Regional Economic Outlook UPDATE
FALL 2012
Western Hemisphere Department

FOR RELEASE:
In Japan: October 12, 2012, 3:30 pm
In Washington (EDT): October 12, 2012, 2:30 am

Regional Economic Update—Latin America and the Caribbean, October 2012

Growth in the Latin America and Caribbean (LAC) region has softened since our April report, reflecting the larger-than-anticipated impact of earlier policy tightening and the somewhat less favorable external environment. Global downside risks have increased, as the crisis in Europe continues to simmer, and the U.S. fiscal cliff looms. Nevertheless, with slack in many countries limited, and the twin tailwinds of external finance and commodity prices still stimulative, policies need to be carefully calibrated to keep domestic demand and credit growth in check. The key task for many countries remains to strengthen the resilience of their economies by rebuilding fiscal buffers and safeguarding financial stability. Challenges are more pressing in some countries, particularly those in the Caribbean, where the recovery has been held back by weak balance sheets and external demand.*

Global Backdrop: *Tepid Growth, Looming Downside Risks*

Since April, IMF near-term forecasts of world growth for 2012 have been marked down, as policies in the major advanced countries have not yet rebuilt confidence in medium-term prospects (see *World Economic Outlook,* October 2012). Projections for the United States, a key LAC trading partner, have been trimmed slightly, with larger revisions for the euro area. Weak growth prospects have more recently prompted the U.S. Federal Reserve and other central banks in advanced economies to further ease monetary policy, and to announce their intention to keep an accommodative stance for a prolonged period.

In the emerging-markets sphere, the outlook for China—an important market for LAC's commodity exports—is somewhat weaker on the back of ebbing global demand and earlier measures to cool investment and credit. As a result, the prices of commodities most sensitive to global demand (i.e., metals) have softened somewhat, although they remain high from a historical perspective. More recently, world prices of selected foods have risen owing to supply constraints.

Global risks have shifted further to the downside. Chief among these remains the risk of an intensification of the euro area crisis, if a durable solution to the problems remains elusive. In the United States, an automatic fiscal withdrawal will sharply undercut growth unless legislation is adopted to forestall it. Over the medium term, the risk remains of a sharp slowdown in China, with spillovers to both global growth and commodity markets, as well as a tightening in global financial conditions should key advanced economies not decisively tackle their medium-term fiscal problems.

Latin America and the Caribbean: *Uneven Prospects and Challenges*

Growth in Latin America and the Caribbean slowed to just under 3 percent in the first half of 2012, amid ebbing global demand and the impact of earlier policy tightening. The deceleration was more pronounced in Brazil, the region's largest economy. Under our baseline, the LAC region is now projected to grow by 3.2 percent in 2012 (down 0.6 percent relative to April projections) and by 4 percent in 2013, as the global recovery strengthens and the impact of policy easing in some countries takes hold (Figure 1).

* *Regional Economic Outlook: Western Hemisphere*, April 2012 http://www.imf.org/external/pubs/ft/reo/2012/whd/eng/pdf/wreo0412.pdf

Figure 1. Growth in Latin America and the Caribbean is projected to moderate in 2012, and regain steam in 2013 in line with the global recovery.

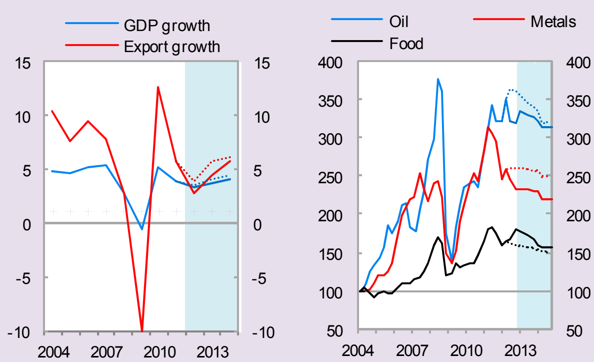
Latin America and the Caribbean (LAC): Real GDP Growth[1]
(Percent)

	2011	Projection 2012	Projection 2013	Difference from April 2012: 2012	Difference from April 2012: 2013
LAC	**4.5**	**3.2**	**3.9**	**-0.6**	**-0.2**
South America	5.8	3.6	4.9	-0.2	0.1
Central America[2]	3.7	3.5	3.6	0.0	-0.1
Caribbean					
Tourism intensive[3]	-0.1	0.9	1.4	-0.6	-0.6
Commodity exporters[4]	2.5	2.7	3.7	-0.6	-0.5
Memorandum:					
Brazil	2.7	1.5	4.0	-1.6	-0.2
Mexico	3.9	3.8	3.5	0.2	-0.2

Source: IMF, *World Economic Outlook*.
[1] Average for Latin American and the Caribbean weighted by GDP at purchasing-power-parity exchange rates. Sub-regional aggregates calculated as simple averages.
[2] Includes the Dominican Republic, but excludes Panama.
[3] Includes The Bahamas, Barbados, Jamaica, and ECCU members.
[4] Includes Belize, Guyana, Suriname, and Trinidad and Tobago.

Global GDP and Exports[1]
(12–month percent change)

Commodity Prices[1]
(Index, 2004=100)



Sources: National authorities and Haver Analytics; IMF, *World Economic Outlook;* and IMF staff calculations.
[1] Dotted lines represent the projections reported in the April 2012 *WEO*.

