Latin America and the Caribbean

Macro Poverty Outlook

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

Spring Meetings 2024

WORLD BANK GROUP
Macroeconomics, Trade & Investment
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Latin America and the Caribbean

Spring Meetings 2024

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Saint Vincent and the Grenadines
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ARGENTINA

Table 1	2023
Population, million	46.5
GDP, current US$ billion	624.6
GDP per capita, current US$	13426.9
International poverty rate ($2.15)[a]	0.6
Lower middle-income poverty rate ($3.65)[a]	2.5
Upper middle-income poverty rate ($6.85)[a]	10.9
Gini index[a]	40.7
School enrollment, primary (% gross)[b]	110.2
Life expectancy at birth, years[b]	75.4
Total GHG emissions (mtCO2e)	406.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

The government faces the challenge of correcting significant macroeconomic imbalances while ensuring the protection of the most vulnerable. Priorities include eliminating the fiscal deficit, realigning prices, and strengthening the Central Bank's balance sheet. Inflation surged in December but is now declining. Despite the expansion of social programs, poverty rose to an estimated 12.4 percent in 2023. The economy is projected to shrink by 2.8 percent in 2024, with poverty reaching 15.1 percent.

Key conditions and challenges

Argentina has faced a decline in GDP per capita over recent decades, marked by a history of recurrent fiscal deficits and highly procyclical fiscal policies. These factors have contributed to economic volatility and repeated crises. Macroeconomic distortions have eroded Argentina's competitiveness and hindered export diversification, thereby impeding the country's ability to fully capitalize on its comparative advantages in agroindustry, as well as in select manufacturing and service sectors. As a major food producer, the country has become increasingly susceptible to weather-related shocks.

The country is now confronting the challenge of rectifying significant and enduring macroeconomic imbalances while preserving social stability. The central bank's monetary financing of persistent fiscal deficits over the last decade has resulted in soaring inflation, which reached triple digits in 2023. The implementation of multiple price controls has led to price misalignments, causing resource misallocation and complicating efforts towards economic stabilization.

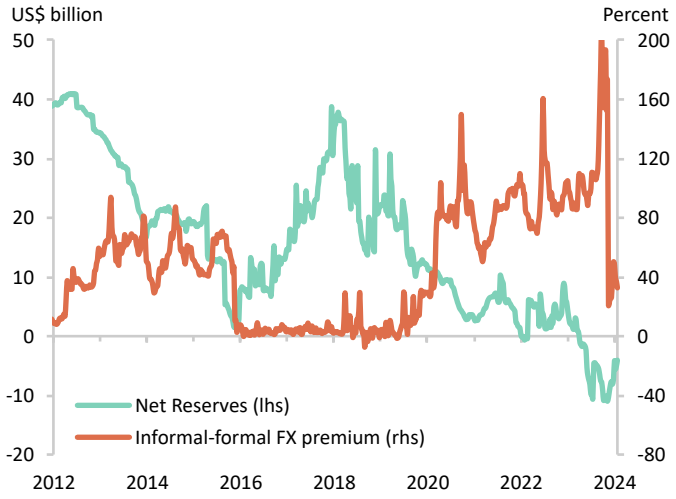
To address these macroeconomic imbalances and rebuild economic confidence, comprehensive reforms are essential. The immediate priority is a fiscal consolidation strategy that halts the monetary financing of the fiscal deficit while safeguarding the poor. Such a strategy would need to be coupled with measures to strengthen the Central Bank's balance sheet and refine the monetary policy framework. Bold reforms are needed to remove barriers to growth, including by improving education outcomes and enhancing the business climate. These reforms (along with a credible and sustainable macroeconomic policy framework) are critical for encouraging private sector investment and job creation.

The labor market's apparent resilience in 2022-2023, with record low unemployment rates of around 6 percent, belies an unsustainable increase in public employment and a surge in vulnerable independent workers. Informal employment continues to be widespread, accounting for nearly 40 percent of the labor force. Concurrently, real wages have declined by an average of 25 percent between 2018 and 2023, resulting in income losses for all population segments, especially the middle class. Urban poverty rose from 10.9 percent in 2022 to an estimated 12.4 percent in 2023, based on the international poverty line of US $6.85 per day (2017 PPP).

Recent developments

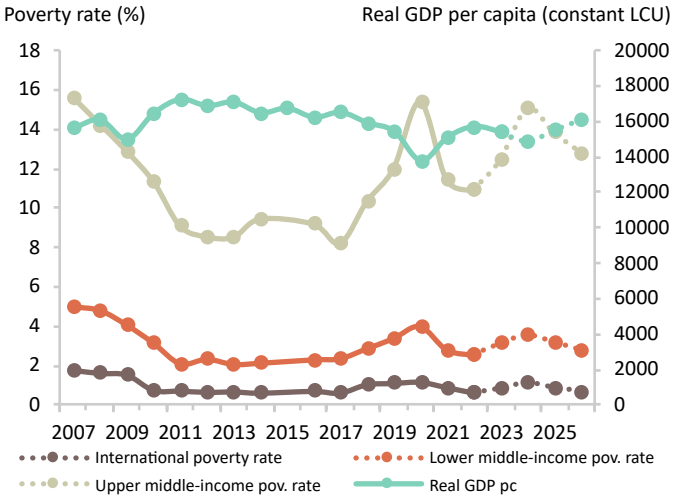
The economy is estimated to have contracted by 1.6 percent in 2023, largely due to persistent macroeconomic imbalances, a severe drought that led to a 26 percent year-over-year decline in agricultural production, and related export losses amounting to approximately US$20 billion. The current account deficit expanded to 3.5 percent of GDP, exacerbating pressures on

FIGURE 1 **Argentina** / Net international reserves and percent difference between official and informal exchange rate



Source: World Bank based on Ministry of Economy.
Note: Net Reserves are gross reserves net of short-term foreign currency denominated liabilities.

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



Source: World Bank. Notes: see Table 2.

international reserves. The trade balance turned into a deficit of US$6.9 billion, driven by a 24 percent fall in exports, which exceeded a 10 percent decrease in imports. Net international reserves were estimated to be negative US$8.0 billion at the end of the year. The drought-induced revenue shortfall, combined with increased spending and tax cuts prior to the presidential elections, widened the Federal Government's fiscal deficit to 4.2 percent of GDP.

A new administration assumed office on December 10 2023 and immediately began implementing a stabilization program. It announced an ambitious program aiming for a fiscal consolidation target of 5 percentage points of GDP for 2024, along with measures to correct relative price misalignments, fortify the Central Bank's balance sheet, and deregulate the economy. Key initiatives included a one-time devaluation of the official exchange rate by 55 percent, the introduction of a monthly crawling peg rate of 2 percent, the removal of import controls, and strategies to address the significant importer debt overhang. However, legislative and judicial challenges have obstructed some deregulation efforts and aspects of the fiscal plan.

Inflation surged in December 2023, fueled by the devaluation's pass-through and the lifting of key price controls, but it has been on a gradual decline. Month-over-month inflation peaked at 25.5 percent in December, decreasing to 13.2 percent by February. Adjustments are still needed for gas and electricity prices. Social protection measures included a doubling (in nominal terms) of the main social programs (universal family allowance and food support) and extraordinary monthly lump-sum supplements to low-income pensioners. Although social assistance is well-targeted, the real value of social benefits, including pensions and social transfers, fell by 30 percent year-over-year by February 2024.

Outlook

Real GDP is projected to shrink by 2.8 percent in 2024, largely due to the impact of price realignment and reduced public spending. The brunt of the economic adjustment is expected to be borne by non-agricultural sectors, while agricultural output is anticipated to bounce back from the previous year's drought, aiding fiscal revenue and reserve accumulation. The current account balance is forecasted to reach a surplus of 0.9 percent of GDP, bolstered by a substantial trade surplus. The fiscal consolidation initiative, along with the effects of inflation on public finances, is likely to result in a 2.1 percent primary fiscal surplus for the central government.

As the country tackles macroeconomic imbalances and rectifies price distortions, inflation is predicted to decline and economic growth to pick up. A stronger fiscal stance, consistent trade surpluses—supported by expected rises in energy and mining exports—and foreign direct investment (FDI) inflows should contribute to a reserve buildup and establish a basis for enduring growth.

However, the economic forecast is marred by significant potential downside risks, including societal and legislative opposition to the reform agenda and the country's vulnerability to external shocks, including climate-related events. Social vulnerabilities are emerging from the steep drop in real incomes in the context of high inflation. The governing party's limited presence in Congress poses legislative hurdles for economic reforms. On the global stage, an economic deceleration in key trade partners or a fall in commodity export prices could undermine Argentina's stabilization efforts. Persistent high inflation could lead to a swift appreciation of the real exchange rate, undermining competitiveness. Additionally, any further adjustments to the exchange rate might stoke inflation expectations, jeopardizing the success of the stabilization program.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.7	5.0	-1.6	-2.8	5.0	4.5
Private consumption	10.4	9.7	1.6	-6.7	3.5	3.0
Government consumption	6.3	1.9	4.0	-13.6	4.5	0.9
Gross fixed capital investment	33.8	11.1	2.1	-23.6	12.7	12.8
Exports, goods and services	8.5	5.8	-12.7	26.8	6.5	5.0
Imports, goods and services	20.4	17.9	5.5	-15.2	7.2	5.3
Real GDP growth, at constant factor prices	10.4	4.9	-1.6	-2.8	5.0	4.5
Agriculture	1.9	-4.5	-24.0	23.0	1.0	2.0
Industry	15.5	5.7	0.7	-5.1	5.0	4.5
Services	9.4	6.0	0.3	-4.3	5.5	4.8
Current account balance (% of GDP)	1.4	-0.7	-3.5	0.9	0.9	1.0
Net foreign direct investment inflow (% of GDP)	1.1	2.1	3.1	1.5	1.4	1.6
Fiscal balance (% of GDP)[a]	-4.3	-3.7	-4.2	0.0	0.7	-0.4
Revenues (% of GDP)	32.2	32.2	29.7	31.0	31.0	30.6
Debt (% of GDP)[a]	85.7	89.9	161.2	85.5	78.3	68.3
Primary balance (% of GDP)[a]	-2.5	-1.7	-1.8	2.2	2.9	3.2
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.9	0.6	0.8	1.1	0.9	0.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	2.8	2.5	3.1	3.6	3.2	2.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	11.4	10.9	12.4	15.1	13.8	12.8
GHG emissions growth (mtCO2e)	4.2	1.5	-2.8	-1.6	3.1	3.4
Energy related GHG emissions (% of total)	39.6	39.7	38.3	37.0	37.5	37.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal data refer to the general government.
b/ Calculations based on SEDLAC harmonization, using 2022-EPHC-S2.
c/ Projections using microsimulation methodology.

THE BAHAMAS

Table 1	2023
Population, million	0.4
GDP, current US$ billion	14.7
GDP per capita, current US$	35730.0
School enrollment, primary (% gross)[a]	86.8
Life expectancy at birth, years[a]	71.6
Total GHG emissions (mtCO2e)	2.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2012); Life expectancy (2021).

In 2023, the economy expanded by 4.3 percent, largely driven by a strong recovery in tourism. Fiscal and current account deficits narrowed significantly; the unemployment rate declined but remains high among young people. The Bahamas made significant progress in strengthening its AML/CFT framework. However, high public debt, global uncertainty, and vulnerability to natural disasters pose challenges for growth and poverty reduction.

Key conditions and challenges

The Bahamas is a small island state in the Caribbean. Tourism is its primary driver of economic growth, particularly from key markets, such as the United States, Canada, and the United Kingdom. The financial services sector, which is heavily reliant on foreign investment, also plays a significant role. Following the global financial crisis in 2008 economic growth decelerated to a modest average of 0.8 percent between 2010 and 2019. This slowdown can be attributed to several factors, such as the country's small size, lack of productive diversification, high import dependence, and vulnerability to natural disasters. In 2020, the economy experienced a sharp contraction of 23.5 percent due to the pandemic's impact, but a resilient recovery ensued, and by 2022, economic activity had rebounded to pre-pandemic levels.

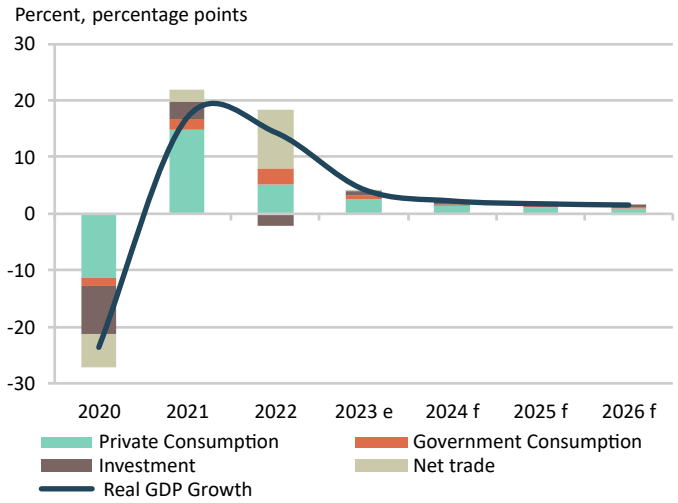
Despite this recovery, economic growth is constrained by capacity limits in tourism, vulnerability to external shocks, skill shortages, and limited fiscal space. The Bahamas' labor market is still facing challenges, including restoring labor force participation to its former level and addressing the high unemployment rate among young adults. As of May 2023, labor force participation was at a low 75.9 percent, still below the pre-pandemic level of 81 percent. Additionally, the unemployment rate for individuals aged 25-35 was 25 percent, nearly triple the national average. The most recent poverty data which dates to 2013, estimated that 12.8 percent of the population lived below the Bahamas' national poverty line. The nation also contends with significant inequality, as evidenced by a GINI coefficient of 41.1 in 2013, which is considerably higher than the average for high-income countries. Despite these socioeconomic challenges, The Bahamas was ranked 57th in the Human Development Index (HDI) in 2022, which is on par with its Caribbean peers.

The pandemic has exacerbated some of the medium-term growth challenges, and public finances have suffered as a result. The country still faces elevated public debt. In response, the government is pursuing fiscal consolidation through tax reforms, enhanced tax administrations, and improvements in public financial management. The Bahamas was recently removed from the Financial Action Task Force's grey list, reflecting its commitment to addressing financial crime. Further efforts are being made to enhance Anti-Money Laundering regulations and supervision, ensuring full compliance with international standards. In October 2020, The Bahamas adopted a digital currency to facilitate financial inclusion.

Recent developments

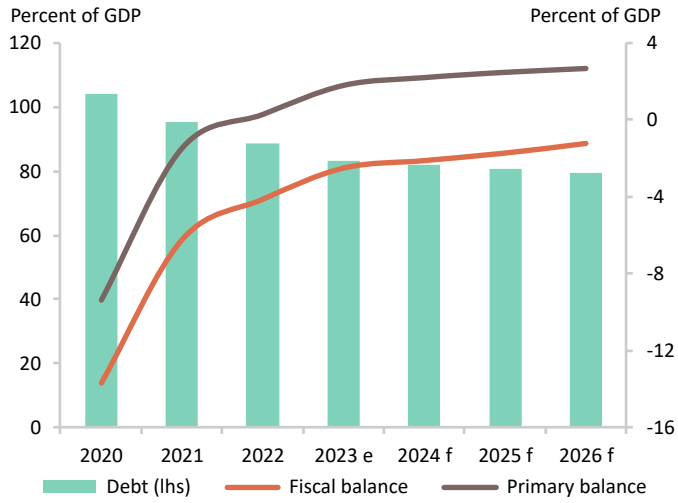
In 2023, the GDP of The Bahamas grew at a solid 4.3 percent, following a robust recovery of 14.4 percent in 2022. This economic resurgence was broad-based, with

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



Sources: Government of The Bahamas, IMF and World Bank staff calculations.

FIGURE 2 The Bahamas / Fiscal balance and public debt



Sources: Government of The Bahamas, IMF and World Bank staff calculations.

tourism showing a particularly robust performance. The vigorous recovery contributed to a reduction in the unemployment rate to 8.8 percent, the lowest since 2008. However, the unemployment rate among young people remains elevated. International travel, including flights and cruise ship arrivals, surged past pre-pandemic figures, reflecting strong tourist demand and successful government initiatives to attract new cruise lines and airlines. On average, cruise visitors spent 59 percent more in nominal terms in 2022 compared to 2019, while stayover visitors spent 18 percent more.

The current account deficit narrowed to 6.2 percent of GDP, and the banking sector showed strength with declining non-performing loans. Foreign exchange reserves were estimated to cover 4.9 months of imports of goods and services at the end of 2023. Inflation, which peaked in July 2022 at 7.1 percent y-o-y, primarily due to rising costs of energy and food, began to subside. The inflationary increase was largely attributed to global factors, but a downturn in global energy prices facilitated a quicker-than-anticipated reduction in inflation, with the rate dropping to 3.4 percent by the end of 2023, offering some relief to poor households that are particularly vulnerable to inflation, as it can significantly erode their purchasing power.

The robust economic rebound, coupled with the gradual withdrawal of pandemic-related financial support, led to improved public finances. This improvement occurred despite tax relief measures to alleviate inflationary pressures and an increase in public sector wages. The fiscal deficit shrank to 4.1 percent of GDP in fiscal year 2022/23. The central government's debt decreased from over 100 percent of GDP during the pandemic to 83.2 percent by the end of 2023. However, external sovereign spreads remained high. Significant gross financing needs were largely met through domestic issuance and central bank loans.

Outlook

The medium-term economic outlook is favorable, with real GDP growth projected at 2.3 percent in 2024. Growth is expected to moderate to 1.5 – 2 percent range in the medium term due to capacity limits in the tourism sector. The government expects long-term growth to be stimulated by investments in expanding hotel capacity, with several FDI-financed projects already in the pipeline. These investments, along with investments in other sectors of the economy, are expected to lead to job creation. Enhanced education policies are also projected to improve the domestic supply of skilled workers, contributing to poverty reduction. Inflation is expected to fall to 3.1 percent by end-2024, and to about 2 percent over the medium term. The government aims to achieve a fiscal surplus by 2026, relying on greater cost recovery from public corporations and measures to improve spending efficiency that would allow for spending cuts. Tax reforms are expected to further increase primary surplus in the longer term, and similarly, increased expenditure on climate resilience is expected to contribute to this surplus. Such investments will ultimately reduce spending associated with natural disaster recovery and mitigate the adverse effects of natural disasters on GDP and, consequently, on revenues. The trade deficit is expected to narrow, and international reserves are projected to remain above 4 months of imports. However, the economic forecast is subject to several downside risks, including a potential deceleration in the United States due to monetary tightening, global uncertainty, reduced tourism demand from key source markets, global price shocks, and the escalating threat of climate-induced natural disasters. Addressing labor market challenges and bolstering climate resilience are crucial strategies to mitigate these potential adverse effects.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	17.0	14.4	4.3	2.3	1.8	1.6
Private consumption	23.3	7.7	4.2	2.1	1.9	1.6
Government consumption	12.5	19.0	4.1	2.0	1.7	1.5
Gross fixed capital investment	12.4	-9.7	3.3	3.2	3.1	2.0
Exports, goods and services	22.6	39.9	10.2	10.0	8.8	8.4
Imports, goods and services	10.3	1.7	10.0	10.5	10.1	9.0
Real GDP growth, at constant factor prices	8.1	9.3	4.3	2.3	1.8	1.6
Agriculture	-32.4	29.7	11.6	5.1	4.3	4.0
Industry	-14.8	10.2	4.0	2.9	2.7	2.7
Services	11.7	9.0	4.3	2.2	1.7	1.5
Inflation (consumer price index)	2.9	5.6	3.4	3.1	2.6	2.2
Current account balance (% of GDP)	-21.1	-8.2	-6.2	-6.1	-5.8	-5.7
Net foreign direct investment inflow (% of GDP)	2.6	2.5	2.5	3.0	3.0	3.0
Fiscal balance (% of GDP)[a]	-6.2	-4.1	-2.5	-2.1	-1.7	-1.2
Revenues (% of GDP)	22.6	22.1	21.8	22.0	22.0	22.0
Debt (% of GDP)[a]	95.3	88.6	83.2	81.9	80.8	79.5
Primary balance (% of GDP)[a]	-1.4	0.3	1.8	2.2	2.5	2.7
GHG emissions growth (mtCO2e)	-3.5	1.1	4.0	3.0	0.8	0.1
Energy related GHG emissions (% of total)	86.0	86.1	86.1	85.9	85.6	85.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (July 1st -June 30th).

BARBADOS

Table 1	2023
Population, million	0.3
GDP, current US$ billion	6.2
GDP per capita, current US$	22144.0
School enrollment, primary (% gross)[a]	95.6
Life expectancy at birth, years[a]	77.6
Total GHG emissions (mtCO2e)	3.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Barbados' economy grew at 4.5 percent in 2023, exceeding pre-pandemic levels as the number of tourists returned to pre-2019 levels. The resurgence of the economy is expected to alleviate poverty and improve households' living conditions. The government continues to implement the Barbados Economic Recovery and Transformation (BERT) plan, which seeks to increase the primary surplus, enhance debt sustainability, and reduce external and natural disaster-related vulnerabilities. A slowdown in tourism source markets, increases in global oil prices, and climate change represent latent risks.

Key conditions and challenges

Barbados confronts several challenges, including its small size, its high dependence on tourism from a few key markets, import dependency, and vulnerability to external shocks, including from climate change. It is highly affected by increases in import prices, especially from the US. The Central Bank has limited tools to address rising inflation. High public debt levels, exacerbated by the recent economic downturn, reduced fiscal space. However, the Government continues to implement the BERT 2022 plan, which seeks to reduce public debt to about 60 percent of GDP by 2035/36, incentivize a transition to green energy, diversify the economy, and improve competitiveness. It also includes a pledge to social cohesion, with investment in education and health, provision of affordable housing, and enhanced social safety nets. Barbados was one of the first countries to receive financial support from the IMF through the Resilience and Sustainability Facility (RSF) through a program approved in December 2022.

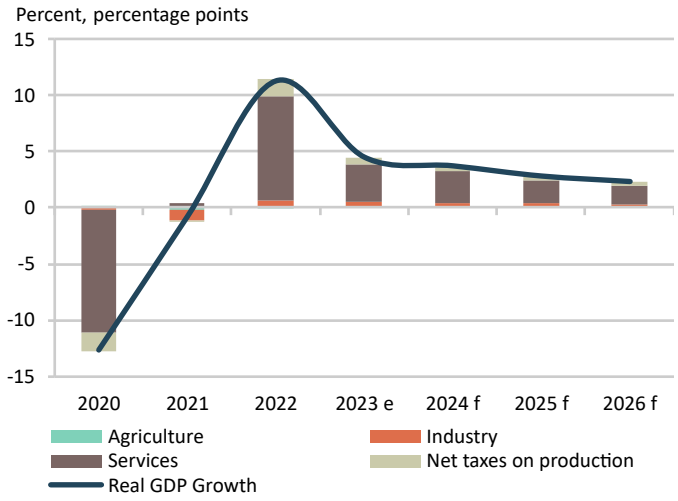
There have been no official poverty estimates since 2017. In 2016, approximately a quarter of the population lived below Barbados' basic needs threshold, and 3.4 percent of households could not afford even a minimum food basket. The poverty rate was higher among females, female-headed households, and larger households. Approximately 55.3 percent of the population was covered by at least one social protection benefit in 2021. However, social assistance to vulnerable groups through the National Assistance Program covered only 5,800 beneficiaries in 2020. Social insurance, operated by the National Insurance Scheme (NIS), faces longer-term challenges due to increasing expenditure on old-age pensions as a result of an aging population.

Recent developments

In 2023, real GDP expanded by an estimated 4.5 percent as tourist arrivals increased by 19 percent between January and September, pushing GDP above its pre-pandemic level. The recovery in tourism also led to significant overall growth in the services sector, particularly in areas such as hotels, retail trade, and entertainment, and in the agriculture sector which benefited from increased demand for local produce, also a result of the tourism upturn. Manufacturing led the industrial sector to a 5.0 percent rebound in 2023.

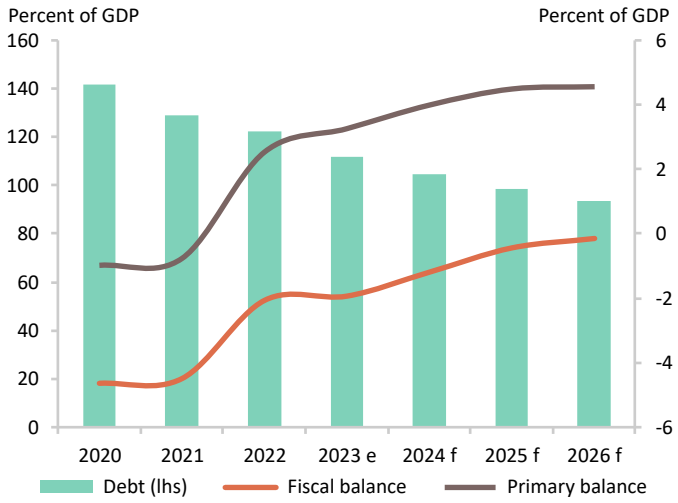
The primary fiscal balance reached 2.3 percent of GDP in the first half of FY2023/24, exceeding the government's target of 1.7 percent. The overall fiscal balance recorded a deficit of 0.5 percent of GDP, down from 2.3 percent of GDP in the first half of FY2022/23, as revenues continued to recover, and pandemic-related spending was phased out. The public debt-to-GDP ratio is estimated at 111.8 percent at the end of 2023, down from 122.3 percent at the end of 2022.

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



Sources: Government of Barbados, IMF and World Bank staff calculations.

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



Sources: Government of Barbados, IMF and World Bank staff calculations.

The government has taken several measures to strengthen fiscal management, including the establishment of a Fiscal Council to ensure transparency and accountability in fiscal strategy implementation.

The Central Bank of Barbados has kept its benchmark rate at 2 percent. Inflation moderated, falling to 4.4 percent by the end of 2023 from a peak of 6.7 percent in May 2022, driven by lower international fuel prices and freight costs. However, some domestic factors, such as prolonged drought conditions and higher demand for restaurants and recreational activities, have pushed up the prices of certain food items and domestic services. Efforts to improve monetary and financial sector policies have led to a well-capitalized, liquid, and profitable banking system, with credit to the non-financial private sector experiencing a modest growth of 1.7 percent. The international reserves position continued to strengthen, with the current account deficit narrowing to an estimated 8.1 percent of GDP in 2023 and foreign reserves reaching an estimated 6.1 months of imports of goods.

The labor market also showed improvement in 2023. The rebound in tourism led to higher employment, with unemployment claims reverting to pre-pandemic levels. Unemployment stood at 8.3 percent in July-September 2023, a substantial y-o-y decline from 12.4 percent in the same period a year earlier and compared to 10.1 percent in the second quarter of 2019. The difference in the unemployment rate of women and men is relatively small, at 8.6 and 8.1 percent respectively.

Outlook

The economy is projected to continue recovering, with real GDP expected to expand annually by around 3.7 percent in 2024 and 2.8 percent in 2025. Efforts to implement structural reforms, enhance fiscal institutions, and promote investments in renewable energy projects are expected to support sustainable and inclusive growth. Inflation is projected to reach 3.7 percent in 2024 and decline below 3 percent thereafter. Fiscal consolidation is expected to continue, with the fiscal deficit falling to 0.4 percent of GDP and the primary surplus increasing to 4.5 percent of GDP by 2025. The government plans to decrease transfers to state-owned entities and persist modernizing tax exemptions, bolstering revenue administration, and improving public financial management. The current account deficit is forecasted to narrow to 6.2 percent of GDP by 2025, driven by anticipated robust performance in the tourism sector, reduced commodity prices, and aided by fiscal consolidation. At the same time, government initiatives to combat climate change and to improve business environment are expected to stimulate investment. Overall, the government's commitment to fiscal consolidation, climate resilience, and debt sustainability, along with ongoing support from international financial institutions, sets the stage for continued progress in the country's reform agenda. The outlook remains subject to risks, including potential global economic and financial shocks, climate-related natural disasters, and an intensification of regional conflicts in other parts of the world, which could impact global commodity prices and raise inflation. The level of public debt remains high and exacerbates the potential impact of these risks.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-0.8	11.3	4.5	3.7	2.8	2.3
Real GDP growth, at constant factor prices	-0.8	11.3	4.5	3.7	2.8	2.3
Agriculture	-10.4	-6.4	3.0	3.0	3.0	3.0
Industry	-6.3	5.0	3.6	2.9	2.8	2.4
Services	0.6	12.9	4.7	3.8	2.8	2.3
Inflation (consumer price index)	3.1	9.2	5.0	3.7	2.8	2.4
Current account balance (% of GDP)	-10.5	-10.3	-8.1	-7.2	-6.2	-5.8
Fiscal balance (% of GDP)	-4.5	-2.1	-1.9	-1.2	-0.4	-0.1
Revenues (% of GDP)	27.7	27.9	28.5	30.2	30.2	30.3
Debt (% of GDP)	129.1	122.3	111.8	104.6	98.7	93.5
Primary balance (% of GDP)	-0.8	2.5	3.3	4.0	4.5	4.6
GHG emissions growth (mtCO2e)	-3.6	-1.2	1.8	1.1	0.8	0.6
Energy related GHG emissions (% of total)	25.0	23.6	24.2	24.1	23.7	23.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.

BELIZE

Table 1	2023
Population, million	0.4
GDP, current US$ billion	3.3
GDP per capita, current US$	7988.0
School enrollment, primary (% gross)[a]	99.9
Life expectancy at birth, years[a]	70.5
Total GHG emissions (mtCO2e)	7.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2022); Life expectancy (2021).

Belize's economy is recovering from the COVID-19 pandemic with robust growth, lower debt, a primary surplus, and an improved current account. In 2023, GDP grew by 4.5 percent, inflation slowed, and unemployment remained low at 4 percent (albeit labor force participation is low too). The country still faces persistent poverty and inequality, dependence on tourism and energy imports, and exposure to climate shocks. The government has taken steps to strengthen fiscal management, but reforms to improve the business environment are critical to boost jobs, investment, and growth over the medium term.

Key conditions and challenges

Belize, an upper middle-income country, is heavily dependent on tourism, its primary source of foreign exchange, along with agriculture and remittances. The country's economic performance is closely tied to the US, the main source of tourists and remittances, the principal export destination, and a key provider of FDI. With its exchange rate pegged to the dollar and its status as a net importer of oil and gas, Belize is strongly affected by fluctuations in energy prices. The country is also highly exposed to climate-related shocks, such as flooding, wind damage, and coastal erosion.

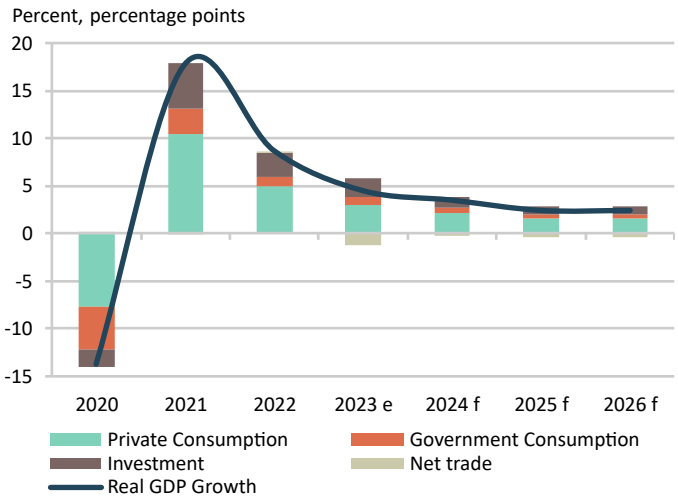
Belize is gradually emerging from a challenging period of economic instability and large fiscal imbalances, which were intensified by the COVID-19 pandemic. It has made notable progress in reducing its public debt through debt restructuring and a blue bond issuance, although debt servicing costs remain high. It has also made progress in strengthening fiscal management by building fiscal buffers that could help maintain a counter-cyclical fiscal stance and enhance fiscal discipline. Despite these advancements, the business environment faces significant challenges, such as restricted credit to the private sector, important infrastructure barriers, skills shortages, and elevated levels of crime and violence, all of which impede job creation, growth, and efforts to alleviate poverty.

Data on monetary poverty indicate that in 2018, 9 percent of the population could not afford a minimum food basket, and 52 percent were unable to afford a minimum food and non-food basket. Income inequality, as measured by the Gini coefficient, stood high at 0.49. Based on labor force survey data, the Statistical Institute of Belize estimated that 35.7 percent of the population was multi-dimensionally poor in 2021. There are notable geographic and demographic differences in poverty rates. In 2021, the southern district of Toledo reported the highest rate of multi-dimensional poverty at 60 percent and the rate for Belize's Maya population reached 61 percent.

Recent developments

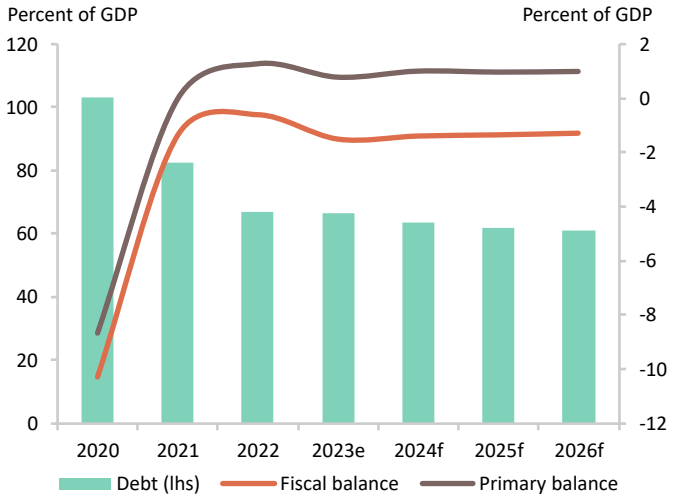
In 2023, Belize's economy experienced robust growth, with real GDP increasing by 4.5 percent, driven in large part by tourism, construction, and various services. Favorable weather conditions in 2023, coupled with increases in livestock production, animal feed production, and domestic agricultural processing, alongside high global sugar prices, contributed to the accelerated growth of the agriculture sector. As a result, real GDP was 16 percent higher than pre-pandemic levels, and the unemployment rate decreased significantly from 10.4 percent before the pandemic to 4 percent in 2023. However, labor force participation, which had declined rapidly during the pandemic, remained depressed. It is particularly low for women (44.5 percent) compared to men (71.4 percent for men) and for those who are less educated.

