Regional Economic Outlook UPDATE
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Western Hemisphere Department

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Latin America and the Caribbean: Are Chills Here to Stay?

Economic activity in Latin America and the Caribbean is expected to bottom out in 2016, before making a modest recovery next year. While weak external demand and persistently low commodity prices continue to weigh on the regional outlook, domestic developments have been the key driver of growth outcomes in some stressed economies. GDP is expected to contract by 0.6 percent in 2016 before recovering to 1.6 percent growth in 2017. Recurrent growth disappointments point to lower potential growth, underscoring the need for structural reforms to boost productive capacity, but these will take time to bear fruit. Exchange rate flexibility has served the region well and, with shifting global trends, should continue to serve as the first line of defense against adverse shocks. In many cases, the need for a contractionary monetary policy stance is no longer evident, with inflation and inflation expectations returning to target levels. With risks still on the downside, countries should use the improved global financial environment to rebuild their fiscal buffers while preserving critical capital expenditures and social outlays. Uncertainty concerning the duration of easy global financial conditions poses risks for the region, while financial and corporate sector vulnerabilities bear closer monitoring.

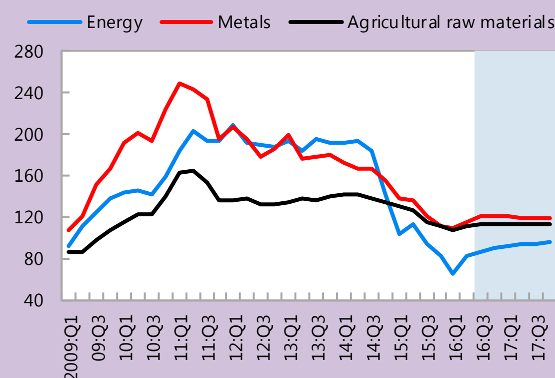
Global Context: Disappointing Growth, Ongoing Realignments

The global outlook continues to be shaped by a subdued recovery and weak trade. Specifically, 2016 is turning out to be another year of lackluster growth, extending a series of growth disappointments since the global financial crisis. In the near term, the outlook is being affected by shifting global trends. First, the secular decline in commodity prices seems to have tapered. Going forward, these prices are expected to remain at relatively low levels, following their mild recovery in the recent past (Figure 1). Second, global financial conditions have eased. Capital flows to emerging market economies have recovered after a sharp decline during the second half of 2015—reflecting the partial recovery of commodity prices, expectations of lower interest rates in advanced economies, and a strengthening of financial

Figure 1. Commodity Prices

Commodity prices recovered partially, but are expected to remain low.

Global Commodity Prices
(Index; 2005 = 100)



Source: IMF, World Economic Outlook database.

This update was prepared by a staff team led by S. Pelin Berkmen and Hamid Faruqee under the guidance of Alejandro Werner and Krishna Srinivasan, with contributions from Marcos Chamon, Jaume Puig Forne, Nicolas Magud, and country teams. Research support was provided by Genevieve Lindow and Steve Brito, and production assistance was provided by Maria S. Gutierrez and Andrea Herrera.

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market sentiment (IMF 2016a). As a result, currencies of emerging markets, particularly those of commodity exporters, have generally appreciated relative to their lows of recent years. Third, the ongoing U.S. recovery is softer than was expected six months ago, mainly reflecting weakness in investment and inventories. At the same time, a key downside risk to the growth outlook materialized in June with the Brexit vote—the U.K. referendum result in favor of leaving the European Union. Market reaction has generally been contained, though its longer-term impact remains uncertain at this stage. Looking beyond these shifts, medium-term growth prospects remain mediocre, shaped by ongoing realignments. The most prominent among these include rebalancing in China, continued adjustment of commodity exporters to a persistent decline in their terms of trade, deteriorating demographic trends, and a protracted slowdown in productivity in advanced economies (IMF 2016b).

Overall, global growth is projected to remain modest at 3.1 percent in 2016— in line with 2015 outcomes and expectations outlined in the Apr*il World Economic Outlook*— and at 3.4 percent in 2017. Although the growth outlook for advanced economies has weakened (to 1.6 percent in 2016 and 1.8 percent in 2017), prospects for emerging market and developing economies are expected to strengthen (4.2 percent in 2016 and 4.6 percent in 2017) as a handful of economies currently in recession are expected to recover gradually.

In the United States, the last quarter of 2015 and the first half of 2016 point to some loss of momentum, despite a mildly supportive fiscal stance and a slower-than-projected pace of monetary policy normalization. While consumption remained strong on the back of a solid labor market and expanding payrolls, continued weakness in nonresidential investment, together with a drawdown of inventories, weighed on the headline growth number. Although high-frequency data and surveys point to a rebound in activity during the second half of 2016, growth projections have been revised down to 1.6 percent and 2.2 percent in 2016 and 2017, respectively. Risks are broadly balanced as the upside risk of a stronger rebound in inventories and business fixed investment is offset by the downside risk of heightened uncertainty related to the electoral cycle, weaker-than-expected trading partner growth, and further dollar appreciation. Uncertainties surrounding the outcome of the U.S. election and the trajectory for policies under the next U.S. administration could lead to an unpredictable— but likely negative— short-term impact on economic activity and the potential for volatility in global capital markets.

With no major signs of price pressures and slower-than-expected growth, future U.S. rate hikes are expected to be gradual, but steady. Short-term fiscal policy is appropriately mildly accommodative. There is, however, a need to boost the economy's productive capacity through investments in infrastructure and education. Policies should focus on alleviating rising income polarization and inequality, immigration reform, further expanding the Earned Income Tax Credit and raising the federal minimum wage, comprehensive reform of the corporate income tax code, and enhancing personal income tax progressivity. A medium-term consolidation plan is needed to ensure sustainability of public finances, while structural policies should be financed within the envelope of an overall consolidation plan to ensure fiscal sustainability.

The moderation of growth in the United States has been spilling over to its trading partners, including in North America. For example, disappointing export performance due to weaker investment in the United States has affected Canada's economic performance in 2016. Sluggish domestic business investment and the devastating Alberta wildfires have also weighed on Canada's growth. While economic activity, supported by fiscal spending, is set to rebound during the second half of the year, output growth in 2016 is estimated at 1.2 percent, up only slightly from 1.1 percent in 2015. In 2017 real GDP growth is projected to strengthen to 1.9 percent, as monetary and fiscal policy are expected to remain accommodative.

The medium-term outlook for the Canadian economy is clouded by uncertainty about oil prices, global demand, and the ongoing structural adjustment to lower energy prices. The weaker economy has also re-ignited concerns about the elevated level of household debt and vulnerabilities related to the housing market. If these vulnerabilities intensify, macroprudential policy will need to be tightened further.

Latin America and the Caribbean: Subdued Outlook, Shifting Short-Term Trends

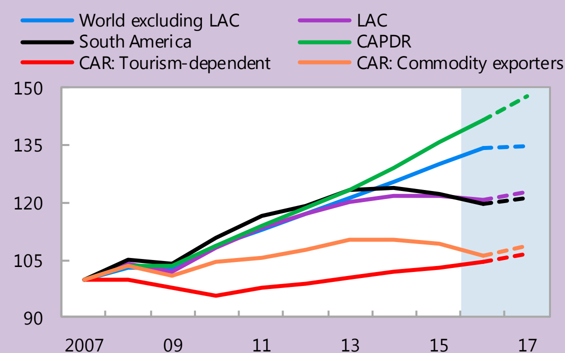
Against this backdrop, the overall outlook for economic activity in Latin America and the Caribbean is broadly unchanged relative to six months ago, with subdued prospects over the medium-term. [1] The region's growth performance has, on average, fallen behind the rate of increase in global activity since 2013—with cumulative GDP growth of 0 percent in Latin America and the Caribbean in contrast to 11 percent in the rest of the world—although there is significant variation within the region (Figure 2). As global short-term trends shift, the region's near-term outlook is being shaped by the following factors:

- A weaker-than-expected U.S. recovery has been spilling over to its trading partners (for example Mexico and Central America).
- The stabilization and mild recovery of previously declining commodity prices have provided some breathing room for countries facing negative terms-of-trade shocks (Figure 3, panel 1).
- In light of easing terms-of-trade pressures, expectations of even lower interest rates in advanced economies, and favorable domestic developments in some large Latin American countries, capital flows to the region have picked up (Figure 3, panel 2). As a result, financial conditions have improved, with sovereign and corporate spreads declining and equity prices increasing (Figure 3, panels 3, 4, and 5).
- Domestic developments continue to dominate the outlook for some key countries, such as Argentina, Brazil, and Venezuela (see below for further details).
- Overall, the above-mentioned factors have contributed to some stabilization and recovery in consumer and business confidence in some stressed economies (Figure 3, panel 6).

Figure 2. Real GDP Levels

Decline in regional economic activity is expected to bottom out in 2016.

Real GDP
(Index; 2007 = 100)



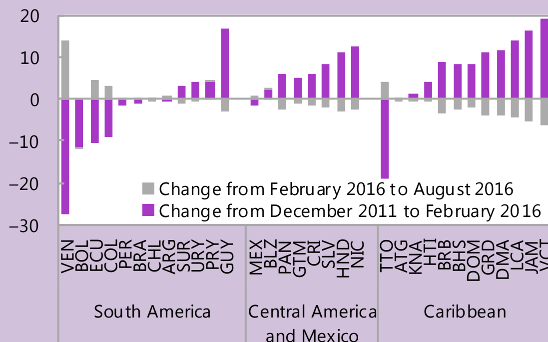
Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: CAPDR = Central America and the Dominican Republic; CAR = Caribbean; LAC = Latin America and the Caribbean.

[1] Growth in the Western Hemisphere region (encompassing North and Latin America, as well as the Caribbean) is expected to decline from 1.7 percent in 2015 to 0.9 percent in 2016, before recovering to about 2 percent going forward.

Figure 3. Financial Conditions Have Eased.