Downside risks continue to dominate the outlook. In the short term, the realization of the above-mentioned risks in Europe or the United States could trigger a sharp global slowdown and a worsening of financial conditions, with knock-on effects to commodity prices. The high presence of Spanish banks in Latin America raises attendant risks of deleveraging in a tail event, though these have been contained thus far by the use of subsidiary branch models, significant reliance on domestic funding, and strict regulations. For the medium term, a harder landing in China could crimp external demand and hit commodity prices.

However, upside risks also exist in some countries. In many cases, output gaps are essentially closed, domestic demand and credit are growing at or above trend, and inflation is on the high side of target bands. Commodity prices remain high, and stimulative global monetary policies will maintain favorable external financial conditions for some time. In this context, if policies are not geared toward containing domestic demand, as assumed under the baseline, growth and the external current account deficit could be higher than projected.

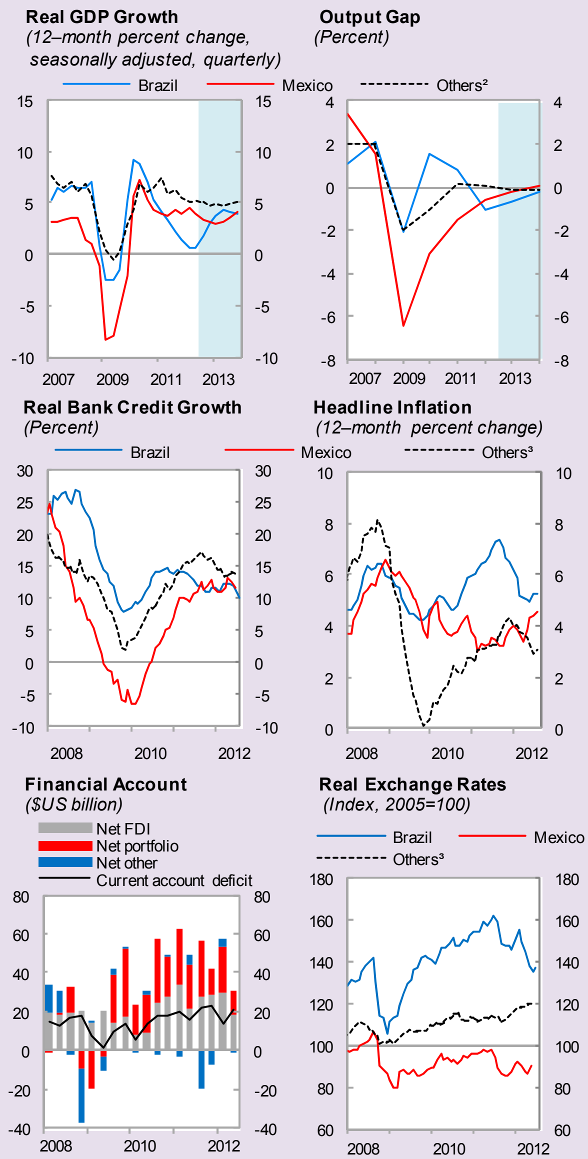
Overall, the near-term outlook calls for vigilance and for a risk management approach that prepares against tail risks. As always, however, the outlook and policy challenges are very different across the region, reflecting varying cyclical positions, differences in trade and financial linkages, and the strength of policy frameworks and fundamentals.

Financially Integrated Economies: *Growth Moderating Toward Potential*

Output growth in many of the larger and financially integrated economies of the region (Brazil, Chile, Colombia, Mexico, Peru, and Uruguay) has been broadly easing amid ebbing net exports and domestic demand. The deceleration was particularly sharp in Brazil, where global uncertainties and earlier policy tightening had a larger-than-anticipated impact, especially on private investment. In other countries, the slowdown in growth has been smaller and more recent, including in Mexico, which has benefitted from the fairly strong recovery in U.S. manufacturing in 2011–12. Looking forward, growth in Brazil is projected to pick up in 2013 on the back of the significant policy stimulus in place; in other countries growth will continue to moderate and converge to potential (Figure 2).

Inflation is generally within official target ranges, yet remains above the midpoint in most cases. The recent supply-driven increase in food prices has had a minor impact on headline inflation thus far, with core prices stable (see Box). Inflation in these countries is projected to average around 4 percent during 2012–13, but as the recovery strengthens, timely unwinding of policy stimulus may be required to anchor inflation expectations more firmly in some countries (e.g., Brazil and Uruguay).

Figure 2. In the more financially integrated economies, growth moderated, especially in Brazil. Meanwhile, credit and demand growth remain strong, fueled in part by robust capital flows.[1]



Sources: Haver Analytics; National authorities; IMF, *World Economic Outlook*; and IMF staff calculations.
¹ Includes Brazil, Chile, Colombia, Mexico, and Peru. Simple average or sum unless otherwise stated.
² PPP-weighted average of Chile, Colombia, and Peru.
³ Simple average of Chile, Colombia, and Peru.

On the external side, headline current account deficits are projected to deteriorate to about 2½ percent of GDP by end-2012, although they remain at manageable levels. The external imbalances would be significantly larger, however, if commodity prices were closer to their historic levels. Net capital flows have remained buoyant, notwithstanding bouts of volatility, with moderating portfolio inflows offset by strong FDI (particularly in Brazil). Currencies have continued to fluctuate with shifts in global sentiment, coming down in real terms from the highs observed in early to mid-2011 in some countries. This was most notable in Brazil, aided in part by lower policy rates. International reserves have remained fairly stable, although more recently reserve accumulation has again picked up in Brazil and Colombia in response to improving global sentiment and some increase in capital inflows.

