Latin America and the Caribbean

Macro Poverty Outlook

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

Annual Meetings 2024

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Latin America and the Caribbean

Annual Meetings 2024

Argentina	Ecuador	Panama
Barbados	El Salvador	Paraguay
Belize	Grenada	Peru
Bolivia	Guatemala	Saint Lucia
Brazil	Guyana	Saint Vincent and the Grenadines
Chile	Haiti	Suriname
Colombia	Honduras	Trinidad and Tobago
Costa Rica	Jamaica	Uruguay
Dominica	Mexico	
Dominican Republic	Nicaragua	

ARGENTINA

Table 1	2023
Population, million	46.5
GDP, current US$ billion	646.6
GDP per capita, current US$	13900.4
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]	76.1
Total GHG emissions (mtCO2e)	423.5

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

An economic stabilization program is underway, underpinned by a strong fiscal adjustment, a correction in relative prices, and the strengthening of the Central Bank's balance sheet while maintaining exchange rate and capital controls. By mid-2024, the fiscal deficit was eliminated, and inflation markedly reduced. The economy is expected to contract 3.5 percent in 2024, and poverty to rise to 16.3 percent. Balancing inflation reduction and the removal of exchange controls presents considerable risks to the economic outlook.

Key conditions and challenges

Argentina's economy has stagnated over the past 17 years, with GDP per capita in 2023 at approximately the same level as in 2006. Despite abundant natural resources, high human capital, and strong comparative advantages in agriculture, energy, and key manufacturing sectors, growth has been hindered by exceptionally high macroeconomic volatility, driven by the monetary financing of fiscal deficits, and associated persistent high inflation. Capital and exchange rate controls, trade and market distortions, and abrupt changes in policy direction have deterred private investment and constrained growth. The presidential election cycle and a severe drought exacerbated these imbalances in 2023.

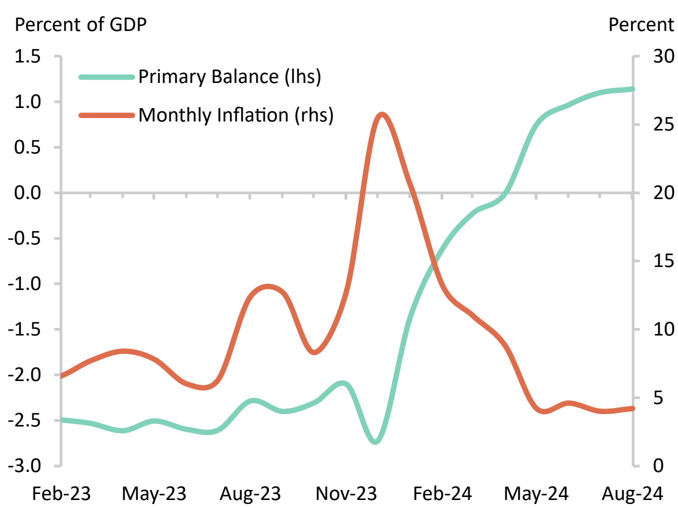
Although Argentina's poverty rates are relatively low compared to other Latin American and Caribbean countries, poverty increased over the last decade, bucking the regional downward trend. In 2023, average per capita household income was 40 percent less in real terms than in 2016, with the poor and vulnerable experiencing greater losses. Unemployment has remained low as informality acts as a stabilizer in the labor market. Informal employment now accounts for about 40 percent of all jobs. Post-pandemic, the primary driver of increased poverty has been rising inflation, especially the cost of food and necessities.

The government's focus is on addressing macroeconomic imbalances, restoring fiscal and external sustainability, reducing inflation, correcting price distortions, and lowering country risk. Complementing these efforts are policies aimed at facilitating trade and reducing market distortions. Key initiatives include reducing trade barriers, eliminating price controls, and removing subsidies, particularly in energy and transport. Establishing robust and credible fiscal sustainability is essential for maintaining Argentina's overall macroeconomic stability and reinforcing microeconomic reforms.

Recent developments

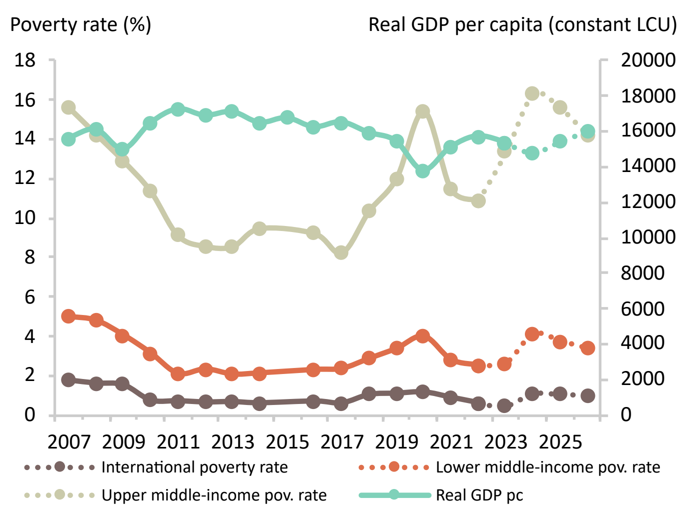
The economy contracted 1.6 percent in 2023 and the poverty rate reached an estimated 13.3 percent of the urban population (using a poverty line of US$6.85/ day per capita, per day PPP 2017). In December 2023, the newly elected government initiated a stabilization program anchored in fiscal discipline, the alignment of relative prices—including a 55 percent devaluation followed by a 2 percent monthly crawling peg—and the reduction of the monetary overhang while maintaining currency controls. The economy further contracted by 5.1 percent (y-o-y) in 2024Q1, with all sectors shrinking except agriculture, fishing, and mining. At the end of June, Congress approved a comprehensive reform package (Ley de Bases) aimed at deregulating markets and attracting investments.

FIGURE 1 Argentina / Central government primary balance and monthly CPI inflation



Source: World Bank staff calculations based on Ministry of Economy and INDEC.
Note: Primary balance is calculated as the rolling 12 months as percent of GDP.

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



Source: World Bank. Notes: see Table 2.

The stabilization program brought fiscal discipline and reduced inflation. In the first half of 2024, the government achieved a primary surplus of 1 percent of GDP, following a deficit of 2.7 percent in December 2023, mainly through a significant real reduction in spending, particularly on pensions. Inflation, which spiked to 25.5 percent (m-o-m) in December, steadily decreased to 4.2 percent by August. The current account balance turned positive in early 2024 (from a 3.2 percent of GDP deficit in 2023) and net international reserves were boosted in Q1 thanks to a more competitive peso and a delay in import payments. The gap between the official exchange rate and the blue-chip swap narrowed from over 200 percent to about 40 percent by June.

However, towards the end of Q2, the continued real appreciation of the peso alongside a reduction in international reserves and currency and capital controls, increased the risk perception of the economic program. Argentina's country risk, which had fallen to a low of 1,100 basis points (bps) in April, rose to over 1,500 bps in July. Lower inflation improves welfare, but rising unemployment (from 5.7 percent in 2023Q4 to 7.7 percent in 2024Q1), could reverse these gains.

Outlook

Real GDP is projected to contract by 3.5 percent in 2024, primarily due to the initial recessionary impacts of fiscal and price adjustments and a significant statistical carryover from 2023Q4. The decline is expected to come entirely from non-agricultural sectors. Agriculture is anticipated to recover following the 2023 drought, though its contribution will be diminished by low international prices for soy. An economic recovery is expected to start gradually in the second half of 2024 as real wages improve and the negative effects of fiscal adjustments begin to ease. Inflation is expected to continue to moderate towards the end of 2024. The current account balance is projected to record a surplus of 0.6 percent in 2024, driven by agricultural recovery and reduced import demand. Growth is expected to accelerate in 2025 as the country continues to address macroeconomic imbalances.

The poverty rate is projected to increase to around 16 percent in 2024. Social assistance programs are well-targeted but are insufficient to fully offset the real income losses experienced by vulnerable and middle-income populations.

However, significant risks persist. External risks include global shocks such as ongoing declines in commodity prices and adverse climate conditions. These risks are intensified by the absence of fiscal buffers. Domestically, social vulnerabilities stemming from eroding incomes and limited legislative support could destabilize reform efforts. The limited legislative backing raises concerns about the sustainability of the fiscal adjustment process. Balancing inflation reduction with the lifting of exchange controls is complex. Rapid restoration of confidence is essential to regain access to capital markets for foreign currency debt servicing from 2025 onward.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.4	5.3	-1.6	-3.5	5.0	4.7
Private consumption	9.5	9.4	1.0	-6.8	3.9	3.5
Government consumption	7.1	3.0	1.5	-18.4	1.7	3.2
Gross fixed capital investment	34.0	11.2	-2.0	-21.8	12.0	10.2
Exports, goods and services	8.5	4.6	-7.5	21.7	4.5	4.6
Imports, goods and services	18.6	17.8	1.7	-15.5	4.9	4.8
Real GDP growth, at constant factor prices	10.5	5.1	-1.5	-3.5	5.0	4.7
Agriculture	1.9	-2.8	-22.9	19.2	2.0	2.0
Industry	15.4	5.6	-0.2	-4.0	4.5	4.5
Services	9.6	6.0	0.8	-5.6	5.7	5.1
Current account balance (% of GDP)	1.4	-0.6	-3.2	0.6	0.6	0.8
Net foreign direct investment inflow (% of GDP)	1.1	2.1	3.2	0.8	0.3	0.6
Fiscal balance (% of GDP)[a]	-4.4	-3.9	-4.6	0.0	0.9	0.8
Revenues (% of GDP)	33.4	33.9	31.8	31.6	33.1	33.4
Debt (% of GDP)[a]	85.8	89.7	174.3	91.3	83.2	80.0
Primary balance (% of GDP)[a]	-2.5	-1.8	-2.7	1.7	2.8	3.3
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.9	0.6	0.5	1.1	1.0	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	2.8	2.5	2.6	4.1	3.7	3.4
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	11.4	10.9	13.3	16.3	15.6	14.2
GHG emissions growth (mtCO2e)	5.7	4.0	-2.9	-4.5	-0.2	1.6
Energy related GHG emissions (% of total)	41.0	42.7	41.4	38.5	37.1	36.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal data refer to the general government.
b/ Calculations based on SEDLAC harmonization, using 2023-EPHC-S2. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
c/ Projections using microsimulation methodology.

BARBADOS

Table 1	2023
Population, million	0.3
GDP, current US$ billion	6.4
GDP per capita, current US$	22638.2
School enrollment, primary (% gross)[a]	95.6
Life expectancy at birth, years[a]	77.7
Total GHG emissions (mtCO2e)	4.1

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

Economic recovery in Barbados continues despite significant challenges facing the country due to its small size, heavy reliance on tourism, and vulnerability to climate-related and other external shocks. Two recent hurricanes, after an over sixty-year break, highlighted these increasing vulnerabilities. Barbados grapples with high public debt, but the government is committed to the Barbados Economic Recovery and Transformation (BERT) 2022 plan to reduce debt, promote green energy, and enhance competitiveness. Risks from global economic shocks and climate-related disasters persist.

Key conditions and challenges

Barbados faces several challenges due to its small size, heavy reliance on tourism, import dependency, and vulnerability to external shocks, particularly those related to climate change. In July 2021, hurricane Elsa, a category 1 storm, struck Barbados—the first hurricane to hit the island in over 60 years. Barbados faced a greater threat in late June 2024 when Hurricane Beryl, a Category 3 storm, passed about 40 miles south of the island. The country is vulnerable to import inflation pressures and has limited capacity to respond to these pressures due to its exchange rate peg regime. High levels of public debt, worsened by the recent economic downturn, have reduced fiscal space. Nonetheless, the Government is committed to implementing the BERT 2022 plan, which aims to reduce public debt to about 60 percent of GDP by 2035/36, promote the transition to green energy, diversify the economy, and enhance competitiveness. The plan also includes a commitment to social cohesion, with investments in education and health, provision of affordable housing, and enhanced social safety nets.

According to the last official poverty estimates from 2016/17, around 17.2 percent of the population lived below Barbados' basic needs threshold, and 3.4 percent of the population could not afford even a minimum food basket. The poverty rate was higher among female-headed and larger households. Around 55.3 percent of the population was covered by at least one social protection benefit in 2019. Yet, as of 2022, the National Assistance Program (NAP)—the Barbados Welfare Department's main social assistance program—reached just 6,500 households with cash assistance. The National Insurance Scheme (NIS), which provides social insurance, faces longer-term challenges related to increasing expenditure on old-age pensions because of an aging population.

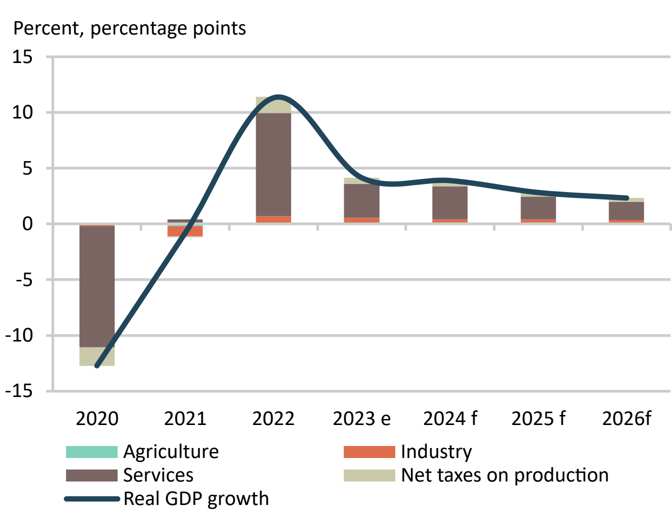
Recent developments

Real GDP is expected to increase by 3.9 percent in 2024, following its recovery to pre-pandemic levels in 2023, driven by an 18 percent increase in tourist arrivals between the first semester of 2023 and the same period in 2024. The revival of tourism is contributing to growth in the services sector, particularly in hotels, retail trade, and entertainment, as well as in the agriculture sector, benefiting from higher demand for local produce.

The primary fiscal balance is projected to reach 4.0 percent of GDP in FY2024, up from 3.7 percent in FY2023, due to reduced public expenditures. The public debt-to-GDP ratio decreased to 116.5 percent at the end of 2023, from 119.1 percent at the end of 2022. The government has enhanced fiscal management, including through the establishment of a Fiscal Council to oversee the fiscal strategy implementation.

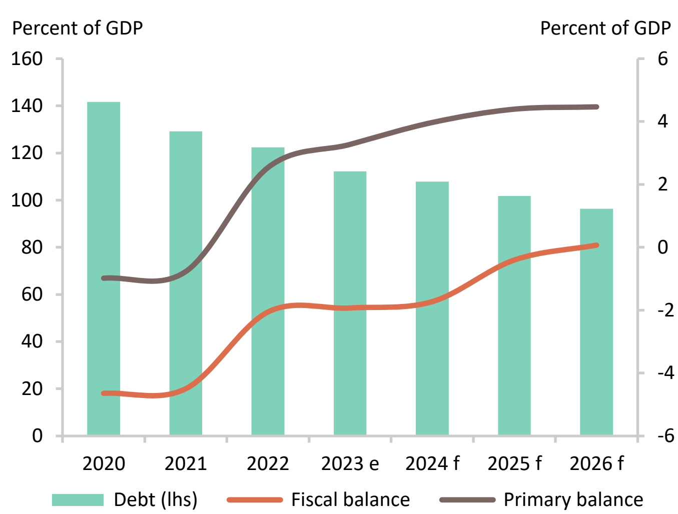
The Central Bank of Barbados has maintained its benchmark rate at 2 percent.

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



Sources: Government of Barbados and World Bank staff calculations.

FIGURE 2 Barbados / Fiscal balance and public debt



Sources: Government of Barbados and World Bank staff calculations.

Average inflation is expected to ease to 4.0 percent in 2024 from 5.0 percent in 2023, driven by lower international fuel prices and freight costs. In 2023, prolonged droughts and increased demand for restaurants and recreational activities led to higher prices for specific food items and domestic services. Efforts to enhance monetary and financial sector policies contributed to a well-capitalized, liquid, and profitable banking system, with credit to the private sector growing a modest 1.7 percent in 2023. The external position continued to strengthen, with the current account deficit expected to narrow to 7.4 percent of GDP in 2024 from 9.1 percent of GDP in 2023. Foreign reserves reached 6.1 months of imports of goods at the end of 2023.

In March 2024, the unemployment rate in Barbados was 6.9 percent, down from 8.9 percent in March 2023. However, the overall labor force participation rate fell from 63.9 percent to 60.9 percent over the same period. Job creation has been strongest in tourism, construction, manufacturing, and retail.

Outlook

The economy is expected to keep growing, although at a slower rate. Real GDP is projected to increase by 2.8 percent in 2025 and 2.3 percent in 2026. Efforts to carry out structural reforms, improve fiscal institutions, and encourage investments in renewable energy projects are anticipated to support sustainable and inclusive growth. Government efforts to adapt the economy to climate change and improve the business environment are expected to further stimulate investment. Inflation is predicted to drop below 3 percent starting in 2025. Fiscal consolidation is set to continue, with the fiscal balance reaching a small surplus and by 2026. The government is actively working to reduce transfers to state-owned entities and continues to modernize tax exemptions, strengthen revenue administration, and enhance public financial management. The current account deficit is expected to decrease to 5.7 percent of GDP by 2026, driven by expected strong performance in the tourism sector and supported by fiscal consolidation. Overall, the government's dedication to fiscal consolidation, climate resilience, and debt sustainability, along with ongoing support from international financial institutions, adds credibility to the country's ambitious reform agenda.

However, there are risks to this outlook, including potential global economic and financial shocks, climate-related natural disasters, and an escalation of regional conflicts in other parts of the world, which could impact global commodity prices and raise inflation. While the public debt to GDP ratio has fallen back to pre-pandemic levels and is projected to continue declining, it 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	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.2	13.5	4.4	3.9	2.8	2.3
Real GDP growth, at constant factor prices	-1.3	13.8	4.3	3.9	2.8	2.3
Agriculture	-22.2	-12.8	2.5	5.0	3.0	3.0
Industry	-6.3	6.0	4.2	2.9	2.8	2.4
Services	0.4	16.0	4.4	4.0	2.8	2.3
Inflation (consumer price index)	1.6	4.9	5.0	4.0	2.9	2.4
Current account balance (% of GDP)	-10.5	-10.1	-9.1	-7.4	-6.2	-5.7
Fiscal balance (% of GDP)	-4.7	-2.0	-1.7	-1.7	-0.4	0.1
Revenues (% of GDP)	28.2	29.0	28.0	27.3	27.3	27.3
Debt (% of GDP)	131.5	119.1	116.5	107.9	101.8	96.3
Primary balance (% of GDP)	-0.9	2.5	3.7	4.0	4.4	4.5
GHG emissions growth (mtCO2e)	3.3	2.7	0.4	0.2	0.3	0.4
Energy related GHG emissions (% of total)	31.9	32.7	32.1	31.4	30.6	29.7

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$	7988.1
School enrollment, primary (% gross)[a]	99.9
Life expectancy at birth, years[a]	71.0
Total GHG emissions (mtCO2e)	6.8

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

Belize's economy bounced back from the impact of the COVID-19 pandemic, showing strong growth, reduced debt, a primary fiscal surplus, decelerating inflation, and low unemployment rate. However, it is crucial to maintain fiscal discipline and transparency and to enhance the business environment. Persistent poverty and inequality, reliance on tourism and energy imports, and vulnerability to climate-related disruptions pose risks to long-term growth.

Key conditions and challenges

Belize, an upper middle-income country, relies heavily on tourism, agriculture, and remittances for foreign exchange. Its economic health is closely tied to the United States, which is its primary source of tourists and remittances, the main destination for its exports, and a key investor. Belize's economy is also sensitive to fluctuations in energy prices because its exchange rate is pegged to the US dollar and because of its status as a net importer of oil and gas. Additionally, the country faces significant risks from climate-related issues such as flooding, wind damage, and coastal erosion.

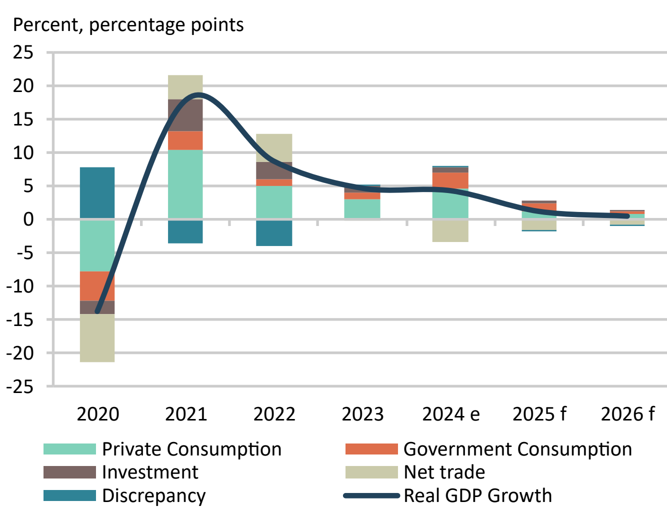
After enduring a period of economic instability and substantial fiscal imbalances exacerbated by the COVID-19 pandemic, Belize is stabilizing its economy. The country has successfully reduced public debt through debt restructuring and a blue bond issuance, although debt servicing costs remain high. Belize is also improving fiscal management by building financial reserves to support a countercyclical fiscal approach and enhancing fiscal discipline. Despite these improvements, the business environment still faces major challenges, including limited credit availability for the private sector, inadequate infrastructure, skill shortages, and high crime rates. These factors hinder job creation, economic growth, and poverty reduction.

No recent internationally comparable poverty statistics are available for Belize. Census data point to a longer-term decline in multidimensional poverty, as defined by the Statistical Institute of Belize. Nonetheless, 26.4 percent of the population still lived in multidimensional poverty in 2024. There is significant geographic and demographic variation in poverty rates; in 2024, the southern district of Toledo had the highest rate of multi-dimensional poverty at 57.5 percent, and the poverty rate among Belize's Maya population reached 60.2 percent.

Recent developments

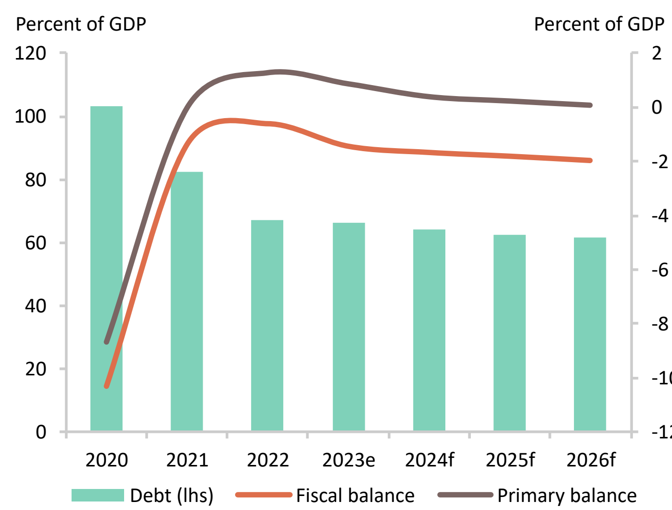
In 2024, Belize's economy is expected to expand well above its historical trend, with real GDP rising by 4.3 percent, largely due to growth in tourism, agriculture, construction, retail and wholesale trade, transportation, and business process outsourcing. Overnight tourist arrivals exceeded pre-pandemic levels. Already in 2023, real GDP was 16 percent higher than before the pandemic, and the unemployment rate dropped significantly from 10.4 percent before the pandemic to 3.0 percent in April 2024. However, labor force participation, which decreased sharply during the pandemic, remained low at 57.4 percent. This is especially true for women (44.8 percent) compared to men (71.0 percent) and for those with lower levels of education. Heightened security risks due to ongoing gang-related violence could potentially impede economic activity in the affected areas.

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



Sources: Government of Belize and World Bank staff calculations.

