

BOLIVIA

Table 1 **2023**

Population, million	12.4
GDP, current US\$ billion	45.1
GDP per capita, current US\$	3643.3
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	99.6
Life expectancy at birth, years ^b	64.9
Total GHG emissions (mtCO2e)	138.7

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

The economic situation continues to deteriorate as macroeconomic imbalances weigh on growth and 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 enhance macroeconomic stability, fiscal policy efficiency and progressivity, and private investment-led growth as it addresses dollar shortages in the short term.

Key conditions and challenges

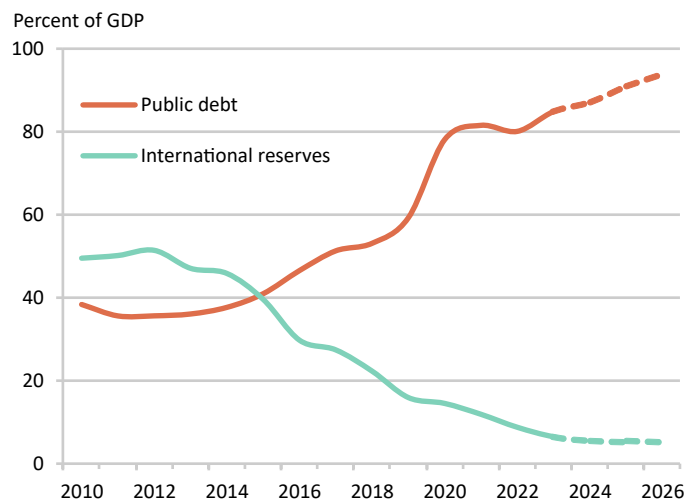
The Government's state-led development strategy focused on import substitution, natural resource extraction, public investment through state-owned enterprises, and generous subsidies has led to structurally high fiscal deficits, dwindling reserves, and limited access to international capital markets. Macroeconomic imbalances have been compounded by challenges such as a narrow export base, a decline in gas production, and a weak business environment that is depressing private investment. Growth has slowed significantly, and the country has 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 subsidies to better-targeted support mechanisms, rationalizing public investment, making public procurement more efficient, and improving the focus and progressivity of social spending. Current social assistance programs are not effectively supporting the poor and vulnerable, with modest benefits not indexed to inflation and design that limits their ability to respond swiftly to economic shocks.

The ongoing demographic transition, increasing urbanization, and a more educated workforce increase the urgency of generating more and better jobs. Fostering private investment, as well as productivity gains among small and medium-sized enterprises, is critical to accelerating growth and job creation; these 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

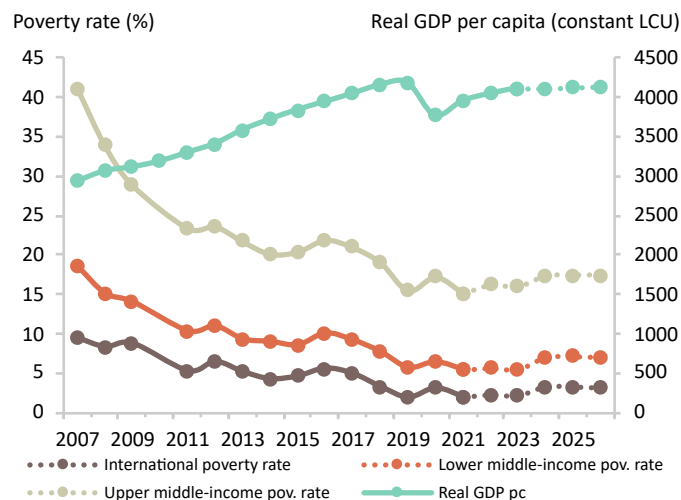
GDP growth decelerated to 3.1 percent in 2023 due to declining gas production, dollar and fuel shortages, political tensions, and a severe drought. Fuel and food subsidies and a fixed exchange rate have helped keep inflation low in recent years, but inflation has increased significantly in early 2024, with the 12-month rolling inflation at 5.2 percent in August; this was due to supply constraints and pressures in the parallel exchange rate market. The fiscal deficit increased from 7.1 percent of GDP in 2022 to 10.9 percent in 2023, driven by declining gas revenues, high subsidies, and rising interest payments. Public debt increased to an estimated 84.9 percent of GDP in 2023. Employment and labor force participation rates stagnated between end-2021 and end-2023 due to the slowdown in economic activity. Underemployment

FIGURE 1 Bolivia / Public debt and international reserves



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

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



Source: World Bank. Notes: see Table 2.

stood at 6.3 percent (2023 Q4), still above pre-pandemic levels (4.3 percent in 2019Q4). Gender gaps persist, with men being 11.2 percentage points more likely to participate in the labor market than women (at 72.4 percent). Job quality remains a structural problem: in 2023Q4, 73 percent of workers were not covered by social security, 42 percent earned less than the minimum wage, and 46 percent were self-employed. Informality disproportionately affects women, youth, and agricultural workers.

