Latin America and the Caribbean

Macro Poverty Outlook

Country-by-country Analysis and Projections for the Developing World

Spring Meetings 2021

WORLD BANK GROUP
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Poverty & Equity

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Latin America and the Caribbean

Spring Meetings 2021

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ARGENTINA

Table 1	2020
Population, million	45.4
GDP, current US$ billion	404.4
GDP per capita, current US$	8917.6
International poverty rate ($1.9)[a]	1.5
Lower middle-income poverty rate ($3.2)[a]	4.9
Upper middle-income poverty rate ($5.5)[a]	14.4
Gini index[a]	42.9
School enrollment, primary (% gross)[b]	109.7
Life expectancy at birth, years[b]	76.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

In 2020 Argentina experienced a major contraction as COVID-19 severely impacted an already fragile economy. GDP is projected to rebound by 6.4 percent in 2021 as ample idle capacity is progressively used, reducing upper middle-income poverty rate to 15.8 percent, from its 2020 peak of 18.4 percent. The implementation of a sound macro-stabilization plan to restore fiscal sustainability and reduce inflation would strengthen the recovery, setting the basis for strong job creation and poverty alleviation.

Key conditions and challenges

The Argentinian economy has struggled to grow since the end of the commodities super cycle. In the absence of measures to contain spending, fiscal and external imbalances progressively built up, leading to high and volatile inflation, hurting investment, growth and livelihoods. GDP growth averaged 1.4 percent in the last decade, in contrast to a 3 percent average in 1993-2009. Labor market outcomes have deteriorated as informality increased and real incomes fell, keeping poverty incidence high.

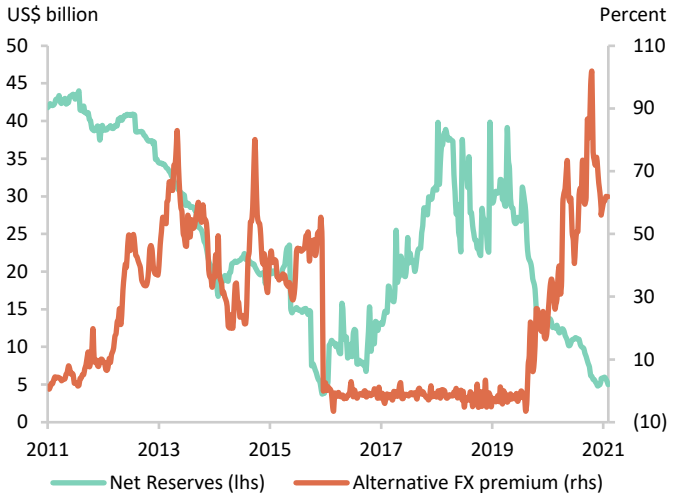
The COVID-19 pandemic broke out a two-year recession. In April 2020, GDP registered the largest contraction ever recorded, and as a consequence employment fell sharply, and firm closures increased markedly. Spending for emergency measures and lower revenues resulted in a historically large deficit. Despite mitigating effects of increased spending in social programs, the proportion of people under the national poverty line reached over 40 percent. The crisis and loss of market access led to a full monetization of the deficit, exacerbating macroeconomic imbalances. As economic activity resumed, this monetary overhang led to increased volatility in exchange rates and an upsurge in inflation.

The adoption of a credible macro-stabilization and growth plan would underpin the strength of the recovery, which could however be delayed by an adverse evolution of the pandemic, notably the re-introduction of containment measures, depending on progress on vaccinations. Beyond overcoming the COVID-19 crisis, the implementation of a sound macroeconomic program remains a fundamental priority for bringing down inflation, restoring confidence, and putting the economy on a sustainable path. Over the medium term, the recent debt swap with private creditors, as designed – reprofiling of debt service obligations and only minor cuts in principal – calls for the swift implementation of reforms to ensure fiscal sustainability and regain access to capital markets. Delays in reform implementation are a major source of risk.

Recent developments

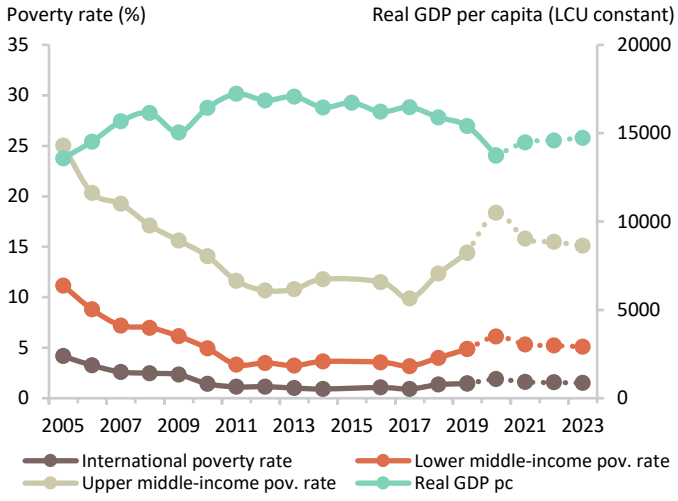
The recovery started in 2020Q4, as lockdown measures have progressively been lifted. The recovery has been heterogenous across sectors and populations groups. The hotels and restaurants sector fell by 50 percent in 2020, transportation by 18 percent, while manufacturing, agriculture, retail and construction ended 2020 almost at or above pre-COVID levels. The negative impact of the crisis on labor market performance has been more pronounced than on economic activity, as household income continued to fall across the distribution, despite mitigating effects of the increased spending in social programs. More than 20,000 firms closed during 2020, 1.4 million people are currently

FIGURE 1 Argentina / Net international reserves and exchange rate premium



Source: WB Staff Calculations based on Central Bank.

FIGURE 2 Argentina / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

unemployed, and despite recovery of economic activity, rates of unemployment have not significantly decreased yet among women and youth. The median labor income has remained below the representative poverty line, reflecting a high probability that wages are not sufficient to lift workers above the poverty line.

After having decelerated to 36 percent in 2020 owing to the lockdown, inflation is accelerating alongside economic recovery, in spite of tight price controls (supermarkets, fuel, housing rentals, transport and energy rates), which dampen the pace and strength of the recovery. Through a series of additional interventions and controls, the authorities have recently managed to stabilize the gap between official and parallel foreign exchange markets, though at historically high levels of around 70 percent. The large foreign exchange gap continues to generate incentives to postpone exports and anticipate imports, thus deteriorating the trade balance and impairing the ability of the Central Bank to substantially rebuild foreign exchange reserves from very low levels. Net reserves fell US$8bn during 2020 and by mid-February were estimated at US$4.9bn (1.6 percent of GDP).

Outlook

GDP is projected to rebound by 6.4 percent in 2021 given the strong 2020-Q4 carry over effect (about 5.5 percent) and as ample idle capacity is progressively used. Private consumption and investment will only moderately pick up, following their three-year contraction. Going forward, price and capital controls risk dampening investment and the renewal of capital stock. Thus, in the absence of macro stabilization and structural reforms to facilitate business entry and exit and access to credit, the rebound is expected to be modest. GDP is projected to reach its end 2019 level only in 2023. The fact that by end-2019 the GDP level was 8 percentage points below its peak in late 2017 illustrates the long-lasting effects of the prolonged crisis.

Poverty rates are expected to decline modestly as the economic recovery materializes. In 2021, it is projected that 15.8 percent of the population will be considered poor under the international poverty line of $5.5 per day. A stronger labor market performance is needed to reverse recent poverty increases.

High commodity prices are expected to cushion the negative impact of "La Niña" on agricultural output, leading to substantial windfall in foreign exchange, which would support the current account surplus and government revenues in 2021. The fading out of COVID-19 stimulus spending together with increases in revenue collection as the economy rebounds will also support the reduction of the fiscal deficit. A partial Central Bank monetization of overall fiscal needs is set to continue in 2021, in the absence of access to markets, putting pressure on monetary policy, and therefore on inflation and external stability. An agreement on a new IMF program that restores fiscal sustainability and strengthens reforms for long term growth would help restore confidence, reduce sovereign risk, facilitate a return to credit markets and incentivize investment.

TABLE 2 Argentina / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-2.5	-2.2	-10.0	6.4	1.7	1.9
Private Consumption	-2.4	-6.4	-11.2	7.6	2.1	2.0
Government Consumption	-3.3	-1.6	-2.7	1.2	0.1	0.0
Gross Fixed Capital Investment	-5.7	-15.9	-20.9	10.9	4.7	6.2
Exports, Goods and Services	-0.7	9.4	-11.1	5.2	2.8	3.1
Imports, Goods and Services	-4.7	-18.7	-18.2	8.9	5.5	5.6
Real GDP growth, at constant factor prices	-2.6	-1.8	-10.0	6.4	1.7	1.9
Agriculture	-14.3	19.7	-3.0	2.3	1.1	1.1
Industry	-3.1	-3.1	-14.0	5.1	1.5	1.5
Services	-0.6	-3.8	-9.2	7.7	1.8	2.1
Inflation (Private Consumption Deflator)	38.0	56.6	42.0			
Current Account Balance (% of GDP)	-5.3	-0.5	1.4	1.1	0.5	-0.4
Net Foreign Direct Investment (% of GDP)	1.9	1.1	0.7	1.1	1.5	1.7
Fiscal Balance (% of GDP)	-5.2	-4.4	-9.2			
Debt (% of GDP)	94.8	100.1	105.6			
Primary Balance (% of GDP)	-2.2	-0.6	-6.6			
International poverty rate ($1.9 in 2011 PPP)[a,b]	1.4	1.5	1.9	1.6	1.6	1.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	4.0	4.9	6.1	5.3	5.2	5.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	12.3	14.4	18.4	15.8	15.5	15.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2012-EPHC-S2, 2018-EPHC-S2, and 2019-EPHC-S2.Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.
(b) Projection using annualized elasticity (2012-2018) with pass-through = 1based on GDP per capita in constant LCU.

THE BAHAMAS

Table 1	2020
Population, million	0.4
GDP, current US$ billion	10.8
GDP per capita, current US$	27521.8
School enrollment, primary (% gross)[a]	81.4
Life expectancy at birth, years[a]	73.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

GDP is estimated to have contracted by 14.8 percent in 2020 due to the impact of the COVID-19 pandemic on tourism, the country's main economic activity and source of revenue. With over 50 percent of the labor force employed in this sector, unemployment is on the rise, particularly affecting the most vulnerable. Poverty is expected to rise well above 13 percent. The pandemic interrupted the reconstruction efforts following Hurricane Dorian and the structural fiscal reforms aimed to improve and diversify revenues and to strengthen financial stability and the business environment.

Key conditions and challenges

The Bahamas is a high-income service economy heavily dependent on tourism and financial services. Its GDP has risen steadily over the past 3 decades, with annual growth averaging 1.4 percent. Nonetheless, the country's economic position remains vulnerable due to its small size, lack of economic diversification and vulnerability to natural disasters. The Bahamas relies significantly on foreign investment, especially related to tourism. Tourism, together with tourism-driven construction and manufacturing, accounts for approximately 60 percent of GDP and, directly or indirectly, employs half of the country's workforce.

Economic growth in recent decades has not been distributed broadly among all segments of the population. According to the last Household Expenditure Survey collected in 2013, around 13 percent of the population lived below the national poverty line. Moreover, inequality was high, with a Gini index of 41.4. The bottom 40 percent of the population distribution only accounted for 16 percent of total consumption, while the top 10 percent accounted for 31 percent. While no official poverty indicators have been produced since 2013, the country has shown steady improvement in the Human Development Index (HDI), particularly in the education and life expectancy components.

Vulnerability to climate change and global health risk jeopardize the country's development trajectory. Sea-level rise associated with increasing temperatures threatens The Bahamas' low-lying islands. In addition to the severe impacts of Hurricane Dorian in 2019, the country faces an average annual loss from windstorms of US$850 million—over 6 percent of GDP.

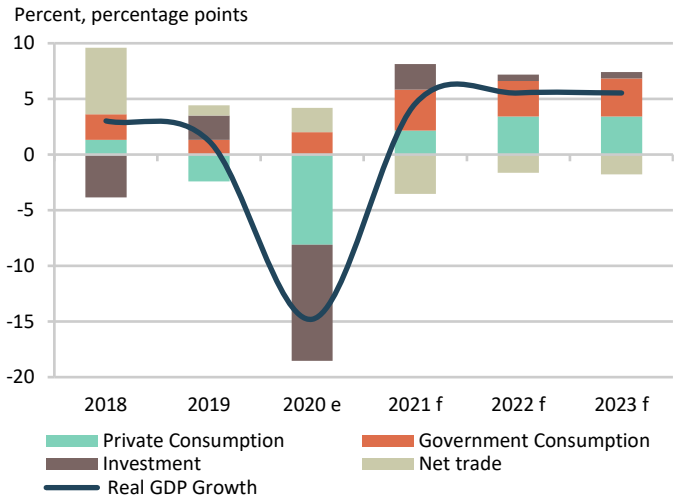
The job losses resulting from COVID-19 have been particularly felt by the vulnerable populations, such as low-income households, informal workers, and women. This will erase some of the progress in recent years in terms of human development and will increase poverty and inequality, underlining the need for the recovery efforts to support these groups decisively and allow a more diversified portfolio of income sources.

Recovery will depend on the roll out of vaccination in the country and in its main tourism-source markets—United States and Canada. New contagion waves and restrictive measures could further postpone economic recovery.

Recent developments

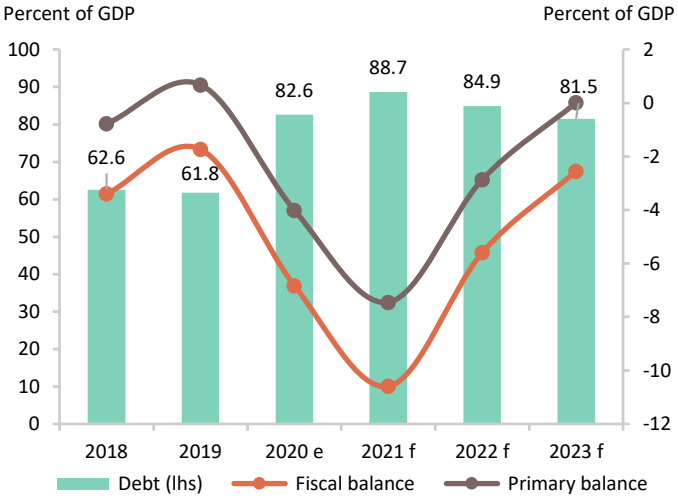
The Bahamas successfully kept COVID-19 cases to a minimum until July 1 when it reopened its borders to tourism. Daily new cases peaked at 123 on October 21, 2020. Cumulative cases increased from 104 to over 6,000 over that period. New cases have remained somewhat stable since, at an average daily rate of 10.

FIGURE 1 The Bahamas / Real GDP growth and contributions to real GDP growth



Sources: Government of The Bahamas; IMF and World Bank staff estimates.

FIGURE 2 The Bahamas / Fiscal balances and public debt



Sources: Government of The Bahamas; IMF and World Bank staff estimates.

GDP contraction for 2020 is estimated at 14.8 percent. The policy response, of almost 4 percent of GDP was directed towards health expenditures, including the expansion of infrastructure, employment support, and social assistance. VAT revenues almost halved. Preliminary data show that the fiscal deficit for the first quarter of FY20/21 amounted to B$336.3 million compared to just B$48.8 million in the previous fiscal year.

After the COVID-19 pandemic struck, tourist arrivals virtually halted. In January -October 2020 they dropped to 1.75 million, compared to 5.92 million in 2019. The contraction was felt harder during Q2 when the initial measures to contain the pandemic were imposed.

According to the Inter-American Development Bank's rapid survey, the incidence of job losses has been more prevalent among the bottom of the distribution: around 80 of low-income households reported job losses compared to 35 percent of high-income households. In addition, female and informal workers have been particularly affected.

Around fifty percent of households in The Bahamas reported income below the minimum wage right after the pandemic hit, an increase from 16.1 percent in January 2020 (IADB, 2020). Additionally, only 2 in 5 households report having some savings to manage with the shock.

During the first three quarters of 2020, the current account deficit recorded US$1.5 billion, compared to a US$224.5 million surplus in the same period in 2019, reflecting the effects of the pandemic on tourism. The service balance was the most hit, as tourism receipts contracted by over 90 percent in the second quarter of 2020. The impact was partially offset by a 42 percent decrease in non-oil merchandise imports, reflecting a reduction in consumption. Meanwhile, central bank reserves stood at US$2.1 billion, compared to US$1.6 billion in September 2019, mainly on account of foreign currency inflows from borrowing by the government. Total public sector debt was estimated at 75.4 percent in September 2020, up from 56.5 in 2019.

Outlook

2021 GDP growth is projected at 2.0 percent, as tourist flows are expected to rebound by the end of Q3. With the relaxation of domestic containment measures and the resumption of travel, real GDP is expected to grow 8.5 percent in 2022. Poverty rates are expected to gradually decline in line with recovering economic activity over the medium term. However, to avoid long term effects on social mobility and inequality, policies that foster an inclusive recovery and support the vulnerable groups, such as women, will be important.

The primary balance is expected to deteriorate to a deficit of 3.8 percent of GDP in FY2020/21 and 9.1 percent in FY2021/2022, due to lower revenues from tourism, trade, and domestic consumption, combined with government spending to contain the impact of coronavirus and post-Hurricane Dorian reconstruction efforts. In turn, the fiscal deficit is expected to reach 6.6 percent of GDP in FY2020/21 and 12.3 percent in FY2021/2022.

The current account balance is projected to reach a deficit of 21.5 percent of GDP in 2021 and then narrow to 14.8 percent in 2022. Tourism related FDI inflows are projected to halve in 2021 and external financing needs to peak at 23.7 percent of GDP. Meanwhile the expected deterioration of the fiscal accounts in FY2020/21 and FY2021/22 will translate into higher fiscal financing requirements of 10.7 percent of GDP and 17 percent of GDP, respectively.

TABLE 2 The Bahamas / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.0	1.2	-16.2	2.0	8.5	4.0
Real GDP growth, at constant factor prices	3.1	1.2	-16.2	2.0	8.5	4.0
Agriculture	-10.6	-11.9	-6.9	1.7	1.3	1.1
Industry	-8.5	4.6	-4.7	8.7	2.6	2.8
Services	5.3	0.8	-18.1	0.8	9.7	4.2
Inflation (Consumer Price Index)	2.3	2.5	1.8	2.1	2.4	2.2
Current Account Balance (% of GDP)	-12.1	0.7	-17.4	-21.5	-14.8	-11.1
Net Foreign Direct Investment (% of GDP)	3.8	1.9	2.0	2.3	2.5	2.8
Fiscal Balance (% of GDP)[a]	-3.4	-1.7	-6.6	-12.3	-8.9	-4.6
Debt (% of GDP)[a]	62.6	61.8	69.1	89.0	88.4	86.4
Primary Balance (% of GDP)[a]	-0.8	0.7	-3.8	-9.1	-5.7	-1.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Fiscal balances are reported in fiscal years (July 1st -June 30th).

BARBADOS

Table 1	2020
Population, million	0.3
GDP, current US$ billion	4.4
GDP per capita, current US$	15142.9
School enrollment, primary (% gross)[a]	100.3
Life expectancy at birth, years[a]	79.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

With the quarantine measures and impact of the pandemic on tourism, Barbados's GDP is estimated to have contracted 17.3 percent in 2020. The current account deficit is expected to have increased to 7.8 percent of GDP. Poverty is expected to have increased, reflecting the job losses, business closures, and decline in remittances caused by the pandemic. The pandemic interrupted the reform efforts made in the context of the Barbados Economic Recovery and Transformation (BERT) plan to sustain primary surpluses and reduce the debt burden.

Key conditions and challenges

Barbados is a high-income service economy. However, the country's economic achievements remain vulnerable due to its small size, heavy dependence on tourism at 17 percent of GDP, and considerable exposure to climate change risks. The effects of the 2009 Global Financial Crisis were hard felt and long lasting. A combination of negative shocks to its main economic sectors – tourism, financial services and construction – and limited policy response resulted in a significant deterioration of its fiscal and external accounts. Continuous fiscal deficits were financed through public institutions – the Central Bank of Barbados and the National Insurance Scheme. Public debt build-up proved to be unsustainable, increasing consistently from just over 55 percent of GDP in 2008 to 158 percent in 2017, leading to a slowdown in economic growth and prompting downgrades in credit ratings.

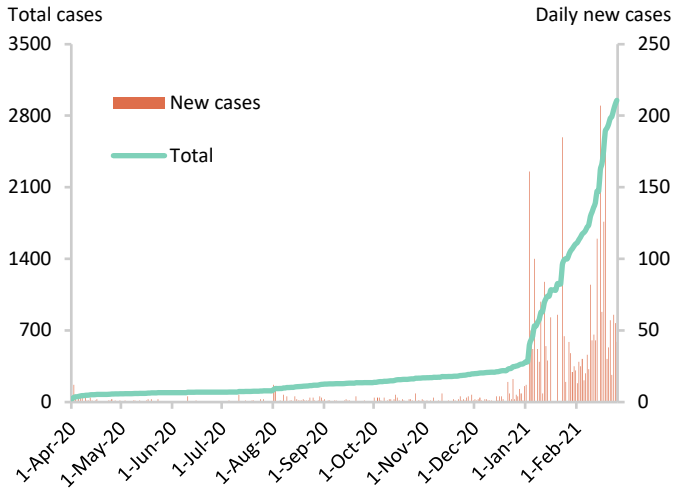
In June 2018, in response to the worsening fiscal and external liquidity position, the newly elected government announced the homegrown BERT Plan aimed at restoring macroeconomic stability. It included the suspension of debt payments and a comprehensive restructuring of domestic and external debt. The completion of the public debt restructuring in December 2019 reduced economic uncertainty prior to the coronavirus pandemic. Under BERT, debt is targeted to reach 60 percent of GDP by FY2033/34. In addition, in 2018, Barbados entered into an adjustment program under the IMF's Extended Fund Facility.

Prior to the pandemic, Barbados experienced an increase in the proportion of the population living in poverty from 15.1 percent in 2010 to 17.2 percent in 2016, according to the 2016-2017 Barbados Survey of Living Conditions. While there is no estimate of monetary poverty since then, it is likely that the poverty rate increased in the two years leading to 2020, in line with the observed economic slowdown. Thus, the country was already facing a deterioration in the living standards before the Covid-19 outbreak.

Recent developments

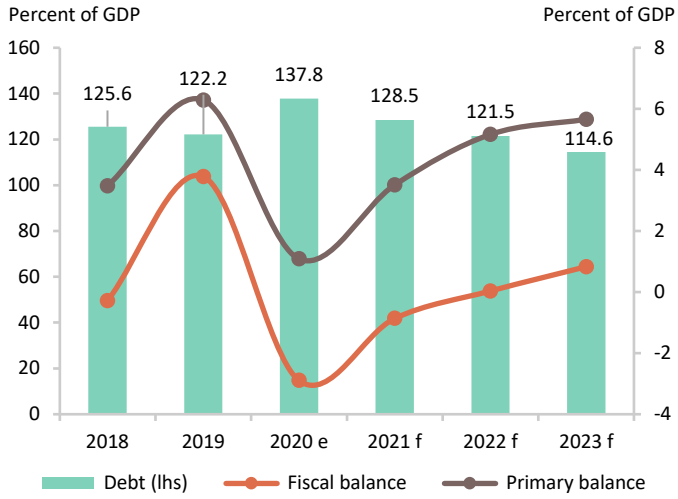
A major fall in tourist arrivals during the first three quarters of 2020 severely affected tourism, retail, and business activities. Hotel occupancy rates were below 50 percent, with a steep decrease in revenues. With the near full travel closure and quarantine measures, the economy is projected to have contracted by 17.3 percent in 2020. The halt in the tourism and construction sectors translated into severe job losses, particularly among the vulnerable population. In a June 2020 rapid assessment survey, almost half of respondents that were employed before the pandemic reported losing their job (IADB 2020). Not surprisingly, the shock affected low-income households more harshly (51 percent reported job losses) compared to middle and high-income ones (40 and 28 percent,

FIGURE 1 **Barbados** / COVID-19 spread



Sources: JHU CSSE COVID-19 Data.

FIGURE 2 **Barbados** / Fiscal balances and public debt



Sources: Central Bank of Barbados; IMF and World Bank staff estimates.

respectively). Similarly, women have been more impacted than men (36 percent report losing their job versus 32 percent). The government responded by expanding social assistance and implementing a program that subsidizes continued employment in the tourism sector.

Barbados experienced a rapid spread of COVID-19 in early 2021. The fotal number of cases rose from 395 on January 2 to 2,647 on February 18. This is likely to further exacerbate job losses, business closures, and a decline in remittances that negatively impacted income, and the living standards of Barbadian households in 2020. About one in five households reported losing their main source of income between January and April 2020 and around 40 percent reported not being able to meet their most basic needs. For 2020, poverty is expected to have increased well above the 17 percent registered four years before.

The impact on the balance of payments has been severe. The current account deficit is expected to have risen to 7.8 percent of GDP in 2020 mainly due to the decline in travel receipts, although partially offset by lower oil prices and import demand. The restructuring of external debt – with the resumption of interest payments – widened the income deficit.

Barbados recorded a significant primary surplus of 6.3 percent of GDP in FY2019/20, above the 6 percent target included in the BERT program. The primary surplus was met by adjusting expenditure on goods and services, capital projects, and wages. The increase in health-related expenditures due to the Covid-19 pandemic together with a fall in revenues pushed a revision of the fiscal deficit target to 1 percent of GDP. To finance the higher current account deficit, Barbados received financing from international financial institutions IFIs. As a result, gross international reserves rose to 40 weeks of import cover.

Outlook

Growth is projected to reach an average of 5.8 percent over the medium term with the resumption of travel. Lagging construction activity and renewed fiscal consolidation efforts are expected to moderate growth prospects. The inflation rate is projected to average around 3 percent in the medium term. In response to the pandemic, the government has expanded support through its social protection programs and has expanded available benefits. As a result of higher growth and low inflation, poverty can be expected to decrease over the medium term if the recovery is sustained and fosters new job opportunities. Continued support for the most vulnerable is necessary to avoid long -term consequences of the shock.

The current account deficit is expected to increase to 11.0 percent of GDP in 2021. A rebound in tourism and increased FDI in the tourism sector will contribute to narrowing the deficit to 8.6 percent in 2022.

TABLE 2 Barbados / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-0.6	-0.1	-17.3	4.4	7.2	1.9
Real GDP growth, at constant factor prices	-0.4	-0.1	-17.5	4.2	7.4	2.0
Agriculture	14.8	-6.3	1.0	0.5	0.5	0.4
Industry	-2.3	-3.4	-13.0	3.0	4.5	2.5
Services	-0.3	0.6	-18.6	4.5	8.1	2.0
Inflation (Consumer Price Index)	3.7	4.1	2.9	3.7	2.3	2.3
Current Account Balance (% of GDP)	-5.0	-3.1	-7.8	-11.0	-8.6	-6.1
Fiscal Balance (% of GDP)	-0.3	3.8	-4.7	-3.0	-0.4	0.6
Debt (% of GDP)	125.6	122.2	148.9	142.7	129.4	124.7
Primary Balance (% of GDP)	3.5	6.3	-1.0	1.3	4.4	5.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

BELIZE

Table 1	2020
Population, million	0.4
GDP, current US$ billion	1.8
GDP per capita, current US$	4440.7
School enrollment, primary (% gross)[a]	110.5
Life expectancy at birth, years[a]	74.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2019); Life expectancy (2018).

Belize entered the COVID-19 pandemic with high public debt, external vulnerabilities, and a low economic growth rate. The crisis is expected to increase poverty and unemployment. In turn, protecting the vulnerable remains a policy priority. Authorities have built up reserves and continue to provide ample liquidity. Growth will return slowly over the medium term while downside risks remain high and susceptible to natural shocks and delays in implementing vaccination.

Key conditions and challenges

Tourism is the number one foreign exchange earner, followed by exports of sugar, bananas, citrus, seafood, and crude oil. Supported by expansionary monetary and fiscal policies, average GDP growth was almost 5.6 percent between 1999 and 2008, falling to an average of 1.8 percent between 2009-19. Belize's dependence on energy imports makes it highly vulnerable to energy price shocks, and the peg of the Belize dollar to the US dollar since 1976 leaves no room for inflation targeting. Structurally high unemployment, a growing trade deficit, and a heavy foreign debt burden continue to be major concerns coming out of the pandemic over the medium term amid tepid growth.

The COVID-19 pandemic hit when the economy was already in recession due to drought and a slowdown in tourism in the second half of 2019. The pandemic's impact on the economy is severe due to the collapse in tourism activity and the indirect effects of the necessary containment and mitigation measures. The international airport reopened in October 2020 with appropriate protocols for testing and tracing. However, the number of international flights to Belize is only a fraction of its pre-pandemic levels, and tourism activity is experiencing a slow recovery.

Risks could stem from a resurgence in COVID-19 infections, as mass vaccination programs will take time to roll out. External risks include higher oil prices and exposure to extreme climate-related shocks. The EU Economic and Financial Affairs Council (ECOFIN) excluded Belize from the EU grey list of non-cooperative tax jurisdictions; however, gaps remain in the supervision of the financial sector.

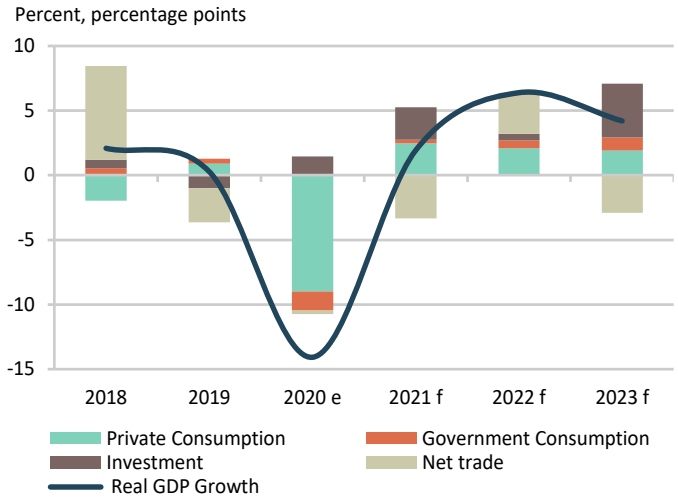
Recent developments

Belize's economy contracted 14.1 percent in 2020, driven by a sharp reduction in net external demand and private consumption, reflecting the impact of the near closure of international travel, curfews, and slowdown in global demand. A severe drought in 2019 that extended into the first half of 2020 caused a falloff in hydroelectric generation. Tropical depression Eta further exacerbated this in the fourth quarter, damaging crops and livestock. With the drop in oil prices and demand in 2020, inflation remained subdued at 0.1 percent.

The current account deficit (CAD) narrowed in 2020 to 8.1 percent of GDP, financed by remittances from abroad, foreign direct investment (FDI) inflows, donations, and multilateral lending. International reserves recovered to US$347 million at the end of 2020, as foreign exchange reserves benefited from the deferral of quarterly interest payments to bondholders since August 2020.

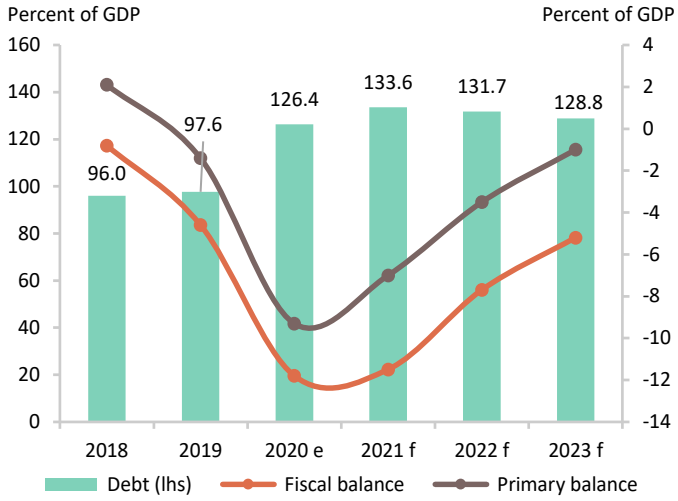
The reduction in tax collection and increased expenditure pushed the fiscal deficit to 10.9 percent of GDP in 2020 and brought up the debt level to 125.4 percent

FIGURE 1 **Belize** / Real GDP growth and contributions to real GDP growth



Sources: Statistical Institute of Belize and World Bank staff calculations.

FIGURE 2 **Belize** / Fiscal balances and public debt



Sources: Ministry of Finance and World Bank staff calculations.

of GDP. Following a near default on payments in 2020, Belize managed to renegotiate with creditors the terms on the US dollar-denominated bonds due in 2034.

Authorities established measures to maintain credit flow in the economy, including reducing statutory cash reserve requirements, extending the period to classify targeted non-performing loans and other affected aspects of the banking system balance sheet.

The expected impacts of the COVID-19 crisis on the labor market are significant, likely leading to poverty increases. According to official statistics, approximately 39,000 persons moved out of employment (either to unemployment or out of the labor force) from March to August 2020. About 25 percent of the employed persons reported reduced or partial wages. Overall, the unemployment rate increased by 19.1 percentage points from September 2019 to September 2020.[1] The most affected sector is tourism, with 66 percent of the job losses. The pandemic has affected significantly more the youth, men, and those in the service sector. Overall, about 64.4 percent of the employed population who lost their job due to the pandemic were men. The youth (ages 25-34) accounted for many job losses (28.2 percent).