Relatively favorable external conditions continue to help fuel credit growth. Bank credit to the private sector is expanding by 10–15 percent in inflation-adjusted terms, moderating only very gradually. Bank soundness indicators remain generally healthy, although credit quality has deteriorated slightly in a few sectors, and household indebtedness ratios are rising. Corporate debt issuance remains strong; and while there is no evidence of general over-leverage, shocks could expose vulnerabilities.

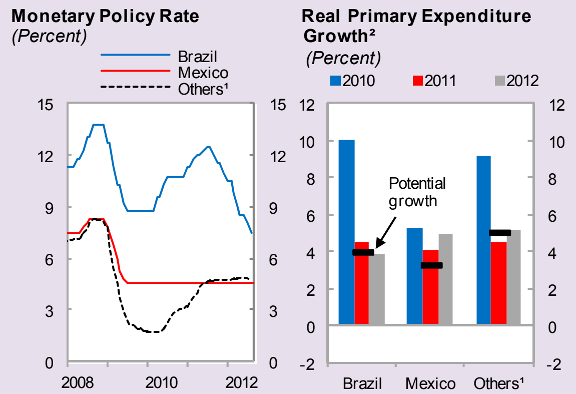
Partly in response to heightened global uncertainties in 2012, central banks have paused the tightening cycle that started in 2010. Monetary policy actions were most aggressive in Brazil. Since August 2011, Brazil lowered the policy rate by more than 500 basis points and eased macroprudential measures.[1] Aside from global uncertainties, these measures reflect a deliberate attempt to bring Brazil's real interest rate to levels comparable to those of other emerging economies. On the fiscal front, policies have been broadly neutral in most countries, with primary expenditures growing broadly in line with potential GDP as in 2011 (Figure 3).[2]

Looking forward, fiscal consolidation should continue as public debt levels remain above pre-crisis levels in most countries. Authorities should avoid the temptation of easing fiscal policy too early; this should be considered only if large downside risks materialize. Fiscal consolidation will also help to contain unwarranted upward pressure on exchange rates in the context of closed output gaps.

¹ In May 2012, Brazil also eased capital flow measures by narrowing the coverage of the foreign investments tax to investments with maturity 2 years and under (from 5 years).

² In Brazil, targeted fiscal measures were recently introduced (equivalent to somewhat less than ½ percent of GDP) to scale back the fiscal tightening originally planned for 2012.

Figure 3. In most countries, monetary policy has served as a first line of defense to global slowing, with fiscal policy remaining neutral.



Sources: Haver Analytics; National authorities; IMF, *World Economic Outlook*; and IMF staff calculations.
[1] Simple average of Chile, Colombia, and Peru.
[2] Deflated by consumer price inflation. Data for Brazil excludes policy lending.

Although monetary policy remains broadly appropriate in most countries, it will need to tread a path between anchoring inflation expectations and supporting demand if external conditions worsen.[3] Exchange rate flexibility will continue to be necessary to help buffer the effects of volatile capital flows, as well as to limit the risk of one-way bets on currencies. Vigilant surveillance of financial systems, along with appropriate macroprudential measures, will be essential to limit the risk of financial boom-bust dynamics that would be detrimental for stability.

Other Commodity Exporters: *Using Too Much of the Windfall*

Real GDP growth in the less financially integrated commodity exporting countries (Argentina, Bolivia, Ecuador, Paraguay, and Venezuela) is projected to slow in most cases from the very strong levels of 2011. In the case of energy exporters (Bolivia, Ecuador, and Venezuela), growth is projected to average around 5 percent in 2012, fueled by continued strong growth in government spending (particularly in Venezuela), in the context of strong export receipts.

Meanwhile, growth in Argentina and Paraguay is projected to slow sharply this year, despite strong terms of trade and stimulative policies. This slowdown partly reflects ebbing external demand from Brazil and weather-related shocks (particularly for Paraguay). In Argentina, widespread import and foreign exchange controls are also adversely affecting investment and consumer confidence.[4]

Central America, Dominican Republic, and Panama (CAPDR): *Too Little Policy Space*

CAPDR countries are still growing at fairly healthy rates, with Panama and El Salvador at the two ends of the distribution. Excluding Panama (which is benefiting from canal expansion investments), this group of countries is expected to grow by 3½ percent during 2012–13, in line with potential, and consistent with a gradual recovery in exports to and remittances from the United States. The high growth rates observed in most of the region in the years leading up to the Lehman crisis are unlikely to occur in the years ahead, as external demand is projected to remain weak in most advanced economies for the foreseeable future.

External vulnerabilities, however, have increased. External current account deficits have continued to widen, partly reflecting high world prices for food and energy, resulting in some cases in reserve losses and incipient financing pressures.

Fiscal consolidation efforts waned during 2012, with fiscal policy turning expansionary in a few countries. Debt levels remain well above those prevailing before the 2008–09 crisis, and the resolve to regain the fiscal space used in 2009–10 appears weak (Figure 4).

