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FALL 2013
Western Hemisphere Department

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Regional Economic Update—Latin America and the Caribbean, October 2013

Growth in Latin America and the Caribbean (LAC) remains in low gear, reflecting a less supportive external environment and, in some cases, domestic supply-side constraints. The region's output is projected to expand by 2¾ percent in 2013, with domestic demand remaining the main driver. The growth rate is expected to edge up to 3 percent in 2014 as external demand strengthens gradually, but will remain below the average growth rate of the last decade. In countries with low inflation and anchored inflation expectations, monetary policy should be the first line of defense if downside risks to the baseline materialize. Fiscal consolidation remains appropriate for countries with tight capacity constraints or limited fiscal space; it will also help constrain the continued widening of current account deficits. Safeguarding financial stability is a key priority in an environment of tighter global financial conditions and increased asset price volatility.

Global Backdrop: Moderate Growth with Downside Risks

Global growth is projected to remain in low gear at about 3 percent in 2013, and to strengthen moderately to 3½ percent in 2014 (close to ½ percentage point below the April projections).* The downward revisions are explained mainly by lower projected growth in large emerging markets, including China. The tightening of global financial conditions since May, prompted by the U.S. Federal Reserve's signal of a prospective "tapering" of its bond purchases, also played a role in the reassessment of growth prospects and risks.

In the United States, growth is projected to strengthen from about 1½ percent in 2013 to about 2½ percent in 2014, as a continuing housing recovery and still-accommodative financial conditions bolster private demand, while the fiscal drag ebbs. Growth in the euro area in 2014 is projected to be in positive territory for the first time since 2011. In China, a key market for LAC's commodity exports, growth in 2014 is projected to stabilize at about 7¼ percent, about 1 percentage point lower than expected in April. Expectations of lower medium-term growth in China have been a key driver of the softening of global commodity prices since the beginning of the year. Still, commodity prices are expected to remain relatively high compared with historical levels. Similarly, global financing conditions are expected to remain tighter than prior to May, though still relatively favorable.

Downside risks to the outlook persist. Of particular concern is the possibility of weaker-than-expected growth in large emerging economies. In addition, uncertainty regarding the pace of normalization of U.S. monetary policy may cause new bouts of market volatility and expose vulnerabilities in some countries. If these risks materialize, policies in emerging markets may have to strike the right balance between supporting domestic demand and containing capital outflows.

Moreover, at the time of writing, a political standoff in the United States has resulted in a "shutdown" of its federal government. The projections assume that the shutdown is short and that Congress will authorize an increase in the

* IMF, *World Economic Outlook,* April 2013 http://www.imf.org/external/pubs/ft/weo/2013/01/pdf/text.pdf

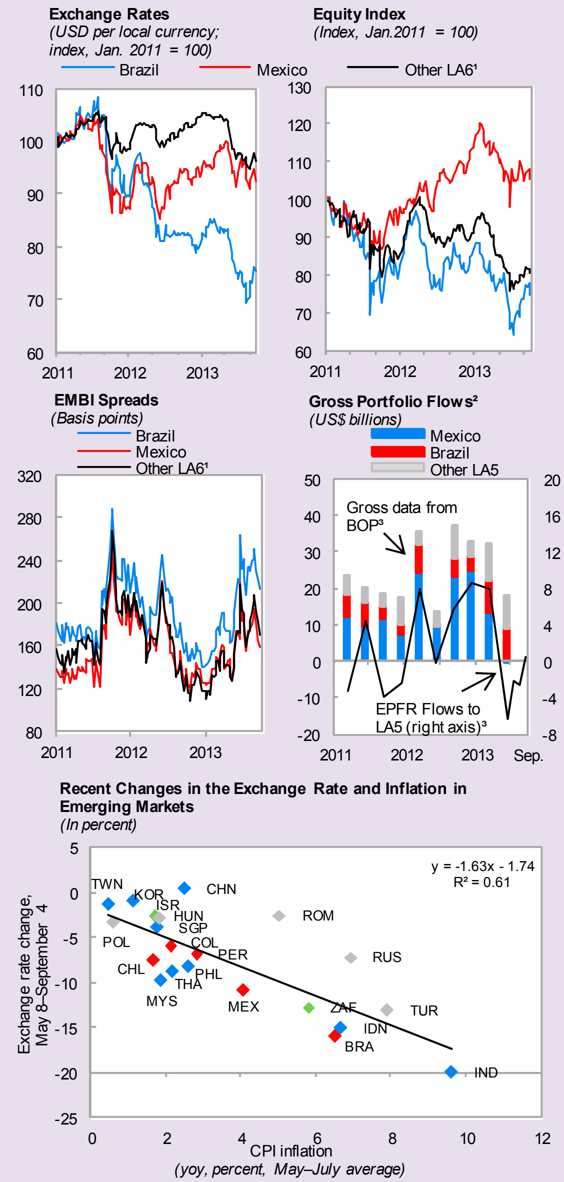
debt ceiling in due course. While the adverse effects on the U.S. economy from a short shutdown are likely to be limited, a longer shutdown could be quite harmful; and failure to raise the debt ceiling on time, leading to a U.S. selective default, could seriously damage the global economy.