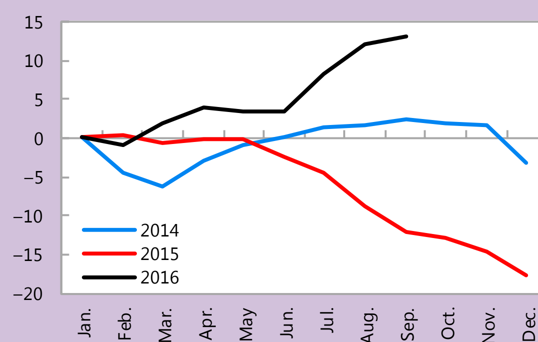
Terms-of-trade trends have reversed since 2016:Q1…

1. Commodity Terms of Trade
(Percent change)



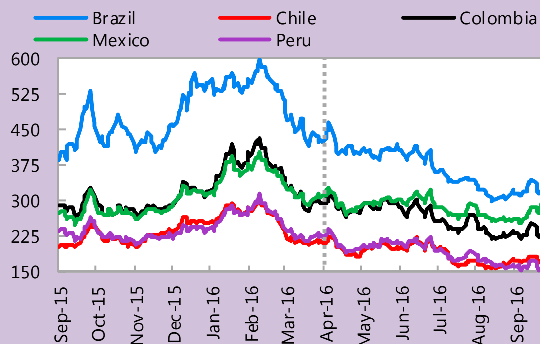
… and capital flows to the region have picked up.

2. Equity and Bond Flows[1]
(Cumulative flows; billions of U.S. dollars)



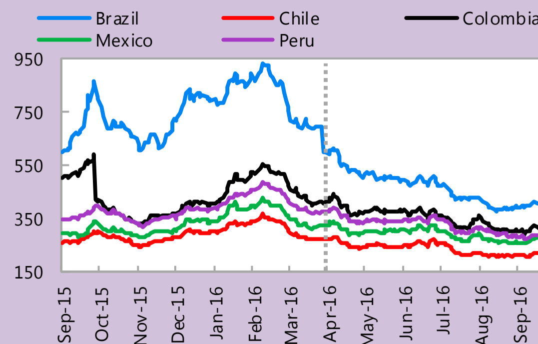
Sovereign spreads have declined…

3. Sovereign Credit Spreads[2]
(Basis points; spread over U.S. Treasuries)



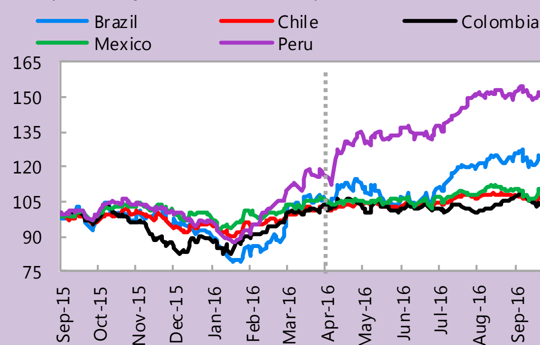
… together with corporate spreads.

4. Corporate Spreads[3]
(Basis points)



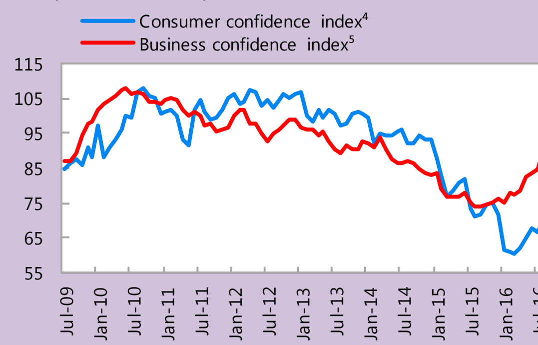
Equities are up.

5. Equity Indices
(Index; September 3, 2015 = 100)



As a result, confidence, particularly for business, has improved somewhat.

6. Confidence Indices
(Index; 2011 = 100)



Sources: Bloomberg L.P.; Emerging Portfolio Fund Research database; Gruss (2014); and IMF staff calculations.
Note: Data labels use International Organization for Standardization (ISO) country codes. Dashed line refers to the April 2016 *World Economic Outlook* cutoff date.
[1] Includes Argentina, Brazil, Chile, Colombia, Mexico, Peru, and Venezuela.
[2] Refers to J.P. Morgan Emerging Market Bond Index Global; U.S.-dollar-denominated sovereign bonds.
[3] Refers to AAA-BB U.S. dollar Emerging Market Corporates (Merrill Lynch), government option-adjusted spreads.
[4] Purchasing-power-parity GDP-weighted average of Brazil, Chile, Colombia, and Mexico.
[5] Purchasing-power-parity GDP-weighted average of Brazil, Chile, Colombia, Mexico, and Peru.

Reflecting shifting near-term trends, most currencies have strengthened somewhat since the second quarter of this year, following large and persistent depreciations in the past few years, particularly for countries with flexible exchange rate regimes (Figure 4). As expected, this flexibility has helped cushion the impact on external accounts, which have suffered less than those of countries with more rigid currency regimes (Box 1). More recently, current accounts have started to improve as a result of declines in imports, given weak domestic activity and the lagged response of exports to previous sizable depreciations (Figure 4). However, global demand and trade remain weak, thus limiting the boost to noncommodity exports (IMF 2016c).

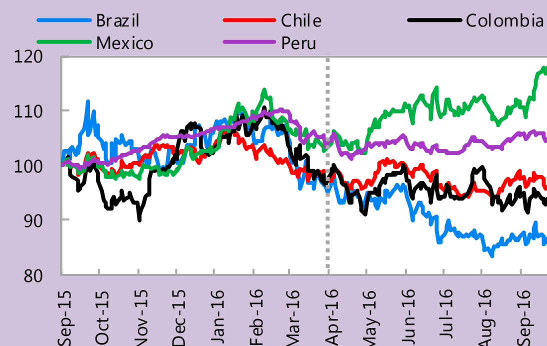
In this environment, regional output in Latin America and the Caribbean is expected to contract by 0.6 percent this year (0.1 percentage point less than envisaged six months ago), after having stagnated in 2015 (Figure 5). Growth is expected to rebound to 1.6 percent in 2017 (0.1 percentage point higher than in the April projections), as global demand gradually picks up and domestic policy uncertainty declines. Medium-term projections continue to be subdued, with the region expected to grow a mere 2.7 percent.

Downside risks continue to dominate. On the external side, a weaker-than-expected U.S. recovery and global growth and trade—owing to a range of factors including political discord, inward-looking policies, stagnation in advanced economies, and ongoing rebalancing in China—could delay export recovery in South America and influence the outlook for Mexico and Central America. Thus far, the corporate sector in the region has weathered past market pressures and the effects of a slowing economy well. Heightened corporate vulnerabilities stemming from increasing leverage and lower profitability have not translated into generalized corporate defaults. However, corporate spreads in the region remain highly sensitive to global market developments, including bouts of global risk aversion (IMF 2016d). Renewed volatility in global financial markets or a reversal of the

Figure 4. External Sector

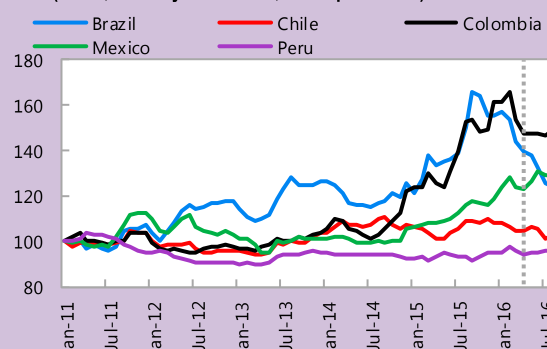
Depreciation pressures have eased and reversed in some cases, …

1. Bilateral Exchange Rates
(Index; September 3, 2015 = 100; + = depreciation)



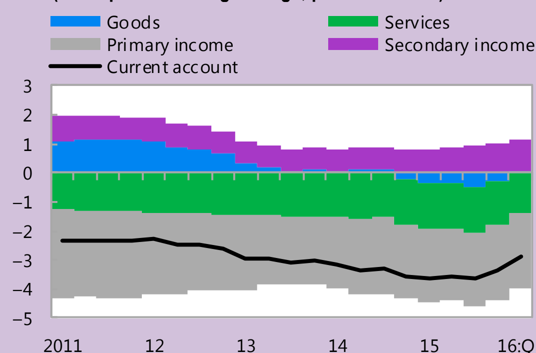
… also in real terms.

2. Real Effective Exchange Rates
(Index; January 2011 = 100; + = depreciation)



Current accounts are improving, partly reflecting the impact of earlier depreciations.

3. LA6: Current Account
(Four-quarter moving average; percent of GDP)



Sources: Bloomberg L.P.; Haver Analytics; IMF, Balance of Payments Statistics database; IMF, Information Notice System database; and IMF staff calculations.
Note: Dashed line refers to the April 2016 *World Economic Outlook* cutoff date. LA6 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay.

Figure 5. Growth Outlook

Economic activity, on average, is bottoming out in 2016, but there is large variety in growth outcomes.

1. Projected Growth, 2016[1]

2. Real GDP Growth[2]
(Percent)

	2014	2015	Projections 2016	Projections 2017
LAC	**1.0**	**0.0**	**–0.6**	**1.6**
South America	0.3	–1.3	–2.0	1.1
CAPDR	4.8	4.9	4.5	4.2
Caribbean				
Tourism-dependent	0.9	0.8	1.4	1.9
Commodity exporters	0.1	–1.2	–2.5	2.2
Memorandum items:				
LA6	1.4	–0.3	–0.2	1.6
Brazil	0.1	–3.8	–3.3	0.5
Mexico	2.2	2.5	2.1	2.3

Sources: IMF, World Economic Outlook database; and IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic; LAC = Latin America and the Caribbean; LA6 = Brazil, Chile, Colombia, Mexico, Peru, Uruguay.
[1] Historical average refers to average growth during 2000–13.
[2] Purchasing-power-parity GDP-weighted averages.

current easy financial conditions could spill over to domestic financial conditions through higher sovereign and corporate risks. On the domestic side, failure to implement ongoing micro and macro structural and fiscal reforms could weigh on the outlook for some large economies. Renewed concerns about a further spread of the Zika virus could affect tourism revenues in the Caribbean. Venezuela is already in a full-fledged economic crisis and, if current policies continue, faces severe risks, including of an even larger collapse in economic activity accompanied by hyperinflation. The already-acute shortages of basic goods, especially food and medicine, could worsen, evolving into a humanitarian crisis that could, in turn, trigger a wave of migration to neighboring countries. On the upside, continued implementation of policies addressing various macro and micro imbalances could further bolster domestic confidence and demand.