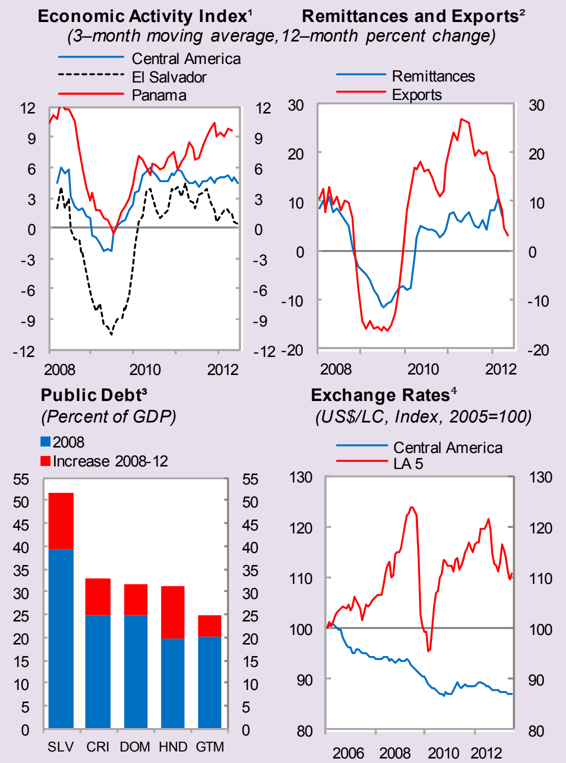
To reduce vulnerabilities and increase buffers against downside risks, countries in this group should give greater priority to reducing public debt levels and regaining fiscal space. This will require efforts to rein in current expenditures and mobilize revenues, as well as to replace broad-based subsidies with well-targeted support schemes.

In countries that have monetary policy, steps should be taken to increase exchange rate flexibility—a key channel for absorbing external shocks—while anchoring inflation at lower levels. Also, while inflation remains relatively contained, measures may be needed to limit the second round impact of the recent food-price shock on core inflation.

[3] Our baseline scenario assumes no further monetary easing in these countries, although some tightening in a few cases may be required to keep inflation pressures at bay.

[4] High soybean prices have helped to contain external imbalances.

Figure 4. In Central America, growth has been relatively robust in line with a recovery in remittances and exports. Strengthening fiscal policy buffers and increasing exchange rate flexibility remain key challenges.



Sources: IMF, *World Economic Outlook;* National Authorities; and IMF staff calculations.
[1] Central America is simple average for Costa Rica, Dominican Republic, Guatemala, Honduras, and Nicaragua (excludes El Salvador).
[2] Simple average of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.
[3] General government, except for Costa Rica and Guatemala where central government is reported.
[4] Central America is the simple average for Costa Rica, Dominican Republic, El Salvador, Guatemala, and Honduras. LA 5 is the simple average for Brazil, Chile, Colombia, Mexico, and Peru.

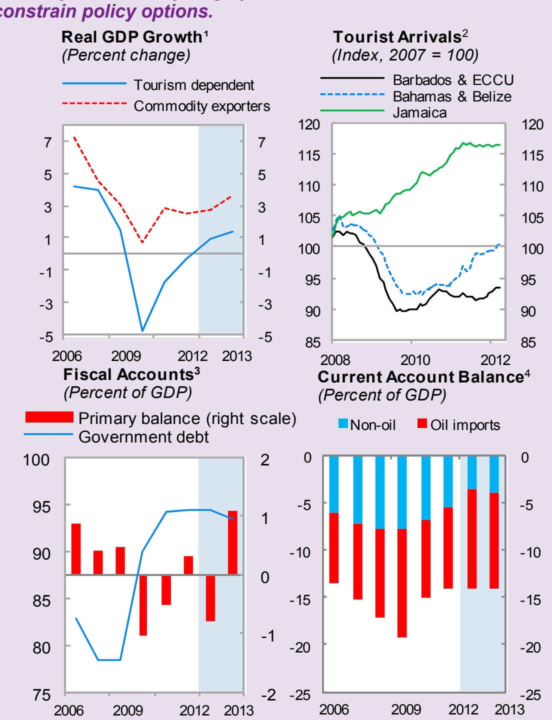
The Caribbean: *Fiscal Consolidation Amid External Headwinds*

Most Caribbean economies continue to navigate in a sea of elevated debt, weak external demand, and unfavorable terms of trade. Real GDP growth in the tourism-dependent economies is projected to be around 1 percent in 2012 (½ percent lower than envisaged in April). Tourist arrivals are somewhat higher than in 2011, but the weak recovery in advanced economies, and in some cases limited price flexibility in tourism activities, are keeping growth subdued. However, prospects for commodity exporters are somewhat better, with output projected to grow by an average of about 2¾ percent (Figure 5).

As in Central America, fiscal consolidation efforts have waned somewhat, and public debt is now projected to average close to 95 percent of GDP for the tourism-dependent economies by end-2012, more than 15 percentage points higher than pre-crisis levels and broadly unchanged relative to last year. Meanwhile, external current account deficits remain sizeable (averaging about 15 percent of GDP), in part due to the high dependence on oil imports. In addition, financial sector difficulties persist; bank non-performing loans are high and rising in many countries, and non-bank institutions remain fragile.