Outlook

Economic recovery is projected to begin with the launch of the vaccine in 2021. However, the speed at which the vaccine is distributed remains uncertain. Growth will also depend on natural disasters in 2021. Accelerating efforts to build resilience to disasters would reduce economic instability and boost economic growth. Inflation will increase to 2.0 percent over the medium term as the prices of many imported commodities normalize.

The sharp decline in economic activity and employment losses are expected to lead to significant poverty increases in 2020 and possibly lasting through 2021, depending on the recovery speed. An unemployment relief program providing temporary benefits to the unemployed, the upscaling of transfers through Boost (the conditional cash transfers program), a new COVID-19 cash transfer (BCCAT) to uncovered poor households, and a food pantry program has offered temporal relief to the most affected and partially mitigate the poverty increase, particularly in the short term. However, the lack of recent data makes it difficult to assess the beneficiary incidence of these emergency transfers among the 'current' poor.'

The CAD is predicted to widen over the medium term as imports recover and remittances level off. The CAD will be financed by private inflows, donations, and multilateral lending, supplemented by a drawdown in reserves. In this context, the level of international reserves could fall below 5 months of imports as quarterly interest payments to bondholders will begin again in May 2021.

With the expected economic recovery, tax collections will improve, and cash transfers may decrease, reducing the fiscal deficit to 5.1 percent of GDP and lowering the public debt to 127.5 percent of GDP by 2023. Despite short-term relief due to the capitalization of the next three bond interest payments, timely payments of Belize's debt service will depend on favorable financial and economic conditions that could be strained if economic activity recovers at a slower pace.

1/ There were some methodological changes in the LFS from 2019 to 2020 due to revisions in the definitions of unemployment, employment and underemployment that affect comparability. Comparisons here used the previous definition for both years.

TABLE 2 Belize / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.9	1.8	-14.1	1.9	6.4	4.2
Private Consumption	-2.7	-3.3	-14.0	3.8	3.2	3.0
Government Consumption	3.5	2.5	-12.3	6.6	0.6	10.4
Gross Fixed Capital Investment	13.4	10.5	25.2	5.1	3.9	18.0
Exports, Goods and Services	7.5	-7.0	-14.1	2.7	-3.2	-3.3
Imports, Goods and Services	-4.3	3.8	-12.9	7.2	-7.5	5.5
Real GDP growth, at constant factor prices	3.1	1.0	-14.1	1.9	6.4	4.2
Agriculture	-2.9	-3.8	-2.4	3.4	1.6	1.3
Industry	1.0	-4.3	-1.9	4.2	2.1	2.1
Services	4.5	2.9	-18.3	1.1	8.3	5.2
Inflation (Consumer Price Index)	0.3	0.2	0.1	1.0	2.0	2.0
Current Account Balance (% of GDP)	-8.1	-9.6	-8.1	-7.7	-7.4	-7.2
Net Foreign Direct Investment (% of GDP)	6.3	5.3	3.2	3.3	3.8	4.1
Fiscal Balance (% of GDP)[a]	-1.1	-4.7	-10.9	-10.9	-7.3	-5.1
Debt (% of GDP)[a]	95.9	97.3	125.4	132.4	129.7	127.5
Primary Balance (% of GDP)[a]	2.2	-1.4	-8.3	-6.4	-3.1	-0.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.
(a) Fiscal balances are reported in fiscal years (April 1st -March 31st).

BOLIVIA

Table 1	2020
Population, million	11.7
GDP, current US$ billion	36.7
GDP per capita, current US$	3143.1
International poverty rate ($1.9)[a]	3.2
Lower middle-income poverty rate ($3.2)[a]	7.8
Upper middle-income poverty rate ($5.5)[a]	19.9
Gini index[a]	41.6
School enrollment, primary (% gross)[b]	98.2
Life expectancy at birth, years[b]	71.2

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

After the pandemic-induced recession, the economy is expected to rebound in 2021 on the back of eased mobility restrictions and expansionary efforts. Growth would slow down in the medium term due to shrinking room for expansionary policies. Consequently, poverty is expected to return to pre-crisis levels only by 2023. Bolivia's medium-term prospects depend on its capacity to reduce macroeconomic imbalances, generate fiscal space to shield social expenditure and protect the vulnerable, and ignite new sources of growth and employment.

Key conditions and challenges

After the commodity boom, a wide range of expansionary policies allowed Bolivia to keep growing despite declining gas production and low private investment. However, as these policies increased the public debt and eroded macroeconomic buffers, Bolivia had limited policy room to deal with the pandemic that plunged the economy into a deep recession and reversed eight years of poverty reduction. This scenario was compounded by structural weakness such as high labor informality and poorly targeted social programs, and political polarization after the contested 2019 elections led to President Morales's resignation.

After a one-year transition government, the new government is intent on boosting domestic demand and resuming earlier state-led development policies. With low hydrocarbon revenues, this agenda depends on external and Central Bank financing that may undermine macroeconomic sustainability.

The recovery from the COVID-19 crisis depends on how fast the vaccination is completed. While a constrained financial situation elevates the risk of a balance of payment crisis, strong growth fundamentals need to be activated.

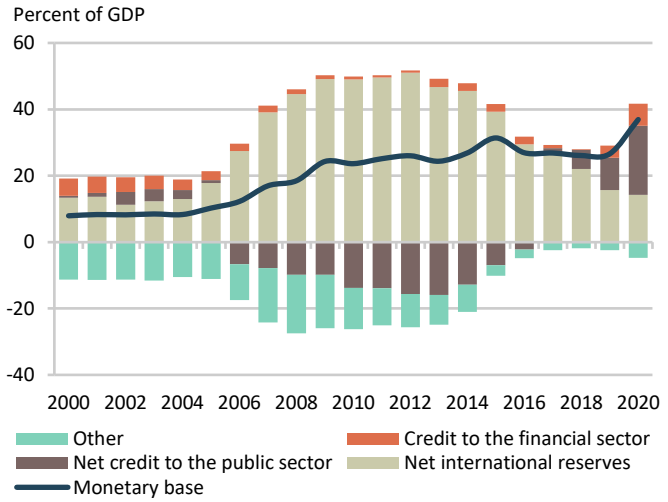
Cementing confidence in the fixed exchange rate requires reducing the fiscal and external imbalances. Improving fiscal policy efficiency and progressivity could help secure fiscal sustainability while shielding social expenditure and supporting the most vulnerable. It would also be critical to adopt a more pragmatic approach toward private and foreign investment to develop new gas reserves and foster new sources of growth and employment. The business environment could be improved by easing administrative agriculture export restrictions, improving logistics, reducing red-tape, and modernizing labor and tax regulation.

Recent developments

The pandemic plunged the economy into a deep recession in 2020. Excepting communication, agriculture, and public administration, most sectors dropped despite showing signs of recovery by the end of the year, after lockdown measures were lifted.

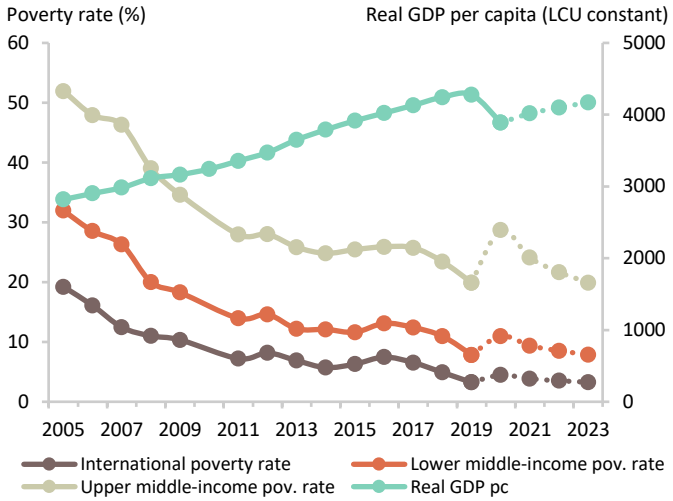
Poverty ($5.5 line in 2011 PPP) is expected to increase from 19.9 percent in 2019 to 28.7 percent in 2020, pushing more than one million people into poverty. Income inequality has increased as many low-skill salaried workers lost their jobs, and most self-employed, who account for more than 40 percent of employment, saw their earnings fall. Despite recent improvements, unemployment and underemployment remained above their pre-crisis levels in late 2020, mainly among women, widening gender gaps. Additionally, despite being almost universal, emergency cash transfers have only partially offset the drop of labor earnings due to their low generosity.

FIGURE 1 Bolivia / Monetary base



Sources: Central Bank of Bolivia.

FIGURE 2 Bolivia / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

Despite the collapse in public investment, the fiscal deficit widened to 12 percent of GDP due to low hydrocarbon and tax revenues and high health and social protection expenditures. In conjunction with a fall in nominal GDP, the fiscal deficit increased public debt from 59 percent of GDP in 2019 to 77 percent in 2020. With limited external financing, the Central Bank funded the bulk of the fiscal deficit.

Although import compression reduced the current account deficit, international reserves continued to fall due to low external financing to the public sector, muted foreign investment, and sizable private capital outflows. The partial recovery of imports and uncertainty around the 2020 elections renewed pressures on international reserves in late 2020.

As the economic contraction reduced average inflation to less than one percent, the Central Bank became the primary domestic credit source. Besides funding the fiscal deficit, the Central Banks also provided liquidity to the financial sector, which saw its profitability fall to a record low level as a result of the loan deferral imposed by the government to support debtors in 2020.

Outlook

Although the second wave of the pandemic dampened the recovery in early 2021, the economy is set to resume growth this year due to eased mobility restrictions. As the government ruled out a harsh lockdown, local authorities will impose only targeted restrictions until the vaccine is fully rolled out in the first half of 2022. Additionally, the government will apply some expansionary policies, including higher public investment. However, after the 2021 rebound, growth is projected to slow down. The tightening financial situation will constrain the space to boost domestic demand, and trade flows will likely slow down after the rebound from the crisis.

Although growth will reduce poverty from its 2020 peak, poverty is projected to remain above the pre-pandemic level until 2022. Long-term pandemic effects on employment and productivity—such as the hysteresis, decapitalization of businesses, and human capital losses due to school closures and remote learning—are likely to affect the poor and vulnerable the most, preventing inequality from falling and limiting upward intergenerational mobility.

The fiscal deficit is projected to gradually decrease to about 4.7 percent in 2023 as fiscal revenues recover and emergency expenditures fade out. Despite the issuance of international bonds to finance public investment and payback bonds due in 2022 and 2023, the tightening financial situation is expected to induce a partial consolidation, stabilizing public debt near 81 percent of GDP.

Current account deficits and capital outflows are expected to continue eroding international reserves but at a slower pace. The nominal exchange rate is projected to remain fixed as the government is expected to gradually limit its expansionary efforts to prevent a devaluation.

Declining international reserves and rising inflation would limit the Central Bank to continue fueling domestic credit. Moreover, the financial sector could require additional support. The massive reschedule of loans deferred in 2020 and the early withdrawal from the pension funds could add stress on the already hit financial sector, particularly small financial institutions.

TABLE 2 Bolivia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.2	2.2	-7.8	4.7	3.5	3.0
Private Consumption	4.3	3.7	-8.1	4.6	3.7	3.3
Government Consumption	5.1	3.8	2.8	1.6	-0.8	0.3
Gross Fixed Capital Investment	3.2	-3.5	-34.1	23.1	2.9	3.5
Exports, Goods and Services	5.2	-1.8	-8.7	6.4	6.4	3.5
Imports, Goods and Services	1.9	1.5	-22.9	14.9	4.2	3.2
Real GDP growth, at constant factor prices	4.3	2.4	-7.8	4.7	3.5	3.0
Agriculture	6.9	5.3	2.4	4.2	4.2	4.2
Industry	2.3	0.1	-12.2	5.4	3.7	3.2
Services	5.2	3.4	-7.6	4.3	3.0	2.5
Inflation (Consumer Price Index)	2.3	1.8	0.9	2.5	3.0	3.0
Current Account Balance (% of GDP)	-4.5	-3.3	-0.8	-3.0	-1.4	-0.7
Net Foreign Direct Investment (% of GDP)	1.0	-0.7	-1.7	0.2	1.1	1.1
Fiscal Balance (% of GDP)	-8.1	-7.2	-12.0	-8.9	-6.0	-4.7
Debt (% of GDP)	53.3	58.8	77.2	81.1	81.3	80.5
Primary Balance (% of GDP)	-7.0	-5.8	-10.3	-7.1	-4.1	-2.9
International poverty rate ($1.9 in 2011 PPP)[a,b]	4.9	3.2	4.5	3.9	3.5	3.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	11.0	7.8	11.0	9.4	8.5	7.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	23.4	19.9	28.7	24.1	21.7	19.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2008-EH, 2011-EH, and 2019-EH. Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(b) Projection using average elasticity (2008-2011) with pass-through = 1based on GDP per capita in constant LCU.

BRAZIL

Table 1	2020
Population, million	212.6
GDP, current US$ billion	1424.6
GDP per capita, current US$	6702.2
International poverty rate ($1.9)[a]	4.6
Lower middle-income poverty rate ($3.2)[a]	9.1
Upper middle-income poverty rate ($5.5)[a]	19.6
Gini index[a]	53.4
School enrollment, primary (% gross)[b]	132.5
Life expectancy at birth, years[b]	75.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

After a strong contraction in the second quarter of 2020, Brazil's recovery was supported by large fiscal stimulus, limiting the annual contraction to 4.1 percent. Recovery momentum is expected to propel growth to 3.0 percent in 2021, but the upsurge of Covid-19 cases raises downside risks. Poverty will likely rise with more limited fiscal support and as the labor market remains soft. The government must find a balance between effective social protection and a sustainable fiscal framework, while re-launching the structural reform agenda.

Key conditions and challenges

In the last decade, the Brazilian economy grew by an average 1.4 percent per year (0.6 percent per capita). Most of the growth in the past ten years was driven by favorable demographics, while total factor productivity declined due to structural bottlenecks, such as a complex tax system and a cumbersome business environment that discouraged entrepreneurship. Despite promoting important projects like the labor and pension reform, a new legal framework for sanitation, changes to the bankruptcy law and the independence of the Central Bank, human capital progress was slow and the state intervention policies in specific sectors were ineffective. The public budget was under increasing pressure from the high level of mandatory current expenditures and increasing pension obligations. The economy was still recovering from the deep recession of 2015 and 2016 when it was hit by the Covid-19 crisis. Uneven income growth, declining incomes of the poorest 40 percent and households in lagging regions falling further behind led to higher poverty and inequality levels than those following the 2015/16 recession.

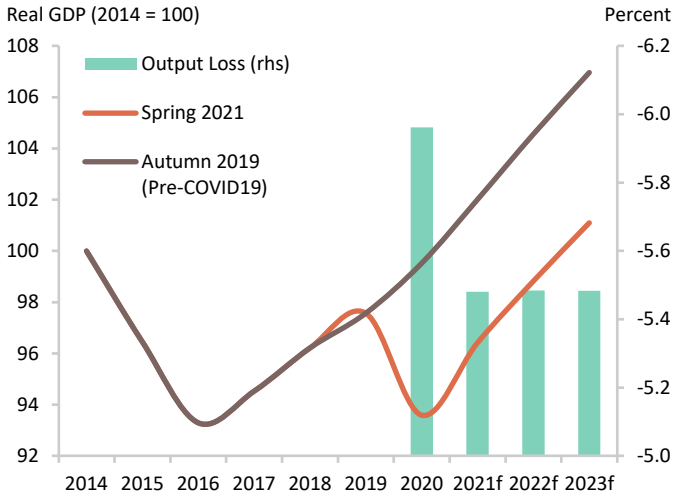
The crisis aggravated Brazil's challenges in poverty reduction. The large federal fiscal response through the direct transfer program *Auxilio Emergencial* (AE) led to a decrease in poverty and inequality in 2020, thanks to the broadened inclusion base and high amount of transfers (up to 750 USD equivalent in total).

A successful vaccination campaign is critical to overcoming the health crisis and recovery in the services sector. Other needed reforms include trade liberalization, privatization of public enterprises, the tax system, flexibilization of the public expenditures and public servants' career.

Recent developments

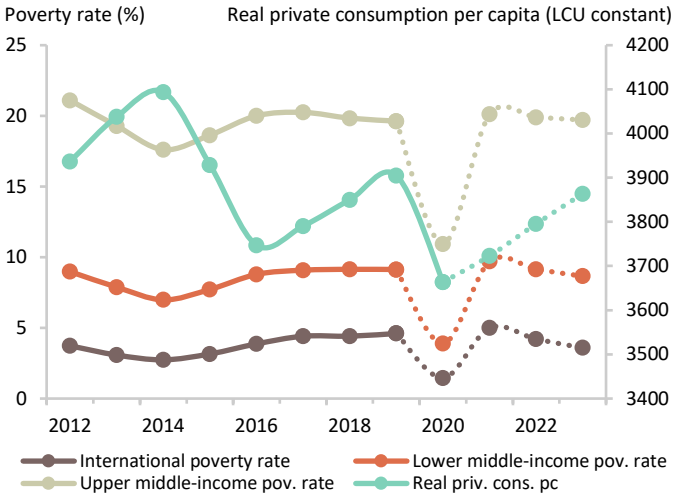
Brazil's economy contracted by 4.1 percent in 2020. The AE program launched in March cushioned the plunge and supported a consumption-led recovery, further aided by lower interest rates, job sustainment programs and the easing of social distancing measures. Industry and retail sales followed suit, exceeding pre-Covid levels by end-2020. Meanwhile, services, that are important for job creation, remain weak as Brazil's high virus case count continues to affect face-to-face activities. Agriculture expanded considering soaring commodities prices and a weakened exchange rate. The labor market deteriorated, with unemployment climbing 2.3 p.p. reaching 13.9 percent in December. Labor force participation fell by 6.8 p.p. between December 2019 and September 2020, recovering by 1.7 p.p. by December 2020 (to 56.8 percent). More than 6mn people lost their jobs in 2020 and most of them gave up looking for a job. Among women, one in five were out of the labor force, due to the need to take care of relatives or housework.

FIGURE 1 Brazil / Revisions to Brazil's GDP growth forecast, compared to last MPO



Sources: WB staff calculations.

FIGURE 2 Brazil / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

The current account deficit narrowed from 2.7 percent in 2019 to 0.9 percent in 2020, due to a steep fall in imports, but FDI flows held up. Inflation accelerated in the second half of 2020, as food prices increased by 15 percent given the increase in commodity prices and the exchange rate depreciation. Nevertheless, the shock is considered temporary, as inflation expectations are well anchored.

The fiscal expansion of 11.2 percent of GDP led the primary deficit to rise from 0.8 percent of GDP in December 2019 to 9.5 percent in 2020. Accordingly, public debt jumped to 88.6 percent in 2020.

The pandemic effects on the labor market led to a fall on households' labor income that was felt across the income distribution. In contrast, the increase in social transfers (with AE representing over 40 percent of households' income for those in the bottom quintile in November) led to a projected decrease in poverty to 10.9 percent (for US$5.5, 2011 PPP line), and 1.4 percent (or 3.2 million people) living in extreme poverty (US$1.90 PPP).

Outlook

Covid-19 erased income gains since the last recession in 2016. In 2021, a partial GDP recovery of 3.0 percent is expected, as the carryover is high, and growth likely resumes its pre-Covid pace. Industry will lead the recovery, while the services sector will be dragged down by the activities whose performance depend on the vaccination program. The vaccination campaign is expected to accelerate throughout the year. Mining and agriculture growth will be supported by improving external conditions. The recovery underway is expected to continue into 2022 with 2.5 percent growth, before the economy converges to a 2.3 percent rate from 2023 onwards. Poverty reduction is expected to be limited. The expiration of the AE in December 2020 is expected to decrease households' income, especially for those at the bottom of the distribution. Without the labor market absorbing discouraged workers and the unemployed, labor incomes will stall and the reduction in poverty is likely to remain temporary. In 2021, poverty rates (at $5.50 2011 PPP) are projected at slightly higher levels than before Covid-19 and return to 19.7 percent in 2023. Inflation is expected to return to the official target in 2021, as exchange rate related shocks dissipate, while primary deficit decreases to 2.4 percent. Total gross debt will reach 89.7 percent, and further fiscal adjustment will be required to comply with Brazil's expenditure rule.

Risks to the recovery continue to be high. Should the AE transfer program be renewed, currently under discussion in Congress, it will likely increase the primary deficit in 2021, support household consumption and soften poverty increase. The resurgence of the pandemic is leading some local governments to impose new lockdowns, which may slow the pace of recovery. The pace of recovery in the labor market is a risk as job creation depends on a sustained demand recovery scenario and on the implementation of structural reforms, both to boost potential growth and to promote fiscal consolidation.

TABLE 2 Brazil / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.8	1.4	-4.1	3.0	2.5	2.3
Private Consumption	2.4	2.2	-5.5	2.3	2.6	2.4
Government Consumption	0.8	-0.4	-4.7	0.0	0.0	0.0
Gross Fixed Capital Investment	5.2	3.4	-0.8	5.1	5.1	4.7
Exports, Goods and Services	4.1	-2.4	-2.2	5.0	5.0	5.0
Imports, Goods and Services	7.7	1.1	-10.2	6.0	6.0	6.0
Real GDP growth, at constant factor prices	1.7	1.3	-3.8	2.9	2.5	2.3
Agriculture	1.3	0.6	2.0	1.5	1.6	1.5
Industry	0.7	0.4	-3.5	5.5	1.9	1.8
Services	2.1	1.7	-4.6	2.2	2.8	2.5
Inflation (Consumer Price Index)	3.7	3.7	3.2	5.4	3.5	3.4
Current Account Balance (% of GDP)	-2.2	-2.7	-0.9	-1.5	-2.1	-2.5
Net Foreign Direct Investment (% of GDP)	4.0	2.5	3.5	2.6	2.6	2.6
Fiscal Balance (% of GDP)	-7.5	-6.6	-14.2	-6.2	-6.8	-6.4
Debt (% of GDP)	75.3	74.3	88.6	89.7	91.1	92.5
Primary Balance (% of GDP)	-1.6	-1.0	-9.5	-2.4	-1.3	-0.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	4.4	4.6	1.4	5.0	4.2	3.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	9.1	9.1	3.9	9.7	9.1	8.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	19.8	19.6	10.9	20.1	19.9	19.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2013-PNADC-E1, 2018-PNADC-E1, and 2019-PNADC-E1Actual data: 2019. Nowcast: 2020. Forecasts: 2021to 2023.
(b) Projection using point-to-point elasticity (2013-2018) with pass-through = 0.87 based on private consumption per capita in constant LCU.
Estimates for 2020-2021based on microsimulations to reflect emergency policy measures implemented in 2020.

CHILE

Table 1	2020
Population, million	19.1
GDP, current US$ billion	249.7
GDP per capita, current US$	13064.1
Upper middle-income poverty rate ($5.5)[a]	3.6
Gini index[a]	44.4
School enrollment, primary (% gross)[b]	102.2
Life expectancy at birth, years[b]	80.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2017), 2011 PPPs.
(b) Most recent WDI value (2018).

Chile is expected to resume growth in 2021, as the government continues the stimulus and mobility restrictions are eased with the vaccination rollout. Chile's medium-term prospects depend on its capacity to meet demands for more equitable access to opportunities while preserving strong macroeconomic management, restoring private sector confidence, and unlocking productivity gains for a more diversified economy. The same policies would be instrumental in reducing poverty caused by the pandemic and set the ground for more inclusive growth.

Key conditions and challenges

Over the last few decades, Chile achieved important progress on main economic and social indicators. Progress came on the back of a conducive business environment, strong institutions, and sound macroeconomic management. However, after achieving high-income status, the existing policy framework has been insufficient to foster productivity and economic diversification, increase labor opportunities, and further tackle deep-rooted inequality.

The pandemic-led recession in 2020 has amplified demands for higher social expenditure and reforms that preceded the social unrest of 2019, resulting in the vote to rewrite the constitution. The reform process adds to the political uncertainty already associated with subnational elections (April 2021), primaries elections (July 2021), the general election (November 2021), and a referendum on the new constitution (2022).

The constitutional reform process opens opportunities to reform institutions and address long-standing structural challenges. Long-term implications will depend on the balance between fulfilling demands for more equitable policies and other medium-term challenges such as preserving a traditionally sound macroeconomic environment, restoring private sector confidence, and unlocking productivity gains and diversification. Chile still needs to tackle long-standing barriers to productivity such as low competition, innovation, education quality, and female labor participation.

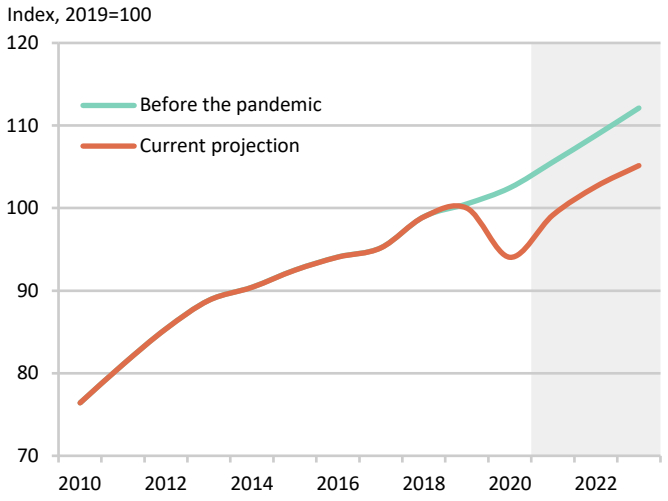
Recent developments

GDP contracted 6.0 percent in 2020, although looser lockdown measures allowed a partial recovery towards the end of the year. Over one million jobs were lost, affecting mostly women and workers in commerce, agriculture, and hospitality. The effects of mobility restrictions and uncertainty were only partially offset by one of the largest policy responses in the region. This response included cash transfers, a job retention scheme, tax deferrals and reductions, liquidity provisions and guarantees, and early withdrawals from pension funds.

The Central Bank reduced the policy rate to 0.5 percent and implemented unconventional monetary policies. Although a food price surge increased annual inflation to around 3.0 percent in recent months, accommodative monetary policy is expected to continue into the medium-term.

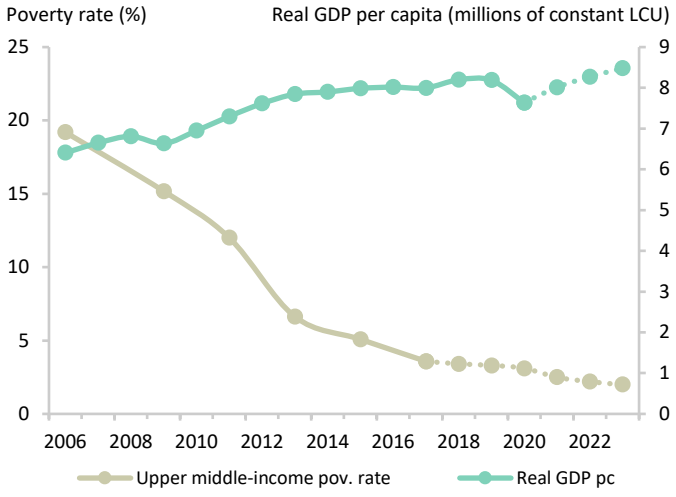
In conjunction with the economic contraction, the fiscal deficit increased to 7.5 percent of GDP in 2020, the largest in over three decades. Although the authorities tapped into fiscal buffers, public debt rose from 28 percent in 2019 to 33 percent in 2020. Additional measures to support the recovery include measures to streamline regulations, higher public investment, tax

FIGURE 1 Chile / Real GDP



Sources: Central Bank of Chile and staff's estimates.

FIGURE 2 Chile / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

incentives for firms, hiring subsidies, and transfers to low-income households.

As imports collapsed, the current account recorded a sizable surplus in 2020. However, the Central Bank had to intervene to prevent a larger depreciation linked with subdued private external inflows.

Targeted social protection measures cushioned the effects of the crisis. In 2020, the share of the population living on less than US$5.5 a day and the inequality Gini coefficient are estimated to have remained stable at 3.3 and 44.3 percent, respectively. However, these estimates mask a downward slide in household income among the vulnerable and lower middle class, especially in female-headed households. Using the national poverty line, poverty is expected to have increased from 8.1 to 12.2 percent, meaning that about 780 thousand people are expected to have fallen into poverty.

Outlook

Although the second wave of the pandemic triggered some new mobility restrictions, the economy is projected to rebound by 5.5 percent in 2021 on the back of a successful vaccine rollout—Chile is the fourth country globally and the leader in the region in terms of per capita vaccination rates. Although uncertainty will curb private investment recovery, domestic demand will be spurred by accommodative policies, including the lagged effects of the early withdrawals from the pension funds. Exports would benefit from a strong recovery in advanced economies, China, and higher copper prices.

After that, GDP growth is expected to gradually decrease to 2.5 percent in 2023 as the output gap is reduced, allowing for fading out of the policy stimulus. However, medium-term growth could be constrained by uncertainty around the constitutional reform.

After sustaining a positive fiscal impulse in the upcoming two years, the government is expected to start a gradual consolidation to reach the medium-term structural balance goal. Revenue growth will account for most of the fiscal consolidation as fiscal expenditures will remain above pre-pandemic levels due to higher social spending resulting from the constitutional reform. Maintaining key social safety measures will be needed to ensure an inclusive recovery. However, public debt is projected to increase to 40 percent of GDP by 2023, the highest in the last three decades.

The recovery of imports and factor payments abroad will shift the current account balance into a deficit over the projection period. However, this deficit is expected to be financed by private capital flows, mainly foreign investment, limiting pressures on the exchange market.

The labor market recovery and cash transfers are expected to reduce poverty in 2021. The share of the population living on US$5.50 a day may be reduced slightly to 2.7 percent. Nevertheless, it will take longer for the incomes of the middle class to recover, and poverty rates based on the national poverty line are not expected to revert to the pre-pandemic level until 2022.

TABLE 2 Chile / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.9	1.1	-6.0	5.5	3.5	2.5
Private Consumption	3.7	1.1	-8.5	6.3	3.7	2.7
Government Consumption	4.3	-0.3	-1.9	-4.6	3.3	2.4
Gross Fixed Capital Investment	4.8	4.2	-15.6	17.9	5.6	1.8
Exports, Goods and Services	5.0	-2.3	-4.8	4.5	3.3	1.7
Imports, Goods and Services	7.9	-2.3	-15.4	9.9	5.3	1.5
Real GDP growth, at constant factor prices	4.0	1.2	-6.0	5.5	3.5	2.5
Agriculture	1.7	-1.6	-2.2	3.2	2.2	2.2
Industry	4.9	0.4	-3.2	4.6	3.1	2.9
Services	3.6	1.7	-7.5	6.0	3.7	2.3
Inflation (Consumer Price Index)	2.4	2.6	3.0	3.0	3.0	3.0
Current Account Balance (% of GDP)	-3.6	-3.9	1.5	0.7	-1.1	-1.9
Net Foreign Direct Investment (% of GDP)	2.3	1.2	-0.3	1.9	2.1	2.1
Fiscal Balance (% of GDP)	-1.5	-2.7	-7.5	-3.2	-3.1	-2.2
Debt (% of GDP)	25.6	27.9	33.0	34.5	37.7	40.1
Primary Balance (% of GDP)	-0.6	-1.8	-6.6	-2.3	-1.9	-0.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	3.4	3.3	3.3	2.7	2.3	2.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2017-CASEN.Nowcast: 2018-2020. Forecast are from 2021to 2023.

(b) Projection using and microsimulation model for 2020.

COLOMBIA

Table 1	2020
Population, million	50.4
GDP, current US$ billion	271.5
GDP per capita, current US$	5389.1
International poverty rate ($1.9)[a]	4.9
Lower middle-income poverty rate ($3.2)[a]	12.7
Upper middle-income poverty rate ($5.5)[a]	29.4
Gini index[a]	51.3
School enrollment, primary (% gross)[b]	114.5
Life expectancy at birth, years[b]	77.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

GDP contracted 6.8 percent in 2020 and poverty (US$5.5/day poverty line) is estimated to have increased over 5.5 percentage points. The decisive government response to the COVID-19 crisis supported lives and livelihoods but reduced fiscal space. If COVID-19 vaccination proceeds as planned, GDP is projected to grow 5.0 percent in 2021 and the incidence of poverty is expected to stabilize. Supporting economic activity and vulnerable household while normalizing the fiscal accounts will require a strong and credible medium-term fiscal plan.

Key conditions and challenges

Colombia confronted the COVID-19 crisis with a strong macroeconomic framework anchored on inflation targeting, a flexible exchange rate, and a rule-based fiscal framework. This framework supported growth, the absorption of a large flow of migrants from Venezuela, and the build-up of buffers with which to respond to the COVID-19 shock. Yet, Colombia also faced unresolved structural vulnerabilities. Many factors (including infrastructure bottlenecks, low labor productivity, a complex tariff regime and the existence of non-tariff barriers) weigh on total factor productivity and slow down growth. The predominance of oil and mining in exports have been exposing the economy to price shocks. Also, while poverty declined significantly between 2008 and 2018, inequality remains high and labor informality is among the highest in Latin America. These vulnerabilities amplified the effect of the COVID-19 crisis.