Latin America and the Caribbean: Remaining in Low Gear

Growth in LAC remained in low gear in the first half of 2013. There was a large downward surprise in activity in Mexico, while Brazil continued to recover gradually from a slowdown that started in mid-2011. In the rest of the region, economic activity has moderated. To some extent, this moderation is inevitable, following the sharp rebound in activity after the 2008–09 global financial crisis, although slowing potential growth is also becoming a concern. Growth performance has been affected by sluggish external demand and, in some cases, domestic supply constraints, which have proven more binding than previously anticipated. Domestic demand growth is also moderating from cyclical highs. Overall, growth in the LAC region is expected to ease to 2¾ percent this year—the lowest growth rate in four years. A modest pickup to about 3 percent is forecast for 2014, supported by firmer external demand and a recovery in Mexico's growth. These projections are about ¾ percentage points below those in the April 2013 *World Economic Outlook*, reflecting a weaker-than-expected outturn in the first half of 2013 and the effect of tighter financial conditions on growth in the future.

The rise of long-term U.S. interest rates since May triggered a broad-based sell-off of emerging market assets during the summer, followed by some recovery since late August. Economies with elevated inflation, larger current account deficits, and weaker policy frameworks generally recorded larger declines in asset prices. In Latin America, the re-pricing has affected exchange rates,

Figure 1. In the financially integrated economies, the rise in U.S. interest rates since May triggered large changes in exchange rates, sovereign spreads, stock markets, and gross portfolio inflows. Currencies of countries with higher inflation depreciated the most.



Sources: Bloomberg, L.P.; Haver Analytics; IMF, *International Financial Statistics*; and IMF staff calculations.
[1] Simple average of Chile, Colombia, Peru, and Uruguay except for equity prices where there are no data for Uruguay.
[2] Refers to portfolio liabilities for Brazil, Chile, Colombia, Mexico, and Peru.
[3] EPFR (Emerging Portfolio Fund Research) flows provide a higher-frequency proxy of equity and debt flows, although the data are less comprehensive than BOP (Balance of Payments) flows.

sovereign spreads, local bond yields, and stock markets, although net capital inflows have remained positive and there have been no significant market disruptions (Figure 1). In response to the turbulence, some countries modified certain capital flow measures or macroprudential policies (for example, Brazil reduced financial transaction taxes, IOF, on certain capital flows, while Peru lowered reserve requirements on deposits). Some central banks also intervened in the foreign exchange market (through spot U.S. dollar sales or swap transactions), although most allowed markets to adjust without intervention. In general, the currency depreciations observed since May helped to bring exchange rates closer in line with fundamentals. Sovereign spreads have widened, but remain at moderate levels by historical standards.

Notwithstanding the resilience shown in recent months, downside risks continue to dominate the outlook. First, South American commodity exporters would be affected significantly if a sharper-than-expected growth slowdown in China were to cause a large drop in commodity prices. Second, the anticipated normalization of U.S. monetary policy could trigger new bouts of volatility and more intense capital outflow pressures. The region, in general, has buffers to cope with these kinds of shocks thanks to relatively moderate levels of external debt, sizable official reserves, sound banking systems, and flexible exchange rates. However, recent developments have underscored the high sensitivity of sovereign and corporate spreads in the region to changes in global financial conditions (due partly to the increased presence of foreign investors in domestic markets).

Flexible exchange rates and monetary policy action should provide the first line of defense if downside risks materialize, particularly in countries with low inflation and well-anchored inflation expectations. Foreign exchange intervention can help mitigate excessive exchange rate volatility, but should not be used to sustain exchange rate levels that are out-of-line with fundamentals or to substitute for macroeconomic policy adjustment. Strong and proactive financial sector oversight remains crucial to safeguarding domestic financial stability, especially against the backdrop of rapid credit growth and strong bond issuance by lower-rated corporations in recent years, fueled in part by capital inflows. Particular attention should be given to limiting open foreign exchange positions that could give rise to adverse balance-sheet effects in the case of a large exchange rate shock.

The current outlook does not warrant an easing of fiscal policy across most of the region. In some countries, especially in the Caribbean and Central America, sustainability issues constrain the room for fiscal policy. In most of the commodity exporters, economic slack is very limited, external current account deficits have widened, and fiscal balances are generally weaker than prior to the 2008-09 global financial crisis. Thus, attempts to maintain high growth rates through fiscal stimulus would only weaken public finances and external positions.

Financially Integrated Economies: Adjusting to Leaner Times

Growth in the more financially integrated economies in the region (Brazil, Chile, Colombia, Mexico, Peru, and Uruguay) is projected to moderate to about 3½ percent in 2013 (compared with 4 percent in 2012) as the pace of growth of both external and domestic demand declined. In the first half of 2013 average export volumes increased only by ½ percent, while export prices declined.

Brazil, the largest economy in the region, continued to recover from an earlier slowdown in the first half of 2013, although the pace of recovery is expected to ease going forward. Growth for 2013 is now projected at about 2½ percent, driven by a rebound in investment. Private consumption is expected to be a less important driver of activity as real wage growth has moderated and employment creation has slowed, while net exports may benefit from the recent depreciation of the real. Potential growth in the near term is likely to remain limited by supply constraints, including infrastructure bottlenecks. Inflation has started to moderate, but remains in the upper part of the inflation target range.

