BOLIVIA

Table 1	2023
Population, million	12.4
GDP, current US$ billion	45.8
GDP per capita, current US$	3699.8
International poverty rate ($2.15)[a]	2.0
Lower middle-income poverty rate ($3.65)[a]	5.4
Upper middle-income poverty rate ($6.85)[a]	15.2
Gini index[a]	40.9
School enrollment, primary (% gross)[b]	96.4
Life expectancy at birth, years[b]	63.6
Total GHG emissions (mtCO2e)	136.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2012); Life expectancy (2021).

After expanding an estimated 2.4 percent in 2023, the economy is expected to slow further as macroeconomic imbalances increasingly weigh on growth and prevent poverty reduction. Limited access to external financing, increased economic uncertainty, and low levels of international reserves will continue to constrain public spending and private sector activity. Bolivia would benefit from implementing a medium-term strategy to address macroeconomic imbalances, enhance fiscal policy efficiency and progressivity, and foster private investment-led growth.

Key conditions and challenges

The Government's state-led development strategy focused on import substitution, natural resource extraction, and public investment through state-owned enterprises has led to structurally high fiscal deficits, dwindling reserves, and a loss of access to international capital markets. Macroeconomic imbalances have been compounded by structural weaknesses, including a narrow export base, a decline in gas production, and a weak business environment that is depressing private-sector investment. As a consequence, growth is slowing significantly, and the country now has very limited buffers to respond to external and climate shocks. A credible medium-term plan to reduce the fiscal deficit, improve the business environment, and strengthen institutions is critical to address macroeconomic imbalances, ignite new sources of growth, and reinvigorate poverty reduction.

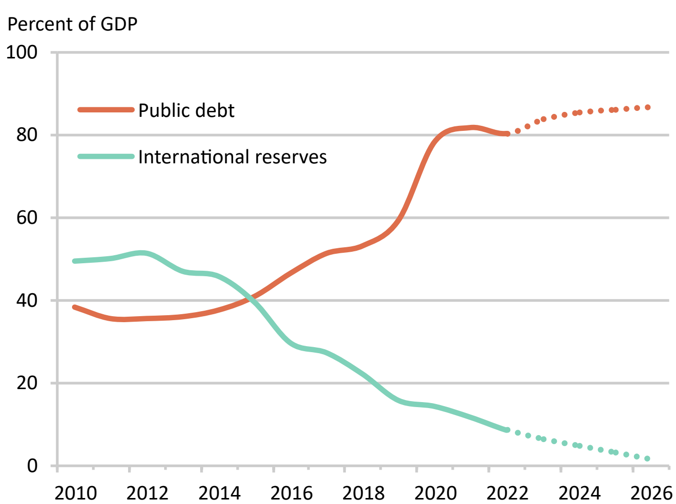
Fiscal sustainability and performance could be enhanced by transitioning from universal fuel subsidies to more targeted support mechanisms, rationalizing public investment, including in state-owned enterprises, making public procurement more efficient, and improving focus and progressivity of subsidies and social spending. Current social assistance programs are not effectively supporting the poor and vulnerable, with modest benefits not indexed to inflation, and their design limits their ability to respond swiftly to economic shocks.

The ongoing demographic transition, increasing urbanization, and a more educated workforce are increasing the urgency of generating more and better jobs. Fostering foreign and private investment, as well as productivity growth among small and medium-sized enterprises, is critical to accelerate growth and job creation and would benefit from reducing red tape, removing tax distortions, modernizing labor regulations, improving transport and logistics, easing agricultural export restrictions, and fostering environmentally and socially sustainable mining.

Recent developments

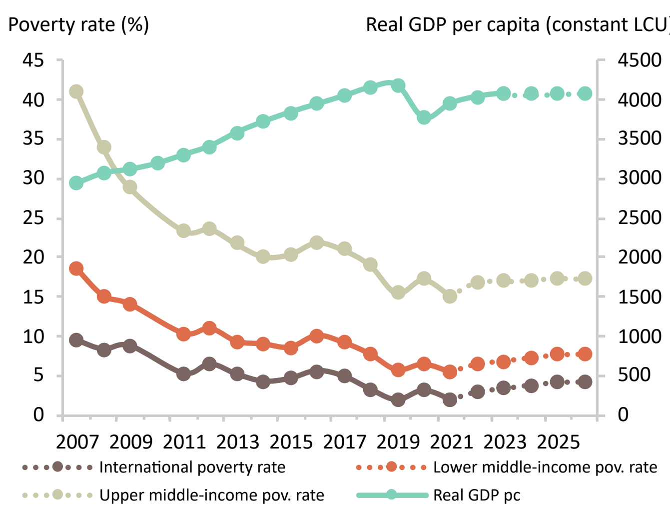
The economy expanded by an estimated 2.4 percent in 2023 as it continued to slow due to declining gas exports, dollar and fuel shortages, political tensions, and a severe drought. Subsidies and a fixed exchange rate helped keep inflation low at 2.1 percent in December 2023 (y-o-y change). The 12-month rolling fiscal deficit increased from 7.1 percent of GDP in December 2022 to 7.6 percent in June 2023 as declining gas exports, high subsidies, and rising interest payments more than offset the reduction in capital expenditure. Public debt increased to an estimated 84 percent of GDP in 2023, with the Government working on getting legislative approval for external loans and tapping into pension funds financing, crowding out the financial sector.