Real per capita household income in 2023 is expected to remain below its 2021 levels. While average labor income has increased in real terms, particularly among the self-employed, public transfers have decreased due to the phasing out of COVID-19 programs and below-inflation adjustments on social assistance benefits. In this context, poverty levels are estimated at 16 percent in 2023 at the international upper-middle income country poverty line (US\$6.85/day per capita, 2017 PPP) and the Gini index at 41.1, just above the threshold of high-inequality countries.

The country's external situation weakened in 2023. The current account balance fell to -2.6 percent of GDP, as the trade surplus of US\$1.0 billion in 2022 turned

into a deficit of US\$1.1 billion in 2023 due to lower gas exports and increased fuel imports. In 2023, the Government drew down the country's SDR allocation and tried to mobilize financing from development banks to preserve the exchange rate peg. However, a wider external deficit and repayments on foreign debt took the international reserves to 1.9 billion dollars in August 2024, contributing to the severe shortage of U.S. dollars.

Outlook

Growth is expected to slow to 1.4 percent in 2024 as existing macroeconomic imbalances increasingly limit private consumption and exports, while fuel and dollar shortages weigh on economic activity. The fiscal deficit is projected to continue at high levels due to falling hydrocarbon revenues and high subsidies. Public debt, including with the Central Bank, will increase from 80.1 percent in 2022 to 87.2 percent in 2024 (Figure 1). The Government recently proposed a referendum on the continuation of fuel subsidies and the presidential reelection rule, which still needs to be confirmed.

Poverty is projected to increase in 2024 and stagnate towards the medium term amid the economic slowdown and constrained public spending. The purchasing power of poor and vulnerable households is at risk of eroding, given mounting inflationary pressures. Inflation is expected to increase to 5.7 percent in 2024 and will be particularly high for food products, as dollar shortages, political tensions, and social unrest disrupt imports and supply chains.

The current account deficit is projected to remain close to 3.0 percent due to declining natural gas production and export restrictions. The impact of mobilizing foreign and public investment in lithium development and gas exploration is expected to be limited during the projection period, given the long investment horizons. Limited access to external financing will constrain public spending, including public investment.

Depleted macroeconomic policy buffers increasingly expose the economy to downside risks, including lower commodity prices and limited resilience to natural disasters like the fires Bolivia is suffering this year. Social tensions limit the capacity to maneuver to address imbalances in a more adverse economic context, eroding confidence in the boliviano.

TABLE 2 Bolivia / Macro poverty outlook indicators

(annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.1	3.6	3.1	1.4	1.5	1.5
Private consumption	5.3	3.4	3.2	2.4	2.0	1.9
Government consumption	5.4	3.7	2.4	0.2	0.1	0.1
Gross fixed capital investment	11.9	5.6	5.7	1.9	0.8	0.8
Exports, goods and services	15.4	15.1	-8.8	-5.0	-2.1	1.9
Imports, goods and services	15.7	8.8	-2.5	-1.9	-1.5	1.5
Real GDP growth, at constant factor prices	6.4	3.7	3.1	1.4	1.5	1.5
Agriculture	1.8	3.8	2.7	2.0	2.3	2.3
Industry	9.6	1.0	1.1	0.7	0.8	0.8
Services	5.8	5.7	4.6	1.8	1.8	1.8
Inflation (consumer price index)	0.7	1.7	2.6	5.7	4.5	4.0
Current account balance (% of GDP)	3.9	2.1	-2.6	-3.0	-3.6	-3.5
Net foreign direct investment inflow (% of GDP)	1.2	0.2	0.1	-0.2	-0.1	-0.1
Fiscal balance (% of GDP)	-9.3	-7.1	-10.9	-9.8	-9.7	-9.7
Revenues (% of GDP)	25.1	26.6	24.9	23.9	24.2	24.3
Debt (% of GDP)	81.6	80.1	84.9	87.2	90.9	93.9
Primary balance (% of GDP)	-7.9	-5.5	-9.0	-8.1	-7.8	-7.8
International poverty rate (\$2.15 in 2017 PPP)^{a,b}	2.0	2.3	2.2	3.3	3.3	3.1
Lower middle-income poverty rate (\$3.65 in 2017 PPP)^{a,b}	5.4	5.6	5.5	7.1	7.2	7.1
Upper middle-income poverty rate (\$6.85 in 2017 PPP)^{a,b}	15.2	16.2	16.0	17.3	17.4	17.5
GHG emissions growth (mtCO₂e)	4.1	1.1	0.3	0.0	0.0	0.2
Energy related GHG emissions (% of total)	15.1	16.1	16.3	16.5	16.6	16.7

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-EH. Actual data: 2022 (Preliminary). Nowcast: 2023. Forecasts are from 2024 to 2026.

b/ Projections using microsimulation methodology.