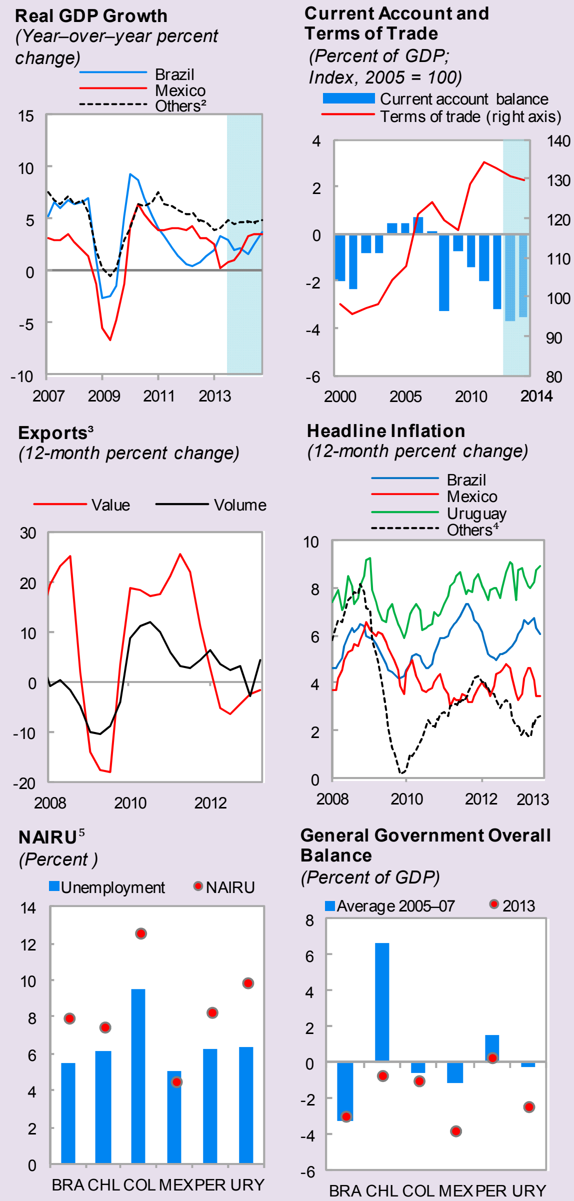
In Mexico, growth in the first half of 2013 was much weaker than anticipated, reflecting disappointing external demand, an unexpected slowdown in construction, and lower public spending (Figure 2). Most of these factors are temporary, and activity is expected to regain momentum in the coming quarters, supported by a pickup in U.S. demand and a rise in public spending.

In the other financially integrated economies (Chile, Colombia, Peru, and Uruguay), growth has also moderated from high cyclical levels, but labor market conditions remain tight, with strong real wage growth. Indeed, IMF staff estimates suggest that for these countries, actual unemployment is below the natural rate, and spare capacity remains limited. With domestic demand continuing to outpace output, external current account deficits in most of these economies have widened further. Deficits are projected to average 3¾ percent of GDP in 2013, ½ percentage points higher than in 2012. Turning to the funding side, gross non-FDI capital inflows have declined in recent months, but were partially offset by repatriation of assets by residents. Overall capital inflows remain strong, helped by the resilience of FDI.

Monetary policy decisions in 2013 have reflected the different conditions prevailing in each economy. Colombia and Mexico lowered their policy rates in the face of slowing growth and well-anchored inflation expectations. By contrast, Brazil and Uruguay have started to tighten monetary conditions to rein in price pressures, and may need to tighten further. In most economies, the fiscal stance in 2013 is expected to be somewhat expansionary.

Looking ahead, activity in 2014 is expected to be supported by some recovery of external demand and still-solid domestic demand. Credit growth has decelerated, but remains relatively strong. Nonetheless, GDP growth rates will remain below those recorded in the aftermath of the global

Figure 2. In most financially integrated economies, growth has continued to ease. Inflation remains contained, though external current account deficits have deteriorated further.[1]



Sources: Haver Analytics; national authorities; IMF, *World Economic Outlook*; and IMF staff calculations.
[1] Includes Brazil, Chile, Colombia, Mexico, Peru, and Uruguay. Simple average or sum unless otherwise stated.
[2] Purchasing-power-parity weighted average of Chile, Colombia, and Peru.
[3] Purchasing-power-parity weighted average of Brazil, Chile, Colombia, Mexico, Peru, and Uruguay. Peru and Uruguay are excluded in exports volume data due to data limitations.
[4] Simple average of Chile, Colombia, and Peru.
[5] For a detailed methodology, see October 2011 *Regional Economic Outlook* (pp. 29–30).

financial crisis. More generally, IMF staff estimates suggest that medium-term potential growth in a number of economies is lower than the high growth rates observed on average over the past decade.[1]

As the twin tailwinds of high commodity prices and exceptionally favorable external financing conditions are abating, the key challenge for policymakers is to manage a smooth transition to more sustainable growth rates. This adjustment to leaner times requires efforts on several fronts.