The crisis took a toll on the strength of fiscal policies. First, the response to COVID-19 reduced the space to respond to future shocks. Second, activating the suspension clause of the fiscal rule, while warranted to provide the needed flexibility to respond to the crisis, has opened uncertainty about the fiscal policy anchor over the medium-term. With subdued inflation and exceptionally low interest rates, the space for further conventional monetary easing has reduced. Finally, the long-term effect of the crisis on both the level and the growth of potential GDP are still uncertain. With low total factor productivity slowing the recovery, and informality and job insecurity weighing on household income, the prospects for returning both to pre-pandemic GDP trend in level, and to the pre-pandemic potential growth are uncertain.

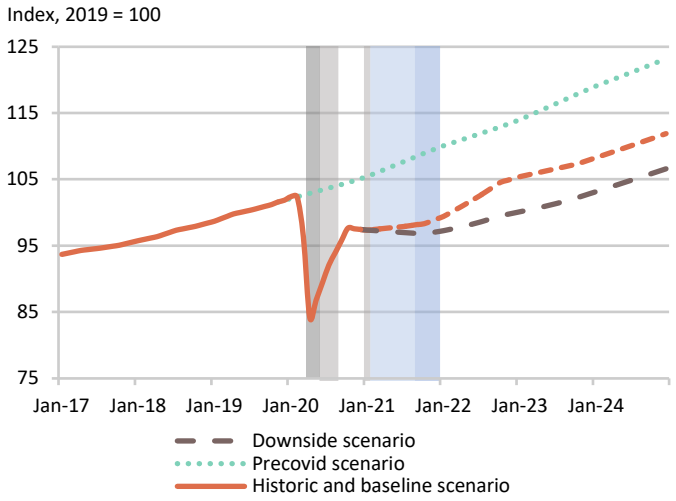
Recent developments

GDP contracted 6.8 percent in 2020. Activity has been on steady recovery since 2020Q2, as mobility restrictions were relaxed and decisive policy actions supported people and the economy. Reflecting weak demand, inflation averaged 2.5 percent in 2020, below the 3 percent inflation target. A second wave of COVID-19 towards the end of 2020 led to a tightening of mobility restrictions, causing a slight contraction of 2021Q1 activity, relative to 2020Q4.

Weak domestic demand brought imports down, but exports equally suffered from weak external demand, especially for oil. Low distribution of dividends abroad, and strong inward remittances reduced the current account deficit to 3.4 percent of GDP, which was financed by FDI inflows and external government borrowing.

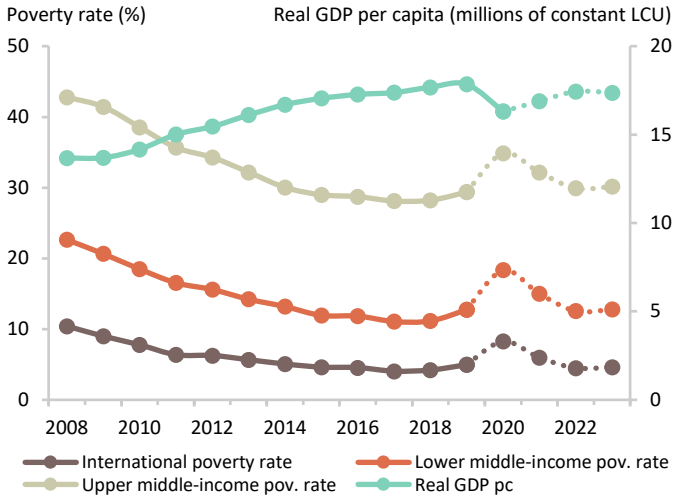
Weak revenues, higher health spending and social transfers, and the contraction in nominal GDP (which in itself pushed up the spending-to-GDP ratio), raised the fiscal deficit of the central government to 7.8

FIGURE 1 **Colombia** / Real GDP levels under different scenarios



Sources: DANE, Google mobility index, Ministry of Health, World Bank staff calculations.
Note: Stringency of mobility restriction in gray (darkest = more stringent). Vaccination plan in blue (light blue = up to 50% of the population; dark blue = >50%).

FIGURE 2 **Colombia** / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see table 2.

percent of GDP. The general government's debt climbed up to 67 percent of GDP.

The COVID-19 crisis has exacerbated existing labor market weaknesses. Around 2.5 million jobs were lost in 2020, the unemployment rate reached 15.9 percent (with large increases in urban areas and among women, the youth, the self-employed, and workers in small firms), and the fraction of people working less than 20 hours a week increased to 22 percent of total employment. As household income plummeted, other dimensions of wellbeing (especially food security, access to health services and to quality education) worsened (including for the middle class), with potential long-term impacts on human capital and productivity.

Although government emergency transfers mitigated a quarter of the estimated negative impact of the crisis on poverty, around 3 million people are expected to have become poor, including among urban population, the better qualified, and employers, resulting in overall downward economic mobility. The incidence of poverty is projected to have increased by over 5.5 percentage points (US$5.5/day poverty line) in 2020, wiping out the gains since 2011. Inequalities are expected to increase as gender gaps and inequalities between high-skilled and low-skilled workers widen.

Outlook

Under the baseline scenario, the economy is projected to grow 5.0 percent in 2021, and reach 2019 level in mid-2022, driven by the recovery of domestic demand and supported by the recovery of commerce and manufacturing. This assumes that the government's vaccination plan proceeds as planned, and that the government puts together a credible and strong fiscal package that increase revenues on a permanent basis and that allows for a gradual normalization of the fiscal deficit over the medium-term. Under the baseline scenario, the current account deficit is expected to deteriorate in 2021 and normalize in 2022.

The fiscal stance is expected to be expansionary in 2021. As revenues are expected to recover gradually over the medium term, extra revenues from privatization would alleviate financing needs in 2021. For 2022, the unwinding of COVID-19 related health spending, zero real growth in operating spending, a slight real contraction in transfers, and a structural increase in taxes would reduce the deficit to about 5.0 percent of GDP.

Under this scenario, poverty is expected to decline in 2021 but remain above the pre-pandemic level in the coming years.

There are significant downside risks. Slower progress on vaccination, a weak medium-term fiscal plan, or a tightening of financing conditions abroad could lead to slower activity, loss of confidence, and an aggressive contraction of government spending down the road, with severe implications for growth and poverty reduction. Under a downside scenario, GDP growth could bottom to 4.2 percent in 2021. Although the fiscal deficit would still decline, the increase in interest payment would force a reduction of investment spending and cash transfers in 2023. Under this scenario, the economy would reach 2019 GDP levels only in 2023, and poverty would deteriorate further, with long-term impacts from asset depletion and lower human capital accumulation.

TABLE 2 Colombia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.6	3.3	-6.8	5.0	4.3	4.2
Private Consumption	3.2	3.9	-5.8	5.5	4.6	4.6
Government Consumption	7.4	5.3	3.7	-0.5	1.5	0.8
Gross Fixed Capital Investment	1.0	3.1	-21.1	14.0	8.5	5.8
Exports, Goods and Services	0.6	3.1	-17.4	3.5	2.8	2.5
Imports, Goods and Services	5.8	7.3	-18.0	9.4	5.7	3.4
Real GDP growth, at constant factor prices	2.5	3.2	-6.9	4.8	4.1	3.9
Agriculture	1.6	2.3	2.8	4.1	4.2	4.0
Industry	0.3	0.6	-13.6	8.3	3.3	3.4
Services	3.7	4.4	-5.0	3.5	4.5	4.1
Inflation (Consumer Price Index)	3.2	3.5	2.5	2.8	3.0	3.0
Current Account Balance (% of GDP)	-4.1	-4.4	-3.3	-4.6	-4.3	-4.2
Fiscal Balance (% of GDP)	-2.2	-2.6	-7.0	-8.3	-4.9	-3.7
Debt (% of GDP)	51.3	52.2	66.7	70.4	68.9	67.4
Primary Balance (% of GDP)	0.6	0.4	-4.1	-4.7	-1.4	-0.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	4.2	4.9	8.2	6.0	4.5	4.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	11.1	12.7	18.3	15.0	12.6	12.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	28.2	29.4	34.9	32.2	29.9	30.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2008-GEIH and 2019-GEIH. Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(b) Projection using average elasticity (2008-2019) with pass-through = 0.7 based on GDP per capita in constant LCU.

COSTA RICA

Table 1	2020
Population, million	5.1
GDP, current US$ billion	61.8
GDP per capita, current US$	12127.6
International poverty rate ($ 1.9)[a]	1.0
Lower middle-income poverty rate ($ 3.2)[a]	3.2
Upper middle-income poverty rate ($ 5.5)[a]	10.6
Gini index[a]	48.2
School enrollment, primary (% gross)[b]	116.2
Life expectancy at birth, years[b]	80.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) WDI for School enrollment (2019); Life expectancy (2018).

The COVID-19 crisis interrupted Costa Rica's incipient economic recovery and fiscal consolidation, with GDP contracting 4.6 percent in 2020. Job and income losses among the vulnerable resulted in higher poverty and inequality, despite adequate policy response. Growth is expected to recover in 2021 and 2022 led by stronger external demand, including tourism, and a rebound in investment, as structural reforms and fiscal consolidation efforts rebuild market confidence. Poverty reduction hinges on deepening the equity lens of reforms.

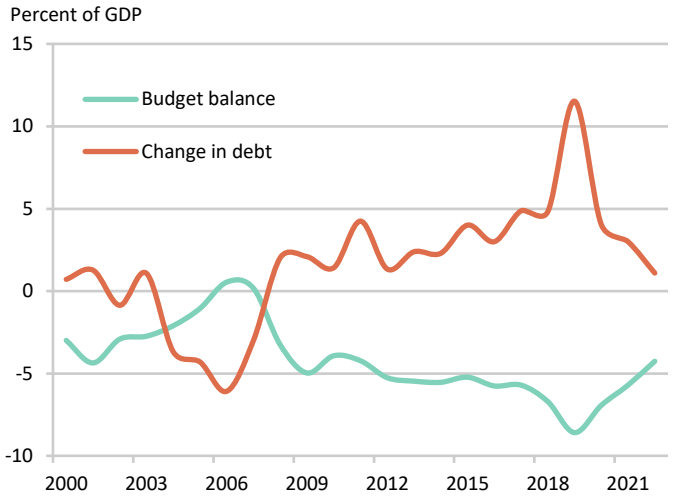
Key conditions and challenges

Costa Rica stands out in the region for its good governance and solid institutions, which are key elements of its successful outward-oriented growth model. Trade openness and foreign investment, together with significant investment in human capital and institutions, have allowed the country to double its income per capita in the last two decades. Costa Rica has also been at the forefront of efforts to promote the sustainable use of natural resources and of the fight against climate change, key elements of the country's long-term development plan. After averaging 4 percent per year between 2010 and 2016, GDP growth slowed in the following years as external shocks negatively affected the agricultural sector and further worsened an already weak fiscal situation. The approval of a major fiscal reform, which introduced a VAT, increased income tax, and introduced spending ceilings through a sound fiscal rule, alleviated fiscal sustainability concerns and reduced economic uncertainty, accelerating growth in 2019 and early 2020. The recent accession to the OECD has underpinned reforms that further reinforce growth prospects.
However, the COVID-19 outbreak temporarily interrupted fiscal consolidation efforts as revenues decreased, pandemic-related government expenditures expanded, and the public debt increased further pressuring the country's expensive interest bill. Even though Costa Rica's strong health system and timely response helped mitigate social impacts, poverty increased. A new IMF Extended Fund Facility (EFF) for three years, with expected approval in the first half of 2021, is projected to catalyze multilateral financing, mitigating concerns about Costa Rica's return to fiscal consolidation and providing cushion to downside risks, such as associated with more prolonged Covid-19 crisis that delays the economic recovery until the second half of 2021. Further delays in economic growth could also reduce households' income and employment opportunities, particularly for informal workers, self-employed, and small businesses, with lingering poverty and inequality impacts.

Recent developments

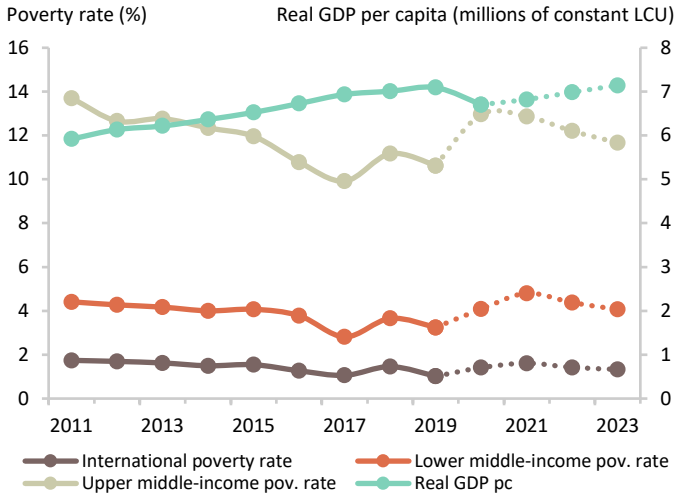
Despite the government's proactive response, the COVID-19 pandemic had a heavy toll on Costa Rica's economy. GDP is estimated to have contracted 4.6 percent in 2020, the largest drop in four decades, driven by sharp declines in investment (-4.8 percent) and private consumption (-4.4 percent). Amid increased global economic uncertainty, private investment contracted. Reduced consumption reflects the severe deterioration of labor markets and family incomes. One out of five workers were unemployed by Q4 2020, with youth, women, and individuals with incomplete secondary education affected the most. Despite strong mitigation-efforts, an estimated 124,000 people fell into poverty

FIGURE 1 **Costa Rica** / Budget balance and change in debt



Source: World bank.

FIGURE 2 **Costa Rica** / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

($5.5/day PPP), leading Costa Rica's poverty rate to rise to 13 percent in 2020 from 10.8 percent in 2019.

The country's response to the crisis was timely and adequate but deteriorated the country's already weak fiscal position. The economic slowdown and tax deferrals decreased revenues, while health-related spending and social transfers pressured expenditures, despite efforts to contain non-priority spending through wage freezes and budgetary reallocations. The fiscal deficit in 2020 expanded to 8.6 percent of GDP, pushing government debt to 67.9 percent of GDP and the interest bill to 4.7 percent.

The effects of the COVID-19 pandemic on the country's external position were reflected in a slight increase in the current account deficit to 2.5 percent of GDP in 2020, as exports deteriorated more than imports. With increased net portfolio outflows and lower FDI, external borrowing helped finance the current account deficit, maintaining reserves at around 7,2 billion (11.8 percent of GDP). The relatively resilient goods exports (led by medical equipment and implements, and food industry) helped mitigate the impact of a sharp drop in services exports, which decreased more than 25 percent y-o-y driven by tourism (estimated declined of 60% y-o-y).

Outlook

GDP is projected to recover by 2.6 percent in 2021, supported by an improvement in foreign demand and less stringent credit conditions. This would support a gradual recovery of the confidence of economic agents and resume investment. As the vaccination campaign rolls out worldwide and tourism recovers, growth is projected to accelerate to 3.3 percent in 2022. The impact of new waves of the COVID-19 on economic activity is expected to be more moderate, as countries have learned how to operate in the new constrained physical-distancing setting. With Costa Rica's main trading partners already recovering, total exports are expected to increase by 8 percent in 2021. Over time, these improvements would positively affect sectors like hotels, restaurants, and transport. Poverty is expected to decrease slowly but would not reach pre-pandemic levels during the forecast period. The heterogenous impact of the COVID-19 would push inequality to its highest in a decade. Social and economic support measures can help contain these effects but are limited by fiscal space.

The government is anticipated to resume its fiscal consolidation plan in 2021, primary spending is expected to decline 3.1 percent of GDP over the 2021-23 period, supported by the fiscal rule and the public employment reform. These efforts, combined with revenue improvements, are projected to yield a primary surplus of 1 percent of GDP in 2023. Public debt is expected to peak at 76.1 percent of GDP in 2023 and gradually decline thereafter.

Extended impacts of the COVID-19 would delay economic recovery and lead to greater fiscal stress, possibly increasing public debt above 80 percent of GDP. Difficulties in reaching consensus around key reforms, including those supported by the IMF program are also a risk. Costa Rica's diversified productive structure, a good level of international reserves and stable financial system, work as mitigating factors.

TABLE 2 Costa Rica / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.1	2.2	-4.6	2.6	3.3	3.1
Private Consumption	1.6	1.6	-4.4	2.5	2.6	2.8
Government Consumption	0.5	5.3	1.0	-0.9	-0.8	-0.6
Gross Fixed Capital Investment	0.8	-5.4	-4.8	5.1	4.4	4.6
Exports, Goods and Services	4.7	3.0	-11.0	8.0	8.4	6.6
Imports, Goods and Services	0.2	-0.5	-9.7	7.7	5.8	5.4
Real GDP growth, at constant factor prices	2.2	2.2	-4.4	2.4	3.3	3.0
Agriculture	2.0	-1.2	-0.9	2.6	2.6	2.1
Industry	1.9	-0.8	-1.4	3.9	4.7	5.0
Services	2.3	3.3	-5.4	2.0	2.9	2.5
Inflation (Consumer Price Index)	2.2	1.5	0.7	1.5	2.0	1.8
Current Account Balance (% of GDP)	-3.0	-2.3	-2.5	-3.2	-3.0	-2.9
Net Foreign Direct Investment (% of GDP)	3.5	3.9	2.9	3.2	3.8	4.3
Fiscal Balance (% of GDP)	-5.7	-6.7	-8.6	-6.9	-5.7	-4.2
Debt (% of GDP)	51.7	56.5	67.9	72.0	75.0	76.1
Primary Balance (% of GDP)	-2.3	-2.6	-3.9	-1.7	-0.3	1.0
International poverty rate ($1.9 in 2011 PPP)[a,b]	1.5	1.0	1.4	1.6	1.4	1.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	3.7	3.2	4.1	4.8	4.4	4.1
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	11.2	10.6	13.0	12.9	12.2	11.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2019-ENAHO.Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(b) Projection using microsimulation model.

DOMINICA

Table 1	2020
Population, million	0.1
GDP, current US$ billion	0.5
GDP per capita, current US$	6936.9
School enrollment, primary (% gross)[a]	100.4
Life expectancy at birth, years[a]	76.6

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

Dominica's economy contracted by 10 percent in 2020 following COVID-induced shocks and the sudden stop in tourism. Poverty is expected to have increased due to this decline in economic activity. Fiscal pressures remain acute, highlighting the need for fiscal consolidation and increased fiscal resilience. Risk of debt distress remains high. As the pandemic subsides, medium-term growth prospects appear favorable as Dominica begins its transition to a more climate- and disaster-resilient economy.

Key conditions and challenges

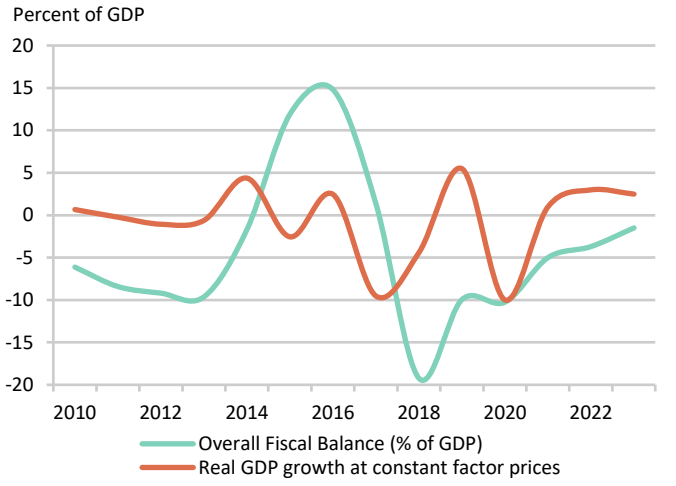
Dominica is a small island developing state with an economy driven largely by tourism and agriculture. Tourism accounts for close to 25 percent of GDP and employment. This makes the country vulnerable to climate change, natural disasters and external economic shocks. The government has a well-articulated Climate Resilience and Recovery Plan (CRRP) 2020-2030 to rebuild Dominica as the world's first fully climate resilient nation. In line with CRRP targets, the government had begun to implement measures aimed at building-back-better following Hurricane Maria (September 2017), including more robust public infrastructure, improved housing, strengthening of health systems climate resilient agriculture, geothermal power investment, and a fiscal consolidation of 6 percent of GDP over 6 years. This agenda, though challenging, was a clear step toward improving fiscal, environmental, and social resilience in a high-risk environment.

The COVID-19 shock to growth and public finances occurred when Dominica was still undertaking reconstruction, rehabilitation, and recovery efforts following damages caused by Hurricane Maria (226 percent of GDP), further exacerbating fiscal and public debt challenges. The global recession, disruptions in international trade and travel, and local containment measures have nearly halted tourism and adversely affected domestic production. The precise poverty and welfare impact of the current challenging economic and social conditions remain unclear, though there is a reasonable expectation that poverty levels have worsened. The latest poverty data are from 2008. With an estimated headcount rate of 28.8 percent, data indicated a strong downward trend in poverty rates at that time. However, Dominica's vulnerability to catastrophic weather events was evident in the period since then. Estimates indicate that poverty increased to 43 percent after Hurricane Maria in 2017. Economic recovery in 2018 and 2019 may subsequently have lowered poverty, but COVID-19 has likely reversed these recent gains.

Recent developments

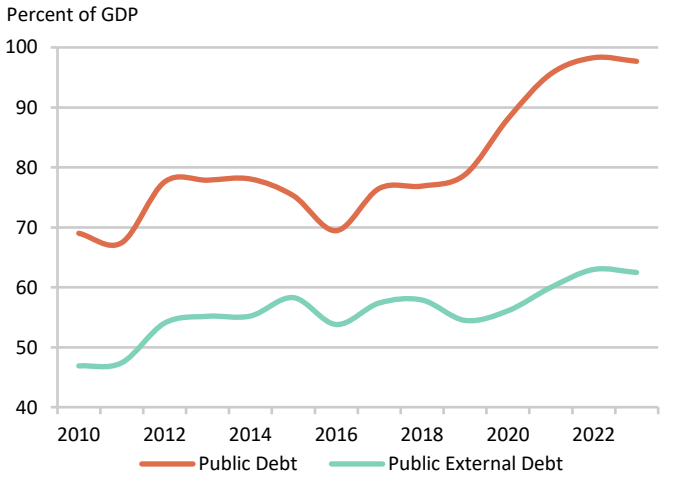
GDP is estimated to have contracted by 10.0 percent in 2020. COVID-19 has impacted growth through several channels, including: the near complete stop in tourism; COVID-related restrictions on domestic activities; lower foreign direct investment (FDI); and falling Citizenship-by-Investment (CBI) revenues. Expectations are that poverty indicators have worsened as household income from tourism-related occupations has fallen significantly and households indirectly dependent on tourism have also been affected. Women are expected to have been especially affected, due to their high participation in the services and informal sectors. Dominica was effective

FIGURE 1 Dominica / Real GDP and fiscal balance



Sources: Government of Dominica (2020), World Bank staff estimates.

FIGURE 2 Dominica / Public debt



Sources: World Bank staff estimates.

in controlling COVID-19 transmission and has so far experienced relatively few cases and no deaths. The government distributed transfers under a variety of social protection and business continuation programs, particularly targeting people who had lost income because of the pandemic, the poor, and the elderly. Agriculture has also rebounded to a considerable degree post-Hurricane Maria and government stimulus programs have focused on local community economic activities. However, these measures are unlikely to have fully offset the impacts on poverty.

Fiscal and debt metrics have deteriorated with an overall fiscal deficit of 10.2 percent of GDP in FY2020 (July 2019-June 2020) following decreased revenues, increased COVID-related expenditures, and lower CBI revenues. Pre-COVID-19, the FY2020 fiscal deficit had been projected at 3.8 percent of GDP, which represents a 6.4 percent of GDP deterioration in the fiscal account resulting from the pandemic. A fiscal deficit of 5.0 percent of GDP is projected in FY2021. Tax revenue projections remain muted given the global recession and ongoing tourism constraints, though budget expenditures are expected to fall modestly going forward as COVID-19 support programs wind down. Public debt levels increased from 78.8 percent of GDP in 2019 to 88.1 percent in 2020, and are expected to peak at 98.3 percent in 2022, declining thereafter. Pre-COVID-19 debt levels had been forecast to peak at 80 percent of GDP in 2020 following post-Hurricane Maria reconstruction.

Outlook

Growth in 2021 remains uncertain and dependent on pandemic developments. The 2021 peak tourism season is considered lost; as such, 2021 growth projections are estimated to be in the range of 1.0 percent. Post-COVID-19 efforts to boost climate resilience, including investments in energy infrastructure, port and airport modernization, and agricultural productivity should contribute to increased growth prospects over the medium term. Fewer losses and damages post-disaster, and a more climate- and disaster-resilient economy over the long term are also seen as growth-enhancing. Success in transitioning to a more climate-resilient economy and will depend on necessary domestic fiscal consolidation as well as donor support. Inflationary pressures are expected to remain low and stable, and external imbalances, remain well-managed by the Eastern Caribbean Central Bank. Considering that macro-economic instability, natural disasters, and inflation are considered to be key drivers of poverty in Dominica, increased growth, reduced post-disaster losses, and low inflation are all expected to contribute to a reduction in poverty rates in the medium term. There is an urgent need for improved poverty data.

There continue to be risks emanating from the COVID-19 pandemic and from potential natural disasters. Risks also include public financing uncertainties, possible financial sector instability, the loss of physical capital, rising public debt vulnerabilities, and transitory increases in poverty. A struggling economy will exert further strain on a very difficult fiscal position and perhaps aggravate financial instability from previously weakened bank balance sheets post-hurricane. These pressures will occur in an environment where transition to a fully climate-resilient economy requires additional efforts to strengthen fiscal consolidation.

Post-pandemic, the government's challenge will be to shift focus from the current emphasis on recovery and reconstruction to building ex-ante resilience based on fiscal buffers, climate resilient investment, and expanded insurance protection, both public and private. Managing these risks will be challenging given capacity constraints.

TABLE 2 Dominica / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices[a]	2.3	3.6	-10.0	1.0	3.0	2.5
Real GDP growth, at constant factor prices[a]	-4.4	5.5	-10.0	1.0	3.0	2.5
Agriculture	-27.4	14.9	6.5	2.5	1.1	-4.2
Industry	33.1	3.7	-16.8	2.9	1.7	3.3
Services	-7.6	4.7	-10.5	0.3	3.6	3.4
Inflation (Consumer Price Index)	1.0	1.5	-0.3	1.7	1.3	1.6
Current Account Balance (% of GDP)	-43.5	-27.9	-30.4	-24.8	-20.1	-13.5
Fiscal Balance (% of GDP)[b]	-19.3	-9.8	-10.2	-5.0	-3.7	-1.5
Debt (% of GDP)[b]	76.9	78.8	88.1	95.6	98.3	97.7
Primary Balance (% of GDP)[b]	-17.2	-8.7	-7.9	-3.6	-2.2	0.1

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Growth projections for 2021-23 remain sensitive to uncertainties surrounding the timing of the vaccine roll-out and the recovery in tourism.
(b) Fiscal balances are reported in fiscal years (July 1st -June 30th).

DOMINICAN REPUBLIC

Table 1	2020
Population, million	10.4
GDP, current US$ billion	79.4
GDP per capita, current US$	7598.1
International poverty rate ($1.9)[a]	0.6
Lower middle-income poverty rate ($3.2)[a]	2.7
Upper middle-income poverty rate ($5.5)[a]	12.4
Gini index[a]	41.9
School enrollment, primary (% gross)[b]	112.2
Life expectancy at birth, years[b]	73.9

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

Following an economic contraction of 6.7 percent in 2020, the economy is starting to recover. While GDP growth is projected to reach 5.5 percent in 2021, a 2.9 percent output gap remains, projected to close in 2023/24. Despite an increase in social expenditures to mitigate the impact of the pandemic, poverty increased by an estimated 2.4 percentage points to 23.4 percent in 2020. The implementation of recovery policies offers an opportunity to address long-standing structural challenges such as formal sector job creation.

Key conditions and challenges

Sustained, long-term growth reduced poverty levels but created limited formal sector employment opportunities. Growth averaged 4.9 percent during the 20 years leading up to 2019, while poverty levels dropped steadily since 2005 to reach 21 percent in 2019. Labor reallocation from inefficient to more efficient sectors contributed little to productivity growth. More than half of the workforce is employed in the informal sector.

Prior to the start of the pandemic, the country's macroeconomic developments were broadly sustainable. Banking supervision was strengthened following the 2003 financial crisis and an inflation targeting regime was gradually adopted. During 2015-20, the current-account deficit was less than 2 percent of GDP and fully financed by foreign direct investment. Leading up to the COVID-19 pandemic, the share of public debt and interest payments in GDP increased steadily but remained sustainable. The country's fiscal revenues are among the lowest in the region, and fiscal risks increased as government contingent liabilities of SOEs and PPPs reached 1.5 percent of GDP in 2020.

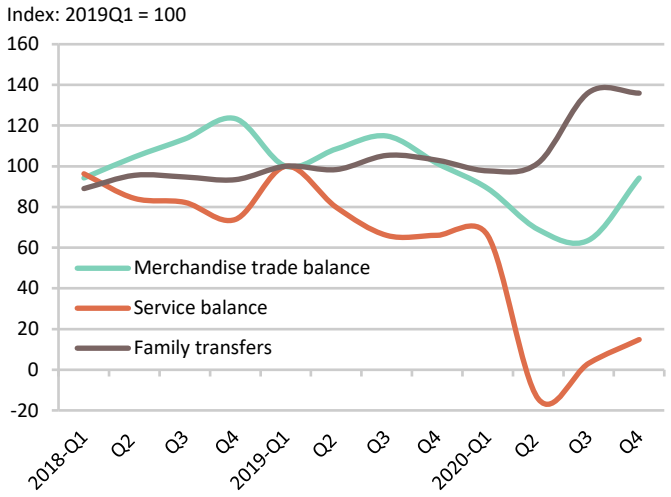
COVID-19 has a major but potentially transitory impact on economic growth and poverty reduction. The pandemic triggered a 6.7 percent contraction of GDP in 2020. Despite a fall in tourism receipts, the current-account deficit deteriorated only modestly following higher gold exports and remittances as well as lower imports. The poverty rate increased by 2.4 percentage points to 23.4 percent, which represents about 250,000 new poor, affecting women and urban population disproportionally. The East region experienced the highest poverty impact given its heavy reliance on tourism. According to Government statistics, poverty would have reached 29 percent in the absence of an expansion of social protection programs. A fiscal impulse, combined a monetary expansion, boosted demand and allowed for a rapid recovery.

Recent developments

Prospects for economic recovery have strengthened, driven by domestic and foreign demand. Year-on-year growth improved from -28.9 percent in April 2020 to -1 percent in December 2020. Foreign arrivals recovered from close to zero in 2020Q2 to almost 40 percent of December 2019 levels at year end, but decelerated again in January 2021, and remittances increased by 30 percent year-on-year in the second half of 2020. Merchandise exports were during 2020H2 just 4 percent below the 2019H2 levels. The 2020Q4 US dollar current account balance was unchanged year-on-year as lower services exports were fully offset (figure 1). As the economy recovered, the fiscal and monetary impulse tapered off during 2020H2.

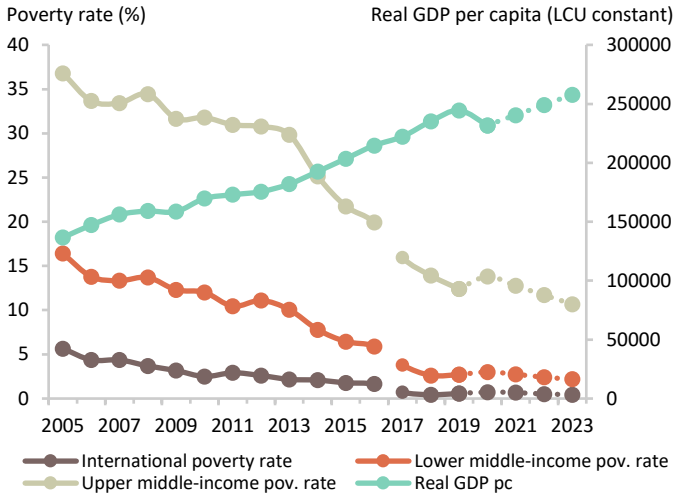
Monetary and financial markets have stabilized, although inflation picked up in

FIGURE 1 Dominican Republic / External account balance, selected items, 2019Q1=100



Source: Central Bank of the Dominican Republic.

FIGURE 2 Dominican Republic / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

late-2020. Following rapid growth during March–August 2020, credit to the private sector stabilized, despite a reduction in the policy rate from 3.5 to 3.0 percent in August. Following an 8 percent currency depreciation to US dollar in 2020Q2, the central bank announced foreign exchange interventions worth US$3.5 billion in July 2020 and the exchange rate stabilized. Even so, gross international reserves increased to US$12.4 billion after a successful bond sale of US$2.5 billion in January 2021. At end-February 2021, inflation reached 7.1 percent, outside the central bank's target of 3-5 percent, and the core inflation rate is estimated at 5.4 percent. Food prices increased by 9.0 percent, year-on-year which especially affected the poor.

However, employment remains below the pre-crisis level, and there was an increase in informal employment in 2020Q3. While the labor participation rate recovered by 3 percentage points to 59.7 percent in 2020Q3, it remains more than 5 percentage points below the pre-crisis level. In 2020Q3, formal-sector jobs continued to decline while informal jobs were recovering. Sales by smaller firms—mostly in the retail sector—are recovering faster than in larger firms. The deterioration of labor markets reduced household income, increasing poverty and vulnerability, affecting women and urban population disproportionally. Continued social programs through April 2021 will limit the impact on poverty though.