FIGURE 1 Bolivia / Public debt and international reserves



Sources: Central Bank of Bolivia and Ministry of Economy and Public Finance.

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



Source: World Bank. Notes: see Table 2.

Growth of employment and labor force participation rates decelerated throughout 2022 and came to a halt in 2023 due to the slowdown in economic activity. Underemployment stood at 6.3 percent (2023 Q3), still above pre-pandemic levels (4.5 percent in 2019 Q3). Labor informality remains high, with only 26.5 percent of workers covered by social security. Real household income is expected to stagnate in 2023 due to sluggish growth in real wages, alongside moderate real growth in remittances, and social assistance cash transfers failing to keep pace with inflation. In this context, poverty levels are anticipated to remain largely unchanged at 17 percent in 2023 (measured at the upper middle-income line of US$6.85/day in 2017 PPP).

The country's external situation weakened in 2023. The current account balance is estimated to have fallen to -2.3 percent of GDP, driven by a shift from a trade surplus of US$1.8 billion in 2022 to a deficit of US$585 million in 2023 due to a decrease in gas exports and increased fuel imports. The country's international reserves declined to 1.7 billion dollars at the end of the year, a value close to the legal minimum level of 22 tons of gold, due to declining gas export earnings, elevated government subsidies, repayments on foreign debt, and gold sales. These dynamics contributed to a severe shortage of U.S. dollars and a significant difference between the official exchange rate and the parallel market rate. In February 2024, the Government agreed with the private sector to ease the agricultural export restrictions subject to a commitment to supply the domestic market and deposit the dollars in the financial system. Still, it expressed a strong commitment to preserve the exchange rate peg.

Outlook

Growth is expected to decline to 1.4 in 2024 as existing macroeconomic imbalances increasingly limit private consumption and El Niño continues to impact agricultural output in the first half of 2024. Dollar shortages are expected to continue as the measures agreed with the private sector to ease export restrictions are not part of a strategy to address the underlying unsustainable fiscal balances. The fiscal deficit will continue at high levels due to falling hydrocarbon revenues and high subsidies. Public debt, including with the Central Bank, will increase from 80 percent in 2022 to 87 percent in 2026 (Figure 1).

Poverty is expected to remain constant at around 17 percent (US$6.85/day in 2017 PPP) in 2024 and 2025 amid the economic slowdown and weak private investment. The purchasing power of poor and vulnerable households is expected to erode given mounting inflationary pressures and the failure to adjust the value of existing cash transfers to rising prices. Inflation is expected to increase to 4.4 in 2024 as dollar shortages, political tensions, and social unrest generate import constraints and supply bottlenecks.

The current account deficit is projected to remain close to 2.5 percent due to low commodity prices and declining natural gas production. The impact of mobilizing foreign and public investment in lithium development and gas exploration is expected to be limited during the projection period due to the long investment horizons. Limited access to external financing and falling international reserves will constrain public spending, including public investment.

Depleted macroeconomic policy buffers increasingly expose the economy to downside risks, including lower commodity prices and natural disasters. Political tensions limit the room to address imbalances and the capacity to maneuver in a more adverse economic context that could shift market sentiment and erode confidence in the boliviano.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.1	3.5	2.4	1.4	1.5	1.5
Private consumption	5.3	4.2	2.3	2.2	2.1	2.0
Government consumption	5.4	4.0	1.9	-1.4	-0.8	-0.3
Gross fixed capital investment	11.9	6.5	5.7	-0.2	-0.7	-0.2
Exports, goods and services	15.4	15.6	-15.4	1.8	3.0	2.9
Imports, goods and services	15.7	7.6	0.6	1.2	1.5	1.6
Real GDP growth, at constant factor prices	6.4	3.5	2.5	1.4	1.6	1.6
Agriculture	1.8	3.7	3.0	3.4	4.4	4.4
Industry	9.6	1.0	1.0	0.8	0.8	0.8
Services	5.8	5.3	3.5	1.2	1.3	1.2
Inflation (consumer price index)	0.7	1.7	2.6	4.4	4.5	4.5
Current account balance (% of GDP)	2.2	-0.4	-2.3	-2.6	-2.5	-2.5
Net foreign direct investment inflow (% of GDP)	1.2	0.7	0.7	0.7	0.7	0.7
Fiscal balance (% of GDP)	-9.3	-7.1	-7.2	-6.8	-6.4	-6.5
Revenues (% of GDP)	25.1	26.6	26.4	26.2	25.8	24.4
Debt (% of GDP)	81.6	80.1	83.6	85.5	86.2	86.5
Primary balance (% of GDP)	-7.9	-5.5	-5.4	-4.7	-4.1	-4.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.0	3.0	3.4	3.8	4.1	4.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	5.4	6.5	6.9	7.3	7.7	7.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	15.2	16.9	17.0	17.2	17.4	17.3
GHG emissions growth (mtCO2e)	2.7	0.5	0.7	0.6	0.8	0.9
Energy related GHG emissions (% of total)	15.5	16.0	16.6	17.2	17.9	18.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on SEDLAC harmonization, using 2021-EH. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.