FIGURE 2 Belize / Fiscal balances and public debt



Sources: Government of Belize and World Bank staff calculations.

Average inflation is projected to slow from 4.4 percent in 2023 to 3.1 percent in 2024. The fiscal position has been slowly deteriorating over the last 2 years but remains robust. The overall fiscal deficit is projected to widen from 1.4 percent of GDP in FY2023 (ending in March 2024) to 1.7 percent in FY2024 due to higher interest payments, despite government efforts to secure concessional external financing. The primary surplus is also narrowing. Revenues are expected to bounce back from 23.2 percent of GDP in FY2023 to 24.2 percent of GDP in FY 2024, while total expenditure will increase to 25.9 percent of GDP. However, the acquisition of the Port of Belize and the settlement of outstanding litigations with a foreign investor helped to reduce public debt to 64.2 percent of GDP by the end of 2024.

The current account showed a notable improvement in 2023, narrowing from 8.3 percent of GDP in 2022 to 3.6 percent, reflecting a rise in the services balance due to lower shipping costs and higher tourism receipts, and a fall in the primary income deficit. It is expected to remain stable in 2024.

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. Gross international reserves amounted to 3.4 months of imports at the end of 2023.

Domestic banks saw an increase in regulatory capital, a decrease in nonperforming loans, and higher returns on assets in 2023. However, high nonperforming loans, low capital buffers, and tight liquidity in some banks continue to constrain real private sector credit growth.

Outlook

Belize's economic outlook is characterized by moderation in growth and inflation. Real GDP growth is expected to slow to about 1 percent in 2025-2026, reflecting the closing of the output gap due to the completion of post-COVID-19 recovery. Inflation is projected to fall to 2.0 percent, driven by anticipated declines in global commodity prices and inflation. The current account deficit is projected to remain relatively stable. Accordingly, poverty rates are expected to remain relatively stable.

The fiscal position is expected to slowly deteriorate, with the primary balance approaching zero. Public debt is expected to decline but will remain well above 50 percent of GDP due to slower nominal GDP growth and high global interest rates.

Other risks to the outlook remain, including higher global food and fuel prices, and climate-related disasters. One of Belize's key policy priorities for 2025-2026 is increased targeted spending on social programs. If combined with improvements in data management, and interoperability of systems to ensure effectiveness and value for money, this could have a significant potential to reduce poverty. Reforms of the business environment to improve trade integration, investments in skills and education, and efforts to tackle energy constraints and costs are all crucial to boosting economic growth and employment. In the process, it is important for the government to maintain fiscal discipline and transparency. Other priorities include infrastructure, crime prevention, and remaining vigilant to financial stability risks.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	17.9	8.7	4.7	4.3	1.2	0.5
Private consumption	16.9	8.0	5.0	7.5	2.0	1.2
Government consumption	16.7	6.6	5.3	14.5	6.7	2.5
Gross fixed capital investment	26.0	12.8	5.1	3.9	1.9	0.1
Exports, goods and services	37.7	16.6	7.9	2.2	0.5	-0.1
Imports, goods and services	32.1	10.2	9.7	8.3	3.1	1.1
Real GDP growth, at constant factor prices	17.2	6.3	4.5	4.3	1.2	0.5
Agriculture	19.1	-0.1	8.6	6.7	3.5	2.1
Industry	18.6	-2.2	3.3	3.2	0.7	0.0
Services	16.5	9.7	4.1	4.2	1.0	0.4
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	-3.5	-3.4	-3.8
Net foreign direct investment inflow (% of GDP)	5.1	4.7	4.2	4.5	4.7	4.8
Fiscal balance (% of GDP)[a]	-1.4	-0.6	-1.4	-1.7	-1.8	-1.9
Revenues (% of GDP)	23.4	24.0	23.2	24.2	24.9	25.2
Debt (% of GDP)[a]	82.3	67.1	66.3	64.2	62.3	61.7
Primary balance (% of GDP)[a]	0.0	1.3	0.9	0.4	0.2	0.1
GHG emissions growth (mtCO2e)	-1.4	0.2	0.2	0.0	-0.1	0.0
Energy related GHG emissions (% of total)	9.9	10.9	11.6	12.3	12.9	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/ Fiscal balances are reported in fiscal years (April 1st -March 31st).

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.

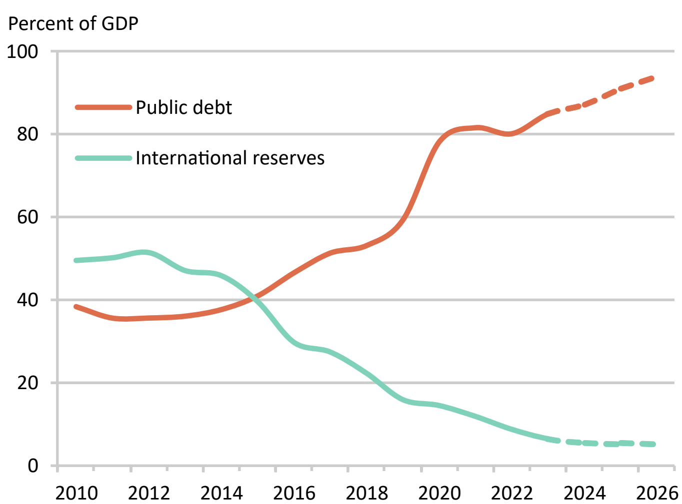
The ongoing demographic transition, increasing urbanization, and a more educated workforce increase the urgency of generating more and better jobs. Fostering private investment, as well as productivity gains among small and medium-sized enterprises, is critical to accelerating growth and job creation;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

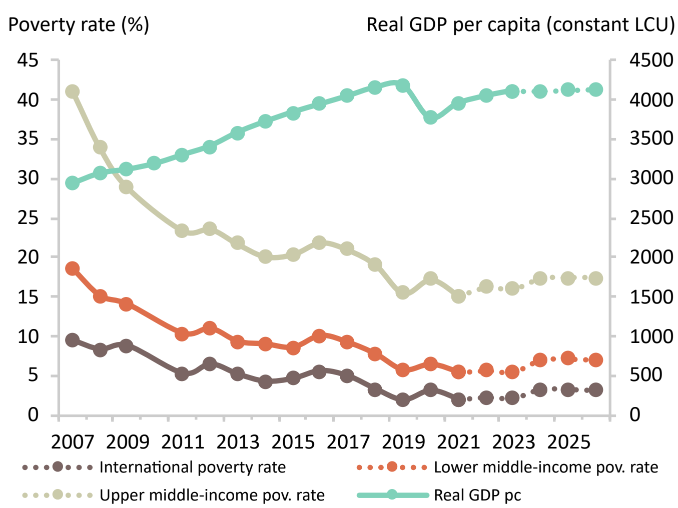
Employment and labor force participation rates stagnated between end-2021 and end-2023 due to the slowdown in economic activity. Underemployment

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.

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]	73.4
Total GHG emissions (mtCO2e)	2170.2

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

Growth is projected to reach 2.8 percent in 2024, gradually converging towards its medium-term potential. The government has made progress in advancing structural reforms, notably the recent indirect tax reform. However, the fiscal outlook remains challenging. Additional efforts will be required to ensure gradual consolidation and stabilize public debt. Labor market conditions are improving; nonetheless, the poor remain dependent on welfare transfers, with Bolsa Familia`s expenditures stabilization decelerating poverty alleviation.

Key conditions and challenges

Brazil's economy has continued to experience robust growth in recent years. Past and ongoing structural reforms are starting to yield results. A reform of indirect taxes is expected to streamline the tax system, reduce economic distortions, and boost business productivity while making the system more progressive. However, to achieve faster, inclusive and sustained long-term growth, Brazil will require complementary reforms that focus on enhancing the competitiveness and efficiency of the economy. This needs to include improving business climate, reductions in financial and market distortions, expanding infrastructure investment, further integrating into global value chains, and improving educational quality. Brazil faces demographic challenges as the share of elderly population is expanding rapidly, which places greater strain on pension and healthcare costs.

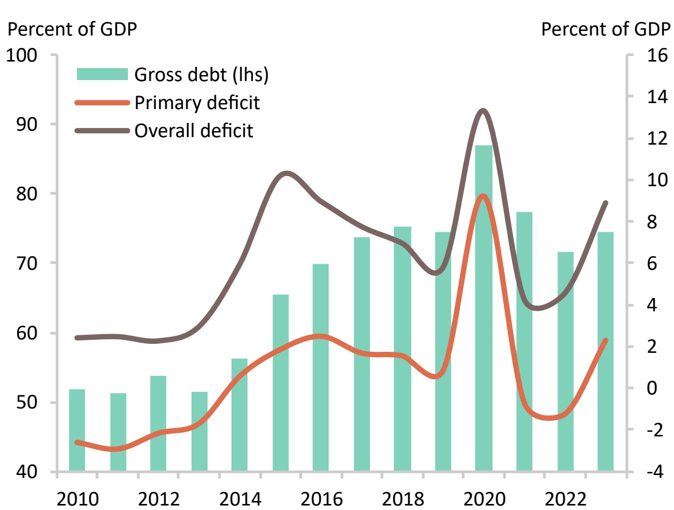
The impact of the pandemic on education continues to reverberate three years later, with test scores below 2019 levels across primary and secondary schools, and a drop in enrollment. Other dimensions of wellbeing, however, continued to improve slowly but steadily. Although consecutive crises exacerbated poverty over the past decade, the poverty rate (measured at $6.85/day per capita, 2017 PPP) fell to a historic low of 21.8 percent in 2023. Inequality has remained high with only a marginal reduction y-o-y. The indirect tax reform will improve the progressivity of the system by exempting a basic basket of goods and by implementing a targeted cashback for poor families.

Fiscal sustainability remains a critical issue as Brazil's public debt and deficit are high compared to peers. The government revised its primary balance targets within its fiscal framework, aiming for a zero primary balance in 2024 and 2025, and a 0.25 percent of GDP surplus in 2026. Maintaining the framework's credibility is essential for anchoring inflation expectations. Despite strong efforts to increase revenues, significant public spending pressures and budget rigidities make it challenging to achieve primary surpluses needed to stabilize the debt-to-GDP ratio.

Recent developments

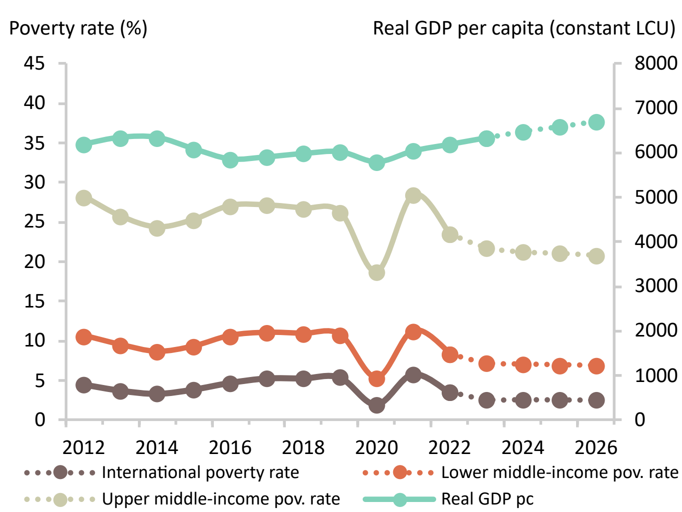
Brazil's GDP expanded by 2.9 percent y-o-y in the first half of 2024, driven by a robust labor market that boosted private consumption. In July 2024, the unemployment rate fell to 6.8 percent, the lowest since 2014, and real average household income rose 4.8 percent. Inflation stood at 4.2 percent in August (from 4.5 percent in July), close to the target range's upper limit (4.5 percent), driven by prices inertia in the services sector, and exchange rate depreciation (16.8 percent in the eight months up to August). Consequently, the Central Bank paused its rate-cutting cycle in June and increased the policy rate by 25 basis points in September, adopting a more cautious

FIGURE 1 Brazil / Fiscal balances and general government gross 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.

approach due to concerns over deteriorating inflation expectations and a challenging global environment. The current account deficit stood at 1.8 percent of GDP in August, fully covered by net foreign direct investment (FDI) inflows (2.0 percent of GDP).

The rapid decline in the poverty rates from 2022 and 2023 has slowed down in 2024 as Bolsa Familia transfers have stabilized. Still, the poverty rate (US$ 6.85/day per capita, 2017 PPP) continued to decrease gradually to 21.3 percent in 2024, driven by a 3 percent increase in the real minimum wage and the strong labor market.

The primary fiscal balance deteriorated from a 1.2 percent of GDP surplus in 2022 to a 2.4 percent of GDP deficit in 2023, largely due to increased pensions spending, social assistance, and an unusually large payment of judicial debts (0.9 percent of GDP). Fiscal pressures persisted in the first half of 2024, as spending, particularly on social and pension transfers, outpaced revenue growth, placing the 12-month cumulative primary deficit at 2.3 percent of GDP by July 2024. This, together with a growth in interest payments to 7.7 percent of GDP, contributed to an increase in the public debt, which reached 78.5 percent, up from 74.4 percent by end-2023.

Outlook

GDP growth in 2024 is expected at 2.8 percent mainly driven by consumption and sustained by a robust labor market. Inflation is anticipated to gradually converge to 3.7 percent by 2026, within the Central Bank's target range. However, the recent deterioration of inflation expectations is likely to delay further cuts in the monetary policy rate. The current account deficit is expected to remain moderate and fully financed by net FDI. Medium-term growth is projected to stabilize around 2.3 percent, reflecting the impact of structural reforms on potential output. A gradual fiscal consolidation is expected to reduce the primary deficit to 0.3 percent of GDP in 2024, turning into a 0.2 percent surplus by 2026. The overall fiscal deficit is also expected to narrow in the medium term, facilitating a more accommodative monetary policy and lowering interest payments. Public debt is projected to reach 77.9 percent of GDP by 2026, stabilizing by 2028.

Without the fiscal leeway for significant policy interventions and modest growth predicted across employment sectors, poverty reduction in 2025 and 2026 is expected to remain moderate. Strengthening the targeting of the social protection system and lowering inflation could support faster poverty reduction.

Macroeconomic risks, tilted to the downside, include slower-than-planned fiscal consolidation, which could prompt a tighter-than-expected monetary policy, also raise risk premiums, and worsen debt dynamics. Additionally, global financial conditions could deteriorate due to a slower pace of monetary normalization in advanced economies or an economic slowdown in China. This could limit investment and export growth and exacerbate currency and inflation pressures. Nonetheless, Brazil's ample reserves, flexible exchange rate, low external debt, and resilient financial system provide solid macroeconomic buffers.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.8	3.0	2.9	2.8	2.2	2.3
Private consumption	3.0	4.1	3.1	3.5	2.0	2.3
Government consumption	4.2	2.1	1.7	1.6	1.6	1.6
Gross fixed capital investment	12.9	1.1	-3.0	3.9	2.7	2.1
Exports, goods and services	4.4	5.7	9.1	3.5	3.3	3.3
Imports, goods and services	13.8	1.0	-1.2	8.0	3.0	3.0
Real GDP growth, at constant factor prices	4.5	3.1	3.0	2.8	2.2	2.3
Agriculture	0.0	-1.1	15.1	-2.0	2.0	3.0
Industry	5.0	1.5	1.6	3.0	2.0	2.0
Services	4.9	4.1	2.1	3.3	2.3	2.3
Inflation (consumer price index)	8.3	9.3	4.6	4.2	3.8	3.7
Current account balance (% of GDP)	-2.4	-2.1	-1.0	-1.6	-1.8	-1.9
Net foreign direct investment inflow (% of GDP)	1.8	2.1	1.8	2.2	2.4	2.5
Fiscal balance (% of GDP)	-4.2	-4.6	-8.9	-7.3	-6.3	-6.0
Revenues (% of GDP)	34.2	36.6	34.9	35.4	35.3	35.2
Debt (% of GDP)	77.3	71.7	74.4	76.5	77.4	77.9
Primary balance (% of GDP)	0.7	1.2	-2.4	-0.3	0.0	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	5.8	3.5	2.7	2.6	2.6	2.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	11.3	8.4	7.2	7.1	7.0	6.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	28.4	23.5	21.8	21.3	21.1	20.9
GHG emissions growth (mtCO2e)	15.1	-8.2	-8.0	1.2	-3.9	-3.6
Energy related GHG emissions (% of total)	16.9	17.5	19.6	21.0	21.8	22.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on SEDLAC harmonization, using 2023-PNADC. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
b/ Projection using microsimulation methodology.

CHILE

Table 1	2023
Population, million	19.6
GDP, current US$ billion	335.9
GDP per capita, current US$	17113.5
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]	100.2
Life expectancy at birth, years[b]	79.5
Total GHG emissions (mtCO2e)	42.5

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

Growth is recovering in 2024 as tight fiscal and monetary policies are gradually relaxed, but inflation is proving stubborn on the last mile towards target and reforms are needed to rekindle productivity growth. The labor market continues to recover, although gender gaps persist. Poverty and inequality are expected to stay around 2023 levels. Climate change presents both challenges and new opportunities for green growth.

Key conditions and challenges

Chile has a track record of sound macroeconomic policies and robust institutions, which enabled it to restore macroeconomic balance after the disruptions created by COVID-19 and its aftermath. Over the past decade, growth averaged 2 percent, while productivity stagnated, constraining the creation of better and higher-paying jobs. Gender gaps in labor market outcomes remain pronounced. While income poverty has significantly declined, regional disparities persist and progress in non-monetary dimensions lags. Inequality of opportunities and low quality of public services constrain upward social mobility.

Reforms focusing on reducing regulatory barriers, fostering technology adoption, promoting competition, improving education and managerial capabilities, and increasing female labor force participation and job quality could help raise potential growth. Chile is expected to benefit from the green transition given its potential for renewable energy and endowment with copper and lithium, critical inputs to electrification. Chile is vulnerable to climate change, being affected by droughts, floods, and wildfires.

Recent developments

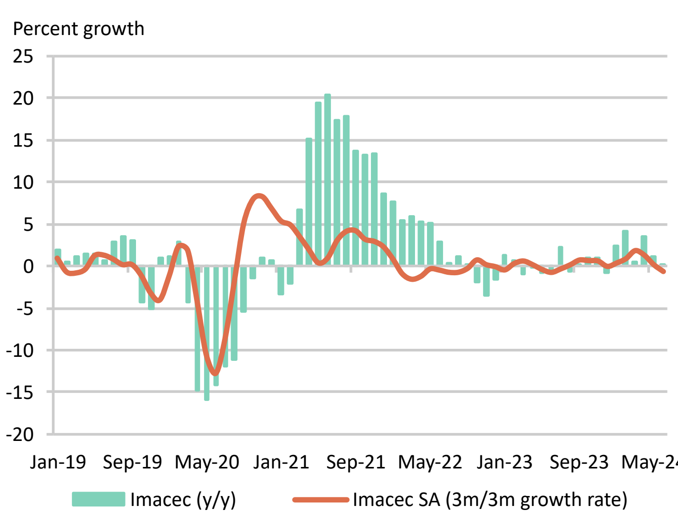
Real GDP grew 1.9 percent y-o-y in the first half of 2024, largely driven by the mining sector. Non-mining sectors, including manufacturing, commerce, and services, remained weak. On the demand side, growth was led by public investment and exports.

Poverty ($6.85/day per capita 2017 PPP) stayed around 5 percent between 2022 and 2023. The Gini inequality coefficient remained at 43 points. Poverty is higher among women, the youth, and low-skilled workers.

The employment rate increased by 1.2 percentage points (pp) y-o-y in the first half of 2024, reaching 56.9 percent by June, still below the pre-pandemic value (58.1 percent in 2019H1). Unemployment fell slightly by 0.2 pp to 8.3 percent. Gender gaps in the labor market deepened, with the employment rate increasing at a higher pace for men than for women, reaching 66.2 and 48.0 percent, respectively. Unemployment fell to 7.9 percent for men but rose to 9.0 percent for women. Job quality deteriorated, especially among women, with informality reaching levels of 26.9 and 29.9 percent for men and women, respectively.

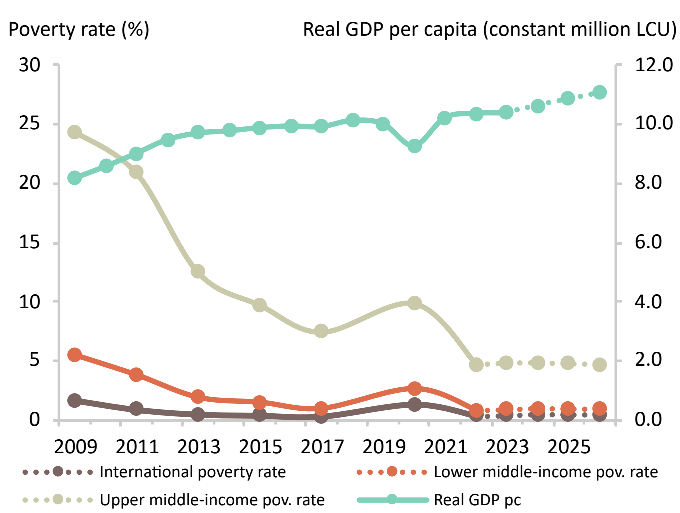
The inflation reduction trajectory since the peak in 2022 hit a bump in March 2024 when inflation started rising again and reached 4.7 y-o-y in August. This was the result of currency depreciation in the first four months of the year and an adjustment in electricity tariffs that had been frozen since 2019. The Central Bank temporarily paused the monetary easing cycle at its July meeting but resumed it in August. The exchange rate has since stabilized at around 930 CLP / US$, while the gradual increase in electricity prices is scheduled to continue until January 2025.

FIGURE 1 Chile / Growth of the IMACEC (monthly indicator of economic activity)



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.

Real public expenditures rose 6.5 percent y-o-y in 2024H1 as public investment accelerated, while real revenues contracted 4.7 percent. The latter was due to a significant decline in annual income tax collection after weak economic activity in 2023, which was only partially offset by higher copper revenue. As a result, the 12-month rolling fiscal deficit reached 3.6 percent of GDP in June 2024.

Outlook

Real GDP growth is expected at 2.5 percent in 2024 and to converge to potential in 2025 and 2026. Net exports continue to be a main driver of growth this year, while consumption is expected to recover amid lower interest rates. Investment will likely contract this year, but a recovery is expected in the medium term as expectations and business confidence improve.

The successive adjustments to electricity tariffs will keep inflation above 4 percent in the coming quarters. Inflation is expected to decline afterward, returning to the 3 percent target by the first half of 2026. As this is a temporary supply side shock, the Central Bank is expected to continue with the monetary policy easing until the rate is closer to neutral at around 4 percent. Based on these growth and inflation projections, poverty (US$6.85/day, 2017 PPP) and income inequality are estimated to remain around 5 percent and 43 Gini points in 2024, respectively, and fall gradually thereafter.

Fiscal revenue is expected to pick up in 2024H2 amid recovering growth and high copper prices, which would be partially offset by lower lithium prices. The fiscal deficit would shrink to 2 percent of GDP and continue to narrow gradually over the medium term amid a decline in the expenditures-to-GDP ratio. These projections assume a consolidation path toward medium-term structural deficit targets. The public debt-to-GDP ratio is projected to be near 41 percent by 2026. The current account deficit is expected to decline toward 2 percent over the medium term assuming continuously high copper prices.