Outlook

Economic growth is projected to recover to 5.5 percent in 2021, before transitioning to a more modest but sustainable level in the medium term. Merchandise exports are projected to continue growing, responding to U.S. demand and near-shoring of production. In 2022-23, consumption is projected to pick up, and the output gap is to close in 2023/24. The strength of the economy is projected to reduce poverty defined as living under the US$5.5/day (PPP 2011) by at least 1 percentage point in 2021 (Table 2), allowing the authorities to phase out COVID-19 social protection payments. Rapid growth in 2021 will stabilize the debt-to-GDP ratio. The exchange rate strengthened by 0.4 percent in January–February but inflation puts a floor on future monetary stimulus.

Policy buffers are adequate to mitigate a resurgence in COVID-19, turbulence in international financial markets, or a natural disaster. International reserves cover 6.9 months of projected 2021 imports GNFS, and the country continues to have access to international bond markets. Accumulated reserves, combined with the inflation targeting regime and control over fiscal spending, provide policy options to address macroeconomic shocks. Still, balancing domestic and foreign demand remains a challenge and government bonds are being used to finance a countercyclical fiscal stance. These issuances are also part of a medium-term debt strategy aiming at building a smooth yield curve and benchmarks to facilitate private sector access once the economy start to recover.

Focusing fiscal and regulatory policies on increasing competition and creating formal-sector jobs remains a medium-term challenge. The recovery from the COVID-19 crisis offers an opportunity to reform tax and regulatory policies to level the playing field between large and small companies, increase investment and consumption, and address environmental challenges. The authorities' commitment to greater transparency and predictability in fiscal policy through a "fiscal pact" that would aim to reduce the debt-to-GDP ratio may boost public confidence and reduce bond spreads.

TABLE 2 Dominican Republic / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	7.0	5.1	-6.7	5.5	4.8	4.8
Private Consumption	5.7	4.6	-1.6	5.3	5.1	4.8
Government Consumption	2.8	6.3	5.1	0.6	2.3	1.5
Gross Fixed Capital Investment	13.3	8.1	-11.9	8.4	7.1	6.5
Exports, Goods and Services	6.1	1.5	-25.2	8.0	7.0	6.8
Imports, Goods and Services	8.5	5.8	-8.5	8.0	8.1	7.0
Real GDP growth, at constant factor prices	6.1	4.8	-6.9	5.5	4.8	4.7
Agriculture	5.5	4.1	3.2	2.8	3.0	3.1
Industry	7.9	5.9	-7.3	5.4	4.5	4.3
Services	5.1	4.3	-8.6	6.2	5.4	5.4
Inflation (Consumer Price Index)	3.6	1.8	3.8	4.9	4.2	3.6
Current Account Balance (% of GDP)	-1.4	-1.4	-1.8	-2.1	-2.8	-3.0
Net Foreign Direct Investment (% of GDP)	3.0	3.4	3.2	3.3	3.3	3.4
Fiscal Balance (% of GDP)[a]	-2.6	-2.5	-7.7	-4.6	-2.6	-2.1
Debt (% of GDP)[a]	37.6	40.4	56.7	56.7	54.5	52.2
Primary Balance (% of GDP)[a]	0.0	0.3	-4.1	-1.3	0.7	1.0
International poverty rate ($1.9 in 2011 PPP)[b,c]	0.4	0.6	0.7	0.7	0.5	0.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	2.6	2.7	3.0	2.7	2.4	2.2
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	13.9	12.4	13.8	12.8	11.7	10.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Fiscal indicators are shown for the non-financial public sector (i.e. excluding central bank's quasi-fiscal balances and debt).
(b) Calculations based on SEDLAC harmonization, using 2019-ECNFT-Q03.Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.
(c) Projection using neutral distribution (2019) with pass-through = 1 based on GDP per capita in constant LCU.

ECUADOR

Table 1	2020
Population, million	17.6
GDP, current US$ billion	102.6
GDP per capita, current US$	5812.8
International poverty rate ($1.9)[a]	3.6
Lower middle-income poverty rate ($3.2)[a]	9.8
Upper middle-income poverty rate ($5.5)[a]	25.4
Gini index[a]	45.7
School enrollment, primary (% gross)[b]	103.3
Life expectancy at birth, years[b]	76.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

After a pandemic-driven recession, the economy is expected to start a tame recovery in 2021 on the back of eased mobility restrictions. With no macroeconomic buffers and limited access to external financing, the new government is not expected to deploy a stimulus package to underpin the recovery. Therefore, to maintain confidence, set a solid ground for recovery, and stabilize public debt ratios, additional structural reforms will be needed, including improving fiscal policy efficiency and progressivity, and catalyzing private investment.

Key conditions and challenges

After the commodity boom, Ecuador had to start rebalancing its economy, to cement confidence in dollarization and pave the way for sustained and equitable growth. With a fully dollarized economy and no macroeconomic buffers, the bulk of the adjustment fell on the fiscal front. This process was eventually supported by a medium-term IMF program designed to boost competitiveness and job creation, secure fiscal sustainability, strengthen the institutional foundations of dollarization, protect the poor and vulnerable, and improve transparency.

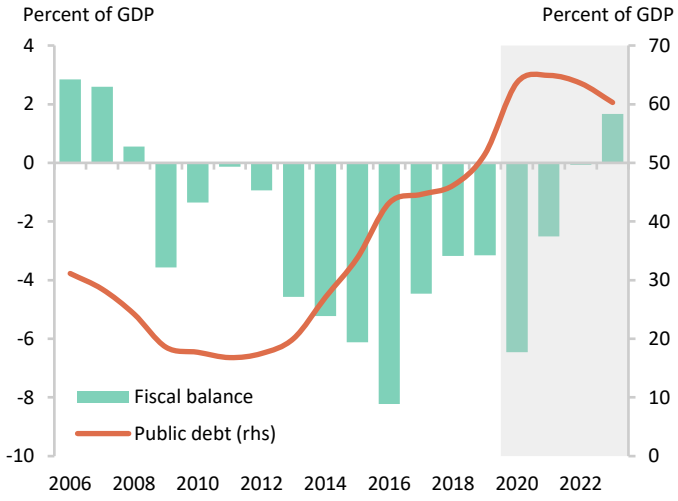
However, with limited policy room, Ecuador struggled to deal with the pandemic, which pushed the economy into a deep recession and increased poverty by an estimated 1.4 million. The crisis also deepened existing inequality of opportunities by curtaining access to education and reducing job opportunities for women, youth, low-skill workers, and migrants. In this context, Ecuador renegotiated debt with international bondholders and China. It also set a new medium-term program with the IMF to protect lives and livelihoods, expand the coverage of social assistance, ensure fiscal sustainability, and strengthen domestic institutions.

The ongoing presidential election cycle creates an opportunity to reevaluate recovery priorities and set Ecuador onto a green, resilient, and inclusive development path. With limited policy room to deploy a stimulus package, the recovery requires accelerated vaccine rollout and sustained confidence in macroeconomic management. The new government also needs to prioritize policies to tackle long-lasting structural challenges. After many years of capital expenditure compression, fiscal sustainability requires reforms to mobilize fiscal revenues and rationalize current expenditure. Improving expenditure quality would also help create budgetary room to support vulnerable people, continue improving poor people's access to quality services and, consequently, recover pre-COVID-19 access to opportunities. Finally, to prevent fiscal consolidation from depressing long-term growth, Ecuador also needs to foster private investment to promote employment, diversity, and productivity gains.

Recent developments

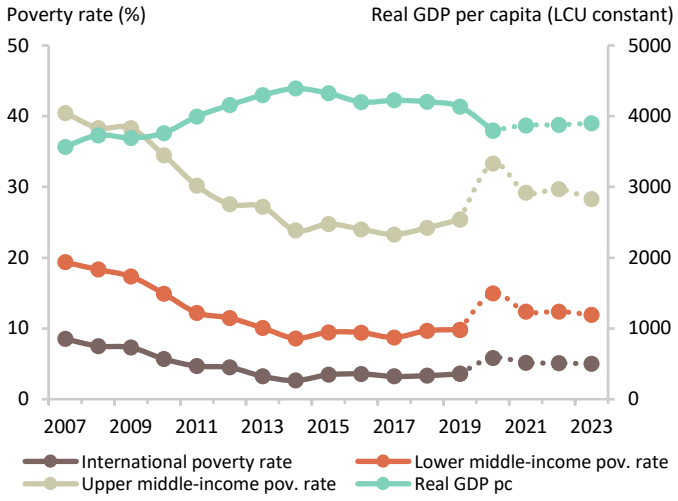
The economy shrank by 6.8 percent in 2020 as the government had limited policy room to cushion the effect of lockdown measures and mounting uncertainty. Additionally, oil production was disrupted in April and May after two landslides damaged the main crude pipelines. Thanks to eased mobility restrictions, most sectors showed stronger than expected recovery by the end of the year. Despite recent improvements, unemployment and underemployment remained well above pre-pandemic levels by the end of 2020, particularly among women, youth, and low-skilled workers.

FIGURE 1 **Ecuador** / Fiscal balance and public debt



Sources: Central Bank of Ecuador and staff's estimates.

FIGURE 2 **Ecuador** / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

Additionally, economic contraction eroded self-employed earnings, mainly in retail, tourism, and restaurants.

Lower hydrocarbon and tax revenues, combined with emergency expenditures, widened the fiscal deficit. In the absence of fiscal buffers, this deficit forced the authorities to cut non-emergency expenditure and renegotiate debt with international bondholders and China. Financing from multilateral creditors contributed to meeting financing needs and reduced arrears by the end of the year.

Despite low oil exports and remittances, the current account balance turned into a sizable surplus owing to falling imports and growing non-oil exports, including nascent mining exports. The current account also benefited from low factor payment abroad, including lower interest payments after the debt restructuring. With significant financing to the public sector, the current account surplus increased international reserves to their highest levels since the economy was dollarized in 2000.

The current account surplus and external financing to the public sector translated into higher deposits that contributed to expanding domestic credit, partially cushioning the pandemic's effect.

Poverty increased from 25.4 to an estimated 33.3 percent between 2019 and 2020 as the pandemic-driven recession eroded households' labor earnings. Although the government tried to support a larger number of households through existing and new social protection programs, this effort only partially offset the recession effects.

Outlook

The economy is expected to start recovering in 2021 due to greater mobility and oil output recovery. However, the recovery could be dampened by a slow vaccination rollout, the lack of policy room for a fiscal stimulus, and uncertainty about the next government's development strategy. Moreover, the fragmentation of the recently elected National Assembly could obstruct some reforms.

The fiscal deficit is projected to drop to 2.5 percent of GDP in 2021 on the back of recovering tax and hydrocarbon revenues and lower interest payments. After that, with limited access to international capital markets, the new government will likely need to continue fiscal consolidation until reaching a surplus by the end of the projection period, reducing the public debt from a peak of 66 percent in 2021 to 61 percent in 2023. Failing to do so could force the government to tap alternative financing sources with the risk of adverse effects on the economy, such as accumulation of domestic arrears, Central Bank financing, or costly external financing.

Although exports will be favored by recovering external demand and higher oil prices, recovering imports will gradually reduce the current account surpluses over the projection period. However, with low foreign investment and modest external financing to the public sector, the current account surpluses will stabilize the international reserves.

Poverty is expected to decrease to 28.3 percent in 2023 as the slow recovery will reduce unemployment and increase self-employed earnings. However, poverty and inequality reduction will be constrained by the pandemic's long-term effects on businesses and people, such as decapitalization of small firms, and loss in human capital as consequence of increased in food insecurity and limited access to distance learning. Thus, the recovery is likely to be slow and social exclusion is likely to increase.

TABLE 2 **Ecuador** / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.3	0.0	-6.8	3.4	1.4	1.8
Private Consumption	2.1	0.3	-5.9	3.5	1.2	1.7
Government Consumption	3.5	-2.0	-6.7	2.4	-0.3	0.5
Gross Fixed Capital Investment	2.0	-3.3	-8.5	11.1	2.0	1.5
Exports, Goods and Services	1.2	3.6	-4.4	1.9	2.4	2.6
Imports, Goods and Services	4.4	0.3	-9.4	8.1	1.6	1.4
Real GDP growth, at constant factor prices	1.2	0.3	-6.8	3.4	1.4	1.8
Agriculture	0.1	1.6	1.0	2.8	2.8	2.8
Industry	-1.0	0.2	-7.3	3.5	1.3	1.4
Services	2.7	0.1	-7.8	3.4	1.3	1.9
Inflation (Consumer Price Index)	-0.2	0.3	-0.3	0.0	1.3	1.3
Current Account Balance (% of GDP)	-1.2	-0.1	2.8	2.0	1.6	1.4
Net Foreign Direct Investment (% of GDP)	1.3	0.9	1.2	0.6	0.8	0.8
Fiscal Balance (% of GDP)	-3.2	-3.1	-6.5	-2.5	0.1	1.6
Debt (% of GDP)	46.1	51.5	64.9	65.8	64.2	61.0
Primary Balance (% of GDP)	-0.7	-0.5	-3.6	-0.3	2.2	3.6
International poverty rate ($1.9 in 2011 PPP)[a,b]	3.3	3.6	5.8	5.1	5.1	5.0
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	9.7	9.8	15.0	12.4	12.4	11.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	24.2	25.4	33.3	29.2	29.7	28.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2019-ENEMDU.Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.
(b) Projection using microsimulation.

EL SALVADOR

Table 1	2020
Population, million	6.5
GDP, current US$ billion	25.0
GDP per capita, current US$	3854.5
International poverty rate ($1.9)[a]	1.3
Lower middle-income poverty rate ($3.2)[a]	5.7
Upper middle-income poverty rate ($5.5)[a]	22.3
Gini index[a]	38.8
School enrollment, primary (% gross)[b]	94.8
Life expectancy at birth, years[b]	73.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

El Salvador succeeded in containing the worst effects of the COVID-19 crisis, but at high macroeconomic and fiscal cost, due to fiscal vulnerabilities accrued before the crisis and the generosity of the government fiscal response, which was mostly financed by debt. A large fiscal consolidation is required and the challenge will be to manage it, while also fostering economic recovery and mitigating the continued social and poverty impact of COVID-19 pandemic.

Key conditions and challenges

El Salvador grew at a slow but steady pace – 2.4 percent – from 2015 to 2019. Declining productivity, which has contracted by 0.6 percent a year on average since 2000, was the main reason behind low growth. Poverty and inequality have been declining despite the slow growth. Poverty ($5.50 a day) declined from 32.6 percent in 2015 to 22.3 percent in 2019. Labor income, particularly labor earning, has been the main driver behind poverty reduction. Inequality measured by the Gini Index reached 0.388 percent in 2019, the lowest level in Latin America and the Caribbean (LAC). Moreover, the country has the highest rate of vulnerability in LAC with 48.2 percent of households vulnerable to poverty (daily income between 5.5 USD and 13 USD) in 2019.

The country succeeded in containing the impact of the first waves of the COVID-19 pandemic, but cases accelerated towards the end of 2020. Vaccination is at an early stage but should be deployed more widely in mid-2021. The pandemic has increased poverty by an estimated 4.5 percentage points and shrank GDP in 2020. Unlike other crises, remittances increased by 4.8 percent in 2020, boosted by the reopening of the US economy, and government transfers to Salvadorean households in US.

El Salvador entered the pandemic with a fragile fiscal situation – the largest debt (73.3 percent of GDP) and the third largest budget deficit (-3.0 percent of GDP) in Central America. The fiscal response to the COVID-19 crisis was the most generous in LAC (15.5 percent of GDP) and financed mostly by debt, but not necessarily well targeted, and therefore, with relatively limited poverty impact.

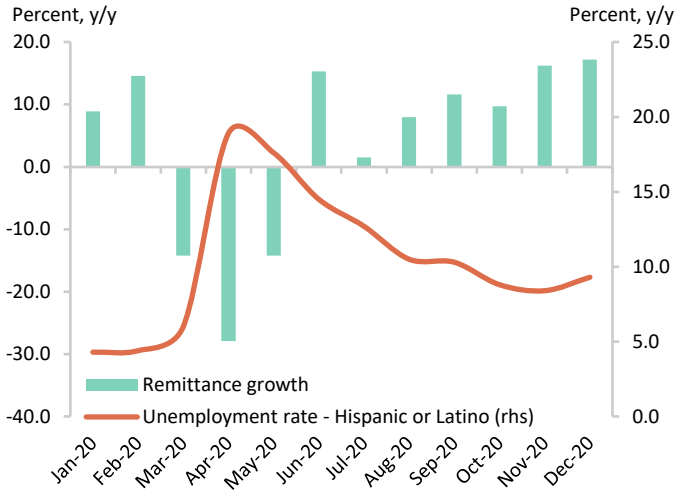
The greatest medium-term challenges El Salvador face are to meet its gross financing needs, put its finances back on a fiscally sustainable path; and mitigate social and poverty impacts of the COVID-19 pandemic in a tight fiscal environment.

Recent developments

The COVID-19 crisis reduced GDP by an estimated 8.6 percent in 2020 with construction and services taking the biggest hit. Reduced economic activity, lower commodity prices and resilient remittances lowered the current account deficit from 2.1 percent of GDP in 2019 to 1.4 in 2020.

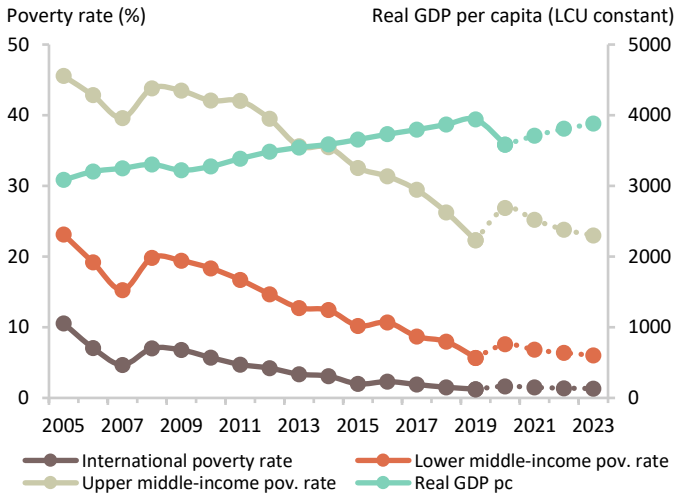
The approved 2021 budget failed to shift fiscal policy in the right direction, as the approved overall deficit is around five percent of GDP. It includes wage increases for teachers, police and health workers, and a 46 percent increase in the minimum pension, fueling pension system imbalances. In addition, it is unclear how the arrears built in 2020 will be cleared, including transfers to municipalities and VAT refunds. Once the new parliament is seated, the government is likely to propose a budget amendment, aiming at reducing refinancing risks and start a fiscal consolidation process.

FIGURE 1 El Salvador / Growth in remittances to El Salvador and hispanic unemployment rate in the United States



Sources: Banco Central de Reserva de El Salvador, Bureau of Labor Statistics.

FIGURE 2 El Salvador / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

The COVID-19 crisis has brought substantial employment losses in El Salvador, but some recovery has been observed recently. About 16 percent of adults reported losing their employment since the beginning of the crisis in May 2020, compared to only 11.3 percent in October 2020. Job losses are concentrated in the service sector and among low-skilled individuals. Job recovery has been uneven, with men regaining employment faster than women. Remittances are not likely to compensate for income losses at the bottom, as only eight percent of the poor received remittances in 2018.

The COVID-19 crisis is estimated to have pushed between 0.25 and 0.5 million additional people into poverty in 2020. Simulations show that poverty (using the $5.5 poverty line) is expected to increase up to 4.5 percentage points, but reduced to 2.8 percentage points after government mitigation measures are considered. The most affected are expected to be informal and self-employed workers, mostly concentrated in services. Inequality is expected to increase (from a 0.388 Gini in 2019 to a 0.39 in 2020 without government measures).

Outlook

El Salvador's economy is expected to grow around four percent in 2021, helped by a base effect, vaccination campaign, and fewer mobility restrictions. The rebound in the US economy, together with a new round of fiscal stimulus in the US, is expected to support an increase in Salvadoran exports and remittances, which in turn is projected to underpin an increase in private consumption. Growth will then converge to its long-term rate of around 2.5 percent, while the current account deficit will increase, reflecting higher growth through higher imports and higher commodity prices. Inflation will remain controlled around 1 percent a year. Given the growth rebound, poverty in 2021 is expected to fall, but at a slower rate.

The fiscal deficit is expected to come down in 2021 as extraordinary expenditures triggered by the COVID-19 crisis will be phased out. However, without a fiscal policy correction, spending levels will steadily increase driven by automatic wage increases (escalafón) and higher debt service, while revenues are expected to remain stable around 20 percent of GDP. In this scenario, the fiscal deficit and debt ratio are expected to increase again starting in 2022, threatening fiscal sustainability.

The result of the recent legislative and municipal elections, in which government-aligned parties gained seats, might pave the way for fiscal consolidation and growth reforms and an eventual IMF program to anchor them. The main medium-term risks are a faltering commitment to fiscal consolidation, securing enough resources from markets and multilateral organizations to meet gross financing needs, and inability to stage economic recovery and poverty reduction.

TABLE 2 El Salvador / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.4	2.4	-8.6	4.1	3.1	2.4
Private Consumption	3.1	2.6	-8.0	6.2	2.8	2.7
Government Consumption	0.2	-0.2	6.0	1.8	2.4	3.7
Gross Fixed Capital Investment	6.7	9.6	-19.2	2.4	9.4	2.1
Exports, Goods and Services	2.2	6.5	-18.3	6.6	4.2	3.1
Imports, Goods and Services	5.5	3.8	-10.2	7.8	5.0	3.4
Real GDP growth, at constant factor prices	2.3	2.6	-8.6	4.1	3.1	2.4
Agriculture	-3.3	3.0	-2.0	3.0	2.1	2.1
Industry	2.9	4.0	-9.0	4.0	3.2	2.3
Services	2.6	2.0	-9.1	4.3	3.2	2.5
Inflation (Consumer Price Index)	1.1	0.1	0.1	0.6	1.1	1.1
Current Account Balance (% of GDP)	-4.7	-2.1	-1.4	-2.1	-2.7	-3.1
Net Foreign Direct Investment (% of GDP)	3.2	2.4	0.6	2.2	2.4	2.6
Fiscal Balance (% of GDP)[a]	-2.6	-3.0	-9.1	-5.7	-6.3	-7.4
Debt (% of GDP)[b]	72.7	73.3	88.3	89.1	91.1	94.8
Primary Balance (% of GDP)[a]	1.0	0.7	-4.8	-1.7	-1.8	-2.3
International poverty rate ($1.9 in 2011 PPP)[c,d]	1.5	1.3	1.7	1.5	1.4	1.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	8.0	5.7	7.6	6.8	6.4	6.0
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	26.3	22.3	26.9	25.2	23.8	23.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Fiscal and Primary Balance correspond to the non-financial public sector.

(b) Debt is total public debt.

(c) Calculations based on SEDLAC harmonization, using 2019-EHPM .Actual data: 2019. Nowcast: 2019-2020. Forecast are from 2021to 2023.

(d) Projection using neutral distribution (2019) with pass-through = 1 based on GDP per capita in constant LCU.

GRENADA

Table 1	2020
Population, million	0.1
GDP, current US$ billion	1.1
GDP per capita, current US$	9513.7
School enrollment, primary (% gross)[a]	106.9
Life expectancy at birth, years[a]	72.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

The COVID-19 pandemic hit Grenada hard both socially and economically. The halt in tourism led to a massive economic contraction and a surge in public debt. Despite the government's support measures to the most affected, the poverty rate is expected to have increased significantly. With tourism resuming gradually over the medium term, the economy is expected to recover. However, risks to the outlook remain high depending on the pandemic's evolution and international travel restrictions.

Key conditions and challenges

Preceding the pandemic, a sustained demand for tourism and strong economic reforms in Grenada drove average real output growth of 4.3 percent annually between 2013 and 2019, higher than the average of 2.8 percent for countries in the Organization of Eastern Caribbean States. Prudent fiscal management anchored by the Fiscal Responsibility Law (FRL) and strategic debt restructuring resulted in a decline in the public debt stock from 108.1 percent of GDP to 59.4 percent in the same period.

Even though the virus' spread was broadly contained in Grenada by February 2021, the pandemic hit Grenada hard economically and socially. Tourism in Grenada fell sharply in 2020, following the almost complete halt of international travel. As a result, GDP is expected to contract for the first time in eight years, and unemployment will rise with a decreasing labor force participation rate. Unemployment among the youth is twice as high relative to the overall working-age population. With a high share of the young population depending on the tourism sector, this segment of the population will likely receive a hard hit. Loss of revenues and increases in public spending to mitigate the crisis' negative impacts have reversed the debt trajectory that had been declining pre-pandemic.

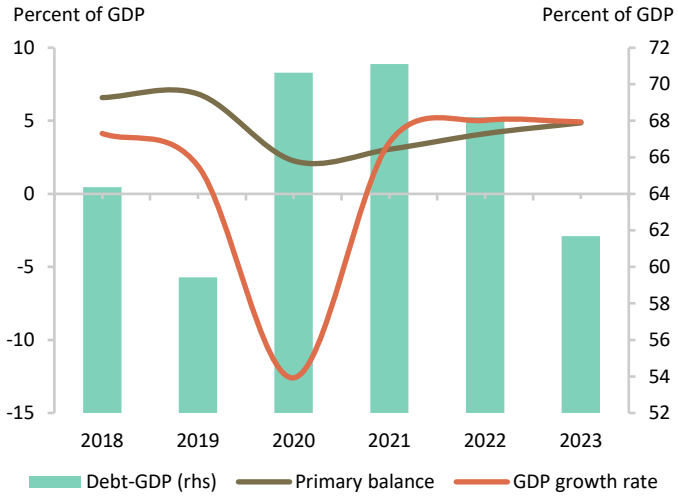
Risks remain substantial, associated mostly with the pandemic's uncertainty and severity, but also with challenges from institutional capacity constraints and Grenada's vulnerability to extreme weather events. The exposure to risks is especially high among the poorest and most vulnerable. Unemployment remained above 15 percent before the pandemic despite years of positive growth, restraining the potential for poverty reduction. Targeted short-term fiscal measures are necessary to contain temporary poverty increases that could otherwise result in long-term economic and social consequences. It is equally crucial for the government to return to the FRL targets once the pandemic abates and continue structural reforms to build resilience over the long term.

Recent developments

Real GDP contracted by an estimated 12.6 percent in 2020, almost doubling the recession following the Global Financial Crisis. Tourism, which accounts for about 40.5 percent of GDP, is expected to shrink by around 65 percent and drive the contraction in economic activities. The private education sector, which contributed to about 20 percent of GDP, is relatively more resilient. However, online learning of international students (more than 7000 in total) outside of the island has led to further domestic demand losses.

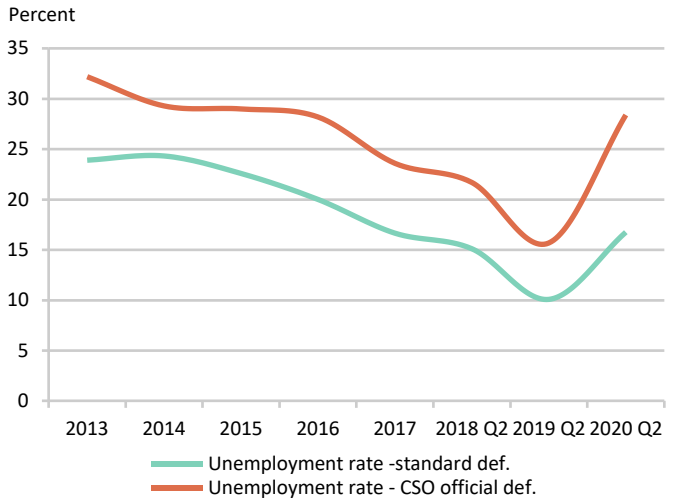
The primary surplus is estimated to have narrowed to 2.3 percent of GDP in 2020, compared with an average of 6.1 percent between 2016-19. Total expenditure increased by 4.5 percent of GDP largely from COVID-related expenditures, including

FIGURE 1 Grenada / The evolution of main macro variables



Sources: IMF; World Bank staff estimates; ECCB.

FIGURE 2 Grenada / Unemployment rate



Sources: Labor Force Survey 2013-2020, Central Statistical Office.

support to households given the fall in labor incomes. Lower tax collections on goods & services and international trade resulted in a decline in tax revenues by around 18 percent year-on-year. General government debt rose by 10 percent of GDP to 70.6 percent in 2020.

The current account deficit is estimated to have risen to 25.2 percent of GDP in 2020, from 15.9 percent in 2019. This reflected the sharp decline in tourism receipts and commodity exports due to interruptions in international transportation. Nevertheless, the slowdown in domestic economic activities also dampened the demand for imports, mitigating the growing external imbalance. After an initial sharp decline, remittances are expected to have rebounded in the second half of the year. Anecdotal information indicated that FDI remained solid, despite the temporary interruption of construction projects in the first half of 2020. The rest of the external financing needs were financed mostly by international development partners.

Outlook

In 2021, GDP is projected to recover modestly at 3.5 percent, given the assumed gradual resumption of international travel in 2021, the expected return of international students, and a rebound in construction projects. However, uncertainty is high depending on travel restrictions and the distribution of vaccines globally.

With the expected return to the FRL in 2022, the debt level is projected to decline gradually to around 62 percent of GDP by 2023, with a primary surplus averaging at 4 percent of GDP over the medium term. However, the gross financing needs are expected to remain high in 2021. Given the severe impacts of the pandemic, the government's support measures are likely to continue in 2021. The ongoing discussions surrounding the deferral of the agreed 4 percent public wage increase for 2021 may lead to additional savings. Public debt sustainability is threatened by the one-off increase in debt levels following the repurchase of the electricity company Grenlec at the end-2020.

While the pandemic's direct health impact has been contained by February 2021, the shock to labor markets remains significant and the poverty rate is expected to increase. With the income and payroll support program focusing on the formal sector, the policy may have limited impacts on the poorest groups. Individuals at the bottom of the distribution are expected to be significantly more affected by the crises, given their higher exposure to the shock and the lack of alternative income sources and limited access to insurance. The severity of the temporary shock may lead to long-term detrimental impacts on the poor households. Without adequate savings or insurance, poor households may be forced to make long-term decisions that are detrimental to their future welfare, such as selling productive assets, which will be hard to acquire or rebuild in the short term.

TABLE 2 Grenada / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices[a]	4.1	1.9	-12.6	3.5	5.0	4.9
Real GDP growth, at constant factor prices[a]	3.5	2.4	-12.1	3.5	5.0	4.9
Agriculture	3.0	-4.8	-11.7	15.3	5.1	5.1
Industry	9.9	1.8	-14.2	10.9	4.0	4.0
Services	2.2	3.2	-11.6	0.9	5.3	5.2
Inflation (Consumer Price Index)	0.8	0.6	-0.8	1.2	1.7	1.5
Current Account Balance (% of GDP)	-15.9	-15.9	-25.2	-23.6	-20.9	-13.9
Fiscal Balance (% of GDP)[b]	4.6	5.0	0.3	1.0	2.1	3.1
Debt (% of GDP)	64.4	59.4	70.6	71.1	68.2	61.7
Primary Balance (% of GDP)[b]	6.6	6.8	2.3	3.1	4.1	4.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Growth projections for 2021-23 remain sensitive to uncertainties surrounding the timing of the vaccine roll-out and the recovery in tourism.

(b) The estimates for the fiscal balance and primary balance for 2020 excluded the Grenlec-related payment.

GUATEMALA

Table 1	2020
Population, million	16.9
GDP, current US$ billion	77.7
GDP per capita, current US$	4606.2
International poverty rate ($ 1.9)[a]	8.8
Lower middle-income poverty rate ($ 3.2)[a]	24.4
Upper middle-income poverty rate ($ 5.5)[a]	49.1
Gini index[a]	48.3
School enrollment, primary (% gross)[b]	101.9
Life expectancy at birth, years[b]	74.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2018).

The COVID-19 pandemic interrupted a prolonged period of robust growth driven by domestic demand. However, resilience in remittances and exports, and fiscal stimulus packages helped alleviate the impact of the pandemic. A vaccine rollout in the second half of 2021 will support the recovery, which could be partially offset by an expected fiscal consolidation. Poverty is expected to decline incrementally amid a gradual scaling back of COVID-related social programs.

Key conditions and challenges

Guatemala has experienced a prolonged period of macroeconomic stability and robust growth, with real GDP growth averaging 3.5 percent a year between 2010 and 2019. The latest official poverty estimates correspond to 2014, but projections suggest that poverty levels continued declining through 2020. Prudent fiscal management and credible monetary policy propelled an expansion driven by private consumption and investment. However, very low revenue mobilization effort has contributed to weak investment in social programs leading to very low human capital development relative to the country's income level. Moreover, weak total factor productivity and reliance on factor accumulation has resulted in lower growth potential.

The COVID-19 pandemic and the resulting stringent containment measures had a significant economic impact and aggravated existing vulnerabilities. As the number of COVID-19 cases edged up in the initial months of 2021, the country faces potential sweeping lockdowns and more protracted travel restrictions, implying greater output losses. Developing a coherent vaccination plan will be key to securing a robust recovery. Moreover, too fast a pace of fiscal consolidation could slow growth over the medium term.

