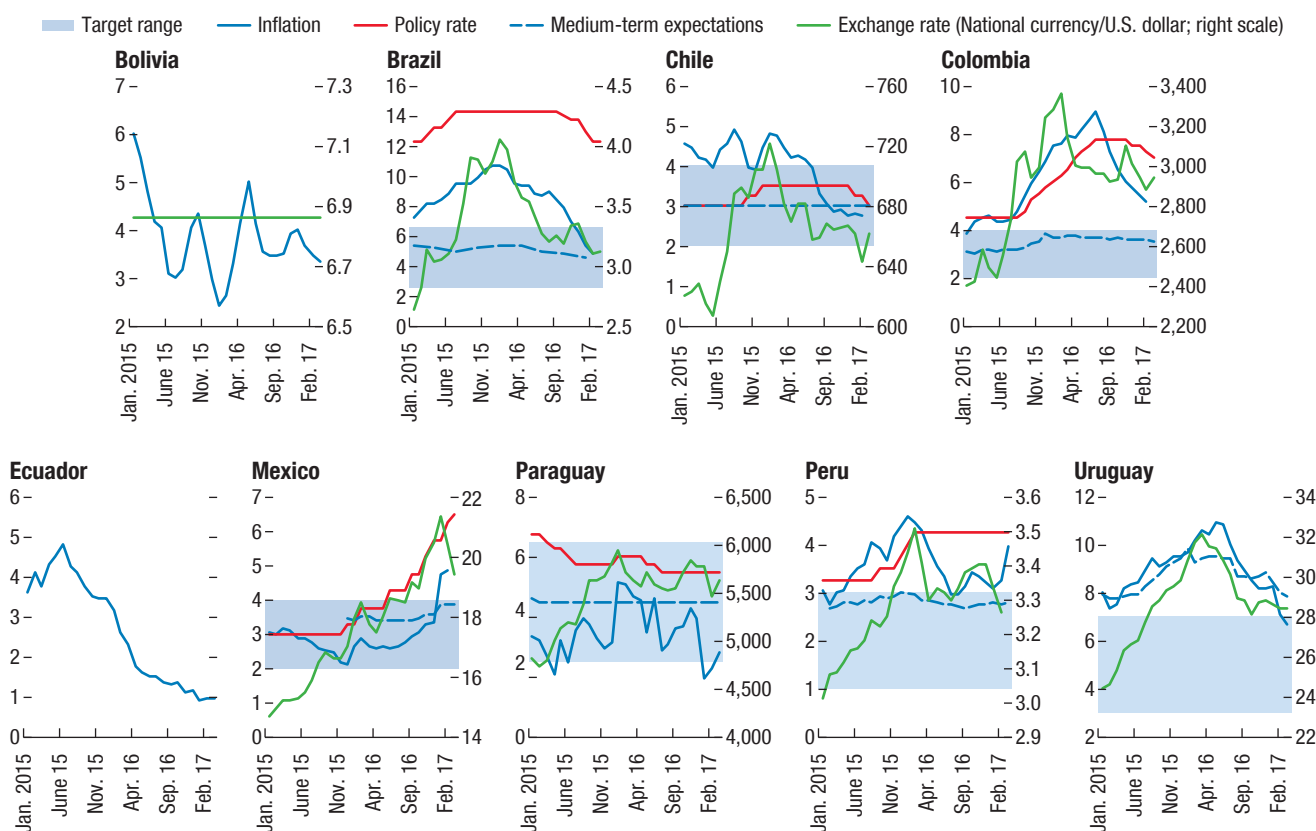
The region has experienced large shifts in its external landscape characterized by sharp declines in commodity prices (despite the recent recovery), weak trading partner demand, and bouts of financial volatility. The domestic landscape is also shifting, reflecting a combination of factors, including the removal of economic distortions in some countries, ongoing economic contractions and crisis in others, and the emergence of regionwide corruption scandals. Many countries have allowed the exchange rate to absorb these shifts, and the improved credibility of many central banks has helped contain inflation. Although the slowdown in growth and the reduction in commodity revenues have worsened fiscal balances, banking and corporate sector stress remains contained.

Furthermore, the external environment facing the region is likely to be less supportive over the medium term (Chapter 2 of the April 2017 *World Economic Outlook*), and global risks and uncertainties have widened despite the modest improvement in the region's terms of trade. Weaker potential output growth is plaguing advanced and emerging economies alike, and countries in Latin America and the Caribbean are no exception. In this increasingly complicated setting, policies should be tailored toward setting a course for higher growth. Such a course would require completing the external and fiscal adjustment, managing risks during this transition process, and shifting focus toward policies to raise medium-term growth, including efforts to improve infrastructure and human capital, domestic governance, institutions, and the business environment. In this context, priorities include the following:

- *Maintaining exchange rate flexibility.* Exchange rate flexibility has served the region well. Given the heightened global risk environment, maintaining this flexibility will help facilitate the ongoing external adjustment, counter sudden shifts in external conditions, and smooth the response of capital flows to these shocks.
- *Easing trade-offs for monetary policy.* During 2015 and late 2016, many central banks in the region preemptively raised their policy rates in response to rising inflation (Figure 2.9). Relative to the past, the needed rate hikes to keep medium-term inflation expectations anchored were more muted, and the pass-through of depreciations to inflation has been limited (Chapter 4 of the April 2016 *Regional Economic Outlook: Western Hemisphere*). Inflation began to decline in early to mid-2016 with the pass-through of earlier depreciations fading. As a result, the trade-off many countries faced last year—high headline inflation but weak growth—has eased, allowing central banks to shift to a holding or easing cycle, with some exceptions such as Mexico, where inflation has been increasing in recent months.

The limited pass-through of sizable depreciations, which took one to two years to complete, demonstrates the improved credibility of monetary frameworks. In this context, where central banks enjoy strong credibility, policies should aim to keep inflation at the midpoint of the target range over the medium term, seeing through temporary deviations particularly in the context of weak demand and lower global neutral rates. In particular, in countries where inflation and inflation expectations are converging toward the target range and credibility is strong, continued easing would create the monetary space needed to deal with future inflationary shocks. In countries where inflation and inflation expectations are above targets, the appropriate monetary policy stance should depend on the evolution of inflation and medium-term

Figure 2.9. Inflation and Monetary Policy Developments: Declining Inflation and Cuts in Policy Rates
(Percent)



Sources: Bloomberg L.P.; Global Data Source; Haver Analytics; national authorities; and IMF staff calculations.

Note: Medium-term expectations refer to two-year ahead inflation expectations except for Uruguay, which is one-year ahead.

inflation expectations. In the meantime, clear communication of policy goals is of utmost importance to maintain policy credibility and to continue anchoring inflation expectations.

- *Managing corporate and financial sector risks.* Despite sizable depreciations, the region has avoided systemic stress in sovereign, corporate, and banking sectors, reflecting improved policy and supervisory frameworks, increased hedging practices, and reduced financial dollarization. With wider global risks and high corporate and public sector leverage in some countries, policies should be geared toward ensuring that corporate balance sheets are not overstretched and that banks' asset quality remains sound. Adequate consolidated supervision where financial and nonfinancial companies are interlinked is important, in

particular to identify sources of risk and their transmission channels. In countries with high or increasing nonperforming loans, efforts should focus on identifying whether there are pockets of excessive leverage, making sure that appropriate macroprudential and resolution frameworks are in place. In this context, financial stability reports, a common feature of financial communication in the region, can be an effective form of financial surveillance if done well. These reports can help identify potential and emerging risks and promote public debate about policies, thereby encouraging more prudent behaviors and prompting the authorities to take actions that enhance financial system stability (Lim and others 2017).

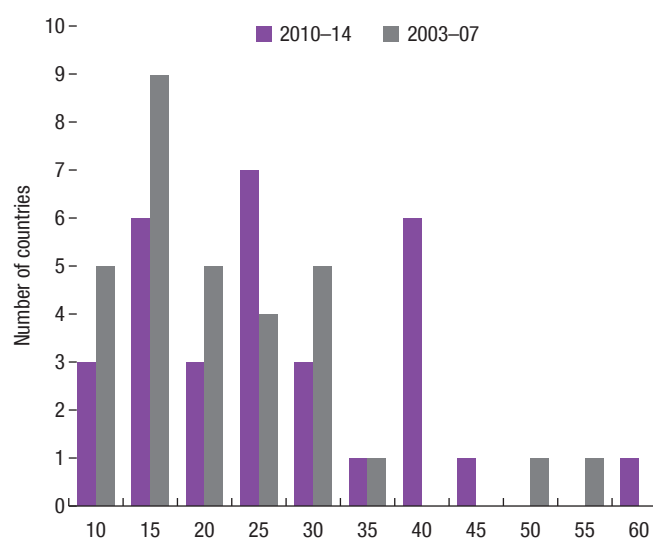
- *Completing the fiscal adjustment.* Given structurally low commodity prices in

commodity exporters, subdued potential output, and projected demographic trends, completing the fiscal adjustment is important. The desired size and pace of adjustment will vary across countries depending on debt dynamics, fiscal risks, the macroeconomic outlook, and market conditions. Fortunately, some of this adjustment is already under way, but more needs to be done given that primary balances remain below debt-stabilizing levels. Particular attention should be paid to designing growth-friendly and inclusive adjustment plans and to raising the efficiency of public spending to improve the quality of public goods and to maintain expenditures related to human and physical capital, while containing overall spending growth (April 2017 *Fiscal Monitor*).

On the institutional front, efforts should focus on strengthening fiscal frameworks by moving toward credible fiscal rules with built-in features that avoid procyclicality, ensuring a more symmetric response to both downturns and expansions, and creating a rolling medium-term expenditure framework. Over a longer horizon, given the projected demographic patterns, carefully designed reforms will be needed to ensure fiscal sustainability while providing adequate levels of pensions and health care (Box 2.2).

- *Tackling structural bottlenecks.* With adjustments ongoing and medium-term growth projected to remain subdued at 2.6 percent, attention should shift to tackling structural bottlenecks. Although the region has made progress in closing the income gap with advanced economies—with median real income per capita increasing from 16 percent of that of the United States in 2003–07 to 22 percent in 2010–14—all countries in the region remain below 60 percent of U.S. income levels (Figure 2.10; and Chapter 3 of the April 2017 *World Economic Outlook*). In this context, priorities include (1) closing infrastructure gaps to support productivity and

Figure 2.10. Latin America and the Caribbean: Real Income Per Capita Relative to the United States
(Average; frequency)



Sources: Feenstra, Inklaar, and Timmer 2015; and IMF staff calculations.

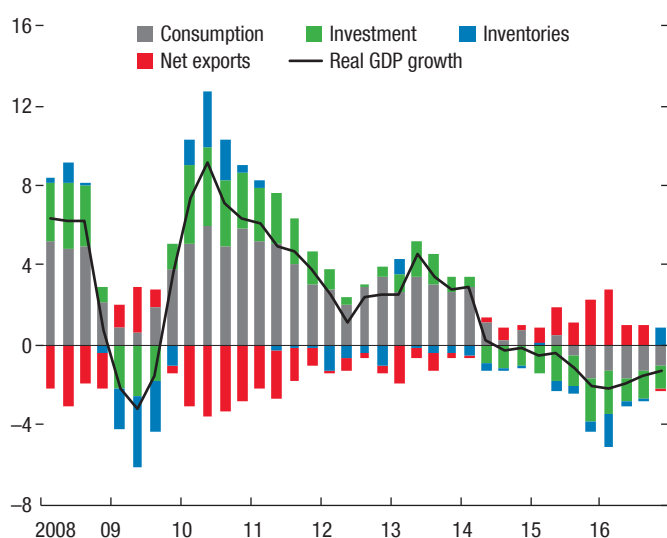
competitiveness (Chapter 5 of the April 2016 *Regional Economic Outlook: Western Hemisphere*), (2) increasing female labor force participation where it is low to help improve fiscal sustainability and potential growth (Novta and Wong 2017), (3) further investing in human capital, and (4) improving the business environment and governance and tackling corruption. Along with the appropriate macro mix, these policies would help raise potential growth by increasing contributions from labor, capital, and productivity. At the same time careful consideration should be given to the sequencing of reforms and to building broad consensus around them to avoid any potential short-term costs.

South America

Developments, Outlook, and Policies

Growth in South America bottomed out in 2016. Domestic fundamentals compounded by a large terms-of-trade shock took a toll on

**Figure 2.11. Selected Latin American Countries:
Contributions to Real GDP Growth**
(Year-over-year percent change)



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

Note: Seasonally adjusted. Purchasing-power-parity GDP-weighted averages of Argentina, Brazil, Chile, Colombia, Peru, and Uruguay. Inventories include statistical discrepancies.

the region's economic performance and led to sharp recessions in some major economies. Domestic demand in particular has been weak, while net exports have started to provide some support (Figure 2.11). The outlook is shaped by a combination of key domestic developments and shifts in the global landscape. Overall, despite the improved external outlook—including some recovery in partner demand and commodity prices, and relatively accommodative financial conditions—the recovery in domestic demand remains muted.

For some countries domestic fundamentals continue to dominate the outlook.

In *Argentina*, the economic recovery is under way, as real GDP grew (on a sequential basis) in the second half of 2016 after three quarters of contraction. Real GDP is expected to grow 2¼ percent in 2017, driven by a rebound of private consumption (as real wage growth turns positive amid falling inflation), stronger public capital spending, and a pickup of exports reflecting more

favorable external demand and the exceptionally good harvest season. Growth is projected to remain at about 2½ in 2018 and 2019, when fiscal rebalancing accelerates, whereas the rebound of private investment and exports continues at a gradual pace, against the backdrop of a strong exchange rate and slow progress of structural reforms.