Regional Policy Focus

Repeated growth disappointments and downward forecast revisions, including those for the medium term, point to lower potential growth for Latin America (Figure 6). In this context, structural policies, such as closing infrastructure gaps, improving educational outcomes, incentivizing female labor force participation, and improving the business environment and the rule of law, are needed to support medium-term growth and diversify economies away from commodities. But these will likely take time to bear fruit. In this context, macro policies, in addition to their traditional role of helping close output gaps and responding to shocks (in countries where there is macro policy space), could also address some structural shortcomings and mitigate the short-term costs of structural reforms (for example, by preserving efficient infrastructure spending during fiscal consolidations). That said, in the presence of downside risks and uncertainty regarding the new level of potential output, macro buffers and policy credibility should be preserved and rebuilt. Overall, credible policy frameworks should guide policies and expectations over time. Given these guiding principles, the following macro policies are a priority for the region as a whole:

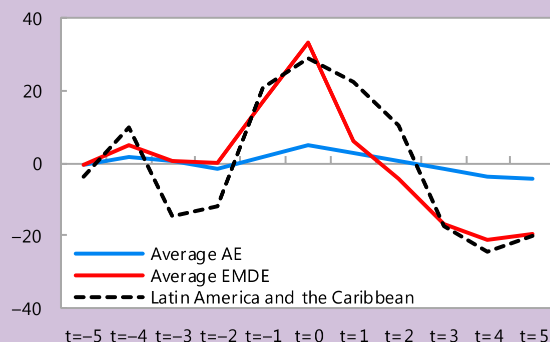
In light of shifting global trends, the exchange rate should remain the main shock absorber, with foreign exchange intervention limited to containing excess volatility in the event of disorderly market conditions.

Box 1

Terms-of-Trade Cycles and Adjustment in Perspective

With the end of the long-lasting commodity super cycle, many countries in Latin America, especially net commodity exporters, have experienced a sizable terms-of-trade shock. During the current episode, most countries in the region have let their exchange rate adjust to this shock. This, in turn, has helped smooth the current account adjustment, particularly given the persistent worsening of the terms of trade and the expectation that it will continue through the medium term.[1] Based on the analysis in Adler, Magud, and Werner (forthcoming) this box puts in perspective the size of the shock and ongoing external adjustment.[2] Some key findings follow.

Figure 1.1. Episodes of Terms-of-Trade Bust
(Demeaned)



Source: IMF staff calculations.
Note: AE = advanced economies; EMDE = emerging markets and developing economies.

Regarding the size of the shock, emerging market and developing economies have experienced a sizable slump in their terms of trade, particularly relative to advanced economies. Overall, the size of the shock for Latin America has been in line with the rest of the emerging market and developing economies (Figure 1.1) and, from a historical perspective, this decline in the terms of trade has been particularly severe for both (Figure 1.2).[3]

The response of the real exchange rate for the full emerging market and developing economy sample has been mild—in line with historical experience—but these averages hide important differences between countries with fixed and flexible exchange rate regimes (Figure 1.3). Among countries in Latin America that have adopted flexible exchange rate regimes (Brazil, Chile, Colombia, Mexico, and Peru), exchange rates were allowed to adjust in response to the terms-of-trade shock. This has resulted in sizable depreciations in real terms, in contrast to the real appreciations experienced by countries with less flexible exchange rate regimes (Argentina prior to 2016, Bolivia, Ecuador, Venezuela)—in some cases driven by inflation.

Although external adjustments are still ongoing, on average current accounts have worsened by more during this episode than the median of previous episodes (Figure 1.4). This, however, masks significant variation in country responses. In particular, exchange rate flexibility appears to facilitate much-needed external adjustment; current accounts of countries with flexible exchange rate regimes deteriorate less than those of countries with more rigid regimes.

This box was prepared by Nicolas E. Magud, based on Adler, Magud, and Werner (forthcoming).

[1] Although several Central American and the Caribbean countries saw their terms of trade improve recently, this box focuses on episodes accompanied by deteriorating terms of trade for net commodity exporters, which have dominated regional trends in recent years.

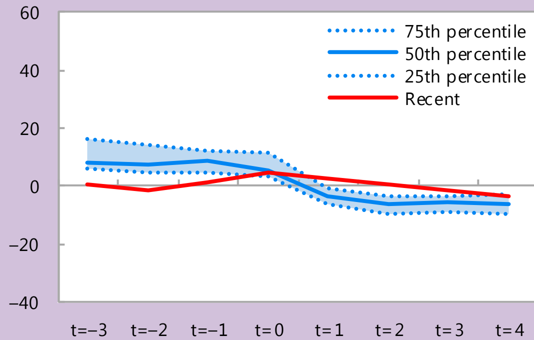
[2] Adler, Magud, and Werner (forthcoming) identify medium-term terms-of-trade cycles for each country in the sample using a Markov regime switching model. The identified episodes are then separated into improving and deteriorating terms-of-trade episodes, stacked and centered in *t=1* (the first period during which the terms of trade switch). Next, 11-year windows are built (during which the series are "demeaned" from each country's mean to avoid level differences that bias the results), from which the statistics presented here are computed for each period. See Adler, Magud, and Werner (forthcoming) for details.

[3] Latin American countries with deteriorating terms of trade during the recent episode include Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, and Venezuela.

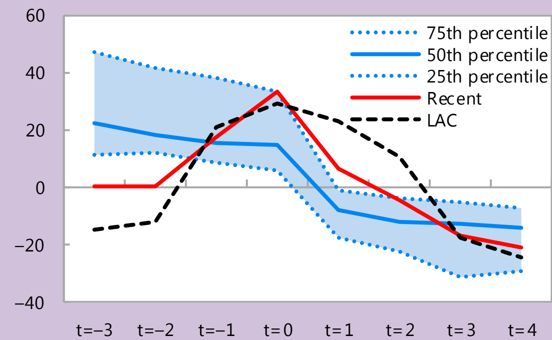
Box 1. ***(concluded)***

Figure 1.2. Terms of Trade: Historical Comparison

1. Advanced Economies
(Demeaned)



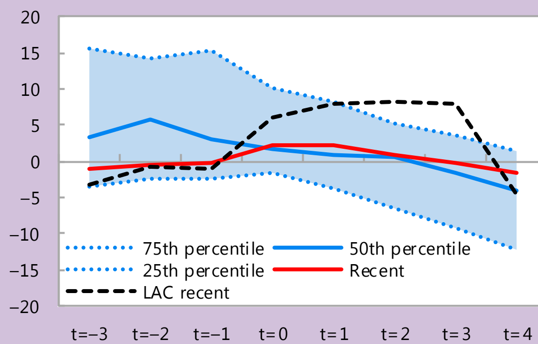
2. Emerging Markets and Developing Economies
(Demeaned)



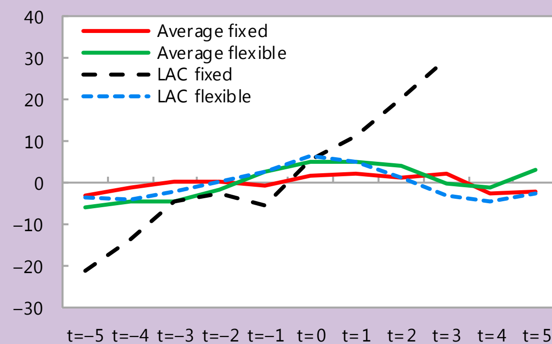
Source: IMF staff calculations.
Note: LAC = Latin America and the Caribbean.

Figure 1.3. Real Effective Exchange Rate

1. Historical Comparison
(Demeaned)



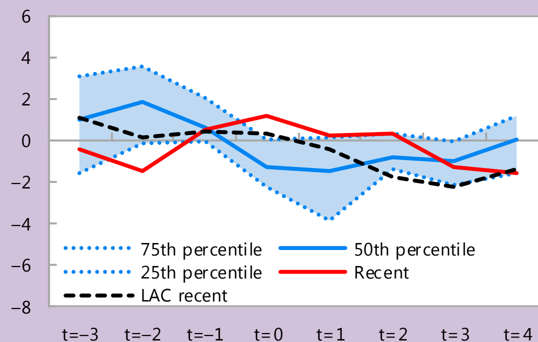
2. Current Episode
(Demeaned)



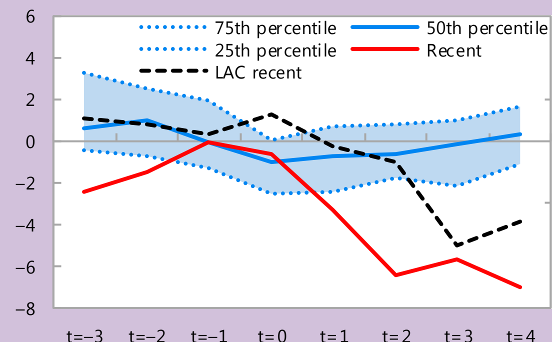
Source: IMF staff calculations.
Note: LAC = Latin America and the Caribbean.

Figure 1.4. Current Account: Historical Comparison

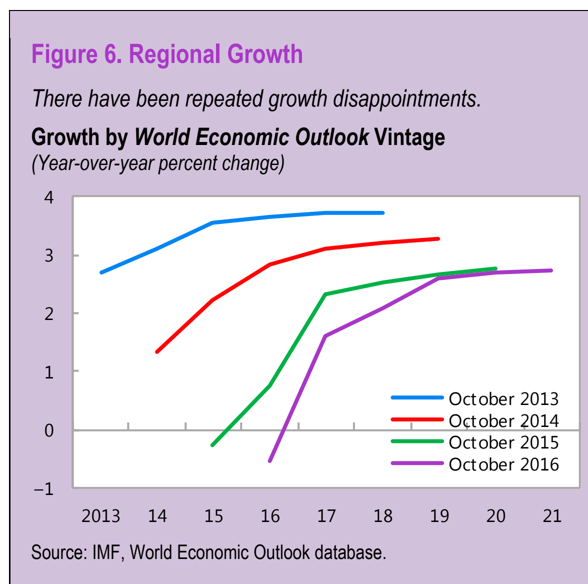
1. Flexible Exchange Rate Regimes
(Demeaned; percent of GDP)



2. Fixed Exchange Rate Regimes
(Demeaned; percent of GDP)



Source: IMF staff calculations.
Note: LAC = Latin America and the Caribbean.