Downside risks to the outlook include geopolitical tensions, weaker-than-expected growth in the U.S. and China, and stronger-than-expected climate effects like El Niño and La Niña. Domestic risks stem mainly from political gridlock blocking structural reforms and potential social discontent.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.3	2.1	0.2	2.5	2.2	2.2
Private consumption	21.0	1.6	-5.2	2.6	2.2	2.2
Government consumption	14.1	6.5	1.7	4.5	2.4	0.2
Gross fixed capital investment	16.0	3.9	-1.1	-0.5	3.9	3.7
Exports, goods and services	-1.5	0.8	-0.3	4.7	2.9	3.1
Imports, goods and services	31.9	1.5	-12.0	3.4	4.4	3.2
Real GDP growth, at constant factor prices	10.2	2.3	1.1	2.5	2.2	2.2
Agriculture	3.8	-0.1	-0.4	2.5	2.3	2.2
Industry	1.9	-1.8	2.7	3.1	1.9	1.8
Services	14.7	4.2	0.6	2.3	2.3	2.3
Inflation (consumer price index)	4.5	11.6	7.6	3.7	4.5	3.0
Current account balance (% of GDP)	-7.3	-8.6	-3.5	-2.6	-2.4	-2.1
Net foreign direct investment inflow (% of GDP)	0.2	1.7	4.6	3.0	3.0	3.0
Fiscal balance (% of GDP)	-7.5	1.4	-2.3	-2.0	-1.4	-1.1
Revenues (% of GDP)	26.1	28.0	25.1	22.8	23.0	23.0
Debt (% of GDP)	36.4	37.8	39.4	40.5	41.2	41.1
Primary balance (% of GDP)	-6.7	2.4	-1.2	-0.8	-0.1	0.0
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	0.9	0.9	0.9	0.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	3.5	4.7	4.9	4.9	4.8	4.7
GHG emissions growth (mtCO2e)	2.6	-13.6	-2.9	2.6	1.9	1.8
Energy related GHG emissions (% of total)	171.7	182.1	183.7	180.8	178.6	176.5

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-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	363.6
GDP per capita, current US$	6980.3
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]	104.8
Life expectancy at birth, years[b]	73.7
Total GHG emissions (mtCO2e)	272.7

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

After an expected cool-off in 2023, growth accelerated but is expected to remain weak at 1.5 percent in 2024. Fiscal consolidation to comply with the Fiscal Rule and Colombia's long-standing low productivity dynamics limit the prospects of a more vigorous growth process going forward. Declining inflation and interest rates are mitigating factors. Poverty reduction is expected to moderate, in line with economic activity.

Key conditions and challenges

Colombia's macroeconomic stability has long been anchored by a robust institutional framework, featuring a rules-based fiscal system, a flexible exchange rate, and a modern inflation-targeting regime. However, economic growth has been decelerating, with productivity offering minimal support to GDP growth over the years. Despite engaging in multiple trade agreements, the country has struggled to diversify and expand its export base. Persistent infrastructure deficiencies, subpar educational outcomes, and institutional challenges further limit Colombia's economic potential.

Colombia also faces significant social and geographic inequalities, including in human capital. To tackle poverty and stimulate prosperity across all regions, it is crucial to enhance productivity, make the most of trade potential, reform the social security system, foster more efficient and inclusive labor markets, and reform the intergovernmental fiscal transfer system to ensure widespread access to quality public services.

Colombia faces increasing climate challenges. Climate-related events disrupt livelihoods and damage assets throughout the country. Additionally, Colombia's fossil fuel sector, a large source of fiscal revenue, exports, and foreign direct investment (FDI), is vulnerable to global decarbonization. Colombia could foster a more diversified and climate-resilient economy over time, aligning it with the country's ambitious climate goals.

Tackling these issues while maintaining fiscal responsibility is crucial for Colombia to meet its development potential.

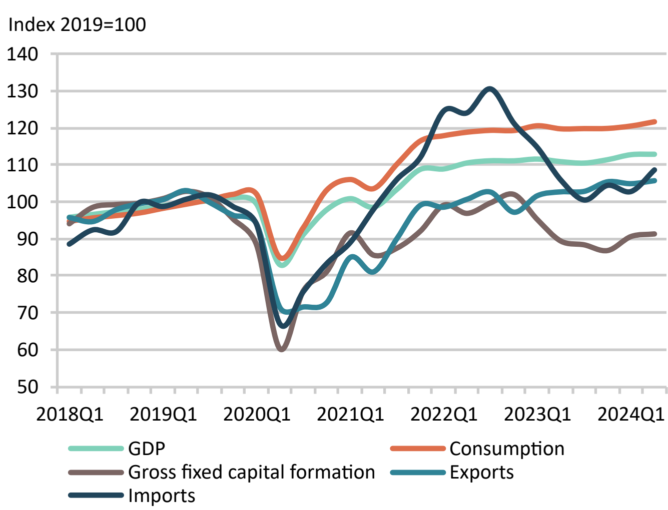
Recent developments

Economic growth ticked up in the first half of 2024 (1.4 percent, y-o-y), driven by resilient private consumption and exports, and by improvements in still low investment levels. The health, education, public administration, agriculture, and entertainment sectors are driving growth and a mild increase in employment. Still, with a weak performance in commerce and manufacturing, employment and unemployment rates worsened slightly. The labor force participation rate declined marginally, more for women than for men.

The official poverty and extreme poverty rates declined in 2023, driven by a rise in real incomes (10 percent among the lowest quintile), mostly from higher labor market earnings. Social transfers declined among the poorest, partly as the emergency social program Ingreso Solidario closed.

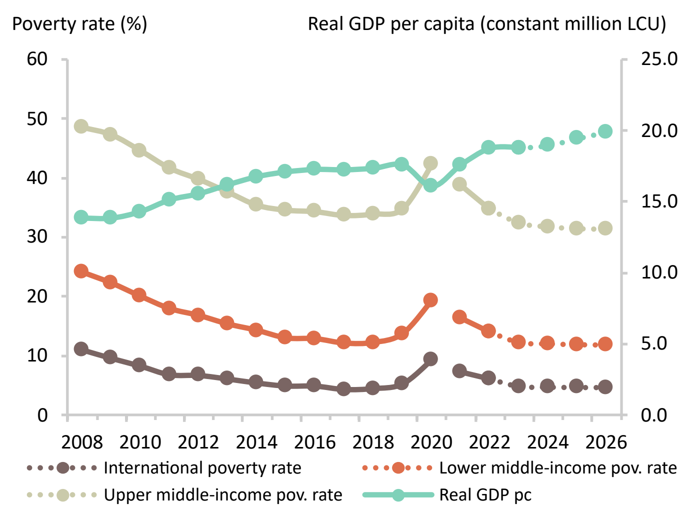
The current account deficit (CAD) narrowed to 2.5 percent in 2023 helped by the deceleration of economic activity, and remained low (1.9 percent 12-month average) in 2024H1. Export volumes (especially of non-oil goods and tourism) remained strong, imports continued to recover, primary payments fell,

FIGURE 1 Colombia / GDP and components



Sources: National Administrative Department of Statistics (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.

and remittance inflows hit new highs. FDI inflows declined but remain above pre-pandemic levels, and portfolio investment outflows moderated.

Tight monetary policy underpinned the fall in inflation from a peak of 13.3 percent (y-o-y) in March 2023 to 6.8 percent in July 2024. While still above the 2-4 percent target range for 2024, the Central Bank started an easing cycle in December as inflation expectations remain anchored, with cuts that gradually reduced the monetary policy rate 250 bps to 10.75 percent. The Colombian Peso strengthened 3.2 percent in 2024H1 and volatility subdued, benefiting from high interest rates, global financial liquidity, and a reduction in policy uncertainty.

After a good performance in 2023 led largely by cyclical factors and yields of the 2022 tax reform, fiscal accounts underperformed in the first half of the year driven by lower-than-anticipated tax collection. Low revenue from oil and mining corporate income taxes, partially due to the courts' partial reversal of the tax reform, explained an 8.7 percent (y-o-y) fall. To comply with the fiscal rule, the government announced spending cuts across current and capital expenditures worth 1.9 percent of GDP for the second half of 2024. Central government debt reached 58.2 percent of GDP in June. EMBIG spreads fell in 2024H1 with respect to 2023 but remain high among regional peers.

Outlook

GDP growth is expected at 1.5 percent in 2024 and 3.0 percent in 2025, as the economy recovers and converges to its potential growth rate by 2026. Private consumption, solid export growth alongside moderate increases in imports, and a steady rise in private investment are expected to support the pick-up, as inflation and interest rates recede. The CAD is anticipated to remain constant in 2024 and widen slightly going forward as the economy accelerates and imports increase.

Revenue underperformance and the fading impact of cyclical factors are expected to drive an increase in the fiscal deficit to 4.7 percent of GDP in 2024, which still requires a large fiscal consolidation effort in the second half of the year. Given Colombia's track record, the government is expected to continue to comply with the fiscal rule going forward, which will call for continuous fiscal discipline. The costs of the approved pension reform add to the fiscal challenges in the medium term.

Amid moderate economic growth in 2024, modest progress is expected in poverty reduction. Agricultural sector growth could benefit rural areas. Projections estimate 31.7 percent of people living below the poverty line ($6.85/day 2017 PPP). While inflation declined, higher prices buffer improvements in real incomes and food security, and climate shocks may affect households, particularly in regions like Caribe and Pacífico. Investing in access to quality education for the poor is paramount for poverty and inequality reduction prospects.

Risks to the outlook are tilted to the downside. Fiscal slippages or protracted uncertainty about the approval process of next year's public budget could prove costly, while persistent inflation and policy uncertainty could weigh on private investment. Spikes in armed violence could intensify regional disparities. On the external side, negative terms of trade shocks or tighter external financial conditions could limit growth prospects. Excessive rain from an expected La Niña event could occasionally disturb road connectivity and disproportionately affect the poor and vulnerable.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.8	7.3	0.6	1.5	3.0	2.9
Private consumption	14.7	10.7	0.8	0.6	2.7	2.6
Government consumption	9.8	0.8	1.6	0.2	0.5	0.5
Gross fixed capital investment	16.7	11.5	-9.6	0.6	5.5	4.8
Exports, goods and services	14.6	12.3	3.4	3.3	4.6	4.9
Imports, goods and services	26.7	23.6	-15.0	8.9	3.1	3.0
Real GDP growth, at constant factor prices	10.3	6.4	0.6	1.5	3.0	2.9
Agriculture	4.4	-0.8	1.4	3.9	3.3	3.2
Industry	8.1	6.9	-2.0	0.9	3.1	2.8
Services	11.9	7.0	1.5	1.5	2.9	2.9
Inflation (consumer price index)	3.5	10.2	11.7	6.9	3.9	3.1
Current account balance (% of GDP)	-5.6	-6.1	-2.5	-2.5	-2.6	-2.6
Fiscal balance (% of GDP)	-7.1	-6.5	-2.9	-4.7	-4.3	-3.6
Revenues (% of GDP)	26.6	27.6	32.4	28.8	28.8	28.8
Debt (% of GDP)	65.7	64.6	61.3	60.7	59.8	59.2
Primary balance (% of GDP)	-3.7	-2.1	1.2	0.0	0.4	0.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	7.3	6.0	4.8	4.7	4.7	4.7
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	16.4	14.0	12.2	12.0	11.8	11.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	38.8	34.8	32.4	31.7	31.4	31.3
GHG emissions growth (mtCO2e)	3.6	-1.1	-2.5	-0.9	0.4	1.0
Energy related GHG emissions (% of total)	28.2	26.9	25.8	26.0	26.4	26.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Calculations based on SEDLAC harmonization, using 2023-GEIH. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
b/ Projections using microsimulation methodology.

COSTA RICA

Table 1	2023
Population, million	5.1
GDP, current US$ billion	81.8
GDP per capita, current US$	16021.4
International poverty rate ($2.15)[a]	0.9
Lower middle-income poverty rate ($3.65)[a]	3.0
Upper middle-income poverty rate ($6.85)[a]	12.7
Gini index[a]	46.7
School enrollment, primary (% gross)[b]	107.6
Life expectancy at birth, years[b]	77.3
Total GHG emissions (mtCO2e)	8.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth accelerated to 5.1 percent in 2023 but lost steam in the first half of 2024. Low inflation and decreasing interest rates since Q12023 boosted private consumption and investment, but slower growth in trade partners decelerated external demand in H12024. Poverty (US$6.85 poverty line) declined slightly, but inequality remains high. Fiscal consolidation is enhancing market access and should continue to promote spending efficiency while targeting resources to protect 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-oriented and domestic-oriented segments of the economy remains weak, leading to income and territorial disparities. Despite accessible healthcare and education, monetary poverty reduction has been limited (2.9 p.p. between 2010 and 2023), and inequality has persisted (Gini index above 47 since 2010). Monetary poverty remained particularly high among vulnerable groups such as Afrodescendants, Indigenous populations, and migrants. The pandemic deepened these challenges, with the aggregate 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, poverty gradually declined to below 2019 levels, but female labor force participation remains among the lowest in the region (49.3 percent in 2022).

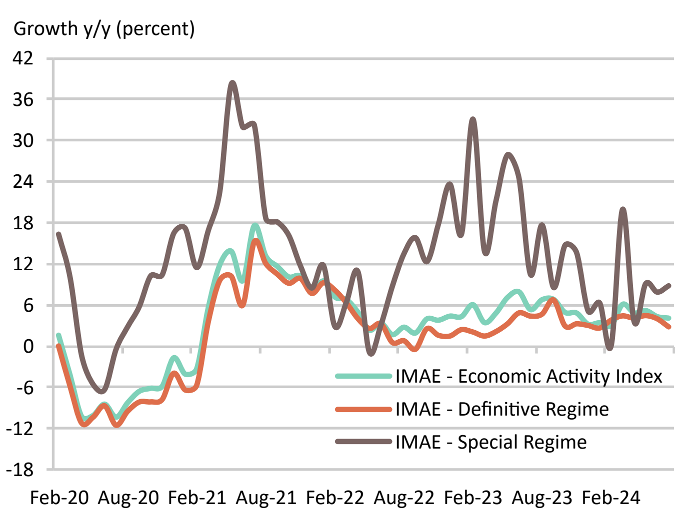
Additionally, fiscal challenges arose between 2008 and 2018 due to increased spending without a corresponding rise in revenues. A 2018 reform was implemented to stabilize the fiscal situation, but the pandemic and commodity price shocks delayed the adjustment. Public debt increased from 56 percent in 2019 to 68 percent of GDP in 2021. 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 inclusion and fiscal management is crucial. Growth needs to become more inclusive across the different socioeconomic groups. Fiscal policies should continue to support creditworthiness and protect vulnerable groups. Improving revenue mobilization and spending efficiency are essential to address these challenges.

Recent developments

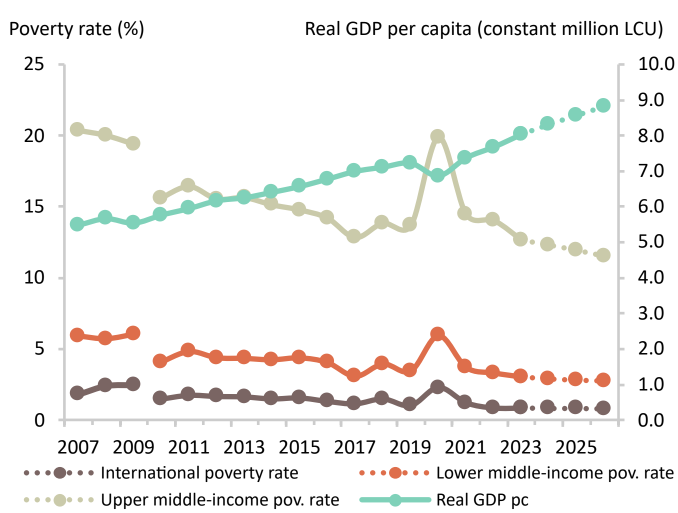
Growth surpassed expectations at 5.1 percent in 2023, bolstered by robust domestic and external demand, but decelerated to 4.5 percent in the first half of 2024, impacted by weakening external demand. Inflation subsided in early 2023, transitioning to deflation for most of that year, reaching 0.3 percent y/y in August 2024. This shift allowed the central bank to ease monetary policy, which stimulated private consumption and investment. While the export-oriented sector is still the primary source of growth, it has decelerated, expanding 8.6 percent in June 2024, compared to 24.7 percent in June 2023.

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



Sources: Central Bank of Costa Rica and World Bank staff calculations.
Notes: Special Regime includes Free Trade Zone, Active Improvement, and Refund of Rights regimes. Definitive Regime focuses 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.

With stable inflation and resilient labor market conditions, the poverty rate (US$6.85/day, 2017 PPP) declined to 12.7 percent in 2023, the lowest in over a decade. While also declining, poverty measured with the national poverty line stayed at 24.4 percent in 2023.

The current account deficit narrowed in 2023, driven by a larger trade surplus, and was financed by robust foreign direct investment (FDI). Exports, particularly of medical equipment, tourism, and business services, saw notable expansion, outstripping the recovery in imports. While exports and imports decelerated in early 2024, the trade balance remained stable. Costa Rica maintained its position as one of the world's leading recipients of greenfield FDI relative to GDP.

The fiscal deficit widened from 2.5 percent in 2022 to 3.3 percent of GDP 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 was the result of the phase-out of large one-off revenues associated with an institutional restructuring, which exceeded spending controls. The primary surplus declined to 1 percent of GDP in the first half of 2024, as revenues underperformed. Nonetheless, the debt-to-GDP ratio continued to decline reaching 61.1 percent in the end of 2023 and 59.4 percent in June 2024. Solid fiscal performance prompted upgrades in Costa Rica's sovereign credit ratings.

Outlook

Amid global uncertainty and a slowdown in key trading partners, growth is projected to moderate to around 3.5 percent during the forecast period. External demand is anticipated to continue decelerating through early 2026, while domestic demand is expected to temper in 2026 as monetary policy normalizes and fiscal consolidation advances. The current account deficit is projected to widen marginally to 2.1 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 FDI inflows.

The poverty rate ($6.85/day, 2017 PPP) is projected to decline to 11.5 percent in 2026 supported by robust labor market outcomes. Targeting and efficiency enhancements in social assistance, especially for historically marginalized groups and those 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, bringing the debt-to-GDP ratio below 60 percent threshold. Recent strides in debt management and the deepening of domestic markets 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, could further accelerate the pace of adjustment and help establish safeguards against shocks while protecting the poor and vulnerable.

This economic outlook is subject to downside risks. Costa Rica's high susceptibility to external shocks, such high global prices, dampened global growth, and tightening financial conditions, could pose challenges. Climate vulnerabilities, exacerbated by phenomena like La Niña, 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	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	7.9	4.6	5.1	4.0	3.5	3.4
Private consumption	8.3	2.6	5.0	3.4	3.4	3.2
Government consumption	1.7	2.4	0.1	0.8	1.0	1.0
Gross fixed capital investment	7.8	1.5	8.6	5.6	5.7	5.2
Exports, goods and services	15.9	18.5	10.0	6.4	6.4	6.6
Imports, goods and services	19.2	8.1	5.2	7.0	6.8	6.7
Real GDP growth, at constant factor prices	7.9	4.6	5.1	4.0	3.5	3.4
Agriculture	2.2	-2.3	3.5	2.0	2.1	2.2
Industry	12.3	2.1	8.3	2.7	2.7	2.9
Services	7.0	5.8	4.3	4.5	3.9	3.6
Inflation (consumer price index)	1.7	8.3	0.5	1.5	3.0	3.0
Current account balance (% of GDP)	-3.2	-3.2	-1.5	-2.1	-2.1	-2.0
Net foreign direct investment inflow (% of GDP)	4.8	4.4	4.5	4.5	4.5	4.7
Fiscal balance (% of GDP)	-5.0	-2.5	-3.3	-3.2	-2.5	-1.9
Revenues (% of GDP)	15.7	16.4	15.3	15.5	15.6	16.2
Debt (% of GDP)	67.6	63.0	61.1	60.6	59.8	59.6
Primary balance (% of GDP)	-0.3	2.1	1.6	1.7	1.8	2.1
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	2.8	2.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	14.5	14.1	12.7	12.3	11.9	11.5
GHG emissions growth (mtCO2e)	8.5	6.0	0.3	5.0	3.2	2.9
Energy related GHG emissions (% of total)	99.6	98.6	97.1	94.8	93.0	91.4

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 2023-ENAHO. Actual data: 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$	8953.9
School enrollment, primary (% gross)[a]	91.9
Life expectancy at birth, years[a]	73.0
Total GHG emissions (mtCO2e)	0.2

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

A recovery in tourism infrastructure spending and easing inflation have supported economic activity in Dominica in 2023, although high food prices continue to disrupt livelihoods of vulnerable populations. Completion of major ongoing infrastructure projects will boost growth. An uptick in public debt resulting from pandemic-related spending has led authorities to implement fiscal rule-based austerity measures throughout the forecast horizon. Worsening external conditions and climate-related events pose downside risks to growth and debt sustainability.

Key conditions and challenges

As a small island developing state (SIDS), Dominica faces economic challenges and climate vulnerability. Post-pandemic, economic growth has been largely supported by infrastructure investments and a rebound in tourism. The country's growth potential has declined over the past few decades amid shrinking total factor productivity and lower contribution from labor, stemming in part, from emigration of skilled labor. Fiscal policy is constrained by the Fiscal Responsibility Law (FRL) of 2021, which requires achieving a minimum primary surplus of 2 percent of GDP by 2026 to reduce public debt below 60 percent of GDP by 2035. Finally, as a pegged exchange rate regime, Dominica lacks effective monetary policy tools, therefore structural reforms are needed to ensure efficient financial intermediation.

Pandemic-related support, increased infrastructure spending, and fiscal measures to mitigate the impact of inflation on the poorest led to high fiscal deficits and pushed public debt over 100 percent of GDP. Fiscal imbalances have only gradually come down as recurrent expenditures are now returning to pre-pandemic levels. Further efforts will be needed to comply with Dominica's FRL.

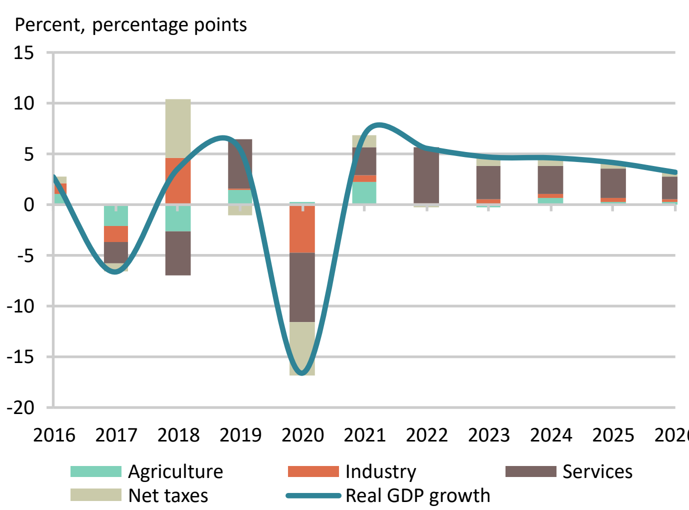
The government is implementing a highly ambitious public investment pipeline, largely financed by citizenship by investment (CBI) revenues, including a new international airport, geothermal energy investments, and a large housing program. CBI revenues have remained buoyant but tend to be volatile and dependence thereon may increase financing risk. Dominica's vulnerability to hurricanes and climate change requires increasing focus on resilience through fiscal buffers, climate-resilient investment, as well as expansion of public and private insurance protection and social assistance within a context of limited fiscal space.

Recent developments

Growth maintained its momentum at 4.7 percent in 2023, amid further improvements in tourism and investment in climate-resilient infrastructure. Tourist arrivals surpassed pre-pandemic levels, driven by growth in cruise arrivals. Implementation of initiatives in agriculture are expected to boost contribution from the sector in 2024. After peaking at 7.8 percent in 2022, inflation eased to 3.5 percent in 2023, driven in part by a reduction in energy costs.