Progress toward reversing the macroeconomic imbalances inherited from the past administration (including the adoption of an inflation targeting regime, the move to a floating exchange rate regime, and the introduction of medium-term fiscal targets) are expected to strengthen medium-term growth prospects. The successful tax amnesty helped the authorities close 2016 with a better-than-targeted fiscal outcome, and IMF staff expects the fiscal targets for 2017–19 to be met, mainly through a reduction in energy subsidies and continued restraint with the rest of primary spending, in line with the authorities' plans. Although the government's gross financing needs for 2017 remain high, the authorities have already funded most of the foreign exchange needs for the year, which reduces the risks from tighter external financial conditions. Inflation fell sharply in the second half of 2016 and is expected to decline further in 2017 and afterward, but at a somewhat slower pace than implied by the official inflation targets, reflecting second-round effects from the planned increases in utilities tariffs and persistent (though falling) inertia in inflation expectations. While lower fiscal deficit and lower inflation are expected to pave the way for stronger growth in the medium term, a more robust, sustainable, and equitable acceleration of economic activity would require decisive progress in addressing the structural bottlenecks that hinder productivity and capital accumulation, including reforms that reduce the tax burden on firms and households, bolster the development of local capital markets, help close the infrastructure gap, and increase domestic competition.

In *Brazil*, after two years of recession, growth is expected to return to positive territory—estimated at 0.2 percent in 2017 and 1.7 percent in 2018.

Growth in 2017 will be supported by a bumper soybean crop, a boost to consumption from the release of inactive severance accounts, the gradual resumption of investment, and higher iron ore prices. Inflation has been falling fast, and in fact ended 2016 within the target band at 6.3 percent. The constitutional amendment mandating a constant real level of federal noninterest spending was approved in December 2016. This amendment is welcome, because it aims to ensure a return to primary surpluses and to debt sustainability, though on its own, it may entail a relatively slow pace of consolidation. In this context, meeting or exceeding the established primary surplus targets is important; over time increasing the fiscal effort would be desirable as the economy regains its strength. An ambitious social security reform was submitted to Congress and is expected to be approved later this year, although some of its elements are under intense debate. Social security reform is needed to ensure that the federal spending cap is viable and that the retirement system will remain capable of supporting future generations of Brazilians. Explaining the importance of this reform is key to avoiding its dilution. To complement this initiative, modifying the minimum wage indexation policy should be considered as well. Several states, notably Rio de Janeiro, Minas Gerais, and Rio Grande do Sul, continue to face financial stress. A durable solution requires the adoption by these states of programs of adjustment and reform (including, as appropriate, in the retirement schemes for state civil servants) in addition to any support by the federal government.

The central bank commenced its easing cycle last October and has accelerated the pace of monetary easing since January, prompted by faster-than-expected disinflation, a still-weak economic recovery, and progress with fiscal reforms. Although the easing cycle can still safely continue for some time given the large output gap and inflation expectations near the target, it is important for the central bank to closely monitor progress on fiscal reforms. From the perspective of medium-term growth, reforms to strengthen competitiveness and reduce business costs are key.

Although there is significant uncertainty about the prospects for global trade, Brazilian efforts to negotiate bilateral trade deals are welcome. Also, a revenue-neutral reform of the system of indirect taxes could help reduce large compliance costs, while reforms to reduce state intervention in the allocation of credit (including some ongoing initiatives) should help reduce distortions in the economy.

In *Venezuela*, the economy is expected to remain in a deep recession and on a path to hyperinflation, driven by wide fiscal imbalances combined with extensive distortions and a severe restriction on the availability of intermediate goods imports. Because there is no sign of a shift in economic policies, real GDP is expected to fall by 7.4 percent in 2017, after falling by an estimated 18 percent in 2016 and 6.2 percent in 2015. The monetization of large fiscal deficits, scarcity of goods, and the loss of confidence in the currency fueled a rise in Consumer Price Index (CPI) inflation to 274 percent (and wholesale price inflation to about 470 percent) in 2016. Inflation, measured by the CPI, is projected to accelerate to about 1,134 percent during 2017. The current account deficit is projected to be \$8.2 billion in 2017 (3¼ percent of GDP). Although oil exports are projected to remain lower than their historical levels, higher oil prices in 2017 are expected to create space to increase imports by about \$4 billion. International reserves are projected to fall to \$6 billion in 2017, about one-third the level in 2015.

Venezuela's social conditions continue to deteriorate rapidly, with poverty in 2016 rising to 82 percent of households, 50 percent of which are classified as being in extreme poverty, according to the 2016 Living Conditions Survey, *Encuesta Condiciones de Vida* (ENCOVI). The situation is further aggravated by lack of medicines and the collapse of the health system. Violence is also a concern, with the homicide rate increasing to 92 murders per 100,000 inhabitants in 2016, up from 79 in 2013, according to the Observatorio Venezolano de Violencia.

For other commodity exporters, the moderate recovery in commodity prices will provide some relief.

Growth in *Bolivia* remains among the highest in the region, but the country faces important medium-term risks. Real GDP growth moderated from about 6 percent annually in 2013–15 to 4.1 percent in 2016, reflecting lower gas production and a drought. Real GDP is expected to expand by about 4 percent in 2017 and 3.5 percent over the longer term. Accommodative fiscal policy and rapid credit growth are supporting activity but are also contributing to fiscal and external imbalances and financial sector risks, and draining Bolivia's sizable buffers. To contain risks and boost potential growth, the government should contain the nonhydrocarbon fiscal deficit and overall deterioration of the headline balance, gradually increase exchange rate flexibility, and accelerate structural reforms, among other measures.

Despite slightly better external conditions, the outlook for *Chile* remains subdued, reflecting lingering domestic weaknesses. As a result, growth in 2017 is expected to remain well below 2 percent, at 1.7 percent, only slightly up from 1.6 percent in 2016. This small increase reflects disruptions in copper production from extended labor strikes and extensive wildfires, dampened consumption from a weakened labor market, and subdued confidence and investment, as upcoming presidential elections add uncertainty about the direction of policies. However, the recovery is expected to gain traction later this year and more strongly in 2018, helped by firmer growth in the country's main trading partners and looser monetary conditions. Monetary policy is appropriately accommodative, but there is scope for further easing given downward pressures on inflation expectations from weaknesses in domestic demand. With the subdued growth outlook, fiscal consolidation can be gradual but needs to continue given the economy's lower growth potential.

In *Colombia*, guided by timely policy tightening, the orderly economic slowdown continued last year as domestic demand (investment, in particular) has been adjusting to a permanent

shock to national income. At the same time, a nationwide strike and other one-off factors led to weaker-than-anticipated growth, although a mild rebound is expected for 2017. With inflationary pressures dissipating, the central bank has started an easing cycle to support the recovery while protecting well-anchored inflation expectations and a declining current account deficit. The infrastructure agenda, the tax reform's positive impact on public and private investment, and improved confidence stemming from peace will buttress medium-term growth.

The economic outlook for *Ecuador* continues to improve owing to better access to international capital markets prompted by the moderate recovery in oil prices. Growth for 2017 is now expected to be higher than projected earlier, but to remain in negative territory because of the persistent real exchange rate appreciation and limited fiscal space. Over the medium term, weak competitiveness, structural labor market rigidities, and a burdensome regulatory environment are expected to continue constraining private sector activity.

Peru's economy grew at a rapid pace in 2016 (3.9 percent), supported by expanding copper production and robust private consumption. Investment, however, continues to lag, and is expected to post a third consecutive annual decline. Domestic headwinds related to a political bribery probe in connection with the Brazilian company Odebrecht, along with the worst flooding and landslides in decades, may put a drag on 2017 investment and growth.

With inflation excluding food and energy within the central bank's 1–3 percent target range and the output gap still negative, the authorities announced an economic stimulus plan aimed at promoting employment and keeping 2017 growth at about 4 percent. Given implementation and impact lags, growth is likely to remain below the government target (though still robust). For the medium term, the authorities remain focused on attaining a gradual fiscal consolidation that brings the headline deficit to 1 percent within five years (from 2.6 percent in 2016).

Regional developments shape the outlook for other South American countries.

Uruguay has managed the recessions in its large neighbors relatively well. The economic slowdown in Uruguay bottomed out in 2016, with growth picking up in the second half of the year.

Inflation has decreased toward the upper bound of the central bank's target range. Given rising debt and still-elevated inflation, the room for countercyclical fiscal or monetary policy is limited. The fiscal consolidation package for 2017 is a crucial step for putting net debt on a downward trajectory, while tight monetary conditions are needed to keep supporting continued disinflation.

Paraguay's economy grew at a solid rate of about 4 percent in 2016, largely due to strong energy production and construction activity, and IMF staff expect growth to moderate in 2017 as supply-side tailwinds dissipate. In the wake of a rare presidential veto on this year's budget, a broadly neutral fiscal stance is expected, while a moderately accommodative monetary policy stance remains appropriate. Actual and expected inflation are evolving in line with the central bank's recently lowered midpoint of the target range, but policymakers should remain vigilant to external shocks that may arise from an uncertain global environment.

Common Policy Priorities

Many commodity exporters in South America are going through a protracted adjustment to structurally lower commodity revenues and external demand, particularly given China's transition to a more sustainable pattern of growth that is less reliant on investment and commodity imports. In this context, a priority for the region is to put fiscal balances on a sustainable footing and strengthen fiscal frameworks. The desired pace of the fiscal adjustment varies across countries and depends on debt levels and market pressures. Given large infrastructure gaps, prioritizing such spending over other current expenditures will help support medium-term growth.

Improved monetary policy frameworks have kept inflation contained despite sizable depreciations. In this context, the central banks should continue to tailor their monetary policy stance based on the evolution of medium-term inflation expectations as disinflation continues.

Given the importance of domestic factors for the region's outlook, continued efforts toward reducing domestic distortions, resolving policy uncertainties, tackling corruption, and furthering structural reforms are needed to set a course to higher medium-term growth. Priorities include improving infrastructure, reducing red tape and economic informality, enhancing the business climate, deepening credit markets further, and reforming education.

Mexico, Central America, Panama, and the Dominican Republic

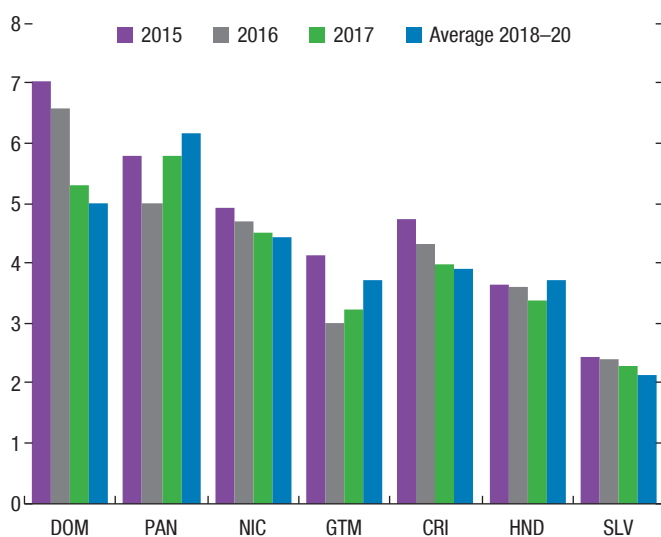
Developments and Outlook

The outlook and risks for *Central America* and *Mexico* are being influenced by their exposure to the United States through trade, migration, and foreign direct investment (FDI) linkages (Box 2.1).

Mexico's real GDP growth is expected to decelerate to 1.7 percent in 2017 (down from 2.3 percent in 2016), before recovering somewhat to 2 percent in 2018. Uncertainty about future trade relations with the United States and higher borrowing costs are expected to weigh particularly on investment but also on consumption, more than offsetting the positive impulse stemming from stronger U.S. growth and the sharp depreciation of the currency in real effective terms. Downside risks remain elevated because protracted NAFTA negotiations would prolong the current uncertainty and increase financial market volatility. Persistently high uncertainty could further depress investment and consumption, pushing output growth lower.

Inflation is running above target mainly as a result of the liberalization of gasoline prices in January

Figure 2.12. CAPDR: Real GDP Growth
(Year-over-year percent change)



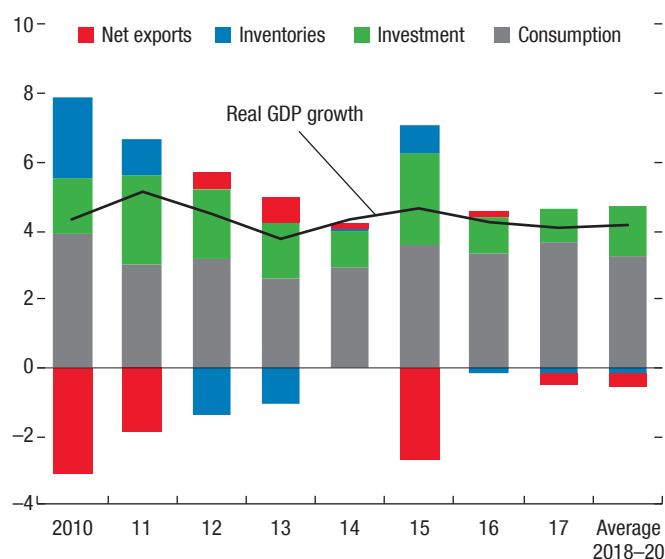
Sources: IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

Note: For International Organization for Standardization (ISO) country codes used in data labels, see page 137. CAPDR = Central America, Panama, and the Dominican Republic.

2017, compounded by the pass-through of the depreciation of the exchange rate to domestic prices. The central bank has continued to tighten monetary policy, increasing its policy rate to 6½ percent in March to ensure that medium-term inflation expectations remain anchored. In this context, inflation is projected to temporarily exceed 5 percent in 2017, before declining rapidly, nearing the central bank's 3 percent target toward the end of 2018. To smooth exchange rate volatility and provide a means of foreign-currency hedging to market participants during times of market dislocation, the central bank introduced a new foreign-exchange intervention strategy based on nondeliverable forwards to be settled in pesos. The peso has strengthened vis-à-vis the U.S. dollar since January, reflecting the effects of conciliatory remarks by U.S. officials as well as the strength of macroeconomic policies.