First, macroeconomic policies need to be calibrated appropriately. Even though growth is moderating, output levels are close to potential. Tight labor markets, infrastructure bottlenecks, and continued deterioration of current account deficits all point to limited spare capacity. Therefore, policymakers in these countries should resist the temptation to counter the moderation of growth with expansionary fiscal policies. Indeed, gradual fiscal consolidation remains appropriate for most countries. Building stronger fiscal buffers would put countries in a better position to respond to large adverse shocks in the future.

Second, strong financial sector regulation and supervision will be critical to safeguard domestic financial stability in an environment of slower growth and more volatile capital flows. Reliance on flexible exchange rates to buffer the impact of volatile portfolio flows and limit the risks of one-way currency bets will also be important. In case of severe market turmoil, authorities should stand ready to provide foreign exchange liquidity to ensure orderly market functioning. However, the best way to shore up investor confidence is to preserve strong fundamentals and credible policy frameworks.

Third, it will be critical to implement structural reforms to boost potential growth in the medium term. Policy priorities include raising productivity and stimulating domestic savings. Recent reform efforts in Mexico are expected to improve efficiency and increase medium-term potential growth.

Other Commodity Exporters: Divergent Paths

Recent growth developments in the less financially integrated commodity exporters have been heavily influenced by supply shocks and domestic policies. Good weather in Argentina and Paraguay boosted agricultural output and will lift GDP growth well above 2012 rates (particularly in Paraguay). In Venezuela, the economy is projected to slow down markedly in 2013, as goods shortages and supply bottlenecks have become pervasive and inflation is running above 45 percent. In Bolivia and Ecuador, growth will remain close to potential, helped by high international prices for oil and gas and supportive macroeconomic policies.

In Venezuela, as well as in Argentina, policies should focus on reining in public spending and upgrading monetary and fiscal frameworks to reduce procyclicality and improve policy credibility. Reducing the distortions stemming from wide-spread administrative controls and regulations (including on foreign exchange) will be critical to ease supply constraints, eliminate shortages, and reduce uncertainty.

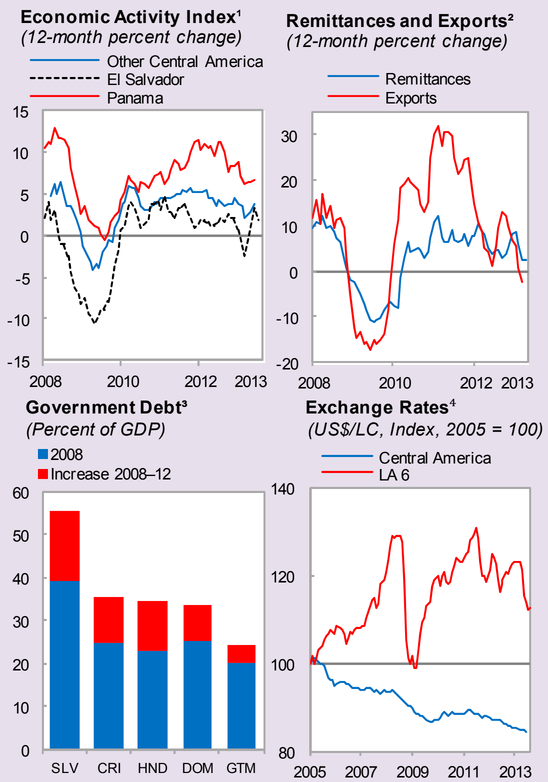
Central America, Panama, and the Dominican Republic: Growth Moderation amid Widening Imbalances

In Central America and the Dominican Republic, average growth is projected to fall below 3 percent this year, down from 3¾ percent in 2012, despite strong fiscal impulses in some countries. Weak external demand (given the region's tight trade links to the U.S.) and negative supply shocks (for example, on coffee harvests) have affected activity. Panama remains an outlier, with high growth rates sustained by still-large capital

[1] See Sosa, S., E. Tsounta, and H. Kim, 2013, "Is the Growth Momentum in Latin America Sustainable?" IMF Working Paper No. 13/109 (Washington: International Monetary Fund).

spending on the canal expansion (Figure 3). Looking ahead, the expected recovery of U.S. imports should benefit the region, which has strong trade links with the United States.

Figure 3. Central America: Economic activity is slowing down to potential, amid tepid external demand and sluggish remittances.



Sources: IMF, *World Economic Outlook;* National Authorities; and IMF staff calculations.
[1] Other Central America is simple average for Costa Rica, Guatemala, Honduras, and Nicaragua. Measured in 3-month moving averages.
[2] Simple average of Costa Rica (exports only), Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua. Measured in 3-month moving averages and nominal U.S. dollar terms.
[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, Guatemala, Honduras, and Nicaragua. LA 6 is the simple average for Brazil, Chile, Colombia, Mexico, Peru, and Uruguay.

Large current account deficits remain a key vulnerability in these oil-importing countries. With the exception of Guatemala, external current account deficits exceed 5 percent of GDP. These deficits continue to be financed mainly with FDI and official flows in most countries. Higher world oil prices or lower assistance from Venezuela for the payment of oil imports (significant in some cases) would put strong pressures on the external position.

Fiscal consolidation is paramount for most of the countries in this group. To rebuild fiscal buffers, countries will have to exercise expenditure restraint, including a reduction in untargeted oil subsidies. Mobilizing revenue is also necessary in some cases. In addition, productivity-enhancing reforms, such as improving the business climate, will be important to support medium-term growth.