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



Sources: Government of Belize, IMF and World Bank staff calculations.

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



Sources: Government of Belize, IMF and World Bank staff calculations.

Average consumer price inflation slowed from 6.3 percent in 2022 to 4.4 percent in 2023. The fiscal position has improved over recent years, with public debt decreasing from 103 percent of GDP in 2020 to 66.3 percent in 2023, due to high growth, fiscal consolidation, and debt restructuring. However, the primary fiscal surplus slightly deteriorated in 2023, from 1.3 percent of GDP in 2022 to 0.8 percent of GDP. Revenues and grants as a share of GDP saw a slight decrease from 24 percent of GDP in 2022 to 23.2 percent in 2023. Non-interest expenditures as a share of GDP decreased slightly from 22.7 percent in 2022 to 22.4 percent in 2023. The overall budget deficit amounted to 1.5 percent of GDP.

Belize has made significant efforts to enhance resilience to climate change and natural disasters by investing in climate-resilient crops and infrastructure. The government is also working on implementing a Disaster Resilience Strategy that focuses on improving structural, financial, and post-disaster resilience.

The current account showed a notable improvement in 2023, narrowing from 8.3 percent of GDP in the previous year to 3.6 percent, reflecting more favorable terms of trade for the country resulting from the dynamics of global commodity prices and the recovery in tourism.

The Central Bank of Belize focused its monetary policy on supporting overall economic stability and growth, including maintaining an adequate level of international reserves to strengthen the currency peg, which is essential for promoting confidence in the local currency. Gross international reserves amounted to 3.4 months of imports at the end of 2023.

Financial soundness indicators improved in 2023, with domestic banks' regulatory capital increasing, non-performing loans decreasing, and returns on assets rising. However, there are still concerns about high non-performing loans, low capital buffers, and tight liquidity in some banks compared to the pre-pandemic period, which could limit investment and real GDP growth in the future.

Outlook

Belize's economy is projected to perform reasonably well over the medium term, with an expected real GDP growth of 3.5 percent in 2024 and 2.5 percent from 2025 onwards. Inflation is expected to further decline to 3.1 percent in 2024 and 2 percent over the medium term. This positive outlook, coupled with new policy initiatives to enhance the formalization of small and medium enterprises and improve social assistance, could contribute to poverty reduction. The fiscal position is expected to remain robust but public debt is projected to decline more slowly going forward, remaining above 50 percent of GDP over the next decade.

There are important external risks, including higher global commodity prices, vulnerability to climate-related disasters, higher-than-expected global interest rates, and persistent vulnerabilities in the banking sector.

Belize's key policy priorities for 2024-2026 include reducing public debt, increasing government revenues to finance priority spending on infrastructure, targeted social programs, crime prevention, implementing structural reforms to improve the business environment, and remaining vigilant to financial stability risks.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	17.9	8.7	4.5	3.5	2.5	2.5
Private consumption	16.9	8.0	4.9	3.5	2.5	2.5
Government consumption	16.7	6.6	5.3	3.7	2.6	2.6
Gross fixed capital investment	26.0	12.8	9.5	5.2	4.4	4.3
Exports, goods and services	36.4	11.5	8.1	7.6	7.0	6.7
Imports, goods and services	32.1	10.2	9.7	7.4	7.0	6.8
Real GDP growth, at constant factor prices	17.2	6.3	4.5	3.5	2.5	2.5
Agriculture	24.2	-0.8	8.6	6.0	4.5	4.3
Industry	15.1	-1.9	3.3	3.2	3.0	3.0
Services	16.6	9.8	4.1	3.2	2.0	2.0
Inflation (consumer price index)	3.2	6.3	4.4	3.1	2.3	2.0
Current account balance (% of GDP)	-6.5	-8.3	-3.6	-1.9	-2.0	-2.0
Net foreign direct investment inflow (% of GDP)	5.1	4.7	4.2	2.5	2.4	2.3
Fiscal balance (% of GDP)[a]	-1.4	-0.6	-1.5	-1.4	-1.3	-1.3
Revenues (% of GDP)	23.4	24.0	23.2	23.2	23.2	23.2
Debt (% of GDP)[a]	82.3	67.1	66.3	63.6	61.9	61.0
Primary balance (% of GDP)[a]	0.0	1.3	0.8	1.0	1.0	1.0
GHG emissions growth (mtCO2e)	0.0	0.0	-0.1	-0.1	-0.1	0.0
Energy related GHG emissions (% of total)	10.3	11.3	12.1	12.8	13.5	14.2

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

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.

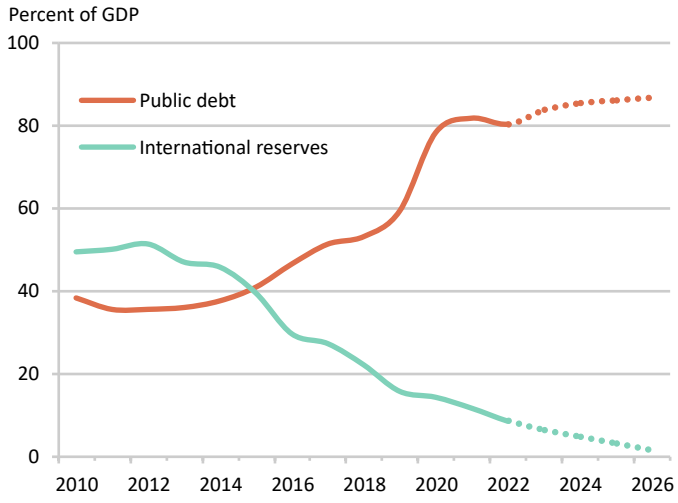
Fiscal sustainability and performance could be enhanced by transitioning from universal fuel subsidies to more targeted support mechanisms, rationalizing public investment, including in state-owned enterprises, making public procurement more efficient, and improving focus and progressivity of subsidies 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

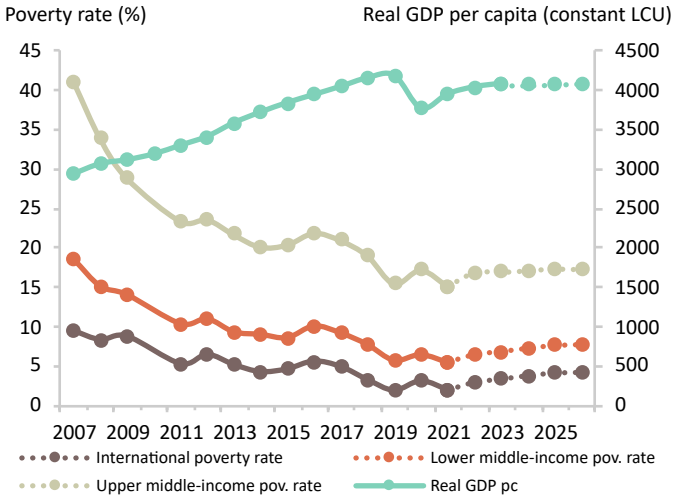
The economy expanded by an estimated 2.4 percent in 2023 as it continued to slow due to declining gas exports, dollar and fuel shortages, political tensions, and a severe drought. Subsidies and a fixed exchange rate helped keep inflation low at 2.1 percent in December 2023 (y-o-y change). The 12-month 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.

BRAZIL

Table 1	2023
Population, million	204.1
GDP, current US$ billion	2173.5
GDP per capita, current US$	10646.8
International poverty rate ($2.15)[a]	3.5
Lower middle-income poverty rate ($3.65)[a]	8.4
Upper middle-income poverty rate ($6.85)[a]	23.5
Gini index[a]	52.0
School enrollment, primary (% gross)[b]	103.5
Life expectancy at birth, years[b]	72.8
Total GHG emissions (mtCO2e)	2151.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

In 2023, GDP growth reached 2.9 percent thanks to a bumper harvest, receding inflation pressures, and a robust labor market. This, along with Bolsa Família expansion, helped reduce poverty. In 2024, economic activity is expected to moderate and fiscal risks will increase as the zero primary deficit target imposes an urgent need to increase revenues and contain expenditures. In the absence of significant fiscal adjustment, concerns over debt stabilization remain.

Key conditions and challenges

Brazil's economy rebounded quickly from the COVID-19 pandemic, emerging from a prolonged slump that began in 2015. However, productivity has remained stagnant for more than two decades, specifically in manufacturing and services. Achieving faster and sustained long-term growth will require significant reforms to boost the competitiveness and productivity of the economy, including a better business environment, a reduction in financial and product market distortions, increased infrastructure investment, deeper integration into global value chains, and improvements in education quality. Brazil's demographic structure is changing rapidly as the working-age population shrinks and the aging population grows, exerting pressure on pensions and healthcare expenditures. The long-term effects of the pandemic on human capital are evidenced by Brazil's 2021 Human Capital Index falling below 2009 levels. Although progress in reducing poverty has been inconsistent since the pandemic, the poverty rate (measured at $6.85/day per capita, 2017 PPP) fell from 28.2 to 23.5 percent between 2012 and 2022. Inequality remains high, with limited progress in nonmonetary aspects of poverty.

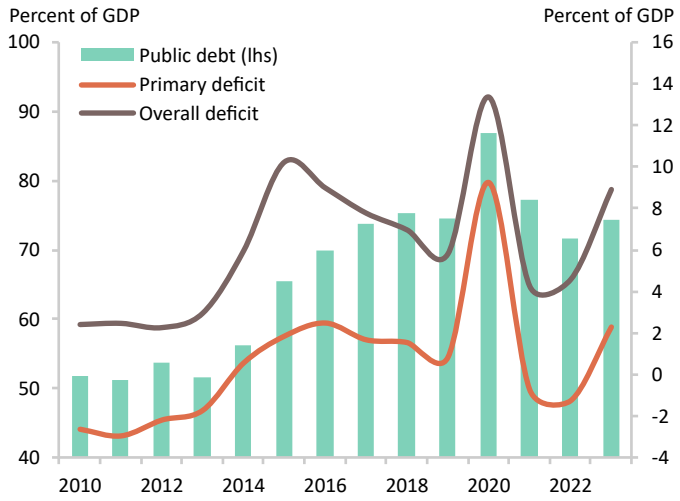
Brazil has been grappling with high public debt amidst tepid growth. In 2023, the government introduced a new medium-term fiscal framework to anchor public finances and adopted a historical constitutional reform of its indirect taxation system. The new framework, which combines an expenditure rule with primary balance targets, aims to improve predictability. However, adherence to this framework will necessitate significant efforts to increase revenues. The tax reform centers on replacing several existing indirect taxes with a dual value-added tax over the next decade. The reform is expected to streamline the tax system, reduce economic distortions, and boost business productivity.

Recent developments

In 2023, real GDP grew by 2.9 percent, driven by a strong harvest, exports, and robust private consumption. Inflation moderated to 4.6 percent, falling within the Central Bank's target range (1.75 to 4.75 percent) and significantly below the peak of 12.1 percent in April 2022. Consequently, the Central Bank began to ease monetary policy in August, reducing the policy rate from 13.75 percent to 10.75 percent by March 2024. Real credit growth slowed to 3.1 percent in 2023 from 8.3 percent in 2022, driven by reduced credit to firms. The current account deficit shrank to 1.3 percent of GDP, fully covered by net FDI inflows of 1.6 percent of GDP.

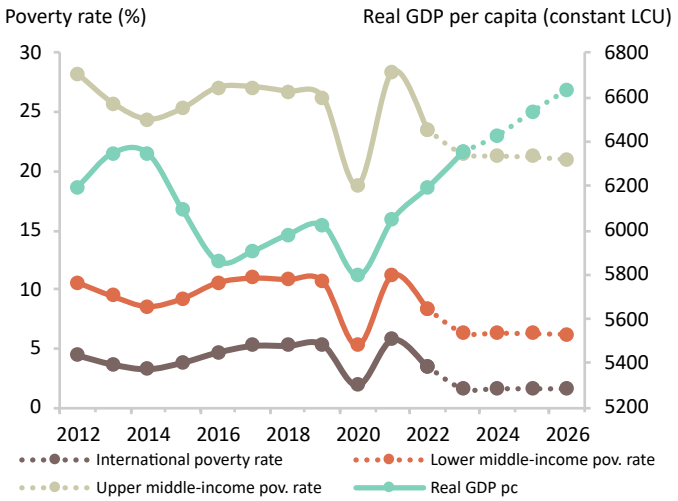
The primary deficit reached 2.3 percent of GDP in 2023, from a surplus of 1.2 percent in 2022, due to declining tax revenues, a significant rise in social transfers, and an

FIGURE 1 **Brazil** / Fiscal deficit and public debt



Source: Central Bank of Brazil.

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



Source: World Bank. Notes: see Table 2.

unusually large payment of judicial debts (0.9 percent of GDP). High debt service costs also increased, reaching 6.6 percent of GDP (from 5.8 percent in 2022). With this, gross debt grew to 74.4 percent of GDP in 2023 (from 71.7 percent in 2022).

In 2023, the poverty rate continued to decline, reaching 21.5 percent (US$ 6.85 per day, 2017 PPP), a reflection of improved economic conditions and social protection policies. Unemployment fell to 7.4 percent, the lowest since 2014. Formality rates remained unchanged, while average real wages rose by 6.2 percent in the first three quarters of 2023, notably in the services sector, which employs the majority of the poor workforce. The Bolsa Família Program was responsible for two thirds of the annual poverty reduction due to the expansion of its coverage by 2 million families (reaching 21.3 million), while the average monthly transfer increased from R$395 to R$670. Additionally, the real minimum wage was raised by 2.8 percent, benefiting approximately 1 in 4 households in the bottom 40 percent with at least one formal worker.

Outlook

GDP growth is expected to moderate to 1.7 percent in 2024 as the lagging effect of high-interest rates slows economic activity and as agricultural output normalizes after 2023's bumper harvest. Inflation is expected to gradually converge to about 3.5 percent by 2025, allowing for the gradual easing of monetary policy and contributing to faster growth in 2025. But growth is expected to remain at around 2 percent over the medium term, given persistent structural constraints to productivity growth. The current account deficit is expected to remain moderate and fully financed by FDI. With a focus on curbing expenditure growth and increasing tax revenues, the primary deficit is projected to improve to 0.4 percent of GDP in 2024 and to reach a surplus of 0.7 percent of GDP by 2026. Public debt is anticipated to stabilize at around 77.4 percent of GDP by 2026.

Poverty reduction may be limited in 2024 as growth in agriculture and services, the latter employing 80.1 percent of poor workers, is anticipated to slow. The real minimum wage is expected to increase by 3.1 percent in 2024. However, this may be partly offset by a 12.5 percent average increase in fuel prices (LPG, gasoline, ethanol, and diesel) due to the expiration of tax breaks, affecting households' purchasing power.

Key macroeconomic risks stem from the need for fiscal consolidation to meet primary balance targets, stabilize public debt, and anchor inflation expectations. This requires new revenue measures or expenditure controls that may encounter significant political resistance. Additionally, the continuation of El Nino could suppress agricultural output and increase food and energy prices. Ample reserves, low external debt, and a resilient financial system offer important macroeconomic buffers, but the political consensus around fiscal adjustment measures will continue to be critical for debt stabilization. While further economic growth may marginally contribute to poverty reduction in the coming years, insufficient investments in human capital and social infrastructure could impede progress.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.8	3.0	2.9	1.7	2.2	2.0
Private consumption	3.0	4.1	3.1	1.5	2.2	2.0
Government consumption	4.2	2.1	1.7	1.2	1.7	1.7
Gross fixed capital investment	12.9	1.1	-3.0	1.7	1.5	1.3
Exports, goods and services	4.4	5.7	9.1	3.0	3.0	3.0
Imports, goods and services	13.8	1.0	-1.2	2.0	2.3	2.5
Real GDP growth, at constant factor prices	4.5	3.1	3.0	1.7	2.2	2.0
Agriculture	0.0	-1.1	15.1	0.0	2.0	2.0
Industry	5.0	1.5	1.6	1.5	1.7	1.7
Services	4.9	4.1	2.1	2.0	2.4	2.1
Inflation (consumer price index)	8.3	9.3	4.6	3.9	3.7	3.4
Current account balance (% of GDP)	-2.8	-2.5	-1.3	-1.8	-2.1	-2.3
Net foreign direct investment inflow (% of GDP)	1.8	2.1	1.6	2.0	2.2	2.5
Fiscal balance (% of GDP)	-4.2	-4.6	-8.8	-7.1	-5.1	-4.6
Revenues (% of GDP)	35.4	37.6	34.7	34.3	34.6	34.4
Debt (% of GDP)	77.3	71.7	74.4	77.2	77.3	77.4
Primary balance (% of GDP)	0.7	1.2	-2.3	-0.4	0.4	0.7
International poverty rate ($2.15 in 2017 PPP)[a,b]	5.8	3.5	1.6	1.6	1.6	1.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	11.3	8.4	6.4	6.4	6.3	6.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	28.4	23.5	21.5	21.3	21.2	21.0
GHG emissions growth (mtCO2e)	15.2	-8.3	-8.1	-4.8	-4.6	-4.7
Energy related GHG emissions (% of total)	17.0	17.6	19.7	20.1	20.8	21.7

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 2022-PNADC-E1. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

CHILE

Table 1	2023
Population, million	19.6
GDP, current US$ billion	345.6
GDP per capita, current US$	17605.4
International poverty rate ($2.15)[a]	0.4
Lower middle-income poverty rate ($3.65)[a]	0.9
Upper middle-income poverty rate ($6.85)[a]	4.7
Gini index[a]	43.0
School enrollment, primary (% gross)[b]	99.4
Life expectancy at birth, years[b]	78.9
Total GHG emissions (mtCO2e)	52.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Chile's sound macroeconomic policies led to a recovery from Covid-induced imbalances, including high deficits and inflation. Fiscal and monetary tightening stabilized the economy but stunted 2023 growth. Chile aims for faster, greener, and more inclusive growth, and reforms targeting productivity, technology, competition, and human capital development are crucial for achieving this objective.

Key conditions and challenges

Chile has a strong track record of sound macroeconomic policies and solid institutions. However, large fiscal transfers and pension fund withdrawals generated significant macroeconomic imbalances during the COVID-19 pandemic, including high fiscal and current account deficits and double-digit annual inflation. After strong fiscal and monetary tightening, macroeconomic imbalances have largely been resolved, but growth stagnated in 2023.

Despite being the world's largest exporter of copper and a major producer of lithium, a key challenge for Chile is to move towards higher and more inclusive growth. Growth averaged just 2 percent in the six years preceding the pandemic. Targeted reforms to address specific bottlenecks are needed to boost productivity growth, which has been declining for decades. This includes reducing regulatory barriers, fostering technology adoption, promoting competition, enhancing managerial capabilities, and increasing female labor force participation and job quality. Chile is also expected to leverage the global green transition, with both renewable energy and the plan to expand lithium production through public-private partnerships potentially contributing to increased growth going forward.

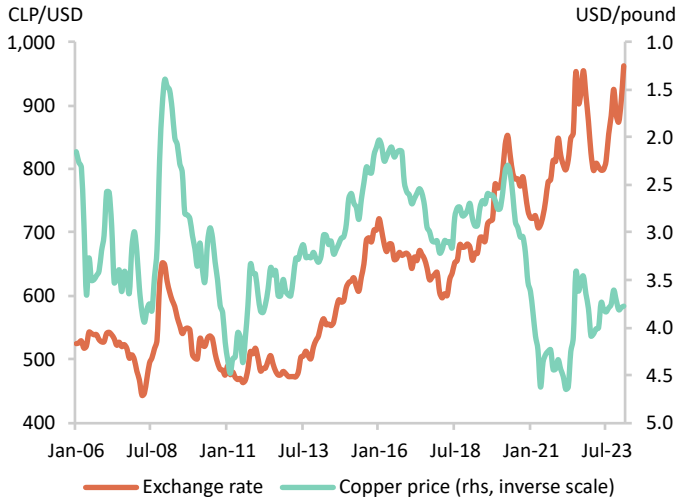
To move towards a more inclusive growth, the government is pursuing an ambitious social agenda. An initial tax reform proposal aimed at increasing fiscal revenues to fund social spending was rejected in Congress. A revised, scaled back tax reform with an enhanced focus on tax compliance is being debated in Congress. A pension reform proposal to increase contributions and replacement rates is also in Congress. The proposed reform also includes a solidarity share of additional contributions.

Recent developments

Real GDP rose by 0.2 percent in 2023, as domestic demand adjusted after tighter macroeconomic policies during the post-Covid period. Services have shown resilience, but construction, commerce, and mining were subdued. The copper industry has performed weakly amid operational disruptions and lower ore grades. On the demand side, private consumption has bottomed out and started to stabilize in recent months, while exports and especially investment remained sluggish overall.

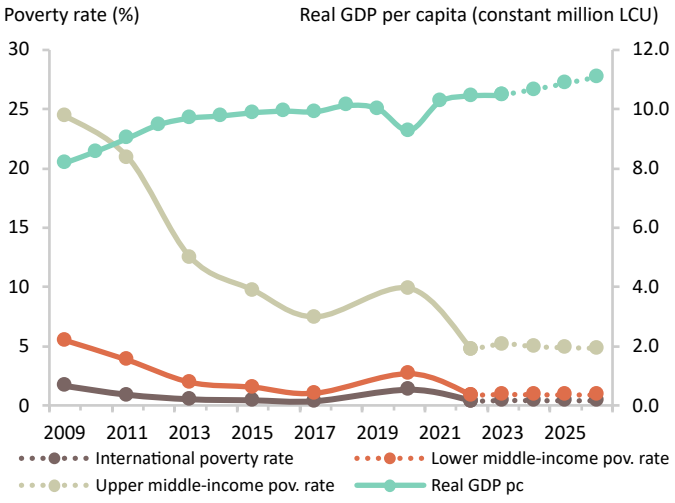
Labor market performance has yet to return to pre-pandemic levels. By December 2023, the employment rate stood at 56.6 percent, still below the rate of 58.6 percent registered during the same period in 2019. The unemployment rate remained high at 8.5 percent. Gender gaps in the labor market remain pronounced, with women's labor force participation at 52.6 percent compared to men's at 71.4 percent. Similarly, women's employment rate was 48.0 percent, while men's was 65.5 percent. Also, women continue to be more likely to work in the informal sector and earn lower salaries.

FIGURE 1 **Chile** / Exchange rate and copper prices



Source: World Bank based on Central Bank of Chile.

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



Source: World Bank. Notes: see Table 2.

Inflation has continued its descent, closing 2023 at 3.9 percent y-o-y after a determined monetary tightening and receding supply shocks. A policy easing cycle started in July 2023, with accumulated rate cuts of 400 basis points, bringing the reference rate to 7.25 percent in January 2024.

Real public expenditures remained contained in 2023, increasing by 1 percent largely due to emergency measures to support vulnerable households affected by El Niño phenomenon. However, revenues fell by 13 percent due to the slowdown in economic activity and declining mining revenues, leading to a fiscal deficit of 2.4 percent of GDP.

Poverty ($6.85/day per capita 2017 PPP) is estimated at 5.2 percent in 2023 and the Gini inequality coefficient at 0.43.

After reaching a decades-high 9 percent of GDP in 2022, the current account deficit narrowed sharply to 3.6 percent by the end of 2023, as a contraction in nominal imports of goods (-16 percent y-o-y in 2023) amid the adjustment of domestic demand significantly surpassed that of exports (-3.7 percent). Foreign direct investment largely financed the current account deficit.

The peso depreciated by 18 percent from July 2023 to February 2024. Depreciation pressures are mostly driven by Chile being ahead of other economies in the monetary policy easing cycle, with a rapidly narrowing interest rate differential with the U.S. The real exchange rate is now about 5 percent weaker than in 2019 since depreciation exceeded the inflation differential with trade partners. In 2021, a wedge appeared in the normally close alignment of movement between the peso and copper prices. While their close correlation has returned more recently, this appears to be the case at a lower equilibrium rate for the peso (Figure 1).

Outlook

Economic activity is forecast to recover gradually towards trend GDP growth of 2.0 percent in 2024. Consumption is expected to be the main driver of the recovery, and exports would contribute positively amid the start of new copper mining operations and the growing momentum in lithium production. Investment is projected to remain weak, as suggested by registries and sentiment surveys. With inflation on track to return to the 3 percent target this year, further monetary easing is expected.

Amid expected modest economic growth and controlled inflation, poverty (US$6.85/day, 2017 PPP) is projected to reach 5.0 percent in 2024 and will stay around this value in the medium term. The Gini coefficient is projected to remain at 0.43.

The fiscal deficit is expected to narrow to 2.2 percent of GDP in 2024 as domestic revenues rise due to rebounding GDP growth, then to narrow gradually over the medium term amid a decline in the expenditures-to-GDP ratio. These projections do not include potential revenue increases from future tax reforms and assume a consolidation path toward medium-term structural deficit targets. The public debt-to-GDP ratio is projected to be near 42 percent by 2026, still comparing favorably with the 50.6 percent median of "A" rated peers. The current account deficit would decline toward 3 percent over the medium term.

Downside risks to the outlook include higher-for-longer interest rates in the U.S., geopolitical tensions, weaker-than-expected growth in China, and stronger-than-expected climate disasters like El Niño and La Niña. Domestic risks stem mainly from political gridlock, the inability to pass structural reforms in Congress, and potential social discontent.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.7	2.4	0.2	2.0	2.2	2.3
Private consumption	20.8	2.9	-5.2	1.9	2.1	2.2
Government consumption	13.8	4.1	1.6	2.4	2.2	2.2
Gross fixed capital investment	15.7	2.8	-1.1	0.2	2.4	2.4
Exports, goods and services	-1.4	1.4	-0.3	2.8	2.6	2.9
Imports, goods and services	31.8	0.9	-12.0	1.2	2.7	2.7
Real GDP growth, at constant factor prices	10.6	2.6	0.2	2.0	2.2	2.3
Agriculture	4.4	0.1	-1.0	2.4	2.3	2.2
Industry	4.6	-0.9	-0.2	2.0	1.9	1.8
Services	14.0	4.4	0.5	2.0	2.3	2.5
Inflation (consumer price index)	4.5	11.6	7.6	3.3	3.0	3.0
Current account balance (% of GDP)	-7.3	-9.0	-3.6	-3.6	-3.4	-3.1
Net foreign direct investment inflow (% of GDP)	0.6	2.7	3.4	3.0	3.0	3.0
Fiscal balance (% of GDP)	-7.5	1.4	-2.4	-2.2	-2.0	-1.7
Revenues (% of GDP)	26.0	28.1	23.0	23.7	23.6	23.6
Debt (% of GDP)	36.3	38.0	39.8	41.3	41.6	41.8
Primary balance (% of GDP)	-6.6	2.4	-1.3	-1.0	-0.7	-0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.1	0.4	0.4	0.4	0.4	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	0.3	0.9	1.0	0.9	0.9	0.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	3.5	4.7	5.2	5.0	4.9	4.8
GHG emissions growth (mtCO2e)	13.6	-7.5	0.4	2.6	2.4	2.6
Energy related GHG emissions (% of total)	163.3	167.9	166.7	164.1	161.6	159.2

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 2022-CASEN. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

COLOMBIA

Table 1	2023
Population, million	52.1
GDP, current US$ billion	363.5
GDP per capita, current US$	6978.7
International poverty rate ($2.15)[a]	6.0
Lower middle-income poverty rate ($3.65)[a]	14.0
Upper middle-income poverty rate ($6.85)[a]	34.8
Gini index[a]	54.8
School enrollment, primary (% gross)[b]	106.5
Life expectancy at birth, years[b]	72.8
Total GHG emissions (mtCO2e)	261.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

GDP growth decelerated to 0.6 percent in 2023 as the phase-out of stimulus measures added to policy uncertainty's weight on investment. Macroeconomic imbalances are narrowing, with declining inflation and fiscal and external deficits. Poverty reduction is expected to moderate, in line with economic activity. Key risks include persistent inflation and economic disruptions due to El Niño, outcomes of the policy reform agenda, and fiscal policy slippage amid tight fiscal space.

Key conditions and challenges

Colombia's solid macroeconomic institutional setting, grounded on a rules-based fiscal framework, a flexible exchange rate, and a modern inflation-targeting regime, has been the cornerstone of its macroeconomic stability. Yet, the pace of economic growth has been slowing. Productivity has not contributed significantly to GDP growth for decades, and despite joining numerous trade agreements, Colombia has not been able to diversify and expand its exports. Large infrastructure gaps, poor education outcomes, and institutional shortcomings further hamper the country's potential.

Colombia is a country of large social and territorial inequalities. To reduce poverty and promote prosperity across the country, it's crucial to increase productivity and reinvigorate regional convergence, improve the social security system, create more efficient and inclusive labor markets, and strengthen the intergovernmental fiscal transfer system to enhance the accessibility to and quality of public services across the country.

Colombia is also particularly vulnerable to the effects of climate change. On the one hand, climate shocks affect livelihoods and assets across the territory, undermining welfare improvements. On the other, Colombia is exposed to the reduction in fossil fuel demand as the world decarbonizes. Reaching the country's ambitious climate targets could help reduce vulnerabilities and promote a more diversified economic structure in the long run.

These multiple challenges would need to be addressed in a fiscally responsible way, which remains a key precondition for Colombia to advance its development goals.

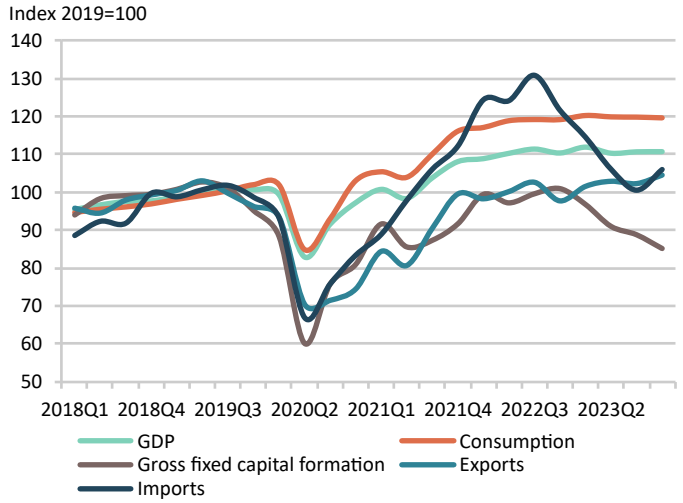
Recent developments

Colombia's overheated economy decelerated sharply in 2023. After growing a cumulative 18.9 percent in 2021-22, GDP expanded 0.6 percent (y-o-y) in 2023. The needed un-winding of stimulus policies and heightened policy uncertainty affected fixed investment, which fell 8.9 percent (y-o-y). Private consumption moderated but remained resilient. On the supply side, construction, commerce, and manufacturing had negative contributions to economic growth, which translated in job losses in these sectors. Unemployment remained constant at around 10 percent in 2023.

After a 2021-22 recovery, labor markets showed limited improvements in 2023, mainly in larger cities, but not reaching youth, women, and rural areas. Also, the emergency social program Ingreso Solidario was no longer active in 2023. The poverty rate is estimated to have remained stagnant in 2023 ($6.85/day). Labor outcomes and poverty rates continue to show wide variations across the territory and socioeconomic groups.

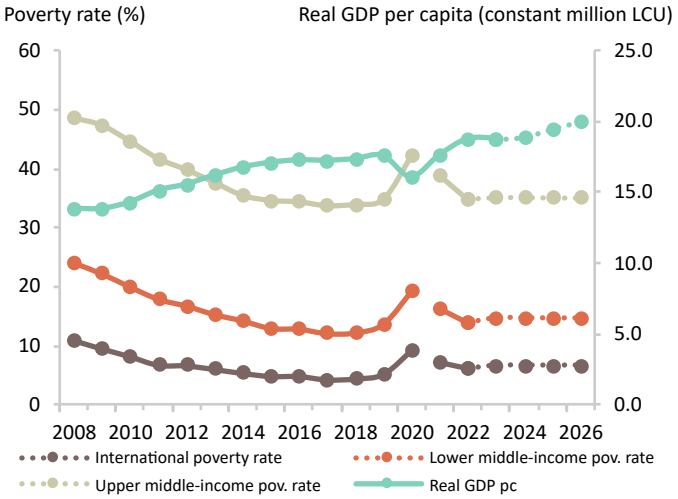
The deceleration of economic activity also helped narrow the current account deficit, from 6.2 to 2.7 percent of GDP between

FIGURE 1 **Colombia** / Indices of real GDP and its components



Sources: DANE and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

2022 and 2023, as the good performance of exports contrasted with a collapse of imports, affected by weak consumption and the fall in investment. Primary payments also fell, and remittance inflows reached an all-time high, mitigating pressures on the external deficit. FDI inflows increased marked by oil and mining activities, while portfolio investment posted net outflows.

Inflation declined from a peak of 13.3 percent (y-o-y) in March 2023 to 8.3 percent in January 2024, easing pressures on households' rising costs of living. The Central Bank kept the monetary policy rate constant through most of 2023 and reduced it cautiously by 25 bps in two consecutive Board meetings, to 12.75 percent in January 2024. Inflation expectations are falling but remain above the 2-4 percent inflation target range for 2024. The Colombian peso reversed losses from 2022, benefiting from high-interest rates, global financial liquidity, and a reduction in policy uncertainty.