Growth in *Central America, Panama, and the Dominican Republic* (CAPDR) has remained broadly

Figure 2.13. CAPDR: Contributions to Real GDP Growth
(Year-over-year percent change)



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

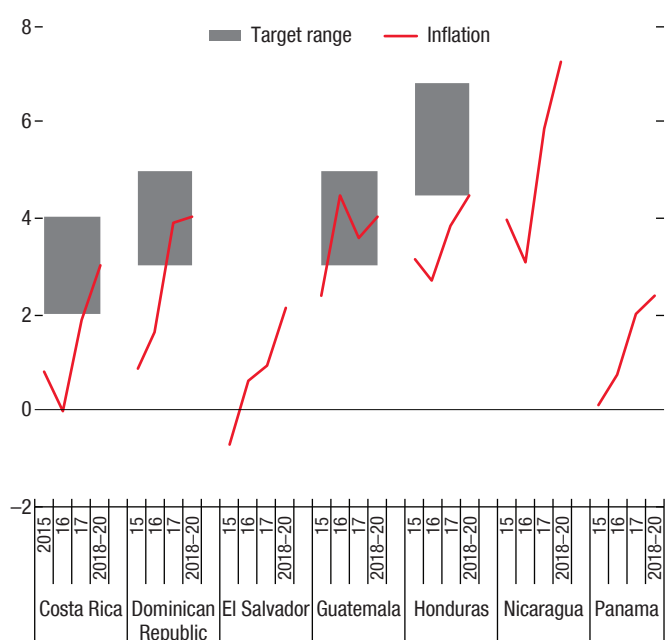
Note: Seasonally adjusted. Purchasing-power-parity GDP-weighted averages of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Inventories include statistical discrepancies. CAPDR = Central America, Panama, and the Dominican Republic.

unchanged at about 4¼ percent in 2016 (Figures 2.12 and 2.13), supported by a recovery in the United States—with a robust labor market—and low oil prices. Consumption, the main driver of growth, was also supported by strong remittances in the Northern Triangle countries.¹ Investment in the region has returned to normal levels with the completion of energy projects in *Honduras* as well as nonresidential investment projects in *Costa Rica, Guatemala, and Nicaragua*.

Stable performance at the regional level masks divergence across countries. Growth in the *Dominican Republic* softened from 7 percent in 2015 to 6½ percent in 2016 because of weaker investment growth in construction and manufacturing, but remains the highest in the region. Growth in *Panama* in 2016 remained high at 5 percent, though lower than expected as maritime trade decelerated and revenues from the

¹The Northern Triangle countries are El Salvador, Guatemala, and Honduras.

Figure 2.14. CAPDR: Inflation Rate versus Target Rate
(Percent)



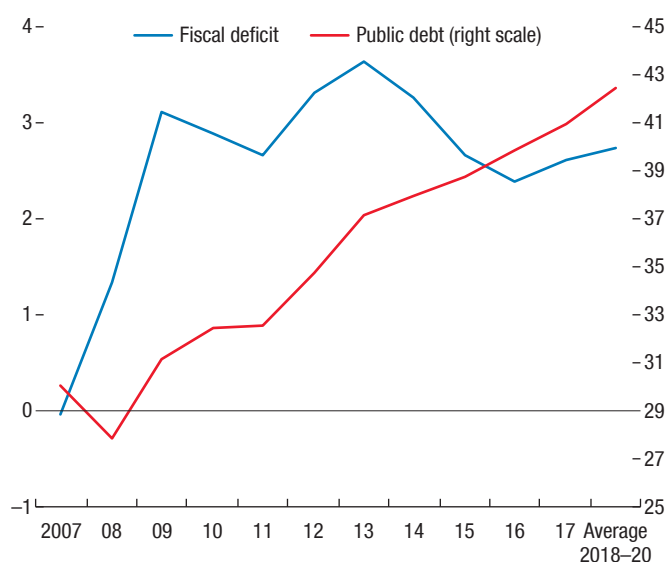
Sources: IMF, World Economic Outlook database; and national authorities.
Note: CAPDR = Central America, Panama, and the Dominican Republic.

expanded Panama Canal disappointed. Growth in *Costa Rica* was robust at 4¼ percent in 2016, propelled by stronger harvests and higher exports. Growth in *Guatemala* decelerated from 4 percent in 2015 to 3 percent in 2016 in the wake of losses in competitiveness related to unexpected appreciation in the real effective exchange rate, a slowdown in public spending, and heightened domestic policy uncertainty.

Inflation, at 2 percent at the end of 2016, remains below or within target ranges in countries with an inflation targeting framework (Figure 2.14). The uptick in inflation in *Guatemala* was driven by weather supply shocks that affected food items. External current account deficits for the region, largely financed by FDI, have improved as a result of still-low commodity prices and strong remittances. Reserves are generally adequate.

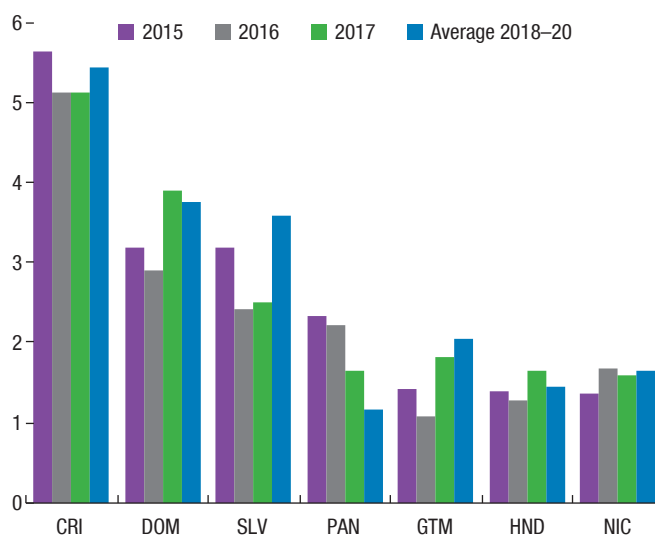
Fiscal consolidation in 2016 continued, albeit at slower pace than in the past (Figures 2.15 and 2.16). In *Costa Rica*, the fiscal deficit, the highest in the region, continued shrinking, reflecting

Figure 2.15. CAPDR: Fiscal Deficit and Debt
(Percent of fiscal year GDP)

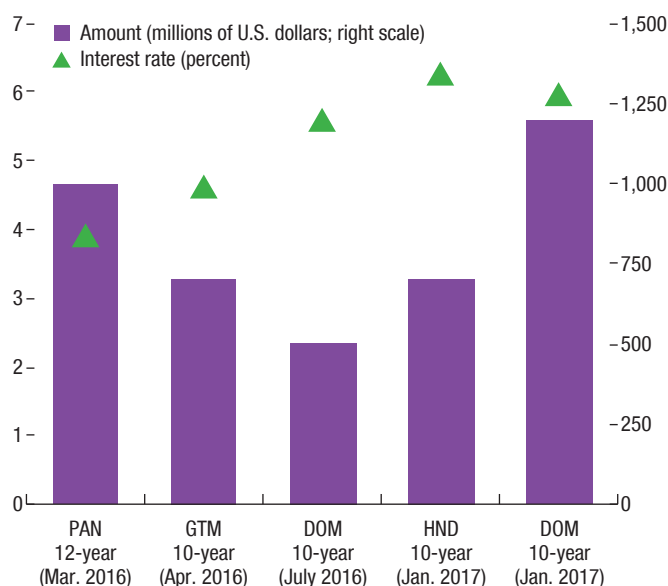


Sources: IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: For country group information, see page 137. CAPDR = Central America, Panama, and the Dominican Republic.

Figure 2.16. CAPDR: Fiscal Deficit
(Percent of fiscal year GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: For 2015–16, Dominican Republic fiscal deficit excludes a one-off debt restructuring operation. For International Organization for Standardization (ISO) country codes used in data labels, see page 137. Note: CAPDR = Central America, Panama, and the Dominican Republic.

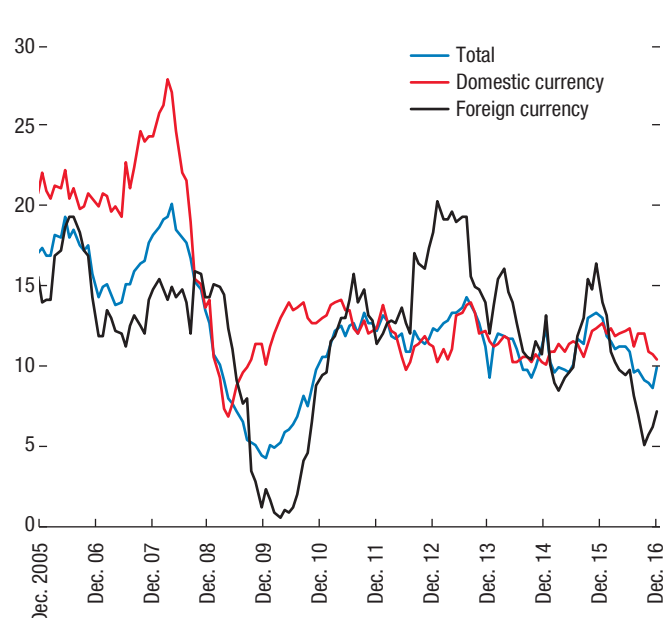
Figure 2.17. CAPDR: Eurobond Issuance, 2016–17

Source: National authorities.

Note: For International Organization for Standardization (ISO) country codes used in data labels, see page 137. CAPDR = Central America, Panama, and the Dominican Republic.

the government's administrative efforts to raise tax revenue and contain wage and investment spending. In *Nicaragua*, the increase in the fiscal deficit reflected somewhat higher infrastructure spending. Overall, the average public debt-to-GDP ratio in CAPDR has been increasing amid relatively favorable external financing conditions (Figure 2.17). In the absence of additional consolidation measures, fiscal vulnerabilities are expected to persist in the medium term in the *Dominican Republic*, *Costa Rica*, and *El Salvador*.

The financial sector appears sound. Credit growth, in particular in foreign currency, decelerated in 2016 and remains consistent with healthy financial deepening (Figure 2.18). Although regulatory frameworks are at various stages of implementing the Basel Accords, banks are already moving toward Basel III capital and liquidity requirements, and provisioning coverage appears adequate, while nonperforming loans remain low. De-risking by international banks has been limited. The high degree of dollarization and increased reliance

Figure 2.18. CAPDR: Average Credit Growth by Currency (Year-over-year percent change)

Sources: National authorities; and IMF staff calculations.

Note: For country group information, see page 137. CAPDR = Central America, Panama, and the Dominican Republic.

on external financing continue to represent vulnerabilities.

The outlook for the region remains favorable. Growth is expected to stabilize at an estimated average potential rate of 4 percent in the medium term. Strong U.S. growth will help support exports and remittances. Higher global interest rates will have only a limited impact on economic activity given weak financial linkages of many CAPDR countries. However, risks are tilted to the downside and include weaker-than-expected global growth, higher-than-expected global interest rates, a stronger dollar—while exchange rates fail to adjust—political uncertainties, and a retreat from cross-border integration.

Only modest acceleration of inflation and deterioration in external positions are expected over the medium term, in line with the trend in global commodity prices and continued trade volume adjustments to the recent terms-of-trade shocks.

Policy Priorities

Mexico's policy priorities are maintaining macroeconomic stability and market confidence in an environment of heightened uncertainty. Strengthening the fiscal framework will bolster the credibility of fiscal policy and help reduce public debt, which reached 58 percent of GDP in 2016. Specific reforms to the Fiscal Responsibility Law should include tightening the link between the desired level of public debt and the public sector borrowing requirement, limiting the use of exceptional circumstances clauses, and establishing a nonpartisan fiscal council. At the same time, it will be important for the government to stick to its policy to lower the fiscal deficit to 2.5 percent of GDP by 2018. In addition, it would make sense to use any positive revenue surprises and all profit transfers from the Bank of Mexico to reduce public debt.

The flexible exchange rate should remain the main shock absorber to help the economy adjust to external shocks. Increases in the monetary policy rate over the past year will help keep medium-term inflation expectations well anchored. Given the expected sharp slowdown in economic activity, the temporary nature of the inflation pressure, wage growth remaining in check, and the recent introduction of foreign-exchange hedges by the central bank, there is scope for a pause in monetary tightening in the near term. To this end, clear communication by the central bank remains important for guiding market expectations. On the structural front, greater diversification of export markets and further efforts to improve security and strengthen the rule of law would help boost potential growth. Despite significant efforts to enhance social and economic inclusion, important challenges also remain to reduce poverty and inequality.

Central America would benefit from institutionalizing fiscal discipline and strengthening fiscal policy frameworks. In the short term, achieving fiscal sustainability remains an immediate priority. *Costa Rica*, the *Dominican Republic*, and *El Salvador* need to rebuild their fiscal buffers through higher revenues and lower

and more efficient spending. Establishing fiscally robust medium-term institutional frameworks, for example by means of fiscal rules such as the ones recently implemented by some countries in the region, is key to minimizing the potential negative impact on growth from fiscal consolidation. In *Guatemala*, in contrast, where levels of poverty and inequality are high and fiscal sustainability is not in jeopardy, fiscal policy should focus on supply-side and social objectives, including raising revenues to finance higher government spending to close social and physical infrastructure gaps. Over the medium term, pension and health care system reforms in the region are needed to counter pressures from population aging (see Box 2.2).

Maintaining and increasing exchange rate flexibility in countries with flexible exchange rates could help improve economies' resilience to shocks, given the risks associated with tighter global financial conditions, continued appreciation of the U.S. dollar, and increased episodes of market volatility. More robust monetary policy frameworks would require completing the transition to a full-fledged inflation-targeting framework, strengthening monetary transmission mechanisms by reducing dollarization, and improving financial infrastructure, mainly in the money, foreign exchange, and domestic debt markets.