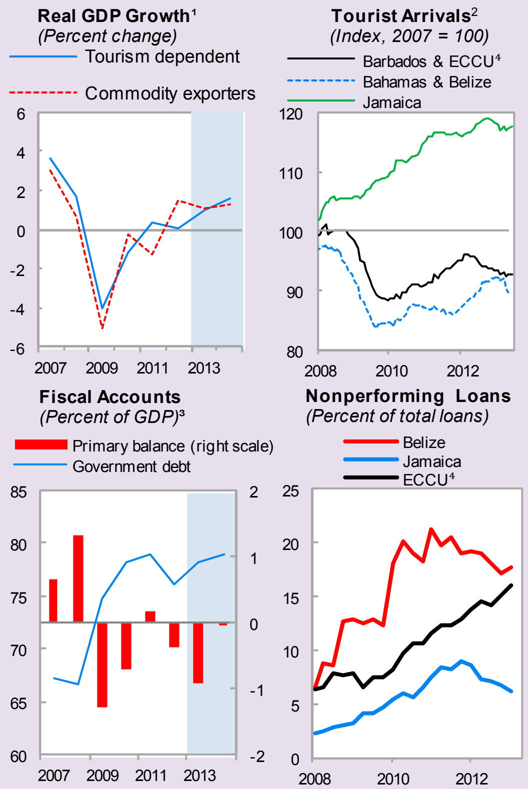
The Caribbean: Long-Standing Weaknesses Impair the Recovery

Growth in the Caribbean remains subdued, particularly in the tourism-dependent economies (The Bahamas, Barbados, Jamaica, and the countries of the Eastern Caribbean Currency Union, ECCU) where activity is constrained by low tourism flows and a decline in construction. Growth in the commodity-exporting countries (Belize, Guyana, Suriname, and Trinidad and Tobago) is stronger, on the back of robust export performance. Growth in these economies is projected to remain at about 3½ percent in 2013 and 2014 (Figure 4). Weak domestic demand and negative output gaps have helped to keep inflation low in most of the region.

Fiscal and external vulnerabilities remain significant in the tourism-dependent economies. Public debt is very high (ranging from 60 percent to 150 percent of GDP), and external current account deficits are large (in most cases, exceeding 10 percent of GDP in 2013), reflecting the region's high energy import bill and poor competitiveness. Reducing the fiscal and external vulnerabilities of these small economies is a complex task. Fiscal consolidation is critical, and will have to be underpinned by measures to address chronically weak competitiveness and unlock the region's growth potential.

The prolonged economic weakness has also affected negatively the balance sheets of financial institutions and firms throughout the region. In that context, it will be important to strengthen

Figure 4. The Caribbean: Growth in tourism-dependent countries remains subdued, constrained by significant vulnerabilities.



Sources: National Authorities; Caribbean Tourism Organization; Eastern Caribbean Central Bank; 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 and Nevis, St. Lucia, and St. Vincent and the Grenadines.

[2] 12-month moving averages.

[3] Simple average of commodity exporters and tourism dependent economies.

[4] Eastern Caribbean Currency Union (ECCU) data include Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines.

financial supervision and the bank resolution framework, and to address rising financial vulnerabilities. Jamaica and St. Kitts and Nevis are making progress on these issues in the context of IMF-supported programs.