The appropriate monetary policy stance is determined by price stability considerations, and in many cases the need for a contractionary stance has dissipated with the decline in inflation and inflation expectations and moderating growth prospects:

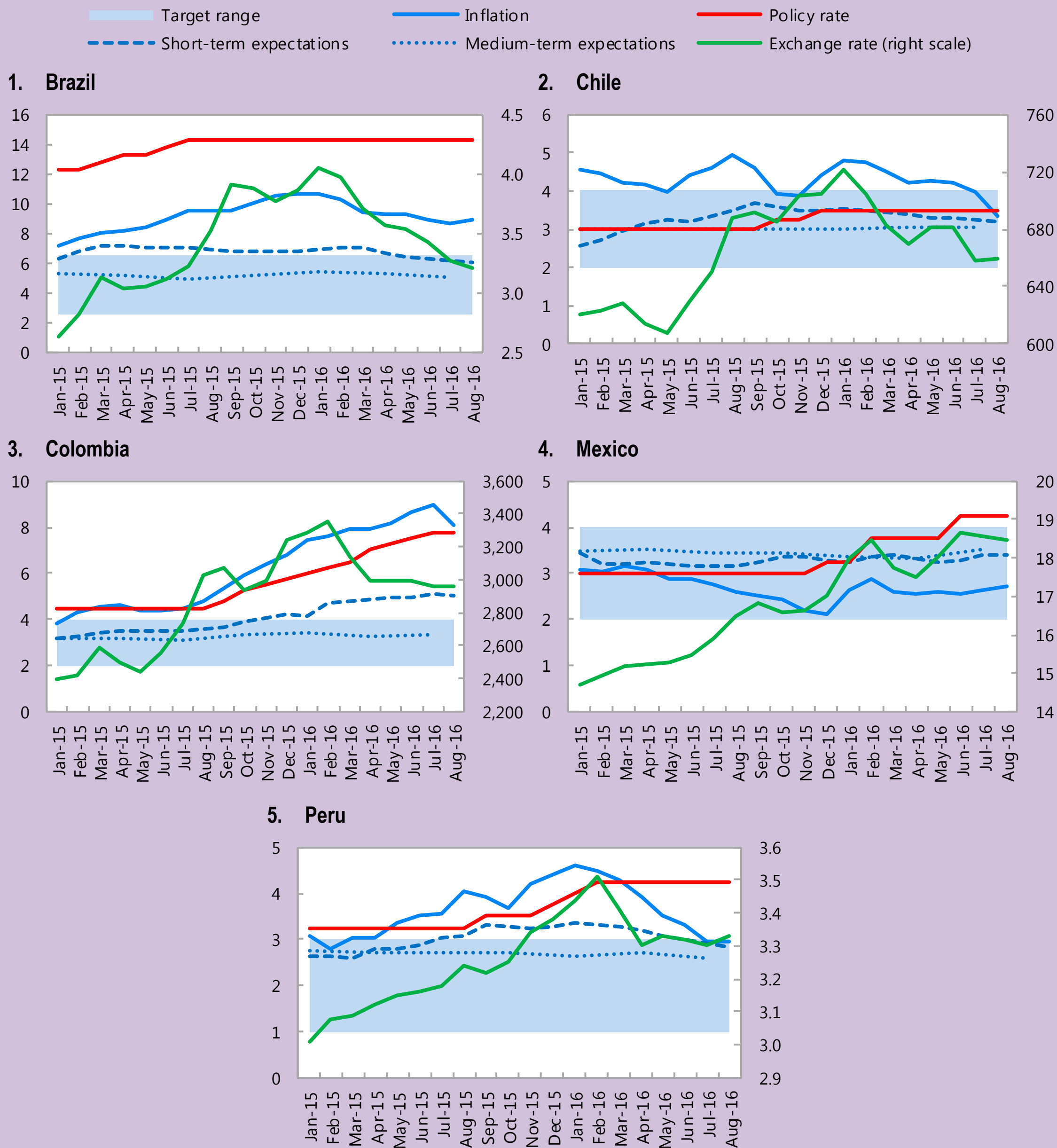
- For many countries in the region, estimates suggest that neutral rates are now lower than in the past, partly reflecting lower potential growth assessments and the decline in global real and neutral interest rates.
- At the same time, inflation and inflation expectations are coming down from their peaks in most countries. As a result of large and persistent depreciations, average inflation in South America had increased, albeit at a much lower rate than in past episodes owing to a weaker exchange rate pass-through (IMF 2016e). With the pressures from exchange rates easing and output gaps persisting, inflation and inflation expectations have moderated in most counties. This has led most central banks in the region to keep policy rates unchanged (Figure 7).
- With lower neutral rates, anchored inflation expectations, and inflation rates converging to target ranges, a pause in monetary policy tightening is appropriate for many countries in the region.
- In a few countries with inflation and medium-term inflation expectations above targets (for example, Argentina and Brazil), a tight monetary policy stance is appropriate to anchor expectations and build and maintain credibility.

Fiscal policy should focus on preserving and rebuilding buffers, given the already-high debt levels in some countries relative to other emerging markets, structurally lower commodity revenues, and dampened potential growth. The average debt level in the region has increased since 2011 and is expected to increase further. While the adjustment has started, overall deficits are still large relative to the past, and primary balances remain below debt-stabilizing levels (Figure 8). With the easing of pressures stemming from declining commodity prices and more favorable global financial conditions, now is the time to strengthen buffers, while preserving critical capital expenditures and social outlays. The speed of adjustment would differ across countries, depending on the current level of debt, the degree and cost of market access, the cyclical position, and the size of fiscal multipliers. A faster pace of adjustment is warranted for countries with large debt burdens and sizable market pressure. The composition of adjustment would be important in mitigating the negative impact of adjustment on short-term demand and in supporting longer-term growth.

Real credit growth is slowing in most countries (for example, Brazil, Paraguay, Uruguay), except in a few countries (for example Mexico), reflecting in many cases weaker credit demand and in some cases also tighter post-commodity-boom lending standards. Nonperforming loans are picking up in some countries (albeit from a low base), which highlights the importance of close monitoring of bank and corporate sector health (Figure 9). At the same time, corporate debt issuance has started to pick up after the slowdown in 2015, partly reflecting easier global financial conditions. To ensure resilience

Figure 7. Monetary Policy and Inflation

Inflation in most countries is declining. As a result, most central banks have recently switched to a holding mode.



Sources: Bloomberg L.P.; *Consensus Forecasts;* Global Data Source; Haver Analytics; national authorities; and IMF staff calculations.
Note: Exchange rate is in national currency per U.S. dollar. Other series are in percent.

Figure 8. Fiscal Indicators

Average debt for the region has increased, and overall deficits are still large. While this has translated into higher sovereign spreads, funding conditions are currently favorable, mainly because of external factors.

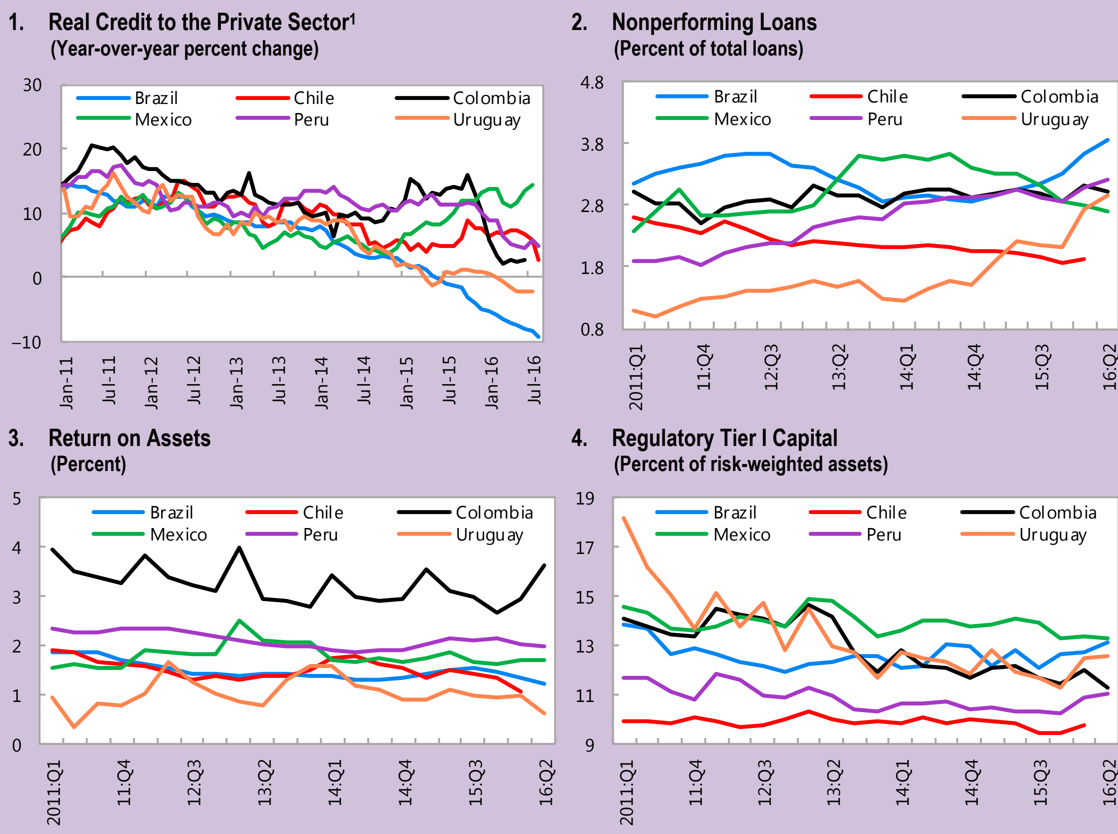
Sources: Bloomberg L.P.; and IMF, World Economic Outlook database; and IMF staff estimates.

[1] Refers to J.P. Morgan Emerging Market Bond Index Global; U.S.-dollar-denominated sovereign bonds. Latest data refers to September 28, 2016.

[2] Number next to the red line refers to the 2021 debt-to-GDP ratio. For Uruguay, public debt includes the debt of the central bank, which increases recorded public sector gross debt.

Figure 9. Financial Indicators

In some cases, real credit is declining if nonperforming loans are picking up. Although the banking systems are still sound, risks are higher.



Sources: Haver Analytics; IMF, Financial Soundness Indicators database; national authorities; and IMF staff calculations.
[1] Deflated by consumer price index inflation.

to shocks, adequate macro-financial monitoring is critical, including by identifying linkages across sectors, closing data gaps (for example, hedging activities by corporations), regularly stress testing the financial sector, and closely monitoring financial cycles to avoid excessive financial accelerator feedbacks during down cycles.

Country Focus

South America: Bottoming Out

The ongoing adjustment to persistently low commodity prices, despite the recent mild recovery, and idiosyncratic domestic developments continue to shape growth performance and outlook in South America. As a group, South American economies are expected to contract for the second consecutive year in 2016 before growth recovers to 1.1 percent in 2017. Nevertheless, the outlook and policy priorities vary considerably within the region.