Protecting financial stability would require continuing transition toward Basel III, stepping up consolidated supervision frameworks, implementing risk-based supervision, integrating systemic risk in the regulatory and supervisory frameworks, strengthening supervision of non-banks, and fortifying bank resolution frameworks. Given the risks arising from the potential withdrawal of correspondent banks, strengthening and proactively enforcing anti-money laundering/combating the financing of terrorism (AML/CFT) frameworks is also high on the agenda (Box 2.3). Regional cooperation on AML/CFT as well as cross-border prudential supervision are important for building resilience of CAPDR financial systems to global and regional shocks.

On the structural front, progress on improving productivity remains high in the agenda to accelerate potential growth and reduce poverty. Hence, long-term growth would be supported by improving the business environment, including through better security; prioritizing spending on education, health, and infrastructure; removing barriers to regional market integration; and strengthening the legal basis for financial deepening and inclusion.

The Caribbean

Developments and Outlook

Prospects for the Caribbean region are improving, with growth in both tourism-dependent economies and commodity exporters projected to be in the 1½–3 percent range for 2017 and 2018 (Figure 2.19).

Several countries in the region registered strong growth in tourism in 2016—in particular *Belize*, *Grenada*, *Jamaica*, and *St. Vincent and the Grenadines*—as a result of higher arrivals in both the stopover and cruise segments. This trend is expected to continue in 2017, supported by higher economic growth in the United States, the main market for most destinations in the region. There are a few exceptions, however, such as *Barbados*, which is heavily dependent on tourism from the United Kingdom. The Zika epidemic appears to have had limited impact on the tourism industry in 2016 and early 2017.

Commodity exporters, including *Trinidad and Tobago* and *Suriname*, were hit hard by much lower commodity prices in 2015 and 2016, and are projected to return to modest positive growth in 2017 and 2018, benefiting from somewhat higher (though still low) commodity prices. Higher commodity prices should also help improve the external position of these countries in 2017 and 2018.

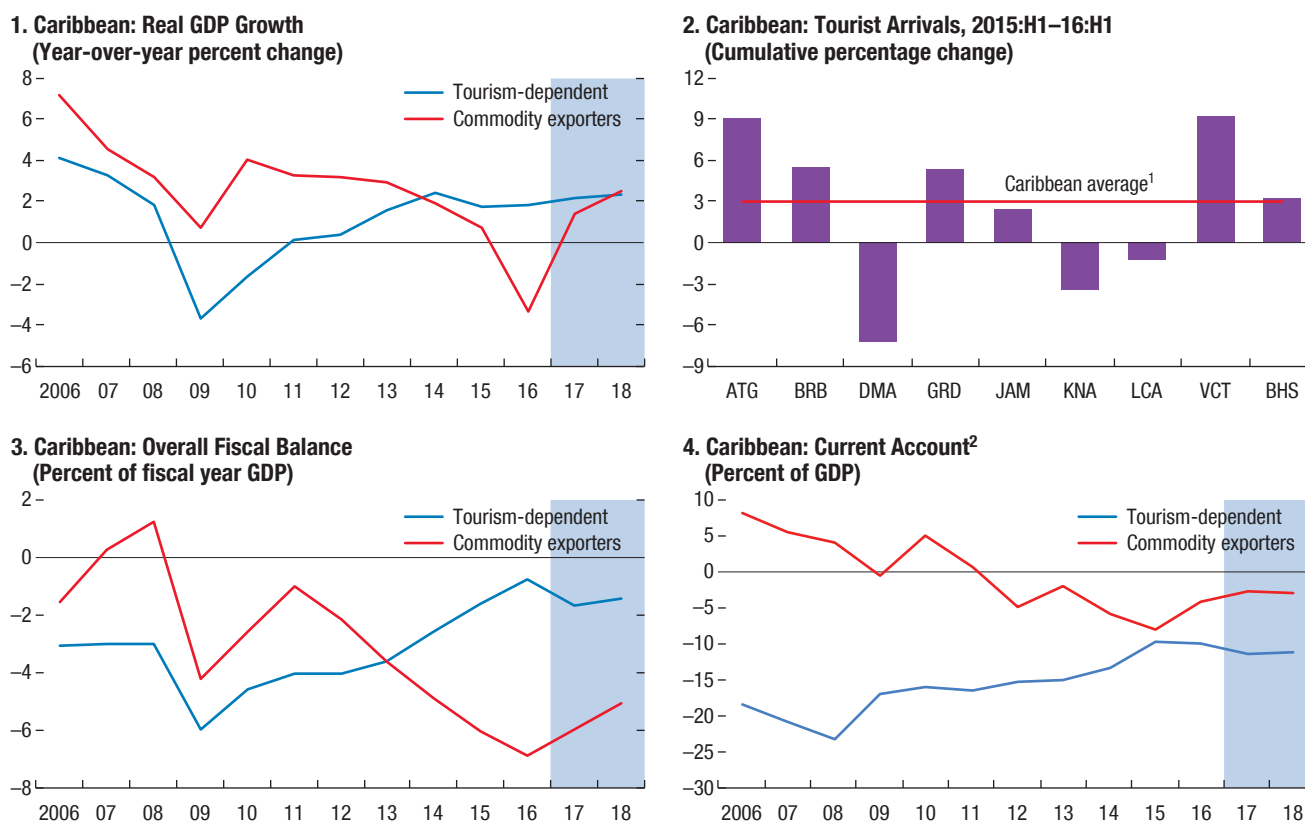
The impact of the expected shift in the U.S. policy mix (with more expansionary fiscal policy and tighter monetary policy, relative to earlier

projections) on the Caribbean region through the interest rate channel is likely to be limited, given limited capital flows and financial integration with the United States. Appreciation of the U.S. dollar could have a negative impact on competitiveness, particularly in countries with currencies tied to the U.S. dollar. Other downside risks include further loss of correspondent banking relationships (Box 2.3).

Policy Priorities

Public sector debt remains a major vulnerability for the region. In several tourism-dependent economies, the public-debt-to-GDP ratio is now declining from very high levels, with several countries, including *Grenada*, *Jamaica*, and *St. Kitts and Nevis*, engaged in multiyear fiscal consolidation efforts. In these cases, continued fiscal prudence will be necessary to gradually reduce debt-to-GDP ratios to sustainable levels and to build and preserve buffers against adverse shocks. In *Barbados* and *Belize*, public debt has continued to increase in recent years, and fiscal consolidation combined with structural reform is needed to put public debt on a clear downward trajectory. The situation in *Barbados* is becoming increasingly complex given the public sector's large financing requirements, and as a result of the slow implementation of planned fiscal measures and reforms. In *Belize*, the debt restructuring agreed upon with external bondholders in March 2017—the third such operation in a span of just 10 years—provides meaningful cash flow relief but will not put public debt on a sustainable path unless supported by an ambitious economic reform program. In commodity-exporting countries, such as *Trinidad and Tobago* and *Suriname*, the decline in commodity prices exposed weaknesses in fiscal policy and led to large deficits, contributing to a rapid increase in public debt. In these cases, there is a clear need for tighter fiscal policies in the context of medium-term macroeconomic adjustment to reestablish a sustainable fiscal path and ensure debt sustainability.

Figure 2.19. Caribbean: Recent Developments



Sources: Caribbean Tourism Organization; Eastern Caribbean Central Bank (ECCB); IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

Note: Aggregates are simple averages. Shaded area refers to projections. For International Organization for Standardization (ISO) country codes used in data labels, see page 137. For country group information, see page 137.

¹Caribbean average includes Antigua and Barbuda, The Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

²Data for the Eastern Caribbean Currency Union countries do not reflect ECCB provisional estimates for 2014 following a fundamental revision in balance of payments methodology. The ECCB will release final numbers for 2014 in early 2017.

In some countries in the region the financial sector is still burdened by poor asset quality, low profitability, and insufficient capital. As a result, banks are unable to play a positive role in sustaining the ongoing recovery. In the *Eastern Caribbean Currency Union (ECCU)*, the authorities have taken important steps to enhance the resilience of the banking sector, including by passing key legislation and through the successful resolution of problem banks. Further reforms will be required to durably strengthen the banking system, including strengthening the supervision of banks and nonbank financial institutions and increasing the capital adequacy of indigenous banks. Efforts to strengthen the financial sector

are also under way in other countries in the region.

To improve long-term prospects, stronger implementation of structural reforms is necessary. Notably, efforts are needed to better align wage setting with productivity and to reduce energy and business financing costs. Measures to boost competitiveness include improving education, mitigating skills mismatches, accelerating contract dispute resolution processes, and reforming insolvency regimes.

Box 2.1. Exposures to the United States

Given the ongoing uncertainty about U.S. policies, as described in Chapter 1, this box summarizes the region's main exposures to the United States and analyzes possible spillovers using model simulations.

Trade Linkages

Canada, Central America, and Mexico are highly exposed to the United States through trade. The United States accounts for close to 80 percent of total goods exports from Canada and Mexico (about a quarter of their GDPs) and 40 percent of exports from Central America (Figure 2.1.1). Central American countries' indirect exposure to the United States is also high through intraregional trade, at about 20 percent of total exports. The United States has been running a trade deficit in goods with both Mexico and Canada, but it has a trade surplus in services. Conversely, the Central American Free Trade Agreement (CAFTA) is the only trade deal under which the United States has a trade surplus in goods but a trade deficit in services. *South America* has lower exposure to the United States, mostly through commodities. Apart from commodity-based economies (Guyana, Suriname, and Trinidad and Tobago), goods exports from the *Caribbean* to the United States are modest, and the main exposure is through the tourism sector. Overall, the region's exports to the United States, particularly in Mexico, have a high degree of concentration in manufactured goods.

In this context, renegotiation based on the objective of affecting the bilateral trade balance, including a unilateral imposition of tariffs or other trade barriers on imports, would prove damaging. For example, if tariffs for NAFTA and CAFTA countries are increased to the World Trade Organization's most-favored nation levels, lower U.S. demand for these countries' exports would initially worsen their trade balance and reduce domestic demand and real GDP growth. Through time, trade balances of these countries would improve gradually as imports decline and currencies depreciate. In addition, more widespread protectionist policies across the world could create additional spillovers to the region through lower export demand and commodity prices.

Remittances and Immigration Linkages

Remittance flows sent by migrant workers in the United States, principally to Northern Triangle countries in Central America (El Salvador, Guatemala, and Honduras), account for a significant share of GDP (Chapter 5). Although the United States is the main source of remittance flows to Mexico, the share of remittances in domestic GDP is much lower. Overall, South America has a low exposure, with remittance flows originating in a wider range of countries, mainly in Europe, but within South America, some Andean countries are more exposed than others. In the *Caribbean*, remittance flows from the United States to Belize, Guyana, and Jamaica are sizeable.

Mexican and Central American immigrants constitute the bulk of the Latin American migrant population in the United States (Chapter 5). In 2015, immigrants from Central America residing in the United States represented close to 10 percent of the subcontinent's entire population (compared with less than 1 percent in South America). El Salvador has by far the largest number of emigrants relative to the population of the country of origin, followed by Mexico. In the Caribbean, the migrant population living in the United States is substantial relative to the population of the countries of origin (about 23 percent).

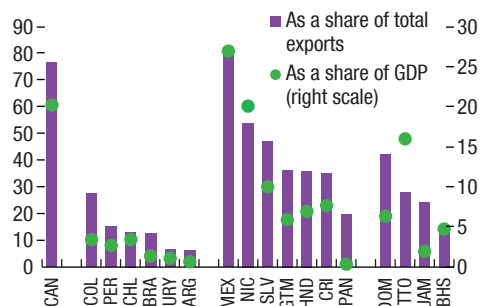
An intensification of the recent trends in deportations would likely reduce per capita GDP of countries in Central America, Panama, and the Dominican Republic, and to a lesser extent, in Mexico. The magnitude of the impact would depend on the skill composition and degree of labor market integration of returning migrants, the degree of average wage differentials with the United States, and a possible deterioration in confidence and country risk premia.

This box was prepared by S. Pelin Berkmen and Juan Yépez, based on a compilation of Western Hemisphere Department intradepartmental work on possible U.S. policy spillovers. Model simulations were prepared by Michal Andrlé and Benjamin Hunt.

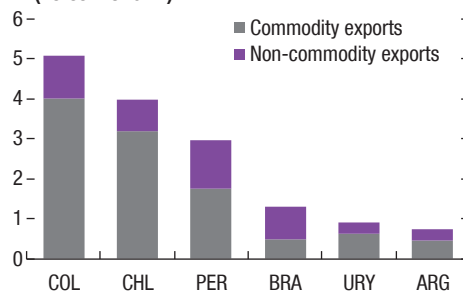
Box 2.1 (continued)

Figure 2.1.1. Exposure to the United States

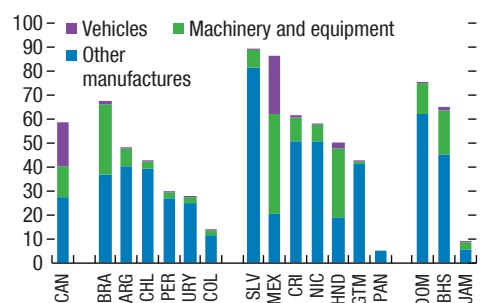
1. Goods Exports to the United States, 2015 (Percent)



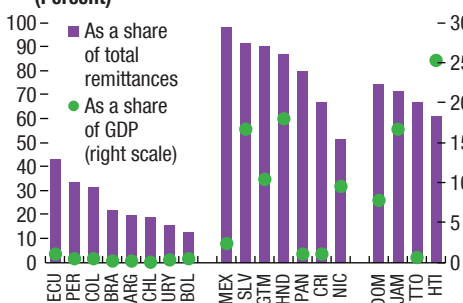
2. South America: Composition of Exports to the United States, Average over 2013–15¹ (Percent of GDP)



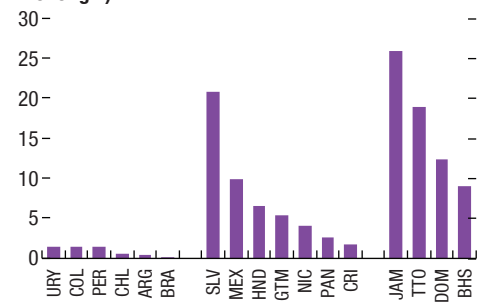
3. Manufactured Exports to the United States, 2015² (Percent of total exports of goods to the U.S.)