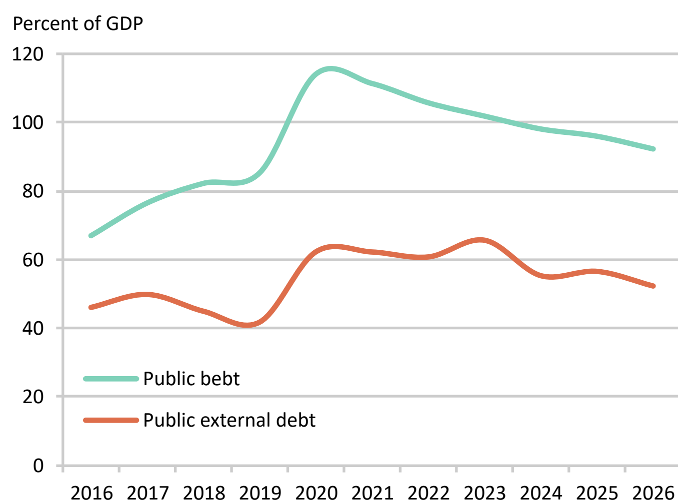
Inflation continues to affect households' purchasing power and access to food, given Dominica's dependence on imported food products. In April 2024, virtually all respondents to the Food Security and Livelihoods Survey reported an increase in the prices of food, gas, and electricity in the three months prior to the survey. Food insecurity persisted with 21 percent of respondents reporting that they had gone a whole day without eating in the previous

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



Sources: Government of Dominica and World Bank staff calculations.

FIGURE 2 Dominica / Public debt



Sources: Government of Dominica and World Bank staff calculations.
Note: See Table 2.

30 days and 42 percent reporting that they were hungry but did not eat.

The fiscal position has improved, registering an estimated deficit of 4.0 percent in FY23 compared to 7.6 percent in FY22. Lower capital spending offset the drop in revenue from CBI inflows. Public debt remains high at 101.8 percent of GDP at the end of 2023, down from 105.7 in 2022. Approximately 90 percent of Dominica's external debt is owed to multilateral and bilateral creditors on concessional terms.

The current account deficit (CAD) further widened to 33.9 percent of GDP in 2023 as an increase in imports of goods, driven by large infrastructure projects, more than offset the increase in tourism receipts. Financing of the CAD continues to come primarily from CBI revenues, grants, and foreign direct investment inflows. Reserves, as of 2023, are adequate at 5.0 months of import coverage.

Financial sector stability risks are limited as banks are well capitalized, however, non-performing loans remain high, and provisioning is below the Eastern Caribbean Central Bank's (ECCB's) regional prudential requirements.

Outlook

GDP growth is expected to be robust at 4.6 in 2024 and remain buoyant over the forecast horizon driven primarily by tourism and a robust public investment program financed by CBI revenues. Geothermal developments and a new international airport should boost potential growth. Inflation is expected to decline to 3 percent in 2024 and stabilize at 2 percent amid weaker pressure from international prices. Solid growth prospects and lower inflation should contribute to a reduction in poverty rates in the medium term. There is an urgent need for updated poverty data, and other key indicators like labor market statistics, to monitor households' wellbeing and inform the design of public policy.

The fiscal deficit is forecast to narrow as infrastructure spending winds down, current spending is reduced and rationalized, and fiscal rules metrics are adhered to; this includes primary balances of 2.0 percent of GDP by 2026, though further measures will be needed to achieve this target. A combination of sound fiscal policy and sustained growth is expected to push public debt levels below 60 percent of GDP by 2035, as mandated by Eastern Caribbean Currency Union membership.

The CAD, financed in part by CBI inflows, is expected to narrow to 20.9 percent of GDP in 2024 and continue closing thereafter as tourism receipts increase and infrastructure-related imports decline.

The economic outlook is subject to considerable downside risks due to volatile food and fuel prices, global geo-political events, and volatile CBI revenues. Natural disasters, climate change, tighter global financial conditions, fiscal vulnerabilities, and public debt sustainability concerns pose additional risks. The financial sector is vulnerable to risks from the credit unions.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.9	5.6	4.7	4.6	4.2	3.2
Real GDP growth, at constant factor prices	6.8	6.7	4.4	4.6	4.2	3.3
Agriculture	23.4	-0.7	-2.0	5.9	3.2	2.0
Industry	5.0	0.6	5.0	3.4	3.3	3.0
Services	4.5	9.4	5.3	4.6	4.5	3.5
Inflation (consumer price index)	1.5	7.8	3.5	3.0	2.0	2.0
Current account balance (% of GDP)	-32.9	-26.7	-33.9	-20.9	-19.1	-17.8
Fiscal balance (% of GDP)[a]	-8.6	-7.6	-4.0	-3.3	-2.0	-1.5
Revenues (% of GDP)	61.5	65.2	45.5	42.1	41.7	41.3
Debt (% of GDP)[a]	111.3	105.7	101.8	98.1	95.9	92.2
Primary balance (% of GDP)[a]	-5.9	-4.6	0.4	-0.2	0.3	0.6
GHG emissions growth (mtCO2e)	3.1	3.0	2.8	2.7	2.6	2.4
Energy related GHG emissions (% of total)	75.6	75.8	76.1	76.3	76.5	76.7

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

DOMINICAN REPUBLIC

Table 1	2023
Population, million	10.7
GDP, current US$ billion	121.5
GDP per capita, current US$	11305.6
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]	100.5
Life expectancy at birth, years[b]	74.2
Total GHG emissions (mtCO2e)	41.9

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

Poised for a rebound, the Dominican economy anticipates a 5.1 percent growth in 2024, fueled by monetary easing effects and public investment. However, challenges such as low revenue mobilization and socioeconomic disparities remain. The re-election of President Abinader in 2024 with a bicameral majority sets the stage for crucial reforms in taxation, energy, and labor market to bolster sustainable development.

Key conditions and challenges

The Dominican Republic (DR) stands out in LAC, for its fast growth and sharp reductions in poverty and inequality. From 2005 to 2023, GDP grew an average of 5.2 percent, while poverty more than halved, from 48.2 to 17.9 percent (US$6.85 per day, 2017 PPPs). The Gini Index declined from 50 to 38.4, and the middle class doubled, from 21 to 43 percent. Non-monetary poverty also declined as the provision of public services improved. However, significant socioeconomic and spatial inequities in living standards persist, including gender gaps and differences between urban and rural areas. Prudent monetary and fiscal policies helped macroeconomic stability, underpinning growth and social progress. However, the DR struggles with low-revenue mobilization (at 15.7 percent of GDP in 2023), and significant monetary losses in the energy sector, covered by government transfers of 1.1 percent of GDP in 2023.

Recent shocks, including the pandemic, surging commodity prices, and floods, have strained the country's finances. Public debt continues to exceed pre-pandemic levels, and new expenditure needs have emerged. In 2023, interest payments alone consumed three percentage points of GDP, curtailing public investment. To create more fiscal space, the country would need to improve tax collection and spending efficiency. The new fiscal responsibility law caps primary expenditure growth at 7 percent starting in 2025 and aims to reduce debt to 40 percent by 2035. Re-elected in May 2024, President Abinader's bicameral majority may enable him to advance long-awaited reforms, including a tax overhaul, the resumption of the energy pact, and pension reforms.

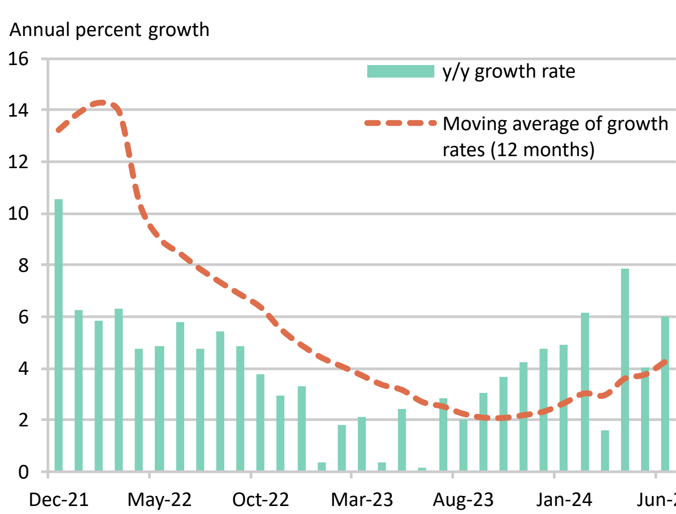
Increasing productivity is also essential, including by: (i) improving education; (ii) boosting competitiveness; (iii) revamping the innovation strategy and adopting green technologies; and (iv) improving service delivery. These changes should go hand in hand with improvements in labor market regulations and social protection systems to reduce inequalities.

Recent developments

After slowing down to 2.4 percent in 2023, GDP expanded by 5 percent in January-July 2024. Boosted by interest rate cuts and liquidity support, the construction sector grew 4.6 percent, driven by strong public and private investment. Service sectors, like hospitality and financial services, maintained momentum, both expanding by 8.0 percent, which helped offset the 11.3 percent contraction in the mining sector.

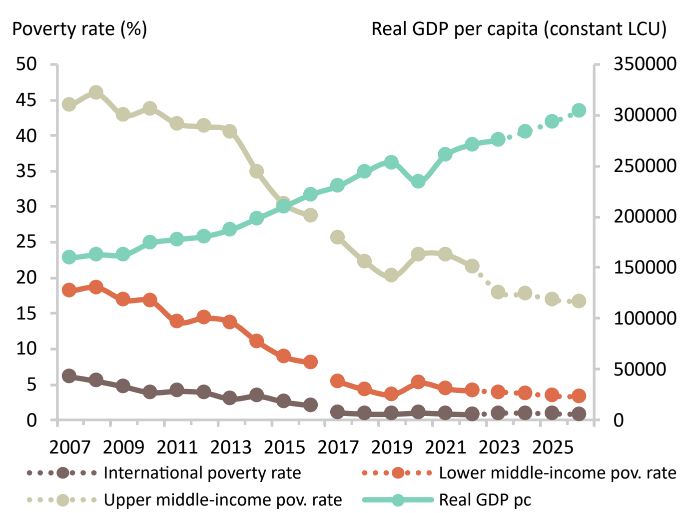
The current account deficit (CAD) contracted in the first half of 2024 due to higher exports and remittances. Exports reached US6.8 billion, growing 2.3 percent year-over-year (y-o-y), boosted by tourism revenues, which surged 14.1 percent with 5.3 million arrivals. Remittances grew by 4.4 percent. Foreign direct investment

FIGURE 1 Dominican Republic / Index of monthly 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.

(FDI) exceeded USD 2.3 billion, fully financing the CAD.
Inflation declined throughout the year, reaching 3.5 percent y-o-y in July 2024, within the central target range (4 percent +/- 1 percent). The policy rate, which had been maintained at 7 percent since November 2023, was lowered to 6.75 percent in August 2024. Labor market displayed strong dynamism, adding 172,443 new jobs between March 2023 and March 2024—a 4 percent y-o-y increase. Three-quarters of these were formal positions, with women filling 80 percent of them.
In 2023, the poverty rate fell to 17.9 percent, below the pre-pandemic level of 20.2 percent. The reduction was largely explained by rising labor income and government transfers. Real per capita income grew by 11.7 percent in 2023, marking the highest increase since 2016.
The fiscal deficit increased slightly to 1.1 percent of GDP in the first half of 2024 from 0.6 percent in the first half of 2023. Total revenue surged by 9.4 percent, driven by improved tax administration and exceptional income from the renegotiation of airport concessions. Expenditures grew by 15.1 percent y-o-y, fueled by increases in goods and services (31.6 percent) and interest payments (25.2 percent).

Outlook

In 2024, economic growth is anticipated to accelerate to 5.1 percent as the effects of the monetary easing, higher public investment, and record tourism arrivals boost activity. Inflation is expected to stabilize around 4 percent. Over the medium term, robust consumption and investment are expected to underpin growth, bolstered by structural reforms such as fiscal, energy, water, and labor, as well as initiatives aimed at improving education quality and attracting FDI. By 2027, growth is forecasted to stabilize at around 5 percent. Robust growth and job creation, together with stable inflation will support poverty reduction in 2024 and 2025, reaching 17.7 and 16.9 percent respectively.
Fiscal consolidation is expected over the medium term, anchored on the implementation of the Fiscal Responsibility Law, the phase-out of untargeted subsidies, and measures to improve spending efficiency (e.g., procurement reforms and consolidation of social programs). Consequently, the public debt-to-GDP ratio is expected to decrease progressively, falling below 57 percent post-2026. Beyond this baseline, a comprehensive fiscal reform focused on enhancing revenue mobilization and public expenditure management is crucial to support the ongoing fiscal efforts, while ensuring sustainable economic growth.
The macroeconomic outlook faces three main risks. First, the persistence of geopolitical tensions could lead to volatility in commodity prices, pressuring the government to maintain energy subsidies. Second, the anticipated slowdown in the U.S. economy could directly affect the DR's external accounts. Third, weather-related events, could negatively impact agriculture and tourism, disproportionately impacting the poor. Climate-induced GDP deviations from baseline could reach up to 16.7 percent of GDP by 2050. The high exposure to shocks and limited financial buffers pose additional fiscal risks. Therefore, strengthening resilience through inclusive growth, reducing inequality, and enhancing fiscal sustainability is imperative to sustain economic progress and ensure broader social benefits.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	12.3	4.9	2.4	5.1	4.7	5.0
Private consumption	6.6	5.1	2.5	5.1	5.0	5.2
Government consumption	0.1	3.9	2.3	4.3	-1.3	1.8
Gross fixed capital investment	22.1	4.0	2.0	3.6	4.3	4.9
Exports, goods and services	36.2	13.7	-0.5	4.1	3.9	5.0
Imports, goods and services	25.7	14.4	0.3	2.4	2.3	3.7
Real GDP growth, at constant factor prices	11.1	4.6	2.2	5.1	4.7	5.0
Agriculture	2.6	5.0	3.9	4.0	3.6	3.4
Industry	16.5	1.3	-0.3	4.7	4.4	4.6
Services	9.3	6.3	3.3	5.4	5.0	5.3
Inflation (consumer price index)	8.2	8.8	4.8	3.8	4.0	4.0
Current account balance (% of GDP)	-2.8	-5.8	-3.6	-3.5	-3.6	-3.4
Net foreign direct investment inflow (% of GDP)	3.4	3.6	3.6	3.7	3.7	3.7
Fiscal balance (% of GDP)[a]	-2.9	-3.2	-3.3	-3.3	-2.9	-2.6
Revenues (% of GDP)	15.6	15.3	15.7	16.2	15.4	15.3
Debt (% of GDP)[b]	62.6	58.6	58.3	58.3	58.0	57.1
Primary balance (% of GDP)[a]	0.2	-0.4	-0.1	0.2	0.7	0.9
International poverty rate ($2.15 in 2017 PPP)[c,d]	0.9	0.8	0.9	0.9	0.9	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	4.3	4.0	3.9	3.7	3.4	3.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	23.2	21.5	17.9	17.7	16.9	16.6
GHG emissions growth (mtCO2e)	7.4	0.0	-0.8	2.2	2.1	2.1
Energy related GHG emissions (% of total)	64.6	63.9	62.9	62.8	62.8	62.8

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 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 2023 - ECNFT-Q03. Actual data: 2022 and 2023 (preliminary). 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]	3.8
Lower middle-income poverty rate ($3.65)[b]	10.3
Upper middle-income poverty rate ($6.85)[b]	29.6
Gini index[b]	44.6
School enrollment, primary (% gross)[c]	97.5
Life expectancy at birth, years[c]	77.9
Total GHG emissions (mtCO2e)	100.2

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2022).
b/ Most recent value (2023), 2017 PPPs.
c/ Most recent WDI value (2022).

Ecuador faces significant challenges centered around structurally low growth, low-quality employment, and strained fiscal accounts. The government passed reforms that helped improve the fiscal stance, it also secured international financial support. Medium-term priorities include maintaining fiscal consolidation, enhancing security, and addressing the energy crisis. Poverty reduction is expected to stall, in line with the slow economic activity. Unlocking sustainable growth requires boosting investment by removing barriers to private sector development.

Key conditions and challenges

Ecuador faces a challenging political landscape, natural disasters, and deteriorating security, which have hindered growth, limited poverty reduction, and strained fiscal conditions. The country remains cut off from international capital markets. The October 2023 snap elections resulted in a fragmented National Assembly and a minority government with an 18-month mandate.

Since taking office, the Government has worked to reduce fiscal imbalances, improving fiscal accounts in early 2024. In May, the IMF approved a 48-month EFF program for $4 billion, with an immediate $1 billion disbursement for budget support. This, along with additional multilateral financing, eased liquidity constraints and closed the financing gap.

Economic growth remains weak due to fiscal tightening, declining oil production, political uncertainty, and an energy crisis. The worst drought in 60 years has led to historically low reservoir levels, causing electricity generation deficits, nationwide blackouts, and power rationing in 2023 and 2024, highlighting the need for investment.

With declining oil output and global decarbonization trends, private investment and formal job creation are crucial for growth in sectors like mining and agriculture. Reducing barriers to private sector development by strengthening the insolvency framework, promoting competition, expanding trade, and improving labor regulations is vital. Despite high primary school enrollment, education quality remains low, especially for Indigenous and rural populations. Post-pandemic economic struggles have deepened healthcare inequalities, yet child undernutrition decreased from 20.1 percent in 2023 to 19.3 percent in 2024. Adapting to climate change is key for resilient growth and poverty reduction. The evolving political landscape, with general elections in February 2025, will influence the reform agenda.

Recent developments

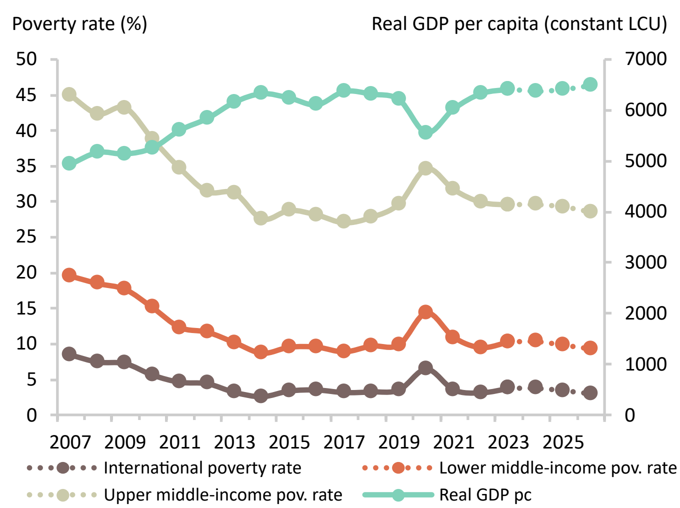
Real GDP grew by 1.2 percent y-o-y in 2024Q1, rebounding from a 0.7 percent contraction in the previous quarter. Growth was driven primarily by a decrease in imports (-3.3 percent) and an inventory buildup, which more than offset contractions in investment (-1.3 percent), private consumption (-1.1 percent), exports (-0.5 percent) and public consumption (-0.3 percent). Oil disruptions, the El Niño, political uncertainty, and insecurity negatively impacted private consumption and investment.

Labor market conditions slightly improved, with the unemployment rate dropping 0.7 percent y-o-y in June 2024 (3.1 percent), resulting in a 1 percent decline in poverty (national poverty line) and a virtual stagnation of the Gini at 45.6 in 2024. Job quality remains a structural problem, with informality increasing 0.7 percent y-o-y to 53.5 percent in 2024 (76.6 percent in rural areas). Structural gender gaps

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.

remain, with women disproportionally represented among the unemployed (3.7 percent), partially employed, and those earning less than minimum wage.

The central government balance improved from a US$1.464 million deficit (1.2 percent of GDP) in 2023H1 to a US$85 million surplus (about 0.1 percent of GDP) in 2024H1. This was helped by revenue-raising reforms approved earlier this year, including an increase of the VAT rate from 12 to 15 percent; temporary taxes on large firms and banks; higher withholding requirements for companies' upfront payments; raised capital outflows tax; and a tax amnesty program, together with profit transfers from the Central Bank's gold sales. The consolidation was further supported by reduced capital spending and purchases of goods and services.

The current account balance posted a record-high surplus of US$1.5 billion in 2024Q1. Exports expanded 5.9 percent y-o-y while imports contracted 7.6 percent, generating a US$1.2 billion trade surplus. International reserves rose from US$ 4.5 billion (1.5 months of imports) in December 2023 to US$ 7.2 billion (2.4 months of imports) in July 2024.

Outlook

Growth is projected to decline to 0.3 percent in 2024 due to negative carryover, sharp fiscal tightening, and energy shortages. Additionally, oil output has fallen significantly due to pipeline damages caused by the regressive erosion of the Coca River and the unwinding of oil production in the Yasuni National Park following the 2023 referendum. A reduction in political uncertainty following February´s elections, along with improvements in security, energy, and fiscal conditions due to recently taken measures, is expected to support a gradual economic recovery since 2025.

Weak economic growth and structural labor market inequalities will continue to restrain household income growth potential, leading to a slow decline in poverty from 29.6 percent in 2023 to 28.5 percent in 2026, despite low inflation (US$6.85/day, 2017 PPP). Climatic shocks such as La Niña could disproportionally hit the poorest. However, inflation is projected to remain low despite emerging pressures generated by a higher VAT rate and lower fuel subsidies.

The NFPS fiscal deficit is projected to end in 2024 at around 2.1 percent of GDP and to narrow further in 2025 and 2026. Public debt is projected to peak at 57.5 percent of GDP in 2025, significantly below pandemic levels, before resuming its downward trajectory. The current account surplus is forecast to remain at 1.9 percent of GDP in 2024, narrowing to around 1.3 percent by 2026. Oil export growth is expected to weaken, while imports will recover modestly as economic activity increases. International reserves are projected to gradually increase supported by multilateral financing, and a modest resurgence in foreign investment.

Several risks could impact this outlook. Relaxing fiscal consolidation plans and pausing growth-enhancing reforms ahead of the 2025 elections could delay the return to international capital markets. Additionally, Ecuador's reliance on oil revenues makes it vulnerable to volatile oil prices and any faster-than-expected decline in production levels. A resurgence of insecurity, weaker-than-anticipated growth in the U.S. or China, and natural hazards such as stronger-than-expected La Niña events, add substantial risks.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	9.8	6.2	2.4	0.3	1.6	2.2
Private consumption	11.3	7.4	1.4	0.2	2.0	2.5
Government consumption	0.0	1.8	3.7	-3.2	-4.3	-2.7
Gross fixed capital investment	13.2	8.5	0.5	0.6	2.7	5.0
Exports, goods and services	9.4	7.3	2.3	1.2	2.3	2.1
Imports, goods and services	21.5	10.5	-0.9	-0.9	0.9	2.3
Real GDP growth, at constant factor prices	9.5	6.0	1.6	0.3	1.6	2.2
Agriculture	9.0	2.3	5.1	3.7	3.7	3.7
Industry	12.5	4.9	-0.7	0.4	1.1	1.8
Services	8.2	7.1	2.2	-0.2	1.5	2.2
Inflation (consumer price index)	0.1	3.5	2.2	2.0	1.8	1.4
Current account balance (% of GDP)	2.9	1.8	1.9	1.9	1.6	1.3
Net foreign direct investment inflow (% of GDP)	0.6	0.8	0.3	0.3	0.9	1.5
Fiscal balance (% of GDP)	-1.6	0.0	-3.6	-2.1	-1.5	-0.4
Revenues (% of GDP)	35.8	38.7	36.7	38.8	38.0	38.3
Debt (% of GDP)	61.6	57.0	55.3	56.8	57.5	57.0
Primary balance (% of GDP)	-0.3	1.6	-1.4	0.4	1.2	2.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	3.6	3.2	3.8	3.8	3.5	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.9	9.5	10.3	10.4	9.8	9.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	31.7	29.9	29.6	29.6	29.2	28.5
GHG emissions growth (mtCO2e)	2.2	1.8	1.7	2.2	2.9	3.2
Energy related GHG emissions (% of total)	34.9	35.6	36.3	37.5	38.8	40.3

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 2023-ENEMDU. Actual data: 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	34.0
GDP per capita, current US$	5344.2
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]	90.8
Life expectancy at birth, years[b]	71.5
Total GHG emissions (mtCO2e)	13.4

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

In recent decades, El Salvador has sustained stable, albeit low growth, achieving reductions in poverty and inequality, although progress on poverty has slowed since the pandemic. The country has also managed to curb gang violence—a significant barrier to inclusive growth. GDP growth is projected at 2.9 percent in 2024 but is expected to slow to 2.5 percent by 2026 due to limited measures to address fiscal and external imbalances as well as other structural obstacles to growth.