The fiscal deficit of the general government fell sharply from 6.5 in 2022 to 2.5 percent of GDP in 2023, thanks to yields from the 2022 tax reform, a reduction in fuel subsidies, low budget execution levels, and extraordinary returns to pension funds. The peso appreciation and fiscal deficit reduction brought the debt-to-GDP ratio down to 60.1 percent. EMBIG spreads also declined but remain high among its regional peers.

Outlook

The economy is projected to expand 1.3 percent in 2024 and slightly above the 3 percent potential growth rate in the following years until the negative output gap closes. Private consumption, solid export growth, and a steady rise in private investment are expected to support the pick-up, as inflation and interest rates recede, and policy uncertainty abates. The current account deficit is projected to expand marginally in 2024, as economic activity accelerates and imports rebound, and to stabilize at 3 percent of GDP by 2026, with solid exports -especially in services- and moderate growth in imports and primary payments.

The fiscal deficit of the general government is projected to increase to 3.5 percent of GDP due to the unwinding of cyclical factors that contributed to the large drop in 2023 and higher expenditure at the central level. The government committed to complying with the structural fiscal rule. In the face of uncertain revenues, adjustments to meet targets could come through low execution. The fiscal deficit is expected to narrow going forward, through the continued reduction in fuel subsidies and lower capital expenditures.

Amid moderate economic growth in 2024, limited progress is expected in poverty reduction. Moreover, while inflation declined, higher prices are still impacting real incomes and food security, and climate shocks may affect households, particularly in regions like Caribe and Pacífico. Promoting more dynamic labor markets and adjusting the social protection system, for example, by expanding coverage and adaptiveness to shocks, would help build resilience.

Risks to the economic growth outlook include higher or more persistent inflation, exacerbated by the effects of El Niño on food and utility prices, or by continued currency volatility from tighter external financial conditions or domestic developments. Rising violence could undermine stability and growth. Uncertainty around the reform agenda could also increase fiscal pressures and lead to delays in private-sector investment. This is mitigated by the fact that the government has reiterated its commitment to the fiscal rule, complied with since its inception in 2011, including by the current administration. Finally, the impact of climate change on GDP growth, external and fiscal sustainability, and the most vulnerable is a continuous source of concern, as Colombia is very exposed to physical and transition risks.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.8	7.3	0.6	1.3	3.2	3.1
Private consumption	14.7	10.7	1.1	0.6	2.7	2.5
Government consumption	9.8	0.8	0.9	0.6	0.8	0.8
Gross fixed capital investment	16.7	11.5	-8.9	1.0	5.5	5.2
Exports, goods and services	14.6	12.3	3.1	3.2	5.2	5.5
Imports, goods and services	26.7	23.6	-14.7	9.5	2.9	3.0
Real GDP growth, at constant factor prices	10.3	6.4	0.6	1.3	3.2	3.1
Agriculture	4.4	-0.8	1.8	3.1	3.5	3.4
Industry	8.1	6.9	-1.9	1.6	3.3	3.0
Services	11.9	7.0	1.5	1.0	3.2	3.1
Inflation (consumer price index)	3.5	10.2	11.7	6.4	3.8	2.8
Current account balance (% of GDP)	-5.6	-6.2	-2.7	-3.1	-3.0	-3.0
Fiscal balance (% of GDP)	-7.1	-6.5	-2.5	-3.5	-3.0	-3.0
Revenues (% of GDP)	26.6	27.6	31.8	30.1	29.5	28.9
Debt (% of GDP)	65.7	64.6	60.1	60.4	59.3	58.7
Primary balance (% of GDP)	-3.7	-2.1	1.4	0.9	1.1	0.9
International poverty rate ($2.15 in 2017 PPP)[a,b]	7.3	6.0	6.7	6.7	6.7	6.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	16.4	14.0	14.8	14.7	14.7	14.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	38.8	34.8	35.1	35.1	35.1	35.0
GHG emissions growth (mtCO2e)	-0.5	-0.9	-0.9	-0.6	-0.1	-0.1
Energy related GHG emissions (% of total)	24.5	23.0	22.8	22.7	22.5	22.3

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 2022-GEIH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

COSTA RICA

Table 1	2023
Population, million	5.2
GDP, current US$ billion	81.9
GDP per capita, current US$	15713.5
International poverty rate ($2.15)[a]	0.9
Lower middle-income poverty rate ($3.65)[a]	3.3
Upper middle-income poverty rate ($6.85)[a]	14.1
Gini index[a]	47.2
School enrollment, primary (% gross)[b]	108.9
Life expectancy at birth, years[b]	77.0
Total GHG emissions (mtCO2e)	7.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth accelerated to 5.1 percent in 2023 supported by strong domestic and external demand. Adequate monetary policy and lower international prices helped dissipate inflationary pressures, allowing for a less restrictive monetary stance since Q12023. This, combined with strong FDI, boosted private consumption and investment. Poverty (US$6.85 poverty line) declined to 12.7 percent, but inequality remained high. Fiscal consolidation is enhancing market access and should continue promoting spending efficiency, while protecting the most vulnerable.

Key conditions and challenges

Costa Rica's income per capita has doubled in the past two decades, thanks to an outward-oriented growth model, investments in human capital, and good governance. The country upgraded and diversified its exports, making it less vulnerable to external shocks. It also strengthened its green trademark through sustainable natural resources management and reforestation.

However, integration between the export and domestic economies remains weak, leading to income and territorial disparities. Despite accessible healthcare and education, monetary poverty reduction has been limited (only 2.6p.p. between 2010 and 2019), and inequality has persisted, with the Gini index remaining above 47 since 2010. Poverty rates are particularly high among vulnerable groups such as Afro-descendants, Indigenous populations, and migrants. The global pandemic deepened these challenges, with the poverty rate (measured by the US$6.85/day 2017 PPP) increasing from 13.7 percent in 2019 to 19.9 percent in 2020. As labor market conditions improved and real household per-capita labor income recovered, poverty declined below pre-pandemic levels.

Additionally, fiscal challenges arose between 2008 and 2018 due to increased spending without a rise in revenues. A 2018 reform was implemented to stabilize the fiscal situation, but the pandemic and commodity price shocks delayed the adjustment. Public debt increased from 56 percent in 2019 to 68 percent of GDP in 2021, affected by fiscal pressures associated with the pandemic. Increased revenues, expenditure control measures, and strong growth enabled the country to post the first primary surplus in a decade in 2022. The public debt ratio is declining but remains relatively high.

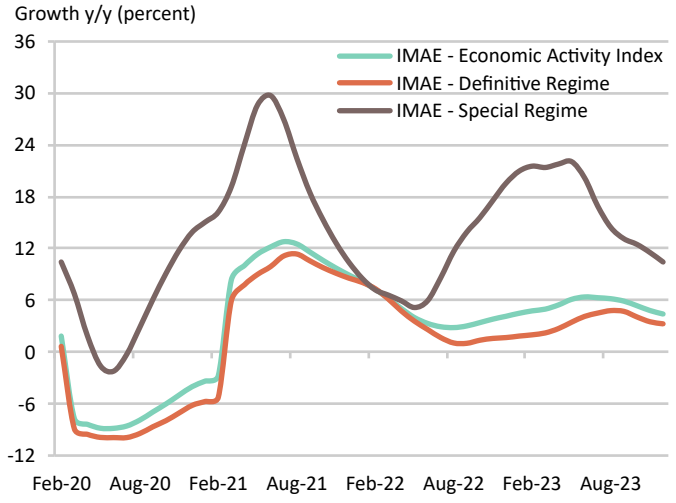
Addressing Costa Rica's twin challenges of inclusivity and fiscal management is crucial. Growth would need to become more inclusive across the labor force and territory, and fiscal policies should continue to support creditworthiness. Improving revenue mobilization and spending efficiency, especially in social and infrastructure sectors, is essential to reduce poverty and inequality.

Recent developments

After moderating to 4.6 percent in 2022, growth surpassed expectations, reaching 5.1 percent in 2023, bolstered by robust domestic and external demand. Inflationary pressures subsided in the first half of 2023. Inflation rapidly decreased from its peak of 12 percent in August 2022 to within the targeted range by March 2023, subsequently transitioning to deflation during the second half of the year. This shift allowed the Central Bank to progressively reduce the policy rate starting in March, which in turn stimulated private consumption and investment.

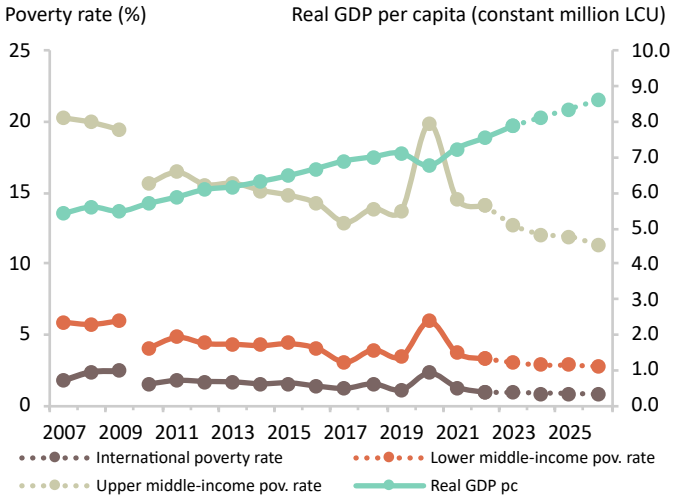
The current account deficit narrowed in 2023, driven by a larger trade surplus, and was financed by robust investment inflows. Exports, particularly of medical

FIGURE 1 **Costa Rica** / Economic activity growth (seasonally adjusted)



Sources: Central Bank of Costa Rica and World Bank staff calculations.
Note: Special Regime includes Free Trade Zone, Active Improvement and Refund of Rights regimes. Definitive Regime focus on domestic use or consumption.

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



Source: World Bank. Notes: see Table 2.

equipment, along with tourism and business services, saw notable expansion, outstripping the recovery in imports. Costa Rica maintained its position as one of the world's leading recipients of Greenfield FDI relative to GDP. Foreign reserves rebounded to cover over five months of goods and services imports, while the currency appreciated by approximately 12 percent in 2023.

The fiscal deficit widened to 3.3 percent of GDP in 2023 from 2.5 percent in 2023, pressured by a record-high interest bill of 4.8 percent of GDP and a smaller primary surplus of 1.6 percent of GDP. The latter resulted from the phase out of large one-off revenues associated with an institutional restructuring, which more than offset spending controls. The debt-to-GDP ratio continued to decline reaching 61.1 percent. Solid fiscal performance prompted Fitch, S&P, and Moody's to upgrade Costa Rica's sovereign credit rating to BB/BB-/B1. The country also successfully issued US$3 billion in Eurobonds in two tranches (March and November). Costa Rica's progress on climate issues facilitated the inclusion of its sovereign bonds in JP Morgan's sustainability index.

Outlook

Amid global uncertainty and a slowdown in key trading partners, growth is projected to moderate to 3.7 percent during the forecast period. While external demand is anticipated to pick up in 2026, domestic demand is expected to temper as monetary policy normalizes and fiscal consolidation advances, aiding in closing the output gap. The current account deficit is projected to widen marginally to 2.7 percent of GDP, reflecting a deceleration in external demand and stabilization of terms of trade. Nonetheless, the deficit is anticipated to be fully covered by healthy FDI inflows.

As inflation stabilizes and labor market conditions continue to improve, particularly within the services sector, the poverty rate is projected to further decline to 11.3 percent by 2026, marking the lowest level in over a decade. Targeting and efficiency enhancements in social assistance programs, especially for historically marginalized groups and those living below the poverty line, could further reduce poverty and vulnerability.

Fiscal consolidation is expected to persist throughout the forecast period, underpinned by a fiscal rule that constrains spending growth, contributing to a reduction in the debt-to-GDP ratio to below 60 percent by 2025. Recent strides in debt management are likely to reduce Costa Rica's financing costs, while tax administration efforts should reinforce revenue mobilization. Announced reforms, including cuts in tax expenditures, adjustments to income tax, and a decrease in the fragmentation of social programs, are essential to bolster fiscal consolidation and establish safeguards against shocks while protecting the impoverished.

This economic outlook is subject to downside risks. Costa Rica's high susceptibility to external shocks, such as global inflationary pressures, dampened global growth, and tightening financial conditions, could pose challenges. Climate vulnerabilities, exacerbated by phenomena like El Niño, compound these uncertainties and could disproportionately impact the poor. Additionally, recent surges in migration and perceived criminality could increase expenditure demands, potentially impeding the pace of fiscal consolidation.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	7.9	4.6	5.1	3.9	3.7	3.7
Private consumption	8.3	3.4	5.4	3.8	3.4	3.4
Government consumption	1.7	2.4	0.1	0.4	0.7	0.8
Gross fixed capital investment	7.8	1.5	8.6	5.0	5.9	6.2
Exports, goods and services	15.9	13.2	10.5	8.1	7.6	7.6
Imports, goods and services	19.2	6.0	5.6	7.9	7.9	8.1
Real GDP growth, at constant factor prices	7.2	4.4	5.1	3.7	3.7	3.8
Agriculture	0.3	-2.3	3.5	2.1	2.1	2.0
Industry	13.5	2.1	8.3	2.6	2.7	2.9
Services	5.9	5.6	4.2	4.1	4.2	4.2
Inflation (consumer price index)	1.7	8.3	0.5	1.9	3.0	3.0
Current account balance (% of GDP)	-3.2	-3.7	-1.0	-2.3	-2.4	-2.7
Net foreign direct investment inflow (% of GDP)	4.8	4.4	4.4	4.2	4.3	4.4
Fiscal balance (% of GDP)	-5.0	-2.5	-3.3	-2.8	-2.2	-1.6
Revenues (% of GDP)	15.7	16.4	15.4	15.5	15.8	16.0
Debt (% of GDP)	67.6	63.0	61.1	60.1	59.0	57.8
Primary balance (% of GDP)	-0.3	2.1	1.6	2.0	2.2	2.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.2	0.9	0.9	0.8	0.8	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	3.7	3.3	3.0	2.9	2.9	2.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	14.5	14.1	12.7	12.0	11.9	11.3
GHG emissions growth (mtCO2e)	0.7	3.2	1.1	2.2	2.1	2.3
Energy related GHG emissions (% of total)	97.4	96.8	95.2	93.2	91.3	89.4

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 2022-ENAHO. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

DOMINICA

Table 1	2023
Population, million	0.1
GDP, current US$ billion	0.7
GDP per capita, current US$	9015.8
School enrollment, primary (% gross)[a]	92.5
Life expectancy at birth, years[a]	72.8
Total GHG emissions (mtCO2e)	0.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Dominica, a small island developing state (SIDS), faces economic challenges and climate vulnerability. Post-pandemic recovery is strong, driven by tourism, infrastructure, and agriculture, though high inflation is affecting the poor disproportionately. Food insecurity persists. Public debt soared due to pandemic support and inflation mitigation efforts. Investments in geothermal energy and an international airport will significantly boost future growth and stimulate private sector development. Reliance on volatile Citizen-by-Investment (CBI) revenues poses risks. Strengthening fiscal policy is needed to safeguard debt sustainability amid external shocks, including those related to climate change.

Key conditions and challenges

Dominica is highly vulnerable to climate change, natural disasters, and other external shocks. The economy has recovered from the pandemic and continues to perform well, largely supported by infrastructure investments and a rebound in tourism. Increases in global commodity prices pushed inflation to historical highs in 2022 and 2023. Although inflation is expected to moderate in 2024, higher price levels of basic goods continue to impact household welfare, particularly the poor.

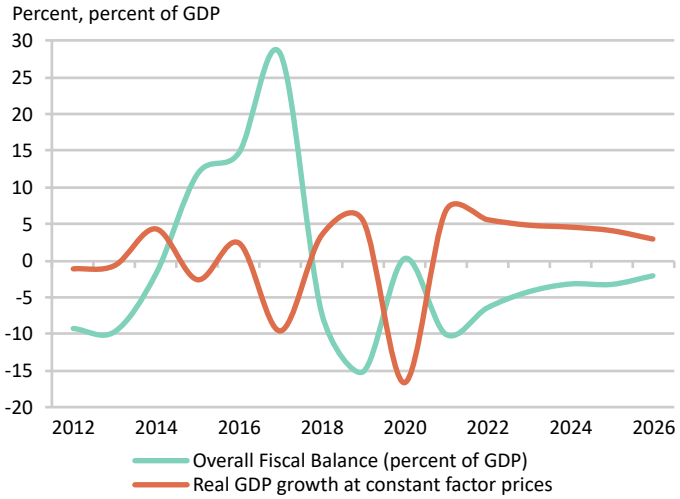
The latest round of the CARICOM/WFP online COVID-19 Food Security and Livelihoods Impact Survey in the Caribbean (May 2023) indicates that about half of respondents faced livelihood disruptions in the thirty days prior to the survey, largely due to unaffordable livelihood inputs. While there has been considerable improvement given the strength in tourism and stronger growth, 29 percent of the respondents reported a job loss or a reduction in labor income in the last six months, and this is actually an improvement compared to the earlier round. Although the survey provides helpful insights, the data is not representative and should be interpreted with caution.

The fiscal deficit widened significantly during the pandemic, but it fell considerably in 2023. Pandemic-related support, increased infrastructure spending, and fiscal measures to mitigate the impact of inflation on the poorest (e.g., subsidies on diesel and gasoline, increased VAT-free units in domestic electricity bills), led to high fiscal deficits and pushed public debt over 100 percent of GDP. Recurrent expenditures are now returning to pre-pandemic levels although further effort will be needed to meet Dominica's primary balance target of 2 percent of GDP by FY26 as per their fiscal rule. The government is implementing a highly ambitious public investment pipeline, largely financed by CBI revenues, including a new international airport, geothermal energy investments, and a significant housing program. While CBI revenues have remained buoyant, they can be volatile and reliance on such revenues raises financing risk. Dominica's vulnerability to hurricanes and climate change means that the authorities will have to increasingly focus on building resilience based on fiscal buffers, climate resilient investment, and expanding public and private insurance protection and social assistance within a context of limited fiscal space. Geothermal energy development and the new airport bode well for future growth prospects and will help address Dominica's small island state competitiveness challenges.

Recent developments

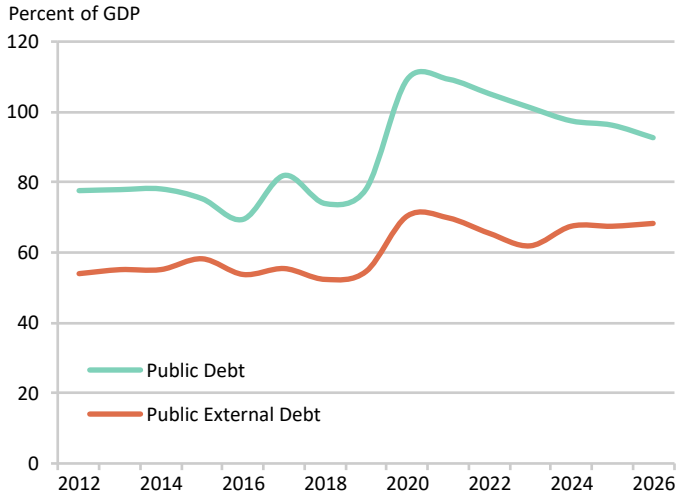
Growth continued its rebound in 2023 at 4.9 percent (5.6 percent in 2022), due to the relaxation of domestic COVID-19 containment measures and improving tourist arrivals. Growth is estimated to remain strong in 2024 as tourism returns to 2019

FIGURE 1 **Dominica** / Real GDP growth and fiscal balance



Sources: Government of Dominica and World Bank staff calculations.

FIGURE 2 **Dominica** / Public debt



Sources: Government of Dominica and World Bank staff calculations.

levels and as it is further supported by public investment. Inflation was 5.5 percent in 2023 after peaking at 7.8 percent in 2022, driven largely by fuel prices, and to a lesser extent by food prices. Inflation is expected to decline to 2.3 percent in 2024.

Inflation continued to affect households' purchasing power and access to food over 2023, given Dominica's dependence on imported food products. According to the CARICOM/WFP survey, nearly all respondents reported an increase in prices of food, gas, transport, and electricity in the three months prior. Similarly, farmers and fishermen continue to report increased input costs. Food insecurity appears to have leveled out in the first half of 2023, although it remains widespread. A considerably large number of respondents indicated that they reduced essential non-food expenditures (e.g., education and health) and spent savings to meet immediate food needs, which could compromise their well-being in the long term and make them less prepared for future shocks. Low-income households, women, and younger respondents appear to be experiencing greater challenges across most metrics of well-being and are at risk of falling further behind.

The fiscal position has improved, registering an overall deficit of 4.2 percent in FY23 following a 6.4 percent deficit in FY22. This modest improvement was the result of reduced current expenditure in a post-COVID environment, reduced public investment, and a robust growth environment. Public debt remains high at 101 percent of GDP at the end-2023 after peaking at 109 percent in 2021. Approximately 90 percent of Dominica's external debt is owed to multilateral and bilateral creditors on concessional terms. Nonetheless, with a 22 percent debt service to revenue ratio in 2023, public debt obligations run the risk of crowding out other spending priorities. A combination of sound fiscal policy and sustained growth is needed to put public debt levels on a firm downward trajectory.

The current account deficit (CAD) at 21.6 percent of GDP in 2023 reflects Dominica's SIDS status and is financed primarily by CBI revenues, grants, and FDI. Reserves are adequate at 5.0 months of import coverage. Financial sector stability and related risks are limited as banks are well capitalized. Recapitalization of credit unions is progressing, though balance sheets remain strained following recent shocks. Private sector credit remains constrained as most recent bank lending has been to the public sector.

Outlook

Short- to medium-term GDP growth continues to be driven by tourism, aided by a robust public investment program financed through CBI revenues. Geothermal developments and a new international airport should boost structural and potential growth. Nonetheless, these large public investment projects will require careful management and implementation. Growth and lower inflation should contribute to a reduction in poverty rates in the medium term. There is an urgent need for updated poverty data, as well as other key indicators including labor market statistics, to monitor households' wellbeing and inform the design of public policy.

The fiscal deficit is expected to narrow as exceptional spending measures continue to be wound down, current spending is reduced and rationalized, and fiscal rules metrics are adhered to, including primary balances of 2.0 percent of GDP by 2026, though further measures will be needed to achieve this target. The CAD is forecast to narrow as tourism receipts increase, though high food and fuel prices will maintain some pressure on the CAD. Financial sector risks will continue to require monitoring given implicit contingent fiscal liabilities arising from the large credit union and insurance sectors. These sectors, while improving, have yet to fully recover from Hurricane Maria, and the impacts of the COVID-19 pandemic also continue to be felt on balance sheets.

Forecasts are subject to considerable downside risk given uncertain food and fuel prices, the economic impact of global geo-political developments, and continued reliance on volatile CBI revenues. Risks from natural disasters and the impact of climate change remain significant. Risks also arise from the financial sector and fiscal and public debt vulnerabilities.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	6.9	5.6	4.9	4.6	4.2	3.0
Real GDP growth, at constant factor prices	6.8	6.8	4.9	4.6	4.2	3.0
Agriculture	23.4	-0.7	2.7	2.6	2.1	1.9
Industry	5.0	1.1	3.3	3.2	3.0	2.6
Services	4.5	9.4	5.6	5.2	4.7	3.3
Inflation (consumer price index)	1.5	7.8	5.5	2.3	2.0	2.0
Current account balance (% of GDP)	-32.9	-26.7	-21.6	-18.0	-15.3	-12.6
Fiscal balance (% of GDP)[a]	-10.0	-6.4	-4.2	-3.1	-3.2	-2.0
Revenues (% of GDP)	58.6	53.1	48.1	47.2	46.1	43.8
Debt (% of GDP)[a]	109.2	105.1	101.1	97.4	96.1	92.6
Primary balance (% of GDP)[a]	-7.7	-3.6	-1.0	0.0	-0.5	0.6
GHG emissions growth (mtCO2e)	-7.5	-1.9	-0.3	0.1	0.2	0.1
Energy related GHG emissions (% of total)	71.9	72.3	73.1	73.9	74.6	75.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (July 1st -June 30th).

DOMINICAN REPUBLIC

Table 1	2023
Population, million	10.8
GDP, current US$ billion	120.9
GDP per capita, current US$	11198.9
International poverty rate ($2.15)[a]	0.8
Lower middle-income poverty rate ($3.65)[a]	4.0
Upper middle-income poverty rate ($6.85)[a]	21.5
Gini index[a]	37.0
School enrollment, primary (% gross)[b]	100.2
Life expectancy at birth, years[b]	72.6
Total GHG emissions (mtCO2e)	38.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

The Dominican economy is poised for a rebound in 2024, with an expected growth rate of 5.1 percent, fueled by the delayed impacts of monetary easing and increased public investment. Unemployment has decreased, and labor incomes have improved, reducing poverty to below pre-pandemic levels. To maintain its fast growth, the country would benefit from productivity-enhancing reforms and climate change adaptation, while continuing to implement prudent fiscal policy.

Key conditions and challenges

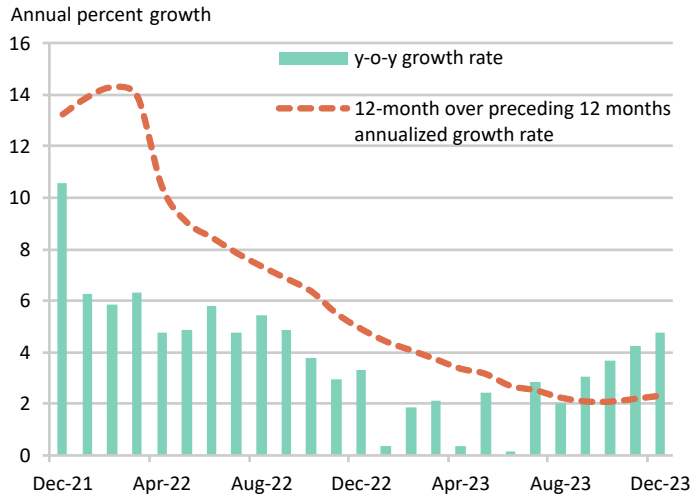
The Dominican Republic (DR) has been one of the fastest growing economies in Latin America and the Caribbean, with an average growth rate of 5.4 percent from 2005 to 2022. Prudent monetary and fiscal policies helped macroeconomic stability and social progress. During this time, the number of people living in poverty – earning less than US$6.85 per day - dropped significantly from 57 to 22 percent. Foreign direct investment (FDI) inflows were about 4 percent of GDP each year. However, exports declined from 28 to 22 percent of GDP.

Recent exogenous shocks, including the pandemic, rising commodity prices, and severe floods, strained the country's finances. Public debt remains above pre-pandemic levels, and new expenditure needs have arisen, with the interest bill consuming three percent of GDP in 2022. As a result, public investment fell from 3.9 to 2.6 percent of GDP between 2005 and 2022. To create space for more public investment, the country would need to improve domestic resource mobilization and spending efficiency. Rebuilding its fiscal buffers will also enable the country to respond better to unexpected events, like natural disasters. To keep growing and make sure poverty continues to decline, it is important to increase productivity. According to the Country Economic Memorandum published in 2023, this will require ambitious structural reforms, such as (i) improving education; (ii) making markets more competitive; (iii) revamping the innovation strategy and adopting climate-friendly technologies; (iv) improving public spending and service delivery; and (v) rebuilding fiscal buffers to deal better with external shocks, including through additional resource mobilization. These changes should go hand in hand with improvements of labor market regulations and social protection systems.

Recent developments

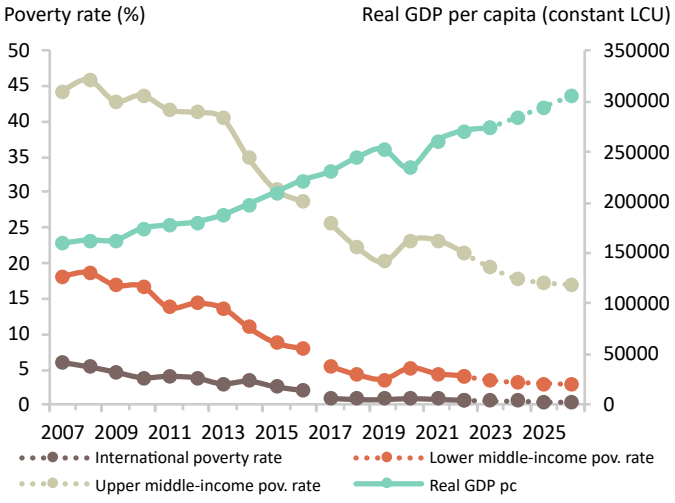
After a strong rebound in 2022, GDP growth decelerated to 2.4 percent in 2023. The construction sector experienced a significant slowdown in the first half of the year, as borrowing costs and input prices increased. However, the implementation of monetary liquidity facilities, representing nearly 2 percent of GDP, in conjunction with a resurgence in public investment mitigated the slowdown. This allowed the economy to witness an acceleration in the second half of the year, with a 4.7 percent year-on-year growth in December 2023. Service sectors, such as hospitality and health care, saw expansions of 10.7 percent, and 10 percent, respectively. This performance helped offset the construction's sector early sluggishness. The economy witnessed the generation of around 148 thousand new jobs in 2023, translating into a year-over-year growth of 3.2 percent, significantly surpassing the

FIGURE 1 Dominican Republic / Index of economic activity, IMAE



Source: World Bank staff calculations based on Central Bank data.

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



Source: World Bank. Notes: see Table 2.

pre-pandemic numbers. This employment recovery was driven by a 5.6 percent (y-o-y) increase in formal employment, particularly among women, who saw the creation of 65,142 new jobs.

The current account deficit (CAD) is projected to have contracted to approximately 3.6 percent of GDP in 2023, a reduction from the 5.6 percent recorded in 2022. The nation welcomed 10.3 million visitors, with 78 percent being new arrivals. Revenue generated from these visits climbed to US$9.8 billion, marking a 16.9 percent increase from 2022. Remittance grew by 3.1 percent in 2023, signaling a stabilization at levels exceeding those prior to the pandemic. The CAD was fully financed by robust FDI and long-term capital inflows.

Inflation declined throughout the year, reaching 3.6 percent y-o-y in December 2023, within the central band (4 percent+-1 percent). The Central Bank reduced its policy rate from 8.5 percent to 7.0 percent in November 2023. In 2023, the poverty rate at US$6.85 per day (2017 PPP) fell to 19 percent, below the 2019 pre-pandemic level of 20 percent. The principal factor contributing to this reduction in poverty was the growth in labor incomes, supplemented by public transfers.

The fiscal deficit expanded to 3.3 percent of GDP in 2023, up from 3.2 percent in 2022. Total revenue surged 12.2 percent, bolstered by enhancements in tax administration and extraordinary revenue from advanced corporate income tax payments. Expenditures escalated by 11.1 percent year-over-year, propelled by a substantial 21.0 percent increase in public investment and a 19.9 percent rise in interest payments.

Outlook

In 2024, economic growth is anticipated to accelerate to 5.1 percent, buoyed by the delayed effects of monetary policy easing and augmented public investment. Inflationary pressures are expected to continue easing, allowing the central bank to cut interest rates further. Over the medium term, robust consumption and investment are expected to underpin growth, bolstered by the execution of structural reforms in key sectors such as energy, water, and public-private partnerships, as well as initiatives aimed at improving education and attracting FDI. By the years 2025-27, growth is forecasted to stabilize at around 5 percent, contributing to further reductions in poverty rates (US$6.85 per day, 2017 PPPs).

A gradual fiscal consolidation is expected over the medium term, driven by the ongoing Electricity Pact reforms, the phase-out of untargeted subsidies, and spending efficiency measures (e.g., procurement, social programs consolidation). Consequently, the public debt-to-GDP ratio is expected to decrease progressively, maintaining a level below 57 percent post-2026.

The macroeconomic outlook faces external and domestic risks. A deceleration in the US economy that outpaces expectations could adversely affect tourist arrivals and exports. Weather-related events, such as El Niño, could also severely affect agriculture and tourism and disproportionately affect the poor. Climate-induced GDP deviations from baseline could reach up to 16.7 percent of GDP by 2050. The high exposure to external shocks and the country's limited financial safeguards against such risks pose significant fiscal and financial risks. Therefore, fortifying resilience is imperative to sustain economic growth and ensure it is more inclusive.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	12.3	4.9	2.4	5.1	5.0	5.0
Private consumption	6.6	5.1	2.9	5.0	5.1	5.2
Government consumption	0.1	3.9	2.8	2.7	2.5	2.2
Gross fixed capital investment	22.1	4.0	-2.1	7.0	5.6	5.0
Exports, goods and services	36.2	13.7	2.2	4.0	4.5	4.6
Imports, goods and services	25.7	14.4	-3.8	4.4	4.1	3.8
Real GDP growth, at constant factor prices	11.5	4.7	2.4	5.1	5.0	5.0
Agriculture	2.6	5.0	3.9	3.6	3.4	3.2
Industry	16.5	1.3	-0.1	4.5	4.0	4.0
Services	10.0	6.5	3.5	5.5	5.7	5.7
Inflation (consumer price index)	8.2	8.8	4.8	4.4	4.2	4.0
Current account balance (% of GDP)	-2.8	-5.6	-3.8	-3.6	-3.4	-3.2
Net foreign direct investment inflow (% of GDP)	3.4	3.5	3.6	3.7	3.7	3.7
Fiscal balance (% of GDP)[a]	-2.9	-3.2	-3.3	-3.1	-3.0	-2.9
Revenues (% of GDP)	15.6	15.3	15.8	15.4	15.2	15.1
Debt (% of GDP)[b]	62.6	58.6	59.1	58.4	57.8	57.2
Primary balance (% of GDP)[a]	0.2	-0.4	-0.1	0.5	0.7	0.8
International poverty rate ($2.15 in 2017 PPP)[c,d]	0.9	0.8	0.6	0.6	0.4	0.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	4.3	4.0	3.5	3.2	3.0	2.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	23.2	21.5	19.4	17.7	17.2	16.9
GHG emissions growth (mtCO2e)	9.9	-0.5	-0.9	1.5	1.3	1.2
Energy related GHG emissions (% of total)	62.6	61.4	60.1	59.7	59.4	59.2

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are shown for the non-financial public sector (i. e. excluding central bank quasi-fiscal balances).
b/ Consolidated public sector debt.
c/ Calculations based on SEDLAC harmonization, using 2022-ECNFT-Q03. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.