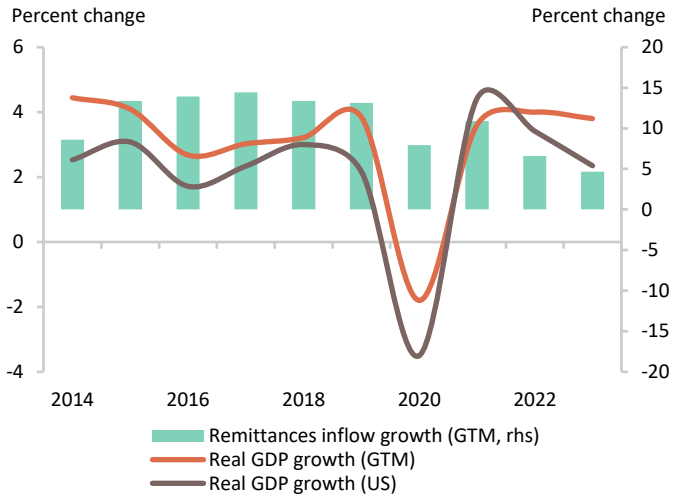
Political instability, fueled by protests over corruption, and a fragmented political landscape have constrained the implementation of urgently needed reforms in investment-friendly policies and social programs. Previous scandals and current elevated levels of corruption perception continue to strain the country's economic potential.

Recent developments

The COVID-19 pandemic and subsequent containment measures had a negative impact on economic activity in 2020. The administration's swift response to the crisis, including suspension of non-essential activities, mass gatherings, and domestic travel, have resulted in an estimated real GDP contraction of 1.8 percent in 2020 (which is milder than previously projected due to a more robust recovery in the fourth quarter). The industry and service sectors were most impacted by the closures. On the demand side, investment, private consumption, and services exports were most affected. The current account balance further improved to an estimated surplus of 4.9 percent of GDP in 2020 as remittance inflows rebounded quickly from a temporary dip and the trade deficit shrank.

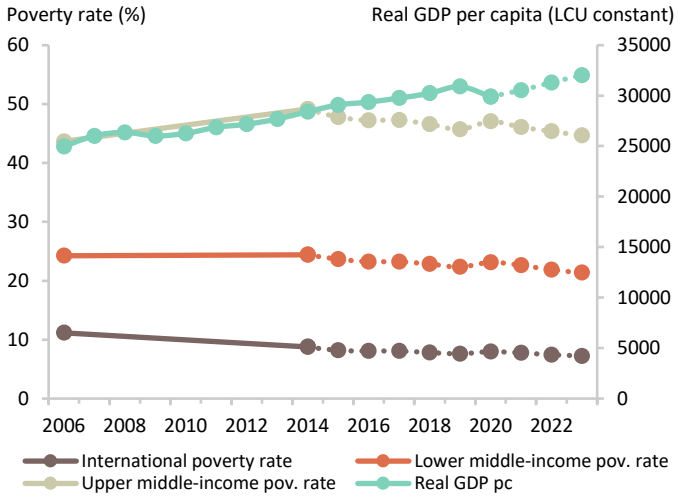
Congress passed three fiscal packages totaling around 3.4 percent of GDP in 2020. Increased social spending on cash transfers, school meals and food rations ameliorated the negative impacts of the economic crisis on vulnerable groups and hastened the recovery. Nevertheless, poverty rates are estimated to increase by 2 percentage points in 2020, representing about 350,000 more people living under the USD 5.5 PPP poverty line. Coupled with lower revenue

FIGURE 1 Guatemala / Real GDP growth in Guatemala, U.S and remittances growth



Sources: Banco de Guatemala, World Bank, Continuous Consensus Forecasts.

FIGURE 2 Guatemala / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

collected amid weaker economic activity, the fiscal deficit increased to an estimated 4.9 percent of GDP in 2020. Consequently, debt levels have risen to an estimated 31.4 percent of GDP in 2020.

The Central Bank of Guatemala (CBG) responded promptly to ensure the stability of the quetzal and provided sufficient liquidity to the financial system. Uncertainty linked to the COVID-19 crisis caused excessive forex volatility prompting authorities to intervene in the market. To ensure greater liquidity availability, the CBG reduced the policy rate and allowed early redemption of time deposits, among other proactive policy measures. While inflation remained within the CBG's target of 4 +/- 1 percent at 3.2 percent in 2020, it picked up in 2020Q4 to 5.2 percent year-on-year, driven by food price increases.

Outlook

Growth is expected to rebound in 2021 to 3.6 percent. However, the pace of the rebound is restrained by heightened uncertainty over vaccine rollouts and rising COVID-19 cases. Private consumption and investment are expected to partially recover in 2021 and in earnest in 2022 as vaccinations become globally and domestically available. Manufacturing, construction, hotels and restaurants, financial services, and health are the sectors expected to contribute the most to the recovery. The economic fallout from Hurricanes Eta and Iota (losses estimated at 1.0 percent of GDP) will affect income and food security among smallholder farmers in rural Guatemala due to the impact on agricultural production. Nevertheless, despite the limited scale of new cash transfers to support families affected by the hurricanes, the proportion of poor households living below the international poverty line of US$5.5/day (2011 PPP) is projected to fall from 47 percent in 2020 to 46 percent in 2021, driven by the expected recovery and rebound in services. Ongoing creation of a social registry will allow better targeting and quicker scaling of social assistance in the future.

Despite systematically low revenue mobilization, the fiscal deficit is projected to decline to 3.5 percent of GDP in 2021 as the unwinding of temporary COVID-related fiscal programs leads to lower overall public spending. Nonetheless, capital spending is expected to be higher in 2021 due to hurricane-related reconstruction. Concerns over the debt burden will prompt additional fiscal consolidation efforts, leading the debt-to-GDP ratio to ease to 32.0 percent of GDP in 2023.

Risks to the forecast are tilted toward the downside. Growth could be stalled with the worsening of the political environment, failure to renegotiate a higher fiscal ceiling in 2021, a slower vaccine rollout, and natural disasters. However, earlier resumption of global travel from faster vaccine rollouts in advanced economies can provide a boost to growth.

TABLE 2 Guatemala / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.2	3.8	-1.8	3.6	4.0	3.8
Private Consumption	3.5	4.3	-2.5	5.5	4.5	4.2
Government Consumption	6.1	3.5	4.3	-1.0	0.8	1.6
Gross Fixed Capital Investment	4.6	7.2	-11.7	5.1	12.4	7.4
Exports, Goods and Services	-0.3	-0.2	-2.5	5.0	2.9	3.0
Imports, Goods and Services	3.9	5.6	-6.3	8.5	6.8	5.1
Real GDP growth, at constant factor prices	2.9	3.7	-1.8	3.6	4.0	3.8
Agriculture	2.4	2.3	2.5	2.1	2.5	2.7
Industry	1.6	3.8	-0.9	3.3	2.9	3.2
Services	3.4	3.9	-2.8	4.0	4.6	4.2
Inflation (Consumer Price Index)	3.8	3.7	3.2	4.1	3.5	3.7
Current Account Balance (% of GDP)	0.8	2.4	4.9	3.2	1.9	0.4
Fiscal Balance (% of GDP)	-1.9	-2.3	-4.9	-3.5	-2.1	-1.6
Debt (% of GDP)	26.2	26.6	31.4	32.9	32.6	32.0
Primary Balance (% of GDP)	-0.4	-0.6	-3.1	-1.6	-0.1	0.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	7.8	7.6	8.0	7.8	7.4	7.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	22.9	22.3	23.1	22.6	21.9	21.4
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	46.6	45.7	47.0	46.1	45.4	44.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2014-ENCOVI.Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2014) with pass-through = 0.7 based on GDP per capita in constant LCU.

GUYANA

Table 1	2020
Population, million	0.8
GDP, current US$ billion	6.2
GDP per capita, current US$	7908.7
School enrollment, primary (% gross)[a]	97.8
Life expectancy at birth, years[a]	69.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) WDI for School enrollment (2012); Life expectancy (2018).

Guyana grew at an extraordinary rate of 43.5 percent in 2020, having completed a year of oil production. The positive spillover effects were dampened by a deep contraction in the non-oil economy, triggered by measures to contain the COVID-19 pandemic. While oil production is boosting growth, significant risks related to the management of this new wealth remain. Guyana will be challenged to transform its burgeoning oil wealth into human capital, physical capital, and financial assets for broad-based welfare increases.

Key conditions and challenges

The transition of the Guyanese economy into a predominantly oil-producing country is underway. The production and export of oil is generating significant fiscal revenues, stimulating private sector investment and creating space for government investments in critical public goods. Maintaining a balance between the pace of resource inflows and the limited absorptive capacity requires prudent macroeconomic management to mitigate the impact of a potential resource curse. A transparent and efficient management framework for oil and gas revenues is crucial, given uncertainties regarding the implementation of the existing sovereign wealth fund (SWF).

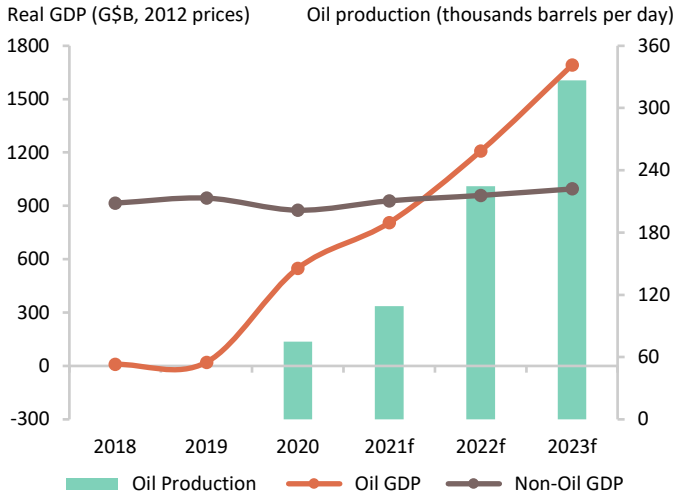
In a context characterized by ethnic and social polarization, Guyana's resource wealth stands in contrast to the welfare of the population. The limited information available suggest that poverty is high, given the country's income level, and inequality has risen. The 2017 Labor Force Survey (LFS) suggests that Guyana's poverty rate is among the highest in the region, at 43.4 percent in 2017, using the upper-middle income poverty line (US$5.5 a day 2011 PPP). Moreover, during the phase of sustained growth between 2006 and 2017, the income of the bottom 40 percent grew slower than the average, resulting in increased income inequality, with the Gini coefficient, rising from 0.46 to 0.48.

The COVID-19 pandemic has exacerbated challenges to tackle poverty effectively and has deepened inequity. Improving efficiency and effectiveness in public service delivery, especially services that enhance human capital, such as health, education, and digital connectivity, will be required for sustainable pro-poor growth including for the remote populations in Guyana's hinterland. Even as the non-oil economy starts an uncertain recovery, a more sophisticated and skilled workforce will be needed to maximize positive spillovers from the growing oil sector.

Recent developments

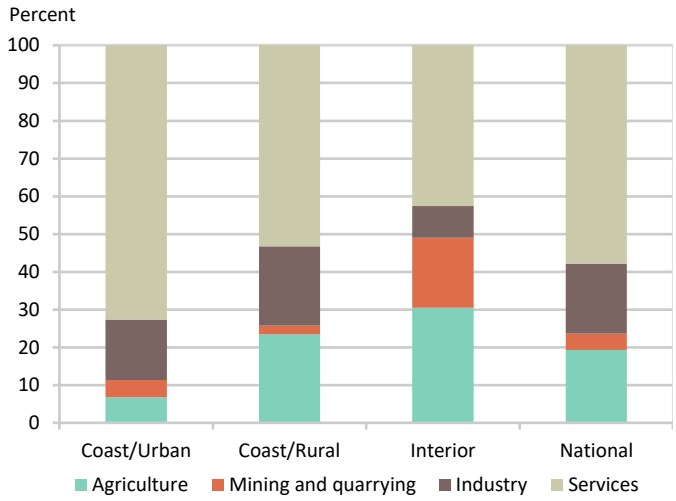
Real GDP in 2020 is estimated to have expanded by 43.5 percent driven primarily by developments in the oil sector, with production averaging 74,300 bbls/day.[1] The impact of the expansion of the oil sector was partly countered by a contraction of 7.3 percent in the non-oil economy. On account of the pandemic, disruptions in key services sectors likely impacted employment and raised poverty in the short term. Half of all employed workers in Guyana are engaged in the services sector, and this share rises to 70 percent in coastal urban areas. While systematic data on the pandemic's impact on households is not yet available, preliminary evidence suggests that movement restrictions adversely impacted livelihoods and inhibited access to markets. It also suggests that food prices

FIGURE 1 Guyana / Oil production and real oil and real non-oil GDP



Sources: WBG staff estimates. Note: f=forecast.

FIGURE 2 Guyana / Employment by sector and region – Services decline to affect coastal urban workers disproportionately



Sources: WBG staff estimates based on Guyana Labor Force Survey 2017.

increased and some households having to reduce their caloric intake. Overall inflation, however, remained subdued in the context of waning demand.

A higher fiscal deficit of 9.4 percent of non-oil GDP is estimated for 2020, primarily due to increased spending related to the pandemic. Revenues were also lower, given the fallout in demand. Notably, the oil proceeds are held in the SWF and have not yet materialized as fiscal revenues. Public debt climbed to 47.4 percent of GDP driven by the higher deficit and the inclusion of overdrafts with the central bank, previously not included in public debt reporting.

The current account deficit (CAD) narrowed to 10.5 percent of GDP in 2020, as oil exports commenced. This was sufficient to offset increased payments for foreign services, including those supporting the oil sector. Remittances remained relatively steady, potentially helping to cushion the impact of the pandemic on poor households. Almost 30 percent of poor households receive remittances, representing an average of 42 percent of their income. The CAD was financed primarily by foreign direct investment inflows.

Outlook

Guyana is expected to remain one of the fastest growing economy in the world over the medium term, as new oil fields are developed and production capacity expands. Oil output is expected to quadruple by 2023, leading to a doubling of GDP. The oil and gas sector are also expected to boost private investment and drive the growth of services, which could contribute to poverty alleviation by increasing demand for labor in the construction, transportation, food service, and hospitality subsectors. However, downside risks remain if the pace of fiscal and investment influx goes beyond the economy's absorptive capacity, generating price instability and macroeconomic distortions. The COVID-19 pandemic continues to pose risks to the poor and vulnerable households as well as the government's fiscal balance. Significant uncertainty remains in terms of the path of the pandemic and vaccine rollout, and supportive policy actions are necessary until a firm recovery is underway. A weaker rebound in the non-oil economy can have detrimental social costs. The fiscal deficit is expected to narrow as the economy recovers and oil revenue starts being transferred from the SWF in 2022.

Guyana also faces increased vulnerability to oil-related shocks including volatilities in price and output. While recent fluctuations in global oil prices did not significantly disrupt production or investment in Guyana's oil sector, an unexpected oil price slump could diminish fiscal revenues and inhibit investment in new oilfields. Guyana will also be challenged to address risks often faced by resource-dependent economies, such as the lack of diversification and inadequate institutions. Moreover, oil production entails environmental consequences that need to be considered carefully, and the sector may face additional risks in the medium term, as the world transitions toward a lower carbon dependence.

1/ Real GDP growth for 2020 is potentially overstated, on account of the base year (2012) used for the inclusion of the oil sector in GDP. The government is undertaking a rebasing exercise to better capture the value-added from the oil sector, which could result in significant downward revisions of oil GDP growth rates.

TABLE 2 Guyana / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth at constant market prices[a]	4.4	5.4	43.5	20.9	26.0	23.0
Real non-oil GDP growth at constant factor prices[b]	3.6	3.1	-7.3	6.1	3.3	3.8
Agriculture	6.6	-0.5	4.1	5.6	4.0	4.5
Industry (non-oil)	1.4	2.4	-8.9	8.0	2.2	2.0
Services	3.2	6.1	-13.5	5.1	3.6	4.7
Inflation (Consumer Price Index)	1.6	2.1	0.9	1.6	2.4	2.5
Current Account Balance (% of GDP)[c]	-57.3	-55.6	-10.5	0.8	15.0	27.3
Fiscal Balance (% of GDP)[d]	-2.7	-2.8	-9.4	-8.6	-4.0	-2.9
Debt (% of GDP)	35.8	32.6	47.4	42.7	38.8	37.5
Primary Balance (% of GDP)[d]	-1.9	-2.0	-8.6	-7.9	-2.9	-1.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Total GDP at 2012 prices. (b) Non-oil GDP at 2012 prices. (c) BOP definition in current US$. (d) Share of non-oil GDP.

Note: Real GDP growth for 2020 is potentially overstated, on account of the base year (2012) used for the inclusion of the oil sector in GDP. The government is undertaking a rebasing exercise to better capture the value-added from the oil sector, which could result in significant downward revisions of oil GDP growth rates.

HAITI

Table 1	2020
Population, million	11.7
GDP, current US$ billion	13.5
GDP per capita, current US$[a]	1149.5
International poverty rate ($1.9)[b]	24.5
Lower middle-income poverty rate ($3.2)[b]	50.3
Gini index[c]	41.1
Life expectancy at birth, years[c]	63.7

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Haiti rebased its GDP after thirty-three years, resulting in a 73.8 percent increase in GDP for the new base year 2012.
(b) Most recent value (2012), 2011 PPPs.
(c) Most recent WDI value (2018).

The COVID-19 pandemic and political turmoil took a toll on the Haitian economy, with GDP estimated to have contracted by 3.4 percent in the Haitian fiscal year (HFY) 2020. Disruption of essential health services and school closures have undermined human capital with potential long-term welfare effects. Economic recovery will require containment of the pandemic and, especially, political stability as well as transition towards a more diversified economy and greater resilience to natural hazard shocks.

Key conditions and challenges

Haiti's most critical challenge is solving its protracted political crisis. Also high on the reform agenda, however, are improving governance and the justice system, upgrading basic infrastructure to eliminate spatial frictions that impede movement of goods and disconnect rural communities from urban markets, and creating a more enabling business environment.

The export base is narrow, with textiles representing over 90 percent of total exports. In addition, Haiti's extreme vulnerability to natural hazard shocks has constrained its capacity to sustain growth.

Fiscal dominance has led to rapid monetary growth and high inflation. The continuous fiscal deficits have led to increasing debt/GDP ratios, and a weakened external position. Despite agreements each year between the monetary and fiscal authorities aimed at controlling spending and limiting the monetary financing of deficits, they are seldom met. The lack of a clear, articulated, and credible policy framework erodes confidence and impairs economic agents' ability to plan for the long term and raises the cost of capital.

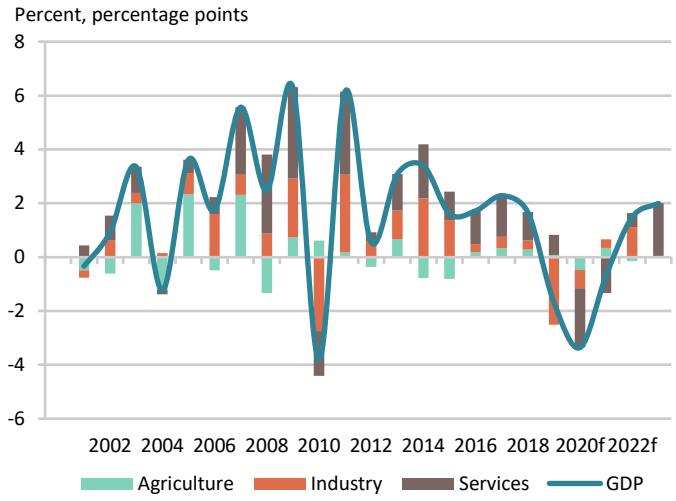
COVID-19 has compounded these issues, making poverty reduction even more difficult. As of May 2020, nearly half of those employed prior to COVID-19 lost jobs due to a halt in business activity. Disruptions in basic services, namely health and education, are undermining human capital. The negative impacts on early childhood development and educational attainment have long-term negative effects on the earning potential of future adults.

Haiti's Post COVID-19 Economic Recovery Plan 2020-2023 (PREPOC) intends to tackle these challenges by relaxing the structural constraints that hinder growth through, inter alia, boosting human capital, strengthening governance, and improving resilience to natural hazard shocks. However, the HFY2021 budget is not clearly aligned with PREPOC's stated intentions. The budget prioritizes security and electricity generation over the PREPOC's above-mentioned pillars.

Recent developments

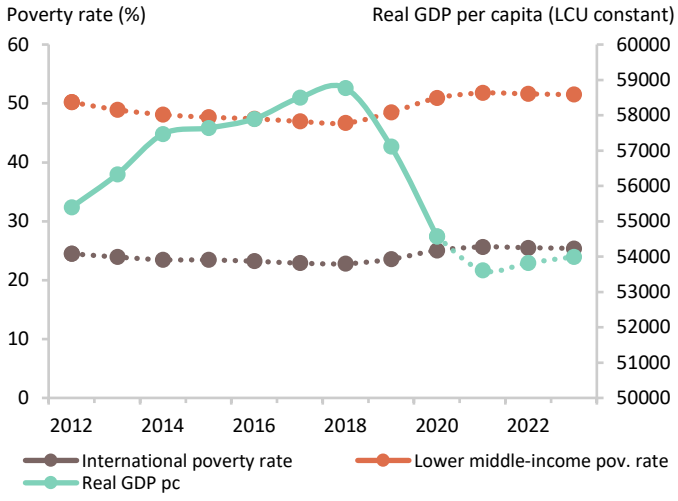
Both the COVID-19 pandemic and Haiti's protracted political crisis took a toll on economic activity during HFY2020, with GDP estimated to have contracted by 3.4 percent. Output of all three sectors declined. The pandemic's impact on the Haitian economy was less severe compared to other Caribbean countries because Haiti's tourism sector is small. The contraction of GDP resulted in job and income losses. The poverty rate at the international poverty line (US$1.90 per day, 2011 PPP) is estimated to have risen to 25.1 percent in 2020, from 23.6 percent in 2019, in line with the economic slump. The health emergency measures enacted to curb the spread of the virus were lifted at the end of HFY2020. However, the political crisis

FIGURE 1 Haiti / Real GDP growth and sectoral contributions to real GDP growth



Sources: Haiti Statistical Office (IHSI).

FIGURE 2 Haiti / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

started intensifying in Q1 HFY2021, keeping economic activity subdued.

The current account turned positive in HFY2020 (5.8 percent of GDP) thanks to a 26.1 percent decline in imports, and a 13.5 percent rise in remittances which offset the 16.3 percent drop in exports. This does not, however, signal a turnaround in Haiti's structural trade deficit (18.2 percent in HFY2020), which is to be tackled via improvement in productivity across all sectors and by broadening the export base.

Due to monetization of large government deficit the local currency (gourde) depreciated by over 23 percent during the first eleven months of HFY2020. This prompted the central bank's intervention in the forex market, as well as a freeze of government spending, to stabilize the gourde, to tame runaway inflation and quell social discontent. In the last month of the HFY the gourde strengthened, closing 2020 with a 7.5 percent year-on-year appreciation against the US dollar. This destabilized the main anchor on which the private sector bases its expectations, with negative impacts on investment planning and long-term growth. The sharp appreciation translated into fewer local currency to households relying on remittances.

Nonetheless, appreciation of the gourde proved fleeting after government spending and imports resumed. The gourde depreciated by 13.5 percent between November 2020 and January 2021. Excessive volatility, as experienced recently, can be a destabilizing factor.

The large government deficit (4.1 percent of GDP in HFY2020 compared to 2.2 percent of GDP in FY2019) and low productivity of the agricultural sector fueled inflation that reached 22.8 percent on average during HFY2020. However, as a result of the strong gourde policy and the pass-through effect, CPI inflation declined to 19.2 percent in December 2020 after peaking at 27.8 percent in August. While this reversal can help improve households' purchasing power, it is nonetheless still elevated and will continue to erode any savings.

Outlook

As Haiti remains engulfed in political turmoil, GDP is expected to contract for a third consecutive year, by 0.7 percent in 2021. A return to pre-pandemic GDP levels is not envisioned until after 2023, under the proviso of a return to some political stability. Under this scenario, the poverty rate is projected to increase further to 25.6 percent in 2021 as economic opportunities remain limited.

The strong gourde policy is set to boost imports, particularly consumer goods, while discouraging exports, turning the current account surplus into a deficit in 2021. Over the long term, efforts to diversify the export base and reform the business environment to attract foreign investment could improve the external position.

While control of budgetary spending suggests a narrowing of the fiscal deficit to 3.4 percent of GDP in HFY2021, fiscal pressures are expected to mount as the government embarks on the PREPOC that has a total cost of 24.4 percent of GDP over a three-year period. PREPOC's cost in the first year of implementation is 6.9 percent of GDP, with a 3.2 percent of GDP financing gap. This is likely to be filled via money creation, potentially further fueling inflation and hurting the poor the hardest.

As COVID-19 vaccines become more available and the global economy rebounds, this could help boost demand for Haiti's products. However, the path ahead remains fraught and exposed to ongoing political instability that could continue to hinder economic recovery.

TABLE 2 Haiti / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2017/18	2018/19	2019/20 e	2020/21 f	2021/22 f	2022/23 f
Real GDP growth, at constant market prices	1.7	-1.7	-3.4	-0.7	1.5	2.0
Private Consumption	3.4	-0.5	-2.6	0.5	-0.5	2.0
Government Consumption	3.5	-8.0	20.3	11.7	13.5	1.0
Gross Fixed Capital Investment	6.5	5.7	-17.6	32.0	-0.4	3.4
Exports, Goods and Services	-0.8	-1.6	-5.0	-3.0	16.9	0.0
Imports, Goods and Services	8.6	3.6	-4.1	18.6	1.7	2.0
Real GDP growth, at constant factor prices	1.6	-2.4	-2.9	-0.4	1.5	2.1
Agriculture	1.5	-0.2	-2.1	1.4	-0.5	0.0
Industry	1.1	-10.0	-2.1	0.7	4.7	1.0
Services	1.8	0.8	-3.5	-1.5	0.7	3.3
Inflation (Consumer Price Index)	13.5	17.2	22.8	20.0	19.0	15.0
Current Account Balance (% of GDP)	-4.4	-1.7	5.8	-2.0	-0.5	-2.2
Net Foreign Direct Investment (% of GDP)	0.7	0.5	0.1	0.2	0.5	0.5
Fiscal Balance (% of GDP)	-2.6	-2.2	-4.1	-3.4	-2.6	-2.8
Debt (% of GDP)	23.2	25.7	28.8	32.3	32.1	30.8
Primary Balance (% of GDP)	-2.4	-2.0	-3.5	-1.8	-2.2	-2.4
International poverty rate ($1.9 in 2011 PPP)[a,b]	22.8	23.6	25.1	25.6	25.5	25.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	46.7	48.5	51.0	51.8	51.7	51.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2012) with pass-through = 0.87 based on GDP per capita in constant LCU.

HONDURAS

Table 1	2020
Population, million	9.9
GDP, current US$ billion	23.2
GDP per capita, current US$	2340.1
International poverty rate ($1.9)[a]	14.8
Lower middle-income poverty rate ($3.2)[a]	29.0
Upper middle-income poverty rate ($5.5)[a]	49.0
Gini index[a]	48.2
School enrollment, primary (% gross)[b]	91.5
Life expectancy at birth, years[b]	75.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

Honduras's economy is expected to contract by a record 9 percent in 2020 due to the double impact of the COVID-19 pandemic and hurricanes Eta and Iota. This led to high levels of food insecurity and increases in poverty and inequality as vulnerable households lost income. A rebound is expected in 2021, supported by a countercyclical macroeconomic policy and the restoration of trade and investment. However, a slower recovery is possible if the health crisis endures.

Key conditions and challenges

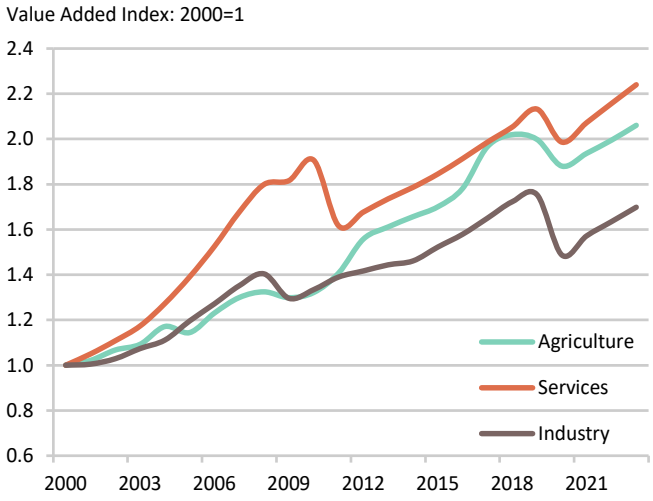
Honduras's export-oriented growth model and poverty reduction strategy have been insufficient to boost growth and incomes. The country's sensitivity to external shocks, natural hazards, fiscal instability, crime, combined with weak institutional and business environments have inhibited economic competitiveness. Real GDP growth averaged 3.1 percent over the past decade aided by remittance-fueled private consumption, while the country remained one of the poorest in the Western Hemisphere: almost half the population (4.8 million people) lived on less than US$5.50 per day in 2019. Meanwhile, a prudent macroeconomic framework supported the Honduran economy in recent years. A crawling peg exchange rate regime with ample foreign reserves (about 20 percent of GDP) aided price and exchange rate stability. Accommodative monetary policy supported economic activity. A low ratio of nonperforming loans and adequate capitalization of the banking sector helped contain financial sector risks. Fiscal policy anchored in the Fiscal Responsibility Law (FRL) – targeting the non-financial public sector (NFPS) deficit at 1 percent of GDP in 2019 and limiting spending growth – helped restore fiscal sustainability. Commitment to fiscal prudence helped control fiscal accounts despite the deteriorating financial position of the state electricity company (ENEE), the main source of fiscal risks for Honduras.

The COVID-19 pandemic and impacts of hurricanes Eta and Iota exacerbated existing economic and social challenges, threatening the health and welfare of the population. Output contracted across all sectors, causing widespread unemployment. Both hurricanes affected about 3.9 million people (38 percent of the population), while social and economic costs are expected at US$1.8 billion (7.2 percent of 2019 GDP) amid damages to infrastructure, land, and crops. Large asset losses, especially amongst the poorest, lower human capital formation due to school closures and lower nutrition, combined with small and insufficient social assistance programs could make it difficult for vulnerable households to rebound from the negative shock.

Recent developments

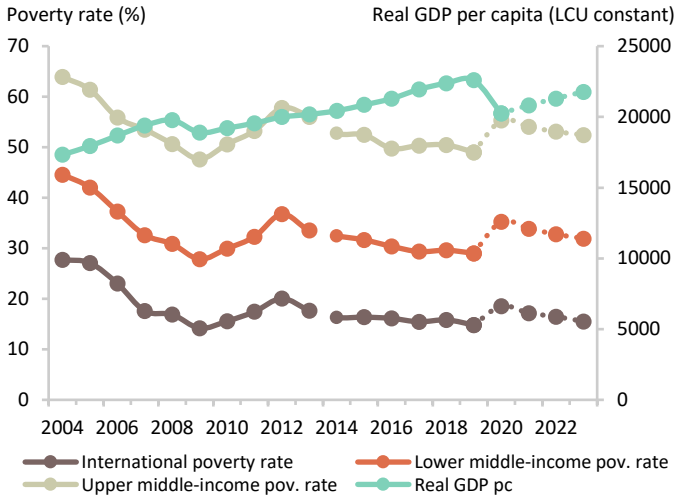
Real GDP is expected to have contracted by 9 percent in 2020 (y/y) due to a sharp fall in trade, investment and consumption amid the global recession, extended lockdown, and damages caused by the hurricanes. Based on World Bank phone surveys, nearly 68 percent of households reported income losses, and more than one-third of households reported food insecurity due to lack of resources in mid-2020. A projected 12.5 percent of people lost employment in 2020, primarily women and low skilled workers in industry and services sectors. Poverty is projected to have increased from 49 to 55.4 percent in 2020 under the US$5.50 line, an increase of more

FIGURE 1 Honduras / Real value added index, 2000=1



Sources: Central Bank of Honduras, The World Bank.

FIGURE 2 Honduras / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

than 700 thousand people. Growth in remittances, that represent 22 percent of GDP and 30 percent of household income for the poorest remittance-receiving households, decelerated to 3.8 percent (y/y) in 2020 from 13 percent (y/y) in 2019, only partially compensating for the income loss. The government enacted targeted policies to cushion the impacts on economic activity and livelihoods, authorizing new borrowing of US$2.5 billion (10 percent of GDP) for 2020-2021. The country's relatively low public debt and deficit levels coupled with good access to concessional financing allowed for the counter-cyclical response amid the activation of the FRL's escape clause.

Weaker domestic demand, lower commodity prices, freezes in prices and a relatively stable exchange rate reduced consumer price inflation, despite higher food prices in the aftermath of hurricanes. Annual inflation decelerated to 3.5 percent (y/y) in 2020 – near the lower limit of the Central Bank's (BCH) target band (4% ± 1 %). As a result, the BCH cut the key policy rate by 250 basis points to 3 percent in 2020.