Looking forward, Caribbean countries need to gear policies toward reducing vulnerabilities. Greater resolve is required in reducing public debt and in adopting structural reforms to boost growth and competitiveness. Steps are also needed to reduce financial fragilities, including improving supervision and regulation and completing the resolution of troubled institutions.

Figure 5. In tourism-dependent Caribbean countries, a weak recovery is underway. High public and external debt levels constrain policy options.



Sources: National Authorities; Caribbean Tourism Organization; and IMF staff calculations.
[1] Commodity exporters include Belize, Guyana, Suriname and Trinidad & Tobago; Tourism dependent economies include Antigua & Barbuda, Bahamas, Barbados, Dominica, Grenada, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines.
[2] Data on tourist arrivals through April 2012; 12 month moving average.
[3] Eastern Caribbean Currency Union includes Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Data on St. Kitts and Nevis is not available.
[4] Includes only tourism–dependent economies.
[5] Excludes oil producers Suriname and Trinidad and Tobago.

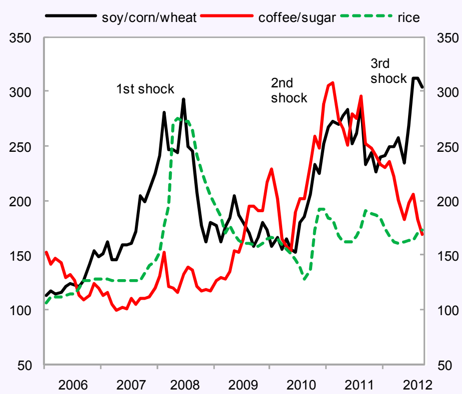
Box. Recent Global Food Price Developments: Implications for LAC

Rising global food prices could jeopardize countries' efforts to anchor inflation and to improve safety nets for the poor. Policymakers should ensure that higher food prices do not spill over into core inflation and inflation expectations. Steps should be taken to protect vulnerable groups within budget envelopes, ideally through targeted income transfers, while avoiding costly and distortive generalized price subsidies.

Global food prices are on the rise again owing to supply shocks, although the increase has been less acute than that observed in mid-2008 and early 2011. Moreover, the recent price hike features important differences across commodities, with increases for soybeans, corn, and wheat, but large declines for coffee and sugar. Futures data suggest that corn, soy, and wheat prices are apt to stay high through end-2012 and then gradually decline in early 2013.

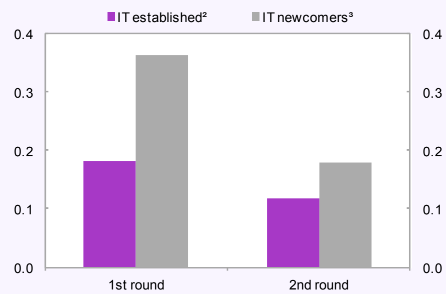
The impact on domestic inflation has been limited so far. In the larger Latin American economies with well established inflation-targeting (IT) regimes, domestic food inflation is up slightly, with limited pass-through to headline or core inflation as of end-July 2012. However, monetary authorities should remain vigilant, as the pass-through from global food prices tends to operate with a lag. Countries with weaker monetary policy frameworks may need to act more decisively to limit the pass-through and keep inflation expectations anchored; pegged or dollarized economies on the other hand have to exercise greater wage restraint.

International Food Prices
(US$ per unit, index Jan 2005=100)



Sources: IMF, *International Financial Statistics* database ;and IMF staff calculations.

LAC: Pass-through from Food Prices, 2000-10
(Over four quarters, simple average)[1]

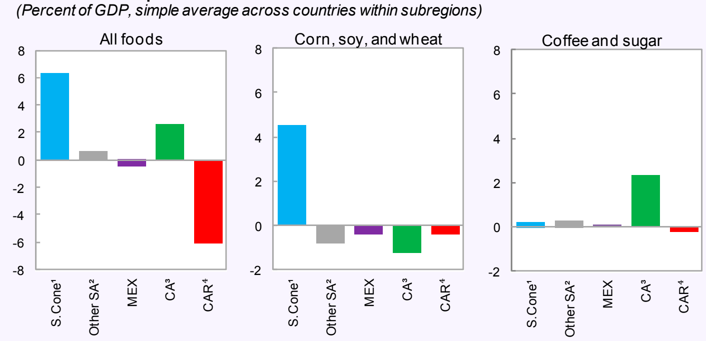


Source: IMF staff calculations.
[1] 1st round measures the pass-through from world prices (in local currency) to domestic food prices. 2nd round measures the pass-through from domestic food to core prices.
[2] Includes countries with inflation-targeting regimes since early 2000 (Brazil, Chile, Colombia, Mexico, and Peru).
[3] Includes countries that have adopted inflation targeting more recently (Costa Rica, Dominican Republic, Guatemala, and Uruguay), plus Paraguay.

The impact on countries' external position is likely to be uneven. While Southern Cone countries stand the most to benefit from the recent spike in food prices, the Caribbean, a large food importer, stands the most to lose. Central America also will be adversely affected even though it is a net food exporter, because it imports corn and wheat (whose prices have risen), and exports coffee and sugar (whose prices have declined).