Brazil's economy is in its deepest recession in decades and policy space to support demand is limited. The recession has been made worse by a political crisis, which paralyzed policymaking and severely damaged confidence. Efforts to boost activity during 2011–14 without

addressing long-standing structural issues proved counterproductive, contributing to a severe deterioration in the fiscal position, high inflation, erosion of financial positions of firms and households, and worsening growth prospects. Some high-frequency indicators suggest that the recession may be nearing its end, but the implementation of reforms that address structural problems, including in the fiscal arena, and that durably restore policy credibility and growth remains uncertain. Growth is expected to remain weak for a prolonged period (IMF staff projects output growth of –3.3 percent in 2016, and 0.5 percent in 2017, better than envisaged six months ago). The impact of the corruption probe at Petrobras is expected to slowly diminish, contributing to a recovery in investment and a gradual return to positive quarterly growth during the second half of 2016.

Regarding policies, meeting the revised primary deficit target of 1.6 percent of GDP for 2016 (pending congressional approval) appears difficult. In the near term, monetary policy is expected to remain tight, and nominal credit growth is projected to fall further, in line with economic activity. Over the medium term, inflation is expected to slowly converge toward the target midpoint, and the current account is expected to gradually achieve balance, as growth reaches its potential of 2 percent. With high and rising gross debt over the projection horizon, downside risks dominate the outlook, with the most immediate risk relating to implementation of planned fiscal reforms, mainly structural in nature.

In *Argentina*, reforms to unwind the pervasive macroeconomic imbalances and microeconomic distortions that were inherited from the previous administration are ongoing. Much has been done since the new government took office in December last year, including unifying the exchange rate, normalizing relations with creditors, realigning utility prices closer to the marginal cost, removing distortions (including those from export taxes and capital controls), and improving transparency and governance (including at the national statistics agency). The transition has proved costlier than expected in 2016, but medium-term growth prospects have improved substantially, and growth is expected to rebound in 2017, reflecting stronger consumption as inflation falls and a slower fiscal adjustment than this year. Strong, sustained, and equitable growth will require reducing fiscal imbalances and deploying monetary policy to steadily bring down inflation. Rebuilding the institutional framework and deepening structural reforms will significantly ease the economic cost of the transition, create an environment that is more conducive to private investment, and generate significant medium-term dividends in terms of more and better jobs, as well as a steady improvement in living standards for Argentina's population.

In *Ecuador*, in addition to the adverse impact of the April earthquake, the economy continues to endure the effects of still-low oil prices, a strong U.S. dollar, and tight financing conditions. Economic activity is expected to contract this year, but at a milder pace than projected earlier, due to the relative recovery in oil prices and greater availability of external financing. IMF financial support, via the Rapid Financing Instrument (RFI),[2] should help the country meet balance-of-payments needs from the damages caused by the earthquake.

The economic contraction in *Venezuela* has deepened this year. Real GDP is expected to decline by double digits in 2016 amid falling oil production, shortages of intermediate goods, widespread price and other administrative controls and regulations, and infringement on property rights, which undercut the business climate. Inflation has accelerated, fueled by increasing scarcity and monetization of large fiscal deficits, making hyperinflation a realistic scenario. Because of a lack of foreign exchange,

[2] The RFI provides rapid financial assistance to member countries facing an urgent balance-of-payments need, even if they do not have a full-fledged program in place. It can provide support to meet a broad range of urgent needs, including those arising from natural disasters.

the spread between the official exchange rate and the rate prevailing in informal markets has widened by a factor of 100. Social conditions have deteriorated owing to growing shortages of food and medicine and the drop in purchasing power. A well-planned economic program is urgently needed to restore macroeconomic stability. This requires fiscal adjustment to reduce monetary financing, elimination of distortions, such as price controls and the exchange rate misalignment; and reform of regulatory frameworks across the board to improve the business climate. Special efforts would be needed to build a sound social safety net.

The rest of the region continues to grow at a modest rate, but potential growth in most countries has been revised down, partly because of persistently low commodity prices. Spillovers from Argentina and Brazil are affecting some countries' short-term growth prospects (IMF 2016e).

In particular, growth in *Uruguay* has come to a virtual halt since the fourth quarter of 2015, and projections have been revised down to almost zero for 2016 and 1.2 percent for 2017. Despite this sobering outlook, there is little room for countercyclical policies, given persistently high inflation and the recent rise in the level of public debt.

The *Chilean* economy has also decelerated, and growth is expected to slow to 1.7 percent this year (down from 2.3 percent in 2015) reflecting weak external demand, a worsening labor market and, to some extent, a less supportive policy mix compared to last year. Growth is projected to accelerate modestly to 2 percent in 2017, but estimates of potential growth for Chile have fallen considerably (down from about 4 percent in 2013 to 2½ percent on average over 2015−16)— a decline seen also in other countries.

In *Colombia*, the orderly economic slowdown has continued, as domestic demand (investment in particular) adjusts to lower commodity prices and some policy tightening, and the peso depreciation has begun to boost industrial activity. Inflation pressures have started to abate and the central bank interest-rate hiking cycle has aptly preserved anchoring of medium-term inflation expectations. Growth, after slowing to 2.2 percent this year, is expected to strengthen to 2.7 percent next year. It remains below potential due in part to the planned further fiscal adjustment, including the structural tax reform to be submitted later this year. Investment, in particular, is projected to bounce back as fourth generation technology infrastructure projects move into the construction phase and peace strengthens overall confidence.

Peru's economy has continued to grow at a brisk rate, supported by expanding copper production, a rebound in public spending, and robust private consumption, although private investment remains lackluster. Further underpinned by increasing confidence after the presidential elections, growth is expected to reach 3.7 percent in 2016 and 4.1 percent in 2017, with some upside risks if private and public investment picks up more than expected. The output gap is closing, with monetary conditions supportive of growth—despite some tightening—and inflation has converged to the top of the targeted inflation band. Potential growth has been revised down to 3.5 percent. Structural reforms are needed to raise productivity through better labor conditions, lower informality, more education, and less red tape.

Paraguay continues to register robust growth rates despite weaker terms of trade. Economic momentum has strengthened, reflecting strong growth in key trade-related sectors and construction. Increased exports and public investment are helping offset weaker private demand alongside a slowdown in credit.

Bolivia's real GDP growth— projected at 3.7 percent in 2016— remains among the fastest-growing in the region but the country faces significant medium-term risks. The authorities have maintained a high level of public spending, a key factor behind large fiscal

and external deficits. While buffers remain sizable, they are declining at a steady pace, increasing medium-term vulnerabilities. With existing gas reserves set to be exhausted by the mid-2020s, natural gas exploration activities to identify new fields need to be stepped up.

Mexico, Central America, Panama, and the Dominican Republic: Declining External Support

The region—which had been growing near or above historical averages—is not immune to shifting global trends. Growth in the region is moderating, owing to the slowdown in United States and smaller (relative to 2015) gains in the terms of trade.

The *Mexican* economy continues to grow at a moderate pace—sustained by strong services despite falling oil production and weak manufacturing— but the growth outlook has been revised down to 2.1 percent in 2016 and 2.3 percent in 2017, on account of weak export demand from the United States (Figure 10). Continued fiscal consolidation is critical for reversing the upward trend in the public debt ratio, and current low energy prices provides an opportunity to fully liberalize gasoline prices, eliminate nontargeted electricity subsidies, and improve the efficiency of Pemex (the state-owned oil company). Inflation pressures remained limited despite significant currency depreciation. There is a case for a pause in the monetary policy tightening cycle, given moderate economic activity and contained inflation and inflation expectations.

Similarly, growth in *Central America* is moderating slightly (Figure 11). The region is projected to grow at about 4½ percent in 2016 (½ percentage points less than in 2015), close to its potential growth rate. Meanwhile, financial conditions have eased recently, in line with global trends. External debt spreads have declined significantly, real effective exchange rates are fairly stable after last year's appreciation, and real interest rates are down slightly. In 2017, growth is expected to remain steady in most countries, with positive spillovers from a recovering U.S. economy offset by a slight increase in oil prices. *The Dominican Republic* and *Panama* will remain the strongest performers in the region. The completion of the Panama Canal expansion is expected to propel the country's growth rate to nearly 6 percent. In the *Dominican Republic*, strong growth is projected to continue, but ease back to a potential 4.5-5 percent. Monetary stimulus and fading base effects from oil price declines are expected to bring inflation back to target across the region, despite small negative output gaps in some countries.

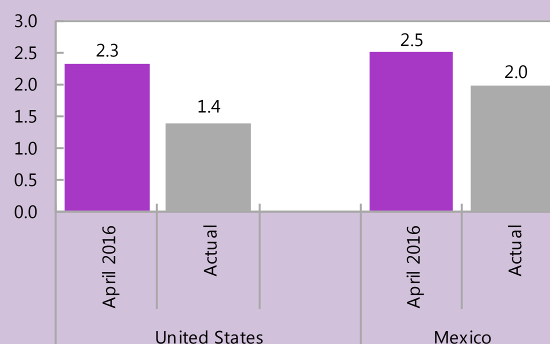
Despite the relatively favorable external environment, public debt continues to increase in several countries as sizable fiscal deficits remain fairly stable. The main exceptions are *Honduras*, which has regained fiscal discipline, and *Guatemala*, where debt remains low despite a moderate proposed deficit increase in the 2017 budget as the new administration begins to tackle pressing social and infrastructure needs. Overall, fiscal risks remain the key vulnerability for the region because they limit the policy space to counter negative shocks. Following their steep declines in 2015, external current account deficits are expected to remain broadly stable in 2016, driven by lower oil prices and strong remittances inflows. External deficits are

Figure 10. Mexico and United States: Growth Rates

Growth is weaker than was expected six months ago.

Real GDP Growth, 2015:H1–16:H1

(Percent change)

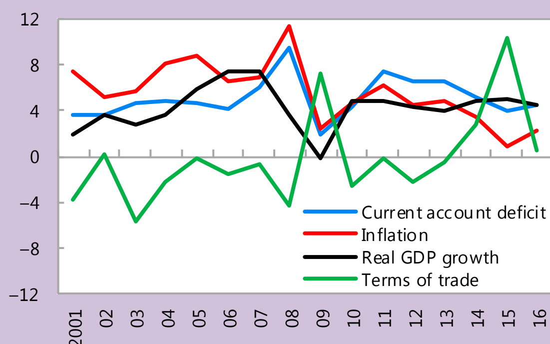


Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.