Key conditions and challenges

El Salvador is a small, dollarized economy closely tied to the U.S. through trade and remittances. Between 2000 and 2023, GDP grew at an average annual rate of 2.1 percent, while official poverty declined by 14 percentage points, reaching 30.3 percent of the population in 2023. However, poverty has risen in the past two years, with around 10 percent of the population living in extreme poverty in 2023. Inequality remains among the lowest in the region. Since 2022, strict security measures have significantly reduced gang violence, contributing to economic gains and job creation. However, structural challenges remain: low productivity and human capital deficiencies, stemming from malnutrition and poor schooling, impede further progress on inclusive growth.

The progress on crime reduction coincided with a deterioration in fiscal accounts (and the stalling of poverty reduction), with public debt exceeding 84 percent of GDP in 2023. Financing options are restricted to pensions, banks, official creditors, and short-term domestic debt. The 2023 pension reform provided short-term fiscal relief of approximately USD 1.5 billion but also poses risks of deepening structural imbalances and generating contingent liabilities, particularly through a higher minimum pension payout.

To enhance productivity, attract foreign direct investments (FDI), diversify the economy, and further reduce poverty and inequality, comprehensive reforms are needed to address inefficiencies in labor markets, enhance poor skill acquisition, and improve infrastructure. After focusing on security in his first term, President Bukele has signaled a shift towards strengthening the economy and growth during his second term which can impact poverty reduction. However, ongoing fiscal and external imbalances present major challenges to achieving sustained growth through policy reforms.

Recent developments

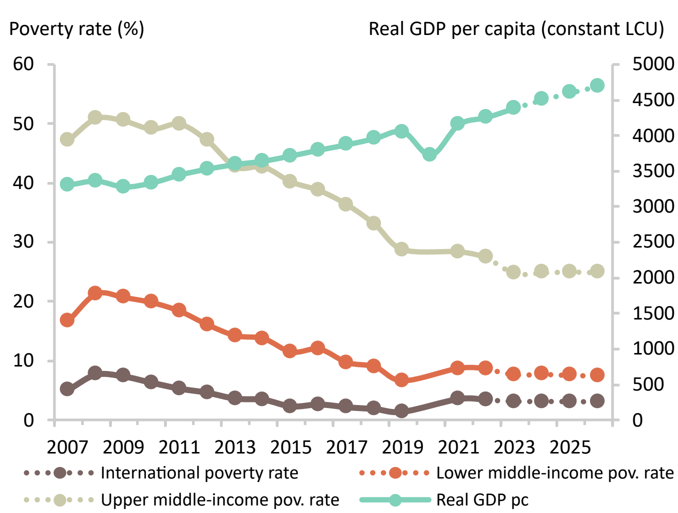
In 2023, El Salvador's economy grew by 3.5 percent, surpassing its historical average. This heightened economic performance was driven by public investment, exports, and private consumption, bolstered by increased foreign demand, higher remittances, an improved business environment following enhanced security measures, and a significant drop in inflation from 7.2 percent in 2022 to 4.0 percent in 2023. In 2024, tourism, exports, and public spending continued to drive growth, with the first quarter reporting an annual growth rate of 2.6 percent. Meanwhile, year-to-year inflation declined to slightly below 2 percent in June.

While stronger economic activity boosted government revenues by 6.8 percent in 2023, higher government spending (12.3 percent rise) increased the fiscal deficit to 4.7 percent of GDP, 2.0 percentage points higher than 2022. Public debt peaked at

FIGURE 1 El Salvador / Coinbase bitcoin price

Source: Federal Reserve Economic Data.

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



Source: World Bank. Notes: see Table 2.

84.9 percent of GDP, despite two sovereign debt buyback operations in 2023 and 2024. Sovereign spreads remained close to 700 bps, with limited financing options restricted to pensions, banks, and official creditors. To address these challenges, authorities are negotiating an IMF program, though Bitcoin's legal tender status remains a contentious issue amid its recent value volatility.

The current account deficit narrowed to 1.4 percent of GDP, aided by lower commodity prices, growing remittances that reached 24.2 percent of GDP in 2023, and tourism receipts. Foreign Direct Investment rose to 2.1 percent of GDP, helping to finance the deficit, but international reserves stayed low at 9.1 percent of GDP (about 2 months of imports).

Between 2021 and 2023, national poverty figures have been increasing (2.5 percentage points), while international poverty figures at 6.85 USD per capita per day (2017 PPP) show a decrease of a slightly higher magnitude (3.6 percentage points). Official and international poverty figures diverge due to methodological differences, particularly in how they account for the impact of inflation. The government has made poverty reduction a priority for the new presidential term.

Outlook

While growth in 2024 (2.9 percent) will remain above the historical average, it will slow over the medium term due to slower US growth and uncertainty regarding fiscal and external imbalances. Inflation is projected to ease to 2.1 percent in 2024. The current account deficit is projected to widen to 2.7 percent of GDP in 2024 and remain stable over the medium term, driven by slower remittance growth and a deteriorating trade balance. This deficit will be partially financed by FDI, expected to remain low at 2.0 percent of GDP. Without additional capital inflows or fiscal adjustments, international reserves are expected to remain low.

Despite these recent favorable conditions in terms of growth and low inflation, poverty measured with the upper-middle country poverty line of US$6.85/day (2017 PPP) is projected to stay stable, as growth in remittances is expected to decline.

The primary balance is expected to improve in 2024, largely due to reduced public spending linked to the election cycle, elimination of specific subsidies, and public sector wage and employment adjustments. The overall fiscal deficit is projected to close at 4.5 percent of GDP. This deficit will likely be financed through investment projects from multilaterals, pension assets not yet invested in treasury bills, and increased domestic debt holdings.

El Salvador's fiscal position will remain challenging in the medium term as liquidity needs persist. While the government is closing the 2024 financing gap, it still needs to secure an annual USD 900 million for 2025 and 2026, with a concerning USD 1.7 billion gap in 2027, including a Eurobond payment due that year.

Risks to economic performance include a potential global slowdown, changes in U.S. immigration policy, reliance on domestic financing that could crowd out private investment, and financial exposure to Bitcoin's volatility. Additionally, with a 79 percent likelihood of a La Niña event in late 2024, supply chain disruptions could further slow economic activity and increase fiscal pressures.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.9	2.8	3.5	2.9	2.7	2.5
Private consumption	9.5	2.5	3.4	2.6	2.4	2.2
Government consumption	9.0	-1.2	3.2	2.5	2.3	2.1
Gross fixed capital investment	25.3	4.4	8.9	3.0	2.9	2.7
Exports, goods and services	29.8	9.1	5.2	2.3	2.2	2.3
Imports, goods and services	28.8	0.9	-1.4	2.0	2.1	2.1
Real GDP growth, at constant factor prices	10.3	3.4	3.4	2.9	2.7	2.5
Agriculture	3.2	-1.2	0.4	0.7	1.4	1.6
Industry	9.2	4.1	4.8	3.0	2.9	2.5
Services	11.4	3.5	3.1	3.1	2.7	2.6
Inflation (consumer price index)	3.5	7.2	4.0	2.1	1.9	1.7
Current account balance (% of GDP)	-4.3	-6.8	-1.4	-2.7	-2.8	-2.7
Net foreign direct investment inflow (% of GDP)	1.3	0.4	2.1	2.2	1.9	2.0
Fiscal balance (% of GDP)[a]	-5.5	-2.7	-4.7	-4.5	-4.4	-4.4
Revenues (% of GDP)	24.5	24.6	24.7	25.0	24.9	24.8
Debt (% of GDP)[b]	83.9	79.2	84.9	84.6	84.2	83.5
Primary balance (% of GDP)[a]	-2.5	0.4	0.2	0.4	0.5	0.5
International poverty rate ($2.15 in 2017 PPP)[c,d]	3.6	3.4	3.1	3.1	3.1	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	8.7	8.6	7.7	7.7	7.6	7.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	28.4	27.5	24.8	24.9	25.0	24.9
GHG emissions growth (mtCO2e)	8.5	0.5	-0.6	1.4	1.0	1.1
Energy related GHG emissions (% of total)	53.2	53.5	53.4	53.8	53.7	53.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal and Primary Balance correspond to the non-financial public sector.
b/ Debt is total public debt.
c/ Calculations based on SEDLAC harmonization, using 2023-EHPM. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 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$	10524.5
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]	75.3
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 (2022).

Despite the devastation of Hurricane Beryl, Grenada's economy is anticipated to continue growing, supported by tourism and construction. Even with greater fiscal needs for post-Beryl reconstruction efforts, the country is expected to reduce its debt, helped by strong revenues. Building climate resilience and closing infrastructure gaps will be critical for Grenada to maintain inclusive growth and continue reducing poverty and inequality.

Key conditions and challenges

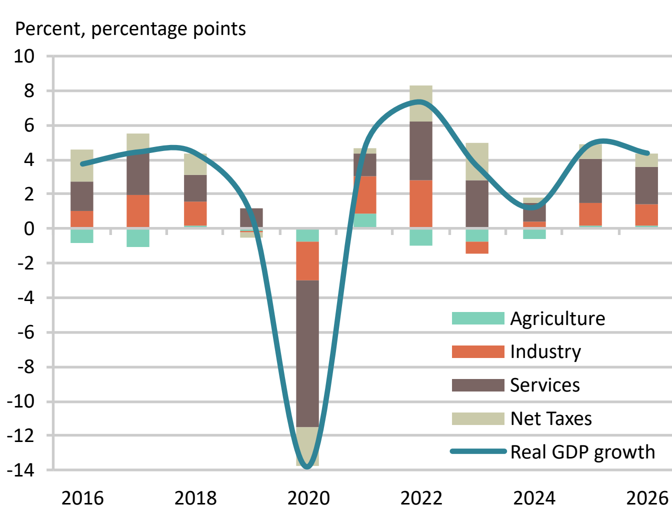
From 2015 to 2019, Grenada's economic performance surpassed those of its eastern Caribbean peers, with an average growth rate of 3.3 percent, relatively low public debt, and continued poverty reduction. Growth has been driven by construction and tourism, supported by structural reforms initiated in 2015. The 2023 Fiscal Resilience Act (FRA) further enhanced Grenada's fiscal policy framework by simplifying rules, broadening the definition of public debt to include State-Owned Enterprises (SOEs), and strengthening the role of the medium-term fiscal framework as a fiscal policy guiding tool. 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. The country is highly vulnerable to natural hazards, which are expected to increase in intensity and frequency with climate change. Income inequality, measured by the Gini index, was estimated at 44 points in 2018 (the latest year with data available), which is a relatively high level by global standards. Gender disparities in access to economic opportunities persist, and youth unemployment remains significantly above the national average. The management of the Investment Migration Agency (IMA) program, a critical source of financing for Grenada, needs to be further improved to increase spending efficiency. A post-Hurricane Beryl recovery plan, a return to the fiscal rules over the medium term, more effective social protection programs, and additional structural reforms are needed to sustain inclusive growth, reduce poverty and inequality, and strengthen climate resilience. Targeted policies to boost job creation and skill development for women and youth are also required.

Recent developments

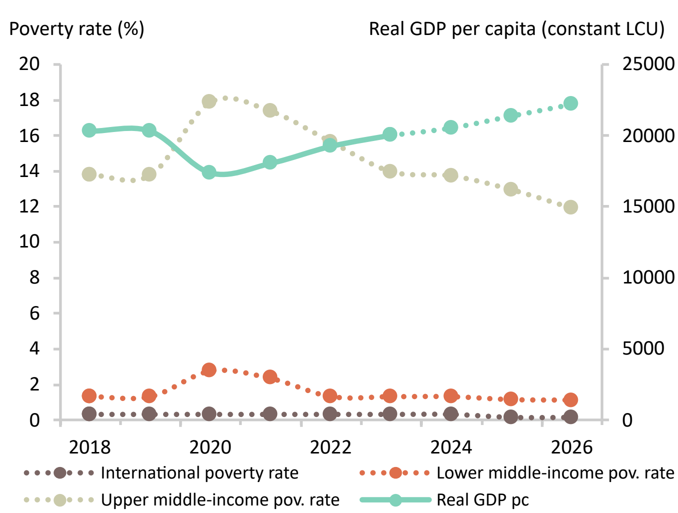
Economic growth decelerated to 4.7 percent in 2023 as the recovery in tourism was offset by a downturn in agriculture and construction, which were impacted by adverse weather and delays in project completions. Hurricane Beryl, which hit the island in July 2023 left damages currently estimated at 16.5 percent of 2023 GDP. Stayover arrivals that surpassed pre-COVID levels during the first six months of 2024, partially offsetting the economic impacts of Beryl. Inflation remained at 2.2 percent in 2023, mostly driven by increases in food prices, resulting from underperformance in the agriculture sector, but eased to an average 1.3 percent year-on-year in the first five months of 2024. The unemployment rate dropped from 12.0 percent in 2023Q2 to 8.5 percent in

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



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

2024Q1. However, it continues to be significantly higher among women (10.8 percent) and the youth (19.1 percent). Poverty ($6.85 a day in 2017 PPP) is estimated to have declined from 15.6 percent in 2022 to 13.9 percent in 2023, reaching pre-pandemic levels (13.8 percent in 2018).

The current account deficit reached 13.9 percent of GDP in 2023. Remittance inflows increased to 5.8 percent of GDP in 2023 from 5.5 percent of GDP in 2022, below their pandemic peak. IMA inflows were larger than expected in 2023, supporting both public and private investment. Foreign Direct Investment (11.3 percent of GDP in 2023) helped finance the external deficit, as did loans from multilateral and bilateral development partners.

The fiscal surplus reached 8.4 percent of GDP in 2023, as revenues increased to 35.8 percent of GDP owing to higher IMA revenue inflows and buoyant economic activity. Public sector debt ratio increased to 75 percent of GDP in 2023, reflecting the FRA that was introduced in 2023 and broadened debt coverage by including debt of all SOEs.

Outlook

Growth is projected at 3.2 percent in 2024, with an average of 4.4 percent over the medium term. This projection reflects the re-construction efforts and a recovery in both the agriculture and tourism sectors. Given Grenada's heavy reliance on imports, the high import prices will continue to impose considerable pressures on the restaurant and food industry. Inflation is projected at 2.1 percent in 2024 and converge to 2.0 percent thereafter. The current account deficit is projected to widen to 17.5 percent of GDP in 2024 and remain elevated, as reconstruction efforts and food import demand offset the expansion of tourism receipts. Gains in poverty reduction will stall in 2024, with poverty (at the line of $6.85 a day in 2017 PPP) projected to stay around 14.0 percent. As the economy recovers, poverty is expected to return to its downward trend, reaching around 12.0 percent in 2026.

Fiscal expenditures are expected to rise in 2024 amid post-hurricane reconstruction and higher wages. However, it is projected to decline thereafter as lower capital spending, coinciding with a reduction in IMA inflows. The robust implementation of compliance strategies by the Inland Revenue Department (IRD), substantial receipts from the IMA program, and relatively vibrant economic activity buoyed revenue collections to 40.2 percent of GDP in 2024. Nonetheless, tax revenue collection is projected to normalize in the medium term, reaching an average of 30 percent of GDP. As a result, the fiscal balance will remain in an average deficit of 0.7 percent of GDP. Public debt (71.5 percent of GDP in 2024) is expected to continue its downward trajectory, as the Government is not expected to rely on additional borrowing to finance its recovery efforts.

External risks are mainly on the downside and are associated with the uncertainty around geopolitical tensions, the possibility of a global economic slowdown, and renewed increases in commodity prices. Domestically, a faster implementation of construction projects could spur a new wave of economic growth. In contrast, the country's vulnerabilities to natural disasters, and volatility in CBI inflows could negatively impact future growth.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.7	7.3	4.7	3.2	4.7	4.4
Real GDP growth, at constant factor prices	5.2	6.2	2.2	3.2	4.7	4.4
Agriculture	15.7	-16.8	-18.1	-6.5	5.1	4.5
Industry	15.3	17.4	-2.9	2.1	7.1	7.5
Services	2.0	5.5	5.2	4.0	4.0	3.5
Inflation (consumer price index)	1.4	2.6	2.6	2.1	2.0	2.0
Current account balance (% of GDP)	-14.5	-11.1	-13.9	-17.5	-13.2	-12.2
Fiscal balance (% of GDP)	0.3	0.9	8.4	-0.7	-1.5	0.0
Revenues (% of GDP)	31.6	32.9	35.8	40.2	30.0	29.7
Debt (% of GDP)[a]	71.4	64.5	75.0	71.5	69.8	68.5
Primary balance (% of GDP)	2.1	2.6	10.1	1.0	0.2	1.7
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	13.7	12.9	11.9
GHG emissions growth (mtCO2e)	0.8	1.1	1.2	0.9	1.7	1.6
Energy related GHG emissions (% of total)	13.0	13.2	13.3	13.4	13.8	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/ 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	104.4
GDP per capita, current US$	5933.4
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]	68.7
Total GHG emissions (mtCO2e)	42.1

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2022).

Guatemala has grown steadily in recent years with sound macroeconomic performance but with poor social outcomes, due to low and ineffective social expenditure and low productivity. Addressing these challenges requires higher and better social expenditure and infrastructure investment. The government moved in the right direction by increasing cash transfers and public investment in 2024, but these changes need to be persistent and sustainably funded by recurrent revenues to preserve a sound macroeconomic environment.

Key conditions and challenges

While Guatemala has grown steadily in the last 10 years, poverty and inequality reduction have been very limited. Guatemala's GDP per capita grew by 1.9 percent from 2014 to 2023 while the average for LAC was 0.3 percent over the same period. However, poverty under the upper-middle income country international poverty line ($6.85/day per capita, 2017 PPP) remains one of the highest in the region at 55.2 percent of the population, the same as in 2014 (55.4 percent). Human capital outcomes have shown little progress in this period, particularly for racial minorities. Child malnutrition remains critical, with 44 percent of children under five stunted in 2022.

Guatemala faces several structural challenges: low and ineffective social expenditure, lack of dynamism in the labor market, and low productivity, driven by poor infrastructure. Social expenditure reached 6.3 percent of GDP in 2021, compared to 9.3 percent on average for Central America and Dominican Republic (CADR). Informality reached 70.3 percent in 2023, while labor force participation stood at 59 percent, with a much lower rate among women (39.7 percent), hindering efforts to reduce poverty and inequality. Total factor productivity remained stagnant over the last 10 years, dragging on growth potential.

The government has moved in the right direction by increasing infrastructure spending and by promising a temporary increase in cash transfers in 2024. However, Guatemala needs to increase and improve infrastructure and social expenditure permanently to reach results, requiring higher government revenues (currently at 12.9 percent of GDP for the central government), to preserve fiscal sustainability.

Recent developments

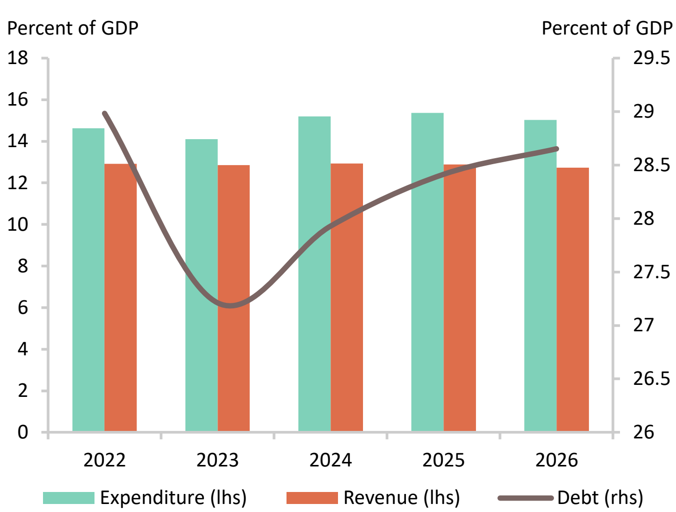
The economy has rebounded from negative spillovers of recent political turmoil. The country's sovereign risk returned to being the lowest among CADR countries. In the first half of 2024, economic activity grew by 3.5 percent, led by the finance, health, and hospitality sectors. On the demand side, growth was driven by remittances-fueled private consumption.

Remittances reached 19.5 percent of GDP in 2023 and together with a lower trade deficit, propelled the current account surplus to 3.1 percent of GDP. They decelerated mildly in 2024—7 percent up to July versus 12.1 percent by July 2023, reflecting a deceleration in the US economy. Higher imports increased the trade deficit by 13 percent. Nonetheless, the current account remained in surplus, and international reserves reached 10 months of imports in July.

Inflation declined from 4.2 percent in 2023 to 3.1 percent in August of 2024, despite El Niño's impacts on food prices, helped by lower housing and food prices.

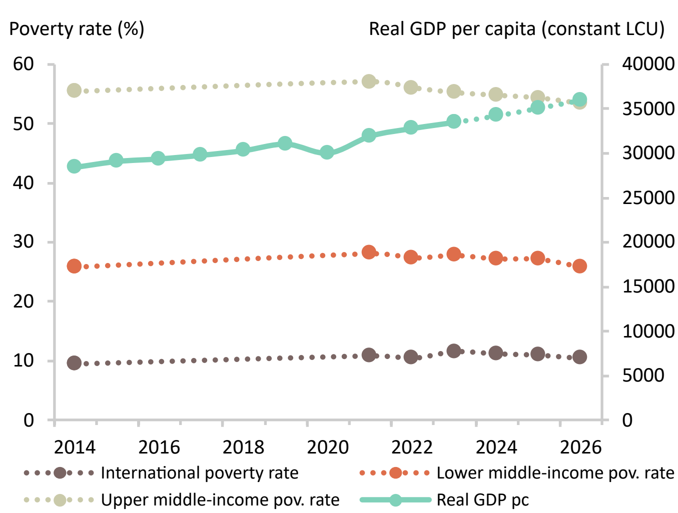
Fiscal results reflected prudent management with low deficit and low debt in 2023 (0.8 and 27.2 percent of GDP respectively). The central government posted a budget

FIGURE 1 Guatemala / Higher spending on social programs and investment to increase government deficit and debt



Source: World Bank staff estimates.

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



Source: World Bank. Notes: see Table 2.

surplus in the first half of 2024 due to higher revenues and constant nominal expenditures. However, an expenditure increase of approximately 1.8 percentage points of GDP for the 2024 budget was recently approved and is expected to reverse this surplus.

The 2023 ENCOVI (Encuesta Nacional de Condiciones de Vida) confirmed that the incidence of poverty has declined very little over the last decade, and inequality has increased, signaling little improvement in living standards for those at the bottom of the distribution. Inequality measured by the Gini Index reached 50.2 in 2023, compared to 48.3 in 2014. Similarly, gaps in access to essential services remain. For example, while 63.3 percent of the non-poor population has access to a sewerage system, that number reaches 39 percent for the poor (non-extreme) and 14.1 percent for the extreme poor.

Outlook

Guatemala's economic activity is rebounding, benefitting from lower uncertainty, growing remittances, and higher government expenditure, bringing GDP growth near to its potential (estimated at 4 to 4.5 percent). Over time, government consumption and investment are expected to increase their contribution to growth, while private consumption's contribution will slow down due to lower remittances growth and higher government spending.

External accounts will record a smaller surplus due to lower remittances growth and higher imports. International reserves are expected to remain at comfortable levels and the exchange rate is expected to remain stable. Inflation will converge to the central bank target range (4 +/- 1 percent), expelling any left-over effect from external shocks.