ECUADOR

Table 1	2023
Population, million[a]	18.0
GDP, current US$ billion[a]	116.6
GDP per capita, current US$	6476.6
International poverty rate ($2.15)[b]	3.2
Lower middle-income poverty rate ($3.65)[b]	9.5
Upper middle-income poverty rate ($6.85)[b]	29.9
Gini index[b]	45.5
School enrollment, primary (% gross)[c]	97.5
Life expectancy at birth, years[c]	73.7
Total GHG emissions (mtCO2e)	100.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022).
b/ Most recent value (2022), 2017 PPPs.
c/ WDI for School enrollment (2022); Life expectancy (2021).

Ecuador faces an unprecedented security crisis and significant fiscal challenges due to escalating security costs, diminished oil revenues, surging costs of fuel and electricity imports and high interest payments. Growth has slowed, also due to the effects of El Niño climate phenomenon and electricity shortages. To unlock sustainable growth, Ecuador needs to address fiscal imbalances, improve its security situation, and remove barriers to private sector development to unleash investment, formal job creation, and export diversification.

Key conditions and challenges

Ecuador is grappling with an unprecedented security crisis. A surge in violence associated with drug trafficking activities led to the declaration of a state of internal armed conflict and the army to intervene in January. At the same time, the country faces an electricity generation deficit amid historically low investment aggravated by climatic events, which led to electricity rationing in 2023, disrupting economic activity. Against this backdrop, snap elections yielded a fragmented National Assembly and a minority government with an 18-month term. The new government that took office in November faces significant liquidity constraints and a large financing gap, which is set to increase in the coming years in the absence of structural fiscal reforms. Ecuador remains excluded from international capital markets, with the EMBI spread around 1300 basis points. Adding to the fiscal and growth challenges, a referendum held in August 2023 will lead to a shutdown of oil extraction in the Yasuni National Park by the end of August 2024, affecting one-tenth of national oil production.

The Noboa administration has taken important steps to address the challenging fiscal situation. Besides implementing measures to address short-term liquidity constraints, the government passed a bill to increase the VAT rate. Moreover, plans are underway to reduce fuel subsidies and cut current expenditures, particularly within State-Owned Enterprises (SOEs), among other initiatives. A referendum on policies encompassing security, part-time employment, asset forfeiture, and other issues is scheduled for April.

Amid declining domestic oil output and long-term global decarbonization trends, private investment is needed to ignite new growth sources in sectors with competitive advantages, such as mining and agriculture. Improving barriers to private sector development by strengthening the insolvency framework, reducing market intervention, allowing for competition, further expanding trade integration, and improving labor regulation will be critical, particularly in the context of dollarization.

Recent developments

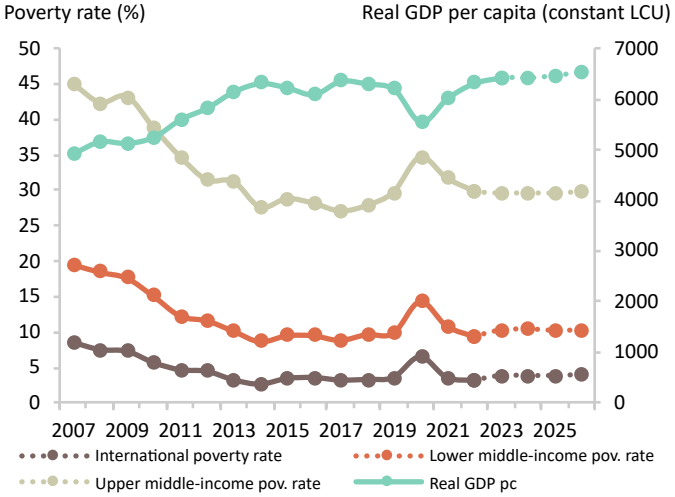
Real GDP grew by an estimated 2.8 percent in 2023, thanks to a good performance in the first half of the year, and despite a marked slowdown in the second half. Oil disruptions, the El Niño effect, heightened political uncertainty, and insecurity affected private consumption and investment in H2, slightly increasing poverty by the end of 2023. Annual inflation decreased from a peak of 4.2 percent in June 2022 to 1.4 percent in December 2023, one of the lowest in the region, amid weak domestic demand.

Labor market conditions deteriorated, with the unemployment rate reaching 3.4 percent in December 2023 (3.2 percent as of December 2022), still mainly impacting women at a rate of 4.2 percent (compared

FIGURE 1 **Ecuador** / Emerging Market Bond Index (EMBI)

Source: JP Morgan Chase.

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



Source: World Bank. Notes: see Table 2.

to 2.8 percent for men). Job quality also deteriorated as underemployment in rural areas reached 22.3 percent (compared to 18.6 percent in 2022) and 20.6 percent in urban areas, explained by droughts, security concerns, and energy rationing. Despite a labor market deterioration, low inflation helped maintain poverty – measured at $6.85PPP, the upper-middle-income poverty line – constant at about 30 percent. However, incomes for the poorest declined, especially in rural areas, resulting in a slight increase in extreme poverty measured at $2.15PPP.

The fiscal deficit is expected to have widened to 3.5 percent of GDP in 2023. Interest payments and a higher fuel and electricity import bill increased spending last year. Revenues declined amid lower economic growth and oil revenues. Given liquidity shortages, arrears to the private sector surpassed 2020 levels. To address liquidity constraints, the government turned to short-term measures such as reprofiling of Central Bank debt, as well as a tax amnesty and advance income tax payments starting in 2024. The Assembly also approved temporary additional contributions to banks' and firms' profits and increased capital outflow tax rates in February. In addition, the VAT is set to increase from 12 to 15 percent as of April.

The current account surplus narrowed from 1.8 percent of GDP in 2022 to an estimated 1.4 percent in 2023 amid declining oil prices. With limited external financing and foreign investment, financial account outflows surpassed the current account surplus, and international reserves almost halved from US$8.5 billion in December 2022 (3.3 months of imports) to US$4.5 billion in December 2023 (2.3 months of imports).

Outlook

Growth is projected to decline to 0.7 percent in 2024 due to the security crisis, political uncertainty, declining oil production, and the impacts of El Niño and La Niña. Government arrears to the private sector are also expected to affect negatively economic growth. A reduction in political uncertainty following the 2025 elections and an improvement in the security, energy, and fiscal outlook after measures taken by the new administration are expected to help the economy start a gradual recovery in 2025, although medium-term growth would remain sluggish overall. Weak economic growth and structural labor market conditions, especially for women, will maintain poverty measured at $6.85PPP at the same level in 2024.

While fiscal accounts will be pressured in 2024 by the economic slowdown, declining oil revenues, and growing security expenditures, recently approved measures are expected to bolster revenues. Considering these measures, the fiscal deficit is expected to narrow to 2 percent of GDP. The NFPS faces around $7bn in financing needs in 2024, which are expected to grow further in 2025 and 2026.

The current account surplus is projected to narrow further to almost balance in 2024, driven by lower oil production and exports, while non-oil export growth continues to soften amid subdued investment prospects. Declining current account surpluses, low foreign investment, and rising external debt service would continue to put downward pressure on international reserves.

In addition to its vulnerability to lower oil prices and tighter-for-longer global financial conditions, Ecuador is exposed to natural hazards, including stronger-than-expected El Niño and La Niña that directly affect household incomes in rural areas. Domestically, risks stem from an inability to solve the fiscal crisis, a disorderly ending of oil exploitation in the Yasuni, social unrest, political instability, and a further worsening of the security crisis.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	9.8	6.2	2.8	0.7	1.7	2.0
Private consumption	11.3	7.4	1.3	1.1	2.3	2.4
Government consumption	0.0	1.8	1.9	0.2	1.5	1.7
Gross fixed capital investment	13.2	8.5	0.2	0.2	2.7	1.2
Exports, goods and services	9.4	7.3	2.3	-1.6	-0.9	2.9
Imports, goods and services	21.5	10.5	-4.0	-1.5	1.0	2.9
Real GDP growth, at constant factor prices	9.5	6.0	2.8	0.7	1.7	2.0
Agriculture	9.0	2.3	2.0	1.9	2.4	2.5
Industry	12.5	4.9	0.9	-4.9	-6.0	1.0
Services	8.2	7.1	3.8	3.0	4.8	2.4
Inflation (consumer price index)	0.1	3.5	2.2	1.9	1.8	1.8
Current account balance (% of GDP)	2.9	1.8	1.4	0.1	-0.1	0.0
Net foreign direct investment inflow (% of GDP)	0.6	0.7	0.4	0.3	0.3	0.3
Fiscal balance (% of GDP)	-1.7	0.0	-3.5	-2.0	-1.7	-1.5
Revenues (% of GDP)	34.5	36.4	34.5	35.4	35.7	35.7
Debt (% of GDP)	61.5	56.9	57.8	58.3	59.2	59.0
Primary balance (% of GDP)	-0.3	1.6	-1.5	0.1	0.4	0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.6	3.2	3.8	3.8	3.8	3.9
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.9	9.5	10.3	10.4	10.3	10.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.7	29.9	29.6	29.7	29.6	29.9
GHG emissions growth (mtCO2e)	2.2	1.8	1.7	0.7	1.1	1.6
Energy related GHG emissions (% of total)	34.9	35.6	36.3	36.3	36.7	37.0

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 2022-ENEMDU. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

EL SALVADOR

Table 1	2023
Population, million	6.4
GDP, current US$ billion	35.5
GDP per capita, current US$	5580.8
International poverty rate ($2.15)[a]	3.4
Lower middle-income poverty rate ($3.65)[a]	8.6
Upper middle-income poverty rate ($6.85)[a]	27.5
Gini index[a]	38.8
School enrollment, primary (% gross)[b]	88.7
Life expectancy at birth, years[b]	70.7
Total GHG emissions (mtCO2e)	12.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2019); Life expectancy (2021).

El Salvador is projected to experience an average growth of 2.5 percent from 2024 to 2026, influenced by a US slowdown affecting remittances and tourism. In 2024, inflation is expected to fall to 2.1 percent, though poverty and vulnerability rates will likely stay constant, highlighting the need for more and better jobs. The current account deficit is expected to narrow, but the fiscal position remains precarious due to uncertain financing options.

Key conditions and challenges

El Salvador has maintained an average growth rate of 2 percent between 2000 and 2019. Its economic performance is closely linked to the US economy, particularly through high remittance rates (26 percent relative to GDP) and trade flows. Poverty and vulnerability are high. Slightly more than one-fourth of the population live on less than US$6.85/day, while two-thirds live on less than US$14/day. Inequality, in contrast, is among the lowest in the region. However, El Salvador faces persistent structural challenges, including low productivity and human capital deficiencies originating from issues such as malnutrition and inadequate schooling levels. Since 2022, substantial progress has been made in reducing gang-related violence, with some positive social and economic outcomes.

Despite being one of the largest recipients of remittances globally, El Salvador runs a chronic current account deficit, stemming from energy price sensitivity and underperforming exports. The ability to finance this deficit through capital inflows, is constrained, further straining reserves. While the banking sector remains profitable with low levels of non-performing loans, reductions in reserve requirements to accommodate government short-term debt raise concerns.

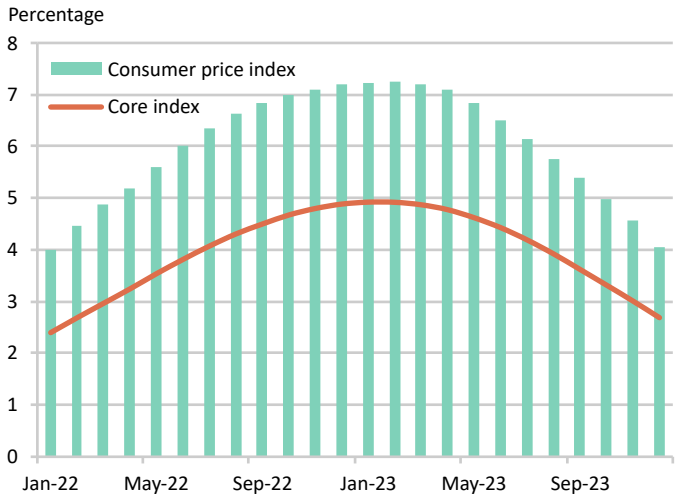
Addressing these challenges will require structural reforms, particularly in education and infrastructure, to stimulate long-term productivity growth, attract FDI, and generate jobs for the underprivileged. The latest PISA figures from the OECD reveal that improvements in education system are needed. However, persistent fiscal imbalances, coupled with limited access to external borrowing and a substantial current account deficit, present significant hurdles that may undermine potential growth.

Recent developments

El Salvador's growth is projected to reach 2.7 percent in 2023. Throughout the year, economic activity gained momentum, with year-on-year growth accelerating from 0.5 percent in the first quarter to 3.6 percent by the third quarter. This upswing was fueled by public investment and consumption, primarily driven by remittances, alongside a rebound in exports. The poor segment of the population, especially the extremely poor, rely less on remittances than more affluent households. This limits the potential impact of remittances on poverty reduction. Following a peak of 7.2 percent in 2022, inflation moderated to an average of 4.1 percent in 2023.

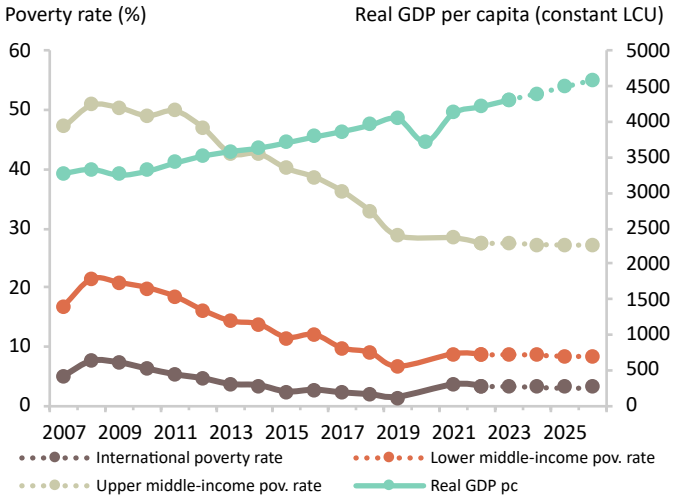
The fiscal deficit widened to 4.2 percent of GDP in 2023, up from 2.7 percent in 2022. Government revenues increased 6.8 percent, driven by higher current taxes stemming from improved economic performance, alongside rising social security contributions (13.8 percent). However, government spending outweighed it, expanding 10 percent, driven by both public

FIGURE 1 El Salvador / Consumer price index inflation and core inflation, 12 months moving average inflation



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

investment (69 percent) and consumption (9 percent). Nonetheless, social spending continues to be among the lowest in Latin America. El Salvador's public debt reached 76 percent of GDP in 2023.

The 2023 pension reform has temporarily improved the fiscal accounts by reducing interest payments until 2027. However, it may lead to future fiscal pressures due to increases in the minimum pension payout. Furthermore, while the reform has improved liquidity, El Salvador still confronts major financing challenges, and financing options are limited to pensions, banks and official creditors, as the government's access to international markets is closed.

The current account deficit, which widened in 2022, is expected to close 2023 at 2.5 percent, driven by declines in international fuel and food prices. Remittances continue to play a pivotal role in El Salvador's external position, stabilizing at 26 percent of GDP. Tourism has benefited from improvements in security, and arrivals have increased from 2.4 to 3.4 million between 2022 and 2023. Foreign Direct Investment rose by 1.1 percentage points, reaching 1.7 percent of the GDP in 2023, partially financing the deficit. Reserves remain low at 9 percent of GDP.

Outlook

El Salvador is projected to grow on average at 2.5 percent between 2024-2026, approaching its potential growth. This deceleration stems from a slowdown in US activity, likely dampening remittances, and tourism. Inflation is projected to continue its downward trajectory, reaching 2.1 percent in 2024. However, poverty and vulnerability rates are anticipated to remain almost constant until 2026, indicating that most of the population are not reaping the benefits of overall growth. This underscores the necessity for targeted policies, and the creation of higher-wage jobs.

The current account deficit is expected to narrow in 2024 on the back of improved net exports, despite the projected slowdown in remittances. This deficit is expected to be partly financed by official lending and FDI. Nonetheless, the pressure on international reserves is likely to persist without additional capital inflows and/or short-term fiscal consolidation.

The primary fiscal deficit is forecasted to decrease in 2024, primarily due to reduced public spending associated with the election cycle, the phase-out of subsidies (except for propane gas), hiring freezes, and the moderation of automatic wage adjustments. Debt service will remain below 2022 levels due to restructuring short-term debt into long-term instruments, lowering rollover risk. Moreover, revenues are expected to remain strong helped by enhanced tax collection efforts.

El Salvador's fiscal position remains delicate for a dollarized economy, facing liquidity challenges and limited financing options. Medium-term prospects continue to be risky without a credible medium-term fiscal consolidation plan. Furthermore, the interest savings resulting from the pension reform will turn into a cost after 2027. However, a sustained decrease in sovereign spreads and in the public debt to GDP ratio could facilitate El Salvador's return to international markets relaxing liquidity constraints.

Downside risks to the outlook include a slowdown in global economic activity, a shift in immigration policy in the US, and an overreliance on domestic financing that could crowd out the private sector. Moreover, a more severe El Niño could disrupt supply chains and increase logistics expenses, affecting the health of vulnerable households. While security measures are expected to boost consumption and investment, their long-term sustainability remains uncertain.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	11.2	2.6	2.7	2.5	2.5	2.5
Private consumption	16.1	2.6	1.8	1.7	1.7	1.7
Government consumption	7.2	-1.4	4.4	1.3	1.2	1.1
Gross fixed capital investment	25.1	2.6	6.4	5.1	3.6	3.6
Exports, goods and services	29.4	10.2	3.5	1.6	2.4	2.5
Imports, goods and services	28.9	1.2	3.9	1.5	1.4	1.4
Real GDP growth, at constant factor prices	10.2	3.1	2.7	2.5	2.5	2.5
Agriculture	4.0	0.6	-1.9	-1.8	-1.1	-1.7
Industry	10.5	3.6	1.5	2.9	2.5	2.5
Services	10.7	3.2	3.5	2.7	2.8	2.8
Inflation (consumer price index)	3.5	7.2	4.1	2.1	1.9	1.7
Current account balance (% of GDP)	-4.3	-6.6	-2.5	-2.3	-2.0	-2.0
Net foreign direct investment inflow (% of GDP)	1.0	-0.3	1.7	1.7	1.8	2.0
Fiscal balance (% of GDP)[a]	-4.8	-2.7	-4.4	-2.7	-2.6	-2.9
Revenues (% of GDP)	23.8	24.2	24.3	24.3	24.3	24.3
Debt (% of GDP)[b]	82.7	78.0	75.7	74.3	73.0	72.2
Primary balance (% of GDP)[a]	-0.4	1.9	-0.5	1.1	1.3	1.0
International poverty rate ($2.15 in 2017 PPP)[c,d]	3.6	3.4	3.4	3.3	3.2	3.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	8.7	8.6	8.7	8.6	8.5	8.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	28.4	27.5	27.6	27.2	27.0	27.0
GHG emissions growth (mtCO2e)	5.4	-0.5	-0.6	0.1	0.2	0.3
Energy related GHG emissions (% of total)	51.2	50.8	50.4	50.3	50.1	49.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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 2022-EHPM. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.

GRENADA

Table 1	2023
Population, million	0.1
GDP, current US$ billion	1.3
GDP per capita, current US$	10503.8
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	1.3
Upper middle-income poverty rate ($6.85)[a]	13.8
Gini index[a]	43.8
School enrollment, primary (% gross)[b]	83.4
Life expectancy at birth, years[b]	74.9
Total GHG emissions (mtCO2e)	2.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2018), 2017 PPPs.
b/ Most recent WDI value (2021).

Grenada is expected to have returned to its strong pre-COVID growth in 2023, thanks to tourism and construction. The country has improved its fiscal position and continues to reduce its public debt. It has also continued with the implementation of pro-growth reforms, closing infrastructure gaps, and building climate resilience. Complying with established fiscal rules will be critical for Grenada to sustain inclusive growth and make continued progress in poverty and inequality reduction.

Key conditions and challenges

Grenada has outperformed its eastern Caribbean peers in economic performance, achieving an average annual growth of 3.3 percent between 2015 and 2019, while keeping public debt relatively low and reducing poverty. Growth has been driven by construction and tourism, supported by structural reforms initiated in 2015. The 2015 Fiscal Responsibility Act was replaced by the 2023 Fiscal Resilience Act (FRA) with the aim to further enhance Grenada's fiscal policy framework by simplifying rules, broadening the definition of public debt, and strengthening the role of the medium-term fiscal strategy. State-Owned Enterprises (SOEs) play a vital role in the country's economic stability and growth, as they are involved in various critical sectors. The Eastern Caribbean Currency Union's fixed exchange rate anchors low inflation and price stability. Grenada's financial sector remains stable and liquid.

However, vulnerabilities remain. Grenada's economy relies heavily on tourism, a sector significantly affected by the global business cycle and natural disasters. Inequality, measured by the Gini coefficient, has hovered around 0.44 since 2018, which is high by international standards. Gender disparities in access to economic opportunities persist, and youth unemployment stands significantly above the national average.

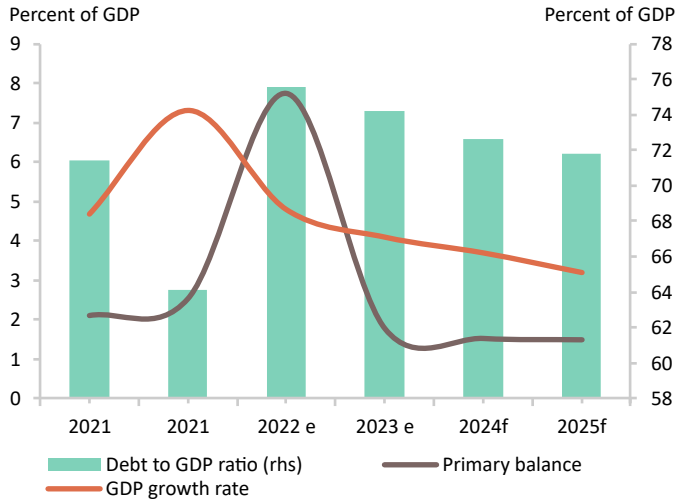
A strong commitment to adhering to fiscal rules and additional structural reforms are needed to sustain inclusive growth, reduce poverty and inequality, enhance the effectiveness of social protection programs, and strengthen climate resilience. Targeted policies to boost job creation and skill development for women and youth are also required. The Government has committed to remaining on track with the new fiscal rules in 2024 and plans to further improve accountability and fiscal transparency.

Recent developments

Economic activity improved in 2023, leading to gains in poverty reduction. Growth is estimated to have reached 4.8 percent in 2023 as visitor arrivals, public and private construction activity, and the return of students to St. George's University (SGU) contributed significantly to the economy. Inflation rose to 2.7 percent by end-2023, mostly driven by increases in food and fuel prices. The recent underperformance in the agriculture sector was largely due to unfavorable weather conditions and the high cost of fertilizers. The unemployment rate dropped to 12.0 percent in 2023-Q2. However, it continues to be higher among women (14.6 percent) and the youth (36.2 percent). Poverty ($6.85 a day in 2017 PPP) is estimated to have declined to 13.9 percent in 2023, remaining slightly above pre-pandemic levels (13.8 percent in 2018).

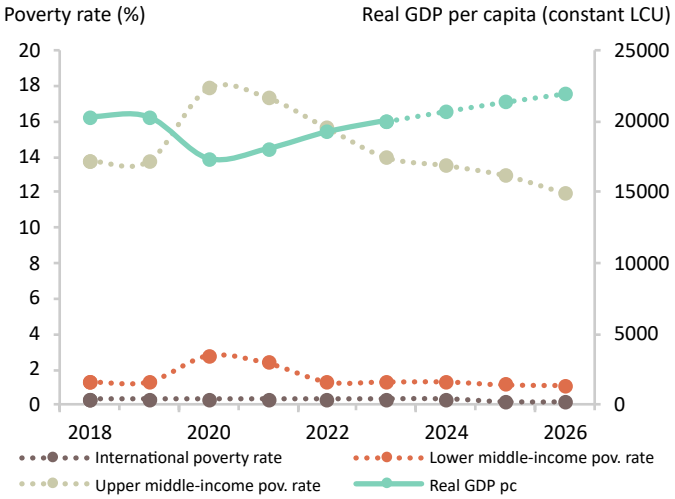
The current account deficit is estimated to have widened in 2023, as the increased

FIGURE 1 **Grenada** / Key macroeconomic variables



Source: World Bank, Macroeconomics and Fiscal Management Global Practice.
Notes: e= estimate; f = forecast.

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



Source: World Bank. Notes: see Table 2.

import bill exceeded the recovery in tourism-driven exports due to a larger volume of goods required for construction projects. Remittances are estimated to have slowed from the pandemic peak. However, it is unlikely to have impacted poverty, as the wealthiest households account for most of the remittances received. Citizenship-by-Investment (CBI) inflows were larger than expected in 2023 and supported both public and private investment. Foreign Direct Investment (FDI) helped finance the external deficit as did loans from multilateral and bilateral development partners. Estimated imputed reserves increased by 9 percent from 2021 to 2022.

The fiscal surplus further improved in 2023, owing to increased CBI non-tax revenues (EC$382.9 million) and buoyant economic activity. Total revenue rose to 36.8 percent of GDP in 2023. These improvements more than compensated for the elevated capital expenditures. Public sector debt increased to 75.5 percent of GDP in 2023, up from 64.1 percent of GDP in 2022. This increase reflects the recently introduced FRA, which broadens the debt coverage by including the debt of all SOEs.

Outlook

Real output growth is projected to moderate to 4.1 percent in 2024, with an average of 3.7 percent over the medium term. This reflects a slower pace of expansion in tourism and construction, as public investments are expected to scale back due to the binding new fiscal rules. Nonetheless, private and public investments are expected to continue to support construction. The implementation of structural reforms is also expected to positively affect the output. Inflationary pressures are expected to ease over the medium term, from the 2022 peak. An overall inflation rate of 2.0 percent is forecast from 2024 onwards. Amid moderate economic growth and controlled inflation, poverty ($6.85 a day in 2017 PPP) is projected to fall below pre-pandemic levels in 2024 and continue to decline in 2025 and 2026.

The authorities are advancing an ambitious fiscal reform agenda. On the expenditure side, they aim to raise wages moderately within the new FRA ceiling of 13 percent of GDP. CBI inflows, which spiked in 2023-24, are projected to taper off from 7.9 percent of GDP in 2024 to 4.7 percent in 2026, reducing capital spending funds. A new public sector pension scheme should become operational in 2024 and may require Government contributions going forward. On the revenue side, a strong recovery in tax revenue collection and additional revenue enhancement measures are expected to offset increased spending and maintain the primary balance above the new FRA target of 1.5 percent of GDP over the medium term. Public debt is projected to remain on a downward path, supported by output growth, fiscal surplus, and declining debt service payments, and reach 71.8 percent of GDP by 2026 as additional primary surplus is assumed to be directed towards the National Transformation Fund.

Externally, the risks are mainly on the downside and associated with the uncertainty around rising geopolitical tensions, the global economic slowdown, and persistent inflationary pressures. Domestically, both upside and downside risks exist. On the upside, a faster uptake in the tourism sector and/or construction projects could spur a new wave of growth. On the downside, the country's vulnerabilities to natural disasters, health issues, and other shocks could negatively impact future growth.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.7	7.3	4.8	4.1	3.7	3.2
Real GDP growth, at constant factor prices	5.2	6.2	4.8	4.1	3.7	3.2
Agriculture	15.7	-16.8	-2.1	1.4	3.1	3.1
Industry	15.3	17.4	4.3	4.5	2.0	2.0
Services	2.0	5.5	5.5	4.2	4.2	3.5
Inflation (consumer price index)	1.9	2.9	2.7	2.0	2.0	2.0
Current account balance (% of GDP)	-14.5	-11.0	-14.3	-16.9	-13.5	-12.6
Fiscal balance (% of GDP)	0.3	0.9	6.3	0.2	0.2	0.3
Revenues (% of GDP)	31.6	32.7	36.8	34.8	30.2	30.2
Debt (% of GDP)[a]	71.4	64.1	75.5	74.2	72.6	71.8
Primary balance (% of GDP)	2.1	2.5	7.7	1.8	1.5	1.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.3	0.3	0.3	0.3	0.1	0.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	2.3	1.3	1.3	1.3	1.1	1.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	17.3	15.6	13.9	13.5	12.9	11.9
GHG emissions growth (mtCO2e)	1.6	2.1	1.6	1.5	1.4	1.4
Energy related GHG emissions (% of total)	13.3	13.4	13.6	13.6	13.6	13.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ The debt coverage over the period 2023-2026 was expanded to include the non-guaranteed debt of all SOEs, aligned with the new FRA.
b/ Calculations based on CONLAC harmonization, using 2018-SLCHB. Actual data: 2018. Nowcast: 2019-2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2018) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

GUATEMALA

Table 1	2023
Population, million	17.6
GDP, current US$ billion	100.5
GDP per capita, current US$	5710.0
International poverty rate ($2.15)[a]	9.5
Lower middle-income poverty rate ($3.65)[a]	25.9
Upper middle-income poverty rate ($6.85)[a]	55.4
Gini index[a]	48.3
School enrollment, primary (% gross)[b]	103.9
Life expectancy at birth, years[b]	69.2
Total GHG emissions (mtCO2e)	40.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Guatemala possesses the macroeconomic stability required to foster inclusive growth yet struggles to implement reforms to quicken growth and alleviate poverty and inequality. GDP growth forecast ranges from 3 to 3.5 percent in the medium term, with poverty and inequality projected to stay among the highest in the region. Significant risks to this outlook include natural disasters, political instability, and volatility in commodity prices.

Key conditions and challenges

Guatemala is recognized for its stable macroeconomic environment. Over the past five years, the average GDP growth was 3.6 percent, reserves stayed at comfortable levels and public debt remained at 28 percent of GDP, despite the economic disruptions caused by COVID-19 and the food and fuel crisis.

Despite this stability, underlying challenges persist, such as stagnant productivity growth and insufficient human capital development. The Human Capital Index has shown little improvement, moving from 0.44 in 2010 to 0.46 in 2020. Human development outcomes are particularly low among Indigenous Peoples, Afro-descendants, and residents of remote areas. Economic growth has primarily been driven by capital accumulation and labor force expansion, with the latter expected to increase until 2044. However, labor force participation remains relatively low at 60 percent in 2022, especially among women.

Poverty and inequality have seen minimal change over the last decade. Over half of the population lives below the poverty line ($6.85, 2017 PPP), one of the highest poverty rates in Central America. Multidimensional poverty is predominantly rural, with 46 percent of the population living in these areas, accounting for 73 percent of the impoverished. The labor market is characterized by high informality, with over 70 percent of the employed population working informally, and this figure rises to nearly 75 percent among women, particularly in the agricultural sector. Additionally, in 2022, 56.9 percent of households lacked access to at least one basic service, such as clean water, sanitation, electricity, or waste collection.

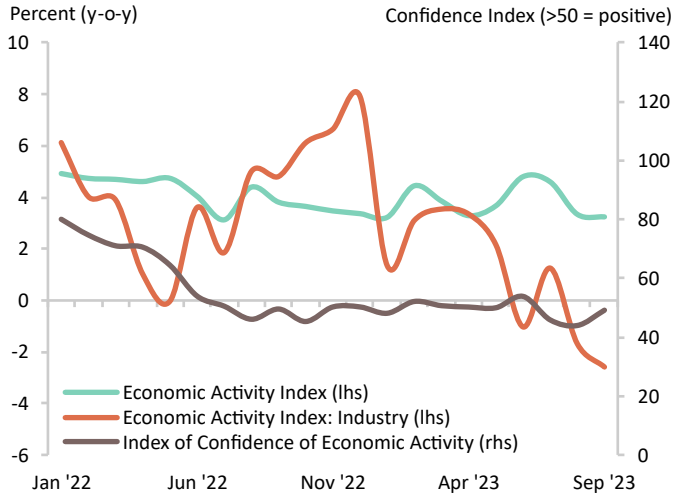
Guatemala would benefit from reforms that enhance productivity and foster inclusive growth. This requires improved infrastructure, education, business environment, and expanded social protection programs, which in turn entails more effective and increased spending. Historically, Guatemala has struggled to implement revenue-increasing reforms. The new government, which assumed office in January, faces significant challenges in passing reforms through Congress, even for less contentious issues.

Recent developments

In 2023, GDP growth decelerated from 4.1 percent in the previous year to 3.5 percent, despite stronger growth in the US and increased remittances. The presidential elections and the ensuing complex transition dampened business confidence, which has remained below 50 since mid-2023.

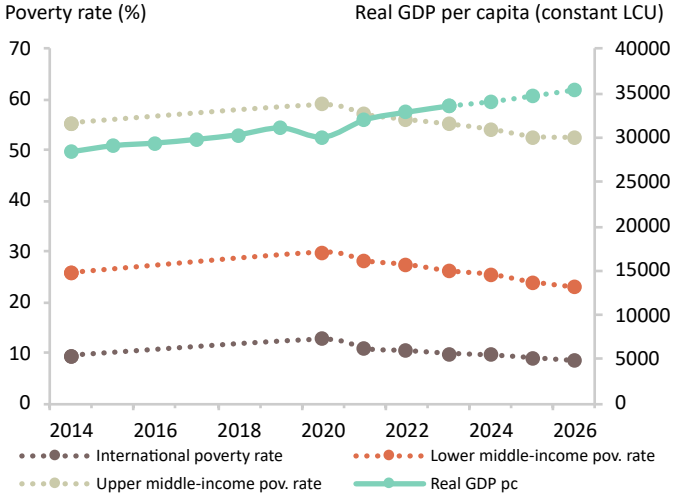
Inflation saw a substantial decline, dropping from 9.7 percent in January to 4.2 percent by December 2023, aided by reduced food and energy prices and a tighter monetary policy that maintained the interest rate at 5 percent since March.