Figure 11. Central America, Panama, and the Dominican Republic (CAPDR)

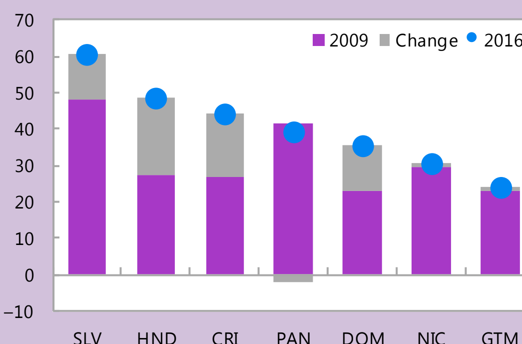
Growth is moderating and inflation is getting back to target.

1. **Growth, Inflation, and the Current Account[1]**
(Percent change)



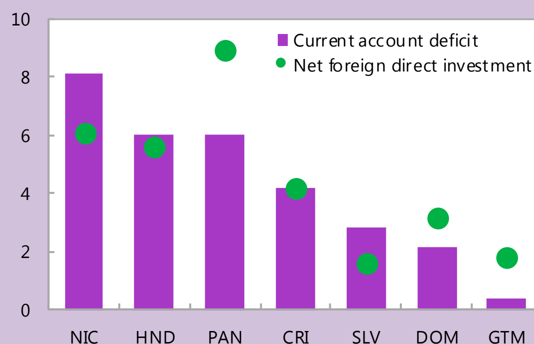
Public debt continues to increase.

2. **Gross Debt**
(Percent of fiscal year GDP)



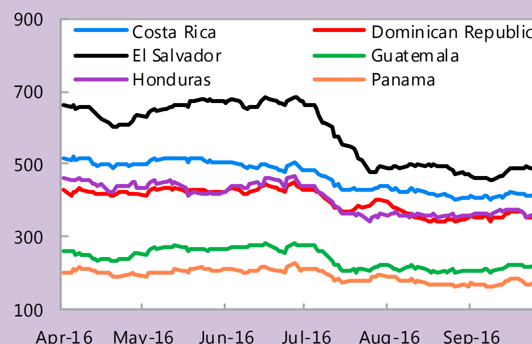
External deficits are largely financed by FDI flows.

3. **Current Account Deficit and Net Foreign Direct Investment[2]**
(Percent of GDP; average 2015–16)



Sovereign spreads narrowed, given favorable global conditions.

4. **Sovereign Credit Spreads[3]**
(Basis points; spread over U.S. Treasuries)



Sources: Bloomberg L.P.; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Data labels use International Organization fo Standardization (ISO) country codes. CAPDR = Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama; FDI = foreign direct investment.
[1] Current account deficit is in percent of GDP. Median is shown for current account deficit and inflation. Purchasing-power-parity GDP-weighted averages for real GDP growth and terms of trade.
[2] Net foreign drect investment: net lending (–) / net borrowing (+).
[3] Refers to J.P. Morgan Emerging Market Bond Index Global; U.S.-dollar-denominated sovereign bonds.

projected to remain financed largely by foreign direct investment flows, except in *Nicaragua* and *El Salvador*. Regional financial systems appear sound, with adequate capital and liquidity buffers, though dollarization continues to be the main vulnerability. While the loss of correspondent banking services has thus far not fundamentally affected financial systems in the region, it remains a key downside risk.

Against this backdrop, building fiscal space is the key policy priority and will require both expenditure restraint and rationalization, including strict control on wage bills and better targeting of subsidies. On the revenue side, the priorities are to reduce exemptions and mobilize support to increase tax revenues and ensure fiscal sustainability. At the same time, critical investment and social needs must be addressed in some countries. In the monetary and financial areas, greater exchange rate flexibility consistent with inflation targeting, additional macroprudential measures to reduce dollarization, stronger regional cooperation to

more effectively supervise financial conglomerates, and stronger anti-money laundering and anti-terrorism financing frameworks are essential.

The Caribbean: Diverse Prospects

The region's outlook depends broadly on recovering tourism and trends in commodity prices, but there is substantial variation across countries.

GDP growth in the tourism-dependent economies (*The Bahamas, Barbados, Jamaica, and countries of the Eastern Caribbean Currency Union*) is projected to increase from 0.8 percent in 2015 to 1.4 percent in 2016, but with substantial variation across these economies. *Jamaica's* growth is benefiting from a strong recovery in agriculture, thanks to favorable weather (Figure 12). The tourism and business-process outsourcing sectors are also supporting growth. *The Bahamas* continues to gradually recover from two years of negative growth. Most tourism-dependent economies have benefited from a recovery in tourist arrivals, though growth is expected to moderate this year, and *Barbados* has already experienced a significant slowdown relative to the large expansion in 2015. The slowdown in the United States has contributed to this moderation in tourist arrivals in some countries, but the elasticity of the response is relatively small.

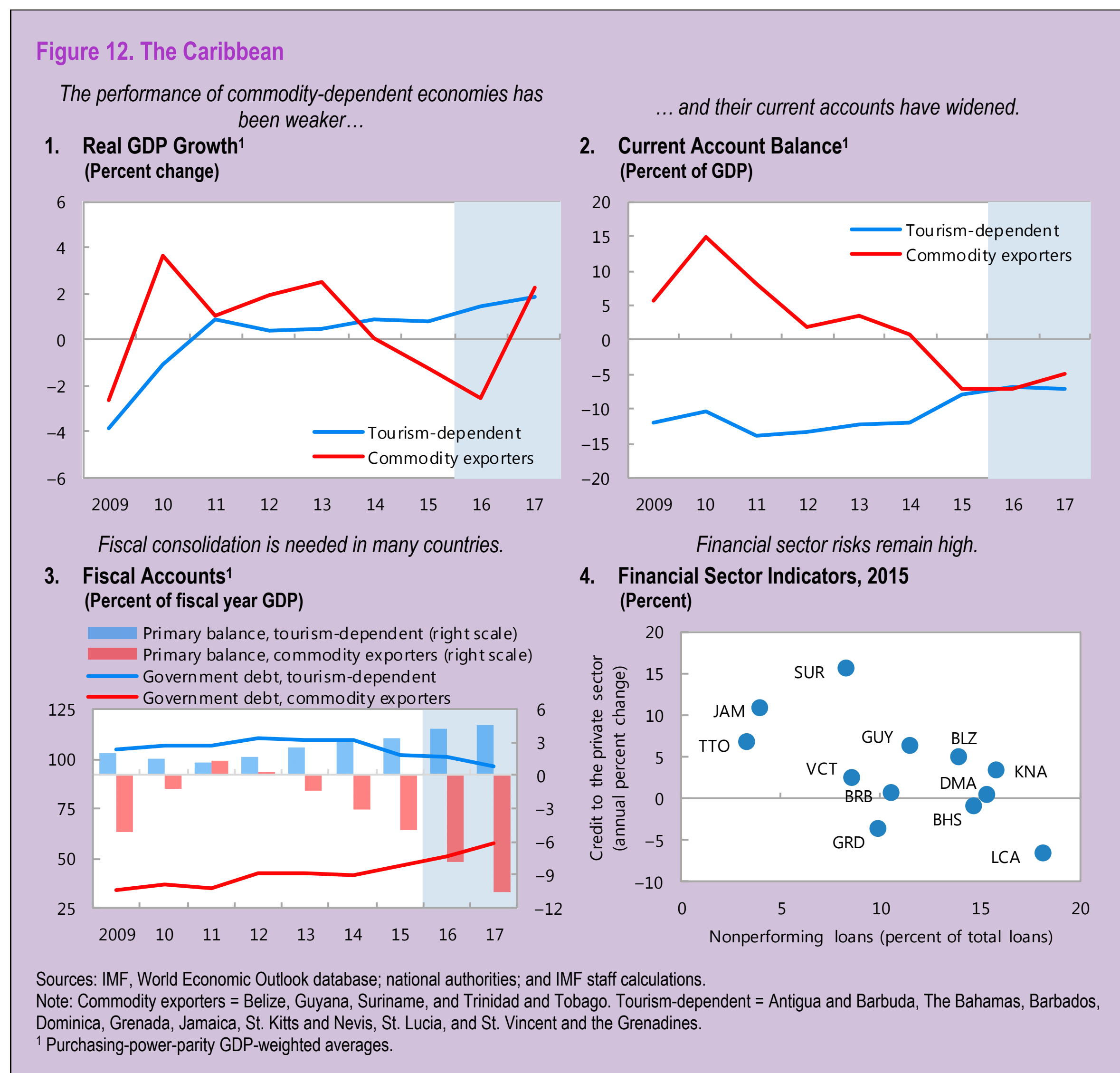
The performance of commodity exporters has been much weaker. *Trinidad and Tobago* was hit hard by the decline in oil and gas prices, and *Suriname* by lower commodity prices, the shut-down of aluminum production, and substantial but necessary fiscal consolidation. Growth has come to a halt in *Belize*, but *Guyana* continues to grow strongly, supported by two new large gold mines.

Haiti's economy is projected to grow at 1.5 percent in fiscal year 2015/16, similar to fiscal year 2014/15. While the agricultural sector is partially recovering from an extended drought, public and private investment have slumped due to political uncertainty and a decline in donor inflows and other financing.

Inflation has been muted in most Caribbean countries, as low international oil prices continue to stifle inflation pressures. Inflation in *Suriname* has been on the rise, however, reflecting electricity tariff increases and pass-through from a large exchange rate depreciation. Inflation in *Haiti* is expected to continue to fall to a rate of about 13 percent this year, aided by a reduced pace of depreciation and prospects for somewhat stronger agricultural production.