Despite historically low oil prices, the current account deficit is expected to have widened as depressed exports outweighed import compression amid decelerated economic activity. Nevertheless, the external position remains relatively strong, supported by external financing received. External public debt increased by 5.5 percentage points of GDP in 2020 (from 30.7 percent by end-2019), including a sovereign bond placement (US$600 mil) and multilateral loans (US$1,552.7 mil).

Outlook

Real GDP is expected to reach its pre-pandemic level by 2023 amid the reactivation of domestic economic activity and recovering investment and external demand. A strong pick-up in manufacturing and services is expected, while the recovery in the agriculture sector could be subdued amid severe damages to crops and land. Poverty rates are estimated to begin decreasing in 2021, with poverty under the US$5.50 line reaching 52.5 percent by 2023.

The authorities project a NFPS deficit of 5.6 and 4 percent of GDP in 2020 and 2021. The government is committed to fiscal prudence and aims to return to the 1 percent NFPS deficit ceiling in 2022 while protecting priority spending. The required consolidation is challenging; however, the fiscal position is expected to be supported by a one-off revenue increase from tax-deferrals in 2020, revenue mobilization measures, budget reallocations and strict spending control. Inflation is expected to stay within the target range, while the BCH is expected to maintain accommodative monetary policy in the near term to increase access to credit and boost domestic demand.

A slower global recovery amid the prolonged pandemic and new COVID-19 waves coupled with uncertainty on the effective vaccine rollout could prompt the renewal of containment measures and weaken Honduras's pace of recovery. Further, if growth in remittances stalls, more near-poor households could fall below the poverty line. Prolonged unemployment, particularly for informal low-income households that lack insurance and savings, pose risks to poverty reduction. This would cause additional pressures on public finances and challenge fiscal sustainability. Policymaking could be stalled by possible social unrest amid the general elections in 2021.

The anticipated recovery requires continuous efforts to limit the human and economic impacts of the pandemic and hurricanes. More targeted and faster disbursing economic and social support is needed amid limited fiscal space. Additionally, strengthening resilience to climate risks could improve sustainability (macroeconomic, fiscal, social and environment), while increasing internet connectivity and digitalization would allow to capitalize on the digital economy opportunities, boost productivity, competitiveness, and create jobs.

TABLE 2 Honduras / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.7	2.7	-9.0	4.5	3.9	3.8
Private Consumption	4.7	4.1	-7.8	4.7	4.3	3.6
Government Consumption	1.9	0.6	3.0	2.2	-2.7	1.0
Gross Fixed Capital Investment	5.7	-5.9	-11.1	7.9	8.1	4.3
Exports, Goods and Services	0.7	2.3	-15.5	6.5	5.8	4.0
Imports, Goods and Services	2.2	-2.8	-11.5	7.0	5.9	3.3
Real GDP growth, at constant factor prices	3.5	2.5	-9.0	4.5	3.9	3.8
Agriculture	2.7	-1.0	-5.9	3.0	3.0	3.3
Industry	4.4	1.8	-15.2	5.7	4.0	3.9
Services	3.4	3.9	-6.8	4.3	4.1	3.9
Inflation (Consumer Price Index)	4.3	4.4	3.5	4.0	4.1	4.0
Current Account Balance (% of GDP)	-5.4	-0.7	-1.2	-1.5	-1.7	-2.3
Net Foreign Direct Investment (% of GDP)	3.8	2.0	0.9	1.9	3.5	3.8
Fiscal Balance (% of GDP)[a]	-0.9	-0.9	-5.6	-4.0	-1.0	-1.0
Debt (% of GDP)[a]	42.2	43.1	53.9	55.6	55.1	54.5
Primary Balance (% of GDP)[a]	0.0	-0.2	-4.5	-2.7	0.3	0.4
International poverty rate ($1.9 in 2011 PPP)[b,c]	15.8	14.8	18.5	17.1	16.5	15.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	29.6	29.0	35.3	33.9	32.8	31.9
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	50.4	49.0	55.4	54.1	53.1	52.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Fiscal data refers to non-financial public sector.

(b) Calculations based on SEDLAC harmonization, using 2019-EPHPM .Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(c) Projections using microsimulation methodology.

JAMAICA

Table 1	2020
Population, million	3.0
GDP, current US$ billion	13.0
GDP per capita, current US$	4406.7
School enrollment, primary (% gross)[a]	85.1
Life expectancy at birth, years[a]	74.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

Jamaica made important progress on macroeconomic stability and debt reduction between 2013 and 2020. However, the COVID-19 pandemic has pushed the country into its deepest recession in decades. This is affecting the welfare of households through income and job losses, thereby increasing poverty. Impacts have been uneven across the population, likely increasing inequality. Downside risks are high due to the country's susceptibility to natural disasters and uncertainties regarding the length and depth of the COVID-19 pandemic.

Key conditions and challenges

Jamaica's economy has grown by an average of less than 1 percent per year over the last three decades and many structural obstacles remain to enabling growth. Although Jamaica has been successful in reducing its debt in recent years, its debt stock remains high. Fiscal space is limited and greater participation by the private sector in the economy is undermined by enclave-type industries, low productivity, and a high regulatory burden.

The country is afflicted by rising crime and violence, reducing its attractiveness and contributing to the country's low growth. Jamaica remains vulnerable to climate shocks, including more frequent and severe climate-induced natural disasters. These pose significant challenges to vulnerable groups and key sectors of economic and climate sensitivity, such as tourism and agriculture.

Containment of the COVID-19 pandemic is essential for economic recovery and inclusive growth, given Jamaica's dependence of the country on international tourism. Jamaica implemented a public health response early in the pandemic but has recently experienced an increase in the number of daily cases. The pace of Jamaica's economic recovery will depend on the global containment of the pandemic and easing of travel restrictions with the rollout of vaccines. This is important given that the tourism sector contributes over 30 percent of GDP and supplies a third of the country's jobs.

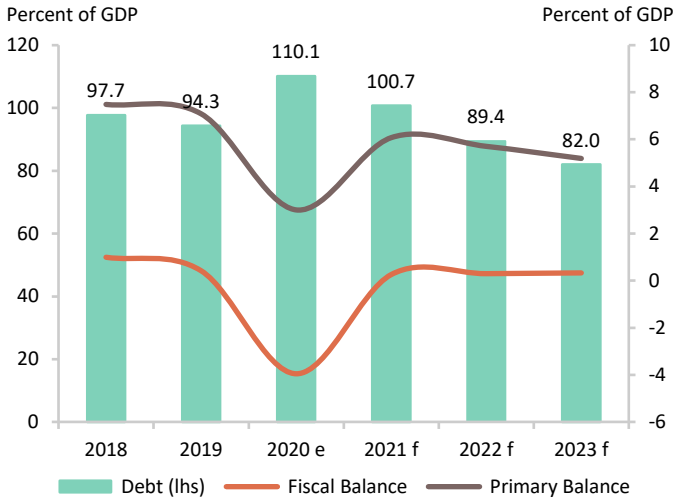
Recent developments

Real GDP contracted by 10 percent in 2020, driven by the collapse in net external demand and private consumption. On the supply side, services recorded the sharpest declines due to the near closure of the tourism sector. Agriculture and industry were held back by disruptions in domestic production linked to the crisis, flooding, and the closure of Jamaica's largest aluminum refinery. Inflation increased slightly but remained within the 4-6 percent target range.

Poverty in Jamaica has declined in recent years, but COVID-19 reversed the trend. World Bank projections based on GDP per capita growth point to a 4.7 percentage point increase in the poverty rate in 2020, bringing it to 23 percent. Disruptions in the tourism sector and related activities reversed prior gains in employment and income, with a higher impact on women. After rising to 12.6 percent in July 2020, the unemployment rate declined slightly to 10.7 percent in October 2020. Government policy responses to COVID-19, including increases in conditional cash transfers, will help mitigate the impact on the poor.

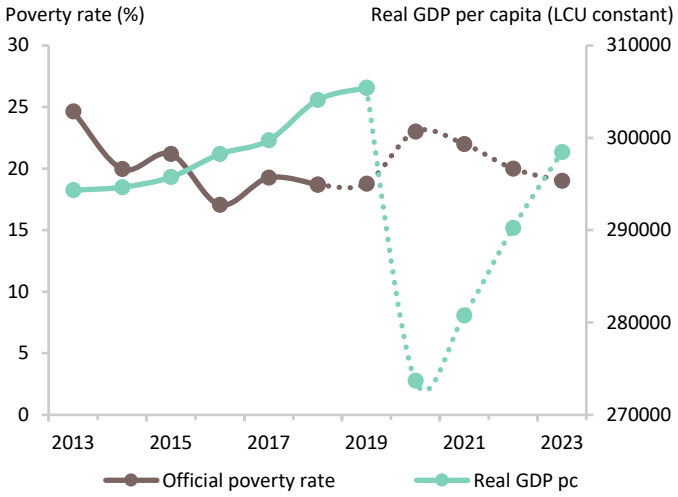
Jamaica's balance-of-payments position has improved steadily in the past five years, with narrower deficits and increased international reserve coverage. In 2020, the current account deficit (CAD) narrowed slightly on the back of strong remittance

FIGURE 1 Jamaica / Fiscal balances and public debt



Sources: GoJ, IMF and WBG staff estimates.

FIGURE 2 Jamaica / Actual and projected poverty rate and real GDP per capita [b c]



Sources: World Bank staff calculations (see notes b and c in Table 2).

inflows. The CAD was financed primarily by private and official inflows.

Fiscal policy has been adapted to allow the authorities to respond to the pandemic, consistent with the existing fiscal rules. An overall fiscal deficit of 4.0 percent of GDP is envisaged for FY2020/21, reflecting the combination of lower revenues and increased outlays to respond to the pandemic. In this context, the public debt ratio is expected to jump to 110 percent of GDP.

Outlook

Recovery of real GDP is expected over the medium-term, driven by the reutilization of spare capacity created by the pandemic and normalization in tourism as vaccination becomes more accessible, as well as the resumption of mining in the second half of 2022. The economy is expected to return to pre-COVID-19 levels by 2024. Inflation is expected to remain within the 4-6 percent target and employment to improve over the medium-term. Poverty is projected to decline to around 19 percent by 2023.

Monetary policy will remain supportive of growth, while ensuring an adequate level of liquidity in the financial system. The authorities have encouraged the banking sector to retain capital by postponing dividend payments to shareholders and by rescheduling loans and mortgages. Jamaica's financial infrastructure remains sound, although the crisis could create some challenges for financial stability should the pandemic last longer than expected.

The CAD is expected to widen as imports recover and remittances decrease. Private flows are expected to recover, limiting the need for official borrowing to finance the CAD. With a gradual recovery of tourism and bauxite exports, the Jamaican dollar will remain broadly stable compared to the US dollar and other currencies. Gross reserves should remain healthy, averaging over 6 months of imports.

The economic recovery is expected to improve tax collections and normalize spending. Total revenues should rebound in line with the pace of normalization in domestic and international trade. At the same time, total expenditure is expected to decline with the winding-down of the COVID-19 cash support program. In this context, public debt is expected to gradually decline over the medium term with primary surpluses accounting for most of the reduction.

TABLE 2 Jamaica / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	1.9	0.9	-10.0	3.0	3.8	3.2
Private Consumption	1.0	1.0	-13.2	3.5	2.3	1.8
Government Consumption	0.7	3.1	11.7	-2.8	-1.7	3.6
Gross Fixed Capital Investment	5.4	1.0	-15.9	2.0	8.3	7.1
Exports, Goods and Services	8.3	3.6	-30.0	15.7	4.2	1.8
Imports, Goods and Services	6.1	4.2	-26.7	10.3	1.7	1.9
Real GDP growth, at constant factor prices	1.9	1.0	-10.0	3.0	3.8	3.2
Agriculture	4.1	0.4	0.6	1.9	1.3	1.3
Industry	4.8	-0.7	-6.2	1.0	4.2	-0.8
Services	0.8	1.5	-12.2	3.8	4.0	4.7
Inflation (Consumer Price Index)	3.7	3.9	5.7	5.9	5.0	5.0
Current Account Balance (% of GDP)	-1.5	-2.1	-1.9	-3.3	-4.3	-3.9
Net Foreign Direct Investment (% of GDP)	4.8	1.4	1.6	2.5	3.6	4.0
Fiscal Balance (% of GDP)[a]	1.0	0.4	-4.0	0.3	0.3	0.3
Debt (% of GDP)[a]	97.7	94.3	110.1	100.7	89.4	82.0
Primary Balance (% of GDP)[a]	7.5	7.1	3.0	6.1	5.7	5.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Fiscal balances are reported in fiscal years (April 1st -March 31st).

MEXICO

Table 1	2020
Population, million	128.9
GDP, current US$ billion	1075.4
GDP per capita, current US$	8341.1
International poverty rate ($1.9)[a]	1.7
Lower middle-income poverty rate ($3.2)[a]	6.5
Upper middle-income poverty rate ($5.5)[a]	22.7
Gini index[a]	45.4
School enrollment, primary (% gross)[b]	105.0
Life expectancy at birth, years[b]	75.0

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2018), 2011 PPPs.
(b) Most recent WDI value (2018).

In 2020 Mexico experienced its largest output collapse since the 1930s, with large human and social costs due to the pandemic. The 2021 recovery depends on the vaccination campaign, U.S growth, and private investment. Yet, it may take some years for the country to attain its pre-crisis level of GDP per-capita. Conservative fiscal policies are expected to continue, but with eroded buffers and accumulated spending pressures, fiscal space will have to come from a tax reform. A stronger medium-term recovery could materialize from addressing pre-crisis constraints to growth and inclusion.

Key conditions and challenges

The recovery in 2021 relies on the speed of vaccination, U.S growth, and the recovery in the labor markets. However, to enable a better and sustained recovery over the medium term, the country will also need to deal with some of the most pressing pre-crisis challenges to growth and inclusion, that at the same time, are bottlenecks for job creation now. They include access to finance, lowering the regulatory burden, enabling resilient infrastructure, improving public services, and facilitating access to the labor market.

In the short term, uncertainty about the pandemic dynamics will continue to weigh on domestic demand until a large portion of the population is vaccinated. Mexico had an excellent performance in securing the contracts for the purchase of vaccines with a portfolio approach. But due to production issues, the deliveries have been somewhat protracted as it has happened in most countries.

The pandemic has also exacerbated labor market weaknesses, including high levels of informality and underemployment, low female labor force participation, and large regional disparities. The re-matching costs in the labor market are again showing to be high, and it will take time for formal jobs to recover to pre-crisis levels. While rural areas suffer from low investments in physical and human capital and high poverty rates, most of the poor live in urban areas. Access to quality education also worsened, with potential long-term impacts on human capital and productivity.

The already gradual investment recovery could be slower if the approach towards private sector involvement in some sectors, particularly energy, is not adjusted.

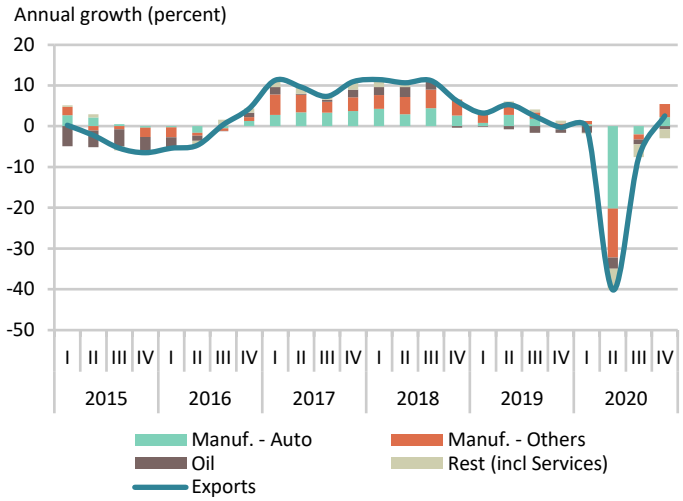
Eroded fiscal buffers, combined with a growing and delayed spending pressures (in public services and infrastructure) and the authorities' aim to safeguard debt sustainability, call for a tax reform to enable fiscal space. Additionally, to earn market credibility, a turnaround of PEMEX's financial situation will be needed.

On the upside, Mexico has the advantages of being part of the USMCA agreement, being highly open to trade, and having a strong manufacturing base well connected to the Global Value Chains (GVCs), presenting significant opportunities.

Recent developments

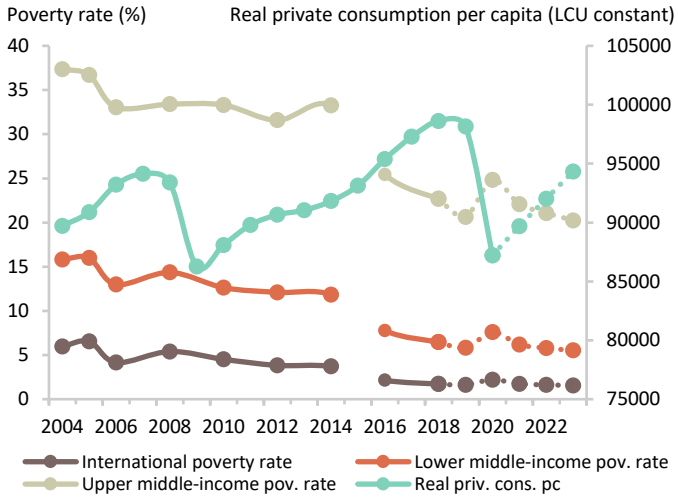
GDP contracted by 8.2 percent in 2020, with a sharp drop in the first half of 2020 as demand and supply shocks stemming from the COVID-19 pandemic had economy-wide impacts. The recovery started in the second half of 2020 as mobility restrictions eased domestically and a gradual reactivation of U.S. export demand began. By December 2020, 3 million jobs were recovered, still falling short by 3.2 million jobs (-5.8 percent) compared to December 2019. Job losses disproportionately affected informal, low-wage, younger, and female workers.

FIGURE 1 Mexico / Contribution to exports growth



Source: Banxico.

FIGURE 2 Mexico / Actual and projected poverty rates and real private consumption per capita



Source: World Bank. Notes: see Table 2.

A current account surplus of 2.5 percent of GDP was experienced in 2020, enabled by an import contraction larger than the decline in exports. Like in past crises, remittances also supported this dynamic with an increase compared to 2019, as migrants in the U.S took advantage of the peso depreciation to send more resources to their families in Mexico, among other factors.

Following a sharp depreciation over the first months of the crisis, the Mexican peso recovered terrain against the U.S. dollar, with capital accounts also registering returning inflows in the last part of 2020.

Monetary and financial policies played a critical role in supporting the economy. With inflation at 3.4 percent for 2020 and medium-term expectations within the Central Bank's band of tolerance (3 percent ± 1 percent), the cut back in policy rates continued (from 7.25 to 4.0 percent between February 2020 and February 2021). The financial sector was also supported by large liquidity and credit facilities and a regulatory forbearance program.

The fiscal response was limited (below 1% of GDP), focused on small credits to SMEs, the informal sector, and targeted social transfers to vulnerable groups. Monetary poverty is expected to have increased from 20.5 percent in 2019 to at least 24.8 percent in 2020 at the US$5.5 poverty rate. Inequality is also projected to have increased, as low-skilled workers have been the most affected.

Mexico's fiscal balance closed at -3.9 percent of GDP, driven by a moderate increase in public spending and close to constant revenues fueled by strong tax administration measures and tax settlements with large companies. Nevertheless, public debt as a share of GDP had a sizeable one-off increase due to the larger deficit, forex-denominated debt reevaluation, and the GDP drop.

Outlook

The economy is projected to expand by 4.5 percent in 2021. In the first half of the year, this will be driven by the carry-over effects of the partial recovery at the end of 2020, a rapid reactivation of the U.S. economy fueling manufacturing exports, and the gradual rollout of the COVID-19 vaccines. In the second half of 2021, and with larger percentages of the population vaccinated, domestic consumption will start a faster recovery, while the tamed imports of late 2020 and early 2021 will also accelerate to replenish inventories. The substantial contraction in 2020 and the projected gradual recovery imply that it may take several years to attain pre-pandemic GDP per capita levels.

While the large negative output gap will help contain prices and enable room to maneuver, monetary policy will need to be mindful of the U.S policy rate developments, particularly in the second half of 2021 and into 2022.

The government is expected to maintain conservative fiscal policies, working mostly through the re-prioritization of expenditures towards health, social programs, and investment. The budget for 2021 aims to stabilize and attain a gradual decline of the public debt-to-GDP ratio over the medium term.

Continued employment and labor income growth, together with social transfers, are expected to lead to a gradual reduction in monetary poverty in 2021 (to 22.1 percent) and 2022.

The recovery is subject to downside risks. The pace of vaccination will be critical to the speed of the economic recovery. Private investment can be significatively affected if proposed reforms related to private sector involvement, particularly in the energy industry, are not amended.

TABLE 2 Mexico / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.2	-0.1	-8.2	4.5	3.0	2.5
Private Consumption	2.5	0.6	-11.0	5.5	4.2	3.5
Government Consumption	2.9	-1.3	2.1	1.2	0.8	0.7
Gross Fixed Capital Investment	0.9	-4.6	-18.6	10.5	5.3	5.0
Exports, Goods and Services	6.0	1.5	-8.2	6.4	4.9	4.1
Imports, Goods and Services	6.4	-0.7	-15.1	10.0	7.5	6.5
Real GDP growth, at constant factor prices	2.1	-0.1	-8.1	4.5	3.0	2.5
Agriculture	2.3	0.3	1.9	2.5	2.8	3.0
Industry	0.5	-1.7	-10.0	5.8	3.3	2.6
Services	2.9	0.7	-7.7	4.0	2.9	2.4
Inflation (Consumer Price Index)	4.9	3.6	3.4	3.7	3.6	3.5
Current Account Balance (% of GDP)	-2.1	-0.3	2.5	0.6	-0.5	-1.4
Net Foreign Direct Investment (% of GDP)	2.1	1.8	2.1	1.9	2.0	2.1
Fiscal Balance (% of GDP)	-2.2	-2.3	-3.9	-3.3	-3.2	-3.1
Debt (% of GDP)	44.9	44.5	52.3	51.4	51.2	51.1
Primary Balance (% of GDP)	0.4	0.4	-0.9	-0.5	-0.3	-0.2
International poverty rate ($1.9 in 2011 PPP)[a,b]	1.7	1.6	2.2	1.8	1.6	1.6
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	6.5	5.8	7.6	6.2	5.8	5.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	22.7	20.7	24.8	22.1	21.1	20.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2018-ENIGHNS.Actual data: 2018. Nowcast: 2019-2020. Forecast are from 2021to 2023.

(b) Based on microsimulation model for 2019-2021. For 2022-2023, assumes neutral distribution (2018) with pass-through = 0.87 based on private consumption per capita.

NICARAGUA

Table 1	2020
Population, million	6.6
GDP, current US$ billion	12.2
GDP per capita, current US$	1844.7
International poverty rate ($1.9)[a]	3.4
Lower middle-income poverty rate ($3.2)[a]	13.1
Upper middle-income poverty rate ($5.5)[a]	35.4
Gini index[a]	46.2
School enrollment, primary (% gross)[b]	120.6
Life expectancy at birth, years[b]	74.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2014), 2011 PPPs.
(b) Most recent WDI value (2018).

Sociopolitical crisis coupled with the COVID-19 outbreak resulted in a three-year economic recession in Nicaragua and a commensurate increase in poverty levels. Eroding business confidence and uncertainty over the evolution of the pandemic have paralyzed consumption and investment. The external sector has been severely affected by a halt in tourism and financing constraints. Continued heightened political uncertainty and anticipated fiscal consolidation will restrain growth over the medium term.

Key conditions and challenges

For nearly two decades prior to the start of the recession in 2018, growth in Nicaragua averaged 4.0 percent a year, benefitting from sound macroeconomic management and a series of reforms to transform the country into a market economy. Consumption and investment were the main engines of the expansion as the country garnered a reputation of a relatively safe destination in a region afflicted by violence. Output growth has been driven primarily by factor accumulation, with total factor productivity lagging. Poverty measured at US$3.2 more than halved between 2005 and 2014, from 28 to 10 percent, driven by rural growth. The last official poverty estimates date back to 2014, but projections suggest that poverty levels continued declining until 2018.

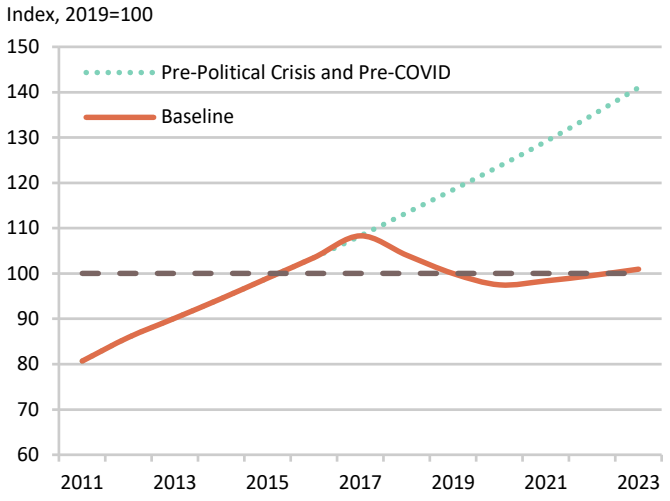
Civil unrest in 2018 followed by the COVID-19 pandemic derailed the economic expansion in Nicaragua and highlighted the country's need for improving institutions and infrastructure. Elevated uncertainty over the political environment and the evolution of the pandemic have led to a collapse in domestic demand, exacerbating vulnerabilities of the fiscal sector – particularly the pensions system. This has exposed the fragility of the country's institutions and has reversed gains in poverty reduction. Nicaragua remains one of the poorest countries in Latin America.

Uncertainties around the forthcoming elections and the evolution of the pandemic are the main immediate challenges the economy faces. Managing political uncertainty will be key to reviving the economy. Otherwise, the country will fail to attract new investment and Nicaragua will remain politically and financially isolated from the international arena, amid a series of sanctions imposed by the United States, Canada and the European Union. Additionally, as COVID-19 cases continue to rise globally, establishing a vaccination plan will be essential in ensuring a revival of tourism, a key sector.

Recent developments

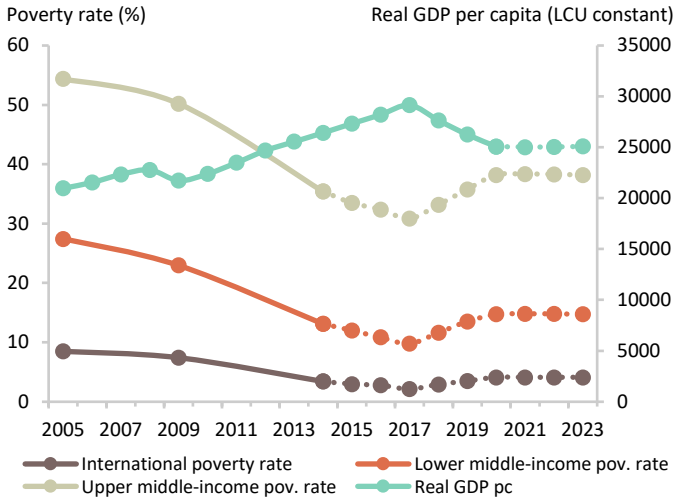
The pandemic derailed an incipient economic recovery at the start of 2020. In the first two months of 2020, a potential rebound was on the horizon driven by agriculture, mining, manufacturing, and hotels and restaurants sectors. However, the COVID-19 outbreak caused real GDP to plunge 7.5 percent (annualized) in 2020Q2 due to rising uncertainty over the evolution of the health crisis, domestic spread of the virus, voluntary private sector shutdowns, capital outflows, and plummeting tourism. Real GDP closed the year contracting an estimated 2.5 percent, which is less acute than early projections given a stronger than expected rebound in 2020Q4. The current account surplus improved to an estimated 7.6 percent of GDP in 2020 (from 6.0 percent in 2019) as a collapse in imports, resilience in remittances, and

FIGURE 1 **Nicaragua** / GDP level trajectory (pre- and post-crisis)



Sources: Central Bank of Nicaragua, World Bank.

FIGURE 2 **Nicaragua** / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

buoyant merchandise exports offset the contraction in tourism receipts. Formal employment dropped by 3 percent in 2020, following a 10 percent decline in 2019.

The fiscal deficit widened in 2020 to an estimated 3.7 percent of GDP (1.7 percent in 2019) due to higher COVID-19-related spending, including health care expenses and targeted social assistance programs, and lower revenue mobilization. The devastating humanitarian impact of the pandemic enabled the authorities to secure exceptional financing from multilateral institutions. Consequently, public debt is projected to have increased to 65.7 percent of GDP in 2020.

Complementing the fiscal policy response, the Central Bank of Nicaragua (BCN) took steps to shore up liquidity in the financial system. BCN lowered the reference rate and enabled banks to reduce the ratio of required reserves in local currency. It also tightened the allowable slide in the crawling peg to the US dollar from 5 percent to 3 percent.

The economic crisis, worsened by Hurricanes Eta and Iota in late 2020 (estimated total economic loss of 6.1 percent of GDP), pushed approximately 90,000 Nicaraguans into poverty by the end of the year. GDP per capita dropped about 14.6 percent from an estimated US$2,159 in 2017 to US$1,845 in 2020.

Outlook

Continued fiscal stimulus and remittance inflows will provide support to consumption and private investment. However, growth will remain muted, well below long-term trend at an average 1.2 percent between 2021 and 2023 amid the absence of a clear plan for the vaccine rollout and pervasive political uncertainty. Continuation of the political status quo is likely to extend Nicaragua's international isolation and deter new private investments.

The sustained inflow of remittances into the country could slow the deterioration of household incomes for many Nicaraguans (four out of every ten households receive remittances from relatives abroad) and thus attenuate the increasing trend in poverty since 2018. The share of poor households living below the international poverty line of US$3.2/day (2011 PPP) is forecasted to stay flat at 15 percent in 2021 after trending upward since 2018. Unfortunately, the impacts on other welfare outcomes may linger on. For instance, school attendance at basic education levels was less than 10 percent of the total number of students officially enrolled, likely exacerbating learning poverty.

Reconstruction efforts related to Hurricanes Iota and Eta are expected to boost fiscal spending in 2021. However, growing concerns over debt sustainability (debt-to-GDP ratios are projected to peak at 69.0 in 2022) and weak growth prospects will prompt a fiscal consolidation, thereafter, weighing on growth.

Risks to the forecast are tilted toward the downside. Growth could be stalled with a more prolonged outbreak amid vaccine rollout delays, late resumption of travel to Nicaragua, intensification of the political crisis, and natural disasters.

TABLE 2 Nicaragua / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	-4.0	-3.9	-2.5	0.9	1.2	1.4
Private Consumption	-4.5	-2.5	-2.1	2.3	2.2	2.3
Government Consumption	-1.5	1.2	6.8	2.1	-4.3	-6.3
Gross Fixed Capital Investment	-20.1	-26.0	1.5	0.5	5.0	6.6
Exports, Goods and Services	-1.0	5.3	-8.5	3.7	3.5	3.5
Imports, Goods and Services	-14.0	-5.4	-3.0	5.1	3.8	3.7
Real GDP growth, at constant factor prices	-3.2	-3.4	-2.4	0.8	1.2	1.4
Agriculture	1.0	2.3	2.2	1.4	1.6	1.6
Industry	-1.3	-3.7	-3.2	1.2	1.3	1.3
Services	-5.0	-4.8	-3.4	0.4	1.0	1.4
Inflation (Consumer Price Index)	4.9	5.4	3.5	3.0	3.2	3.3
Current Account Balance (% of GDP)	-1.9	6.0	7.6	4.5	2.7	-0.2
Fiscal Balance (% of GDP)[a]	-4.0	-1.7	-3.7	-5.4	-3.1	-0.6
Debt (% of GDP)[b]	56.2	58.5	65.7	68.6	69.0	66.5
Primary Balance (% of GDP)[a]	-2.8	-0.4	-2.5	-3.4	-1.2	1.3
International poverty rate ($1.9 in 2011 PPP)[c,d]	2.9	3.5	4.1	4.1	4.1	4.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	11.6	13.5	14.7	14.8	14.8	14.7
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	33.2	35.8	38.2	38.3	38.3	38.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Fiscal and Primary Balance correspond to the non-financial public sector.

(b) Debt is total public debt.

(c) Calculations based on SEDLAC harmonization, using 2014-EMNV. Actual data: 2014. Nowcast: 2015-2020. Forecast are from 2021to 2023.

(d) Projection using neutral distribution (2014) with pass-through = 1 based on GDP per capita in constant LCU.

PANAMA

Table 1	2020
Population, million	4.3
GDP, current US$ billion	54.8
GDP per capita, current US$	12701.4
International poverty rate ($1.9)[a]	1.2
Lower middle-income poverty rate ($3.2)[a]	4.6
Upper middle-income poverty rate ($5.5)[a]	12.1
Gini index[a]	49.8
School enrollment, primary (% gross)[b]	94.4
Life expectancy at birth, years[b]	78.3

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

Panama experienced the highest COVID-19 case count in Latin America and a GDP contraction of 17.9 percent in 2020, as its economy relies on sectors severely affected by the pandemic such as air transportation, retail, tourism, and construction. Poverty increased by two percentage points, while public debt shot up by almost 20 percentage points of GDP. Panama is facing the challenge of reigniting growth and poverty reduction, while balancing its fiscal accounts to maintain its coveted investment grade sovereign rating.