FIGURE 1 Guatemala / Economic Activity Index (EAI) and Index of Confidence of Economic Activity (ICEA)



Source: Banco de Guatemala.

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



Source: World Bank. Notes: see Table 2.

Despite rising real interest rates throughout the year, credit to the private sector grew by 15 percent in 2023. The banking sector has remained robust and profitable, with a non-performing loan ratio of 1.8 percent.

The current account surplus is estimated to have grown to nearly 4 percent of GDP, attributed to a reduced trade deficit, improved terms of trade, and higher remittance inflows. Fiscal accounts showed a modest improvement from 2022 to 2023, with the budget deficit narrowing from 1.7 to 1.4 percent of GDP due to a moderate revenue increase and stable expenditures. Public debt remained low at 28.3 percent of GDP.

Lower inflation, remittance growth, and moderate growth have contributed to poverty reduction, with estimates showing a decrease to 55 percent (U$6.85 2017 PPP poverty line) in 2023, from 56 in 2022. However, the labor market's limited dynamism and persistent high informality, have kept poverty rates above pre-pandemic levels (54 percent in 2019). Inequality is also estimated to have remained higher than pre-pandemic levels (49 in 2023 vs. 48.5 in 2019), reflecting entrenched social and geographical disparities.

Outlook

Economic activity slowed in 2023 and is expected to continue into 2024. The delayed effects of higher interest rates and low confidence will be felt, and El Niño will reduce agricultural yields in 2024. GDP growth is projected to moderate to 3 percent in 2024 due to lower consumption and government investment. A gradual increase is expected in 2025, as interest rates are reduced, El Niño's impact lessens, and business confidence recovers.

Inflation is predicted to rise in the first half of 2024, driven by food prices affected by El Niño-induced droughts. External accounts are expected to remain in surplus, though at a reduced level, due to an increased trade deficit and slower remittance growth. Poverty rates (U$6.85 2017 PPP poverty line) are projected to stay close to 54.1 percent in 2024, as the sluggish agricultural sector and inflationary pressures persist, and poverty using the U$2.15 line (2017 PPP) is anticipated to remain near 9.6 percent.

The fiscal outlook remains uncertain. The courts have suspended the approved 2024 budget, and the government is currently operating under the 2023 expenditure ceiling, while projected revenues for 2024 are higher than those budgeted for 2023, which would yield a strong fiscal consolidation in 2024. The government has set a higher tax revenue target and intends to request an increase in the expenditure ceiling by 13 million LCU. Given the president's lack of a congressional majority, it is not clear that Congress will approve the increased expenditures in full. In lack of better guidance, the forecast assumes a nominal expenditure increase of 4 million LCU in 2024 compared to 2023, which would yield a deficit of 0.5 percent of GDP in 2024.

The main downside risks to the economic outlook include natural disasters, rising commodity prices, and political deadlock. Increases in commodity prices due to climate events like La Niña or geopolitical conflicts in the Middle East can lead to inflation spikes. Disruptions in global trade routes from such conflicts and droughts in the Panama Canal could increase freight costs and reduce supply, triggering inflation. The growing political impasse among all branches of government could prevent Guatemala from enacting reforms and implementing policies to tackle poverty and low productivity, potentially undermining its macroeconomic stability.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	8.0	4.1	3.5	3.0	3.5	3.5
Private consumption	8.5	4.2	4.0	3.8	3.7	3.7
Government consumption	4.9	7.2	5.0	3.0	3.5	3.5
Gross fixed capital investment	19.8	3.5	6.0	4.8	4.1	4.1
Exports, goods and services	10.3	7.0	-1.0	2.7	3.5	3.5
Imports, goods and services	19.5	4.4	3.7	5.6	4.2	4.2
Real GDP growth, at constant factor prices	7.8	4.4	3.5	3.0	3.5	3.5
Agriculture	4.3	2.6	3.0	0.5	3.5	3.0
Industry	8.6	4.6	2.5	2.0	3.3	3.3
Services	8.1	4.6	4.0	3.7	3.6	3.6
Inflation (consumer price index)	4.3	6.9	6.3	4.8	3.7	3.5
Current account balance (% of GDP)	2.2	1.3	3.8	3.4	3.3	3.3
Net foreign direct investment inflow (% of GDP)	3.8	1.3	1.8	1.9	1.9	2.0
Fiscal balance (% of GDP)	-1.2	-1.7	-1.4	-0.5	-0.5	-0.4
Revenues (% of GDP)	12.4	12.7	12.9	13.5	13.7	14.0
Debt (% of GDP)	30.8	29.2	28.3	27.4	26.4	25.6
Primary balance (% of GDP)	0.6	0.0	0.3	1.2	1.3	1.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	10.8	10.4	9.9	9.6	9.0	8.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	28.1	27.4	26.2	25.5	24.0	23.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	57.0	56.0	55.1	54.1	52.6	52.4
GHG emissions growth (mtCO2e)	4.8	3.4	2.7	2.6	2.7	2.7
Energy related GHG emissions (% of total)	51.2	51.9	52.3	52.7	53.1	53.4

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 2014-ENCOVI. Actual data: 2014. Nowcast: 2015-2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

GUYANA

Table 1	2023
Population, million	0.8
GDP, current US$ billion	16.8
GDP per capita, current US$	20626.2
School enrollment, primary (% gross)[a]	90.5
Life expectancy at birth, years[a]	65.7
Total GHG emissions (mtCO2e)	30.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ WDI for School enrollment (2020); Life expectancy (2021).

Guyana emerged as one of the world's fastest-growing economies following the development of its oil and gas (O&G) sector. In light of the substantial oil revenues, the government is implementing an ambitious investment program to structurally transform the non-oil economy and address its development needs. Lack of recent data on poverty and equity limits the effectiveness and monitoring of public policies to reduce poverty in these transformational times for Guyana. Sound management of O&G resources will be critical for inclusive growth.

Key conditions and challenges

Guyana is a small state with abundant natural resources, including significant oil and gas (O&G) reserves and extensive forest cover. With a large part of its territorial waters still unexplored, Guyana's gross oil resources are conservatively estimated at over 11 billion barrels, making it one of the world's highest levels per capita. The start of oil production in 2019 led to an unprecedented rate of economic growth, resulting in the country being reclassified as high-income as of July 2023.

Guyana's new-found resource wealth contrasts with the overall needs of the population. Poverty and social exclusion, including limited access to basic services, have traditionally been particularly severe in Guyana's hinterland and among Amerindians. The lack of recent data on poverty and equity inhibits an assessment of progress in fighting poverty and fostering social inclusion since the start of oil production. The development of the O&G sector has allowed a notable scale-up of investments in infrastructure to support growth in other sectors. With over 70 percent of the working-age population residing in rural areas, agriculture, forestry, and fishing remain important for job creation and poverty reduction.

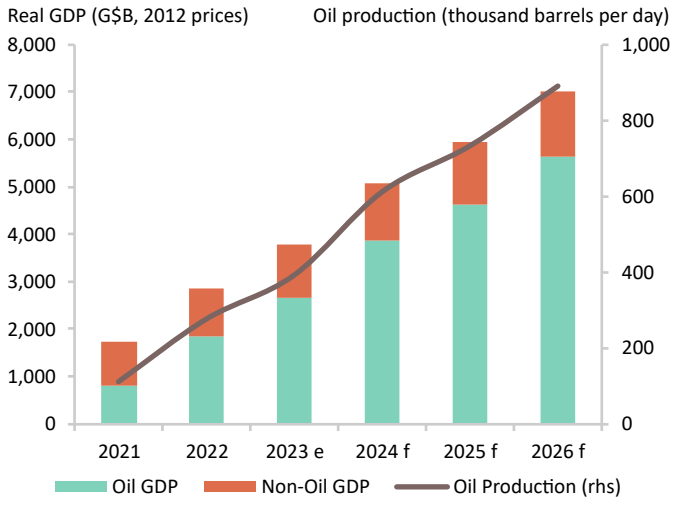
Guyana's oil revenues are held at the Natural Resource Fund (NRF), a sovereign wealth fund outside of the economy, with clear withdrawal rules governed by the NRF Act 2021. As of December 2023, the closing balance in the NRF was US$1.97 billion. The country is also advancing initiatives to sell carbon credits from forest conservation, which represent an additional source of fiscal revenues and will be partly employed to sustainably manage its forests.

Rising budget resources present both opportunities and risks for Guyana. They have allowed the government to respond to the global pandemic and inflation while increasing spending to address infrastructure gaps and human development needs. However, the extraordinary pace of scaling up public spending heightens the risks of spending inefficiencies, and oil revenues raise concerns of potential "Dutch Disease" effects. It is therefore critical to contain the pace of fiscal expansion and to effectively manage O&G revenues to support growth in the non-oil economy. Sound management of the O&G sector necessitates strengthening governance and proactive public financial management practices while boosting transparency and accountability to avoid increased social polarization. There has also been a recent escalation of tension between Guyana and Venezuela over the border controversy between the two countries.

Recent developments

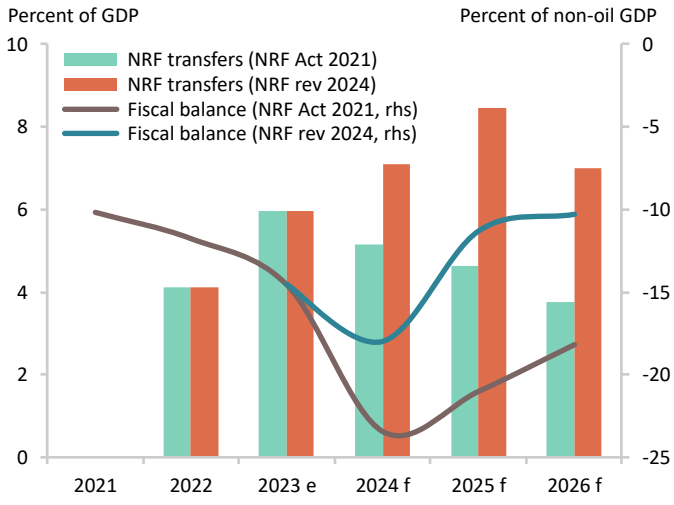
Guyana's economy continued its strong expansion in 2023, with real GDP growing by 33.0 percent. The third oil field started production in November 2023, allowing oil

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



Sources: Government of Guyana and World Bank staff calculations.
Notes: e=estimate, f=forecast.

FIGURE 2 Guyana / Fiscal balances and Natural Resource Fund (NRF) transfers under NRF Act 2021 and 2024 revisions



Sources: Government of Guyana and World Bank. Notes: e=estimate, f=forecast. NRF rev 2024 projections assume yearly withdrawal of maximum amounts allowed by the revised rules in the Fiscal Enactments Amendment Bill 2024.

production to reach 143 million barrels in 2023, leading to a 45.9 percent growth in oil GDP. The non-oil economy grew by 11.7 percent, driven mainly by expansion in the construction and services sectors, supported by strong public investment. Agricultural output grew by 7 percent, with notable growth in the sugar-growing sector due to improved yields.

The urban consumer price index increased by an average of 2.8 percent in 2023, reflecting a sharp slowdown in inflation compared to the 6.4 percent recorded in 2022. Inflation slowed across all categories, but price increases in food were relatively high, averaging 5.8 percent in 2023, compared to housing, transportation, and other categories. Higher food costs disproportionately affect the poor and vulnerable, who spend a larger portion of their budget on food, and can jeopardize food security. The nominal exchange rate has remained stable since 2019 through periodic intervention, and the real effective exchange rate was also stable in 2023, after a slight appreciation in 2022.

The fiscal deficit was 14.6 percent of non-oil GDP in 2023, despite significant transfers from the NRF. Transfers from the NRF approximated US$1 billion (6.0 percent of GDP) in 2023, up from US$608 million in 2022 (4.1 percent of GDP), in accordance with the NRF Act 2021. In February 2024, the government passed the Fiscal Enactments Amendment Bill 2024 that authorizes a significant increase in the withdrawal limit from the NRF and higher ceilings on domestic and external debt. Fiscal policy focused on increasing capital investment to support growth in the non-oil economy, while providing relief to citizens from the adverse impact of the pandemic and rising prices. Relief efforts included direct and indirect income support, with adjustments to the income tax threshold and a reduction in the fuel excise tax. The public debt-to-GDP ratio increased to 28.5 percent of GDP in 2023 as a result of new external and domestic borrowing. The current account recorded a surplus of 11.8 percent of GDP in 2023, notably smaller than in 2022 due to the importation of the third oil platform.

Outlook

Guyana's economy is expected to continue its strong expansion over the medium term, with rising oil production driving the overall growth path. The three production platforms currently in operation are expected to reach over 550,000 bpd as the third and newest platform reaches full capacity. The fourth oil development project is expected to start operation in 2025, further increasing production capacity and GDP growth. Real non-oil GDP is projected to expand by an average of 9.4 percent annually, including through positive spillovers from the oil sector, supported by the Local Content Act, and the strong public investment program, boosting agricultural output and construction. Inflation is expected to be moderate in 2024 but will remain elevated in the medium term due to increased government consumption and higher input costs. Poverty reduction will depend on efforts to boost the purchasing power of poor and vulnerable households, as well as on translating the performance of the non-oil economy into jobs.

The fiscal deficit, not yet reflecting the NRF revisions, is projected to average 20.9 percent of non-oil GDP (or 8.1 percent of total GDP) as the increase in capital spending outstrips NRF transfers. Public debt as a percentage of GDP is expected to be on a moderate downward trend as the economy continues to expand. Increased exports of oil, gold, and bauxite will result in a current account surplus of around 23.9 percent of GDP over the medium term, also irregularly affected by the importation of oil production platforms.

The extractive sector is the dominant source of growth and fiscal revenues for Guyana. This increases the country's susceptibility to oil-related shocks and requires proactive management. Prudent NRF management and strengthening the medium-term fiscal framework are critical for preventing the economy from overheating. Oil production has environmental consequences that must be carefully considered, and the sector may face additional risks amid global decarbonization efforts. Addressing climate change risks remains central to poverty reduction given that sea level rise and flooding expose large segments of the population to food insecurity and job losses.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at market prices (total)[a]	20.1	63.3	33.0	34.3	16.8	18.2
Real GDP growth, at market prices (non-oil)[b]	4.6	11.5	11.7	11.9	8.2	7.9
Agriculture	-9.1	11.7	7.0	10.4	6.0	4.2
Industry	5.0	12.7	13.0	9.7	8.7	7.7
Services	12.1	9.3	10.5	6.9	6.8	6.5
Inflation (consumer price index)	4.8	6.4	2.8	3.8	5.0	5.5
Current account balance (% of GDP)[c]	-24.8	25.9	11.8	35.3	15.6	20.9
Fiscal balance (% of GDP)[d]	-10.1	-11.7	-14.6	-23.4	-21.0	-18.2
Debt (% of GDP)	38.9	24.8	28.5	27.8	23.8	20.8
Primary balance (% of GDP)[d]	-9.4	-11.1	-13.7	-22.2	-19.8	-16.5
GHG emissions growth (mtCO2e)	4.9	15.9	12.4	13.4	8.3	8.5
Energy related GHG emissions (% of total)	24.7	33.5	39.7	45.8	48.9	51.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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.

HAITI

Table 1	2023
Population, million	11.7
GDP, current US$ billion	19.9
GDP per capita, current US$	1694.1
International poverty rate ($2.15)[a]	29.2
Lower middle-income poverty rate ($3.65)[a]	58.0
Upper middle-income poverty rate ($6.85)[a]	85.8
Gini index[a]	41.1
Life expectancy at birth, years[b]	63.2
Total GHG emissions (mtCO2e)	11.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2021).

The political crisis and increasing gang violence continue to impact economic activity, with Haiti experiencing another year of negative growth in FY23. Haiti has one of the highest levels of food insecurity in the world, tripling the number of food-insecure people since 2016. Inflation remains high but is decelerating as monetary policy tightens and global price pressures ease. Despite significant job losses in the textile sector, remittances remain buoyant, supporting household consumption levels.

Key conditions and challenges

Haiti's economy has been hindered by deep structural challenges, including a weak business environment and inadequate public services, with limited job growth, a large share of unskilled workers, and few employment opportunities. The small industrial base related to textiles, apparel, and light manufacturing, relies heavily on imports and suffers from weak institutions. Growth has been hampered by a persistent political crisis and escalating gang violence, further eroding the already low human capital and institutional capacity and Haiti has become highly unsafe. Though gang violence manifests mainly in Port au Prince, it has spread to other parts of the country.

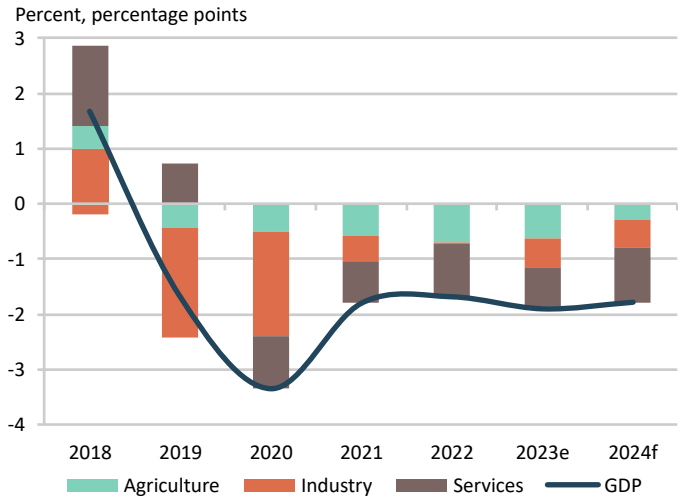
Haiti is vulnerable to natural hazard shocks, which are compounded by inadequate disaster risk management and response systems, leaving the country poorly equipped to handle the impacts of climate change. Issues such as widespread deforestation, watershed degradation, inadequate land use practices, limited infrastructure, unmaintained drainage infrastructure, and inadequate waste management, make Haiti extremely sensitive to natural hazards, which further exacerbates food insecurity and intensifies disease outbreaks.

Inflation is declining, yet food prices remain elevated, disproportionately affecting the poorest households. To sustain the downward inflation trajectory, it is crucial to tackle the persistent fiscal challenges arising from low tax revenue collection and to curtail monetary financing of the budget.

Recent developments

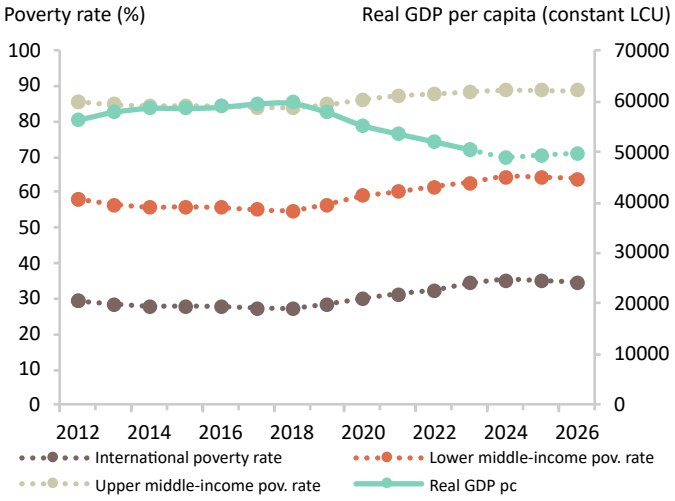
GDP continues to fall, due to heightened insecurity that affects all sectors. The agricultural sector, which employs over 40 percent of the labor force, registered the largest decline (-5.6 percent), contributing to increased poverty and food insecurity, as many poor households depend on agriculture for their livelihood. Enhancing agricultural productivity is therefore a critical policy focus to foster inclusive growth and improve equity. The textile sector, the largest formal private-sector employer, lost about 26,000 jobs (nearly half of the 56,000) in FY23, as two large textile/apparel operations closed and others had operations disrupted. In the current context where economic opportunities are scarce and social safety nets limited, job losses have driven many of these workers and their families into poverty. The poverty rate in FY23 was estimated at 63 percent ($3.65 per day). Other sectors, such as construction, electricity, water, and transport have also seen significant declines. The services sector contracted by 2.9 percent, with the hospitality industry most affected. On the demand side, both public and private investments have collapsed due to the high level of insecurity and uncertainty, and government spending remains muted.

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



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Consumption remains relatively buoyant, supported by remittances, which remain strong. However, the disruption to imports and transportation by gangs undermines access to food and essential goods.

Tax revenue collection improved in FY23, thanks to tighter customs control and increased oil tax revenue. However, the tax-to-GDP ratio remains low at 6.3 percent. Efforts to reduce energy subsidies and limit capital spending have improved the fiscal position, lowering financing needs. The fiscal deficit narrowed to 2.3 percent of GDP in FY23 from 3.2 percent in FY22. Consequently, central bank (BRH) monetary financing of the deficit declined but continued to exceed statutory limits. Inflation decelerated during the second half of FY23 but remained high at 44.2 percent in FY23 due to continued monetization of the deficit, low agricultural productivity, and gang-related disruptions that hinder the transport of goods, affecting poor and vulnerable households the most. As of June 2023, an estimated 49 percent of Haiti's population was facing acute food insecurity.

The exchange rate depreciated by 13.7 percent in FY23, following a 16.4 percent depreciation in FY22, though it has appreciated marginally over recent months.

In the external sector, exports declined more rapidly than imports, principally due to the downturn in the textile industry. Remittances remained strong at 18.9 percent of GDP, a slight decrease compared with FY22. Overall, the current account deficit widened to 3.4 percent of GDP.

Outlook

Haiti will experience another year of negative growth in FY24 (-1.8 percent) due to heightened insecurity, though the growth path remains highly uncertain and dependent on security improvements and political developments. Public and private investments are expected to continue to fall significantly in this insecure environment from already low levels. Private consumption should remain stable, supported by decelerating inflation and strong remittances. With negative real growth, per capita GDP is projected to further decline in FY24 (-3.0 percent), leading to an increase in poverty rates to over 64 percent ($3.65 per day).

The anticipated decline in energy subsidies, creating additional fiscal space, should help narrow the fiscal deficit to 1.4 percent of GDP in FY24. Fiscal consolidation efforts are expected to continue over the medium term, and with revenue increases, the fiscal deficit should fall to near 1.0 percent of GDP.

Despite a decrease in global price pressures, persistent high fuel and food prices, along with low agricultural productivity will keep inflation high at 27 percent in FY24 and 20 percent in FY25. The ongoing erosion of household purchasing power and the sustained economic downturn are expected to exacerbate poverty and food insecurity. Challenges in the export sector, lower imports, and high remittances, are projected to result in a modest current account deficit.

Haiti is facing a severe crisis and the inability to achieve a resolution carries large downside risks. Addressing the security situation and bringing inflation under control by reducing monetary financing of the fiscal deficit are key for macroeconomic stability, growth, and poverty reduction. Reducing disaster risks by strengthening the institutional framework and response system is also essential for inclusive growth as the risk of natural disasters is high.

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

	2020/21	2021/22	2022/23e	2023/24f	2024/25f	2025/26f
Real GDP growth, at constant market prices	-1.8	-1.7	-1.9	-1.8	1.9	2.0
Private consumption	1.2	-0.7	0.1	0.0	0.7	0.6
Government consumption	9.7	17.6	3.3	27.5	15.0	15.1
Gross fixed capital investment	-28.8	-9.9	-17.6	-53.0	16.5	12.3
Exports, goods and services	23.5	2.4	-9.6	-5.4	1.5	2.1
Imports, goods and services	2.3	4.9	-0.4	1.6	5.5	5.5
Real GDP growth, at constant factor prices	-2.8	-1.8	-3.6	-1.9	1.9	2.1
Agriculture	-4.1	-4.5	-5.6	-1.0	1.5	2.0
Industry	-2.5	-0.4	-3.8	-2.2	2.0	1.5
Services	-2.5	-1.6	-2.9	-2.1	2.0	2.4
Inflation (consumer price index)	15.9	27.6	44.2	27.1	20.0	11.5
Current account balance (% of GDP)	0.4	-2.4	-3.4	-3.6	-4.2	-3.7
Net foreign direct investment inflow (% of GDP)	0.2	0.2	0.1	0.2	0.2	0.2
Fiscal balance (% of GDP)	-2.5	-3.2	-2.3	-1.4	-1.4	-1.0
Revenues (% of GDP)	6.9	6.6	8.0	8.0	7.8	7.8
Debt (% of GDP)	28.4	27.6	30.2	30.0	26.5	22.7
Primary balance (% of GDP)	-2.2	-2.9	-2.0	-1.1	-1.1	-0.8
International poverty rate ($2.15 in 2017 PPP)[a,b]	31.3	32.3	34.2	35.3	34.9	34.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	60.1	61.6	62.8	64.4	64.1	63.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	87.5	88.0	88.6	89.1	89.0	88.8
GHG emissions growth (mtCO2e)	3.5	0.3	-0.6	0.6	1.4	1.5
Energy related GHG emissions (% of total)	37.6	37.1	36.1	35.7	35.7	35.7

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 2012-ECVMAS. Actual data: 2012. Nowcast: 2013-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2012) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

HONDURAS

Table 1	2023
Population, million	10.6
GDP, current US$ billion	31.9
GDP per capita, current US$	3013.4
International poverty rate ($2.15)[a]	12.7
Lower middle-income poverty rate ($3.65)[a]	26.4
Upper middle-income poverty rate ($6.85)[a]	49.5
Gini index[a]	48.2
School enrollment, primary (% gross)[b]	83.8
Life expectancy at birth, years[b]	70.1
Total GHG emissions (mtCO2e)	29.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2019), 2017 PPPs.
b/ Most recent WDI value (2021).

Growth has been moderate and dependent on remittances and external demand. It decelerated to 3.5 percent in 2023 and is expected to decrease slightly to 3.4 percent in 2024 due to slower US growth. Stable macroeconomic conditions have not led to more or better jobs, which combined with natural disasters, food insecurity, and crime, has led to persistent migration. Poverty remains above pre-pandemic levels, despite lower inflation.

Key conditions and challenges

Honduras grew on average 3.7 percent per year in 2010-19, largely driven by remittance-fueled households' consumption. Growth was underpinned by prudent macroeconomic policies, including adherence to the Fiscal Responsibility Law (FRL), a stable exchange rate, adequate foreign reserves, and a robust financial sector. However, the country's productive capacity has not expanded. As a result, the creation of formal jobs has been weak, which alongside widespread crime and violence fuels migration. Agriculture and light manufacturing, particularly the textile maquila, are key sources of employment and exports, mainly to the US.

Honduras is one of the poorest and most unequal countries in Latin America and the Caribbean (LAC) and grapples with increasing food insecurity, which rose from 40.9 percent in 2018 to 56.1 percent in 2021. Human development indicators are concerning. A child born in Honduras in 2020 is projected to achieve only 48 percent of the labor market productivity they could attain if they received high-quality education and healthcare. Significant gender disparities and informality levels in the labor market hamper poverty reduction efforts. Additionally, Honduras is extremely susceptible to the impacts of climate change, with poverty and risk often concentrated in the same geographic areas.

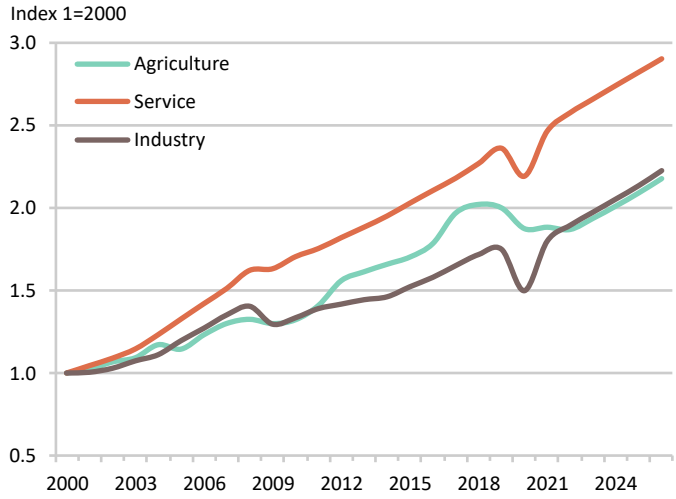
Recent developments

Real GDP growth decelerated to an estimated 3.5 percent in 2023, down from 4.0 percent in 2022, influenced by a decrease in US textile demand which drove a 7.2 percent contraction in manufacturing. The economy was partially buoyed by steady remittances and sustained credit growth, which supported household consumption and investment, helping offset the export decline.

Inflation eased to 6.7 percent by in 2023, after peaking at 9.1 percent in 2022, reflecting lower international prices and responding to central bank liquidity absorption measures, comprising open market operations and increases in reserve requirements and the overnight rate, which pushed up market interest rates. The replacement of the interbank foreign exchange (FX) market with a central bank auction system in April 2023 led to some FX scarcity and uncertainty regarding its future availability, although dollars remain available in the economy, bolstered by strong remittances.

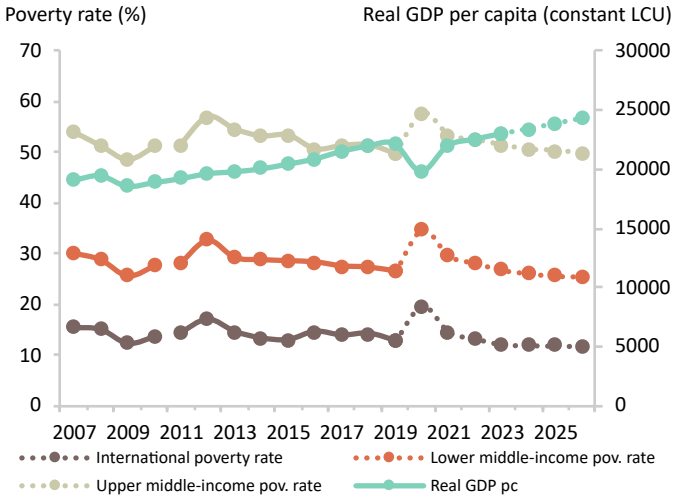
Unemployment fell to 6.4 percent in June 2023 -from 8.6 percent in 2021- but remained above pre-pandemic levels. Labor market gender disparities persist, with women's unemployment nearly doubling men's, while female labor force participation (40 percent in 2023) is about half the male rate. In 2023, poverty

FIGURE 1 **Honduras** / Real GDP by sector, index 2000=1



Source: World Bank staff calculations based on Honduras Central Bank data.

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



Source: World Bank. Notes: see Table 2.

(US$6.85 line) is estimated to have reached 51.3 percent, declining from 2022 but still above pre-pandemic levels, and inequality (Gini index) is estimated to have been 47.3.

Despite the drop in exports, driven by lower volumes in textiles and lower international prices for coffee and palm oil, the trade deficit decreased by 9.2 percent y-o-y by Q3-2023 due to reduced imports of industrial inputs and lower energy prices. Remittances grew strongly, by 5.8 percent y-o-y in November 2023, helping to narrow the current account deficit (CAD) from 6.6 percent of GDP in 2022 to an estimated 4 percent in 2023, primarily financed by multilateral debt and foreign direct investment (FDI). By the end of 2023, foreign reserves stood at US$7,555.9 million, around 5 months of non-maquila imports.

The fiscal deficit is estimated to have widened to 1.3 percent of GDP in 2023, as the execution of public investments improved in the second semester, particularly in energy, roads, and productive projects. Public debt decreased to 45.1 percent of GDP by June 2023, down from 46.2 percent in June 2022, due to net capital repayments.

Outlook

Growth is projected to slow to 3.4 percent in 2024 and 3.3 percent in 2025, with a subdued US economy delaying the recovery of manufacturing exports and dampening remittances, leading to a deceleration of households' consumption growth. Lower food inflation, growing external demand for agricultural products, and strong public investment will provide some counterbalance. Growth is expected to gradually increase thereafter, supported by improving global conditions and dynamic public and private investment.

Poverty is expected to decline to 50.5 percent in 2024 and 50.3 percent in 2025, thanks to a robust agricultural sector and low inflation, with inequality projected to reach 47.3 and 47.1 respectively (Gini index). Poverty is forecasted to decrease further in 2026 (49.6 percent), approaching pre-pandemic levels, primarily due to recovering exports and remittances.

Inflation is expected to fall within the central bank's target range (4±1 percent) in 2024, in line with declining international prices, despite potential renewed energy inflation, and stay subdued in the medium term. The fiscal deficit is projected to expand to 2.5 percent of GDP in 2024 as budget execution continues to improve and narrow gradually over the medium term towards the FRL's 1 percent target, supported by broadening of the tax base and enhanced efficiency of revenue collection and public spending. The CAD is projected to remain stable in 2024 and mildly deteriorate in 2025, gradually narrowing thereafter as export demand and remittances strengthen. However, pressures on international reserves are likely to persist, as net FDI and other medium and long-term capital inflows are not expected to improve significantly in the short term.