Guatemala can achieve higher and more egalitarian growth if it continues to improve its social safety net system and increase infrastructure investment, as proposed in the medium-term macro-fiscal framework contained in the 2025 budget. This expenditure increase will be financed by efficiency gains in tax administration and higher debt. The MPO baseline forecast includes average deficits of 2.4 percent of GDP and debt at 28.7 percent of GDP by 2026, which is sustainable. The binding constraint is not the debt level, but payment capacity as the interest-payment-to-revenue ratio is expected to increase from 13.4 in 2024 to 15.2 percent in 2029.

Poverty is projected to decline modestly towards 54.3 percent in 2025 ($6.85/day, 2017 PPP) thanks to economic growth, lower inflation, and increased social spending. Inequality is estimated to remain at similar levels in the next two years.

Main risks to the forecast are the effects of La Niña on agricultural output, and on inflation, which would demand a more restrictive monetary policy. Natural disasters, a common occurrence in the country, could reduce GDP, pressuring the already low tax revenues, and trigger additional expenditures, adding fiscal pressures. Finally, a harder landing in the US and policy changes related to trade, remittances and migration could affect Guatemala's external sector.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	8.0	4.2	3.5	3.7	4.0	4.0
Private consumption	8.5	4.3	4.4	4.0	4.3	4.3
Government consumption	4.6	7.2	3.3	0.6	4.1	1.0
Gross fixed capital investment	19.8	4.3	7.4	6.9	6.5	8.5
Exports, goods and services	10.2	7.5	-2.5	2.3	2.1	2.0
Imports, goods and services	19.5	4.8	5.9	4.1	4.8	4.8
Real GDP growth, at constant factor prices	7.8	4.4	3.1	3.7	4.0	4.0
Agriculture	4.2	2.8	2.2	1.1	3.5	3.0
Industry	8.6	4.6	2.5	2.0	3.3	3.3
Services	8.1	4.6	3.5	4.7	4.3	4.4
Inflation (consumer price index)	4.3	6.9	6.3	3.4	4.6	4.0
Current account balance (% of GDP)	2.2	1.3	3.1	2.8	1.9	1.2
Net foreign direct investment inflow (% of GDP)	3.4	0.8	0.8	1.8	1.8	1.8
Fiscal balance (% of GDP)	-1.1	-1.7	-1.3	-2.3	-2.5	-2.3
Revenues (% of GDP)	12.7	12.9	12.8	12.9	12.9	12.7
Debt (% of GDP)	30.6	29.0	27.2	27.9	28.4	28.6
Primary balance (% of GDP)	0.6	-0.1	0.4	-0.3	-0.5	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	10.8	10.4	11.5	11.2	10.9	10.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	28.1	27.4	27.8	27.2	27.2	25.9
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	57.0	56.0	55.2	54.8	54.3	53.4
GHG emissions growth (mtCO2e)	7.1	3.9	3.1	1.9	3.5	3.3
Energy related GHG emissions (% of total)	54.6	55.8	56.5	56.7	57.5	58.2

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 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	17.2
GDP per capita, current US$	20765.4
School enrollment, primary (% gross)[a]	99.7
Life expectancy at birth, years[a]	66.0
Total GHG emissions (mtCO2e)	24.8

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

Guyana remains one of the world's fastest-growing economies following the development of its oil and gas sector. The government is implementing an ambitious investment program to transform the non-oil economy and address development needs. Lack of recent data on poverty and equity limits the effectiveness and monitoring of public policies to reduce poverty. Sound management of oil and gas resources remains critical for inclusive growth.

Key conditions and challenges

Guyana is a small state with abundant natural resources, including significant oil and gas reserves and extensive forest cover. With much of its territorial waters still unexplored, Guyana's gross oil resources are conservatively estimated at over 11 billion barrels, one of the world's largest on a per capita basis. The start of oil production in 2019 led to an unprecedented rate of economic growth, and Guyana was reclassified as a high-income country in July 2023.

Guyana's resource wealth is helping address longstanding social and economic needs. It helped finance the pandemic response and is addressing infrastructure gaps, and human development needs. Poverty and social exclusion are prevalent in Guyana's hinterland regions and among Amerindians. Agriculture, forestry, and fishing are important drivers of job creation and poverty reduction, as more than 70 percent of the working-age population resides in rural areas. However, a lack of recent data has inhibited an assessment of progress on poverty reduction and social inclusion.

Guyana's oil revenues are held in the Natural Resource Fund (NRF), a sovereign wealth fund with withdrawal rules governed by the NRF Act 2021. The NRF was amended in 2024 to increase the pace of withdrawals from the fund and enable additional public investments. However, faster withdrawals also raise the risk of increasing spending inefficiency, accelerating inflation, and dampening the competitiveness of non-oil sectors. A reliance on oil revenues may also contribute to economic imbalances and vulnerabilities to commodity price fluctuations ("Dutch Disease" effects).

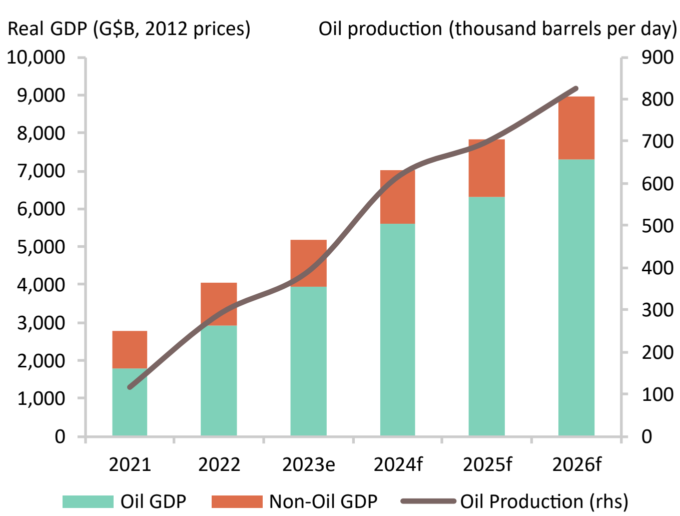
Guyana is also advancing on an initiative to sell carbon credits from forest conservation, with a portion of the proceeds earmarked to support sustainable forest management and for the Amerindian communities. Transparent and accountable governance, along with robust public financial management, can help ensure equitable and sustainable growth.

Recent developments

Rapid growth continued reaching 33.8 percent in 2023 and accelerating further in the first half of 2024 as oil protection expanded. Oil production reached 143 million barrels in late 2023 as a third oil field entered production, supporting an oil GDP growth of 45.9 percent. The non-oil economy grew by 12.3 percent in 2023, driven mainly by construction, manufacturing, and agriculture, supported by substantial public investment. Agricultural output grew by 6.9 percent, led by sugar production.

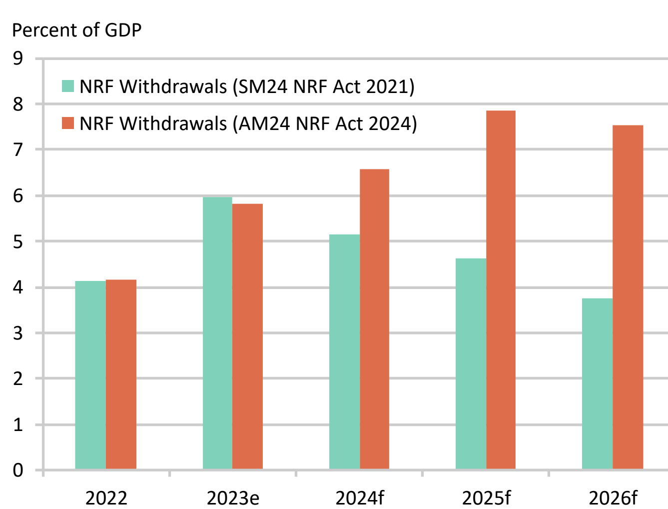
Inflation decelerated in 2023 and early 2024 as food prices moderated. However, inflationary pressure has modestly reaccelerated, as drought and supply

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



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

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



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

chain disruptions contributed to higher food prices, and inflation reached 4.0 percent by June 2024. Higher food prices disproportionately affect the poor and vulnerable, who allocate a larger portion of their budget to food than the better off.

The fiscal deficit was 12.7 percent of non-oil GDP in 2023, despite NRF transfers of approximately US$ 1 billion in 2023 (5.8 percent of non-oil GDP), up from US$ 607 million in 2022 (4.1 percent of non-oil GDP). The NRF withdrawal limit was significantly increased in February 2024, to support non-oil capital investment and mitigation measures to help households navigate higher prices. The income tax threshold was raised, and a fuel excise tax was reduced. The central government debt-to-GDP ratio increased to 26.3 percent of GDP in 2023 due to both external and domestic borrowing. The current account surplus narrowed to 10.2 percent of GDP in 2023 (down from 25.9 percent in 2022) as a result of importation of a third oil platform. The nominal exchange rate and the real effective exchange rate remained stable in 2023 following a slight appreciation in 2022.

Outlook

Strong GDP growth is expected over the medium term, driven by rising oil production to up to 550,000 bpd as a third platform reaches full capacity. A fourth oil development project is expected to start operation in 2025, further increasing GDP growth. Real non-oil GDP is projected to expand by an average of 9.8 percent annually from 2024-26. Growth will be driven by positive spillovers from the oil sector supported by the Local Content Act, which requires the use of Guyanese goods and services in many sectors, and an expanding public investment program. Inflation is expected to be moderate in 2024, rising over the medium term as a result of increased government investment and consumption. Poverty reduction will depend on the government's efforts to boost the purchasing power of poor and vulnerable households and job creation in non-oil sectors fostered by infrastructure and human capital development.

The fiscal deficit is projected to average 13.9 percent of non-oil GDP as the increase in NRF transfers finances additional capital spending from 2024-26. As a result of recent legislative amendments, NRF transfers in 2024 are expected to reach US$ 1.6 billion, up from US$ 1.2 billion under the previous formula. Public debt as a percentage of GDP is expected to remain stable as the economy continues to expand. Increased exports of oil, gold, and bauxite will sustain the current account surplus over the medium term, despite the importation of oil production platforms. Net foreign direct investment flows are expected to remain negative as a result of the repatriation of investments in the oil sector.

The extractive sector is Guyana's dominant source of growth and fiscal revenues, which 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 is crucial for poverty reduction, as rising sea levels and flooding threaten large segments of the population with food insecurity and job losses.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at market prices (total)[a]	20.1	63.3	33.8	43.0	12.3	15.7
Real GDP growth, at market prices (non-oil)[b]	4.6	11.5	12.3	12.5	8.5	8.2
Agriculture	-9.1	11.7	6.9	10.9	6.0	4.2
Industry	5.0	12.7	14.6	12.3	10.3	10.0
Services	12.1	9.3	10.9	7.7	7.1	6.1
Inflation (consumer price index)	4.5	6.9	2.8	3.1	4.9	5.5
Current account balance (% of GDP)[c]	-24.8	25.9	10.2	28.7	24.2	30.2
Net foreign direct investment inflow (% of GDP)	27.6	-20.7	-6.9	-29.3	-19.4	-18.2
Fiscal balance (% of GDP)[d]	-10.2	-11.7	-12.7	-16.7	-14.7	-10.2
Revenues (% of GDP)	16.2	14.3	16.8	16.6	17.2	16.5
Debt (% of GDP)	38.9	24.8	26.3	27.9	28.6	27.8
Primary balance (% of GDP)[d]	-9.5	-11.1	-11.9	-15.7	-13.9	-9.3
GHG emissions growth (mtCO2e)	0.6	16.7	12.5	16.6	8.4	10.6
Energy related GHG emissions (% of total)	16.7	23.7	28.6	34.2	35.3	36.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ 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	20.8
GDP per capita, current US$	1771.5
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]	63.7
Total GHG emissions (mtCO2e)	11.0

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2012), 2017 PPPs.
b/ Most recent WDI value (2022).

GDP is expected to contract in 2024 amid gang violence and a protracted political and institutional crisis. Agriculture will be the most impacted sector. Persistent high food prices further compound the effects of declining agricultural sector productivity on the poor and vulnerable, making fighting poverty elusive. Additionally, the shutdown of schools due to insecurity has further eroded the stock of human capital, limiting social mobility and poverty reduction prospects.

Key conditions and challenges

Deep structural challenges including state capture by vested interests, a non-enabling business environment, underinvestment in human capital, and deficient infrastructure, continue to hamper economic growth and poverty reduction. Underdeveloped financial markets and limited market contestability have contributed to a large informal economy, limiting domestic resource mobilization and fiscal space. Disaster risk management and response systems are inadequate to address vulnerability to natural hazards and climate change, which disproportionately impacts the poor.

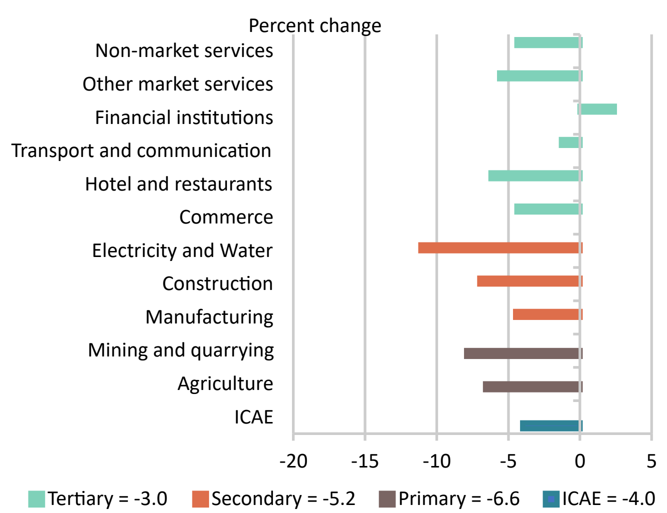
Haiti faces a deepening fragility trap, as structural challenges, institutional crisis, and persistent gang violence have compounded the poverty cycle. Living standards are estimated to have deteriorated, with 36.4 percent of Haitians living in extreme poverty (less than US$2.15/day 2017 PPP) in 2024 (up from 29.9 percent in 2020).

Recent developments

An unresolved political crisis and escalating gang violence led to Prime Minister Ariel Henry's resignation in April 2024. A nine-member transitional presidential council and a new Prime Minister were installed to lead a government tasked with restoring security and organizing elections were installed. Political uncertainty and ongoing gang violence have depressed investor confidence, and the ICAE (a high-frequency index of economic activity) fell by 4.0 percent year-on-year (yoy) at end H12024. Agriculture contracted by 6.6 percent over the same period owing to low rainfall and violent gangs driving farmers off their land in the country's two largest producing areas, i.e. the departments of Artibonite (33 percent) and Ouest (19 percent), which are also the two most important electoral districts. In the industrial sector (-5.2 percent yoy), construction and electricity and water production registered their twentieth consecutive quarterly decline, weakening growth prospects. Manufacturing receded by 4.5 percent yoy as the textile sector, Haiti's main export sector and first formal private sector employer, started shedding jobs from a peak of around 60,000 in Q12022 to 32,084 in April 2024, owing to the deteriorating business environment. The service sector declined 3.0 percent yoy, with hospitality impacted most (-6.2 percent yoy). Externally, the current account deficit (CAD) narrowed to 0.2 percent of GDP in H12024 on higher remittance inflows and lower imports improving the trade balance.

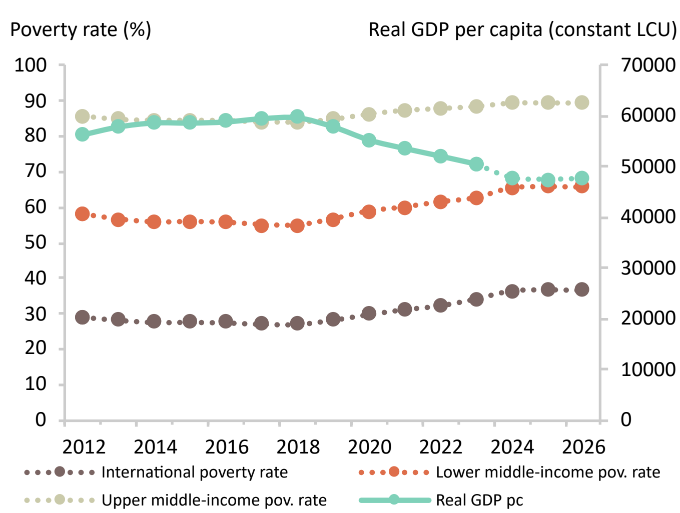
Sluggish economic activity led tax revenues to decline 3.0 percent in H1FY24. However, violence has impaired the implementation of capital expenditures, which declined by about two-thirds yoy and prompted a 5.0 percent drop in total expenditure, improving the fiscal position with a 0.3 percent of GDP primary surplus in H12024.

FIGURE 1 Haiti / Change in economic activity by sector, FY24 Q2 (y-o-y)



Sources: Haiti Statistical Office (IHSI) and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

CPI inflation declined from 31.9 percent at the end of 2023 to 28.3 percent by end-May 2024. However, food inflation has been rising (29.3 percent at end-2023 to 40.5 percent end-May 2024), driven by the combined effect of higher global cereal prices, low agricultural productivity, and supply chain disruption caused by violent gangs' blockages. As of June 2024, 50 percent of the population faced acute food insecurity, with the South, West, and North-East being the most affected departments.

The central bank (BRH) has maintained a restrictive monetary policy stance with sterilized forex interventions, bond sales, and unchanged policy rate at 11.5 percent since the 120 basis points hike in August 2022. For the first time in many years, monetary financing remained within statutory limits of 20 percent of previous fiscal year's tax revenues. This bodes well for BRH's objective of anchoring inflation expectations and favors exchange rate stability, with the gourde appreciating by 15.1 percent in H12024.

As per the Government's request, the World Bank, with support from other development partners, is leading a Rapid Crisis Impact Assessment (RCIA) to estimate the crisis' impact on the economy and the population to help develop a short-term Crisis Recovery Framework to transition out of the crisis. The RCIA provides a platform for coordinated aid from the World Bank, United Nations, European Union, and Inter-American Development Bank, and alignment with broader international humanitarian, development, and security efforts.

Outlook

Private investment is expected to remain depressed amid persistent insecurity and private consumption is forecast to recede owing to weak agricultural wage income and persistent inflation. All sectors of the economy are expected to decline, triggering a 4.2 percent GDP contraction in 2024. Modest GDP growth is expected in 2025 and 2026, assuming improvements in political stability and security ahead of expected elections before the end of 2025. Albeit growth is stabilizing, poverty is expected to remain elevated, with 36.6 percent of the population projected to live on less than US$2.15/day 2017 PPP in 2026.

The CAD is forecast to narrow due to declining imports and increasing remittance inflows. It is expected to widen modestly over the medium term to around 1.0 percent of GDP as pent-up investment demand increases imports.

The restrictive monetary policy stance, albeit with limited effectiveness because of high dollarization (55 percent in H12024), is expected to further strengthen the gourde and support price stability. Inflation is forecast to average 26.1 percent over 2024. Despite an expected decline in tax revenue, the fiscal deficit should narrow from 2.3 percent of GDP in FY23 to 0.6 percent of GDP in 2024 owing to retrenchment of capex, containment of non-priority expenditures, and lower debt service thanks to debt cancellation from Venezuela. The debt relief will improve Haiti's debt indicators from 24.2 percent of GDP in 2023 to 15.2 percent in 2024.

The outlook is fraught with downside risks and depends heavily on an effective political transition and improvements in security. Prudent economic policies, supported by a credible budgetary framework and an appropriate mix of fiscal and monetary policy will remain key to reducing inflation, strengthening growth prospects, and fighting poverty. Long-term inclusive growth will require strengthening the business environment and the institutional framework for disaster risk management, including better preparedness and response systems.

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

	2020/21	2021/22	2022/23	2023/24e	2024/25f	2025/26f
Real GDP growth, at constant market prices	-1.8	-1.7	-1.9	-4.2	0.5	1.5
Private consumption	1.2	-0.7	0.1	-0.3	0.4	1.0
Government consumption	9.7	17.6	3.3	-15.1	57.6	9.2
Gross fixed capital investment	-28.8	-9.9	-17.6	-31.5	-74.8	52.9
Exports, goods and services	23.5	2.4	-9.6	-4.4	2.0	2.5
Imports, goods and services	2.3	4.9	-0.4	-3.1	6.0	5.5
Real GDP growth, at constant factor prices	-2.8	-1.8	-3.6	-4.2	0.5	1.5
Agriculture	-4.1	-4.5	-5.6	-4.5	1.0	2.5
Industry	-2.5	-0.4	-3.7	-4.0	1.5	2.0
Services	-2.5	-1.6	-3.0	-4.2	-0.2	1.0
Inflation (consumer price index)	15.9	27.6	44.2	26.1	30.6	14.7
Current account balance (% of GDP)	0.4	-2.4	-3.3	-0.2	-0.4	-2.0
Net foreign direct investment inflow (% of GDP)	0.2	0.2	0.1	0.2	0.2	0.2
Fiscal balance (% of GDP)	-2.7	-3.2	-2.3	-0.6	-2.5	-1.9
Revenues (% of GDP)	6.9	6.6	7.4	7.4	7.3	7.2
Debt (% of GDP)	28.4	27.6	24.2	15.2	16.5	17.1
Primary balance (% of GDP)	-2.4	-2.9	-2.0	-0.3	-2.2	-1.6
International poverty rate ($2.15 in 2017 PPP)[a,b]	31.3	32.3	34.2	36.3	36.8	36.5
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	60.1	61.6	62.8	65.5	66.0	65.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	87.5	88.0	88.6	89.6	89.7	89.6
GHG emissions growth (mtCO2e)	0.4	0.5	-0.4	-0.4	1.0	1.5
Energy related GHG emissions (% of total)	35.5	35.0	34.0	33.1	32.7	32.5

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 using 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	34.2
GDP per capita, current US$	3231.1
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]	70.7
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 (2022).

Real GDP grew 3.6 percent in 2023, driven by robust remittance-fueled consumption and strong private investment. Growth is expected to slow down slightly to 3.5 percent in 2024, hindered by a deceleration in US growth and lower agricultural exports. Despite moderate growth and lower inflation, a slow labor market recovery has hindered improvements in poverty and inequality. Reforms to bolster job creation and productivity will be key to sustaining long-term growth.

Key conditions and challenges

Honduras, a lower middle-income country, grew in average 3.7 percent between 2010-2019, driven by remittance-fueled households' consumption and supported by prudent macroeconomic management underpinned by the Fiscal Responsibility Law, a stable exchange rate with sufficient foreign reserves, and a sound financial sector. Nevertheless, production capacity is limited, with agriculture and light manufacturing, mainly textiles, serving as main sources of employment and exports, primarily destined to the US. Weak institutions, a challenging business environment, and high crime deter investment and tourism, hindering growth and fueling migration.

Honduras remains one of the poorest and most unequal countries in the region, with over half of the population living in poverty (US$6.85/day, upper middle-income country poverty line, 2017 PPP). Poverty stagnation is partly explained by the weak creation of quality jobs and by declines in agricultural incomes. Non-monetary poverty is also concerning. Food insecurity is high, at 56.1 percent. A child born in Honduras in 2020 is expected to reach just 48 percent of their potential earnings with complete education and healthcare. Stark gender and geographic disparities persist. Honduras is highly vulnerable to the impacts of climate change, with poverty and climate risks often overlapping geographically.