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	
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
North America															
Canada	3.4	2.5	1.7	1.6	2.2	2.2	2.7	0.9	1.5	1.7	-3.5	-2.8	-3.4	-3.1	-3.1
Mexico	5.1	4.0	3.6	1.2	3.0	4.4	3.8	4.0	3.3	3.1	-0.3	-1.0	-1.2	-1.3	-1.5
United States[3]	2.5	1.8	2.8	1.6	2.6	1.7	3.1	1.8	1.2	1.7	-3.0	-2.9	-2.7	-2.7	-2.8
South America															
Argentina[4]	9.2	8.9	1.9	3.5	2.8	10.9	9.5	10.8	10.8	10.8	0.3	-0.6	0.0	-0.8	-0.8
Bolivia	4.1	5.2	5.2	5.4	5.0	7.2	6.9	4.5	4.4	4.2	3.9	0.3	7.8	4.2	3.1
Brazil	7.5	2.7	0.9	2.5	2.5	5.9	6.5	5.8	5.9	5.8	-2.2	-2.1	-2.4	-3.4	-3.2
Chile	5.7	5.8	5.6	4.4	4.5	3.0	4.4	1.5	2.6	3.0	1.5	-1.3	-3.5	-4.6	-4.0
Colombia	4.0	6.6	4.0	3.7	4.2	3.2	3.7	2.4	2.4	3.0	-3.1	-2.9	-3.2	-3.2	-3.2
Ecuador	3.0	7.8	5.1	4.0	4.0	3.3	5.4	4.2	2.4	2.6	-2.4	-0.3	-0.2	-1.1	-1.4
Guyana	4.4	5.4	4.8	5.3	5.8	4.5	3.3	3.4	4.8	5.5	-9.6	-13.1	-15.6	-19.6	-17.8
Paraguay	13.1	4.3	-1.2	12.0	4.6	7.2	4.9	4.0	4.2	5.0	-0.3	1.2	0.4	0.5	-0.2
Peru	8.8	6.9	6.3	5.4	5.7	2.1	4.7	2.6	2.8	2.2	-2.5	-1.9	-3.6	-4.9	-5.1
Suriname	4.1	4.7	4.8	4.7	4.0	10.3	15.3	4.4	3.0	4.0	6.4	5.8	4.2	-3.6	-6.2
Uruguay	8.9	6.5	3.9	3.5	3.3	6.9	8.6	7.5	8.9	9.1	-1.9	-2.9	-5.4	-4.9	-4.1
Venezuela	-1.5	4.2	5.6	1.0	1.7	27.2	27.6	20.1	46.0	35.0	3.0	7.7	2.9	2.8	2.2
Central America															
Belize	2.7	1.9	5.3	2.5	2.5	0.0	2.5	0.6	2.0	2.0	-2.8	-1.1	-1.7	-1.9	-2.8
Costa Rica	5.0	4.4	5.1	3.5	3.8	5.8	4.7	4.6	5.0	5.0	-3.5	-5.4	-5.3	-5.5	-5.5
El Salvador	1.4	2.2	1.9	1.6	1.6	2.1	5.1	0.8	2.3	2.6	-2.7	-4.9	-5.3	-5.2	-5.0
Guatemala	2.9	4.2	3.0	3.3	3.4	5.4	6.2	3.4	4.8	4.8	-1.5	-3.4	-2.9	-2.9	-2.9
Honduras	3.7	3.8	3.9	2.8	2.8	6.5	5.6	5.4	5.5	5.0	-4.3	-8.0	-8.6	-9.0	-9.2
Nicaragua	3.6	5.4	5.2	4.2	4.0	9.2	8.0	6.6	7.3	7.0	-11.0	-13.7	-12.9	-13.4	-13.0
Panama	7.5	10.8	10.7	7.5	6.9	4.9	6.3	4.6	4.5	3.9	-10.2	-12.2	-9.0	-8.9	-8.5
The Caribbean															
Antigua and Barbuda	-8.5	-3.0	1.6	1.7	3.2	2.9	4.0	1.8	2.3	3.1	-14.7	-10.8	-12.1	-12.1	-12.8
The Bahamas	1.0	1.7	1.8	1.9	2.1	1.5	3.2	0.7	1.0	1.9	-10.3	-13.8	-17.5	-14.9	-13.1
Barbados	0.2	0.8	0.0	-0.8	-1.1	6.6	9.5	2.4	2.6	2.5	-5.8	-11.4	-4.8	-5.2	-5.1
Dominica	1.2	1.0	-1.7	1.1	1.5	0.1	2.0	3.6	1.5	1.6	-17.1	-15.0	-11.5	-10.7	-11.3
Dominican Republic	7.8	4.5	3.9	2.0	3.6	6.2	7.8	3.9	5.0	4.5	-8.4	-7.9	-6.8	-4.8	-4.5
Grenada	-0.4	1.0	-0.8	0.8	1.0	4.2	3.5	1.8	1.8	1.6	-24.0	-22.5	-24.8	-25.4	-24.7
Haiti[5]	-5.4	5.6	2.8	3.4	4.5	4.7	10.4	6.5	6.0	5.0	-12.5	-4.6	-4.5	-5.8	-5.7
Jamaica	-1.4	1.4	-0.5	0.4	1.3	11.7	6.0	8.0	10.5	9.4	-8.6	-13.3	-12.9	-11.4	-9.7
St. Kitts and Nevis	0.0	-1.9	-0.9	1.9	3.2	5.2	2.9	0.3	3.4	2.5	-22.4	-15.6	-13.5	-15.9	-17.2
St. Lucia	-0.2	1.8	-0.9	0.2	1.3	4.2	4.8	5.9	1.7	2.2	-16.2	-18.8	-14.5	-14.5	-14.1
St. Vincent and the Grenadines	-2.3	0.4	1.5	1.3	2.0	0.9	4.7	1.0	2.5	2.6	-30.6	-28.8	-30.3	-29.9	-28.3
Trinidad and Tobago	0.2	-2.6	0.2	1.6	2.3	13.4	5.3	7.2	4.0	4.0	20.3	12.3	10.4	8.6	7.9
Memorandum:															
Latin America and the Caribbean (LAC)[1]	**6.0**	**4.6**	**2.9**	**2.7**	**3.1**	**6.6**	**6.8**	**5.9**	**6.9**	**6.4**	**-1.3**	**-1.4**	**-1.9**	**-2.4**	**-2.4**
Financially integrated LAC[6]	6.7	5.4	4.0	3.5	3.9	4.2	5.3	4.0	4.3	4.4	-1.4	-2.0	-3.2	-3.7	-3.5
Other commodity exporters[7]	5.6	6.1	3.3	5.2	3.6	11.2	10.9	8.7	13.6	11.5	0.9	1.7	2.2	1.2	0.6
CAPDR[8]	4.0	4.1	3.8	2.9	3.2	5.9	6.2	4.1	5.0	4.8	-5.2	-7.2	-7.0	-6.8	-6.7
Caribbean															
Tourism dependent[9]	-1.1	0.4	0.0	0.9	1.6	4.1	4.5	2.9	3.0	3.0	-16.6	-16.7	-15.8	-15.6	-15.1
Commodity exporters[10]	2.9	2.4	3.8	3.5	3.7	7.1	6.6	3.9	3.4	3.9	3.6	1.0	-0.7	-4.1	-4.7
Eastern Caribbean Currency Union (ECCU)[11]	-2.7	-0.3	-0.2	1.0	2.0	3.1	4.2	2.7	2.2	2.5	-20.2	-17.9	-16.0	-16.2	-16.7