Significant downside risks exist. Lack of improvement in FX management could trigger further loss of reserves. Persistent weakness in textile exports and short-term transition costs of the Honduras-China Free Trade Agreement could exacerbate the CAD, also reducing international reserves. Inflationary pressures could re-emerge from escalating geopolitical conflict. Slower-than-anticipated fiscal consolidation and adverse climate events could increase financing needs. Capacity constraints and legislative gridlock could impede social and structural reforms, negatively affecting investment, growth, and poverty reduction.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	12.5	4.0	3.5	3.4	3.3	3.4
Private consumption	15.4	6.1	3.8	3.8	3.7	3.9
Government consumption	8.5	0.8	1.4	1.2	1.1	1.2
Gross fixed capital investment	34.7	5.6	5.3	4.2	4.0	4.2
Exports, goods and services	22.5	6.9	3.9	4.0	4.0	4.2
Imports, goods and services	35.5	9.8	3.9	4.0	3.9	4.2
Real GDP growth, at constant factor prices	12.5	4.0	3.5	3.4	3.3	3.4
Agriculture	0.4	-0.7	3.6	3.9	4.0	4.1
Industry	20.1	5.3	4.2	4.0	4.0	4.2
Services	12.5	4.5	3.2	3.1	2.9	2.9
Inflation (consumer price index)	4.5	9.1	6.7	4.6	4.1	4.2
Current account balance (% of GDP)	-5.4	-6.6	-4.0	-4.0	-4.1	-3.9
Net foreign direct investment inflow (% of GDP)	1.8	2.3	1.8	1.8	1.8	1.9
Fiscal balance (% of GDP)[a]	-3.7	-0.2	-1.3	-2.5	-1.8	-1.0
Revenues (% of GDP)	30.0	29.6	30.1	30.0	30.1	30.4
Debt (% of GDP)[a]	51.6	52.3	52.9	53.2	52.4	51.5
Primary balance (% of GDP)[a]	-2.8	0.4	-0.6	-1.8	-1.2	-0.4
International poverty rate ($2.15 in 2017 PPP)[b,c]	14.5	13.3	12.2	12.0	11.9	11.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	29.6	28.2	26.8	26.2	25.7	25.6
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	53.3	52.4	51.3	50.5	50.3	49.6
GHG emissions growth (mtCO2e)	4.3	-0.1	0.5	1.3	1.4	1.6
Energy related GHG emissions (% of total)	33.4	31.7	30.5	30.1	29.8	29.6

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal data refers to non-financial public sector.
b/ Calculations based on SEDLAC harmonization, using 2019-EPHPM. Actual data: 2019. Nowcast: 2020-2023. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.

JAMAICA

Table 1	2023
Population, million	2.8
GDP, current US$ billion	18.8
GDP per capita, current US$	6666.6
International poverty rate ($2.15)[a]	0.3
Lower middle-income poverty rate ($3.65)[a]	2.4
Upper middle-income poverty rate ($6.85)[a]	13.9
Gini index[a]	40.2
School enrollment, primary (% gross)[b]	90.7
Life expectancy at birth, years[b]	70.5
Total GHG emissions (mtCO2e)	9.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2021), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Structural and institutional reforms strengthened macroeconomic management over recent years. This allowed the government to respond to the pandemic and inflation shocks without significantly impairing fiscal sustainability and poverty reduction objectives. Jamaica's real GDP surpassed its pre-crisis level in 2023, and poverty is gradually declining towards pre-crisis levels. Progress in lowering public debt and reducing poverty may be slower than expected if global economic conditions deteriorate and if constraints to growth remain unaddressed.

Key conditions and challenges

Jamaica has been a highly indebted economy for decades. Since 2013, the Government (GOJ) has successfully implemented fiscal consolidation measures, reducing the public debt-to-GDP ratio by more than 60 percentage points to 75.5 percent in 2023 – the lowest level in 25 years. Prudent macroeconomic management, anchored on debt reduction targets and inflation-targeting monetary policy with ample foreign reserves, facilitated post-pandemic recovery amid challenging external environment of inflationary pressures and tightening global financial conditions. A strengthened social protection system provided temporary assistance to vulnerable households and businesses during the pandemic to offset income losses, protect jobs, and stimulate demand. Additional assistance was provided to vulnerable households to mitigate the impact of rising prices.

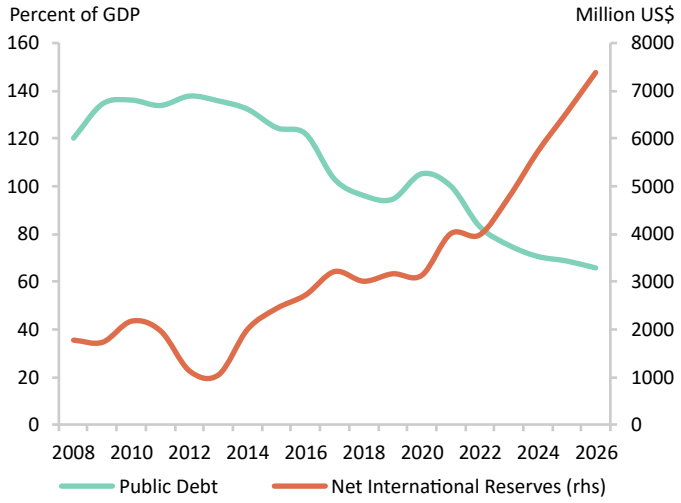
However, fiscal consolidation adversely affects growth while relatively high debt-service costs crowd out other government spending, including capital investment, which is critical to boost growth. Jamaica has been among the slowest growing economies in LAC given its concentration in low productivity services, limited technology adoption and innovation, a weak business environment, high connectivity costs, and pervasive crime. Learning disruptions during the pandemic risk further corrosive effects on growth, human capital, and future earning potential of students if not addressed adequately.

Jamaica is also highly vulnerable to external shocks given its reliance on imports and tourism. Tourism and agriculture, which account for more than half of jobs, are vulnerable to external shocks, especially climate-related ones, which could undermine growth and poverty reduction. The financial sector is stable, well-capitalized, and profitable but also susceptible to various shocks. To strengthen fiscal, financial, and social resilience to climatic shocks, Jamaica has been gradually integrating climate change adaptation into its policy framework. Further improving anti-AML/CFT framework and enhancing financial supervision is necessary to strengthen financial stability and attract private investment. Broader promotion of digital financial services will enhance financial inclusion.

Recent developments

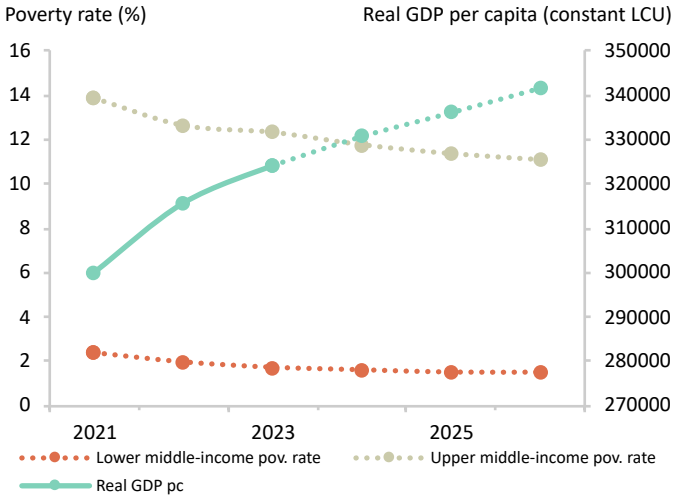
The Jamaican economy surpassed its pre-pandemic level, expanding in real terms by 2.9 percent y-o-y in the first three quarters of 2023. Growth was driven by net exports from a record expansion in tourism and mining, while agriculture declined due to an extended drought. Rising economic activity brought the unemployment rate to a record-low 4.2 percent in October 2023. Poverty ($6.85 per day) declined from 13.9 in 2021 to an estimated 12.3 percent in 2023. The quality of employment remains a concern given high

FIGURE 1 Jamaica / Public debt and net international reserves



Sources: Bank of Jamaica, Ministry of Finance and the Public Service, and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

informality (46.8 percent of non-agricultural employment in 2020) and fewer average hours worked relative to pre-pandemic levels.

Annual inflation accelerated to 7.4 percent in January 2024 (5.1 percent in October 2023) – above the Bank of Jamaica (BOJ)'s reference range (5 ±1 percent). This was influenced by (i) a sharp increase in food inflation amid droughts, (ii) increased public passenger vehicle (PPV) fares, (iii) increases in telephone and internet rates, and (iv) a minimum wage increase of 44 percent (over the previous rate as of July 2023) coupled with tighter labor market. Persistent high food price inflation (8.8 percent in January 2024) continued to undermine food security (33 percent of Jamaicans were severely food insecure in May 2023). The BOJ has kept the key policy rate at 7.0 percent since end-2022, maintained foreign currency interventions to support the Jamaican dollar and price stability, and tightened Jamaican dollar liquidity conditions.

The GOJ sustained efforts in fiscal consolidation while prioritizing social protection. The fiscal stance was supported by strong tax revenues. However, the fiscal account is estimated to have registered a deficit of 1.4 percent of GDP in 2023 from a surplus of 1.6 percent in 2022 due to increased spending on wages and salaries amid the recently approved three-year compensation cycle. To further de-dollarize the public debt and mitigate foreign exchange risk, the GOJ issued its first domestic-currency international bond for J$46.6 billion (US$300 million) in November 2023. In the context of prudent fiscal management and macroeconomic stability, Jamaica's credit worthiness improved. The external position remained strong, supported by robust earnings from tourism and remittances. The current account recorded an estimated surplus of 2.5 percent of GDP in the first half of 2023. Reserves remain adequate, at US$4.7 bn in January 2024 (about 5.8 months of imports and 25 percent of GDP). In this context, the exchange rate remained relatively stable.

Outlook

Annual growth is expected to average only 1.7 percent y-o-y over the medium term as global demand weakens and fiscal austerity limits capital investments. Mining, tourism, and private investment in hospitality capacity and infrastructure are expected to drive growth. External account balances are expected to slightly deteriorate as tourism and remittances growth is expected to slow amid weaker economic conditions in the US and UK, partially offset by reduced spending on imports in the context of lower commodity prices.

Higher wages and the second phase of the PPV fare increase in 2024 are anticipated to continue to generate inflationary pressures in the near term, diminishing the purchasing power of households. BOJ is likely to maintain tight monetary policy while ensuring adequate liquidity in the financial system, minimizing pressures on the currency, and returning inflation to its target range by mid-2025. Poverty is projected to continue a gradual decline as real incomes improve.

The fiscal account is expected to reverse to surplus over the medium term as a result of improvements in tax revenue and prudent spending. Spending is expected to decline slightly due to lower interest payments. Public debt is projected to remain on a downward trajectory, declining to 65.9 percent of GDP by 2026. Gross reserves are expected to remain at healthy levels.

Significant downside risks to the economic outlook include a possible deeper-than-expected global economic slowdown. Further tightening of financial market conditions could raise the cost of borrowing, curtail private investments, and derail longer-term growth, climate change adaptation, and debt objectives. Worsening crime and natural hazards could also impair growth and poverty reduction.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.6	5.2	2.6	2.0	1.6	1.6
Real GDP growth, at constant factor prices	4.6	5.2	2.6	2.0	1.6	1.6
Agriculture	8.3	9.0	-7.5	1.9	0.9	0.9
Industry	2.4	-0.4	5.9	2.5	1.4	1.4
Services	4.9	6.5	2.8	1.9	1.7	1.7
Inflation (consumer price index)	5.9	10.3	6.5	7.0	6.2	5.4
Current account balance (% of GDP)	1.0	-0.7	0.8	0.2	-0.8	-1.4
Net foreign direct investment inflow (% of GDP)	1.8	1.5	1.6	1.7	1.9	2.0
Fiscal balance (% of GDP)	0.0	1.6	-1.4	-0.4	-0.2	0.1
Revenues (% of GDP)	30.3	30.2	30.8	31.3	30.8	30.7
Debt (% of GDP)	100.5	83.5	75.5	70.8	68.9	65.9
Primary balance (% of GDP)	6.0	7.2	4.3	3.0	2.3	2.8
International poverty rate ($2.15 in 2017 PPP)[a]	0.3	0.3	0.3	0.3	0.3	0.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	2.4	2.0	1.7	1.6	1.5	1.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	13.9	12.7	12.3	11.8	11.3	11.1
GHG emissions growth (mtCO2e)	9.8	7.0	4.2	3.1	1.8	1.8
Energy related GHG emissions (% of total)	77.8	79.2	79.9	80.5	80.8	81.2

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 CONLAC harmonization, using 2021-JSLC. Actual data: 2021. Nowcast: 2022-2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2021) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

MEXICO

Table 1	2023
Population, million	128.5
GDP, current US$ billion	1791.4
GDP per capita, current US$	13945.6
International poverty rate ($2.15)[a]	1.2
Upper middle-income poverty rate ($6.85)[a]	21.8
Gini index[a]	43.1
School enrollment, primary (% gross)[b]	103.4
Life expectancy at birth, years[b]	70.2
Total GHG emissions (mtCO2e)	677.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Real GDP growth is expected to be 2.3 percent in 2024 and gradually converge to its potential by 2026. Poverty has declined significantly since 2020, but structural reforms are needed to boost productivity, competitiveness, and inclusion. Persistent inflation and slower-than-expected growth in the US are key downside risks.

Key conditions and challenges

Mexico is among the most open economies globally, thanks to its macroeconomic stability, strategic proximity to major consumer markets, a wide array of trade agreements (particularly USMCA), and a diversified economy. Its integration into global value chains and a dynamic albeit informal labor market contribute to the recent economic dynamism, surpassing regional peers' growth. The anticipated nearshoring trend offers additional opportunities, particularly in manufacturing and related services such as logistics, utilities, and finance. Mexico's high integration with the U.S. economy also makes it highly reliant on the U.S. business cycle.

Despite these strengths, Mexico faces significant challenges, including decreasing productivity, violence, and pervasive informality. As indicated in the Productivity Report (2019), to unleash its full potential, Mexico must bolster infrastructure, improve the business environment, facilitate access to finance, especially for small and medium enterprises, address insecurity and regulatory uncertainty, improve public services provision, and strengthen the competition framework. Addressing these issues is imperative to bolster competitiveness, revitalize stagnant productivity, and foster more inclusive economic growth.

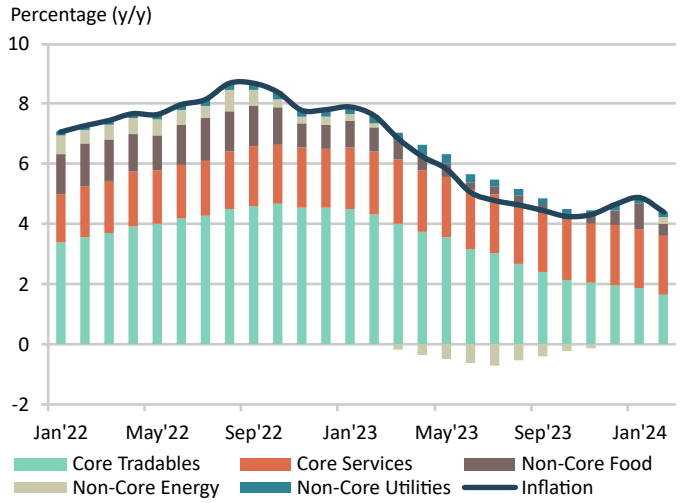
The official multidimensional poverty rate, which combines monetary poverty with indicators of social deprivation, fell from 43.9 percent in 2020 to 36.3 percent in 2022, lifting 8.9 million Mexicans from poverty, with 46.8 million still living in poverty. The decline is mainly due to the fall in monetary poverty, which fell from 52.8 to 43.5 percent.

Mexico has a strong track record of macroeconomic stability, supported by an independent central bank and a sound financial sector. The recent shift towards a more state-led growth model will likely pose challenges for public finances: a high fiscal deficit is anticipated for 2024, along with mounting spending pressures from social programs, efforts to enhance access and quality of public services, essential infrastructure investment needs, replenishment of trust funds, and substantial fiscal support to PEMEX. Addressing these pressures will likely require revenue-boosting reforms to safeguard debt sustainability.

Recent developments

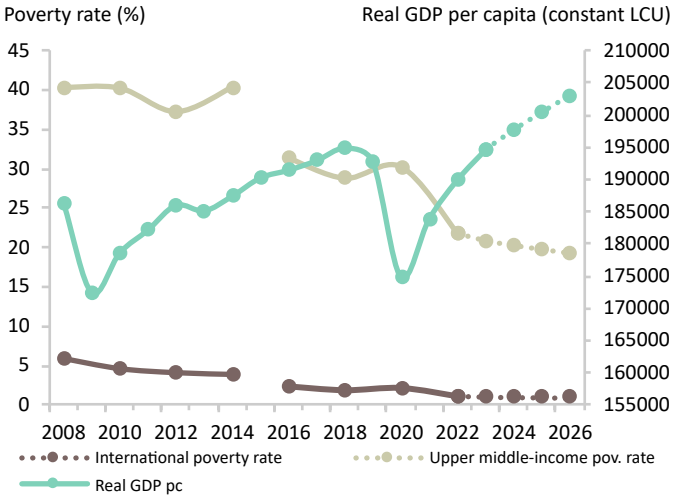
Real GDP grew 3.2 percent in 2023, driven by consumption and investment, with a slight weakening observed in the fourth quarter. On the supply side, growth was driven by the construction, retail, wholesale, transport, and manufacturing sectors. The current account deficit was 0.3 percent of GDP in 2023, financed by net FDI, which reached 1.7 percent of GDP. Exports grew by 0.3 percent in 2023, while imports remained fairly constant in real terms. The Mexican peso appreciated 8.1 percent (y-o-y) in February 2024, supported by the interest rate differential,

FIGURE 1 Mexico / Headline inflation and contributions to headline inflation



Source: INEGI.

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



Source: World Bank. Notes: See Table 2.

manageable public debt, and a solid external account. In 2023, remittances stood at US$63.3bn (7.6 percent y-o-y), while reserves reached US$212bn.

Inflation has declined but remains above the central bank's target range of 3 percent ± 1 percent since September 2022. In February, annual headline (core) inflation reached 4.4 (4.6) percent. Consequently, the Central Bank of Mexico has kept the policy rate at a historically high level, currently at 11 percent.

Labor poverty, defined as the share of the population whose labor earnings fall below the food poverty line, decreased from 40.3 percent in 2021Q4 to 37.0 percent in 2023Q4, lower than the pre-pandemic level of 38.9 percent in 2019Q4. Real labor income per capita, adjusted for the cost of the official food basket, grew by 8.2 percent between 2022Q4 and 2023Q4. This improvement in labor earnings, along with a decline in the unemployment rate (from 3.7 to 2.7 between 2021Q4 and 2023Q4) and informality rate (from 55.8 to 54.8 percent over the same period) and an increase in the participation rate (from 59.7 to 60.5 percent), indicates ongoing labor market improvement which supports recent poverty reduction.

In 2023, the overall fiscal deficit was 4.3 percent of GDP. Public revenues rose by 1 percent in real terms y-o-y, thanks to higher fuel tax revenues after the cessation of gasoline subsidies, although lower oil prices partly offset this. Expenditures increased by 1.8 percent in real terms, with financial costs surging by 21.5 percent. Despite Moody's recent downgrade of PEMEX's credit rating, which remains non-investment grade for most agencies, Mexico's overall credit rating remains classified as investment grade.

Outlook

Mexico's economic growth is projected to moderate to 2.3 percent in 2024 and 2.1 percent in 2025. The growth drivers will be services, manufacturing, and construction. This dynamic is attributed to tight monetary policy, the anticipated easing of the U.S. economy, and the slowdown of domestic demand due to years of growth above potential. As nearshoring-linked and public investment projects are finalized, Mexico is anticipated to return to its potential growth rate of 2 percent over the medium term. Inflation is expected to reach its target range during 2024H1.

The 2024 public budget anticipates an overall fiscal deficit of 5.4 percent of GDP, with a primary deficit of 1.2 percent. This reflects an expected reduction in oil revenues, higher financial costs, increased social program spending, and greater public investment in flagship projects. As these projects are completed and interest rates normalize, the fiscal deficit is projected to decrease to 2.8 percent of GDP by 2026 gradually.

Monetary poverty, measured by the upper-middle income global threshold ($6.85/day per capita, 2017 PPP), is expected to reach 20.2 percent in 2024 and 19.2 percent in 2026 as the economy converges to its potential growth rate.

Mexico's macroeconomic risks appear balanced, with a positive economic outlook bolstered by declining inflation and growing investment from nearshoring. Nonetheless, prolonged high-interest rates could dampen investment and add fiscal pressures. External factors like slower U.S. economic growth, renewed financial market volatility, or tighter monetary policy could diminish exports and FDI. While upcoming Mexican and U.S. elections may introduce policy uncertainty, a solid macroeconomic framework ensures stability. Additionally, El Niño could affect agricultural production and commodity prices, potentially hindering poverty reduction. Improvements in business climate, strategic investments in human capital and infrastructure, and policy stability are essential to attract further FDI.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.7	3.9	3.2	2.3	2.1	2.0
Private consumption	8.1	5.2	4.3	2.1	2.0	2.0
Government consumption	-0.5	1.2	0.7	0.9	-1.2	0.4
Gross fixed capital investment	9.7	7.7	18.6	6.9	5.8	4.6
Exports, goods and services	7.2	8.7	-6.8	2.4	3.8	4.3
Imports, goods and services	15.0	8.3	4.7	4.2	4.7	5.0
Real GDP growth, at constant factor prices	5.5	3.8	3.2	2.3	2.1	2.0
Agriculture	2.3	1.6	1.9	1.7	1.9	2.1
Industry	6.7	5.3	3.5	2.6	2.3	2.1
Services	5.0	3.1	3.1	2.2	2.0	1.9
Inflation (consumer price index)	5.7	7.9	5.5	4.1	3.5	3.5
Current account balance (% of GDP)	-0.3	-1.2	-0.3	-0.4	-0.6	-0.8
Net foreign direct investment inflow (% of GDP)	-2.6	-1.5	-1.7	-1.9	-2.1	-2.2
Fiscal balance (% of GDP)	-3.8	-4.3	-4.3	-5.4	-3.0	-2.8
Revenues (% of GDP)	22.4	22.4	22.2	21.5	21.1	21.0
Debt (% of GDP)	49.2	47.8	46.8	48.8	49.4	49.7
Primary balance (% of GDP)	-1.2	-1.5	-1.0	-1.6	0.2	0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.2	1.1	1.1	1.0	1.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	21.8	20.8	20.2	19.7	19.2
GHG emissions growth (mtCO2e)	2.4	0.7	0.6	0.5	0.4	0.4
Energy related GHG emissions (% of total)	63.6	63.1	62.6	62.2	61.8	61.4

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 2022-ENIGHNS. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projection using neutral distribution (2022) with pass-through = 0.87 (Med (0.87)) based on GDP per capita in constant LCU.

NICARAGUA

Table 1	2023
Population, million	7.0
GDP, current US$ billion	17.9
GDP per capita, current US$	2547.2
International poverty rate ($2.15)[a]	3.9
Lower middle-income poverty rate ($3.65)[a]	14.4
Upper middle-income poverty rate ($6.85)[a]	42.1
Gini index[a]	46.2
School enrollment, primary (% gross)[b]	107.2
Life expectancy at birth, years[b]	73.8
Total GHG emissions (mtCO2e)	39.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2021).

GDP growth in Nicaragua is estimated at 4.3 percent in 2023, supported by a steep increase in remittances and foreign direct investment. Growth will be sustained over the medium term, though at a slightly slower rate in the context of prudent fiscal policy and limited progress in the implementation of growth-enhancing structural reforms. The country has high exposure to external shocks and poverty remains a persistent challenge.

Key conditions and challenges

Nicaragua is a small, open economy, driven by light manufacturing, services, and agriculture. The country has improved access to basic services and set the fundamentals for macroeconomic stability. It has demonstrated sound macroeconomic management with prudent fiscal and monetary policies, and continued reserve accumulation in recent years. Nicaragua has benefited substantially from foreign direct investment (FDI) and large remittances. Between 2010 and 2017, GDP growth averaged 5.1 percent on the back of solid private domestic demand and exports. Poverty rate, measured at US$3.65 per day, more than halved between 2005 and 2014, from 29 to 14 percent, and is estimated to have continued declining in subsequent years up to 2018.

However, poverty increased to 15 percent by 2020 after the shocks from the sociopolitical unrest in 2018, the pandemic, and two hurricanes. GDP rebounded strongly in 2021, helped by large public investment, financed by government deposits, external financial assistance, and export demand. But this came at the expense of a surge in public debt which rose from 47.1 percent of GDP in 2017 to a peak of 65.5 percent in 2021.

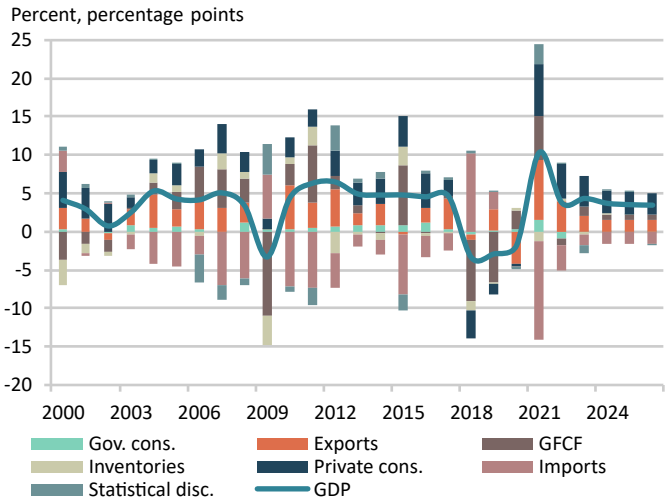
Nicaragua is among the poorest countries in the region. Despite significant increases in trade openness in the past two decades, exports primarily consist of low-complexity products with limited destinations. High vulnerability to external shocks and natural hazards, along with low levels of human capital, infrastructure gaps, and the weak institutional and business environment, have constrained its growth and social dividends. Nevertheless, Nicaragua has opportunities for sustainable growth, through investment in human capital and value addition in manufacturing and services sectors.

Recent developments

In 2023, the economy demonstrated robust performance, with growth estimated at 4.3 percent. This expansion was driven by sectors such as electricity, mining, trade, construction, finance, transport, and communications, exceeding expectations. Consumption and investment increased. The Monthly Index of Economic Activity (IMAE) reflected a year-over-year increase of 5.5 percent in December 2023. Consumption and investment increased by 13.3 and 10 percent in the third quarter of 2023 compared to the third quarter of 2022. Fiscal policy was managed prudently, with a slight increase in revenues and controlled public spending, resulting in a 0.7 fiscal deficit and 0.7 primary surplus. By the close of the year, 95.7 percent of the Public Investment Program had been executed, and public debt stood at 59.9 percent of GDP, marginally lower than the previous year.

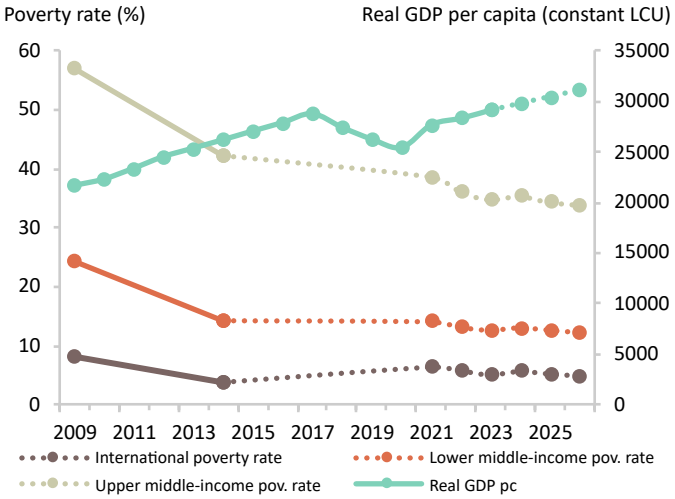
Tight monetary policy, a managed exchange rate, and declining global prices have helped reduce inflation to 5.6 percent year-over-year in December 2023

FIGURE 1 Nicaragua / Real GDP growth and contributions to real GDP growth



Sources: Central Bank of Nicaragua and World Bank.

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



Source: World Bank. Notes: see Table 2.

from 11.6 percent in December of the previous year. The Central Bank of Nicaragua (CBN) kept the Monetary Policy Rate (MPR) at 7 percent throughout the year, maintaining the rate set after an increase in 2022.

The current account deficit turned into a surplus of 4 percent of GDP in 2023, as lower import costs, particularly for petroleum and fertilizers, improved the terms of trade, and remittances reached a record high of over 27 percent of GDP. Strong FDI flows further helped to bolster net international reserves, which reached approximately six months of goods and services imports in 2023.

The sustained growth, coupled with lower inflation and higher remittances, led to an increased employment rate of 66.9 percent in the second half of 2023, close to pre-pandemic levels. Poverty, measured at US$3.65 per day (2017 PPP), was projected to decrease to 12.5 percent in 2023 from 13.1 percent in 2022. The employment rate for women, at 56.9 percent in December 2023, showed a more significant increase compared to men's rate, at 78.2 percent, relative to December 2022, but it remains substantially lower.

Outlook

In 2024, GDP growth is expected to decelerate, stabilizing at around 3.5 percent in the medium term. This anticipated slowdown is attributed to a decline in investment as projects funded by multilateral organizations are completed and private investors remain cautious. A moderation in remittances, exports, and FDI inflows is projected to reduce the external surplus yet continue to support the accumulation of international reserves.

In line with the expected decreasing trend in international inflation, domestic inflation is anticipated to be within the 4.0–5.0 percent range in the medium term. The easing of intense inflationary pressures should help maintain short-term stability in the Monetary Policy Rate (MPR) and alleviate pressures on purchasing power. Poverty levels, measured at US$3.65 per day (2017 PPP), are expected to hover around 13 percent in 2024-25.

The 2024 budget adheres to the medium-term budget framework and is consistent with fiscal prudence goals to decrease public debt and strengthen fiscal sustainability. Fiscal consolidation in the medium term is expected to rely on public investment cuts, with negative effects on growth, as significant adjustments in current spending require more profound reforms.

The macroeconomic outlook is subject to several downside risks, including natural disasters, geopolitical uncertainties that could increase oil and food prices, economic downturns in major trading partners, and a decrease in concessional borrowing. The ongoing El Niño climate phenomenon has resulted in drought and extreme temperatures, reducing crop productivity and increasing food insecurity, impacting the Dry Corridor, which could offset the positive effects of remittances and lower inflation for certain population segments. Growth prospects may also be dampened by a reduced labor supply due to significant emigration.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	10.3	3.8	4.3	3.7	3.5	3.5
Private consumption	8.7	5.9	4.9	3.8	3.7	3.6
Government consumption	9.3	-6.0	0.2	0.2	0.3	0.3
Gross fixed capital investment	26.3	-3.2	6.0	3.1	3.1	3.0
Exports, goods and services	18.1	8.6	4.0	3.2	3.1	3.0
Imports, goods and services	21.1	5.0	2.0	2.6	2.5	2.4
Real GDP growth, at constant factor prices	10.3	3.8	4.3	3.7	3.5	3.5
Agriculture	6.6	1.7	2.0	1.8	1.7	1.7
Industry	18.8	2.7	2.9	2.7	2.8	2.9
Services	8.5	4.7	5.5	4.6	4.3	4.1
Inflation (consumer price index)	4.9	11.6	5.6	4.8	4.3	4.0
Current account balance (% of GDP)	-3.1	-1.4	4.0	3.0	2.4	2.0
Net foreign direct investment inflow (% of GDP)	8.5	8.2	6.8	6.4	6.0	5.6
Fiscal balance (% of GDP)[a]	-1.5	0.5	-0.7	-0.6	-0.5	-0.3
Revenues (% of GDP)	31.4	32.0	32.1	32.0	32.1	32.2
Debt (% of GDP)[b]	65.5	60.5	59.9	59.0	58.6	57.8
Primary balance (% of GDP)[a]	-0.3	1.9	0.7	0.8	0.9	0.9
International poverty rate ($2.15 in 2017 PPP)[c,d]	6.4	5.8	5.1	5.7	5.3	5.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	14.2	13.1	12.5	13.0	12.6	12.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	38.6	36.1	34.8	35.3	34.4	33.9
GHG emissions growth (mtCO2e)	1.3	0.8	1.0	0.9	1.0	1.0
Energy related GHG emissions (% of total)	12.8	12.6	12.7	12.7	12.8	12.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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: 2015-2023. Forecasts are from 2024 to 2026.
d/ Projections using microsimulation methodology.

PANAMA

Table 1	2023
Population, million	4.5
GDP, current US$ billion	83.5
GDP per capita, current US$	18690.9
International poverty rate ($2.15)[a]	1.3
Lower middle-income poverty rate ($3.65)[a]	4.4
Upper middle-income poverty rate ($6.85)[a]	12.9
Gini index[a]	48.9
School enrollment, primary (% gross)[b]	101.5
Life expectancy at birth, years[b]	76.2
Total GHG emissions (mtCO2e)	31.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Panama is estimated to have grown 6.5 percent in 2023 fueled by strong construction, commerce, transport, tourism, the Colon Free Trade Zone, and financial activities during the first three quarters. Improving labor market conditions helped reduce poverty in 2023. However, the economy faced significant challenges in Q4, including slow Canal traffic, protests, and the subsequent closure of Cobre Panama, which are likely to affect inclusive growth during the forecasting period.

Key conditions and challenges

Panama is a crucial logistical and financial hub in Central America, which thrives on trade and services. The Panama Canal is critical for global trade and has an important impact on Panama's economy. Yet, its growth has been primarily fueled by capital and labor accumulation. Sustained robust growth over the past thirty years supported strong job creation, leading to a sharp decrease in poverty (from 48.2 percent in 1991 to 12.9 percent in 2023 at $6.85 a day per capita, 2017 PPP). However, Panama remains one of the most unequal countries in the world, in part because of its very unequal labor market and limited redistributive capacity. As growth started to decline in the second half of the 2010s, unemployment and informality started to increase, peaking during the pandemic. Relative to 2019, the labor market has not fully recovered, and the government's emergency transfer Nuevo Programa Panama Solidario (NPPS) has played an important role in poverty reduction.