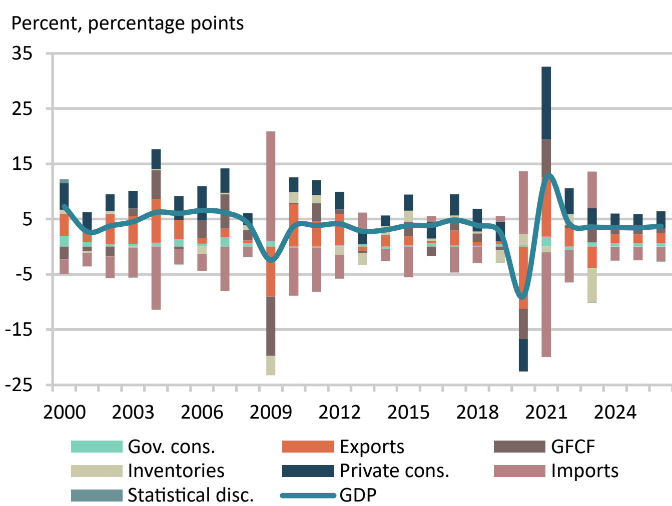
Recent developments

In 2023, real GDP growth slowed to 3.6 percent from 4.1 percent in 2022, driven by a reduced demand for textiles that led to a 7.2 percent contraction in manufacturing. Sustained credit growth and steady remittances supported household consumption and investment during 2023. In 2024Q1, the economy grew 3.3 percent y-o-y, primarily driven by remittance-fueled consumption. A robust services sector helped offset declines in agriculture and manufacturing.

Headline inflation stood at 5 percent in August 2024, 0.7 percentage points lower than the previous year and within the central bank's tolerance range. The decrease was driven by declining international food and fuel prices and supported by government liquidity absorption measures. To continue managing inflation and to bolster the external position, the central bank raised the Monetary Policy Rate to 4 percent on August 16, 2024, after maintaining it at 3 percent since November 2020.

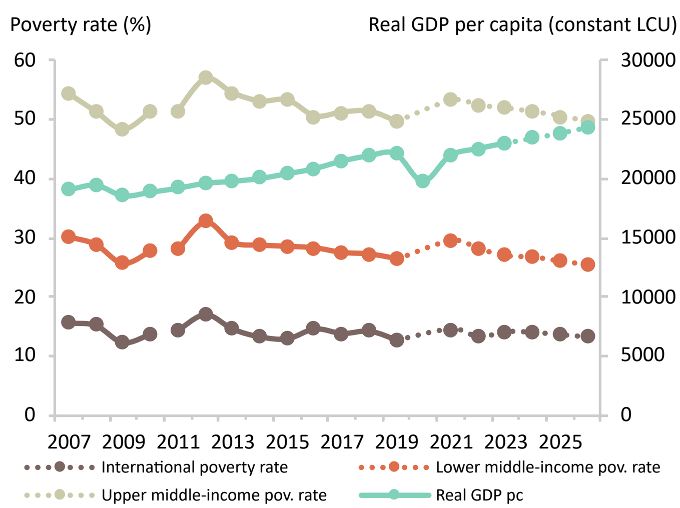
Official poverty numbers for 2023 estimate that 64 percent of households were poor, a decline from 73.6 percent in 2021 (no official estimate for 2022). While poverty under the US$6.85/day line slightly decreased from 2022, poverty under the US$ S2.15 line increased and remains high. Inequality (Gini index) reached 47.8, which is lower than pre-pandemic levels. Unemployment declined from 8.9 percent in 2022 to 6.4 percent in 2023 but remains above the 2019 level.

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



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

A narrowing trade deficit and robust remittances (5.7 percent growth y-o-y) reduced the current account deficit (CAD) from 6.7 percent of GDP in 2022 to 4.1 percent in 2023. It was mainly financed by multilateral loans and foreign direct investment (FDI), which rose 17 percent driven by reinvestment of profits. In 2024Q1, the merchandise trade deficit widened following declines in key exports like coffee, bananas, and shrimp, while the services trade deficit narrowed as a result of lower transportation and travel costs. Substantial remittance inflows, at 23.5 percent of GDP, partially offset the negative overall result. The CAD widened to -4.1 percent, from -3.8 percent in 2023Q1. International reserves fell from 5 months of non-maquila imports by end-2023 to around 4.4 months by end-August 2024, affected by a net repayment of public debt and rigidities in monetary and FX frameworks.

The fiscal deficit widened to 1.3 percent of GDP in 2023 from 0.2 percent in 2022 due to higher execution of public investments in infrastructure (75.1 percent by year-end). The public debt decreased to 49.6 percent of GDP by end-2023, due to net capital repayments. The IMF program approved in September 2023, supporting reforms to create fiscal space for priority investments while anchoring macroeconomic stability, had a review mission announced on September 10, 2024, scheduled for October.

Outlook

GDP growth is projected to slow to 3.5 percent in 2024 and 3.4 percent in 2025, due to a global slowdown and reduced yield on key crops hindering exports. Remittances are expected to be less dynamic, slowing households' consumption despite expected lower food inflation. Growth should gradually strengthen thereafter, supported by dynamic investment, improved budget execution, and deeper financial markets.

Inflation is expected to stay within the central bank's 4±1 percent target in 2024 due to declining international prices and tighter monetary policy, remaining subdued in the medium term. The fiscal deficit is projected to widen to 1.5 percent in 2024 and 1.6 percent in 2025 with improving execution, before narrowing to 1 percent supported by broadening of the tax base and enhanced collection and spending efficiency. The CAD is expected to widen to 4.8 percent in the near term, narrowing thereafter as exports and remittances strengthen. Pressures on international reserves will likely persist due to growing FX market uncertainty, which could deter FDI.

Driven by these forces, poverty is expected to decline to 50.5 percent in 2025 and inequality is projected to remain at the same level over the medium run. Weak structural labor market conditions, especially for women, will continue to slow progress on both indicators.

Downside risks include persistent weakness in exports, short-term transition costs of the Honduras-China FTA, and risks to key agricultural commodities following the full implementation of the EU Zero Deforestation Regulation in January 2025. Delays to improvements in FX management could lead to further reserve losses. Financing needs could rise due to slower fiscal consolidation or adverse weather events. As presidential elections near, legislative gridlock could halt social and structural reforms, hindering investment, growth, and poverty reduction.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	12.6	4.1	3.6	3.5	3.4	3.7
Private consumption	16.8	5.7	4.3	3.6	3.5	3.8
Government consumption	12.6	-4.1	6.0	4.4	4.3	4.6
Gross fixed capital investment	41.5	2.6	12.9	3.3	3.2	3.8
Exports, goods and services	23.2	6.6	-7.5	3.7	3.6	3.9
Imports, goods and services	32.6	8.5	-9.3	3.9	3.7	4.1
Real GDP growth, at constant factor prices	12.6	4.1	3.6	3.5	3.4	3.7
Agriculture	-1.6	0.3	4.0	2.9	3.0	3.6
Industry	19.7	7.0	-2.0	2.9	3.7	4.1
Services	13.3	3.8	6.1	3.8	3.4	3.6
Inflation (consumer price index)	4.5	9.1	6.7	4.6	4.1	4.2
Current account balance (% of GDP)	-5.5	-6.7	-4.1	-4.8	-4.8	-4.2
Net foreign direct investment inflow (% of GDP)	2.6	2.9	3.1	2.9	2.9	3.1
Fiscal balance (% of GDP)[a]	-3.7	-0.2	-1.3	-1.5	-1.6	-1.0
Revenues (% of GDP)	30.4	29.9	29.4	29.4	29.3	29.6
Debt (% of GDP)[a]	61.3	53.6	49.6	45.4	45.4	45.0
Primary balance (% of GDP)[a]	-2.4	1.2	0.2	-0.1	-0.1	0.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	14.5	13.3	14.1	14.0	13.6	13.2
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	29.6	28.2	27.0	26.8	26.1	25.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	53.3	52.4	51.9	51.3	50.5	49.5
GHG emissions growth (mtCO2e)	4.3	-0.1	0.6	1.3	1.5	1.7
Energy related GHG emissions (% of total)	33.4	31.7	30.6	30.2	29.9	29.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Fiscal data refers to non-financial public sector.
b/ Calculations based on SEDLAC harmonization, using 2019-EPHPM for 2021-2022 and 2023-EPHPM for 2024-2026. Actual data: 2023 (preliminary). Nowcast: 2021-2022. Forecasts are from 2024 to 2026.
c/ Projections using microsimulation methodology.

JAMAICA

Table 1	2023
Population, million	2.8
GDP, current US$ billion	19.3
GDP per capita, current US$	6835.7
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]	70.6
Total GHG emissions (mtCO2e)	9.1

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

Sound macroeconomic management has enabled Jamaica to respond to a series of economic shocks without significantly impairing fiscal sustainability and poverty reduction. Real GDP growth is expected to converge to its low potential in the medium term, while poverty reduction to continue but at a slower pace. While the country managed the impacts of Hurricane Beryl, a potentially worsening onslaught of weather events and global economic conditions pose downside risks.

Key conditions and challenges

Jamaica has been burdened by a high level of debt 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 74.2 percent of GDP in FY23/24—the lowest level in 25 years. Prudent macroeconomic management, anchored in debt reduction and inflation-targeting monetary policy, enabled the country to weather successive economic shocks. The GOJ sustained efforts in fiscal consolidation while providing temporary assistance to vulnerable households and businesses.

However, Jamaica has been among the slowest growing economies in the Latin America and Caribbean region with persistently low productivity growth due to a weak business environment, limited innovation, and human capital constraints. The economy has limited diversification, with a concentration on low-productivity services, geared towards tourism. High connectivity costs, inadequate digital infrastructure, and pervasive crime hamper private investment, while ongoing fiscal consolidation and relatively high debt service costs constrain public capital investment. Learning disruptions caused by the pandemic could lead to corrosive effects on growth, human capital, and the future earnings potential of students if not addressed adequately.

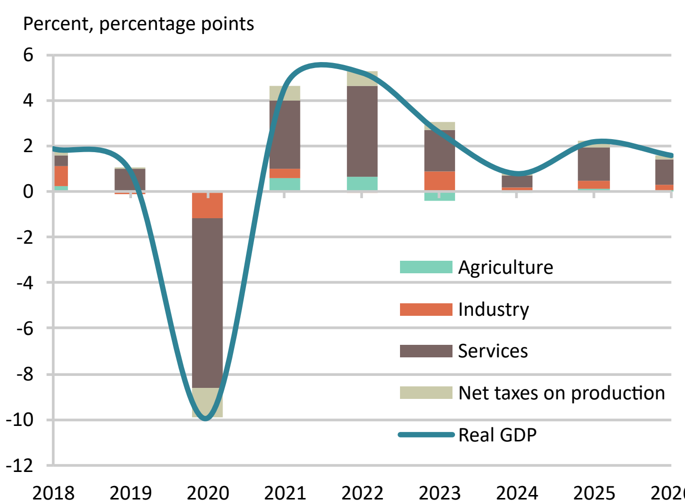
Jamaica is highly vulnerable to external shocks. Agriculture and tourism, which account for more than half of the jobs, are particularly vulnerable to climate-related events. The financial sector is stable, well-capitalized, and profitable but also susceptible to shocks, including tighter global financial conditions. To strengthen fiscal, financial, and social resilience to climatic shocks, Jamaica has been gradually integrating climate change adaptation into its policy framework. Further improving the Anti-Money Laundering and Combatting the Financing of Terrorism (AML/CFT) framework and enhancing financial supervision are necessary to strengthen financial stability and attract private investment.

Recent developments

The economy expanded at a solid 2.6 percent in 2023, driven by mining, particularly alumina production, and a continued rebound in tourism. However, agricultural output declined in 2023 due to an extended drought. In 2024Q1, GDP grew by 1.4 percent, due to sustained mineral production and tourist arrivals, while data for 2024Q2 point to a growth deceleration. Hurricane Beryl, which hit Jamaica in July 2024, induced damages estimated at around $67 million (Source: PIOJ) and negatively impacted agriculture, utilities, construction, and tourism sectors.

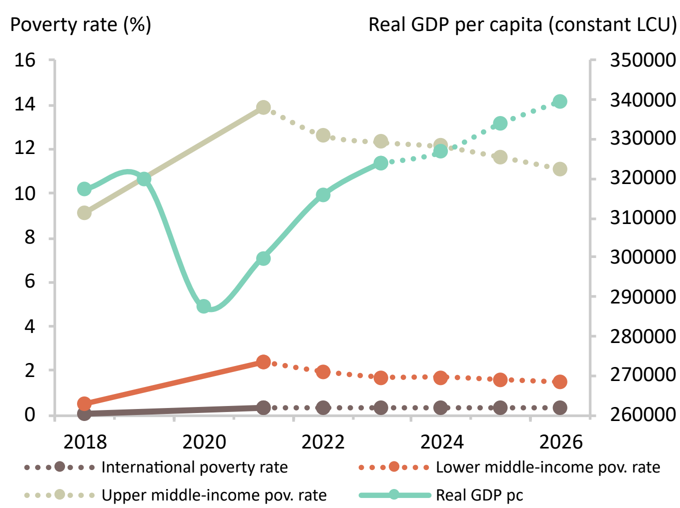
While inflation eased in 2024, it spiked in August 2024 to 6.4 percent yoy, driven by Hurricane Beryl's temporary impact on

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



Sources: Statistical Institute of Jamaica 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.

food and utility prices. Food insecurity remains an issue, with around one-third of respondents to the Caribbean Food Security and Livelihoods Survey reporting that they went an entire day, out of the last 30 days, without eating in April 2024. With anchored inflation expectations, the Bank of Jamaica (BOJ) reduced the key policy rate by 25 basis points to 6.75 percent in August 2024.

The fiscal stance in FY23/24 was bolstered by robust tax revenues, mostly consumption and personal income taxes. The fiscal balance is estimated to have decreased by nearly 0.3 percentage points, due to the wage bill reform. In the context of prudent fiscal management and macroeconomic stability, Jamaica's credit worthiness continued to improve. The external position remained strong, supported by tourism and remittances. The current account surplus amounted to 3.0 percent of GDP in 2023. Reserves remain adequate at about 6.6 months of imports in June, contributing to exchange rate stability.

The share of Jamaicans living below the upper-middle income international poverty line of 6.85 USD 2017 PPP per day is estimated to have dropped from 13.9 percent in 2021 to 12.3 percent in 2023. This likely reflects continued employment growth, as poverty and unemployment have moved in tandem throughout the last two decades. The unemployment rate stood at 5.4 percent in 2024Q1. Yet job quality remains a concern: around half of non-agricultural jobs are informal.

Outlook

Growth is expected to decelerate to 0.8 percent in 2024 and gradually converge to its potential at an average of 1.6 percent over the medium term. Mining, construction, and tourism are expected to drive the recovery. Damages to the agricultural sector from Hurricane Beryl may create price pressures. Inflation is expected to stay within the BOJ's target range (5 ±1 percent) in 2024 and gradually decline by 2025. Subject to a continued anchoring of inflation, the BOJ is expected to further ease its monetary policy stance. Poverty is set to continue declining gradually as per capita real income improves, with the share of Jamaicans living on less than 6.85 USD 2017 PPP per day projected to drop to 11.1 percent in 2026.

The fiscal account is expected to remain in surplus over the medium term given higher tax mobilization and prudent spending. Spending is projected to decline marginally, in part due to lower interest payments. The public debt is expected to remain on a downward trajectory towards the target set in the Fiscal Responsibility law, reaching 62 percent of GDP by FY 26/27. The external account balance is anticipated to reach 0.2 percent of GDP in 2024 but to turn into a deficit in 2026, as tourism receipts and remittances ease and the economy returns to the pre-pandemic trend. Foreign direct investment (percent of GDP) is expected to recover but remains below pre-pandemic levels. Gross reserves are to remain at healthy levels.

Downside risks to the outlook include a deeper-than-expected global economic slowdown and worsening climatic events. Further financial market tightening could raise the cost of borrowing, and curtail private investments, it could also derail longer-term growth, climate change adaptation, and debt objectives. Worsening crime could also impair growth and poverty reduction.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.6	5.2	2.6	0.8	2.2	1.6
Real GDP growth, at constant factor prices	4.6	5.2	2.6	0.8	2.2	1.6
Agriculture	8.3	9.0	-5.7	-0.5	1.8	0.9
Industry	2.4	-0.4	5.0	1.0	2.0	1.4
Services	4.9	6.5	2.9	0.8	2.3	1.7
Inflation (consumer price index)	5.9	10.3	6.5	6.0	5.6	5.0
Current account balance (% of GDP)	1.0	-0.8	3.0	0.2	0.1	-0.1
Net foreign direct investment inflow (% of GDP)	1.8	1.5	2.0	2.1	2.5	2.7
Fiscal balance (% of GDP)	0.8	0.3	0.0	0.2	0.1	0.2
Revenues (% of GDP)	32.4	31.6	30.9	32.3	31.6	31.5
Debt (% of GDP)	99.0	80.9	74.2	68.5	64.9	62.0
Primary balance (% of GDP)	7.0	6.1	5.8	5.9	5.7	5.7
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	1.7	1.6	1.5
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	13.9	12.7	12.3	12.1	11.7	11.1
GHG emissions growth (mtCO2e)	8.1	6.8	4.3	2.1	2.3	1.8
Energy related GHG emissions (% of total)	74.6	76.0	76.7	77.0	77.5	77.8

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ 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	1791.6
GDP per capita, current US$	13947.4
International poverty rate ($2.15)[a]	1.2
Upper middle-income poverty rate ($6.85)[a]	21.8
Gini index[a]	43.5
School enrollment, primary (% gross)[b]	102.0
Life expectancy at birth, years[b]	74.8
Total GHG emissions (mtCO2e)	659.4

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

Mexico's real GDP growth is expected to moderate to 1.7 percent in 2024 and 1.5 in 2025 before converging to its potential by 2026. Poverty is projected to decline slowly through 2026. The country needs structural reforms to boost productivity, competitiveness, and inclusion. Persistent inflation and sharp deceleration in the US economy are downside risks to growth. Slower than anticipated fiscal consolidation and uncertainty around the ongoing constitutional reforms may weigh on investment.

Key conditions and challenges

Mexico is one of the most open economies in the world, thanks to its macroeconomic policy framework, proximity to major consumer markets, a network of free trade agreements (particularly the United States-Mexico-Canada Agreement, USMCA), and its diversified economy. Mexico's growth during 2021-2023 exceeded its regional peers, but after years of growing above potential, the economy started adjusting, explaining the recent deceleration. The nearshoring trend has provided opportunities, particularly in manufacturing and related services such as logistics, utilities, and finance.

Despite these strengths, Mexico faces significant challenges, including decreasing productivity, crime and violence, and pervasive informality. To reach its full potential, Mexico must boost its infrastructure, improve the business environment, facilitate access to finance, especially to 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 inclusive growth.

The official multidimensional poverty rate in Mexico, which measures income poverty and six indicators of social deprivation, decreased from 43.2 percent in 2016 to 36.3 percent in 2022, lifting 5.4 million Mexicans out of poverty. However, over the same period, two social deprivations worsened: access to health, and to a lesser extent, educational gap.

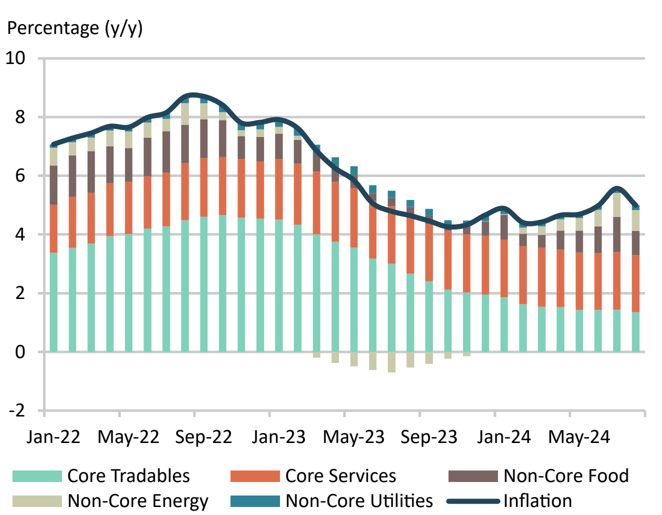
Mexico has a strong track record of macroeconomic stability, supported by an independent central bank and a sound financial sector, even though credit depth remains low. However, there are challenges for public finances, including: the shift towards higher state participation in growth; the expansion of social programs; efforts to enhance access and quality of public services and meet infrastructure investment needs; and fiscal support to PEMEX. Addressing these spending needs will require medium-term revenue-boosting reforms to preserve debt sustainability.

Recent developments

Real GDP grew 3.2 percent in 2023 and 1.8 percent y-o-y during the first half of 2024. The economy started to weaken in 2023Q4 and continued its slowdown in 2024, reflecting weaker demand. Consumption and investment contributed to the deceleration, going from growing 5.4 and 15.5 percent y-o-y, respectively, in 2023H1 to growing 3.5 and 7.7 percent in 2024H1. On the supply side, growth was driven by the construction, wholesale, retail, transport, and manufacturing sectors.

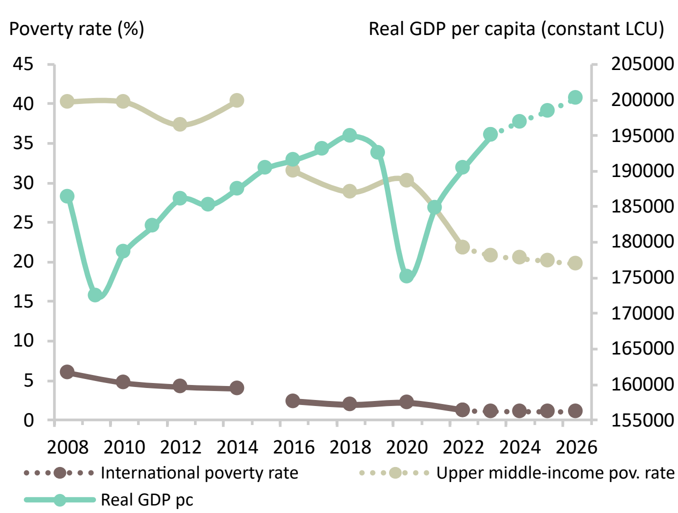
The current account deficit was 1.8 percent of GDP in the first half of 2024, primarily financed by net foreign direct investment (FDI), which reached 1.5 percent of GDP during the same period. Net exports

FIGURE 1 Mexico / Headline inflation, and contributions to headline inflation



Source: National Institute of Statistics and Geography (INEGI).

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



Source: World Bank. Notes: see Table 2.

reached -1.2 percent of GDP in 2023 and -0.9 percent in the first half of 2024. The peso depreciated 12.8 percent (y-o-y) in August 2024, driven by domestic uncertainty. During the first half of 2024, remittances grew by 3.7 percent y-o-y, while reserves reached 11.4 percent of GDP.

Inflation spiked in 2024 due to non-core food components, such as fruits and vegetables. Core inflation has continued to decrease since early 2022. Since late March, the Central Bank has reduced the policy rate by 75 bps but remains at a historical level of 10.5 percent.

The share of the population with family labor earnings per capita below the food poverty line, known as labor poverty, decreased from 37.8 to 35.0 percent between 2023Q2 and 2024Q2, driven by an 8.9 percent increase in real labor incomes per capita (deflated by the official food basket), and the addition of more than 800,000 jobs mostly in large firms. The labor force participation rate remained stable at 60.2 percent, while unemployment and informality rates declined from 2.8 to 2.7 and from 55.2 to 54.3, respectively, in the same period.

In the first half of 2024, the overall fiscal deficit was 5.1 percent of GDP. Public sector revenues rose 5.3 percent in real terms y-o-y, due to higher fuel tax and oil revenues. Expenditures increased by 12.1 percent in real terms, explained by the rise in investment expenditure and financial costs. Mexico maintains its investment grade. However, rating agencies closely monitor fiscal pressures and the political risk due to the judicial reform.

Outlook

Mexico’s economic growth is projected to moderate to 1.7 percent in 2024 and 1.5 percent in 2025. The primary growth drivers will be services and, to a lesser extent, manufacturing. This slowdown stems from a tight monetary policy, the deceleration of the US economy, and reduced domestic demand slack due to years of growth above its potential. As private 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 Banxico’s target range of 3±1 percent in 2025H1.

An overall fiscal deficit of 6.0 percent of GDP is expected for 2024. This reflects higher financial costs, increased social program spending, sizeable public investment projects, and worse-than-expected growth. As these projects are completed and interest rates normalize, the fiscal deficit is expected to decrease to 2.8 percent of GDP by 2026.