Source: IMF staff calculations and projections.
[1]Regional aggregates are purchasing-power-parity 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]U.S. data are subject to change pending completion of the release of the Bureau of Economic Analysis's Comprehensive Revision of the National Income and Product Accounts (NIPA).
[4]Data for Argentina are officially reported data. The IMF has, however, issued a declaration of censure and called on Argentina to adopt remedial measures to address the quality of the official GDP and CPI-GBA data. Alternative data sources have shown significantly lower real growth than the official data since 2008, and higher inflation rates than the official data since 2007. For these reasons the IMF is also using alternative estimates of inflation and GDP growth for the surveillance of macroeconomic developments in Argentina, though data from alternative statistical agencies may also have methodological shortcomings.
[5]Fiscal year data.
[6]Simple average for Brazil, Chile, Colombia, Mexico, Peru, and Uruguay.
[7]Simple average for Argentina, Bolivia, Ecuador, Paraguay, and Venezuela.
[8]Simple average of Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, and Nicaragua.
[9]Simple average of The Bahamas, Barbados, Jamaica, and ECCU member states.
[10]Simple average of Belize, Guyana, Suriname, and Trinidad and Tobago.
[11]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[2] (Percent of GDP)					Public Sector Gross Debt (Percent of GDP)				
				Projected					Projected					Projected	
	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014	2010	2011	2012	2013	2014
North America															
Canada	39.5	38.3	37.8	37.6	37.3	-4.9	-3.9	-3.2	-2.7	-2.7	83.1	83.5	85.3	87.1	85.6
Mexico	24.3	24.1	24.7	23.6	24.6	-1.7	-1.0	-1.2	-1.2	-1.5	42.4	43.6	43.5	44.0	45.8
United States	38.6	37.5	36.1	35.4	34.9	-8.3	-7.0	-5.6	-3.0	-1.8	95.2	99.4	102.7	106.0	107.3
South America															
Argentina[3]	35.6	37.9	41.1	43.0	43.1	1.6	-0.5	-0.9	-1.3	-1.3	49.2	44.9	47.7	47.8	45.9
Bolivia	30.1	34.1	35.1	34.7	34.0	3.1	2.1	2.8	2.6	2.3	38.5	34.7	33.4	30.8	29.2
Brazil	33.0	31.9	33.4	33.0	32.8	2.5	3.2	2.2	1.9	2.0	65.0	64.7	68.0	68.3	69.0
Chile	23.4	22.6	22.8	22.8	22.5	0.1	2.0	1.2	0.1	0.7	8.6	11.1	11.9	12.9	13.2
Colombia[4]	26.5	25.9	25.3	26.2	25.7	-0.4	0.8	2.8	1.6	2.0	36.4	35.4	32.6	32.3	31.6
Ecuador	35.1	40.0	41.4	41.1	40.1	-0.8	0.7	-0.4	-1.1	-1.2	19.8	19.0	22.2	22.5	23.3
Guyana[5]	29.2	29.1	30.4	30.2	30.1	-1.0	-1.5	-3.4	-1.5	-1.1	65.3	65.2	65.3	58.2	61.6
Paraguay	18.3	19.6	23.4	23.2	23.5	1.7	0.8	-1.0	-1.2	-1.0	15.2	12.4	11.6	12.8	12.8
Peru	19.2	18.0	18.6	19.2	19.0	1.1	3.1	3.1	1.3	1.2	24.4	22.3	20.5	18.6	17.1
Suriname[6]	25.0	25.9	28.9	27.3	27.2	-2.3	1.9	-3.0	-1.6	-2.4	18.5	20.4	22.0	37.1	39.6
Uruguay[7]	31.1	29.9	31.5	31.9	32.3	1.6	2.0	-0.2	0.6	0.1	61.6	60.0	59.6	59.0	59.1
Venezuela	29.8	37.3	37.3	35.2	32.1	-8.6	-9.4	-13.9	-12.0	-9.4	36.3	43.3	46.0	53.4	56.8
Central America															
Belize[8]	25.7	25.5	24.8	25.3	25.1	1.8	2.3	1.3	1.0	1.0	84.7	81.8	77.7	74.7	77.6
Costa Rica[5]	16.7	15.8	16.1	16.4	16.7	-3.1	-1.9	-2.3	-2.5	-2.6	29.1	30.8	35.3	36.7	38.3
El Salvador[7]	19.3	19.3	19.8	20.1	20.0	-2.1	-1.7	-1.6	-1.8	-1.7	49.7	50.0	55.4	54.6	56.6
Guatemala[8]	13.0	12.9	12.5	12.8	12.9	-1.8	-1.3	-0.9	-0.7	-0.7	24.1	23.7	24.4	24.9	25.7
Honduras	26.1	24.8	25.4	26.7	26.2	-3.4	-3.0	-4.3	-5.9	-5.5	29.7	32.1	34.4	40.0	44.4
Nicaragua[7]	25.1	26.8	26.9	27.9	27.8	0.6	1.4	1.1	0.3	0.1	50.1	45.7	42.7	41.3	39.5