Key conditions and challenges

Panama's high growth was driven by construction of large infrastructure projects and real estate as well as logistics, retail, and tourism. In these sectors, labor income grew by 62.1 percent from 2010 to 2018, and the headcount of workers living under US$ 5.5 (PPP) a day was reduced to 3.2 percent. In 2019, however, construction was already slowing down due to oversupply, the completion of large infrastructure projects, and reduced fiscal space for public investment.

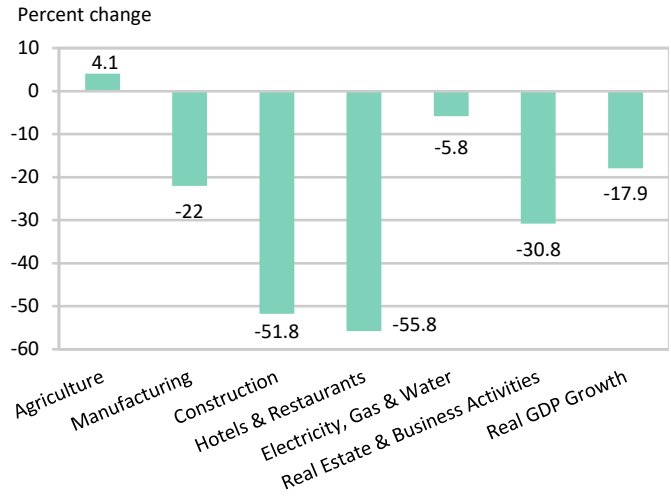
Panama has been the most affected country by the COVID-19 pandemic in LAC with an infection rate almost 50 percent higher than Brazil's, the second most affected country. Mobility restrictions and the economic fallout from the COVID-19 crisis accelerated the downturn in the construction sector and significantly disrupted the logistics, retail, and tourism sectors. The concentration of jobs in the most affected sectors of the economy make households vulnerable to the crisis. Despite recent growth, workers in the high-growth sectors remained vulnerable, with over one-fifth of them living under US$ 13 (PPP) a day in 2018. In addition, inequality remained among the highest in the world (as indicated by a Gini coefficient of 49.8 in 2019).

The main challenge for Panama is to rekindle growth. The government is resorting to measures that had a positive growth impact before the pandemic, such as tax expenditures to attract foreign direct investment (FDI) as well as public investment. However, it is not clear if this strategy will be sufficient to sustain the high-growth levels of the past. The oversupply of real estate, the work-from-home trend and the government's fiscal space limit the construction sector growth potential, while tourism is likely to take longer to recover. While the logistics sector showed some resilience, new tendencies such as reduced outsourcing and nearshoring might reduce the demand for transportation.

Recent developments

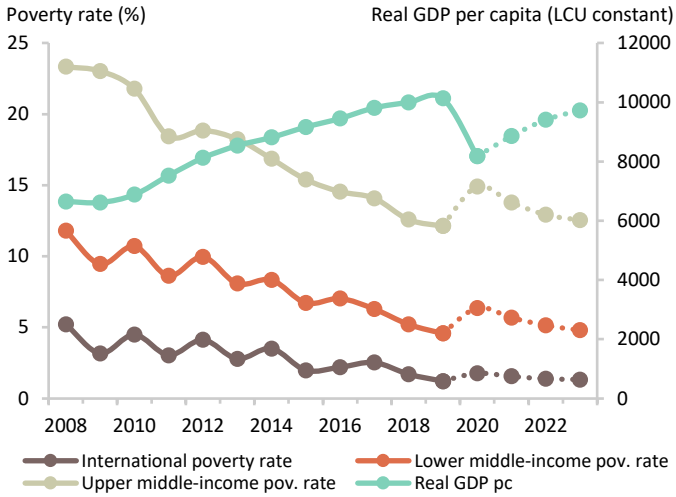
The structural forces shaping growth were amplified by the effects of the COVID-19 crisis, which led Panama to post a GDP decline of 17.9 percent in 2020. This performance reflects both a lack of demand but also a restriction on supply because of COVID-19. For example, construction, which declined by 51.8 percent, was halted from March to September, and the Panamanian airports were closed from March to mid-October. Retail activities contracted 19.4 percent led by a decline of 21 percent in the reexports from the *Colón* Free Trade Zone. There were some bright spots such as the increase in agriculture led by rice, corn, and banana crops and on mining, with copper exports posting a record output. Although energy output declined by 5.8 percent, renewable energies output increased by 37.9 percent. Those bright spots, however, were not sufficient to

FIGURE 1 **Panama** / Sectoral and real GDP growth, 2020



Sources: Dirección de Estadística y Censo.

FIGURE 2 **Panama** / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

counterbalance the negative effects of COVID-19 in other sectors.

As a result, unemployment reached 18.5 percent in 2020, and near 130,000 people are expected to fall under the poverty line of US$ 5.5 (PPP) a day, which implies an increase in the poverty headcount to 14.9 percent in 2020 from 12.1 percent in 2019. Government policies, which include transfers to households (*Panama Solidario*) for an amount equivalent to 1.3 percent of GDP, played a critical role in mitigating the adverse effects of the crisis. It is estimated that without it, poverty would have increased to 20.8 percent. The crisis has hit urban areas the hardest. Among the most affected are workers in the construction sector and women in retail and hotels and restaurants—two of the most female-intensive sectors.

The abrupt decline in GDP in 2020 together with the lower revenues (20 percent decline) and higher expenditures (four percent growth from an already high level in 2019) yielded a fiscal deficit of almost ten percent of GDP, leading the three major rating agencies to downgrade the country, putting it closer than ever to losing its investment grade.

Outlook

Panama is projected to see a strong rebound in GDP in 2021 helped by base effects, increased mining output, and new public investments being initiated such as the extension of metro line 2 and construction of line 3. The rebound, coupled with the continued support to the vulnerable through mitigation policies, would reduce poverty to pre-pandemic levels by 2023.

On the fiscal side, there does not seem to be consensus to increase taxes to balance the fiscal accounts more aggressively. The country will likely resort to containment of current expenditure, while resorting to more tax expenditures and public investments, including through Public Private Partnerships to boost growth, which in turn could increase their capacity to carry more debt sustainably. This strategy has risks and could face challenges under a more fragile fiscal situation.

The main risks are the fiscal accounts and impacts from Panama's standing in adhering to international standards on Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) on FDI inflows. On the fiscal side, the main sources of risk are the pace of fiscal consolidation and the pension system. Panama has chosen a more backloaded consolidation relaying more on growth to sustainably increase its capacity of carrying debt, instead of relying more on revenues. This strategy is risky as growth might not materialize and Panama might lose its investment grade. The pension system is structurally unbalanced and in 2020 had a cash deficit of nearly US$500 million. It is expected that cash reserves will not last more than three years. Finally, partial adherence and compliance to international standards on AML/CFT can prevent Panama from exiting international lists, negatively impacting FDI recovery.

TABLE 2 Panama / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.6	3.0	-17.9	9.9	7.8	4.9
Private Consumption	3.2	3.4	-18.5	12.0	7.5	5.2
Government Consumption	7.7	4.5	1.5	-1.4	3.7	1.8
Gross Fixed Capital Investment	0.9	0.0	-37.1	16.8	11.9	6.3
Exports, Goods and Services	5.1	-0.1	-22.0	9.5	6.0	4.5
Imports, Goods and Services	4.1	-3.3	-29.3	12.0	7.0	4.8
Real GDP growth, at constant factor prices	3.6	3.2	-17.9	9.9	7.8	4.9
Agriculture	2.3	2.5	4.1	1.7	0.8	1.0
Industry	2.8	3.4	-32.1	14.2	9.0	5.2
Services	4.1	3.2	-12.7	8.9	7.7	4.9
Inflation (Consumer Price Index)	0.8	-0.4	0.0	0.2	1.1	2.0
Current Account Balance (% of GDP)	-7.6	-5.4	-0.7	-2.2	-2.8	-3.3
Net Foreign Direct Investment (% of GDP)	7.6	5.5	3.3	5.4	5.8	6.0
Fiscal Balance (% of GDP)	-2.9	-3.5	-10.0	-8.2	-6.7	-5.3
Debt (% of GDP)	39.6	46.4	64.4	63.3	61.3	60.3
Primary Balance (% of GDP)	-1.1	-1.6	-7.3	-5.5	-4.1	-3.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	1.7	1.2	1.8	1.6	1.4	1.3
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	5.2	4.6	6.4	5.7	5.1	4.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	12.6	12.1	14.9	13.8	12.9	12.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2019-EH. Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2019) with pass-through = 0.7 based on GDP per capita in constant LCU.

PARAGUAY

Table 1	2020
Population, million	7.1
GDP, current US$ billion	33.8
GDP per capita, current US$	4739.2
International poverty rate ($1.9)[a]	0.9
Lower middle-income poverty rate ($3.2)[a]	4.5
Upper middle-income poverty rate ($5.5)[a]	15.4
Gini index[a]	45.7
School enrollment, primary (% gross)[b]	104.4
Life expectancy at birth, years[b]	74.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

Overall, Paraguay is withstanding the economic shock from the COVID-19 and global recession relatively well, and the country is estimated to have had the lowest economic decline in the region in 2020. However, urban poverty has increased over the pandemic period, and the increasing infections and delayed vaccination in early 2021 pose challenges not only for the health sector response, but also for social cohesion and the trajectory of economic recovery.

Key conditions and challenges

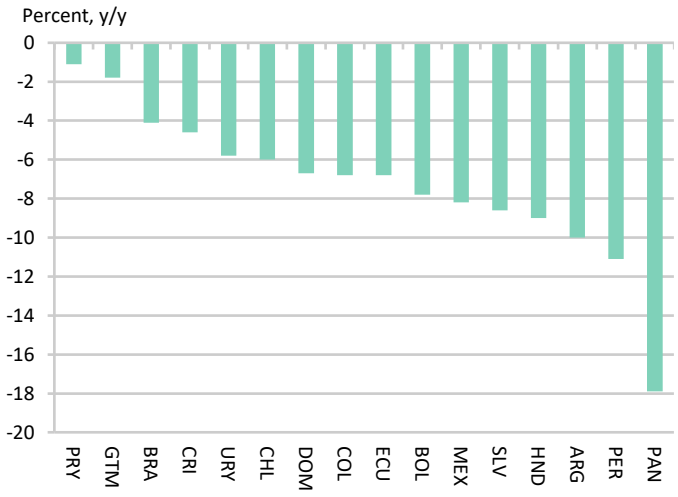
Paraguay's response to the global COVID-19 pandemic and recession was grounded in a solid macroeconomic policy framework based on fiscal rules, inflation targeting, and a flexible exchange rate regime. Its track record of prudent macroeconomic policy over the last decade enabled high economic growth, low public and external debt, and low and predictable inflation. Meanwhile, the poverty rate (less than US$5.5 per day) dropped by more than a half to 15.4 percent between 2003 and 2019. Likewise, the income of the bottom 40 percent grew at an annualized rate of 3.6 percent in the 2003-2019 period. The Gini coefficient fell by almost 5 percentage points to 45.3 since 2010.

While Paraguay's policy framework and initial crisis response measures effectively absorbed part of the COVID-19 shock, resulting in one of the lowest estimated 2020 GDP declines in the region, rising infections in early 2021, coupled with delays with vaccination, have led to social discontent and political protests. The economic downturn in 2020 was driven by the decline in external, cross-border trade and domestic demand, especially in services, because of social distancing measures. Paraguay instituted stringent quarantine measures to contain the spread of COVID early on, while the health system was still reeling from a severe dengue outbreak. The emergency package, which increased the fiscal deficit to its highest level in decades, softened the impact. However, the shock is expected to have reversed in 2020 the trend of substantial poverty reduction and improving shared prosperity since 2013. Moreover, the political crisis of March 2021 underscores the importance of addressing popular demands for better services and greater accountability of public institutions.

Recent developments

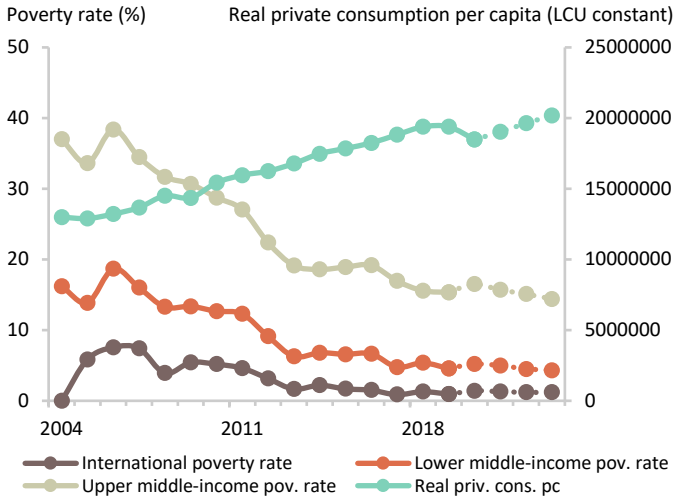
After the pandemic-induced dive in 2020Q2, the economy started to rebound in 2020H2 averaging for an estimated GDP decline of only 1.1 percent for the entire 2020, the lowest in Latin America. Well-enforced policies on social distancing at the beginning of the pandemic initially slowed its spread. As a result, GDP contracted by 6.5 percent y-o-y in 2020Q2. The negative economic impact moderated after the relaxation of some restrictions. Commodities price increases, including of soy, helped minimize the economic decline and cushioned the drop in rural household incomes. In 2020Q3, GDP declined by 1.2 percent y-o-y, and the high-frequency data indicate an even smaller decline in 2020Q4. The labor market was hit hard, partially cushioned by transfers Nangareko (cash transfer for food), Pytyvo (for informal workers), and formal sector support. In 2020Q4, unemployment grew 1.5 p.p. to 7.2 percent y-o-y with the highest increase for women (2.3 percent) and urban areas (2.5 percent). Meanwhile,

FIGURE 1 **Paraguay** / Real GDP growth in 2020, selected Latin American and Caribbean countries



Sources: National authorities and World Bank Macroeconomics, Trade & Investment Global Practice.

FIGURE 2 **Paraguay** / Actual and projected poverty rates and real private consumption per capita



Sources: World Bank. Notes: see Table 2.

in rural areas unemployment rate decreased by 0.4 percent.

After reaching its lowest point of 0.5 percent y-o-y in June 2020, the CPI picked up to 2.5 percent y-o-y by February 2021, back to the BCP's target range (4 +/- 2 percent) with limited impact on households. The BCP has maintained its accommodative policy stance, keeping the policy interest rate at a record low of 0.75 percent after the cumulative 325 bps during March-June 2020.

While the original 2020 budget foresaw an annual deficit of 1.5 percent GDP, its final result is estimated at 6.2 percent GDP in 2020. Tax revenue was down 3.8 percent y-o-y, while current expenditure increased 15.6 percent y-o-y. Spending on social benefits was up 59 percent y-o-y mainly due to new social assistance programs. Public capital expenditure increased to 3.6 percent GDP. By end-2020, public debt increased to an estimated 34.2 percent GDP.

Outlook

Growth is expected to return to an average of 3.7 percent over the period 2021-2023, bringing poverty reduction back to its pre-pandemic trend as the global economy recovers. In 2021, the recovery is expected to be gradual, with GDP growth projected at 3.5 percent, due to continuing social distancing and cross-border trade restrictions to contain the contagion, the withdrawal of temporary (2020) fiscal stimulus programs, and a decline in agricultural production after the record harvest of the previous season. Meanwhile, terms of trade gains from high food prices in international markets are likely to support the economy and support household incomes in rural areas. Likewise, the declining trend in poverty incidence is expected to slowly reassume in 2021, reaching 15.7 percent and 15.1 percent by 2022 (US$ 5.5 poverty line), pushed mainly by the recovery of labor incomes in urban areas. However, policies to equalize labor markets will need to be strengthened given the expansion of gender gaps during the pandemic. The expected continuation of coherent macroeconomic policies is also critical for this outlook. Although public debt increased during 2020, the authorities remain committed to fiscal prudence and plan to anchor this commitment in the amended FRL. Inflation is projected to return to the mid-point of the target range (4 percent) by early 2022.

Short-term risks to growth relate to pace of vaccines' availability and the global rebound. Paraguay is vulnerable to a sharper domestic economic slowdown resulting from an increase in contagion rates, extended protests and political upheaval, weaknesses and capacity constraints of the health sector, delayed vaccination, and a longer-than-expected spread of the pandemic. This would extend and deepen the domestic demand shock due to prolonged social distancing, more pronounced uncertainty, and increased fiscal tensions. Similarly, inability to respond to growing demands from society for better public services and more inclusive and accountable institutions is also an important risk that could slow Paraguay's economic growth.

TABLE 2 Paraguay / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	3.2	-0.4	-1.1	3.5	4.0	3.8
Private Consumption	4.4	1.8	-3.5	4.3	4.3	4.1
Government Consumption	3.0	4.7	4.2	1.8	0.4	1.4
Gross Fixed Capital Investment	6.9	-6.1	-3.7	1.7	5.4	4.9
Exports, Goods and Services	-0.4	-3.4	-7.8	4.1	4.2	4.1
Imports, Goods and Services	8.3	-2.0	-9.8	3.7	4.0	4.0
Real GDP growth, at constant factor prices	3.2	-0.2	-1.0	3.5	4.0	3.8
Agriculture	4.3	-3.1	8.2	-0.4	3.6	3.6
Industry	1.1	-3.0	3.1	4.2	3.9	3.9
Services	4.5	2.5	-5.9	4.0	4.1	3.7
Inflation (Consumer Price Index)	4.0	2.8	2.5	3.2	4.0	4.0
Current Account Balance (% of GDP)	-0.2	-0.6	0.3	1.1	1.0	0.8
Net Foreign Direct Investment (% of GDP)	1.1	1.4	1.1	1.3	1.3	1.3
Fiscal Balance (% of GDP)	-1.3	-2.8	-6.2	-4.0	-2.6	-2.1
Debt (% of GDP)	21.4	24.5	34.2	35.7	35.5	33.8
Primary Balance (% of GDP)	-0.2	-1.8	-5.0	-2.5	-1.2	-0.8
International poverty rate ($1.9 in 2011 PPP)[a,b]	1.3	0.9	1.4	1.3	1.2	1.2
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	5.4	4.5	5.2	5.0	4.5	4.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	15.6	15.4	16.5	15.7	15.1	14.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2019-EPH. Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(b) Projection using neutral distribution (2019) with pass-through = 0.7 based on private consumption per capita in constant LCU.

PERU

Table 1	2020
Population, million	33.0
GDP, current US$ billion	200.1
GDP per capita, current US$	6068.0
International poverty rate ($1.9)[a]	2.2
Lower middle-income poverty rate ($3.2)[a]	7.5
Upper middle-income poverty rate ($5.5)[a]	20.6
Gini index[a]	41.5
School enrollment, primary (% gross)[b]	113.5
Life expectancy at birth, years[b]	76.5

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

Peru´s economy is expected to rebound by around 8 percent, induced by a general recovery in domestic demand and exports. Poverty is projected to decline slightly this year, although additional monetary transfers might accelerate its reduction. These projections are conditional on the evolution of the second wave of the pandemic and the successful vaccination rollout. Overcoming structural challenges related to widespread informality, limited economic diversification and poor effectiveness of the state are critical for medium-term prospects.

Key conditions and challenges

The end of the commodity boom and the subsequent slowdown in economic activity revealed the structural weaknesses of Peru´s growth model, related to widespread informality, limited economic diversification and poor governance. Despite maintaining macroeconomic stability and trade openness, the main domestic pillars of the model, productivity growth was close to zero between 2013 and 2019, slowing the pace of poverty and inequality reduction. Although informality prevents most firms from growing and is an important source of low productivity, it employs around 70 percent of workers, reflecting pervasive distortions in the labor market, among other factors. An inefficient state deprives millions of Peruvians from access to quality public services. Also, reduced economic opportunities, combined with a generous availability of minerals, results in a concentrated export structure, rendering the economy vulnerable to fluctuations in commodity prices.

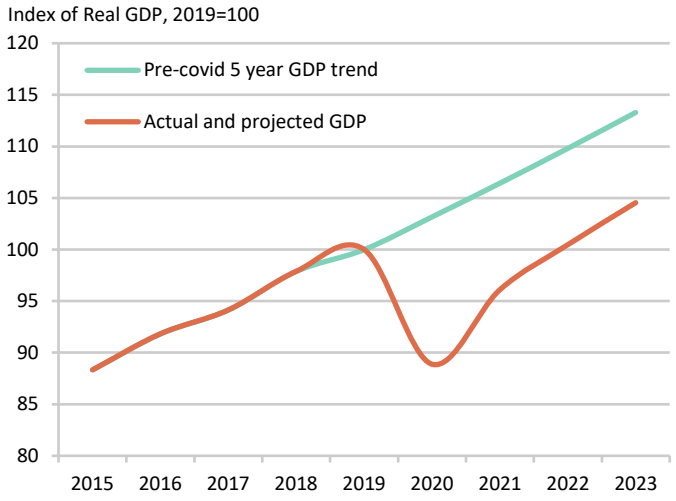
The COVID-19 crisis made these structural shortcomings increasingly visible. Peru has been among the countries hardest hit by the pandemic. Excess deaths of over 300 per 100,000 people in 2020 are amongst the world's highest. Informality, overcrowded housing conditions and poor provision of water and sanitation services are among the main causes. Furthermore, the precarious condition of the health sector led the government to enact a strict and prolonged quarantine, with considerable economic effects. Also, job informality delayed the implementation of the cash transfer program, because of incomplete citizen registries and limited access to bank accounts; however, the program did help mitigate the rise in poverty.

In the short term, the economic rebound will depend largely on the evolution of the second wave of the pandemic, containment measures, and the deployment of the vaccination program. Although the government expects to vaccinate most of the population by the end of the year, delays are likely, given limited global supply. Also, the loss of human capital during the pandemic (enrollment in early childhood and primary education fell by 7.2 and 1.9 percentage points, respectively) will constrain the productivity of the future labor force. The presidential and parliamentary elections to be held between April and June are also a source of uncertainty in the short term. In the medium-term, informality and state effectiveness must be addressed to underpin potential growth.

Recent developments

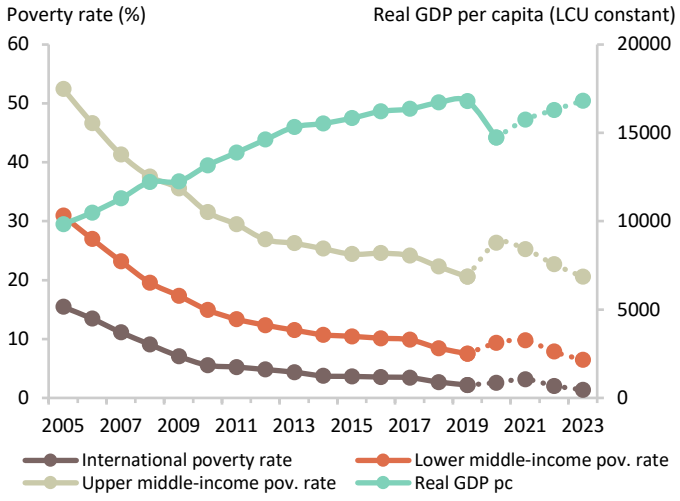
GDP declined 11.1 percent in 2020, one of the deepest recessions in the world. Total employment fell by 40 percent (about 7.1 million workers) in the first half of 2020 while earnings declined substantially for those who remained employed. Informal

FIGURE 1 **Peru** / Real GDP levels, pre-covid trend vs baseline projection



Source: World Bank staff calculations.

FIGURE 2 **Peru** / Actual and projected poverty rates and real GDP per capita



Source: World Bank. Notes: see Table 2.

workers experienced a disproportionate increase in unemployment. Gender gaps widened as female-dominated sectors were the most affected by social-distancing measures and also due to the increased responsibilities associated with school closures. While rural areas experienced lower employment losses, the quality of jobs and income levels fell more than in urban ones.

Peru's ample macroeconomic buffers allowed it to adopt a package of monetary, fiscal and financial measures equivalent to around 20 percent of GDP, aimed at supporting companies, households, and economic recovery. Nevertheless, the poverty rate ($5.5 in 2011 PPP) increased by an estimated 6 percentage points, pushing almost two million people into poverty. The Gini coefficient increased by 0.2 points in 2020. The massive roll-out of cash transfers helped mitigate the rise in poverty, which would have otherwise increased by 10 percentage points.

The public deficit increased to 8.9 percent of GDP in 2020, from 1.6 percent the previous year. Revenues fell dramatically due to the sharp contraction in economic activity. Also, the large fiscal package (health expenditures, social transfers, payroll subsidies, etc), estimated at 7 percent of GDP, pushed up expenditures. The public debt closed the year at around 36 percent of GDP, above the 30 percent legal limit.

The current account turned positive in 2020, as more favorable terms of trade, especially in the second half of 2020, helped to improve trade balance despite an abrupt decline in export and import volumes. In addition, lower outflow of investment income supported current account surplus. Inflation remained stable during the pandemic averaging 1.8 percent, while the Peruvian sol depreciated around 10 percent during the year.

Outlook

Peru's GDP is expected to rebound 8.1 percent in 2021, following last years' deep recession. Public investment execution is expected to accelerate, and private spending and the labor market will gradually gain momentum with the COVID-19 vaccine rollout. Also, external conditions would support the rebound. Copper price is at the highest level since 2012 and interest rates are projected to remain low this and next year. This would add to the favorable conditions for private investment. Under such a scenario, by end-2022, the economy is projected to return to its pre-COVID output level. Poverty is expected to decline by 1 percentage point in 2021, considering the economic recovery and the cash transfers programs implemented by the government. Inequality is projected to remain above the 2019 levels. Another round of transfers like those of 2020 would help reduce poverty, bringing it close to 2018 levels.

The fiscal deficit is projected to narrow in 2021, but public debt is expected to continue trending upwards. Economic recovery in 2021-22 should bring recovery of revenues, which, combined with the gradual expiration of pandemic-related spending programs, should reduce the fiscal deficit to around 5.5 percent of GDP in 2021. Public debt is projected to continue rising and peak in 2023, with the gradual reduction of the deficit.

The current account is expected to remain close to balance in 2021 and 2022, due to the counterbalancing effects of rising exports and imports. Mining exports are likely to increase due to the recovery in the global markets but also greater domestic supply. On the other hand, imports would mirror the expected recovery in domestic demand. Inflation is expected to remain in the lower half of the Central Bank's target range, despite temporary price pressures in specific markets and an expansionary monetary stance. Due to weak demand, closing of the negative output gap is likely to be gradual and slow, maintaining prices in check in the medium term.

TABLE 2 Peru / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	4.0	2.2	-11.1	8.1	4.5	4.1
Private Consumption	3.7	3.0	-9.8	7.6	4.0	4.0
Government Consumption	2.7	4.2	5.5	4.6	4.7	4.0
Gross Fixed Capital Investment	4.7	2.3	-20.5	9.4	6.8	5.4
Exports, Goods and Services	3.9	0.6	-18.0	14.4	5.0	4.3
Imports, Goods and Services	3.3	1.3	-14.5	11.5	5.3	5.0
Real GDP growth, at constant factor prices	4.0	2.2	-11.1	8.1	4.5	4.1
Agriculture	9.6	0.9	1.4	2.2	3.2	3.1
Industry	2.9	-0.2	-13.0	10.0	4.1	3.5
Services	4.1	3.9	-11.3	7.7	5.0	4.5
Inflation (Consumer Price Index)	1.3	2.1	1.8	2.1	2.0	2.0
Current Account Balance (% of GDP)	-1.7	-1.5	0.5	0.3	-0.1	-0.3
Net Foreign Direct Investment (% of GDP)	3.1	4.3	2.1	3.6	4.0	3.7
Fiscal Balance (% of GDP)	-2.3	-1.6	-8.9	-5.5	-3.5	-2.5
Debt (% of GDP)	26.6	27.0	35.0	37.7	38.6	39.3
Primary Balance (% of GDP)	-0.9	-0.3	-7.3	-4.1	-2.1	-1.1
International poverty rate ($1.9 in 2011 PPP)[a,b]	2.7	2.2	2.6	3.2	2.1	1.4
Lower middle-income poverty rate ($3.2 in 2011 PPP)[a,b]	8.4	7.5	9.4	9.9	7.9	6.5
Upper middle-income poverty rate ($5.5 in 2011 PPP)[a,b]	22.3	20.6	26.6	25.5	22.9	20.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Calculations based on SEDLAC harmonization, using 2007-ENAHO, 2013-ENAHO, and 2019-ENAHO. Actual data: 2019. Nowcast: 2020. Forecast are from 2021 to 2023.
(b) Projections for 2020 and 2021 consider the impact of emergency cash transfers. Projections for 2022 and 2023 use a poverty-GDP elasticity with 0.7 pass-through.

SAINT LUCIA

Table 1	2020
Population, million	0.2
GDP, current US$ billion	1.7
GDP per capita, current US$	9257.4
School enrollment, primary (% gross)[a]	102.3
Life expectancy at birth, years[a]	76.1

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

The COVID-19 pandemic caused a severe GDP contraction of 20 percent in 2020 and a sharp surge in public debt to 87 percent of GDP. The poor and most vulnerable groups have been disproportionately impacted by the crisis, compounded by potential threats from exposure to extreme climate-related events, exacerbated by climate change. It is critical for the government to balance -term fiscal measures mitigating the impacts on the most disadvantaged with long-term structural reforms maintaining fiscal and economic sustainability.

Key conditions and challenges

Prior to the COVID-19 pandemic, sustained performance in tourism and construction drove growth, averaging 3 percent over 2016-19. Unemployment decreased from 24.1 percent in 2015 to 16.8 percent in 2019, improving the income-generating ability of households. However, as a small island developing state, Saint Lucia faces unique development challenges, including the vulnerabilities of a less diversified economy and high exposure to extreme climate-related events. The rising debt level has constrained the government's capacity to address these development challenges. Although poverty decreased between 2006 and 2016 (the latest available data), income inequality remained high with the Gini index at 51.3 in 2016. The government had made progress in building economic resilience and fiscal sustainability prior to the pandemic, including designing a rules-based Fiscal Responsibility Framework (FRF) and diversifying the economy. Public debt remained stable at around 60 percent of GDP.

The COVID-19 pandemic brought great challenges to public health and has caused significant socio-economic damages. Tourism in Saint Lucia fell sharply in 2020, following the almost complete halt of international travel and caused a severe economic contraction. The pandemic has disproportionately affected the poor and vulnerable, who have limited access to basic goods and services, posing threats to food security.

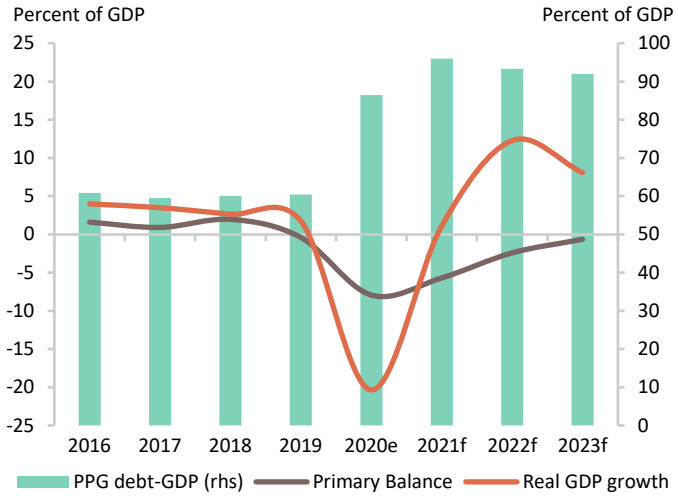
The uncertainty and severity of the ongoing pandemic have magnified the existing high risks related to disasters and external shocks. Weakness in institutional capacity and risks to debt sustainability also constrain the government's ability to cope with these risks. Focused short-term fiscal support is important to protect those most impacted by the pandemic and prevent long-term socio-economic damage. Structural reforms remain crucial to building fiscal sustainability and economic resilience over the long term. This includes the implementation of the FRF once the pandemic abates, reforms on tax expenditures and revenue enhancement, and other reforms to strengthen resilience to climate change and external shocks.

Recent developments

Real GDP contracted by an estimated 20.4 percent in 2020, the deepest decline since 1980. The fallout in tourism, which accounts for about 40.7 percent of GDP, is expected to drive the contraction and increase in unemployment. Almost 45 percent of the population working pre-pandemic had stopped working in May 2020, mostly due to COVID-19 related business closures. Women are more vulnerable to unemployment caused by the pandemic since they are more likely to work in tourism-related sectors.

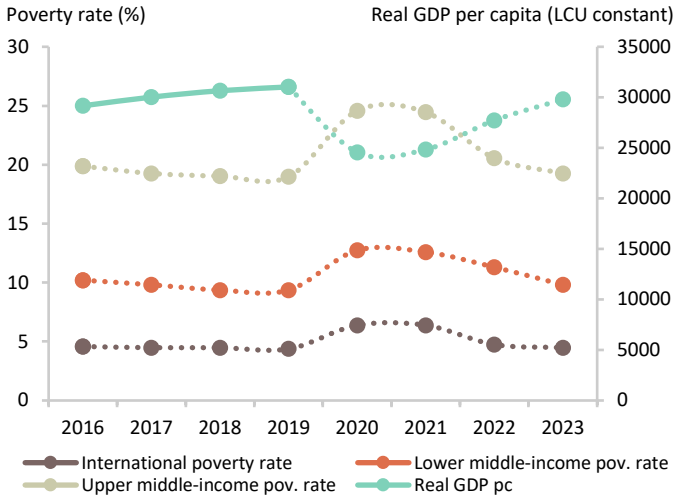
The primary deficit is estimated to have deteriorated to 7.9 percent of GDP in 2020,

FIGURE 1 Saint Lucia / The evolution of main macro variables



Sources: IMF; World Bank staff estimates; ECCB.