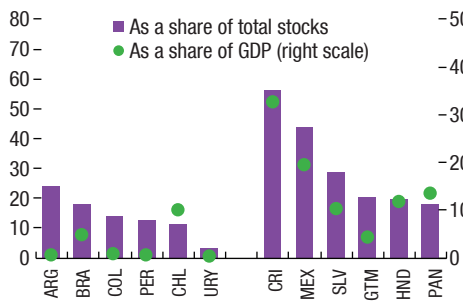
4. Remittances from the United States to Latin America and the Caribbean (Percent)



5. Total Migrant Population in the United States (Percent relative to the population of the country of origin)



6. Direct Investment from the United States, 2015 (Percent)



Sources: IMF, Coordinated Direct Investment Survey database; IMF, Direction of Trade Statistics database; IMF, World Economic Outlook database; UN Comtrade; United Nations, Department of Economic and Social Affairs 2015; World Bank, Migration and Remittances database; and IMF staff calculations.

Note: For International Organization for Standardization (ISO) country codes used in data labels, see page 137.

¹Commodity exports include agricultural raw materials, food, fuel, and ores and metals.

²Manufactured exports include chemicals and related products, machinery and transport equipment, manufactured goods, and miscellaneous manufactured articles. The data for Honduras correspond to 2014.

Box 2.1 (continued)**Foreign Direct Investment Linkages**

U.S. *foreign direct investment* (FDI) in the region is concentrated mainly in Costa Rica and the United States' partners in NAFTA. Out of the total stock of FDI, U.S. FDI represents 60 percent in Costa Rica and 50 percent in the NAFTA partners, respectively (representing 26 percent and 18 percent of GDP). El Salvador and Honduras are also exposed to the United States, with the stock of U.S. FDI representing 9 percent and 11 percent of GDP, respectively. In South America, exposure to U.S. FDI is lower, with the exception of Brazil and Chile. U.S. FDI in the Caribbean is modest.

Spillovers: Illustrative Model Simulations¹

Spillovers from a change in the U.S. policy mix are analyzed using an illustrative scenario involving a debt-financed fiscal expansion (through reduced labor and corporate income taxes and increased infrastructure spending). Details of the scenario and its impact on the United States are summarized in Chapter 1 of the April 2017 *World Economic Outlook*.

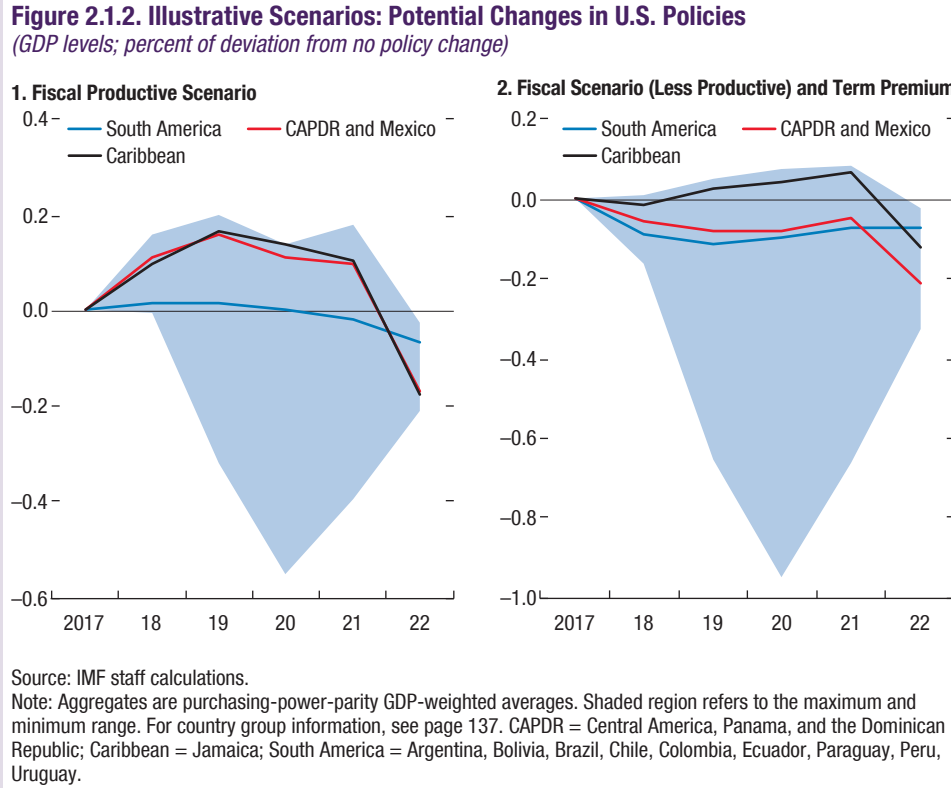
If the fiscal measures are highly productive, U.S. GDP rises notably, peaking at 1 percent above the no-policy-change case in 2021. This higher demand triggers a tightening in U.S. monetary policy and a real appreciation of the U.S. dollar. Abstracting from policy uncertainty, in the short term there could be positive spillovers to the United States' main trading partners. Countries with currencies that are pegged to the U.S. dollar would suffer from appreciation in effective terms.

If the fiscal measures are not productive and financial markets deliver faster normalization of the U.S. term premium, U.S. GDP rises by roughly ½ percent by 2021, and the spillovers to the region are mostly negative, with tighter global financial conditions offsetting the effects of higher partner demand.

In the long term, under both scenarios spillovers to the region are small, but negative, because the permanently higher level of U.S. public debt raises global real interest rates and the cost of capital, more than offsetting the increase in the return to private capital coming from higher U.S. demand (Figure 2.1.2). The negative spillover effects of unproductive U.S. fiscal measures coupled with the higher U.S. term premium are larger for the most financially integrated economies in the region.

¹The structural simulations were estimated using the IMF's Flexible System of Global Models (FSGM). This is an annual, multiregional general equilibrium model that combines both micro-founded and reduced-form formulations of various economic sectors. It has a fully articulated demand side and some supply-side features.

Box 2.1 (continued)



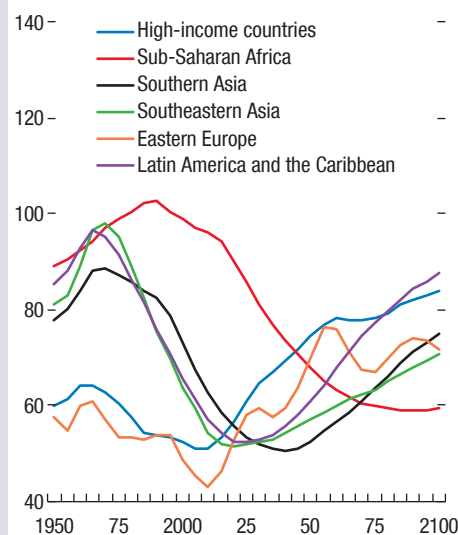
Box 2.2. Long-Term Fiscal Gaps

Although Latin American countries are still younger than most advanced economies, population aging is expected to accelerate. For the past 65 years, the region has enjoyed a significant demographic dividend as it experienced the world's steepest decline in the total dependency ratio (population younger than age 15 and older than age 64 as a ratio of population ages 15–64). But Latin America is approaching the turning point to a new era of rapid aging, with the United Nations predicting that by 2080 it will overtake advanced economies as the region with the highest share of elderly population (Figure 2.2.1).

Several aspects of current pension and health care systems in Latin America make the region's long-term fiscal positions particularly vulnerable to population aging. Average public pension and health care spending in Latin America is lower than in high-income countries and emerging Europe, but already twice as high as in emerging Asia, a region with a more similar demographic structure (Figures 2.2.2 and 2.2.3). Most Latin American countries have defined-benefit pay-as-you-go pension systems that are relatively generous and typically underfunded. Although retirement ages are in line with international averages in many countries, in several cases replacement rates are above, and contributions below, those in high-income countries.¹ On the other hand, defined-contribution systems introduced in the 1990s are generating replacement rates that may be below socially acceptable levels (Table 2.2.1) and as such may ultimately not meet their intended objectives of reducing long-term fiscal liabilities due to the public cost of noncontributory pension schemes needed to alleviate poverty. At the same time, coverage by contributory pension and health care systems is relatively limited, reflecting the large incidence of informality in the region. Although many countries have achieved higher coverage through minimum noncontributory pensions and health insurance, this approach might have negative implications for fiscal sustainability down the road.

The projected fiscal costs of population aging are not sustainable under current policies in Latin America. A stylized cross-country exercise, drawing on demographic projections from the United Nations and methodologies developed by the IMF to derive public spending projections, is used to quantify long-term fiscal gaps generated by population aging in 18 Latin American countries (Clements and others 2015). Average pension spending in these countries, currently at 3½ percent of GDP, is projected to increase to 4 percent and 7 percent of GDP in 2030 and 2065, respectively, with a high of 30 percent of GDP in Brazil in 2065 (Figure 2.2.4). Long-term fiscal gaps, measured as the present discounted value (PDV) of the increase in

Figure 2.2.1. Total Dependency Ratio
(Population <15 and >64/population 15–64; percent)



Source: United Nations, *World Population Prospects: 2015 Revision*.

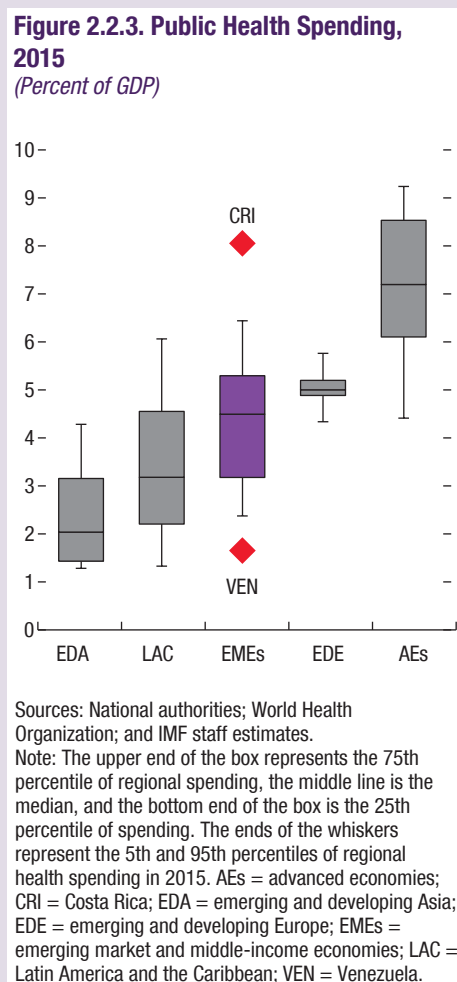
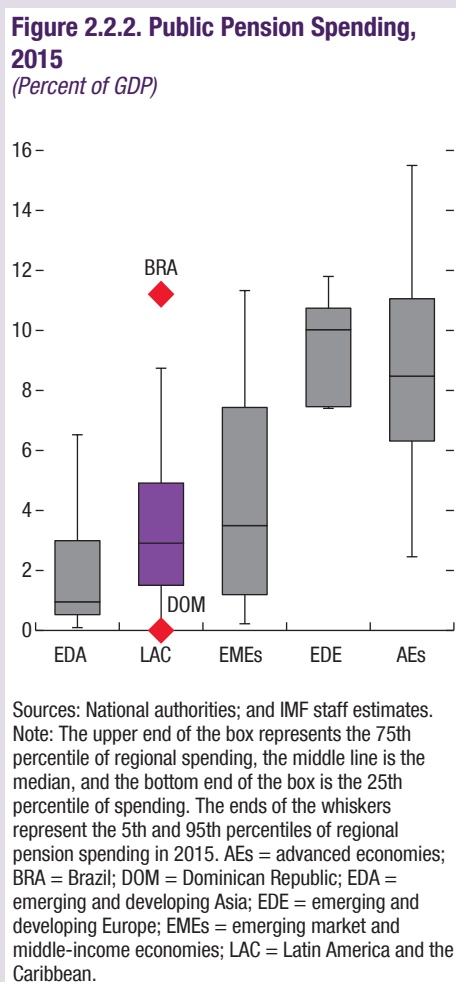
This box was prepared by Jaume Puig and Valentina Flamini based on a study by a team led by Lorenzo Figliuoli analyzing long-term fiscal gaps in Latin America and the Caribbean up to 2100.

¹As an exception, in Brazil the effective retirement age is low, while contributions and replacement rates in some components of the system are high by international standards. A parametric reform that aims to contain the growth in social security expenditure is also currently being discussed in Congress. Projections presented in this box reflect current policies under a no-reform scenario, and pension spending in 2015 includes some noncontributory benefits. See IMF 2016 for a detailed discussion of the Brazilian pension system and related challenges.

Box 2.2 (continued)

pension spending between 2015 and 2030—a measure of how much future government liabilities could add to public debt burdens—would on average be about 5 percent of GDP and creep up to 50 percent of GDP by 2065, again with a startling high of 365 percent of GDP in Brazil (Figure 2.2.6).

While countries with a funded component would experience a smaller increase in pension spending—and even a decline in some cases—there is still a trade-off between fiscal sustainability and social sustainability of current pension systems, given that average replacement rates tend to be lower than regional and international benchmarks in countries that have made the transition to defined-contribution systems. Health care expenditure is projected to rise even more, driven not only by demographic trends but also by excess cost growth due to technological improvements.²



²Based on historical trends in advanced economies, technological improvements could result in 1 percent annual excess cost growth in health care expenditure.