Panama[9]	24.4	24.7	25.1	26.3	26.0	0.8	0.1	0.0	-1.1	-0.9	44.1	43.8	42.2	40.4	40.9
The Caribbean															
Antigua and Barbuda[10]	20.6	22.1	19.1	26.7	19.2	1.9	-1.5	1.1	-3.5	4.4	90.8	92.9	89.1	95.3	88.1
The Bahamas[8]	18.6	20.2	21.4	22.0	20.8	-2.1	-1.9	-3.3	-5.4	-3.5	44.8	47.7	51.2	56.1	60.1
Barbados[11]	36.1	35.8	37.0	37.3	35.2	-2.2	1.1	-2.4	-2.4	-0.1	70.3	78.0	85.9	92.0	97.3
Dominica[10]	39.6	34.8	32.2	33.2	32.9	-1.9	-3.0	-2.1	-2.2	-1.5	69.9	71.9	74.8	77.0	78.2
Dominican Republic	14.2	14.0	18.1	15.8	14.6	-0.6	-0.5	-4.2	-0.2	1.1	29.1	30.3	33.5	35.7	35.4
Grenada[10]	25.7	25.8	23.0	26.3	26.2	-1.0	-2.0	-2.0	-5.6	-4.6	101.2	106.4	109.5	115.8	121.1
Haiti[8]	25.4	33.1	28.0	25.8	26.4	3.0	-3.3	-4.6	-5.0	-6.5	17.7	12.2	15.4	20.4	24.5
Jamaica[10]	22.2	22.4	20.4	20.0	19.8	4.6	3.2	5.4	7.5	7.5	143.2	141.6	146.1	142.7	134.5
St. Kitts and Nevis[10]	34.1	30.6	26.8	27.1	25.4	-3.0	6.5	9.2	5.2	2.3	163.9	153.6	89.3	83.0	78.4
St. Lucia[10]	27.5	29.5	30.5	28.9	29.5	-1.9	-3.5	-6.9	-3.8	-3.2	62.9	66.2	70.9	77.4	81.6
St. Vincent and Grenadines[10]	29.8	27.9	25.6	26.2	26.3	-0.9	-1.1	0.0	-0.1	0.3	66.2	67.8	70.1	73.2	73.5
Trinidad and Tobago	35.9	33.6	31.5	32.8	32.7	-1.3	1.8	1.4	0.4	0.1	35.5	33.4	38.7	33.4	34.7
ECCU[12]	27.9	27.5	26.1	28.1	26.0	-0.5	-0.3	-0.5	-1.9	-0.1	85.7	87.0	86.9	87.0	85.1
Memorandum:															
Latin America and the Caribbean (LAC)	**33.4**	**33.7**	**34.5**	**33.8**	**33.8**	**-0.7**	**-0.3**	**-0.3**	**-0.3**	**-0.2**	**49.6**	**49.8**	**50.4**	**50.5**	**50.7**
Financially integrated LAC[13]	26.3	25.4	26.1	26.1	26.1	0.5	1.7	1.3	0.7	0.8	39.7	39.5	39.3	39.2	39.3
Other commodity exporters[14]	29.8	33.8	35.7	35.5	34.6	-0.6	-1.3	-2.7	-2.6	-2.1	31.8	30.9	32.2	33.5	33.6
CAPDR[15]	19.1	18.9	19.8	19.9	19.7	-1.7	-1.2	-2.0	-1.8	-1.5	35.3	35.4	37.6	38.9	40.0
Caribbean															
Tourism dependent[16]	28.3	27.7	26.2	27.5	26.2	-0.7	-0.2	-0.1	-1.1	0.2	90.4	91.8	87.4	90.3	90.3
Commodity exporters[17]	29.0	28.5	28.9	28.9	28.8	-0.7	1.1	-0.9	-0.4	-0.6	51.0	50.2	50.9	50.8	53.4

Source: 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.

[2] Primary balance defined as total revenue less primary expenditures.

[3] Federal government and provinces; includes interest payments on an accrued basis. Primary expenditure and balance include the federal government and provinces. Gross debt is for the federal government only.

[4] 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.

[5] Includes central government.

[6] Primary expenditures for Suriname exclude net lending.

[7] Consolidated public sector; data for El Salvador include operations of pension trust funds.

[8] Central government only. Gross debt for Belize includes both public and publicly guaranteed debt.

[9] Fiscal data cover the nonfinancial public sector excluding the Panama Canal Authority.

[10] Central government for primary balance accounts; public sector for gross debt.

[11] Overall and primary balances include off-budget and public-private partnership activities for Barbados and the nonfinancial public sector. General government for gross debt.

[12] 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.

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

[14] Simple average for Argentina, Bolivia, Ecuador, Paraguay, and Venezuela.

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

[16] Simple average of The Bahamas, Barbados, Jamaica, and ECCU member states.

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