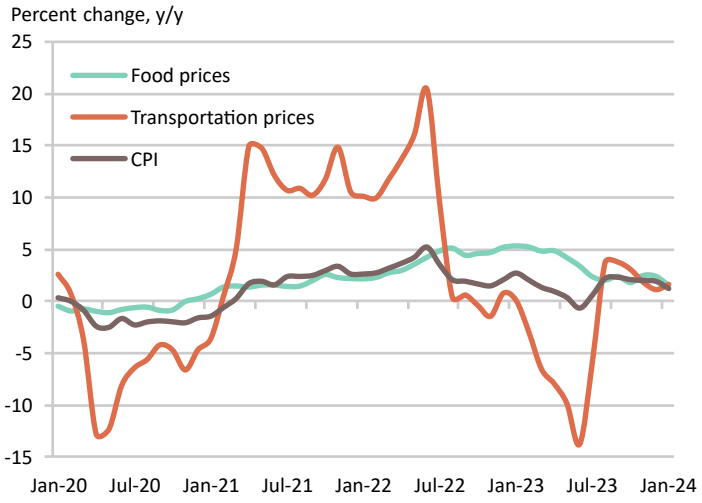
Panama is an attractive offshore center due to its strategic location and dollarization. Authorities implemented important reforms in recent years to promote governance and transparency. These include modification of the anti-money laundering and counter-terrorism financing (AML/CFT) prevention regulation and significant improvements in beneficial ownership information which led Panama to exit the International Financial Action Task Force's (FATF) list of jurisdictions in October 2023 and the EU's list for non-cooperative jurisdictions for tax purposes in March 2024. Comprehensive reforms in Public Private Partnerships (PPP) and procurement led to an increase in PPP financing for important infrastructure projects.

Recent developments

Due to street protests, the Supreme Court's declaration of the contract with Cobre Panama as unconstitutional, and a slowdown in the Panama Canal driven by prolonged drought, growth decelerated significantly in the last quarter of 2023, resulting in a 6.5 percent year-on-year increase for the entire year. This performance was supported by a surge in activities across various sectors, including construction, transport and storage, wholesale and retail commerce, utility, business services, and hotels and restaurants, which collectively employ 45 percent of the workers. Inflation decreased to 1.5 percent in 2023, led by a reduction in transport and food prices (Figure 1).

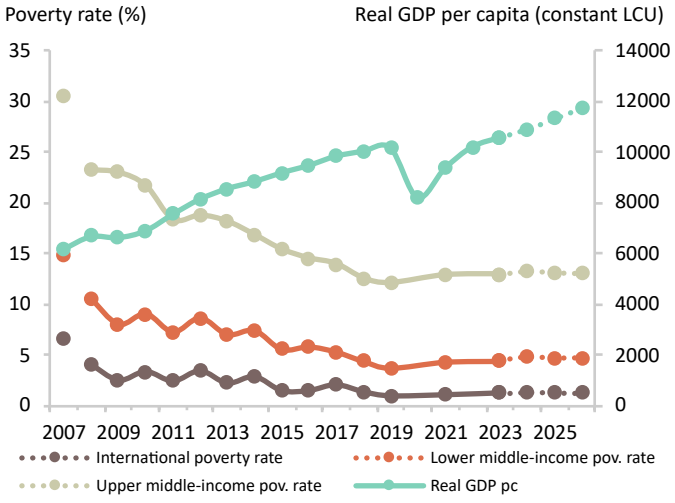
Progress in poverty reduction was, however, uneven in 2023 (Figure 2). The unemployment rate improved to 7.4 percent, and support from the NPPS contributed to a decline in the poverty rate (US$6.85/day per capita 2017 PPP) from 14.0 percent in 2022 to 12.9 percent in 2023. However, poverty increased in rural areas

FIGURE 1 **Panama** / Total, food and transport inflation



Source: Instituto Nacional de Estadística y Censo.

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



Source: World Bank. Notes: see Table 2.

from 29.3 to 32.3 percent during the same period as the sluggish recovery of non-agricultural labor markets in these areas failed to offset the gradual withdrawal of NPPS support.

Despite the challenging events of 2023, both the fiscal and primary deficit saw marginal declines to 3.8 percent and 1.7 percent of GDP, respectively. This was attributed to restrained government spending and an increase in tax and non-tax revenue. Notably, revenue included US$576 million in royalties and taxes from the copper mine, US$500 million from the sale of land to the Panama Canal Authority, and an increase in the efficiency of tax collection due to digital tax platforms. The current account deficit is estimated to have increased to 4.9 percent, as a result of a decline in copper and service exports, an increase in the imports of the Colon Free Trade Zone, and outflows of primary and secondary income. FDI is expected to experience a modest decrease from 3.8 percent in 2022 to 3.5 percent in 2023, indicative of a potential decline in investor confidence following the decision of the Supreme Court to declare Cobre Panama's contract as unconstitutional.

Outlook

Growth is expected to sharply decline in 2024 to 2.5 percent as copper production comes to a halt; however, the dynamism in the services sector should help gradually lift growth over the medium term. Poverty rates (US$6.85 a day per capita, 2017 PPP) are projected to increase by almost 0.5 percentage points in 2024 due to the anticipated discontinuation of the NPPS and slower growth. However, GDP growth is expected to accelerate from 2025 onwards as Panama maintains its appeal as an attractive investment destination. Consequently, poverty is expected to start decreasing modestly in 2025 as the economy recovers and the labor market regains its pre-pandemic dynamism. Inflation is expected to stabilize at 2 percent.

The overall and primary deficits are expected to widen to 4.3 and 2.1 percent in 2024, respectively, impacted by lower revenues and higher expenditure, before gradually declining to 3.7 and 1.5 percent of GDP by 2026. This fiscal consolidation process relies on further containing spending (including the phasing out of subsidies), and improvements in tax administration. Public debt is forecast to peak at 59 percent in 2024 and gradually decline to 57.7 percent by 2026 (Table 2).

The current account deficit is projected to narrow gradually to 4.7 percent of GDP by 2026. Merchandise exports are expected to remain subdued while service exports continue to be robust, supported by air transport, logistics, and tourism. FDI is estimated to recover gradually to 3.8 percent by 2026, continuing to finance most of the current account deficit, supplemented by portfolio investment and public sector financing. International reserves are expected to stay around 13 percent of GDP during 2024-2026.

Despite the downward pressure on the sovereign ratings of Panama following the closure of Cobre Panama, the country still has good access to capital markets as a dollarized economy with a stable macroeconomic environment and investment grade. This outlook is subject to several risks. The next administration will need to tackle important structural fiscal challenges and make progress in adapting to changing climate, such as increased frequency and intensity of hurricanes and droughts that could affect water levels in the canal.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	15.8	10.8	6.5	2.5	3.5	4.0
Private consumption	10.8	7.1	7.4	2.3	2.4	2.7
Government consumption	9.8	7.8	10.7	4.7	4.7	6.1
Gross fixed capital investment	45.1	7.3	8.3	4.6	4.0	3.7
Exports, goods and services	14.9	16.0	17.0	0.1	3.4	4.0
Imports, goods and services	17.0	23.7	20.3	2.1	2.3	2.3
Real GDP growth, at constant factor prices	15.7	10.7	6.5	2.5	3.5	4.0
Agriculture	4.7	5.2	2.0	1.5	1.4	1.3
Industry	30.2	12.3	10.8	-2.8	-1.2	0.7
Services	11.7	10.4	5.2	4.5	5.2	5.2
Inflation (consumer price index)	1.6	2.9	1.5	1.5	2.0	2.0
Current account balance (% of GDP)	-1.4	-4.0	-4.9	-6.1	-5.7	-4.7
Net foreign direct investment inflow (% of GDP)	2.0	3.8	3.5	3.4	3.8	3.8
Fiscal balance (% of GDP)	-6.4	-4.0	-3.8	-4.3	-3.8	-3.7
Revenues (% of GDP)	17.3	17.4	17.6	17.3	17.8	18.0
Debt (% of GDP)	60.1	57.9	57.5	59.0	58.4	57.7
Primary balance (% of GDP)	-4.2	-2.3	-1.7	-2.1	-1.6	-1.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.1	..	1.3	1.4	1.4	1.3
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.3	..	4.4	4.8	4.7	4.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	12.9	..	12.9	13.3	13.2	13.1
GHG emissions growth (mtCO2e)	-1.0	7.2	35.2	-0.1	0.9	2.4
Energy related GHG emissions (% of total)	43.8	46.7	60.0	59.4	59.1	60.0

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 2023-EH. Actual data: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

PARAGUAY

Table 1	2023
Population, million[a]	6.8
GDP, current US$ billion	43.0
GDP per capita, current US$	6335.6
International poverty rate ($2.15)[b]	1.3
Lower middle-income poverty rate ($3.65)[b]	5.6
Upper middle-income poverty rate ($6.85)[b]	19.9
Gini index[b]	45.1
School enrollment, primary (% gross)[c]	93.2
Life expectancy at birth, years[c]	70.3
Total GHG emissions (mtCO2e)	98.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Does not reflect preliminary 2022 Census results.
b/ Most recent value (2022), 2017 PPPs.
c/ WDI for School enrollment (2022); Life expectancy (2021).

Paraguay's economy is expected to grow by 3.8 percent in 2024 assuming normal weather conditions, while poverty is projected to decline to 18.6 percent. Strengthening the business environment, boosting productivity, and building resilience to shocks would help accelerate growth and poverty reduction through more formal job creation. Improvements in governance, including of natural resources, and continued progress on human capital and infrastructure could attract more private capital to Paraguay.

Key conditions and challenges

Paraguay is a small, landlocked economy and a major exporter of agriculture, livestock, and hydropower. As 80 percent of direct exports and at least 17 percent of output rely on these sectors, it is vulnerable to fluctuations in commodity prices and weather conditions. Sound macroeconomic management has attenuated the impact of external shocks, but these have contributed to slower growth and poverty reduction over the past decade. An estimated 19 percent of Paraguayans lived below the international poverty line for upper middle-income countries (US$6.85 per person per day in 2017 PPP) in 2023, only 5 percentage points lower than in 2013. Inequality remains high at 45 Gini points, reflecting disparities in human capital.

More durable and inclusive growth is possible if Paraguay engenders three transformations. One, enhancing the quality and level of public spending on infrastructure, human capital, and climate adaptation could accelerate structural transformation, create more formal jobs, and reduce Paraguay's vulnerability to climate change. Two, improving the regulatory environment for private investment and supporting the entry, growth, and exit of firms could help boost productivity, and ultimately formal employment and wage growth. Three, Paraguay could harness its abundance of hydropower to decarbonize its economy.

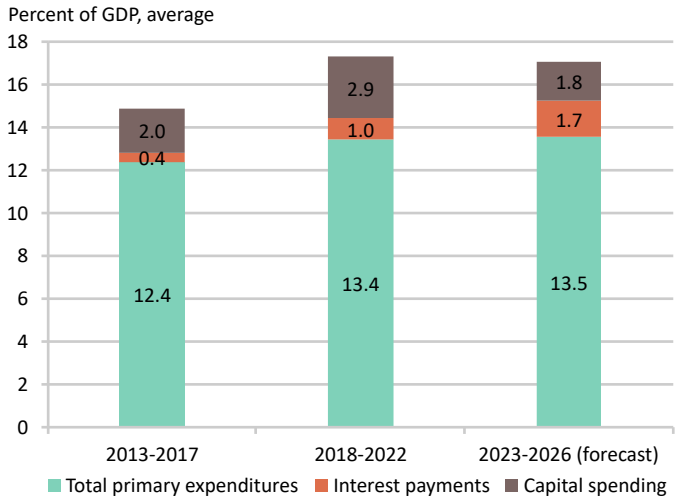
A capable state that enforces the rule of law and property rights, and that delivers good quality public services is crucial to drive these transformations. Paraguay has initiated several reforms to improve public sector efficiency and recently inched closer to investment grade. Advancing these reforms is not only important for investment, but to ensure that growth translates into meaningful increases in labor incomes, especially for the poorest 40 percent of the population.

Recent developments

In the first nine months of 2023, favorable weather conditions boosted agriculture and hydropower production, leading to a 4.7 percent y-o-y increase in real GDP. Exports more than compensated for the negative effects of inventory destocking and subdued investment, which was affected by tighter monetary and fiscal policies. The recovery began to slow in Q4 2023. The monthly index of economic activity expanded by only 0.3 percent on a quarter-on-quarter basis, seasonally adjusted, and annualized basis.

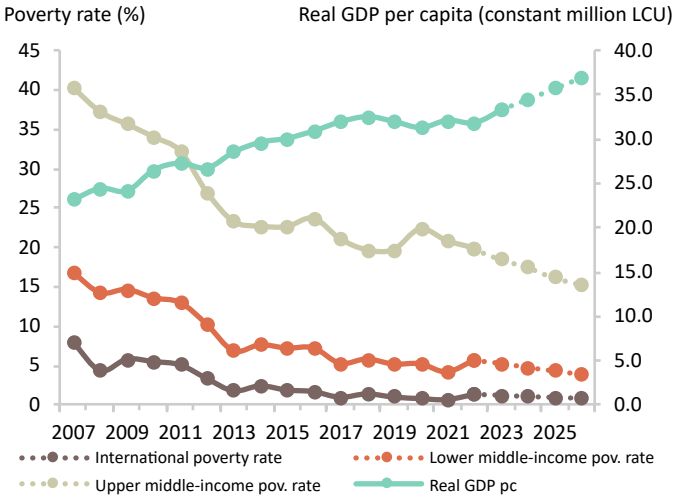
The goods trade balance recorded a surplus of US$1.6 billion (an estimated 1.4 percent of GDP) in 2023 with exports increasing 24.7 percent y-o-y. Soybean exports' nominal value surged by 179 percent due to record volumes, despite lower prices. The value of hydropower exports decreased slightly by 6.5 percent year-on-year, reflecting reduced prices in energy exports. Import growth was

FIGURE 1 **Paraguay** / Fiscal expenditures as a share of GDP



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

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



Source: World Bank. Notes: see Table 2.

modest at 3.1 percent as fuel and construction imports fell, and as global fuel prices stabilized. The Guaraní depreciated marginally (-0.5 percent) against the US dollar in nominal terms. The financial sector remains sound and total reserves were at 9.9 months of goods and services imports at the end of February.

Headline inflation fell to 2.9 percent y-o-y in February from 3.4 percent in January, well within the target range of 2-6 percent. Core inflation fell from 4.7 to 4.6 percent but remained above the midpoint. The Central Bank continued to cut rates in January and February 2024 by a cumulative 50 basis points, bringing the policy rate to 6 percent.

The fiscal deficit for 2023 was 4.1 percent of GDP, 1.8 percentage points higher than the original target, primarily due to the settlement of government arrears of approximately US$600 million (around 1.1 percent of GDP), higher-than-expected interest payments and social transfers, as well as lower corporate income tax receipts due to the 2022 drought. Public debt rose to an estimated 38.2 percent of GDP, mostly denominated in foreign currency. To reduce its FX exposure, Paraguay successfully issued US$500 million in Guaraní-indexed sovereign bonds for the first time in February 2024, along with US$500 million in USD-denominated bonds.

Labor market conditions in rural areas improved, but the national unemployment rate remained at 6 percent as urban unemployment increased slightly. Poverty is estimated to have declined from 20 percent in 2022 to 19 percent in 2023, but 35 percent of the population remains vulnerable to poverty.

Outlook

The economy is forecasted to grow by 3.8 percent in 2024, assuming no major weather disruptions. Fixed investment growth is anticipated to accelerate, driven by progress on greenfield private investments (estimated at around 10 percent of GDP) in pulp, biofuels, and green hydrogen as financing conditions improve. Private consumption growth is likely to accelerate as average inflation remains within the target range. Driven by growth, poverty is expected to decline to 18.6 percent in 2024. Faster progress is limited by the fact that only around three out of every ten workers have formal jobs, a lower share than most countries in the region.

Growth is expected to moderate slightly to 3.6 percent in 2025-2026 as fiscal consolidation intensifies towards the legal limit of 1.5 percent of GDP in 2026. Official estimates suggest substantial cuts in personnel and capital spending to achieve this consolidation, which indicates slower government consumption and investment growth.

The current account is expected to shift into a small deficit over the forecast horizon as import growth, particularly of machinery and capital goods, accelerates along with the implementation of investment projects.

The outlook is subject to several downside risks. Heightened global uncertainty or unexpected inflation could lead interest rates to remain higher for longer than projected, dampening private investment. Weaker than expected growth in trading partners could affect the demand for Paraguay's commodities. Weather shocks could affect agriculture and construction activity, potentially impacting poverty rates. On the other hand, faster progress on private investment projects and structural reforms could accelerate growth.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	4.0	0.2	4.6	3.8	3.6	3.6
Private consumption	6.1	2.3	2.5	3.3	3.3	3.3
Government consumption	2.6	-2.2	3.2	1.0	0.2	0.2
Gross fixed capital investment	18.2	-1.8	-5.1	2.4	4.4	5.8
Exports, goods and services	2.1	-1.1	26.6	4.0	4.0	4.0
Imports, goods and services	21.8	9.4	7.5	1.2	2.5	3.3
Real GDP growth, at constant factor prices	3.6	0.1	4.8	3.8	3.6	3.6
Agriculture	-11.6	-8.6	19.8	5.0	5.0	5.0
Industry	5.0	0.7	2.0	2.5	2.5	2.5
Services	6.5	1.5	3.8	4.4	4.1	3.9
Inflation (consumer price index)	4.8	9.8	4.6	4.0	4.0	4.0
Current account balance (% of GDP)	-0.9	-7.1	0.3	0.2	-0.1	-0.4
Net foreign direct investment inflow (% of GDP)	0.2	1.7	1.5	1.7	1.7	1.7
Fiscal balance (% of GDP)	-3.6	-2.9	-4.1	-2.6	-1.9	-1.5
Revenues (% of GDP)	13.7	14.0	14.0	13.9	13.7	13.7
Debt (% of GDP)	34.1	35.9	38.2	38.8	37.6	36.8
Primary balance (% of GDP)	-2.5	-1.7	-2.5	-0.8	-0.1	0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	1.3	1.2	1.2	1.2	1.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.1	5.6	5.4	5.2	5.0	5.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	20.8	19.9	19.1	18.6	18.5	18.2
GHG emissions growth (mtCO2e)	0.7	-0.6	1.0	1.5	1.3	1.3
Energy related GHG emissions (% of total)	9.0	9.1	9.5	9.8	10.2	10.5

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 2022-EPH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

PERU

Table 1	2023
Population, million	34.4
GDP, current US$ billion	267.6
GDP per capita, current US$	7789.3
International poverty rate ($2.15)[a]	2.7
Lower middle-income poverty rate ($3.65)[a]	9.5
Upper middle-income poverty rate ($6.85)[a]	32.2
Gini index[a]	40.3
School enrollment, primary (% gross)[b]	107.7
Life expectancy at birth, years[b]	72.4
Total GHG emissions (mtCO2e)	183.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

GDP growth is expected to be 2.7 percent in 2024, following a contraction in 2023 due to adverse climatic events, social unrest, and weak business confidence. Poverty is projected to decrease slightly to 33.2 percent in 2024. Risks include the potential intensification of El Niño and political uncertainty. Overcoming structural challenges related to low-productivity jobs and low-quality public services is critical to boosting long-term growth and poverty reduction.

Key conditions and challenges

Peru has recently concluded a decade of low growth (2014-2023), marked by limited advancements in creating quality jobs and reducing poverty. This contrasts sharply with the preceding decade (2004-2013), which saw rapid growth and consistent poverty reduction, fueled by capital accumulation and productivity gains underpinned by sound macroeconomic policies and favorable terms of trade. The macroeconomic environment is characterized by low public debt, ample international reserves, and a credible central bank and the financial system is well-capitalized and resilient to liquidity shocks. However, the economy is susceptible to commodity price fluctuations due to its reliance on mineral exports. Additionally, Peru's vulnerability to climate change is high due to its exposure to natural hazards and dependence on glacial freshwater.

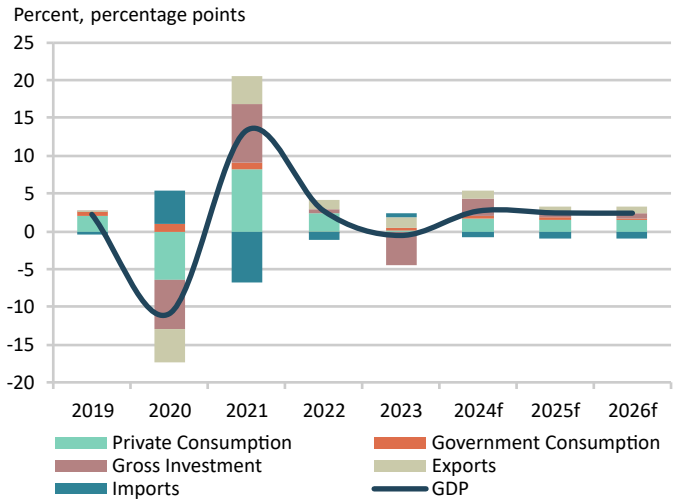
Structural constraints, such as subpar services and infrastructure quality limit formal job creation, economic diversification, and the pace of poverty and inequality reduction. By 2022, 32 percent of Peruvians lived on less than US$ 6.85 per capita per day, largely due to low-paying jobs and insufficient social protection. Furthermore, food insecurity affected half of the population, a twofold increase since the pandemic. Enhancing the quality of public services, governance, and the business environment while ensuring political stability is crucial to achieve higher growth that combats poverty and inequality.

Recent developments

In 2023, real GDP shrank by 0.6 percent, impacted by adverse weather, social unrest, and faltering business confidence. El Niño and road blockades disrupted production in several regions, particularly in agriculture, fishing, and related manufacturing sectors. The mining sector, buoyed by the Quellaveco mine, grew by 9.5 percent, while the service sector saw a modest 0.6 percent growth. Domestic demand fell primarily due to weaker private investment and consumption, stymied by low business and consumer confidence, China's economic slowdown, tight financial conditions, and high inflation. The recession in 2023 adversely affected the labor market, with employment dropping by 0.9 percent, especially in small firms. Real wages rose by 3.5 percent but did not reach pre-pandemic levels. The share of people living under the US$6.85 poverty line is estimated to have slightly risen to 33.8 in 2023, due to stagnant job quality and productivity. Inequality is believed to have increased with the Gini coefficient rising from 40.3 to 41.4.

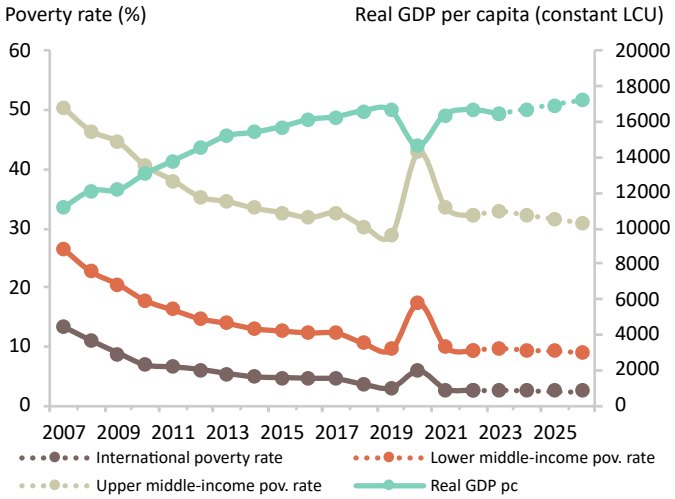
The fiscal deficit widened to 2.8 percent of GDP in 2023, exceeding the fiscal target by 0.4 percentage points. This marks the first time in 22 years that Peru has failed to accomplish its fiscal rule. Government revenues dropped by 2.3 percentage points of GDP from 2022, due to reduced corporate

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



Sources: BCRP and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

income and value-added tax collections, reflecting lower mining prices and subdued economic activity. Expenditures decreased by 1.1 percentage points of GDP, reflecting the phasing out of emergency COVID-19 spending. Public debt (32.4 percent of GDP) and sovereign spreads (at around 170 basis points) remained among the lowest in the region.

Inflation decreased through 2023, reaching 3.0 percent by January 2024, within the Central Bank's target band (1-3 percent). Core inflation, excluding food and energy prices, was at 2.9 percent. Inflation expectations remained anchored at 2.6 percent, supported by the Central Bank's tightening measures and falling global fuel prices. The Central Bank reduced its reference policy rate, from 7.75 percent in August 2023 to 6.25 percent in January.

The current account closed 2023 with a 0.6 percent surplus in 2023, attributed to reduced import values and a smaller primary income deficit amid declining import prices and a contraction in domestic demand. The local currency appreciated by nearly 2.6 percent over the year, mirroring the global decline of the dollar. Net international reserves amounted to 26.5 percent of GDP in 2023, down from 29.3 percent in 2022, due to higher FX sales operations with the public sector.

Outlook

GDP growth is projected at 2.7 percent for 2024 as the negative shocks of 2023 subside. Monetary easing should bolster private spending. Public spending is anticipated to aid recovery, especially with improved execution of capital expenditure at the subnational level in the second year of their mandate. Potential growth is likely to stay at pre-pandemic levels due to ongoing institutional risks and China's decelerating growth, Peru's main trading partner. Over the medium term, GDP is expected to grow at an annual rate of 2.4 percent, primarily supported by exports from new mine projects (Quellaveco, Toromocho expansion).

The fiscal deficit is expected to narrow to 2.4 percent in 2024 due to a revenue recovery, which is supported by strong domestic demand, supportive mining prices and reforms of the tax administration. The deficit will, however, remain above the fiscal target due to spending pressures from increased public salaries and improved budget execution of subnational governments. Fiscal consolidation will continue in the coming years, however, the slower path would postpone the return to the one-percent target in 2026. Public debt is projected to remain stable at around 34 percent of GDP. Annual inflation will remain within the target range of 1-3 percent in 2024, supported by the easing of output shocks and moderate domestic demand growth. Inflation expectations would remain within the target range. The Central Bank is expected to reduce the interest rate further until it converges to its natural rate of 2 percent.

The current account deficit is anticipated to widen slightly due to increased import values and higher expected profits from FDI as domestic demand recovers. FDI inflows are expected to remain above 2 percent of GDP as some medium-size projects (Zafranal, Antamina reposition, Taromocho expansion phase II) enter their execution phase.

Domestic and external risks persist. Domestically, continued political uncertainty could undermine private investment and exports. A stronger-than-expected El Niño could further impact agriculture and fishing. A delayed decrease in inflation could postpone the easing of financial conditions and the revival of domestic demand. External risks include lower-than-anticipated growth in China, a more rapid global economic slowdown, falling commodity prices, rising interest rates, and escalating climate change threats.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	13.4	2.7	-0.6	2.7	2.4	2.4
Private consumption	12.5	3.6	0.1	2.6	2.3	2.3
Government consumption	5.0	-0.2	3.2	2.0	2.0	2.0
Gross fixed capital investment	37.3	1.7	-12.5	11.3	2.8	2.8
Exports, goods and services	14.4	4.5	5.1	3.5	3.2	3.2
Imports, goods and services	25.6	4.0	-1.8	2.5	3.1	3.1
Real GDP growth, at constant factor prices	13.1	2.8	-0.4	2.7	2.4	2.4
Agriculture	5.3	3.1	-3.9	3.7	3.0	2.4
Industry	17.2	1.5	-1.3	2.7	2.1	2.1
Services	11.5	3.5	0.6	2.6	2.6	2.6
Inflation (consumer price index)	4.0	7.9	6.3	2.6	2.3	2.3
Current account balance (% of GDP)	-2.2	-4.0	0.6	-1.3	-1.2	-1.2
Net foreign direct investment inflow (% of GDP)	2.5	4.6	1.0	2.6	2.5	2.5
Fiscal balance (% of GDP)	-2.5	-1.7	-2.8	-2.4	-2.0	-1.5
Revenues (% of GDP)	21.1	21.8	19.8	20.2	20.4	20.5
Debt (% of GDP)	35.9	33.8	32.9	33.5	33.8	33.8
Primary balance (% of GDP)	-1.0	-0.1	-1.1	-0.8	-0.4	-0.1
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.8	2.7	4.2	3.6	3.1	2.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.0	9.5	11.4	10.6	10.0	9.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	33.4	32.2	33.8	33.2	32.5	31.8
GHG emissions growth (mtCO2e)	2.0	0.8	-0.9	-0.5	-0.4	-0.4
Energy related GHG emissions (% of total)	25.4	25.8	24.9	24.2	23.8	23.3

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 2022-ENAHO. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
b/ Projections using microsimulation methodology.

SAINT LUCIA

Table 1	2023
Population, million	0.2
GDP, current US$ billion	2.5
GDP per capita, current US$	13980.1
International poverty rate ($2.15)[a]	0.1
Lower middle-income poverty rate ($3.65)[a]	0.6
Upper middle-income poverty rate ($6.85)[a]	8.4
Gini index[a]	43.7
School enrollment, primary (% gross)[b]	103.7
Life expectancy at birth, years[b]	71.1
Total GHG emissions (mtCO2e)	1.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ WDI for School enrollment (2022); Life expectancy (2021).

Saint Lucia's economy, heavily reliant on tourism and imports, was hit hard by the pandemic and price increases of imported food and fuel. This resulted in soaring public debt and debt service, limiting the available fiscal space to invest in development projects. Price increases also slowed down the recovery of living standards coming out of the pandemic. Structural reforms supporting the private sector are needed to rebuild fiscal buffers, create jobs, and enhance poverty reduction.

Key conditions and challenges

Saint Lucia is highly dependent on tourism and was severely affected by the pandemic, followed by increases in import prices for food and fuel. These price increases put pressure on living costs, especially for the most vulnerable. Frequent natural disasters and the effects of climate change cause significant socioeconomic losses. As a small open economy, economic growth had been volatile and relatively low even before the pandemic, averaging 1.3 percent between 2010 and 2019. This was attributable to several factors such as natural disasters and the country's reliance on tourism. Less than 1 in 10 Saint Lucians were poor in 2015 (latest available data, at $6.85 poverty line, 2017 Purchasing Power Parity). Inequality was high, however, with a Gini index above 40. In line with slow growth, no meaningful reductions in poverty are expected to have taken place in the pre-pandemic period. However, projections indicate that the pandemic-related crisis and the subsequent surge in food and fuel prices increased poverty.

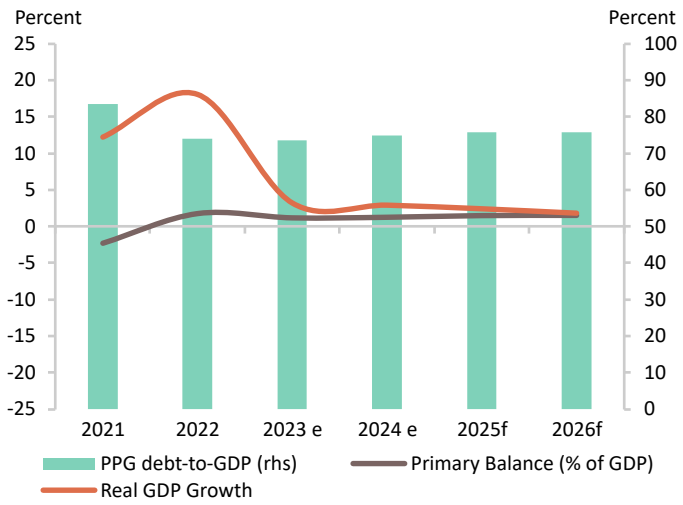
Pandemic-related spending, low revenues, and sizeable public investment to support growth led to a rapid rise in public debt in 2020. Public debt is expected to stabilize over the medium term, but high debt service limits the government's space to fund critical development projects in the near term. The government has implemented several revenue enhancing measures, but additional reforms should be explored to reduce distortions and design a more progressive tax framework. Given the continued high public debt level and Saint Lucia's vulnerability to external shocks, the country would benefit from a credible and growth-friendly fiscal consolidation and the implementation of a fiscal rule, which should be complemented by selected reforms to unlock private sector growth.

The financial sector remained stable and liquidity in the banking sector was sizable. Nonetheless, the build-up of non-performing loans and gaps in compliance with Anti-Money Laundering/Countering the Financing of Terrorism impeded credit intermediation. The pegged exchange rate under the Eastern Caribbean Currency Union helped maintain low inflation before the pandemic and anchored price stability.

Recent developments

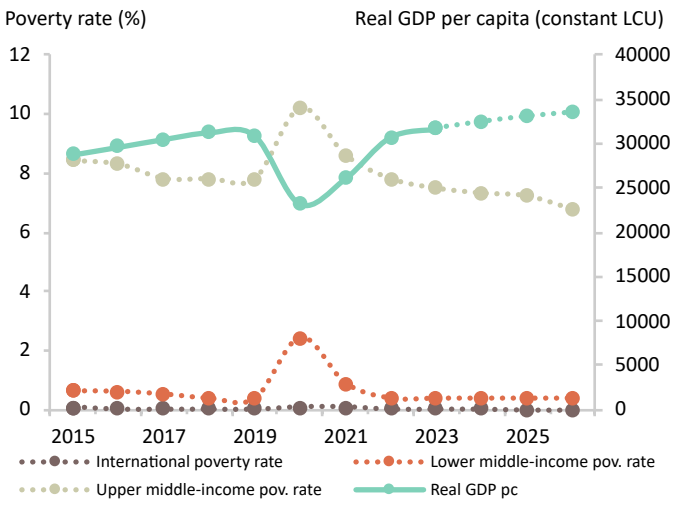
Real output growth started to decelerate in 2023, as stayover tourism began to slow down in 2023 after a strong increase of 78.7 percent in 2022. In 2023-Q3, stayover tourism remained 12.4 and 20.6 percent below its 2022 and 2019 levels, respectively. The suspension of trade with the United Kingdom, along with the unfavorable weather conditions led to a decline in banana and other agricultural exports in 2023. A labor market recovery - in conjunction with high growth - was reflected by the declining unemployment rate, from 23.0 percent in 2021-Q2 to 17.5 percent in 2022-Q2, helping to bring down poverty.