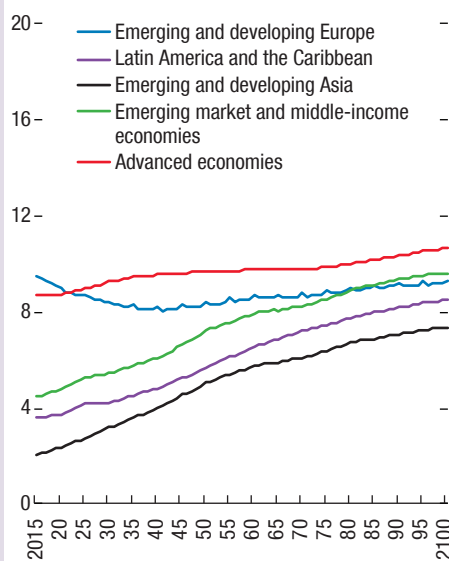
Box 2.2 (continued)

Reflecting the region's greater progress toward universal coverage relative to other emerging and developing regions, average regional health care expenditure is expected to increase to 6 and 10½ percent of GDP by 2030 and 2065, respectively (Figure 2.2.5). The average PDV of these spending increases up to 2030 is only about 10 percent of GDP, but almost 100 percent by 2065 (Figure 2.2.7). These projections are subject to greater uncertainty than in the case of pensions because of the wide range of possible outcomes regarding future costs of technological improvements.

Carefully designed reforms will be needed to ensure financial sustainability while providing socially acceptable levels of coverage and adequacy of pensions and health care. Policies aimed at promoting labor participation—particularly by females and the elderly—and formality would help delay the impact of aging. However, parametric reforms will be critical to ensure the long-term sustainability of pension systems in both unfunded and funded schemes. As in the rest of the world, these reforms should include not only increases in the retirement age in line with increases in life expectancy, but also a combination of increases in contributions and reductions in benefits, though these changes would have to be carefully balanced with concerns about incentives for informality. Higher contribution rates will also be needed to ensure pension adequacy in countries with defined-contribution systems.

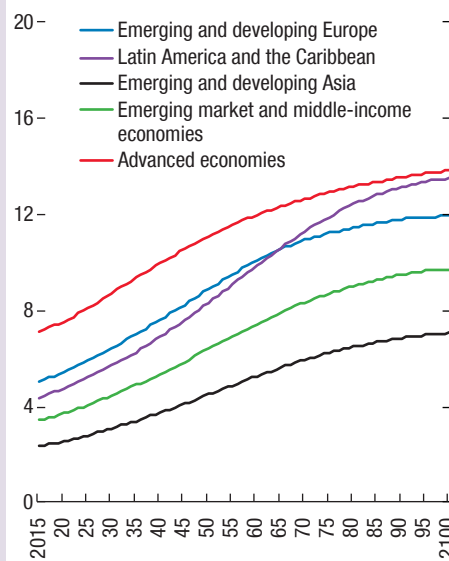
In health care spending, the emphasis should be on budget controls and efficiency-enhancing measures to contain spending while preserving health outcomes and ensuring equitable access to basic health care services, with the relative importance of each of these reforms varying across countries depending on the coverage of their current health care systems. In particular, countries that aim to expand the coverage of their public

Figure 2.2.4. Public Pension Expenditure Projections
(Percent of GDP)



Sources: National authorities; and IMF staff estimates.

Figure 2.2.5. Public Health Expenditure Projections
(Percent of GDP)

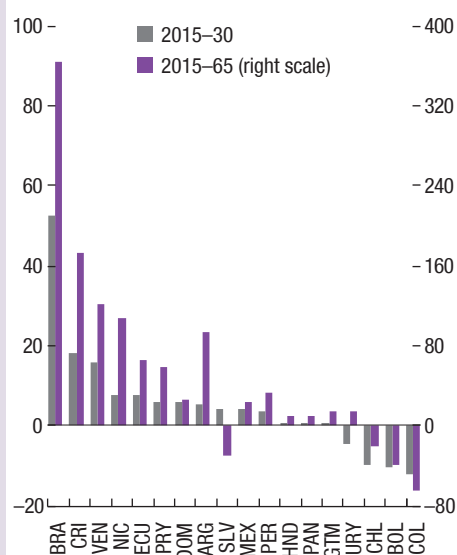


Sources: National authorities; World Health Organization; and IMF staff estimates.

Box 2.2 (continued)

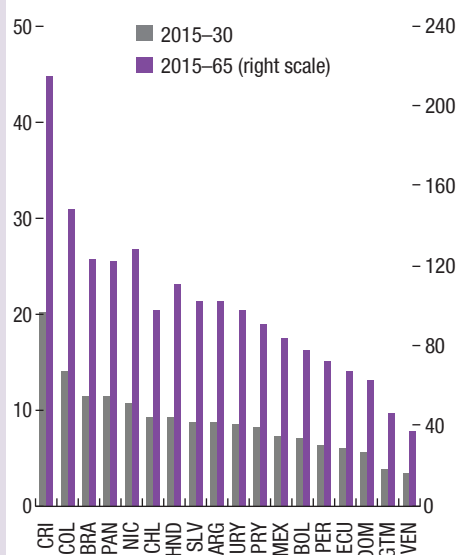
health care systems should first focus on providing essential services, with greater emphasis on preventive and primary care, infectious disease control, and better care in rural areas. Social-insurance-based systems could be expanded in countries where the informal labor market figures less prominently and revenue administration is of high quality, but tax-financed provision of universal basic health care may be the best starting point where informality is high. Countries with more extensive health care coverage should put greater emphasis on budget controls through a mix of instruments such as (1) budget caps with central oversight, (2) public management and coordination of services, (3) local and state government involvement in key resource decisions, (4) better use of market mechanisms, (5) increasing the share of costs borne by patients, and (6) restricting the supply of health inputs and outputs, or imposing direct price controls (Clements, Coady, and Gupta 2012).

Figure 2.2.6. Present Discounted Value of Public Pension Expenditure Increases (Percent of GDP)



Sources: IMF staff estimates and projections.
 Note: The present discounted value is estimated assuming an interest rate growth differential of 1 percent based on Escolano 2010 and Turner and Spinelli 2012. For International Organization for Standardization (ISO) country codes used in data labels, see page 137.

Figure 2.2.7. Present Discounted Value of Public Health Expenditure Increases (Percent of GDP)



Sources: IMF staff estimates and projections.
 Note: The present discounted value is estimated assuming an interest rate growth differential of 1 percent based on Escolano 2010 and Turner and Spinelli 2012. For International Organization for Standardization (ISO) country codes used in data labels, see page 137.

2. LATIN AMERICA AND THE CARIBBEAN: SETTING THE COURSE FOR HIGHER GROWTH

Box 2.2 (continued)

Table 2.2.1. Key Pension System Parameters in Latin America and the Caribbean

Country	Type of System ¹	Statutory Pensionable Age ²	Vesting Period (Years)	Contribution Rates, 2015 ³		Gross Replacement Rate ⁴ (Percent)
				Total (Percent)	Employer	
Argentina	DB	65 (60)	30	21.2	10.2	71.6 (71.5)
Bolivia	DC	58	10	15.2	3.0	41.0
Brazil	DB	65 (60)	35 (30)	28.0	20.0	69.5 (52.9)
Chile	DC	65 (60)	20	11.2	1.2	32.8 (28.8)
Colombia	DB/DC	62 (57)	25	16.0	12.0	70.8 (64.1)
Costa Rica	DB/DC	65	25	12.2	8.3	79.4
Dominican Republic	DC	60	30	10.0	7.1	22.8
Ecuador	DB	60	30	10.7	1.1	94.2
El Salvador	DC	60 (55)	25	13.5	7.3	46.6
Guatemala	DB	60	20	5.5	3.7	67.8
Honduras	DB	65 (60)	15	6.0	3.5	64.9 (60.9)
Mexico	DC	65	24	8.7	6.9	25.5 (23.6)
Nicaragua	DB	60	15	13.0	9	94.2
Panama	DB/DC	62 (57)	20	13.5	4.3	78.4 (72.8)
Paraguay	DB	60	24	23.0	14.0	104.1
Peru	DB/DC	65	20	13.0	0.0	70.6
Uruguay	DB/DC	60	30	22.5	7.5	52.5
Venezuela	DB	60 (55)	15	13.0	9.0	94.2 (89.5)
OECD average	N/A	64.7 (63.5)	N/A	19.6	11.2	52.9

Sources: Organisation for Economic Co-operation and Development (OECD, 2013 and 2015) (average contribution rates; average pensionable age); OECD/IDB/World Bank 2014 (type of system; gross replacement rates); U.S. Social Security Administration 2016 (pensionable age; vesting period; contribution rates).

Note: Numbers in parentheses are for women where different from those for men. DB = defined benefit; DC = defined contribution; N/A = not applicable.

¹DC systems may include a DB pillar in the process of being phased out. For countries with fragmented systems, the largest single component is taken as a benchmark.

²In many countries, the actual retirement age is lower than the statutory age because a large fraction of contributors retire several years earlier based on the length of their contributing history (for example, Brazil). In Ecuador, the pensionable age varies depending on years of contributions.

³In percent of reference salary. Includes old-age, disability, and survivors. Values for Argentina are net of location-based tax credits for employers.

⁴Latest available. Gross pension entitlement in percent of gross pre-retirement earnings. Comparisons are based on a specific set of assumptions. See OECD/IDB/World Bank 2014 for detailed information. Data for Argentina, Brazil, Chile, and Mexico are from OECD 2015.

Box 2.3. Correspondent Banking Relationships

A prominent risk faced by the Caribbean is the withdrawal of correspondent banking relationships (CBRs), which are critically important for the region because they enable cross-border payments, including remittances, and support economic growth through international trade and cross-border financial activity. Global banks have selectively withdrawn from CBRs over the past few years, reflecting banks' evolving cost-benefit assessments, including changes in the regulatory and enforcement landscape in advanced economies.

A recent survey conducted by the World Bank identified the Caribbean as the region most severely affected by this global trend, and smaller countries are particularly vulnerable. Several banks in the region across several countries (including Barbados, The Bahamas, Belize, the countries of the Eastern Caribbean Currency Union, Guyana, Haiti, Jamaica, Suriname, and Trinidad and Tobago) have lost some or all of their CBRs, including two central banks (Belize and Suriname). In Belize, the banks that have already lost major CBRs are of systemic proportions, with assets amounting to more than half of the domestic banking system's total assets. In other Caribbean countries, the affected banks are either not systemic or have other ongoing CBRs. In recent months some banks in the most affected countries have been able to secure new CBRs, but the potential loss of vital CBRs continues to be a major risk for all Caribbean banks.

In the most affected countries, the loss of CBRs has led to a rise in the costs of processing international transactions, including because of higher costs associated with more robust due diligence efforts and, in some cases, higher service fees for CBRs. The length of time to process international transactions has also increased. For example, in Belize, a large domestic bank reports that international wire transfer fees have increased from about \$100 to about \$300, with the processing time increasing from one to several days.

A recent survey of stakeholders by IMF staff in the Caribbean also provides evidence of a significant impact throughout the region on the money or value transfer services, which is important for international remittances (Chapter 5). This includes money transfer services in Jamaica (cambios), where a leading bank no longer accepts foreign instruments and remittances from some money services businesses. Limitations on this sector could have a detrimental impact on financial inclusion. For example, in Jamaica, cambios play a critical role in the market for foreign exchange by fostering increased competition, convenience, and wide access demanded by a tourism-driven economy.

Coordinated efforts by the public and the private sector are called for to mitigate the risk of financial exclusion. Home countries of global banks need to clearly communicate their regulatory expectations, and affected countries should put in place and strengthen implementation of their regulatory and supervisory frameworks to meet relevant international standards, including standards on anti-money laundering and combating the financing of terrorism and exchange of tax information. Several initiatives are under way to better understand the withdrawal of CBRs, address drivers, and assess and mitigate the potential impact, with efforts led by the IMF, the World Bank, and the Financial Stability Board. Caribbean regional bodies have stepped up efforts to raise awareness of the impact on the region of the withdrawal of CBRs.

Among possible solutions, strengthening of respondent banks' capacity to manage risks is an immediate priority. This strengthening can take the form of enhanced communication between correspondent and respondent banks to foster a common understanding of risks, issuance of policy statements by correspondent banks on transactions that are considered high risk, and the provision of technical assistance to strengthen respondent banks' capacity. In cases in which adequate capacity cannot be achieved at the level of the individual respondent bank, consolidation of transactional traffic and termination of some high-risk businesses could help address CBR pressures. The consolidation of transactional traffic through downstreaming (whereby the correspondent bank has a relationship with an intermediary bank, which has

This box was prepared by Bert van Selm based on Erbenová and others (2016) and IMF (forthcoming).

Box 2.3 *(continued)*

relationships with other respondent banks) has already gained traction in the region. The consolidation of small-sized respondent banks also has the potential to bolster the level of transaction flows with correspondent banks, as well as to provide economies of scale for due diligence processes.

Annex 2.1. Disclaimer

The consumer price data for Argentina before December 2013 reflect the consumer price index (CPI) for the Greater Buenos Aires Area (CPI-GBA), while from December 2013 to October 2015 the data reflect the national CPI (IPCNu). The new government that took office in December 2015 discontinued the IPCNu, stating that it was flawed, and released a new CPI for the Greater Buenos Aires Area on June 15, 2016. At its November 9, 2016, meeting, the IMF Executive Board considered the new CPI series to be in line with international standards and lifted the declaration of censure issued in 2013. Given the differences in geographical coverage, weights, sampling, and methodology of these series, the average CPI inflation for 2014, 2015, and 2016 and end-of-period inflation for 2015 and 2016 are not reported in the April 2017 *World Economic Outlook*.