Policies to protect the poor must be framed within tight fiscal envelopes. Countries that need to reduce public debt (the Caribbean) or regain policy space (Central America) will have to keep overall spending at a *sustainable* level, while those operating near potential need to reallocate spending to keep fiscal positions in check. Countries could scale up existing well-targeted social safety net programs (while avoiding generalized price subsidies), and reduce taxes/tariffs on food items temporarily (while avoiding export taxes/restrictions as they generally distort production incentives and are difficult to unwind). Supply-side policies could be also considered to encourage food production (e.g., subsidies on fertilizers and seeds), yet should be limited to clear cases of market failure in the agricultural sector.

LAC: Net Food Exports
(Percent of GDP, simple average across countries within subregions)



Sources: COMTRADE; and IMF staff calculations.

[1] Southern Cone includes Argentina, Brazil, Bolivia, Paraguay and Uruguay.
[2] Other SA includes Chile, Colombia, Ecuador, Peru, and Venezuela.
[3] CA includes Costa Rica. El Salvador, Guatemala, Honduras, Nicaragua and Panama.
[4] CAR includes Antigua and Barbuda, The Bahamas, Barbados, Dominica, Greneda, Jamaica, St. Kitts and Nevis, St.Lucia, and St.Vincent and the Grenadines.

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

	Output Growth (Percent)					Inflation[2] (End of period, percent)					External Current Account Balance (Percent of GDP)				
				Projected					Projected					Projected	
	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013	2009	2010	2011	2012	2013
North America															
Canada	-2.8	3.2	2.4	1.9	2.0	0.8	2.2	2.7	1.7	2.0	-3.0	-3.1	-2.8	-3.4	-3.7
Mexico	-6.0	5.6	3.9	3.8	3.5	3.6	4.4	3.8	4.0	3.3	-0.6	-0.4	-1.0	-0.9	-1.1
United States	-3.1	2.4	1.8	2.2	2.1	1.9	1.7	3.1	1.6	1.8	-2.7	-3.0	-3.1	-3.1	-3.1
South America															
Argentina[3]	0.9	9.2	8.9	2.6	3.1	7.7	10.9	9.5	9.9	9.9	2.5	0.7	-0.1	0.3	-0.1
Bolivia	3.4	4.1	5.2	5.0	5.0	0.3	7.2	6.9	5.0	4.5	4.3	4.9	2.2	1.8	1.1
Brazil	-0.3	7.5	2.7	1.5	4.0	4.3	5.9	6.5	5.0	5.1	-1.5	-2.2	-2.1	-2.6	-2.8
Chile	-0.9	6.1	5.9	5.0	4.4	-1.5	3.0	4.4	2.5	3.0	2.0	1.5	-1.3	-3.2	-3.0
Colombia	1.7	4.0	5.9	4.3	4.4	2.0	3.2	3.7	2.7	3.0	-2.1	-3.1	-3.0	-2.9	-2.9
Ecuador	0.4	3.6	7.8	4.0	4.1	4.3	3.3	5.4	4.6	4.5	0.3	-2.8	-0.3	-0.3	3.0
Guyana	3.3	4.4	5.4	3.7	5.5	3.7	4.5	3.3	4.6	6.0	-9.1	-9.9	-13.6	-14.0	-17.6