The average primary fiscal balance is projected to improve from 3.4 percent of GDP in 2015 to 4.2 percent of GDP in 2016 in tourism-dependent economies (purchasing-power-parity weights; excluding Jamaica, the averages are -0.6 and 1.2 percent in 2015 and 2016, respectively). Further consolidation is needed in many countries, given the high levels of public debt. In *Grenada*, overall performance under the IMF Extended Credit Facility-supported program is solid, and fiscal performance in 2016 remains strong. The challenge in 2016–17 will be continued prudent budget implementation under the fiscal responsibility framework in the context of mounting pressures on the wage bill. Jamaica continues the strong implementation of its Extended Fund Facility-supported reform program (now in its fourth year) after more than three years of maintaining primary surpluses at or above 7 percent of GDP. The new government elected in early 2016 has reiterated its commitment to continued fiscal discipline while reorienting economic reforms to raise growth and employment. The average primary balance is projected to worsen from -5.0 percent of GDP in 2015 to -7.7 percent of GDP in 2016 among commodity exporters, which will need to consolidate in the context of the new global environment. In *Suriname*, performance under the IMF Stand-By Arrangement-supported program has been mixed, and restoring macroeconomic stability requires additional fiscal consolidation. Significant increases in fuel taxes and electricity tariffs, as planned in the

Figure 12. The Caribbean



Sources: IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Commodity exporters = Belize, Guyana, Suriname, and Trinidad and Tobago. Tourism-dependent = Antigua and Barbuda, The Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.
[1] Purchasing-power-parity GDP-weighted averages.

program, are essential to improve the fiscal situation and make space for better-targeted social spending.

Caribbean oil importers continue to benefit from still-low international oil prices, and their average current account balance is expected to improve from –8.8 percent of GDP in 2015 to –5.9 percent of GDP in 2016. While commodity prices remain subdued, gold has recovered substantially since the beginning of the year, benefiting *Guyana* and *Suriname*.

Financial sector risks remain high in a number of countries that continue to struggle with high levels of nonperforming loans. In these countries, bank credit growth has been weak, placing a drag on economic activity. Some countries have also had to deal with the withdrawal of correspondent bank relationships, which can add further stress to the affected institutions and the businesses that rely on them.

The Caribbean's ties with the United Kingdom make it vulnerable to Brexit-related risks. Travelers from the United Kingdom account for a large share of tourist arrivals in *Barbados*, and they tend to stay longer and spend more than other tourists. *Jamaica* receives about 2 percent of GDP in remittances from the

United Kingdom. But for most countries, the direct adverse spillovers are likely to remain modest, unless there are significant second-round effects in the global economy. Important region-specific risks include developments in Venezuela, given the region's reliance on. PetroCaribe, and the opening of the Cuban economy, which may increase competition in the tourism market The Zika epidemic has spread throughout the Caribbean and may adversely affect tourism and further burden already-strained public health systems

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Table 1. Western Hemisphere: Main Economic Indicators[1]

	Output Growth (Percent)					Inflation[2] (End of period, percent)					External Current Account Balance (Percent of GDP)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
			Est.	Projections				Est.	Projections				Est.	Projections	
North America															
Canada	2.2	2.5	1.1	1.2	1.9	1.0	1.9	1.3	1.8	2.1	–3.2	–2.3	–3.2	–3.7	–3.1
Mexico	1.4	2.2	2.5	2.1	2.3	4.0	4.1	2.1	3.2	3.1	–2.5	–2.0	–2.9	–2.7	–2.8
United States	1.7	2.4	2.6	1.6	2.2	1.3	0.6	0.7	1.8	2.6	–2.2	–2.3	–2.6	–2.5	–2.7
Puerto Rico[3]	–0.3	–1.4	0.0	–1.8	–1.4	0.8	0.1	–0.2	–0.2	1.1	…	…	…	…	…
South America															
Argentina[4]	2.4	–2.5	2.5	–1.8	2.7	10.9	23.9	…	39.4	20.5	–2.0	–1.4	–2.5	–2.3	–3.2
Bolivia	6.8	5.5	4.8	3.7	3.9	6.5	5.2	3.0	5.1	5.0	2.4	0.2	–5.8	–6.6	–4.9
Brazil	3.0	0.1	–3.8	–3.3	0.5	5.9	6.4	10.7	7.2	5.0	–3.0	–4.3	–3.3	–0.8	–1.3
Chile	4.0	1.8	2.3	1.7	2.0	2.8	4.7	4.4	3.5	3.0	–3.7	–1.3	–2.0	–1.9	–2.4
Colombia	4.9	4.4	3.1	2.2	2.7	1.9	3.7	6.8	6.0	3.7	–3.2	–5.1	–6.4	–5.2	–4.2
Ecuador	4.6	3.7	0.3	–2.3	–2.7	2.7	3.7	3.4	2.9	–0.2	–1.0	–0.6	–2.2	–1.5	–0.9
Guyana	5.2	3.8	3.2	4.0	4.1	0.9	1.2	–1.8	2.2	2.0	–13.3	–10.7	–5.7	2.1	0.4
Paraguay	14.0	4.7	3.1	3.5	3.6	3.7	4.2	3.1	3.8	4.1	1.7	–0.4	–1.7	0.6	–0.5
Peru	5.8	2.4	3.3	3.7	4.1	2.9	3.2	4.4	2.9	2.5	–4.2	–4.0	–4.4	–3.8	–3.1
Suriname	2.8	1.8	–0.3	–7.0	0.5	0.6	3.9	25.0	76.7	9.2	–3.8	–8.0	–15.7	–4.2	4.2
Uruguay	4.6	3.2	1.0	0.1	1.2	8.5	8.3	9.4	9.9	8.8	–5.0	–4.5	–3.5	–2.9	–3.1
Venezuela[5]	1.3	–3.9	–6.2	–10.0	–4.5	56.2	68.5	180.9	720.0	2,200.0	2.0	1.7	–7.8	–3.4	–0.9
Central America															
Belize	1.3	4.1	1.0	0.0	2.6	1.6	–0.2	–0.6	2.0	2.3	–4.6	–7.4	–9.8	–12.4	–9.9
Costa Rica	1.8	3.0	3.7	4.2	4.3	3.7	5.1	–0.8	2.3	3.0	–5.0	–4.7	–4.0	–4.5	–4.5
El Salvador	1.8	1.4	2.5	2.4	2.4	0.8	0.5	1.0	0.3	2.0	–6.5	–5.2	–3.6	–2.1	–2.9
Guatemala	3.7	4.2	4.1	3.5	3.8	4.4	2.9	3.1	4.3	4.0	–2.5	–2.1	–0.3	–0.5	–0.7
Honduras	2.8	3.1	3.6	3.6	3.7	4.9	5.8	2.4	4.7	4.5	–9.6	–7.4	–6.3	–5.7	–5.7
Nicaragua	4.5	4.6	4.9	4.5	4.3	5.7	6.5	3.1	6.2	7.3	–10.9	–7.7	–8.2	–8.0	–8.7
Panama[6]	6.6	6.1	5.8	5.2	5.8	3.7	1.0	0.3	1.0	1.5	–9.8	–9.8	–6.5	–5.5	–4.9
The Caribbean															
Antigua and Barbuda	1.5	4.2	2.2	2.0	2.4	1.1	1.3	0.9	1.4	2.2	–14.6	–14.8	–10.2	–9.4	–10.2
The Bahamas	0.0	–0.5	–1.7	0.3	1.0	1.0	0.2	2.0	1.0	1.5	–17.5	–22.0	–16.0	–11.4	–10.7
Barbados	–0.1	0.2	0.9	1.7	1.7	1.1	2.3	–2.5	1.7	2.3	–9.1	–9.9	–7.2	–5.3	–6.0
Dominica	0.8	4.2	–1.8	1.5	2.9	–0.4	0.5	–0.1	–0.1	1.8	–9.7	–11.1	–9.3	–13.1	–14.2
Dominican Republic	4.8	7.3	7.0	5.9	4.5	3.9	1.6	2.3	3.0	4.0	–4.1	–3.3	–1.9	–2.4	–2.7
Grenada	2.4	7.3	6.2	3.0	2.7	–1.2	–0.6	1.0	2.8	2.8	–23.2	–16.5	–15.9	–12.7	–14.1
Haiti[7]	4.2	2.8	1.2	1.5	3.2	4.5	5.3	11.3	12.0	7.0	–6.3	–6.3	–2.5	0.4	–1.0
Jamaica	0.2	0.5	0.9	1.5	2.0	9.5	6.4	3.7	5.2	5.2	–9.2	–7.7	–3.4	–3.3	–3.6
St. Kitts and Nevis	6.2	6.1	5.0	3.5	3.5	1.0	–0.6	–2.9	0.2	1.3	–13.4	–12.1	–12.3	–17.2	–19.4
St. Lucia	0.1	0.4	2.4	1.5	1.9	–0.7	3.7	–2.6	0.6	4.0	–11.4	–6.8	–3.7	–6.7	–6.7
St. Vincent and the Grenadines	2.5	0.2	0.6	1.8	2.5	0.0	0.1	–2.1	1.0	1.3	–30.9	–29.6	–26.2	–23.0	–22.0
Trinidad and Tobago	2.3	–1.0	–2.1	–2.7	2.3	5.7	8.5	1.5	5.2	5.3	7.3	4.6	–5.4	–8.7	–7.2
Memorandum															
Latin America and the Caribbean	**2.9**	**1.0**	**0.0**	**–0.6**	**1.6**	**4.5**	**5.0**	**6.2**	**5.1**	**3.9**	**–2.8**	**–3.2**	**–3.6**	**–2.3**	**–2.3**
South America[8]	5.2	1.9	1.0	–0.2	1.4	4.4	4.9	5.6	5.2	4.0	–1.6	–2.0	–4.0	–2.8	–2.5
CAPDR[9]	3.7	4.2	4.5	4.2	4.1	3.9	3.3	1.6	3.1	3.8	–6.9	–5.8	–4.4	–4.1	–4.3
Caribbean															
Tourism-dependent[10]	1.5	2.5	1.6	1.9	2.3	1.2	1.5	–0.3	1.5	2.5	–15.4	–14.5	–11.6	–11.3	–11.9
Commodity exporters[11]	2.9	2.2	0.5	–1.4	2.4	2.2	3.3	6.0	21.5	4.7	–3.6	–5.4	–9.2	–5.8	–3.1
Eastern Caribbean Currency Union[12]	1.7	3.2	2.3	2.2	2.6	0.0	0.9	–1.0	1.1	2.4	–17.1	–14.6	–12.1	–12.6	–13.8

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

[1] Regional 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 September 16, 2016.

[2] End-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.

[3] The 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.

[4] On February 1, 2013, the IMF issued a declaration of censure, and since then has called on Argentina to implement specified actions to address the quality of its official GDP data. The new government that took office in December 2015 released a revised GDP series on June 29, 2016. At the IMF Executive Board meeting that took place on August 31, 2016, the revised series was considered to be in line with international standards. The consumer price data for Argentina before December 2013 reflect the 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. 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 are not reported in the October 2016 *World Economic Outlook*. On February 1, 2013, the IMF issued a declaration of censure and since then has called on Argentina to implement specified actions to address the quality of its official CPI data. At the meeting that took place on August 31, 2016, the IMF Executive Board noted the important progress made in strengthening the accuracy of the CPI data. The Managing Director will report to the Executive Board on this issue again by November 15, 2016.