FIGURE 1 **Saint Lucia** / Key macroeconomic variables



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

The current account deficit continued to narrow to 0.8 percent in terms of GDP in 2023 as the recovery in tourism outpaced higher costs of food and fuel imports. Remittances in 2023 are estimated to have fallen slightly from 2022 and peak 2021 levels but are still above their pre-pandemic level. Foreign direct investments were 1.1 percent of GDP in 2023, owing to increased investment in tourism-related sectors, fully funding the current account deficit. International reserves increased to 3.9 months of imports in 2023.

Inflation started to slow in 2023 (3.7 percent) in tandem with global projections and the moderating economic recovery. This eased pressure on food security, which had worsened in 2022 as a result of the successive pandemic and food price shocks experienced in the past few years. The financial sector showed signs of growth in deposits, though risks remain elevated.

In 2023, the overall and primary fiscal balances deteriorated slightly compared to their 2022 levels. This was driven by lower tax revenues, resulting from slower-than-anticipated tourist arrivals and economic activity. The public wage bill decreased in terms of GDP, despite retroactive payments related to the past triennial wage negotiation, costing EC$40 million in FY22/23. Public sector debt increased from 62.2 percent of GDP in 2019 to 95.8 percent of GDP in 2020 as output plummeted, and the fiscal deficit ballooned. By 2023, a solid recovery and improvements in the fiscal deficit reduced public debt to 73.6 percent of GDP.

Outlook

Real output growth is projected to moderate to 2.9 percent in 2024 and to slow further over the medium term. Investments in major construction projects, such as the airport renovation and construction of several major hotels, are expected to peak in 2024. Agriculture is expected to grow sluggishly over the medium term, as supply-side constraints persist. Poverty is expected to continue its downward trend in the medium term. Inflationary pressures are expected to ease over the medium term.

The primary fiscal surplus is projected to be 1.2 percent of GDP in 2024, with an average of 1.4 percent over the medium term. The government has announced several new tax policies including the health and citizen security levy and the increase in cigarette excise tax. These are expected to boost annual revenues (EC$40.4 million) and have, at most, mildly regressive distributional effects in the short term. Medium-term total expenditure projections are 1.2 percent lower than the 10-year pre-pandemic (2010-2019) average, with notable containments of spending on government purchases. Interest payments are projected to remain stable at around 3.3 percent of GDP over the projection period, reflected in the overall deficit. Public debt is projected to marginally increase to 75.8 percent of GDP in 2025, as the government issues debt to finance infrastructure projects, stabilizing in the medium term.

Risks are tilted to the downside and include: (i) delayed implementation of fiscal consolidation measures; (ii) more profound economic deceleration in the main tourism source countries; (iii) rising geopolitical tensions; (iv) tightening financial conditions; (v) natural disasters; and (vi) climate change.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	12.2	18.1	3.2	2.9	2.4	1.8
Real GDP growth, at constant factor prices	8.8	17.2	3.2	2.9	2.4	1.8
Agriculture	9.1	4.5	-8.7	0.5	0.9	0.9
Industry	9.3	1.7	4.5	3.6	2.6	2.6
Services	8.7	20.5	3.3	2.8	2.4	1.7
Inflation (consumer price index)	4.1	6.9	3.7	2.0	2.0	2.0
Current account balance (% of GDP)	-7.1	-2.3	-0.8	-0.4	-0.2	0.0
Fiscal balance (% of GDP)[a]	-5.8	-1.2	-2.1	-2.1	-1.9	-1.9
Revenues (% of GDP)[a]	22.8	21.8	21.2	21.0	21.3	21.3
Debt (% of GDP)[a,b]	83.6	74.1	73.6	74.9	75.8	75.7
Primary balance (% of GDP)[a]	-2.4	1.7	1.1	1.2	1.4	1.5
International poverty rate ($2.15 in 2017 PPP)[c,d]	0.1	0.0	0.0	0.0	0.0	0.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	0.9	0.4	0.4	0.4	0.4	0.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	8.6	7.8	7.5	7.3	7.2	6.8
GHG emissions growth (mtCO2e)	19.6	22.1	7.4	6.1	5.3	4.5
Energy related GHG emissions (% of total)	71.6	70.3	68.5	66.5	64.5	62.4

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal balances are reported in fiscal years (April 1st -March 31st).
b/ Public debt includes payables and overdrafts/Eastern Caribbean Central Bank advances.
c/ Calculations based on CONLAC harmonization, using 2015-SLCHBS. Poverty estimates and projections shown here are not comparable to those shown in previous MPOs due to methodological changes. For details, see March/April 2024 Update to the Poverty and Inequality Platform (PIP) at https://pip. worldbank. org/publication. Actual data: 2015. Nowcast: 2016-2023. Forecasts are from 2024 to 2026.
d/ Projection using neutral distribution (2015) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

ST. VINCENT AND THE GRENADINES

Table 1	2023
Population, million	0.1
GDP, current US$ billion	1.1
GDP per capita, current US$	10305.1
School enrollment, primary (% gross)[a]	112.8
Life expectancy at birth, years[a]	69.6
Total GHG emissions (mtCO2e)	0.3

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent WDI value (2021).

Growth was strong in 2023, supported by a strong recovery in tourism, agricultural production, and publicly financed large-scale infrastructure projects. The risk of debt distress remains high. Fiscal support measures in response to the pandemic, the volcanic eruption, and high food and fuel prices are being wound down, but the fiscal responsibility framework remains suspended. Poverty is expected to have remained above pre-pandemic levels. New investments should significantly boost growth over the medium term as the government rebuilds fiscal buffers given the island's exposure to external shocks.

Key conditions and challenges

St. Vincent and the Grenadines (SVG) is a small island developing state (SIDS) particularly vulnerable to climate change, external economic shocks, and natural disasters. Prior to the pandemic, SVG was upgrading essential infrastructure to support stronger growth and economic diversification, including a new international airport, modernization of the seaport, and construction of a new hospital. In parallel, the government implemented fiscal consolidation measures, which generated primary surpluses from 2016 through 2019. The COVID-19 pandemic severely impacted the island, and in April 2021, a volcanic eruption displaced about 20 percent of the population, compounding the impact of the COVID-19 shock. Both shocks disrupted the fiscal reform agenda leading to fiscal deficits and increases in public debt. The challenge will be to reduce fiscal deficits while directing limited fiscal resources toward high priority public investment projects. There is no up-to-date poverty data available but based on the latest data from 2008 and using the national poverty line, 30.2 percent of the population is considered poor.

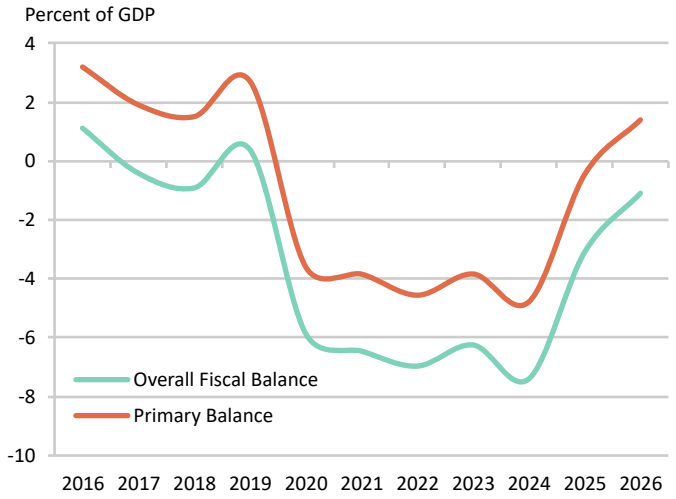
Recent developments

Tourism has rebounded and has essentially returned to 2019 levels. With tourism recovering and agriculture rebounding post-volcanic eruptions, growth reached 6.5 percent in 2023 (7.2 percent in 2022), and is expected to remain strong at 5.0 percent in 2024.

The overall fiscal deficit remained significant at 6.2 percent of GDP in 2023, following a deficit of 7.0 percent in 2022, largely in response to the fiscal demands imposed by the volcanic eruption and exceptional COVID-19 related expenditures. Direct fiscal spending measures in response to the volcano totaled 5.5 percent of GDP over 2021 and 2022. Furthermore, the government took measures to cushion the impact of rising food and fuel prices, including the expansion of existing social programs, subsidies on electricity, the provision of social safety net payments to food-vulnerable households, and agricultural incentives. Total support across all of the above, on top of the volcano response, averaged US$20 million (2.5 percent of GDP) annually over the 2020-2023 period. This posed challenges and several critical large investment projects were delayed/slowed to create the needed fiscal space, though these have now resumed. Port modernization (a 25 percent of GDP investment, of which 6.5 percent of GDP was disbursed in 2023) is in its peak spending phase. Public investment reached 9.8 percent of GDP in 2023 and is expected to be 11.3 percent in 2024. Fiscal rule targets have been suspended given the disruptions caused by the COVID-19 pandemic and the volcanic eruption and are to be reintroduced in 2025.

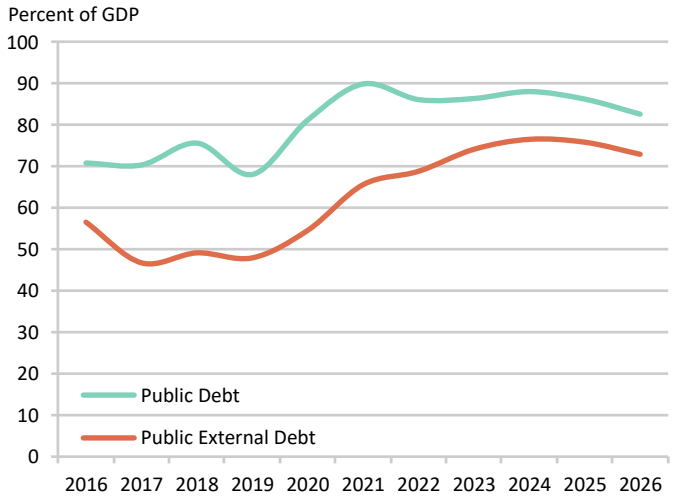
The current account deficit narrowed marginally largely as a result of higher tourism

FIGURE 1 St. Vincent and the Grenadines / Overall and primary fiscal balances



Sources: Ministry of Finance and World Bank staff calculations.

FIGURE 2 St. Vincent and the Grenadines / Public debt



Sources: Ministry of Finance and World Bank staff calculations.

arrivals, though imports for volcano recovery efforts, port modernization, and food and fuel import costs, also rose. The CAD is financed largely by FDI, private inflows (remittances), external borrowing on concessional terms, and limited domestic financing. International reserves remain at over 5 months of imports.

Public debt was 86.4 percent of GDP at end-2023, of which external debt is 62.8 percent. As a result, SVG remains at a high risk of debt distress. Debt is assessed as sustainable given the authorities' fiscal consolidation plans, which would ensure a drop in the public debt-to-GDP ratio to under 60 percent of GDP by 2035, the ECCU's regional goal. Government gross financing needs are covered primarily by official external financing and by some recourse to domestic financing through T-Bill and bond issuances.

Annual inflation in 2023 was 4.3 percent, a decrease from 5.7 percent in 2022, and should continue to moderate in 2024. Rising food prices contributed the most to overall inflation over the past two years and food price levels remain elevated despite easing inflation. Food prices are likely to pose a greater strain on low-income households and increase the likelihood of food insecurity. As of May 2023, 30 percent of the population was severely food insecure according to the Food Insecurity Experience Scale.

Outlook

Growth is expected to continue strong at 5 percent in 2024 and 3.9 percent in 2025 as tourism continues to rebound. Poverty is expected to follow a similar trajectory. Tourism growth over the medium term is expected to be further facilitated by the new airport and new hotel and resort facilities. Inflation is expected to slow to 2.6 percent in 2024 and return to more typical rates of around 2.0 percent thereafter.

The fiscal deficit will likely remain relatively high at 7.4 percent of GDP in 2024 due to public investment spending driven primarily by the port modernization project and hotel construction. Public investment is expected to peak at 11.3 percent of GDP in 2024, fall to 8.5 percent in 2025, and return to more typical levels of 4.5 to 5.0 percent in 2026. Recurrent spending on pandemic- and volcano-related activities have fallen and the authorities have taken several steps to rebuild fiscal buffers, as the contingency fund was replenished following its usage after the volcano. Prioritizing public investment by focusing on completing current port modernization, hotels, and the new hospital project, while scaling back other projects, will reduce public investment spending by up to 7 percent of GDP by 2026. As revenues increase, tourism remains strong and as growth continues, a return to primary surpluses is expected. Importantly, recently adopted pension reform measures will lengthen the sustainability of the pension scheme to 2060. Previously, the pension scheme would have required fiscal support as early as 2026/27. Nonetheless, limiting the deficit, given the uncertain global economic environment, will require sound fiscal management, including continued revenue mobilization measures. As the economy stabilizes and returns to a more traditional growth path, fiscal rule targets would need to be adjusted to reflect increased debt levels and the Fiscal Responsibility Framework would need to be fully operationalized. Primary fiscal surpluses beginning in 2026 should facilitate a reduction in public debt levels over the medium term.

Forecasts are primarily subject to downside risks given the uncertainty in global economic conditions, continuing global price pressures, heightened global geo-political pressures, and the ever-present risk of natural disasters. The government's commitment to adherence to the FRF should contribute to improving its financial position, while replenishment of the contingencies fund and continued deposits thereto should mitigate climate-related and natural disaster risks. On the upside, continued strength in tourism and completion of the new port could boost growth over the short to medium term.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices[a]	0.8	7.2	6.5	5.0	3.9	3.7
Real GDP growth, at constant factor prices[a]	-1.7	8.0	6.7	5.0	3.9	3.7
Agriculture	-29.4	-6.2	7.5	2.5	2.1	2.0
Industry	6.1	7.9	5.9	3.7	2.1	2.1
Services	-0.1	9.1	6.8	5.5	4.4	4.2
Inflation (consumer price index)	1.6	5.7	4.3	2.6	2.0	2.0
Current account balance (% of GDP)	-22.6	-18.9	-17.5	-16.8	-13.4	-9.9
Fiscal balance (% of GDP)[b]	-6.4	-7.0	-6.2	-7.4	-3.1	-1.1
Revenues (% of GDP)	32.9	28.1	29.5	29.7	29.7	29.6
Debt (% of GDP)[b]	89.9	86.1	86.4	88.1	86.3	82.6
Primary balance (% of GDP)[b]	-3.8	-4.6	-3.8	-4.8	-0.5	1.4
GHG emissions growth (mtCO2e)	5.5	2.0	2.8	2.5	2.4	2.4
Energy related GHG emissions (% of total)	74.8	75.2	75.8	76.3	76.8	77.3

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
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	2023
Population, million	0.6
GDP, current US$ billion	3.8
GDP per capita, current US$	6069.2
International poverty rate ($2.15)[a]	1.1
Lower middle-income poverty rate ($3.65)[a]	4.2
Upper middle-income poverty rate ($6.85)[a]	17.5
Gini index[a]	39.2
School enrollment, primary (% gross)[b]	98.0
Life expectancy at birth, years[b]	70.3
Total GHG emissions (mtCO2e)	13.7

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

Successful debt restructuring and implementation of wide-reaching reforms under a comprehensive macroeconomic stabilization program has put Suriname on a path to fiscal sustainability. Currency stabilization and tight monetary policy are gradually reducing inflationary pressures, improving the purchasing power of households, particularly the most vulnerable. Prospective offshore oil production is stimulating growth-enhancing investment. It will be critical to put a good framework in place to manage the incoming oil wealth.

Key conditions and challenges

Suriname has made progress with implementing a comprehensive macroeconomic stabilization program to reverse imbalances built up over years of economic mismanagement and the COVID-19 pandemic. In mid-2020, the government adopted a program to address debt sustainability, improve monetary and exchange rate policies, promote financial sector stability, and strengthen economic governance, supported by an IMF Extended Fund Facility (EFF). The program temporarily went off-track in mid-2022 due to spending overruns which triggered rapid currency depreciation and accelerated already high inflation. However, the government subsequently reestablished policy discipline under revised EFF targets.

Preliminary findings of a new poverty assessment indicate that in 2022, after years of macroeconomic challenges, about 17.5 percent of the population lived below the World Bank's upper middle-income poverty line of US$6.85 (2017 PPP) per day. Inequality, as measured by the Gini coefficient, was approximately 38.9, not out of line with other countries in the region. About four in 10 Surinamese lived in multidimensional poverty – a broader poverty measure highlighting chronic illness, low levels of education, limited ICT skills, and lack of access to medical insurance. Both monetary and multidimensional poverty are markedly higher in the country's interior.

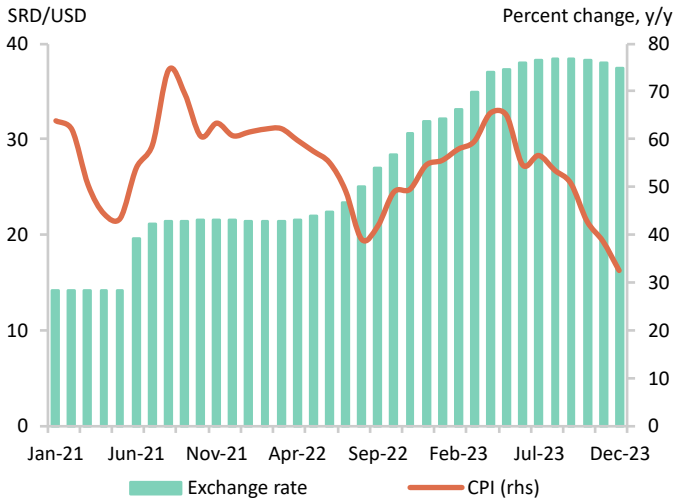
Suriname is susceptible to natural disasters (floods and droughts) due to irregular precipitation; water management is a high priority, especially in the more vulnerable interior. Recent discoveries of several offshore oil deposits should improve Suriname's economic prospects over the medium term. A Final Investment Decision by one of the major oil companies is expected by the end of 2024, with production starting in 2028. Unlocking sustainable and inclusive economic growth will require resolving significant governance and institutional challenges, strengthening fiscal management, improving public services including education provision, and adapting to climate change.

Recent developments

Output growth is estimated to have moderated to 2.1 percent in 2023, from a 2.4 percent rebound in 2022. Services and industry (manufacturing and construction) led the expansion, supported by recovery in agriculture. The monthly economic activity index increased by an average of 0.3 percent (y-o-y) up to August 2023, driven by mining and some of the more labor-intensive sectors like transport and storage, construction, and food and accommodation.

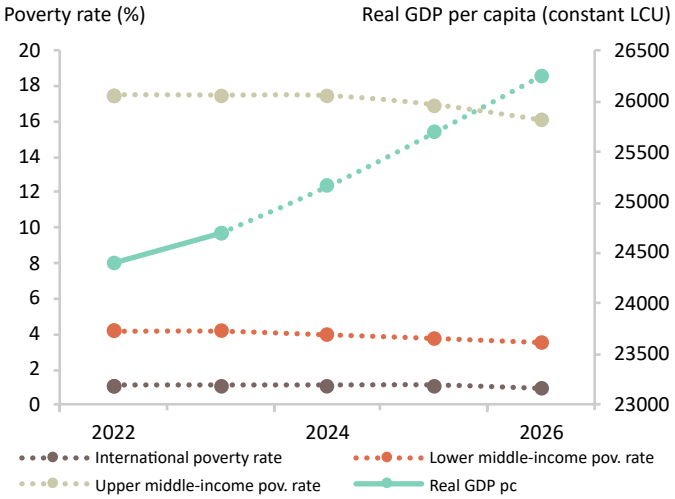
The currency, which had depreciated sharply against the USD during the second half of 2022, stabilized at around SRD 38/USD in 2023Q4 as a result of tight monetary policy. A decline in global commodity prices helped boost the current account

FIGURE 1 **Suriname** / Exchange rate and inflation



Source: Central Bank of Suriname.

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



Source: World Bank. Notes: see Table 2.

to an estimated 2.7 percent surplus in 2023, edging up from 2.1 percent in 2022. Mining exports underperformed but the EFF and other multilateral financing strengthened reserves allowing gross international reserves to increase to $1346 million in 2023, from $1194 million in 2022. Currency stabilization, along with easing global inflationary pressures allowed domestic inflation to moderate to 32.6 percent (y-o-y) by December 2023. Nevertheless, higher inflation in food and non-alcoholic beverages, and transportation led to an erosion of purchasing power, especially among the poorest households. Financial sector indicators highlight chronic vulnerabilities in the banking system related to capital adequacy and asset quality.

Fiscal policy is focused on restoring debt sustainability while improving the quality of public spending and protecting vulnerable persons through enhanced social assistance. The government achieved a primary surplus of 1.6 percent in 2023 following a series of revenue and expenditure measures, including a phaseout of energy subsidies, expanded VAT coverage of goods and services, and removal of unregistered workers from public payrolls. These measures were coupled with increased cash transfers to mitigate the impact of higher energy prices for the vulnerable. Spending on social assistance increased to 2.8 percent of GDP in 2023 (from 1.9 percent in 2022). To further improve social assistance performance, the government seeks to expand coverage, introduce digital payments, and regularly update payment amounts in line with inflation.

Debt restructuring negotiations with most official and private creditors have been completed. Standard and Poor raised Suriname's credit rating to CCC+/C with a stable outlook in December 2023 following the successful exchange with private bondholders. Adherence to prudent fiscal reforms and policies under the EFF is critical to entrench debt sustainability and improve growth prospects.

Outlook

Real output growth in 2024 is projected to accelerate to 3.0 percent, driven by public investment spending in non-oil sectors. Growth is expected to maintain momentum over the medium term despite fiscal consolidation, as private investment in infrastructure for the oil and gas sector picks up. Inflation is anticipated to significantly decelerate in 2024 and over the medium term as the government maintains tight monetary policy and as external inflationary pressures subside.

The fiscal position is expected to continue improving as the government completes debt restructuring and ends fuel subsidies to parastatals. Gross financing needs will decline until 2026, but external debt repayment is expected to increase in the medium to long term as grace periods on restructured debt end. Continued implementation of fiscal consolidation measures will create space to scale up social spending and support growth-enhancing infrastructure investments, including for climate adaptation. The 2024 budget foresees social assistance spending of 3.1 percent of GDP which, combined with reduced price pressure, could have important implications for poverty reduction.

Over the long term, earnings from offshore oil production will further increase fiscal space for social programs and resilient growth. However, increased reliance on the oil sector raises Suriname's vulnerability to commodity price shocks, can lead to Dutch Disease, and has environmental consequences. Enhancing macroeconomic institutions, governance, and human capital ahead of the oil windfall is critical to alleviating risks and creating a foundation for efficient and equitable management of oil revenues.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	-2.4	2.4	2.1	3.0	3.0	3.0
Real GDP growth, at constant factor prices	-2.4	2.4	2.0	3.0	3.0	3.1
Agriculture	-7.5	-1.6	3.5	1.6	1.9	1.9
Industry	-10.9	3.1	0.5	3.5	2.8	3.0
Services	2.2	2.7	2.5	3.0	3.2	3.2
Inflation (consumer price index)	59.1	52.4	51.6	23.3	18.3	11.9
Current account balance (% of GDP)	5.3	2.1	2.7	2.4	0.7	1.0
Net foreign direct investment inflow (% of GDP)	-3.7	0.1	-1.7	-0.3	0.3	0.4
Fiscal balance (% of GDP)[a]	-6.4	-3.0	-0.9	-0.6	0.0	0.4
Revenues (% of GDP)	26.4	26.8	25.7	24.9	25.2	25.1
Debt (% of GDP)[a]	115.9	116.1	90.1	92.5	87.2	82.4
Primary balance (% of GDP)[a]	-0.5	1.0	1.6	2.9	3.5	3.5
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.1	1.1	1.1	1.1	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	..	4.2	4.2	4.0	3.8	3.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	17.5	17.5	17.4	16.9	16.1
GHG emissions growth (mtCO2e)	-0.1	0.8	0.6	1.1	1.2	1.3
Energy related GHG emissions (% of total)	19.1	19.6	19.9	20.5	21.2	21.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.
b/ Calculations based on SEDLAC harmonization, using 2022-SSLC. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.

URUGUAY

Table 1	2023
Population, million	3.6
GDP, current US$ billion	72.8
GDP per capita, current US$	20425.9
International poverty rate ($2.15)[a]	0.2
Lower middle-income poverty rate ($3.65)[a]	0.8
Upper middle-income poverty rate ($6.85)[a]	6.4
Gini index[a]	40.6
School enrollment, primary (% gross)[b]	108.0
Life expectancy at birth, years[b]	75.4
Total GHG emissions (mtCO2e)	34.5

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022), 2017 PPPs.
b/ Most recent WDI value (2021).

After experiencing a severe drought in 2023, Uruguay's growth is expected to rebound to 3.2 percent in 2024. Private consumption should increase due to real wage growth and stable inflation expectations. Positive labor market developments support poverty reduction, but further expansion of the middle class would require productivity growth. Risks to the outlook include slower growth in global trading partners, particularly China, and climate-related shocks.

Key conditions and challenges

Like other Latin American countries, Uruguay's growth has slowed over the past decade. Real GDP grew by an average of 4.9 percent annually between 2003 and 2015, but decelerated to an average of 1 percent from 2015-2022, slower than OECD economies. The poverty rate is the lowest in the region (6.4 percent in 2022 under the international line of $6.85 per day, 2017 PPP), but it is twice as high among children and youth, and disparities in its incidence across regions and race persist. Income inequality has increased from 39.7 in 2019 to 40.5 Gini points in 2022.

The normalization of commodity prices, the COVID-19 pandemic, and adverse climatic shocks have contributed to the growth slowdown. A severe drought from October 2022 to August 2023 resulted in losses of nearly US$2 billion or about 3 percent of GDP. However, structural challenges also limit potential growth. Despite outperforming the region on the World Bank's Human Capital Index, Uruguay faces skills shortages due to high dropout and repetition rates, and uneven access to education. Integration into the global economy and competition levels are lower than expected given Uruguay's per capita income level. The aging population and high exposure to climate-related shocks also pose challenges to macro-fiscal and welfare dynamics.

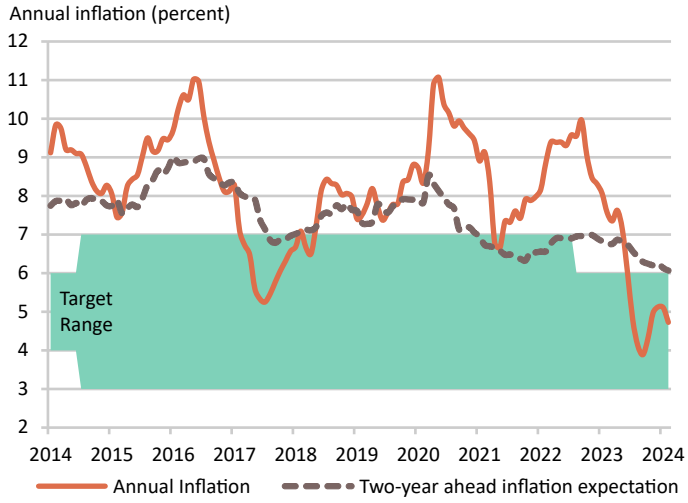
With strong institutional capital, consensus-based policymaking, and a social compact focused on equity, Uruguay is equipped to address these challenges. The government has made progress in reducing chronically high inflation, enacted parametric pension reforms, and continues to adhere to the fiscal rule. Reforms to enhance productivity, competitiveness, and labor market flexibility would boost growth and the inclusion of lagging groups.

Recent developments

Real GDP contracted by 0.4 percent y-o-y in 2023 as the drought caused a larger-than-expected downturn in agriculture production. Manufacturing and construction activity were also weak, affected by the planned maintenance of an oil refinery and the completion of a new pulp mill, respectively. Activity began to recover slowly in Q4 2023 as the drought subsided: the seasonally adjusted monthly GDP proxy rose by an average of 0.8 percent from the previous quarter.

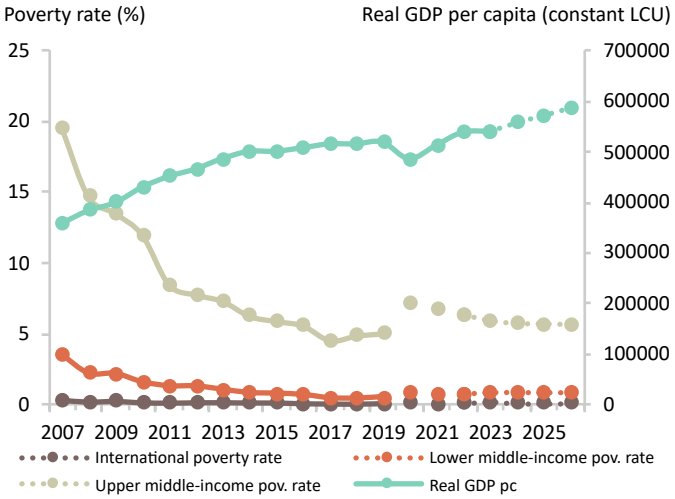
The current account deficit widened to US$3.6 billion (4-quarter rolling sum) in Q3 2023 or an estimated 5 percent of GDP from US$2.8 billion or 3.9 percent of GDP at the end of 2022. The goods trade surplus shrank due to the drought-related 44 percent fall in soy and beef exports, which could not be offset by a small increase in cellulose exports from the new mill. The current account deficit was financed by FDI, which doubled to US$4.1 billion in the

FIGURE 1 **Uruguay** / Inflation and the inflation target range



Sources: Central Bank of Uruguay and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

first three quarters of 2023 compared to the same period in 2022.

The Central Bank reduced policy rates by a cumulative 225 basis points in H2 2023 as annual inflation remained within the target range of 3-6 percent. The Uruguayan peso depreciated 4.3 percent in nominal terms over the same period. In February 2024, headline inflation decelerated to 4.7 percent y-o-y from 5.1 percent in January, while core inflation remained at the midpoint of the target range. Policy rates stayed at 9 percent at end-February 2024. The financial sector remains sound, with ample capital adequacy and low non-performing loan rates of 1.8 percent at end-January 2024.

The 2023 non-monetary public sector fiscal deficit reached 3.3 percent of estimated GDP, 0.5 pp higher than in 2022. Lower non-personnel and capital spending partially offset the impact of slower direct tax revenue growth due to the drought, and lower sales tax collections as more Uruguayans traveled to and shopped in Argentina. Gross public debt is estimated to have increased to 63 percent of GDP. In November 2023, Uruguay reopened its sustainability-linked bond maturing in 2034, raising US$700 million at a coupon of 5.75 percent. Uruguay continues to enjoy the lowest sovereign spreads in the region.

Labor incomes improved as average real wages grew by 3.7 percent in 2023, with a larger increase in the public sector. The national employment rate rose by 1 percentage point to 58.1 percent. Sectors with the largest employment gains, such as construction and manufacturing, have a significant composition of low-skilled workers. These developments boosted per capita household income especially in Montevideo (4.1 percent, compared with 0.7 percent in the rest of the country).

Outlook

The economy is forecasted to grow by 3.2 percent in 2024. Assuming no extreme weather events, agricultural exports should recover, while cellulose exports will increase, reflecting added capacity. Private consumption is expected to temporarily accelerate due to income tax cuts and positive labor market outcomes, but only moderately as average inflation remains at the upper end of the target range. Private investment is also projected to recover as financing conditions improve. As growth converges towards potential in 2025-2026, poverty is expected to gradually fall to 5.7 percent.

The fiscal deficit is expected to decline gradually as the fiscal rule caps primary expenditures at potential economic growth. Revenues as a share of GDP are expected to dip slightly as income tax cuts take effect, but a phasing out of drought-linked transfers and lower capital spending should support expenditure consolidation. Public sector debt is projected to decline to around 60 percent of GDP.

Weaker global demand, especially from China, could limit the magnitude of the recovery. Global financial volatility is a risk given high levels of dollarization, and about half of public debt is denominated in foreign currency. Climate shocks could dampen exports and domestic incomes. Faster progress on reforms in education, the labor market, and public sector efficiency could improve growth prospects.

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

	2021	2022	2023e	2024f	2025f	2026f
Real GDP growth, at constant market prices	5.6	4.7	0.4	3.2	2.6	2.6
Private consumption	3.2	5.7	3.6	3.8	3.3	3.3
Government consumption	5.2	2.5	-0.2	0.5	0.8	0.3
Gross fixed capital investment	19.3	11.8	-7.0	4.0	2.6	2.6
Exports, goods and services	13.5	9.8	0.7	4.7	4.0	4.0
Imports, goods and services	17.9	12.4	6.0	5.0	4.5	4.5
Real GDP growth, at constant factor prices	5.3	4.5	0.4	3.2	2.6	2.6
Agriculture	13.2	-9.6	5.3	2.5	2.5	2.5
Industry	5.6	3.5	-3.8	4.0	1.8	1.8
Services	4.5	6.2	1.1	3.1	2.9	2.8
Inflation (consumer price index)	7.7	9.1	5.9	5.8	5.7	5.6
Current account balance (% of GDP)	-2.5	-4.0	-4.4	-3.2	-2.9	-2.7
Net foreign direct investment inflow (% of GDP)	2.5	4.2	4.8	2.0	2.0	2.0
Fiscal balance (% of GDP)[a]	-3.1	-2.8	-3.3	-3.1	-2.9	-2.7
Revenues (% of GDP)	29.2	29.6	30.0	29.3	29.2	29.2
Debt (% of GDP)	62.4	62.0	63.0	62.3	61.7	60.0
Primary balance (% of GDP)[a]	-0.9	-0.6	-1.0	-0.7	-0.7	-0.6
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.1	0.2	0.2	0.2	0.2	0.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	0.8	0.8	0.9	0.9	0.9	0.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	6.7	6.4	6.0	5.8	5.7	5.7
GHG emissions growth (mtCO2e)	2.6	0.6	-2.4	1.0	1.2	1.1
Energy related GHG emissions (% of total)	20.3	21.1	21.2	21.6	22.0	22.5

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".
b/ Calculations based on SEDLAC harmonization, using 2022-ECH. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.

Macro Poverty Outlook

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