Paraguay	-4.0	13.1	4.3	-1.5	11.0	1.9	7.2	4.9	5.0	5.0	0.4	-3.1	-1.0	-1.1	-0.4
Peru	0.9	8.8	6.9	6.0	5.8	0.2	2.1	4.7	3.0	2.0	-0.5	-2.5	-1.9	-3.0	-3.0
Suriname	3.0	4.1	4.2	4.0	4.5	1.3	10.3	15.3	5.7	5.0	-0.5	6.4	5.5	-0.1	-2.1
Uruguay	2.4	8.9	5.7	3.5	4.0	5.9	6.9	8.6	8.0	7.3	-1.5	-2.2	-3.1	-3.0	-1.9
Venezuela	-3.2	-1.5	4.2	5.7	3.3	25.1	27.2	27.6	22.0	29.2	2.6	4.9	8.6	6.7	5.6
Central America															
Belize	0.0	2.7	2.0	2.3	2.5	-0.4	0.0	2.5	1.9	2.5	-5.9	-2.9	-2.6	-2.3	-4.4
Costa Rica	-1.0	4.7	4.2	4.8	4.3	4.0	5.8	4.7	5.0	5.0	-2.0	-3.5	-5.3	-5.5	-5.3
El Salvador	-3.1	1.4	1.4	1.5	2.0	0.0	2.1	5.1	3.0	2.8	-1.5	-3.1	-5.4	-5.0	-4.3
Guatemala	0.5	2.9	3.9	3.1	3.2	-0.3	5.4	6.2	4.1	4.0	0.0	-1.5	-3.1	-3.5	-3.6
Honduras	-2.1	2.8	3.6	3.8	3.6	3.0	6.5	5.6	6.5	6.5	-3.6	-6.2	-8.7	-9.8	-9.6
Nicaragua	-1.5	4.5	4.7	3.7	4.0	0.9	9.2	8.0	8.0	7.5	-12.2	-14.4	-18.0	-20.5	-18.1
Panama	3.9	7.6	10.6	8.5	7.5	1.9	4.9	6.3	6.2	5.5	-0.7	-10.8	-12.8	-12.1	-11.8
The Caribbean															
Antigua and Barbuda	-10.7	-8.5	-5.5	1.0	1.5	2.4	2.9	4.0	3.0	3.1	-19.3	-13.1	-10.7	-11.4	-12.3
The Bahamas	-4.9	0.2	1.6	2.5	2.7	1.3	1.6	4.0	1.5	2.0	-10.5	-10.5	-14.0	-16.0	-16.8
Barbados	-4.1	0.2	0.6	0.7	1.0	4.3	6.6	9.5	6.4	4.5	-5.6	-8.2	-8.7	-7.9	-7.1
Dominica	-1.3	1.2	1.0	0.4	1.3	3.2	0.1	2.0	3.6	1.5	-21.0	-16.0	-12.7	-13.3	-13.7
Dominican Republic	3.5	7.8	4.5	4.0	4.5	5.8	6.2	7.8	4.5	5.0	-5.0	-8.6	-8.1	-7.5	-7.3
Grenada	-5.7	-1.3	0.4	0.5	0.5	-2.3	4.2	3.5	2.4	2.2	-23.9	-25.2	-24.6	-22.3	-23.2
Haiti[4]	2.9	-5.4	5.6	4.5	6.5	-4.7	4.7	10.4	6.0	5.0	-3.5	-2.5	-4.6	-4.3	-5.3
Jamaica	-3.5	-1.5	1.3	0.9	1.0	10.2	11.8	6.0	7.2	8.0	-11.1	-8.8	-11.7	-11.7	-11.1
St. Kitts and Nevis	-5.6	-2.7	-2.0	0.0	1.8	1.2	5.2	2.9	1.9	2.5	-27.3	-22.1	-15.2	-17.1	-16.4
St. Lucia	0.1	0.4	1.3	0.7	1.3	-3.1	4.2	4.8	2.2	2.9	-11.9	-15.1	-23.1	-24.0	-20.5
St. Vincent and the Grenadines	-2.3	-1.8	0.0	1.2	1.5	-2.2	0.9	4.7	0.8	2.6	-29.4	-31.6	-30.2	-27.3	-25.7
Trinidad and Tobago	-3.3	0.0	-1.5	0.7	2.2	1.3	13.4	5.3	9.0	4.0	8.3	20.0	7.1	8.1	7.6
Memorandum:															
Latin America and the Caribbean (LAC)	**-1.5**	**6.2**	**4.5**	**3.2**	**3.9**	**4.8**	**6.6**	**6.8**	**5.8**	**5.9**	**-0.5**	**-1.2**	**-1.3**	**-1.7**	**-1.9**
(simple average)	-1.1	2.9	3.4	2.9	3.6	2.7	6.0	6.5	5.2	5.1	-5.9	-6.0	-7.0	-7.4	-7.3
Financially Integrated LAC[5]	-0.4	6.8	5.2	4.0	4.3	2.4	4.2	5.3	4.2	3.9	-0.7	-1.5	-2.1	-2.6	-2.4
Eastern Caribbean Currency Union[6]	-5.4	-2.9	-1.1	0.7	1.3	-0.3	3.1	4.1	2.6	2.6	-19.9	-20.0	-20.3	-20.5	-19.8