FIGURE 2 Saint Lucia / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

compared with an average of 1.0 percent surplus between 2016-19. General Government debt surged by 20 percent of GDP in 2020, half of which was caused by the large GDP contraction. The more than 30 percent drop of tax revenues also contributed to the deficit, due to losses in taxes on goods & services and international trade. Total expenditure increased by 7 percent of GDP due to a surge in COVID-19 related expenditures, including support to vulnerable groups and public investment projects to create jobs.

The current account deficit is estimated to widen to 14.5 percent of GDP in 2020 from a surplus of 4.6 percent in 2019. The external financing needs are expected to be financed by international development partners, partial rollover of maturing debt, and FDI inflows to tourism-related projects. The deficit is mostly driven by the sharp decline in tourism, which took up 80 percent of total exports in 2019. The drop of commodity exports also contributed to the deficit due to interruptions in international transportation. Nevertheless, the slow pace of domestic economic activities dampened the demand for imports, somewhat tempering the worsening external imbalances. Remittances have picked up in the third quarter, following a sharp temporary decline in the second quarter.

Outlook

In 2021, Saint Lucia's economy is projected to expand only marginally due to the second wave of COVID-19 cases extending into 2021 and delays in the resumption of tourism. Assuming that international travel will gradually restart towards the end of 2021, that private and public sector construction projects rebound, and with the absence of major weather-related events, the economy will rebound strongly after 2022 but will recover its 2019-level only by 2024/25.

Given the severe impacts of the pandemic, it is expected that the fiscal support measures for the most impacted groups will continue in 2021. The fiscal deficit will hence remain elevated, and debt-to-GDP will continue rising in 2021. Due to the expected fast growth, the public debt will gradually decrease, but remain above 90 percent of GDP if no strong fiscal consolidation measures and fiscal reforms are implemented.

As a result of income and job losses, poverty is expected to remain high in 2021, following the spike in 2020. It will, however, be mitigated by the measures implemented by the government, such as the extension of the main social assistance program, the Public Assistance Programme. The poverty rate at the upper middle-income international poverty line of $5.50 per person per day is projected to increase to 24.5 percent in 2021, and then gradually resume its decline to a projected 19.3 percent in 2023. The COVID-19 pandemic is hence expected to undo Saint Lucia's poverty reduction efforts made since 2017.

TABLE 2 Saint Lucia / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices[a]	2.6	1.7	-20.4	1.1	12.3	8.1
Real GDP growth, at constant factor prices[a]	2.8	2.8	-20.4	1.1	12.3	8.1
Agriculture	1.7	-0.8	1.9	2.1	2.7	2.5
Industry	-3.4	3.0	-2.7	4.4	3.7	3.3
Services	3.8	2.8	-23.3	0.5	14.1	9.0
Inflation (Consumer Price Index)	2.5	0.6	-1.7	0.3	1.4	1.6
Current Account Balance (% of GDP)	2.2	4.6	-14.4	-13.2	-3.1	1.2
Fiscal Balance (% of GDP)[b]	-1.0	-3.4	-11.5	-9.7	-6.3	-4.2
Debt (% of GDP)[b]	60.1	60.4	86.5	96.0	93.3	92.0
Primary Balance (% of GDP)[b]	1.9	-0.4	-7.9	-5.7	-2.4	-0.7
International poverty rate ($1.9 in 2011 PPP)[c,d]	4.5	4.4	6.4	6.4	4.7	4.5
Lower middle-income poverty rate ($3.2 in 2011 PPP)[c,d]	9.4	9.4	12.7	12.6	11.3	9.8
Upper middle-income poverty rate ($5.5 in 2011 PPP)[c,d]	19.0	19.0	24.6	24.5	20.6	19.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.

Notes: e = estimate, f = forecast.

(a) Growth projections for 2021-23 remain sensitive to uncertainties surrounding the timing of the vaccine roll-out and the recovery in tourism.

(b) Fiscal balances are reported in fiscal years (April 1st -March 31st).

(c) Calculations based on 2016 SLC-HBS. Actual data: 2016. Nowcast: 2017-2020. Forecasts are from 2021to 2023.Actual data: 2016. Nowcast: 2017-2020. Forecasts are from 2021to 2023.

(d) Projection using neutral distribution (2016) with pass-through = 0.87 based on GDP per capita in constant LCU.

ST. VINCENT AND THE GRENADINES

Table 1	2020
Population, million	0.1
GDP, current US$ billion	0.8
GDP per capita, current US$	7168.2
School enrollment, primary (% gross)[a]	113.4
Life expectancy at birth, years[a]	72.4

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

GDP contracted by 4.2 percent in 2020 following COVID-induced shocks and the sudden stop in tourism. Poverty is expected to have increased due to the economic contraction and a drop in household income. After several years of minimal budget deficits and primary surpluses, the COVID-19 economic shock will exert pressure on public finances. Significant public investment, including the port and a new hospital, will pose fiscal challenges as well. Risk of debt distress remains high.

Key conditions and challenges

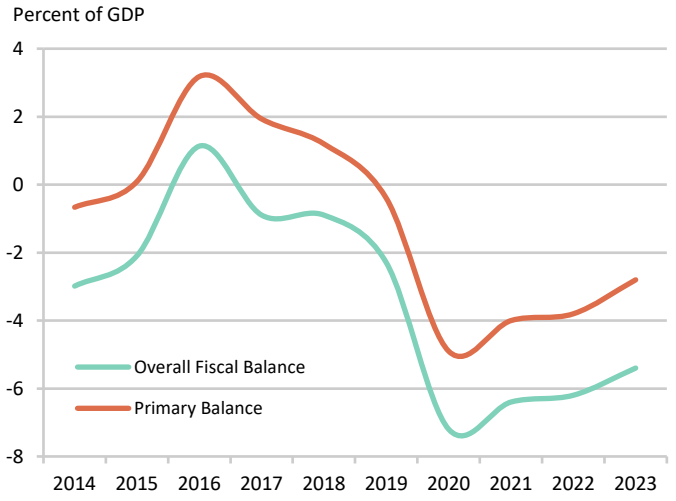
St. Vincent and the Grenadines (SVG) is a small island developing state with an economy driven largely by tourism and agriculture. This makes it particularly vulnerable to climate change, natural disasters, such as tropical storms and hurricanes, and, as experienced most recently, external economic shocks and pandemics. Prior to the COVID-19 pandemic, SVG had been in the process of upgrading essential economic infrastructure to lay the foundation for increased growth and economic diversification, including completion of a new international airport, modernization of the sea port (a 22 percent of GDP public investment), and plans for construction of a new hospital. To accommodate these essential investments, fiscal consolidation had commenced and primary budget surpluses had been achieved over a number of years in order to create fiscal space and maintain public debt at sustainable levels. This included adoption of a Fiscal Responsibility Framework with established fiscal balance, expenditure, wage bill, and debt targets and creation of a contingency fund to create increased fiscal resilience and buffers. The emergence of COVID-19 and the increasing risk of catastrophic volcano activity make this agenda increasingly challenging.

The COVID-19 shock and the resultant global recession have paralyzed the tourism sector and adversely affected domestic production. SVG has one of the highest COVID-19 case counts in the Caribbean. The government responded rapidly to the pandemic, both in terms of an effective health and control response, and in terms of a fiscal stimulus package to limit potential livelihood losses and increases in poverty. The mitigation measures support household consumption, income, and jobs. The precise poverty and welfare impact of current challenging economic and social conditions remain unclear, though there is a reasonable expectation that poverty measures have worsened as most poor work in tourism. The government completed a new household budget survey in 2019 but has not yet published new poverty estimates. Based on the last available data from 2008, the poverty rate was 30.2 percent using the national poverty line of EC$5,523 or US$2,046 per annum per adult.

Recent developments

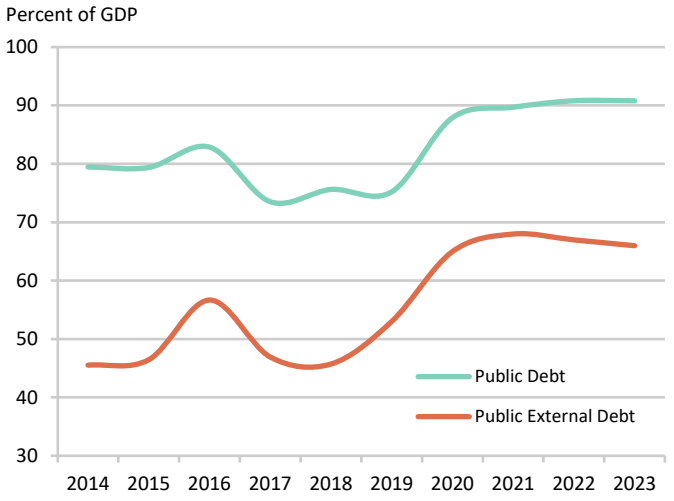
GDP is estimated to have contracted by 4.2 percent in 2020. The government extended transfers under a variety of social protection and business continuation programs, particularly targeting people who lost income because of the pandemic, the poor, and the elderly. However, these measures are unlikely to have fully offset the impacts on poverty. There is a reasonable expectation that poverty measures have worsened as household income from tourism has fallen significantly, which has also affected those indirectly dependent on tourism. Women are expected to have been especially affected, due to their high

FIGURE 1 St. Vincent and the Grenadines / Fiscal balances



Sources: SVG Ministry of Finance (2020), World Bank staff estimates.

FIGURE 2 St. Vincent and the Grenadines / Public debt



Sources: SVG Ministry of Finance (2020), World Bank staff estimates.

participation in the services sector. On top of COVID-related pressures, seismic and increasing volcanic activity at La Soufriere volcano on the main island is posing significant risk of a catastrophic event with attendant fiscal, social, and economic costs. In the event of an eruption, or rupture of the volcanic rim and lava flow from the volcano, all forecasts would need to be revised.

Through 2019, SVG had continued to consolidate spending, achieve primary budget surpluses, and record a declining debt trajectory. However, COVID-19 has led to a widening fiscal deficit, expected to be 7.2 percent of GDP in 2020. Public debt is now estimated to reach 87.9 percent at end-2020 and SVG remains at high risk of debt distress. The widening fiscal deficit in 2020 compared to 2.3 percent in 2019 is driven primarily by pandemic-related expenses and lower revenues as the economy contracts and as direct tourism-related revenues fall. With limited fiscal space to immediately reallocate current expenditures, contraction in the public investment portfolio accommodates to some extent the increased COVID-related expenditures.

Outlook

Growth in 2021 remains uncertain and dependent on pandemic developments. The 2021 peak tourism season is considered lost and, as a result, 2021 growth projections are estimated to be less than 1.0 percent. Inflationary pressures are expected to remain low and stable, and external imbalances, despite pressures from declining tourism receipts, remain well-managed by the ECCB. Risks emanating from the COVID-19 pandemic and the increasing possibility of a volcanic event remain. These risks are accentuated by the existing structural issues, including public financing uncertainties, possible financial sector instability, the loss of physical capital and infrastructure, and rising public debt vulnerabilities. A struggling economy will exert further strain on an already difficult fiscal position and perhaps aggravate financial instability from previously weakened bank balance sheets.

Real GDP growth in recent years had been driven largely by increased tourist arrivals, facilitated by the new airport. Tourism revenue is expected to recover only slowly, depressing growth prospects into 2021 and 2022. Furthermore, in an environment of low growth, high unemployment rates are expected to continue. Considering the impact on the informal sector, it is likely that poverty rates have increased. Economic stimulus and expanded social protection measures will help mitigate the impacts on poverty, though not eliminate them.

Continued fiscal reform is necessary to build fiscal buffers and to ensure public debt returns to a downward trajectory. The government is taking steps to improve tax administration, foster resilience, strengthen SOE governance, and is exploring measures to reform the government workers' pension system. Balances in the contingency fund are growing, which bodes well for future fiscal resilience, though some have been used to respond to COVID-19 demands. Envisaged fiscal consolidation to accommodate the port investment is expected to lead to primary surpluses approaching 3.0 percent of GDP once COVID -19 impacts dissipate and the port modernization is completed in 2024, facilitating a reduction in public debt levels.

TABLE 2 St. Vincent and the Grenadines / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices[a]	2.2	0.5	-4.2	0.2	5.0	3.2
Real GDP growth, at constant factor prices[a]	2.0	0.2	-4.2	0.2	5.0	3.2
Agriculture	2.8	-1.0	-6.1	8.3	2.0	-4.1
Industry	2.9	-5.6	-2.8	2.3	3.5	-0.8
Services	1.7	1.7	-4.3	-1.0	5.6	4.7
Inflation (Consumer Price Index)	2.3	0.9	-0.5	0.9	1.9	2.0
Current Account Balance (% of GDP)	-12.0	-10.0	-18.7	-16.9	-15.4	-9.3
Fiscal Balance (% of GDP)[b]	-0.9	-2.3	-7.2	-6.4	-6.2	-5.4
Debt (% of GDP)[b]	75.6	75.2	87.9	89.7	90.8	90.8
Primary Balance (% of GDP)[b]	1.2	-0.4	-4.9	-4.0	-3.8	-2.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Growth projections for 2021-23 remain sensitive to uncertainties surrounding the timing of the vaccine roll-out and the recovery in tourism.
(b) Budget balances and public debt are for the central government.

SURINAME

Table 1	2020
Population, million	0.6
GDP, current US$ billion	3.4
GDP per capita, current US$	5740.1
School enrollment, primary (% gross)[a]	109.2
Life expectancy at birth, years[a]	71.6

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent WDI value (2018).

Suriname is a small, natural resource-based economy. Over the past few years, the authorities have not adequately dealt with macroeconomic stability and commodity revenue volatility. A newly elected government has recently adopted a macroeconomic stabilization program and is in discussions with the IMF for support. The COVID-19 pandemic exacerbated existing domestic weaknesses, leading to a sharp GDP contraction and rising unemployment and poverty. The discovery of offshore oil, if adequately managed, may enable fiscal consolidation and higher growth in the medium term.

Key conditions and challenges

Suriname is a small, upper middle-income country. Natural resources play a dominant role in the economy, its exports, employment, and government revenue. The government redistributes revenue earned from extractive industries through significant public sector employment, whereas the private sector is mostly engaged in non-tradeable services. Gold currently represents more than 80 percent of total exports, while the overall mining sector accounts for over 30 percent of public sector revenue.

Suriname has struggled to establish the institutional fiscal and monetary framework that is important to support broader macroeconomic stability given the challenges posed by commodity revenue volatility. As a result, the country has not been able to recover from the recession following the sharp decline in the price of oil and gold and the closure of its bauxite mining operations in 2015. Suriname cancelled a two-year Stand-By Arrangement with the International Monetary Fund (IMF) in 2017.

The most recent poverty estimates for Suriname are from 2017 and poverty is expected to have increased since then. In 2017, over 26 percent of the population was estimated to live in consumption poverty and the Gini coefficient was 0.44. The geographical distribution of poverty was uneven: about half of the population in the rural interior of the country lived in poverty, while poverty rates were markedly lower in the greater Paramaribo region. Suriname ranked 95th out of 144 countries on the World Economic Forum´s Global Gender Gap Index.

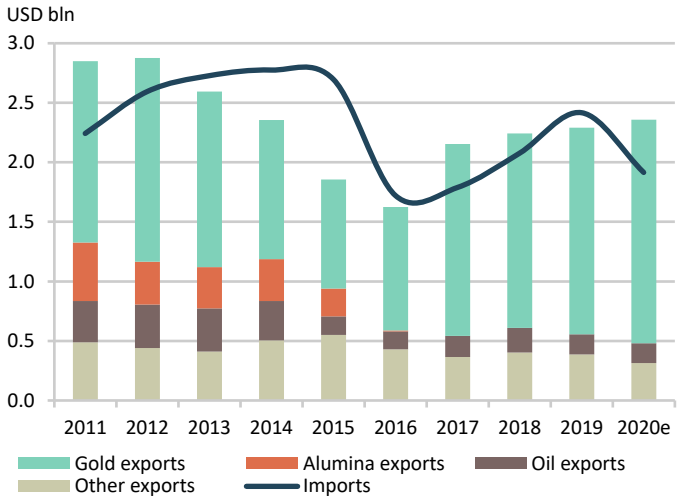
Large macroeconomic imbalances over the past few years, evidenced by high and increasing external and public finance deficits, have been financed by domestic and foreign borrowings as well as significant monetary financing in the run-up to the parliamentary elections on May 25, 2020.

Recent developments

The government, which assumed office mid-July 2020, has recently adopted an adjustment program to deal with the large public sector deficits and balance-of-payments crisis. The fiscal adjustment plan includes several revenue-enhancing and expenditure-containment measures, including a gradual reduction of energy subsidies, a temporary solidarity charge on the highest income tax brackets, and the introduction at a later date of a value added tax instead of the current turnover tax. To mitigate the impact on lower income households, the plan also includes a budget increase to cover an expansion of the social safety net.

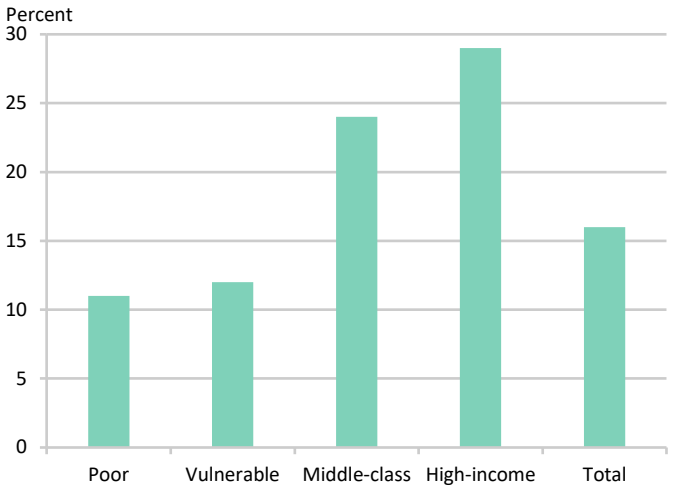
As of mid-September 2020, the Central Bank of Suriname depreciated the official exchange rate to SRD14.3/USD from SRD7.5/USD. Despite the intention to eliminate the premium in the parallel foreign exchange market, the currency still

FIGURE 1 Suriname / External trade, 2011-2020



Sources: Central Bank of Suriname (CBvS).

FIGURE 2 Suriname / Share of workers who can work from home by income group



Sources: World Bank calculations based on 2017 Suriname Survey of Living Conditions.

trades at a discount of approximately 25-40 percent. A depreciation of the official exchange rate was needed as the country had ran out of usable international reserves and has already led to a turnaround in the balance of payments´ current account due to a sharp contraction in imports. The pass-through from currency depreciation to consumer price inflation has been significant as consumer prices experienced an accumulated 12-month inflation of 61 percent by the end of 2020 compared to 4.2 percent end-2019.

Although the confirmed incidence rate is low relative to the regional averages, the COVID-19 pandemic exacerbated an already challenging and volatile situation. The combined impact of the pandemic and macro-economic volatility led to a sharp contraction of output in 2020 by about 14.5 percent and an increase in registered unemployment by at least 7 percent. Though new poverty data are not yet available, increased unemployment, a contraction in output, and a sharp increase in inflation are all expected to have contributed to an increase in poverty and worsened inequality. It is likely that households with the lowest incomes were hit hardest, as their occupations are least amenable to working from home. Women are expected to be particularly affected, as school closures increased their caregiving burden. Up-to-date household survey data are urgently needed to assess poverty and inequality and inform policy decisions.

With nearly three-quarters of public debt denominated in foreign currency, currency depreciation, continued deficit financing, and the contraction of GDP rapidly raised public debt as a share of GDP to about 148 percent by the end of 2020. The government and bondholders of two capital market bonds (to an amount of US$675 million or about 22 percent of total outstanding public debt) agreed last December to reschedule debt service payments on these bonds untill March 31, 2021. Further amendments to the debt service schedule are conditioned on agreement to a new program with the IMF.

Outlook

Agreement on a program with the IMF as well as a restructuring of external debt seems a necessary condition to the success of the country's macroeconomic stabilization. Public sector external financing needs continue to remain substantial over the next couple of years because of a gradual reduction of the large public sector deficits and significant debt service payments. Reduced import demand and higher gold prices already caused a significant turnaround of the current account, which is much needed to rebuild the country's international reserves.

Elevated unemployment rates and negative GDP growth are expected to continue to stymie poverty reduction. During the coming phase of adjustment, efforts to maintain and expand the social safety net are considered key to limit exposure of the poorest and most vulnerable and to mitigate impacts on poverty. A significant, growth-driven reduction in poverty rates is not expected in the immediate future.

Prospects of oil production have improved following potentially large offshore oil discoveries. Apache Corporation and its partner Total have announced four important oil discoveries since January 2020, including one this year. Exxon Mobil and Petronas announced a discovery in December and Royal Dutch Shell completed its acquisition of Kosmos Energy's position in Surinamese waters. The discoveries are expected to support the economy even though it may take a number of years to bring the production on stream.

TABLE 2 Suriname / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	2.6	0.3	-14.5	-1.9	0.1	1.3
Real GDP growth, at constant factor prices	2.6	0.3	-14.7	-2.0	0.1	1.3
Agriculture	-1.8	-2.0	-17.4	-17.9	1.2	4.2
Industry	5.8	-2.4	-18.1	-0.2	0.0	0.7
Services	0.9	3.9	-10.3	1.3	-0.1	1.2
Inflation (Consumer Price Index)	6.9	4.5	34.9	26.8	6.0	4.0
Current Account Balance (% of GDP)	-3.4	-12.2	6.0	9.5	8.3	8.1
Net Foreign Direct Investment (% of GDP)	3.5	-0.5	-2.7	-1.9	1.8	3.6
Fiscal Balance (% of GDP)[a]	-11.4	-21.4	-16.7	-12.7	-8.6	-5.3
Debt (% of GDP)[a]	72.5	93.8	148.3	134.4	139.2	141.2
Primary Balance (% of GDP)[a]	-7.9	-17.9	-12.6	-7.0	-3.5	-0.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate, f = forecast.

(a) Budget balances and public debt are for the central government.

URUGUAY

Table 1	2020
Population, million	3.5
GDP, current US$ billion	54.7
GDP per capita, current US$	15752.3
International poverty rate ($1.9)[a]	0.1
Lower middle-income poverty rate ($3.2)[a]	0.5
Upper middle-income poverty rate ($5.5)[a]	3.2
Gini index[a]	39.7
School enrollment, primary (% gross)[b]	106.0
Life expectancy at birth, years[b]	77.8

Source: WDI, Macro Poverty Outlook, and official data.
Notes:
(a) Most recent value (2019), 2011 PPPs.
(b) Most recent WDI value (2018).

Despite a 5.8 percent GDP contraction in 2020, Uruguay is poised for a rebound of over 3 percent in 2021 and 2022. While immediate fiscal consolidation plans were postponed, the Government's commitment to fiscal sustainability is reflected in the reduction of non COVID-19 expenditures and the adoption of a fiscal rule. The country's existing social safety net protected the most vulnerable from the economic downturn, but risks lie on the downside, notably from the closing of borders to foreign tourism.

Key conditions and challenges

The COVID-19 outbreak put an end to Uruguay's longest consecutive economic growth and poverty reduction period that had lasted for 17 years. In this period, the country's strong institutions were buttressed by prudent macroeconomic and fiscal management and trade diversification. Along with favorable external conditions, this generated substantial gains in economic growth and inclusion. In the process, the country achieved high-income status and its debt was classified as investment grade. Over time, the growth engines however began showing signs of exhaustion, with an average annual GDP growth rate of 0.9 percent since 2015 and a slowdown in poverty reduction. This trend brought GDP growth practically to a halt in 2019.

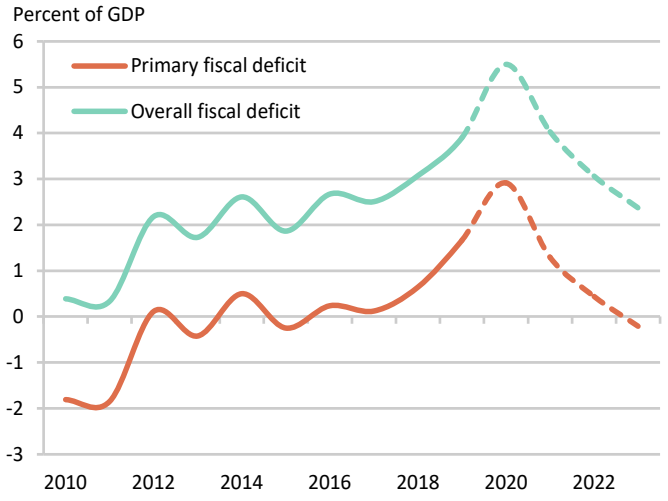
Uruguay's relatively effective handling of the pandemic did not prevent a sharp economic contraction in 2020. An effective containment strategy and the social safety net reinforced by emergency measures initially kept contagion under control, limited the economic impact on the most vulnerable, and allowed for a gradual reopening and economic recovery. In November, following an increase in COVID-19 cases, the Government closed borders to foreign tourism, a key driver of economic activity in the summer season. GDP fell an estimated 5.8 percent in 2020, larger than originally envisioned, but still among the mildest in the region.

The COVID-19 shock postponed the Government's immediate fiscal consolidation plans, seen as a precondition to increase potential growth. Yet, the Government advanced reforms to tackle long-standing structural growth bottlenecks. Most salient reforms are reflected in the Urgent Consideration Law, including the implementation of a fiscal rule, a plan to boost competitiveness that includes SOE reform, a call for a comprehensive pension reform, and a reform to the education system. The new Central Bank (CB) administration announced a new monetary framework, including a narrower inflation target range. Many of the details of these policies are still pending and the short-term outlook for Uruguay is subject to considerable risks, mainly tied to the evolution of the pandemic.

Recent developments

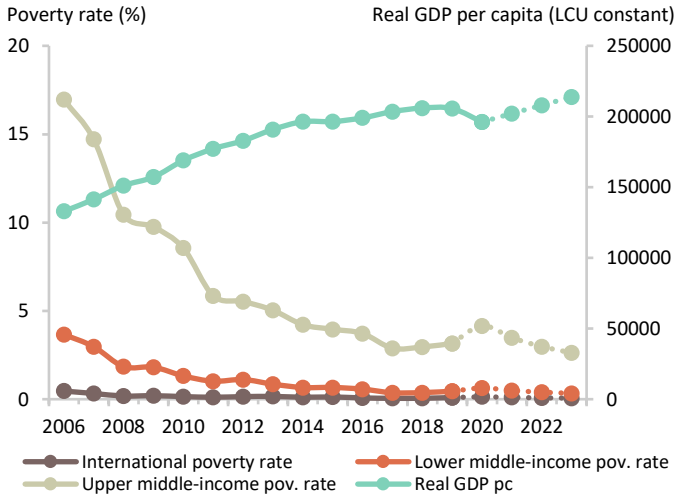
Economic activity fell sharply in the first half of 2020, led by sectors sensitive to social distancing, such as hospitality and retail. The CB issued new (rebased) national accounts, which resulted in higher GDP levels (9 percent on average for 2016-2019), but lower growth for the last 3 years (an average of -0.7pp per year). According to the new national accounts, GDP recovered 7.8 percent in 2020Q3 (qoq) favored by regained mobility, but it was still 5.8 percent below its previous peak. Acceleration in the spread of the pandemic in 2020Q4 and renewed containment measures buffered the prospects

FIGURE 1 Uruguay / Actual and projected primary and overall fiscal deficits



Sources: Ministry of Economy and Finance, Central Bank of Uruguay and World Bank staff calculations.

FIGURE 2 Uruguay / Actual and projected poverty rates and real GDP per capita



Sources: World Bank. Notes: see Table 2.

of a stronger recovery. Yet, labor participation recovered to 61.3 percent in December (from 57.7 percent in April) and the employment rate increased from 52.1 to 54.9 percent in the same period.

The current account deteriorated due to investments in an ongoing US$3bn paper mill project (UPM 2) and related import demand, coupled with a sharp fall in exports. The initial depreciation of the peso triggered a temporary rise in inflation that subdued once the exchange rate stabilized. Still, average inflation in 2020 reached 9.8 percent, its highest record since 2003. The CB shifted its policy focus from monetary aggregates to the interest rate, announced a tighter monetary policy stance once growth resumes, and lowered the inflation target range to 3-6 percent.

The COVID-19 shock postponed earlier plans for fiscal consolidation. The fiscal deficit grew from 3.9 percent of GDP in 2019 to 5.5 percent of GDP in 2020, due to lower revenues and COVID-19-related expenditures. A real reduction in public wages and capital expenditures, and exceptional taxes raised on public-sector high earners, helped mitigate the fiscal gap and signaled Government's continued commitment to fiscal prudence.

The existing social protection system and the Government's emergency measures mitigated COVID-19-related negative effects on labor income and welfare. Flexibilization of the unemployment insurance scheme has prevented households in the middle of the distribution from falling into vulnerability. Welfare losses in the lower end of the distribution were partly contained by increases in the benefit amounts of existing transfers, and a new transfer targeting informal workers not covered by other programs. Overall, 35,000 people are expected to have fallen under the international upper middle-income poverty line (from 3.2 in 2019 to 4.2 percent in 2020).

Outlook

The late COVID-19 flare-up and its effects on tourism lowered expectations of a strong economic recovery and emphasized the downside risks. However, the expected recovery in external demand conditions and domestic absorption results in a projected 3.4 percent GDP growth in 2021, with quarterly GDP reaching its pre-pandemic level in late 2021. The UPM 2 project is expected to contribute significantly to GDP growth through 2023, during construction and once operational. It will contribute to a larger current account deficit for the next two years, but is expected to boost exports starting in 2023. GDP growth is expected to gradually converge down to 2.5 percent by 2023, by when a stronger anti-inflationary stance is expected to bring inflation down.

The fiscal consolidation plan for 2021 in the quinquennial budget will be eased, given the deeper and longer than anticipated effects of the pandemic. Still, the fiscal deficit is expected to fall to 4 percent of GDP in 2021 and continue to improve going forward in the context of the newly enacted structural fiscal rule, based on the phasing out of COVID-19-related expenditures, stronger economic growth, and efficiency gains. A primary surplus is projected in the forecast horizon. A pension reform, currently under discussion by a multi-party technical committee, will also shape the longer-term fiscal prospects.

Despite a recovery in labor market performance in 2020Q3, the tourism-season shock is expected to deteriorate employment conditions. Recovery dynamics in labor-intensive sectors that fell behind overall economic activity may contribute to increased vulnerability and inequality, and prevent poverty from returning to pre-pandemic levels in 2021. Unemployment among women has been increasing since the onset of the pandemic and may continue this trend if difficult conditions in the hospitality industry persist.

TABLE 2 Uruguay / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2018	2019	2020 e	2021 f	2022 f	2023 f
Real GDP growth, at constant market prices	0.5	0.3	-5.8	3.4	3.1	2.5
Private Consumption	2.1	0.5	-5.6	2.4	2.1	1.4
Government Consumption	2.6	0.2	1.9	0.3	-0.4	0.6
Gross Fixed Capital Investment	-9.0	-1.7	-0.3	5.3	5.6	5.6
Exports, Goods and Services	-1.7	6.3	-13.0	11.1	7.9	3.3
Imports, Goods and Services	0.0	1.5	-5.9	8.5	5.6	1.5
Real GDP growth, at constant factor prices	0.4	0.6	-5.8	3.4	3.1	2.5
Agriculture	4.5	1.3	-5.8	4.0	3.1	2.5
Industry	5.8	-2.2	-6.0	4.5	3.9	2.0
Services	-0.7	1.0	-5.8	3.2	3.0	2.6
Inflation (Consumer Price Index)	7.6	7.9	9.8	7.5	6.9	6.3
Current Account Balance (% of GDP)	0.0	0.9	-0.5	-1.4	-0.7	-0.6
Net Foreign Direct Investment (% of GDP)	4.4	4.5	5.4	5.6	4.9	4.8
Fiscal Balance (% of GDP)[a]	-3.1	-3.9	-5.5	-4.0	-3.1	-2.4
Debt (% of GDP)	55.5	56.7	66.3	67.7	67.3	64.8
Primary Balance (% of GDP)[a]	-0.6	-1.7	-2.9	-1.3	-0.4	0.2
International poverty rate ($1.9 in 2011 PPP)[b,c]	0.1	0.1	0.1	0.1	0.1	0.1
Lower middle-income poverty rate ($3.2 in 2011 PPP)[b,c]	0.4	0.5	0.6	0.5	0.4	0.3
Upper middle-income poverty rate ($5.5 in 2011 PPP)[b,c]	3.0	3.2	4.2	3.5	3.0	2.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices.
Notes: e = estimate. f = forecast.

(a) Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".

(b) Calculations based on SEDLAC harmonization, using 2013-ECH, 2018-ECH, and 2019-ECH. Actual data: 2019. Nowcast: 2020. Forecast are from 2021to 2023.

(c) Projection using point-to-point elasticity (2013-2018) with pass-through = 1based on GDP per capita in constant LCU.

Macro Poverty Outlook

04/
2021

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