Argentina's authorities discontinued the publication of labor market data in December 2015 and released new series starting in the second quarter of 2016.

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 place in 2004), long intervals in receiving data with information gaps, incomplete provision of information, and difficulties in interpreting certain reported economic indicators in line with economic developments. The fiscal accounts include the budgetary central government and Petróleos de Venezuela, S.A. (PDVSA), and the fiscal accounts data for 2016–22 are IMF staff estimates. Revenue includes the IMF staff's estimated foreign exchange profits transferred from the central bank to the government (buying U.S. dollars at the most appreciated rate and selling at more depreciated rates in a multitier exchange rate system) and excludes the staff's estimated revenue from PDVSA's sale of PetroCaribe assets to the central bank. Fiscal accounts for 2010–22 correspond to the budgetary central government and PDVSA. Fiscal accounts before 2010 correspond to the budgetary central government, public enterprises (including PDVSA), Instituto Venezolano de los Seguros Sociales (IVSS—social security), and Fondo de Garantía de Depósitos y Protección Bancaria (FOGADE—deposit insurance).

Argentina's and Venezuela's consumer prices are excluded from all *World Economic Outlook* group aggregates.

2. LATIN AMERICA AND THE CARIBBEAN: SETTING THE COURSE FOR HIGHER GROWTH

 Annex Table 2.1. Western Hemisphere: Main Economic Indicators¹

	Output Growth (Percent)					Inflation ² (End of period, percent)					External Current Account Balance (Percent of GDP)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
			Est.	Projections				Est.	Projections			Est.	Projections		
North America															
Canada	2.6	0.9	1.4	1.9	2.0	2.0	1.3	1.4	2.1	2.2	-2.4	-3.4	-3.3	-2.9	-2.7
Mexico	2.3	2.6	2.3	1.7	2.0	4.1	2.1	3.4	4.6	3.1	-2.0	-2.9	-2.7	-2.5	-2.7
United States	2.4	2.6	1.6	2.3	2.5	0.5	0.7	2.2	2.3	2.7	-2.3	-2.6	-2.6	-2.7	-3.3
Puerto Rico ³	-1.4	0.0	-1.8	-3.0	-2.5	0.1	-0.2	-0.2	1.5	0.5	...	...	...	...	...
South America															
Argentina ⁴	-2.5	2.6	-2.3	2.2	2.3	23.9	...	...	21.6	17.2	-1.4	-2.7	-2.6	-2.9	-3.4
Bolivia	5.5	4.8	4.1	4.0	3.7	5.2	3.0	4.0	4.7	5.0	1.4	-5.6	-5.4	-3.9	-2.6
Brazil	0.5	-3.8	-3.6	0.2	1.7	6.4	10.7	6.3	4.4	4.5	-4.2	-3.3	-1.3	-1.3	-1.7
Chile	2.0	2.3	1.6	1.7	2.3	4.7	4.4	2.8	3.1	3.0	-1.7	-1.9	-1.4	-1.4	-1.7
Colombia	4.4	3.1	2.0	2.3	3.0	3.7	6.8	5.7	4.1	3.0	-5.1	-6.4	-4.4	-3.6	-3.3
Ecuador	4.0	0.2	-2.2	-1.6	-0.3	3.7	3.4	1.1	0.3	0.7	-0.6	-2.2	1.1	0.9	-0.1
Guyana	3.8	3.1	3.3	3.5	3.6	1.2	-1.8	1.5	2.6	2.7	-9.6	-5.7	3.5	-2.7	-3.5
Paraguay	4.7	3.0	4.1	3.3	3.7	4.2	3.1	3.9	4.1	4.0	-0.4	-1.1	0.6	-1.4	-0.5
Peru	2.4	3.3	3.9	3.5	3.7	3.2	4.4	3.2	2.9	2.5	-4.4	-4.9	-2.8	-1.9	-2.0
Suriname	0.4	-2.7	-10.5	-1.2	0.8	3.9	25.1	52.4	29.9	18.9	-7.9	-16.6	-4.4	2.8	1.2
Uruguay	3.2	1.0	1.4	1.6	2.6	8.3	9.4	8.1	8.4	7.1	-4.5	-2.1	-1.0	-1.5	-1.6
Venezuela ⁵	-3.9	-6.2	-18.0	-7.4	-4.1	68.5	180.9	274.4	1,134	2,530	1.7	-7.8	-2.4	-3.3	-2.1
Central America															
Belize	4.1	2.9	-1.0	3.0	2.3	-0.2	-0.6	2.3	2.4	2.3	-7.5	-9.9	-11.0	-7.5	-5.9
Costa Rica	3.7	4.7	4.3	4.0	4.0	5.1	-0.8	0.8	3.0	3.0	-4.6	-4.5	-3.5	-3.8	-4.0
El Salvador	1.4	2.5	2.4	2.3	2.3	0.5	1.0	-0.9	2.7	2.0	-5.2	-3.6	-2.5	-3.2	-3.3
Guatemala	4.2	4.1	3.0	3.3	3.5	2.9	3.1	4.2	4.0	4.0	-2.1	-0.3	0.8	0.6	0.1
Honduras	3.1	3.6	3.6	3.4	3.6	5.8	2.4	3.3	4.7	4.5	-7.3	-6.2	-3.8	-3.8	-4.7
Nicaragua	4.6	4.9	4.7	4.5	4.3	6.5	3.1	3.1	5.9	7.4	-7.7	-8.2	-9.5	-9.4	-8.5
Panama ⁶	6.1	5.8	5.0	5.8	6.1	1.0	0.3	1.5	2.5	2.3	-13.7	-7.3	-5.3	-4.7	-4.4
The Caribbean															
Antigua and Barbuda	4.8	3.8	3.7	2.2	1.7	1.3	0.9	-0.6	2.3	2.4	-12.5	-5.2	-5.9	-9.8	-9.6
The Bahamas	-0.5	-1.7	0.0	1.4	2.2	0.2	2.0	0.4	1.5	1.5	-22.0	-16.0	-11.4	-13.1	-10.8
Barbados	0.1	0.9	1.6	1.7	1.8	2.3	-2.5	0.8	2.4	2.5	-9.5	-5.9	-4.5	-4.0	-4.0
Dominica	4.2	-1.8	0.6	3.0	2.1	0.5	-0.5	-0.2	1.4	1.4	-9.5	-8.0	-7.8	-9.5	-10.3
Dominican Republic	7.6	7.0	6.6	5.3	5.0	1.6	2.3	1.7	4.3	4.0	-3.3	-2.0	-1.5	-1.9	-2.5
Grenada	7.3	6.2	3.1	2.7	2.7	-0.6	1.0	1.4	3.2	1.8	-17.5	-17.7	-17.6	-18.7	-18.5
Haiti ⁷	2.8	1.2	1.4	1.0	3.0	5.3	11.3	12.5	11.0	5.0	-8.5	-3.1	-0.9	-2.6	-2.4
Jamaica	0.5	1.0	1.5	2.0	2.4	6.4	3.7	4.0	5.0	5.5	-7.5	-3.0	-2.7	-3.1	-3.3
St. Kitts and Nevis	5.1	4.9	2.9	3.5	3.4	-0.5	-2.4	0.9	1.5	1.6	-7.8	-8.5	-14.5	-18.3	-18.1
St. Lucia	0.4	1.8	0.8	0.5	1.5	3.7	-2.6	0.6	0.7	1.1	-8.9	-2.6	-6.7	-8.8	-9.3
St. Vincent and the Grenadines	0.2	0.6	1.8	2.5	2.8	0.1	-2.1	1.3	1.3	1.3	-25.1	-21.2	-18.9	-18.4	-17.5
Trinidad and Tobago	-0.6	-0.6	-5.1	0.3	3.4	8.4	1.6	3.4	3.7	4.7	1.4	-1.0	-5.5	-4.1	-3.7
Memorandum															
Latin America and the Caribbean	1.2	0.1	-1.0	1.1	2.0	5.0	6.2	4.6	4.2	3.7	-3.2	-3.5	-2.1	-2.1	-2.3
South America ⁸	2.0	1.0	-0.9	1.0	1.9	4.9	5.6	4.4	4.0	3.7	-1.9	-3.8	-2.0	-2.0	-1.9
CAPDR ⁹	4.4	4.7	4.2	4.1	4.1	3.3	1.6	1.9	3.9	3.9	-6.3	-4.6	-3.6	-3.8	-3.9
Caribbean															
Tourism-dependent ¹⁰	2.5	1.8	1.8	2.2	2.3	1.5	-0.3	1.0	2.1	2.1	-13.4	-9.8	-10.0	-11.5	-11.3
Commodity exporters ¹¹	1.9	0.7	-3.3	1.4	2.5	3.3	6.1	14.9	9.7	7.2	-5.9	-8.3	-4.4	-2.8	-3.0
Eastern Caribbean Currency Union ¹²	3.2	2.6	1.9	2.4	2.3	0.9	-0.9	0.5	1.7	1.7	-13.6	-10.0	-11.7	-13.8	-13.8

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

¹Regional aggregates are purchasing-power-parity GDP-weighted averages unless noted otherwise. Current account aggregates are U.S. dollar nominal GDP-weighted averages. Consumer price index (CPI) series exclude Argentina and Venezuela. Consistent with the IMF *World Economic Outlook*, the cutoff date for the data and projections in this table is April 3, 2017.

²End-of-period (December) rates. These will generally differ from period average inflation rates reported in the IMF *World Economic Outlook*, although both are based on identical underlying projections.

³The Commonwealth of 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.

⁴See Annex 2.1 for details on Argentina's data.

⁵See Annex 2.1 for details on Venezuela's data.

⁶Ratios to GDP are based on the "2007-base" GDP series.

⁷Fiscal year data.

⁸Simple average of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela. CPI series exclude Argentina and Venezuela.

⁹Simple average of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

¹⁰Simple average of The Bahamas, Barbados, Jamaica, and Eastern Caribbean Currency Union (ECCU) members.

¹¹Simple average of Belize, Guyana, Suriname, and Trinidad and Tobago.

¹²ECCU members are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as Anguilla and Montserrat, which are not IMF members.