Source: IMF staff calculations.

[1] Regional aggregates calculated as PPP-GDP weighted averages, unless otherwise noted.

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

[3] Figures are based on Argentina's official GDP and consumer price index (CPI-GBA) data. The IMF has called on Argentina to adopt remedial measures to address the quality of the official GDP and CPI-GBA data. The IMF staff is also using alternative measures of GDP growth and inflation for macroeconomic surveillance, including data produced by private analysts, which have shown significantly lower real GDP growth than the official data since 2008, and data produced by provincial statistical offices and private analysts, which have shown considerably higher inflation figures than the official data since 2007.

[4] Fiscal year data.

[5] Simple average for Brazil, Chile, Colombia, Mexico, Peru, and Uruguay.

[6] 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 Balance[2] (Percent of GDP)						Public Sector Gross Debt (Percent of GDP)					
					Projected						Projected	
	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013
North America												
Canada[3]	-0.3	-4.0	-4.9	-3.9	-3.2	-2.7	71.3	83.3	85.1	85.4	87.5	87.8
Mexico	1.4	-1.9	-1.8	-1.0	0.2	0.5	43.0	44.5	42.9	43.8	43.1	43.2
United States	-3.9	-10.7	-8.4	-7.1	-5.8	-4.3	76.1	89.7	98.6	102.9	107.2	111.7
South America												
Argentina[4]	2.8	0.2	1.7	-0.1	-1.5	-0.5	58.5	58.7	49.2	44.9	45.2	42.8
Bolivia	6.3	2.2	3.1	2.1	2.1	1.4	37.2	40.0	38.5	34.7	34.8	33.7
Brazil	4.1	2.2	2.5	3.1	2.7	3.2	63.5	66.9	65.2	64.9	64.1	61.2
Chile	4.6	-3.6	0.2	2.0	0.5	0.2	4.9	5.8	8.6	11.3	11.4	12.3
Colombia[5]	3.5	0.8	-0.2	1.0	2.1	1.6	30.9	36.1	36.4	34.2	32.2	30.9
Ecuador	1.9	-3.6	-0.9	-0.3	-1.3	1.5	21.1	15.7	16.1	18.0	18.8	18.8
Guyana[6]	-1.9	-1.9	-1.0	-1.5	-3.4	-1.7	61.6	64.9	65.3	65.2	60.4	60.0
Paraguay	3.2	1.0	1.6	1.1	-1.4	-0.9	17.3	16.1	13.7	12.0	12.9	12.0
Peru	3.8	-0.8	0.9	3.7	2.8	2.4	25.0	28.4	24.6	20.9	19.6	18.3
Suriname[7]	2.2	-1.2	-2.3	1.8	1.4	0.9	15.6	15.5	18.5	19.1	18.6	18.1
Uruguay[8]	1.4	1.1	1.9	2.0	1.1	1.6	63.3	62.7	57.9	55.1	51.2	45.4
Venezuela	-1.2	-6.6	-2.6	-3.7	-5.4	-3.4	26.3	33.8	40.2	46.8	51.3	56.4
Central America												
Belize[9]	4.2	2.4	1.9	2.3	2.0	2.0	79.4	82.5	84.6	82.6	81.0	79.6
Costa Rica[6]	2.4	-1.3	-3.0	-1.9	-2.6	-2.7	24.8	27.2	29.2	30.8	32.7	34.9
El Salvador[8]	-0.3	-3.0	-2.1	-1.9	-1.7	-0.4	39.3	48.2	50.1	50.8	51.8	51.7
Guatemala[9]	-0.3	-1.7	-1.8	-1.3	-0.8	-0.5	20.1	22.9	24.1	24.1	24.9	25.4
Honduras[3]	-2.7	-5.5	-3.5	-3.1	-2.9	-2.7	19.8	23.9	26.3	28.1	31.1	32.3
Nicaragua[8]	0.4	-0.5	0.9	1.9	0.2	0.6	76.6	82.1	79.9	70.7	63.5	58.3
Panama[11]	3.6	2.0	1.4	0.1	-0.7	-0.8	44.2	43.5	39.2	37.8	36.1	35.9
The Caribbean												
Antigua and Barbuda[10]	-2.9	-11.0	1.9	-1.0	-9.0	3.5	76.9	102.0	90.6	93.4	97.8	92.8
The Bahamas[9]	0.2	-2.5	-2.3	-2.3	-3.5	-3.0	32.6	38.1	45.5	49.5	52.6	55.2
Barbados[12]	-2.0	-2.2	-1.6	1.1	0.6	2.6	56.1	63.9	72.6	75.9	70.4	68.1
Dominica[10]	2.4	1.0	-1.9	-2.9	-2.3	-1.9	64.3	63.3	68.9	70.2	72.3	73.8
Dominican Republic	-1.4	-1.6	-0.6	-0.5	-2.5	-0.6	24.9	28.4	28.7	29.8	31.6	31.7
Grenada[10]	-2.4	-3.0	-1.0	-2.3	-0.4	-2.2	83.7	97.1	102.4	103.7	105.4	108.9
Haiti[9]	-2.1	-3.8	3.0	-3.3	-3.2	-4.3	37.8	27.7	17.3	11.7	16.6	20.1
Jamaica[10]	4.9	6.2	4.6	3.2	4.6	4.5	126.2	141.2	143.0	140.0	143.3	140.2
St. Kitts and Nevis[10]	2.6	3.7	-0.8	8.3	3.4	4.5	131.0	148.5	163.9	154.3	144.9	139.5
St. Lucia[10]	1.9	-0.4	-1.6	-3.7	-6.7	-3.4	56.2	60.4	65.2	69.7	78.7	83.5
St. Vincent and the Grenadines[10]	1.1	-0.4	-3.0	-1.4	0.3	0.5	57.0	64.8	66.8	68.1	68.3	69.8
Trinidad and Tobago	9.8	-6.3	-1.3	2.2	0.5	-0.2	21.5	30.1	35.1	31.7	35.7	37.0
ECCU[13]	-0.2	-2.8	-0.8	-0.6	-3.2	0.1	72.6	84.6	86.5	87.9	89.8	89.9
Memorandum:												
Latin America and the Caribbean (LAC)	**0.5**	**-1.3**	**-0.7**	**-0.3**	**-0.3**	**-0.2**	**47.4**	**50.5**	**50.0**	**50.2**	**49.1**	**47.7**
(simple average)	1.6	-1.3	-0.2	0.1	-0.8	0.1	48.6	53.1	53.9	52.9	53.2	52.7
Financially Integrated LAC[14]	3.1	-0.4	0.6	1.8	1.6	1.6	38.4	40.8	39.2	38.4	36.9	35.2

Source: IMF staff calculations.
[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 PPP-GDP-weighted averages, unless otherwise noted.
[2] Primary balance defined as total revenue less primary expenditures.
[3] Primary balance is calculated with net interest expenditure.
[4] Federal government and provinces; includes interest payments on an accrued basis.
[5] 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.
[6] Includes central government and social security agency. Gross debt is for the central government only.
[7] Primary expenditures for Suriname exclude net lending.
[8] General government only; data for El Salvador include operations of pension trust funds.
[9] Central government only. Gross debt for Belize includes both public and publicly guaranteed debt.
[10] Central government for primary balance accounts; public sector for gross debt.
[11] Fiscal data cover the nonfinancial public sector excluding the Panama Canal Authority.
[12] Overall and primary balances include off-budget and public-private partnership activities for Barbados and the nonfinancial public sector.General government for gross debt.
[13] Eastern Caribbean Currency Union members are Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Central government for primary balance accounts; public sector for gross debt.
[14] Simple average for Brazil, Chile, Colombia, Mexico, Peru, and Uruguay.