[5] Projecting the economic outlook in Venezuela is complicated by the absence of Article IV consultations since 2004 and delays in the publication of key economic data. General government revenue (1) 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 (2) excludes the IMF staff's estimated revenue from PDVSA's sale of PetroCaribe assets to the central bank.

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

[7] Fiscal year data.

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

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

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

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

[12] ECCU 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.

Table 2. Western Hemisphere: Main Fiscal Indicators[1]

	Public Sector Primary Expenditure (Percent of GDP)					Public Sector Primary Balance (Percent of GDP)					Public Sector Gross Debt (Percent of GDP)				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
			Est.	Projections				Est.	Projections				Est.	Projections	
North America															
Canada	37.0	35.8	37.3	38.5	38.0	–1.2	0.0	–0.6	–2.0	–2.0	86.1	86.2	91.5	92.1	90.5
Mexico[2]	25.5	25.3	24.5	22.5	21.2	–1.2	–1.9	–1.2	0.1	0.2	46.4	49.5	54.0	56.0	56.1
United States[3]	33.5	33.0	32.6	33.0	32.7	–2.4	–2.2	–1.5	–2.1	–1.8	104.6	104.6	105.2	108.2	108.4
Puerto Rico[4]	…	20.5	19.6	19.9	19.6	…	–1.0	–0.1	–0.1	0.5	52.3	54.7	53.0	51.6	53.3
South America															
Argentina[5]	35.0	35.7	39.4	38.0	37.4	–2.4	–3.2	–5.4	–5.6	–5.1	42.2	43.6	52.1	51.8	50.7
Bolivia[6]	37.5	42.3	43.6	41.8	41.1	1.6	–2.4	–5.9	–7.1	–6.3	32.5	33.0	36.2	40.6	42.8
Brazil[7]	31.6	32.9	33.7	33.9	34.5	1.7	–0.6	–1.9	–2.8	–2.2	60.4	63.3	73.7	78.3	82.4
Chile	22.6	23.3	25.5	25.8	26.9	–0.4	–1.4	–1.9	–3.0	–2.5	12.8	15.1	17.5	20.4	23.3
Colombia[8]	26.4	26.9	26.2	25.1	25.3	1.2	0.3	–0.3	0.2	0.8	37.8	44.2	50.6	47.5	47.0
Ecuador[9]	42.9	42.9	37.1	35.3	30.7	–3.6	–4.3	–3.8	–3.6	2.4	25.9	31.2	33.8	39.6	39.7
Guyana[10]	29.1	30.2	28.6	32.6	32.1	–2.5	–4.4	–0.2	–2.9	–3.4	57.2	51.2	48.2	48.4	50.6
Paraguay	22.7	22.7	23.9	23.9	23.5	–0.7	0.1	–0.3	0.0	0.3	17.0	20.2	24.2	25.5	25.6
Peru	20.5	21.5	21.3	20.8	20.7	1.7	0.7	–1.3	–1.3	–0.6	20.3	20.7	24.0	26.3	26.5
Suriname[11]	32.2	31.1	28.3	20.5	21.6	–6.4	–6.9	–7.4	–5.3	–1.7	31.4	29.0	43.5	52.0	43.9
Uruguay[12]	29.1	29.5	28.7	29.3	29.2	0.4	–0.6	0.0	–0.9	–0.2	60.2	61.4	64.3	63.7	65.2
Venezuela[13]	36.9	43.3	46.2	40.6	39.9	–10.9	–13.0	–21.0	–24.8	–25.9	73.7	63.5	41.5	32.8	28.2
Central America															
Belize[10]	27.8	28.7	33.6	30.5	29.9	1.0	0.3	–5.6	–1.2	–1.9	78.3	77.2	81.9	94.8	95.5
Costa Rica[10]	16.5	16.7	17.2	16.9	17.0	–2.8	–3.1	–3.1	–2.4	–1.5	36.0	39.3	42.4	44.5	46.9
El Salvador[14]	19.7	19.0	18.9	19.6	19.9	–1.3	–1.0	–0.7	–0.8	–0.9	55.3	57.1	58.7	60.4	62.0
Guatemala[10]	12.2	11.9	10.7	10.7	11.2	–0.6	–0.4	0.1	–0.1	–0.3	24.6	24.3	24.2	24.1	24.5
Honduras	28.5	26.6	25.4	25.2	25.1	–7.1	–3.8	–0.3	–0.7	–0.4	45.7	46.5	46.8	48.7	49.4
Nicaragua[14]	23.7	24.0	24.7	25.8	26.3	–0.3	–0.8	–0.9	–1.2	–1.0	29.5	29.3	29.4	30.5	31.2
Panama[15]	22.6	21.9	21.0	21.0	20.9	–0.5	–1.6	–0.7	–1.0	–0.2	35.0	37.1	38.8	39.0	38.1
The Caribbean															
Antigua and Barbuda[16]	20.3	20.8	27.7	18.0	17.8	–1.7	–0.2	–5.7	7.0	7.4	94.3	100.4	104.4	97.7	90.0
The Bahamas[10]	20.1	20.0	21.2	21.5	21.7	–4.1	–3.1	–1.7	–0.2	0.4	55.4	60.2	64.4	65.9	66.6
Barbados[17]	40.5	38.4	39.7	38.6	37.7	–6.7	–2.5	–1.8	0.1	1.7	94.3	97.9	105.0	104.8	104.2
Dominica[16]	30.9	30.4	31.6	34.6	32.1	–1.0	–2.9	3.2	0.0	1.2	74.3	82.2	82.5	84.5	84.1
Dominican Republic[14]	15.8	15.6	15.6	15.4	15.4	–1.2	–0.5	2.2	–0.8	–0.9	34.6	34.4	34.9	35.8	36.7
Grenada[16]	24.8	25.6	22.6	21.1	21.3	–3.9	–1.1	2.2	3.5	3.5	107.6	101.4	91.4	85.5	74.8
Haiti[10]	27.6	24.8	21.4	18.0	18.5	–6.7	–5.9	–2.1	–1.0	–0.9	21.5	26.3	30.1	33.6	34.9
Jamaica[16]	19.5	18.7	19.8	20.4	19.6	7.6	7.5	7.1	7.0	7.0	139.8	136.8	120.4	118.9	111.2
St. Kitts and Nevis[16]	29.2	29.3	28.2	29.0	28.0	16.0	12.1	8.3	1.9	0.3	101.2	79.8	67.8	63.4	59.8
St. Lucia[16]	27.7	25.6	24.0	24.3	24.4	–2.1	0.1	2.5	2.8	2.6	79.6	80.3	79.1	79.8	78.1
St. Vincent and Grenadines[16]	28.8	29.9	27.2	28.9	28.5	–4.1	–1.5	–0.2	0.1	0.3	74.6	79.7	79.3	85.0	86.9
Trinidad and Tobago[18]	34.2	35.3	36.5	39.3	38.6	–0.4	–2.3	–5.1	–9.4	–13.9	41.0	40.0	44.2	48.3	58.8
Memorandum															
Latin America and the Caribbean	**29.4**	**30.2**	**30.7**	**30.0**	**30.0**	**–0.2**	**–1.6**	**–2.9**	**–3.6**	**–3.2**	**49.1**	**51.4**	**55.6**	**57.1**	**59.0**
South America[19]	30.5	32.1	32.6	31.5	30.9	–1.1	–2.4	–4.2	–4.9	–3.9	38.3	39.6	41.8	42.6	43.1
CAPDR[20]	19.9	19.4	19.1	19.2	19.4	–2.0	–1.6	–0.5	–1.0	–0.7	37.2	38.3	39.3	40.4	41.3
Caribbean															
Tourism-dependent[21]	26.9	26.5	26.9	26.3	25.7	0.0	0.9	1.5	2.5	2.7	91.2	90.9	88.2	87.3	84.0
Commodity exporters[22]	30.8	31.4	31.7	30.7	30.6	–2.1	–3.4	–4.5	–4.7	–5.2	52.0	49.4	54.4	60.9	62.2
Eastern Caribbean Currency Union[16,23]	27.3	26.5	27.0	26.9	24.8	0.2	1.4	1.3	1.5	3.3	85.7	83.6	80.8	80.5	76.1

Sources: IMF, World Economic Outlook database; and IMF staff calculations and projections.
[1] Definitions 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 September 16, 2016.
[2] Includes central government, social security funds, nonfinancial public corporations, and financial public corporations.
[3] For 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.
[4] The 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.
[5] Primary expenditure and primary balance include the federal government and provinces. Gross debt is for the federal government only.
[6] Nonfinancial public sector, excluding the operations of nationalized mixed-ownership companies in the hydrocarbon and electricity sectors.
[7] Nonfinancial 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.
[8] Nonfinancial public sector reported for primary balances (excluding statistical discrepancies); combined public sector including Ecopetrol and excluding Banco de la República's outstanding external debt reported for gross public debt.
[9] Public sector gross debt includes liabilities under advance oil sales, which are not treated as public debt in the authorities' definition.
[10] Central government only. Gross debt for Belize includes both public and publicly-guaranteed debt.
[11] Primary expenditures for Suriname exclude net lending. Debt data refer to central government and government-guaranteed public debt.
[12] For Uruguay, public debt includes the debt of the central bank, which increases recorded public sector gross debt.
[13] Projecting the economic outlook in Venezuela is complicated by the absence of Article IV consultations since 2004 and delays in the publication of key economic data. General government revenue (1) 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 (2) excludes the IMF staff's estimated revenue from PDVSA's sale of PetroCaribe assets to the central bank.
[14] General 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.
[15] Ratios to GDP are based on the "2007-base" GDP series. Fiscal data cover the nonfinancial public sector excluding the Panama Canal Authority.
[16] Central government for primary expenditure and primary balance; public sector for gross debt. For Jamaica, the public debt includes central government, guaranteed, and PetroCaribe debt.
[17] Overall 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).
[18] Central government for primary expenditure. Consolidated public sector for primary balance and gross debt.
[19] Simple average of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Paraguay, Peru, Uruguay, and Venezuela.
[20] Simple average of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.
[21] Simple average of The Bahamas, Barbados, Jamaica, and Eastern Caribbean Currency Union (ECCU) members.
[22] Simple average of Belize, Guyana, Suriname, and Trinidad and Tobago.
[23] ECCU 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.