Annex Table 2.2. Western Hemisphere: Main Fiscal Indicators¹

	Public Sector Primary Expenditure (Percent of GDP)					Public Sector Primary Balance (Percent of GDP)					Public Sector Gross Debt (Percent of GDP)				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
			Est.	Projections				Est.	Projections			Est.	Projections		
North America															
Canada	35.5	37.2	37.8	38.3	38.1	0.2	-0.5	-1.2	-1.7	-1.6	85.4	91.6	92.3	91.2	89.8
Mexico ²	25.3	24.2	23.0	21.2	20.2	-2.0	-1.1	0.2	0.3	1.1	49.5	53.7	58.1	57.2	56.8
United States ³	33.1	32.9	32.7	32.4	32.0	-2.0	-1.6	-2.3	-1.9	-2.2	105.2	105.6	107.4	108.3	108.9
Puerto Rico ⁴	20.5	19.6	19.8	20.4	21.0	-1.0	-0.1	-0.1	0.8	0.2	54.7	53.0	51.4	53.5	56.3
South America															
Argentina ⁵	35.7	38.3	38.7	37.0	35.7	-3.2	-4.4	-5.0	-4.8	-3.6	43.6	52.0	51.3	49.4	49.2
Bolivia ⁶	42.3	43.6	37.9	37.0	36.2	-2.4	-5.9	-5.5	-5.2	-4.2	37.0	40.6	42.1	42.4	43.3
Brazil ⁷	32.5	33.2	32.9	32.7	32.0	-0.6	-1.9	-2.5	-2.3	-1.1	62.3	72.5	78.3	81.2	82.7
Chile	23.1	24.4	25.4	25.5	25.8	-1.3	-1.9	-2.6	-2.8	-2.0	14.9	17.4	21.2	24.8	27.4
Colombia ⁸	26.9	26.6	24.7	24.6	24.3	0.3	-0.7	-0.3	0.2	0.5	44.2	50.7	47.6	45.7	45.3
Ecuador ⁹	42.4	37.4	35.8	33.6	31.4	-4.2	-3.9	-5.0	-0.4	1.6	19.7	22.6	29.2	31.5	32.3
Guyana ¹⁰	30.2	28.4	32.1	33.4	33.4	-4.4	-0.2	-3.4	-4.4	-4.1	51.2	47.9	48.3	53.9	57.4
Paraguay	22.7	24.3	23.1	23.4	23.0	0.1	-0.3	0.1	0.2	0.6	19.7	24.0	24.7	25.9	26.5
Peru	21.5	21.2	20.0	20.5	20.4	0.7	-1.3	-1.4	-1.2	-0.9	20.7	24.0	24.8	25.9	26.6
Suriname ¹¹	31.1	29.9	19.5	19.0	20.5	-7.0	-7.8	-4.4	-2.0	0.3	29.0	45.7	64.6	66.3	59.0
Uruguay ¹²	29.5	28.7	29.3	29.3	29.0	-0.6	0.0	-0.7	-0.3	0.2	61.4	64.3	60.9	62.9	63.9
Venezuela ¹³	43.3	35.1	28.4	28.4	28.4	-13.0	-15.9	-13.6	-13.9	-15.6	63.5	32.1	28.2	17.3	16.6
Central America															
Belize ¹⁰	28.9	33.7	31.0	29.8	29.7	0.3	-4.7	-0.6	2.6	2.0	77.7	82.6	98.6	89.8	87.0
Costa Rica ¹⁰	16.3	16.6	16.5	16.2	16.3	-3.0	-3.0	-2.3	-1.8	-1.7	38.3	40.8	43.7	46.7	48.8
El Salvador ¹⁴	19.0	18.9	18.5	18.7	19.1	-1.0	-0.7	0.3	0.6	0.2	57.1	58.7	59.9	61.1	62.2
Guatemala ¹⁰	11.9	10.7	10.5	11.5	11.8	-0.4	0.1	0.4	-0.3	-0.4	24.3	24.2	25.3	25.9	26.4
Honduras	26.3	25.0	25.6	25.3	25.1	-3.8	-0.3	-0.4	-0.5	0.1	45.9	46.2	45.4	45.9	46.7
Nicaragua ¹⁴	24.0	24.7	26.4	26.3	26.1	-0.8	-0.9	-1.0	-0.8	-0.7	29.3	29.4	31.1	32.0	32.7
Panama ¹⁵	21.9	21.0	21.1	21.4	20.8	-1.6	-0.7	-0.6	-0.2	0.2	37.1	38.8	39.2	38.9	37.5
The Caribbean															
Antigua and Barbuda ¹⁶	19.9	23.9	22.0	19.8	18.6	-0.2	-0.1	3.6	3.0	3.2	102.7	99.1	92.7	90.1	87.1
The Bahamas ¹⁰	20.0	21.2	22.1	22.1	21.7	-3.1	-1.7	-0.4	-0.4	0.7	60.2	64.5	66.9	69.3	69.6
Barbados ¹⁷	38.3	39.4	38.1	37.9	37.8	-2.5	-1.8	-1.2	-0.2	0.4	100.0	106.7	107.9	107.4	108.7
Dominica ¹⁶	30.6	32.8	33.5	33.1	31.2	-3.1	1.1	4.6	1.6	1.2	82.2	83.0	81.0	81.0	81.4
Dominican Republic ¹⁴	15.3	15.1	14.7	15.2	14.8	-0.5	2.4	-0.2	-0.7	-0.4	33.7	33.0	34.4	36.0	37.3
Grenada ¹⁶	25.6	22.6	21.7	22.3	21.8	-1.1	2.2	5.4	4.1	4.1	101.8	91.7	84.4	72.6	66.8
Haiti ¹⁰	24.8	21.5	18.2	18.7	21.0	-5.9	-2.2	0.3	-2.1	-0.5	26.3	30.2	33.5	33.9	34.6
Jamaica ¹⁶	18.7	19.8	20.9	21.6	20.2	7.5	7.1	7.0	7.0	7.0	137.6	120.2	115.2	108.6	102.7
St. Kitts and Nevis ¹⁶	29.9	30.1	30.4	29.3	28.7	12.3	8.7	3.5	0.9	1.3	81.4	70.6	65.8	61.9	57.8
St. Lucia ¹⁶	25.6	25.5	27.1	27.2	26.8	0.1	1.5	0.9	0.1	0.4	78.1	77.8	82.9	85.6	88.5
St. Vincent and the Grenadines ¹⁶	29.9	27.2	26.6	26.0	26.2	-1.5	-0.2	1.9	2.2	2.3	79.4	81.3	79.2	77.2	75.1
Trinidad and Tobago ¹⁸	36.8	38.5	35.4	37.2	35.3	-2.1	-4.3	-11.9	-10.1	-8.0	41.7	49.5	61.0	65.8	75.7
Memorandum															
Latin America and the Caribbean	30.0	29.8	28.8	28.9	28.1	-1.6	-2.8	-2.6	-2.3	-1.5	50.9	54.1	57.3	59.0	59.6
South America ¹⁹	32.0	31.3	29.6	29.2	28.6	-2.4	-3.6	-3.6	-3.0	-2.5	38.7	40.0	40.8	40.7	41.4
CAPDR ²⁰	19.3	18.9	19.0	19.2	19.1	-1.6	-0.4	-0.6	-0.5	-0.4	38.0	38.7	39.9	40.9	41.7
Caribbean															
Tourism-dependent ²¹	26.5	26.9	26.9	26.6	25.9	0.9	1.9	2.8	2.0	2.3	91.5	88.3	86.2	83.7	82.0
Commodity exporters ²²	31.7	32.6	29.5	29.8	29.7	-3.3	-4.3	-5.1	-3.5	-2.4	49.9	56.4	68.1	69.0	69.8
Eastern Caribbean Currency Union ^{16,23}	26.6	27.5	27.3	25.3	24.6	1.4	1.1	2.4	3.4	3.8	83.3	81.3	80.4	76.3	72.9

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

¹Definitions of public sector accounts vary by country, 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 reported on fiscal year basis. Regional aggregates are purchasing-power-parity GDP-weighted averages, unless otherwise noted.

Consistent with the IMF *World Economic Outlook*, the cutoff date for the data and projections in this table is April 3, 2017.

²Includes central government, social security funds, nonfinancial public corporations, and financial public corporations.

³For cross-country comparability, expenditure and fiscal balances of the United States are adjusted to 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) recently 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 U.S. Bureau of Economic Analysis.

⁴The Commonwealth of 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.

⁵Primary expenditure and primary balance include the federal government and provinces. Gross debt is for the federal government only.

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

⁷Nonfinancial public sector, excluding Petrobras and Eletrobras, and consolidated with the Sovereign Wealth Fund (SWF). 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. According to this definition, general government gross debt amounted to 58.9 percent of GDP at end-2014.

⁸Nonfinancial 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.

⁹Public 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.

¹⁰Central government only. Gross debt for Belize includes both public and publicly guaranteed debt.

¹¹Primary expenditures for Suriname exclude net lending.

¹²For Uruguay, public debt includes the debt of the central bank, which increases recorded public sector gross debt.

¹³See Annex 2.1 for details on Venezuela's data.

¹⁴General government. The outcome for the Dominican Republic in 2015 reflects the inclusion of the grant element of the debt buyback operation with Petróleos de Venezuela, S.A. amounting to 3.1 percent of GDP.

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

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

¹⁷Overall and primary balances include off-budget and public-private partnership activities for Barbados and the nonfinancial public sector. Central government for gross debt (excludes National Insurance Scheme holdings).

¹⁸Central government for primary expenditure. Consolidated public sector for primary balance and gross debt.

¹⁹Simple average of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela.

²⁰Simple average of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

²¹Simple average of The Bahamas, Barbados, Jamaica, and Eastern Caribbean Currency Union (ECCU) members.

²²Simple average of Belize, Guyana, Suriname, and Trinidad and Tobago.

²³ECCU members are Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines, as well as Anguilla and Montserrat, which are not IMF members.

Annex Table 2.3. Western Hemisphere: Selected Economic and Social Indicators, 2007–16¹

	Average 2007–16										2016		Latest Available	
	GDP ² (Billions of U.S. dollars)	Population (Million)	GDP per capita (PPP U.S. dollars)	Nominal output share of LAC region ² (Percent)	Real GDP growth (Percent)	CPI inflation ³ (Percent)	Current account (Percent of GDP)	Domestic saving (Percent of GDP)	Trade openness ⁴ (Percent of GDP)	Gross reserves ⁵ (Percent of GDP)	Unemployment rate (Percent)	Poverty rate ⁶	Gini coefficient ⁶	Sovereign credit rating ⁷
North America														
Canada	1,529.2	36.2	46,437	...	1.5	1.7	-2.4	21.4	63.2	5.4	7.0	31.3	AAA	
Mexico	1,046.0	122.3	18,938	20.9	2.2	3.9	-1.7	21.0	64.4	16.6	4.3	51.8	BBB+	
United States	18,569.1	323.3	57,436	...	1.3	1.8	-3.1	17.1	28.7	0.6	4.9	47.6	AAA	
Puerto Rico ⁸	101.3	3.4	38,393	...	-0.9	1.5	...	...	...	...	11.8	...	...
South America														
Argentina ⁹	545.1	43.6	20,047	10.9	2.2	...	-0.3	17.2	32.7	6.7	8.5	42.1	B-	
Bolivia	34.8	10.9	7,218	0.7	5.0	6.1	3.2	22.9	71.4	24.6	4.0	47.3	BB-	
Brazil	1,798.6	206.1	15,242	36.0	2.1	6.2	-2.5	18.0	23.8	20.2	11.3	7.8	BB	
Chile	247.0	18.2	24,113	4.9	3.4	3.7	-1.1	22.7	67.5	16.4	6.5	2.0	AA-	
Colombia	282.4	48.7	14,130	5.6	4.1	4.3	-3.6	20.6	35.6	16.3	9.2	14.5	BBB	
Ecuador	98.0	16.5	11,109	2.0	3.3	4.0	0.1	26.6	57.0	3.9	5.2	9.3	B	
Guyana	3.4	0.8	7,873	0.1	4.2	3.7	-9.2	8.7	128.0	16.9	...	...	...
Paraguay	27.4	6.9	9,396	0.5	5.0	4.6	0.9	16.9	96.7	24.0	5.1	9.0	BB	
Peru	195.1	31.5	12,903	3.9	5.5	3.4	-2.7	21.7	50.2	31.1	6.7	9.2	BBB+	
Suriname	3.6	0.6	13,988	0.1	1.6	13.1	1.6	...	100.3	9.9	11.0	...	B+	
Uruguay	54.6	3.5	21,527	1.1	4.5	8.1	-3.0	17.8	52.1	24.7	7.9	42.6	BBB	
Venezuela ¹⁰	287.3	31.0	13,761	5.7	-0.8	73.3	1.8	25.1	50.4	1.5	21.2	40.5	CCC	
Central America														
Belize	1.7	0.4	8,220	0.0	2.1	1.4	-5.7	12.1	127.6	21.6	11.1	...	CCC-	
Costa Rica	58.1	4.9	16,436	1.2	4.1	5.3	-4.7	15.8	70.1	13.0	8.2	4.6	BB	
El Salvador	26.7	6.1	8,909	0.5	1.6	2.0	-4.5	9.8	66.5	11.9	7.0	12.3	B-	
Guatemala	68.2	16.7	7,889	1.4	3.5	4.8	-2.0	12.8	59.4	13.1	...	36.9	BB	
Honduras	21.4	8.2	5,271	0.4	3.3	5.7	-7.6	17.8	87.7	17.7	...	36.2	B+	
Nicaragua	13.0	6.2	5,452	0.3	3.9	7.4	-11.0	17.9	97.8	18.1	5.9	20.3	B+	
Panama	55.1	4.0	23,024	1.1	7.3	3.7	-8.9	33.1	78.2	7.0	5.5	50.2	BBB	
The Caribbean														
The Bahamas	8.9	0.4	24,555	0.2	-0.2	1.7	-14.2	13.2	94.0	11.2	12.2	...	BBB-	
Barbados	4.6	0.3	17,100	0.2	0.2	3.6	-7.7	6.8	95.2	11.6	9.9	...	CCC	
Dominican Republic	72.2	10.1	16,049	1.4	5.3	4.7	-5.1	20.1	56.9	8.5	5.5	47.7	BB-	
Haiti	8.3	10.8	1,784	0.2	2.0	7.8	-3.7	25.6	68.3	25.1	...	...	B
Jamaica	13.9	2.8	8,976	0.3	0.0	9.3	-9.8	11.8	87.7	23.6	12.8	...	B	
Trinidad and Tobago	21.0	1.4	31,870	0.4	0.4	6.8	8.6	11.9	102.9	48.8	4.1	...	BBB+	
Eastern Caribbean Currency Union	6.0	0.6	17,320	0.1	1.1	2.0	-17.9	7.9	93.4	26.8	...	...	...
Antigua and Barbuda	1.4	0.1	25,157	0.0	0.5	2.0	-14.8	13.1	104.5	23.6	...	...	...
Dominica	0.5	0.1	11,375	0.0	1.5	1.4	-15.4	1.6	89.7	42.6	...	...	...
Grenada	1.0	0.1	14,116	0.0	1.9	2.0	-22.8	-1.1	76.4	20.2	...	...	...
St. Kitts and Nevis	0.9	0.1	25,940	0.0	2.1	1.6	-15.2	17.0	88.7	35.5	...	...	...
St. Lucia	1.4	0.2	11,783	0.0	0.5	2.2	-14.8	10.7	103.5	21.1	...	...	...
St. Vincent and the Grenadines	0.8	0.1	11,271	0.0	0.5	2.2	-27.4	-1.0	83.9	24.8	...	40.2	...	
Latin America and the Caribbean	5,002.6	613.4	15,358	100.0	2.5	5.0	-2.0	19.6	42.6	16.3	...	12.8	49.5	...

Sources: IMF, International Financial Statistics database; IMF, World Economic Outlook database; Inter-American Development Bank (IDB), national authorities; Socio-Economic Database for Latin America and the Caribbean (CEDLAS and World Bank); and IMF staff calculations.

Note: CPI = Consumer Price Index; PPP = purchasing power parity.

¹Estimates may vary from those reported by national authorities on account of differences in methodology and source. Regional aggregates are purchasing-power-parity GDP-weighted averages, except for regional GDP in U.S. dollars and population where totals are computed. CPI series exclude Argentina and Venezuela. Consistent with the IMF, *World Economic Outlook*, the cut-off date for the data and projections in this table is April 3, 2017.

²At market exchange rates.

³End-of-period, 12-month percent change.

⁴Exports plus imports of goods and services in percent of GDP.

⁵Latest available data from IMF, International Financial Statistics database.

⁶Data from Socio-Economic Database for Latin America and the Caribbean (SEDLAC), based on the latest country-specific household surveys. In most cases, the surveys are from 2014 and 2015, except for Chile which is 2013. Poverty rate is defined as the share of the population earning less than US\$2.5 per day. For LAC, poverty is defined as share of population earning less than US\$3.1 a day from the IDB. For Venezuela, poverty rate is defined as a share of the population in extreme poverty per national definition (INE). Gini index for aggregate is population-weighted average from the IDB. Data for the United States are from the U.S. Census Bureau; those for Canada are from Statistics Canada.

⁷Median of long-term foreign currency ratings published by Moody's, Standard & Poor's, and Fitch.

⁸The Commonwealth of 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.

⁹See Annex 2.1 for details on Argentina's data.

¹⁰See Annex 2.1 for details on Venezuela's data.

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