The monetary poverty rate at the upper-middle-income threshold ($6.85/day, 2017 PPP) is expected to decrease from 20.5 percent in 2024 to 20.1 in 2025 and 19.8 percent in 2026, driven by decelerating GDP growth.

Mexico's macroeconomic risks are tilted to the downside as the global economy, particularly the US, slows down. Factors such as persistent high interest rates and high volatility in financial markets could dampen investment and consumption, add fiscal pressures, and diminish exports and FDI. The revision of the USMCA in 2026 and the constitutional reforms in Mexico may introduce policy uncertainty, potentially slowing down investment and financial flows. A solid macroeconomic framework and a nearshoring expansion could mitigate these risks. Improvements in the business climate, strategic investments in human capital and infrastructure, and policy stability are essential for attracting high levels of FDI.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	6.0	3.7	3.2	1.7	1.5	1.6
Private consumption	8.4	4.9	5.0	1.9	1.6	1.8
Government consumption	-0.5	1.7	2.1	2.3	-0.4	-0.1
Gross fixed capital investment	10.5	7.5	18.0	2.4	1.1	2.5
Exports, goods and services	7.1	8.9	-7.4	0.0	2.1	2.9
Imports, goods and services	15.7	7.6	5.0	0.9	1.5	3.0
Real GDP growth, at constant factor prices	5.8	3.5	3.1	1.7	1.5	1.6
Agriculture	2.3	1.6	-1.5	-2.0	1.2	1.6
Industry	6.4	4.7	3.5	1.8	1.3	1.7
Services	5.6	3.1	3.2	1.9	1.6	1.5
Inflation (consumer price index)	5.7	7.9	5.5	4.8	3.8	3.5
Current account balance (% of GDP)	-0.3	-1.2	-0.3	-0.4	-0.6	-0.7
Net foreign direct investment inflow (% of GDP)	-2.7	-1.5	-1.7	-1.5	-1.2	-1.2
Fiscal balance (% of GDP)	-3.7	-4.3	-4.3	-6.0	-3.5	-2.8
Revenues (% of GDP)	22.3	22.4	22.2	21.8	21.5	21.4
Debt (% of GDP)	49.1	47.7	46.8	50.2	50.2	50.2
Primary balance (% of GDP)	-1.2	-1.6	-1.0	-2.1	-0.1	0.4
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.2	1.1	1.1	1.1	1.1
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	..	21.8	20.8	20.5	20.1	19.8
GHG emissions growth (mtCO2e)	3.7	2.8	0.5	0.3	-0.5	-0.2
Energy related GHG emissions (% of total)	59.8	60.2	59.9	59.7	59.1	58.6

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 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	17.8
GDP per capita, current US$	2530.3
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]	74.6
Total GHG emissions (mtCO2e)	39.6

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2014), 2017 PPPs.
b/ Most recent WDI value (2022).

Nicaragua's economy grew by 4.6 percent in 2023, primarily driven by the services sector. Prudent fiscal and macroeconomic policies have supported growth and lowered inflation to 4.8 percent by mid-2024, aided by stable exchange rates and subsidies. Poverty was reduced to 12.5 percent in 2023 but remains a challenge. GDP is projected to grow 3.6 percent in 2024, with stable inflation and declining debt. Risks, including financial conditions, economic downturns, and natural disasters, persist.

Key conditions and challenges

In recent years, Nicaragua has demonstrated strong macroeconomic management with a prudent fiscal approach that supported the accumulation of gross international reserves. GDP grew at an average rate of 5.1 percent from 2010 to 2017, fueled by strong domestic private demand and export performance. During this time, Nicaragua has benefited from high foreign direct investment (FDI) and remittances, which accounted for an average of 7.3 and 9.6 percent of GDP, respectively.

Nicaragua has made notable progress in reducing the poverty rate, defined as living on less than US$3.65 per day, dropping from approximately 29 percent in 2005 to 12 percent in 2018. However, socio-political unrest, the pandemic, and hurricanes contributed to a renewed increase in poverty rate to 15 percent by 2020. Despite challenges, the economy rebounded in 2021, supported by public investment, export demand, and external aid pushing GDP above pre-crisis levels. However, post-2014 survey data, based on simulation, shows improvements in housing conditions and education from 2015 to 2022, but no economic progress. Public debt climbed from 48.2 percent of GDP to 65.9 percent of GDP between 2017 and 2021.

Nicaragua, largely reliant on agriculture, faces vulnerability from external shocks, natural disasters, and systemic weaknesses in human capital, infrastructure, and governance. Improving fiscal management, government effectiveness, and strengthening the fiscal position are crucial for reducing poverty and enhancing human capital. Investment in human capital and fostering productivity in manufacturing and services will support Nicaragua's potential to sustainably lift growth and generate productive jobs.

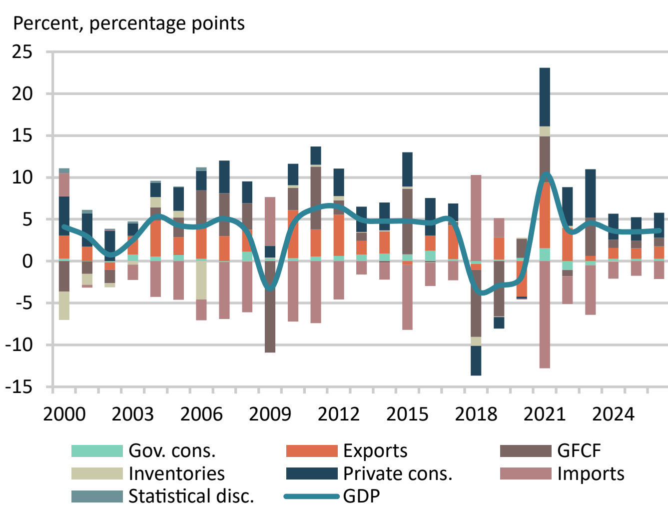
Recent developments

The economy grew by 4.6 percent in 2023, surpassing expectations (3.8 percent in 2022), fueled by vigorous growth in the services sector, particularly hotels, restaurants, and retail. Despite a slowdown in net external demand, remittances buoyed private consumption while improved economic expectations boosted investment. Growth slowed in 2024, with the monthly economic activity index growing 1.7 percent in June 2024, due to reduced production in fishing, livestock, agriculture, and manufacturing.

Poverty (US$3.65/day 2017 PPP) is estimated to have declined to 12.5 percent in 2023 from 13.1 percent in 2022 reflecting the sustained growth in the service sector. The employment rate for women (54.9 percent in June 2024) has increased in recent years but remains well below that for men (75.9).

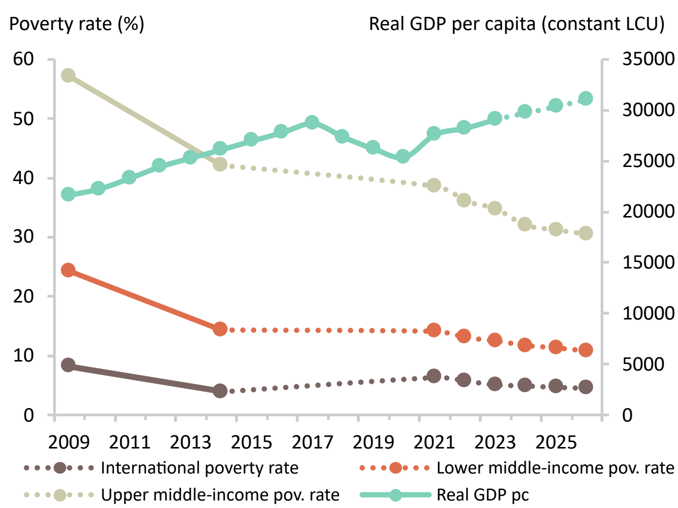
After inflation surged to 10.5 percent in 2022, Nicaragua's Central Bank maintained steady policy rates and a crawling peg exchange rate system to stabilize prices. This, combined with declining

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



Source: World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

global prices and subsidies for energy, public transport, and fuel, helped reduce inflation from 9.9 percent in June 2023 to 4.8 percent by June 2024.

Despite low demand for free zone exports from key trading partners, a surge in remittances, improved terms of trade, and an upturn in tourism revenues led to a current account balance (CAB) surplus in 2023. In the first half of 2024, total exports fell by 0.9 percent y-o-y, mainly due to a 2.2 percent drop in free zone exports, while imports rose by 9 percent, driven by a 12.9 percent increase in merchandise imports. In Q1-2024 compared to Q1-2023, remittances rose by 11.8 percent, while FDI, primarily reinvested earnings, fell by 7.4 percent. As of August 2024, gross international reserves continue strong, covering more than 6 months of imports.

Fiscal consolidation was bolstered by robust tax collection following higher growth in 2023, which extended into the first half of 2024. By H1-2024, the government executed over 40 percent of the budget, driven by wage adjustments, debt interest, transfers, and infrastructure investments. Public debt decreased by 4 percentage points to 56.6 percent of GDP by December 2023. Financing needs, including external donations, concessional loans, and bond issuance, remain heavily dependent on global financial conditions.

Outlook

Nicaragua is projected to grow around 3.6 percent over the next three years, amid an expected global economic deceleration that could persist until 2025, limiting export opportunities and foreign investment. Remittances, however, are expected to continue supporting private consumption at a moderate pace.

Inflation is expected to decrease to 5.2 percent in 2024 from 8.4 percent in 2023 and stabilize around 4.5 percent thereafter, amid declining commodity prices, combined with a stable exchange rate and prudent monetary policies. Poverty (US$3.65/day 2017 PPP) is projected to be 11.7 percent in 2024 and gradually decline to 10.8 by 2026, based on simulations using the 2014 household survey data.

The CAB surplus is expected to narrow in 2024 and 2025, due to the projected decrease in net exports, linked to weaker external demand and robust domestic demand for imports, as well as anticipated slowdown in FDI flows, amid the global slowdown. International reserves are projected to remain sufficient, ensuring the stability of the current exchange rate regime.

The 2024-2027 budget framework aims to stabilize public finances by containing current expenditures and enhancing tax revenue through the modernization of the tax system and improved tax compliance. This is expected to reduce the fiscal deficit from -0.4 percent of GDP in 2024 to -0.1 percent by 2026. Additionally, the framework prioritizes capital spending and job-creating investment projects to promote economic and social development. Debt is projected to decline to 55.5 percent by 2026 through the government's prudent fiscal policy.

The macroeconomic outlook faces downside risks, such as natural disasters, geopolitical uncertainty that pushes up food and oil prices, economic downturns in key trading partners, and tighter financial conditions. These factors could disrupt trade and external flows, leading to inflation that reduces purchasing power, higher unemployment, and poverty, as well as challenges for refinancing public debt.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	10.3	3.8	4.6	3.6	3.5	3.6
Private consumption	8.9	6.0	7.3	3.8	3.4	3.7
Government consumption	9.4	-6.5	-3.2	2.0	2.0	2.2
Gross fixed capital investment	25.7	-3.0	20.3	3.8	3.6	3.9
Exports, goods and services	18.1	8.6	1.3	2.8	2.7	3.2
Imports, goods and services	21.2	5.0	8.9	2.9	2.5	3.1
Real GDP growth, at constant factor prices	10.3	3.8	4.6	3.6	3.5	3.6
Agriculture	6.4	1.7	-2.6	3.4	3.2	5.4
Industry	18.8	2.8	4.1	3.9	2.8	4.4
Services	8.6	4.7	6.7	3.6	3.9	2.9
Inflation (consumer price index)	4.9	10.5	8.4	5.2	4.5	4.4
Current account balance (% of GDP)	-3.8	-2.5	7.7	2.8	1.6	0.1
Net foreign direct investment inflow (% of GDP)	8.5	8.1	6.7	6.5	6.0	6.3
Fiscal balance (% of GDP)[a]	-1.5	0.6	2.7	-0.4	-0.2	-0.1
Revenues (% of GDP)	31.4	31.7	31.0	31.2	31.1	31.5
Debt (% of GDP)[b]	65.9	61.1	56.7	56.3	56.2	55.5
Primary balance (% of GDP)[a]	-0.3	2.0	4.3	1.6	1.5	1.4
International poverty rate ($2.15 in 2017 PPP)[c,d]	6.4	5.8	5.1	5.0	4.7	4.6
Lower middle-income poverty rate ($3.65 in 2017 PPP)[c,d]	14.2	13.1	12.5	11.7	11.3	10.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	38.6	36.1	34.8	32.0	31.2	30.5
GHG emissions growth (mtCO2e)	0.9	0.8	0.9	1.0	0.9	1.0
Energy related GHG emissions (% of total)	13.5	13.5	13.3	13.2	13.1	13.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ 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	83.4
GDP per capita, current US$	18700.8
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]	76.8
Total GHG emissions (mtCO2e)	27.4

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2023), 2017 PPPs.
b/ Most recent WDI value (2022).

Growth reached 7.3 percent in 2023 fueled by strong construction, commerce, tourism, and financial activities. Improving labor market conditions offset the rollback of emergency transfers keeping the poverty rate at around 13 percent. However, developments in the final quarter of 2023 (draught affecting the Canal traffic, protests, and the closure of a copper mine) are expected to temper the economic and fiscal outlooks. A quick implementation of structural reforms by the new administration could help offset these adverse impacts.

Key conditions and challenges

Panama is an important logistical and financial hub in Central America, given its strategic location, the criticality of the Panama Canal to global trade, and its dollarized economy. Panama has grown robustly over the past 30 years, supported by capital and labor accumulation, leading to strong job creation and a sharp decrease in poverty (from 48.2 percent in 1991 to 12.9 percent in 2023 at $6.85/day 2017 PPP). However, Panama remains one of the most unequal countries in the world, with pockets of high poverty in rural areas and among indigenous communities. This reflects unequal labor market opportunities and limited fiscal redistribution. Slower growth before and during the pandemic led to increases in unemployment and informality. While the labor market is yet to fully recover, the government's emergency transfer (Nuevo Programa Panama Solidario—NPPS) has helped contain poverty.

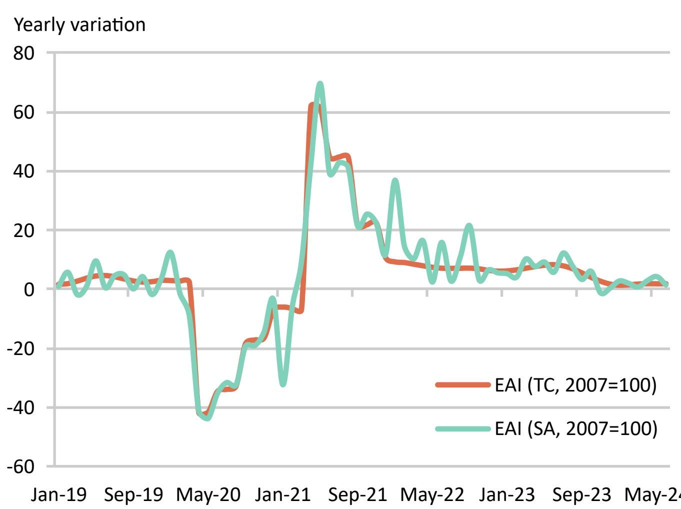
Panama has long dealt with anti-money laundering and counter-terrorism financing (AML/CFT) issues, which affected its attractiveness as an offshore center, but it has made solid progress in recent years. Authorities implemented important reforms to promote governance and transparency. These include modification of the AML/CFT prevention regulation and significant improvements in beneficial ownership information, which led Panama to exit the International Financial Action Task Force's list of jurisdictions in October 2023 and the EU's list for non-cooperative jurisdictions in March 2024. Comprehensive reforms in Public Private Partnerships (PPP) and procurement helped increase PPP financing for critical infrastructure.

Despite high growth, poverty reduction, and reform progress, new challenges have emerged. A legal challenge to the contract of the largest mine (Cobre Panama) triggered street protests and social unrest. Ultimately the Supreme Court declared the contract unconstitutional, stopping all extraction activities. Additionally, a prolonged drought limited the number of vessels that could cross the Panama Canal. These events have large economic impacts compounding the fiscal risks associated with Panama's low tax revenues.

Recent developments

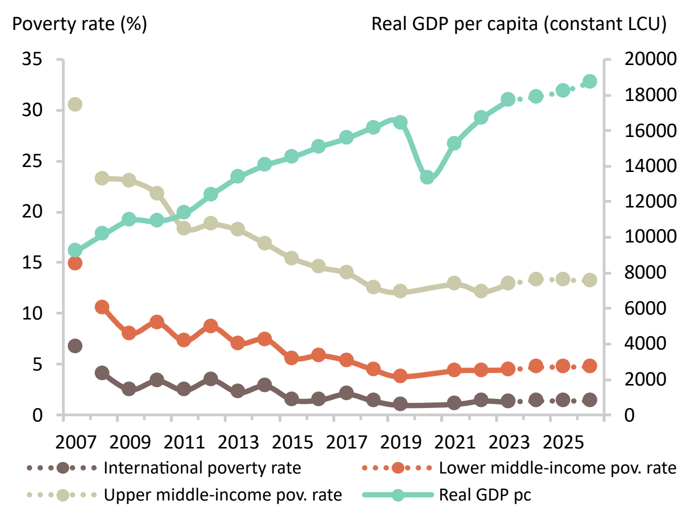
GDP grew a robust 7.3 percent in 2023, driven by construction, transport and storage, wholesale and retail, utilities, business services, and hotels and restaurants; these six sectors collectively employ 45 percent of workers. However, economic activity has decelerated sharply since Q42023 and expanded only 2.1 percent in the first half of 2024. Inflation decreased to 1.5 percent in 2023 and 0.5 percent in the first half of 2024, led by lower transport and food prices.

FIGURE 1 Panama / Economic activity index (seasonally adjusted and trend cycle)



Sources: National Institute of Statistics and Census of Panama, Haver Analytics, and World Bank staff calculations.

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



Source: World Bank. Notes: see Table 2.

Progress in poverty reduction stalled in 2023 (Figure 2). Although the unemployment rate improved from 9.9 percent in April 2022 to 7.4 percent in August 2023, declining support from the NPPS counteracted gains in the labor markets. While rural poverty remained steady, urban poverty increased by 1 p.p. over the same period.

The fiscal and primary deficit declined in 2023, reaching 3.3 percent and 0.1 percent of GDP, respectively. This was attributed to restrained government spending and one-off revenues, including royalties and taxes paid by the copper mine and proceeds from land sale to the Canal Authority. The fiscal position deteriorated sharply in early 2024 due to spending pressures associated with the electoral cycle and lower-than-expected revenues. A new administration took power in July 2024 and made fiscal rebalancing and settling arrears priorities.

The current account deficit increased to 4.5 percent of GDP, due to a decline in copper exports, a temporary increase in the Colon Free Trade Zone imports, and income outflows. Foreign direct investment (FDI) decreased from 3.8 percent of GDP in 2022 to 1.8 percent in 2023, partially reflecting lower investment in extractives.

Outlook

Growth is expected to sharply decline to 2.4 percent in 2024 as copper production comes to a halt; however, the dynamism in the services sector should help gradually lift growth over the medium term. Inflation is expected to stabilize at around 2 percent during the forecasting period. Despite these, poverty (US$6.85 a day per capita, 2017 PPP) is projected to stagnate over the medium run as the loss in non-labor income due to the discontinuation of NPPS is unlikely to be compensated with labor income gains, especially in rural areas, where 74 percent of the poor reside and still lack opportunities to benefit from the country's growth process.

The fiscal deficit is expected to widen to 4.6 percent of GDP in 2024, impacted by lower revenues and higher expenditure, before gradually declining to around 3 percent by 2026. This fiscal consolidation process relies on further containing spending and improving tax administration. Public debt is forecast to peak at 60.9 percent of GDP in 2025 and decline gradually there. Implementing new structural fiscal reforms, especially on revenue mobilization, could accelerate this decline. Despite downward pressures on the sovereign ratings following the closure of Cobre Panama, the country still has good access to financing as a stable dollarized economy.

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

Panama's macro-outlook is subject to risks. The next administration will need to address structural fiscal challenges, address socio-economic disparities through an improved social protection system, and make progress in climate adaptation, which poses additional social and economic risks, as droughts affect canal activities. Tight international financing markets could further increase Panama's borrowing costs.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	15.8	10.8	7.3	2.4	3.0	4.0
Private consumption	5.3	-1.2	2.1	2.1	3.1	3.7
Government consumption	6.0	3.6	2.9	4.3	-1.9	2.2
Gross fixed capital investment	31.0	20.7	28.8	-9.0	5.5	6.8
Exports, goods and services	29.6	26.2	-1.4	-0.7	3.5	4.3
Imports, goods and services	34.0	34.8	23.1	-9.3	2.6	4.0
Real GDP growth, at constant factor prices	15.8	10.8	7.3	2.4	3.1	4.0
Agriculture	4.7	5.2	0.2	1.5	1.4	1.3
Industry	30.2	12.3	12.7	-1.5	0.1	1.5
Services	11.9	10.5	5.6	3.9	4.2	4.9
Inflation (consumer price index)	1.6	2.9	1.5	1.5	2.0	2.0
Current account balance (% of GDP)	-1.2	-0.6	-4.5	-4.7	-2.3	-1.7
Net foreign direct investment inflow (% of GDP)	-2.0	-3.8	-1.8	-3.4	-3.7	-3.8
Fiscal balance (% of GDP)	-6.4	-4.1	-3.3	-4.6	-3.8	-3.1
Revenues (% of GDP)	17.8	17.7	18.2	17.2	17.5	17.6
Debt (% of GDP)	60.1	57.9	56.4	59.1	60.9	60.8
Primary balance (% of GDP)	-3.7	-1.9	-0.1	-1.5	-0.6	0.0
International poverty rate ($2.15 in 2017 PPP)[a,b]	1.1	1.4	1.3	1.4	1.4	1.4
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.3	4.4	4.4	4.7	4.8	4.8
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	12.9	12.1	12.9	13.3	13.3	13.2
GHG emissions growth (mtCO2e)	7.0	9.8	8.1	5.0	3.9	3.3
Energy related GHG emissions (% of total)	46.7	50.7	53.8	55.7	57.1	58.0

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. Estimated for 2022 using EPM data.
b/ Projections using microsimulation methodology.

PARAGUAY

Table 1	2023
Population, million[a]	6.6
GDP, current US$ billion	43.0
GDP per capita, current US$	6508.5
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]	90.6
Life expectancy at birth, years[c]	70.5
Total GHG emissions (mtCO2e)	98.0

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

Paraguay's economy is expected to grow by 3.9 percent in 2024, supported by a healthy soybean harvest. Growth would be faster if not for uneven rainfall, which has dampened hydropower production. Poverty is estimated to have decreased to 17.6 percent in 2023 and is expected to fall to 16.8 percent in 2024. Building resilience to climate shocks is essential as these remain the main risk to the forecast.

Key conditions and challenges

Real GDP growth averaged 3.6 percent annually between 2003 and 2023, faster than most countries in the region. This achievement reflects prudent macroeconomic management, favorable demographics, and a period of high commodity prices.

Growth has cut the poverty rate in half over the last two decades. In 2023, an estimated 17.6 percent of the population lived below the upper-middle income poverty line of US$6.85/day per capita (2017 PPP). However, progress has slowed since 2013 partly due to external shocks such as droughts. The World Bank Poverty Assessment reports that 36 percent of Paraguayans remain vulnerable to poverty, underscoring the need for policies that build resilience to shocks. Inequality remains high, with a Gini coefficient of 45.1 points.

Accelerating social progress not only hinges on sustaining growth and stability but also on creating more good quality jobs. Attracting more private investment in labor-intensive industries could help Paraguay achieve this, but additional efforts are needed to forge linkages with local suppliers and improve the quality of education and skills. More efficient public spending on education, health, infrastructure, and social assistance can help reduce poverty and inequality more significantly. More spending in these areas will eventually be needed, which in turn requires mobilizing more domestic revenues.

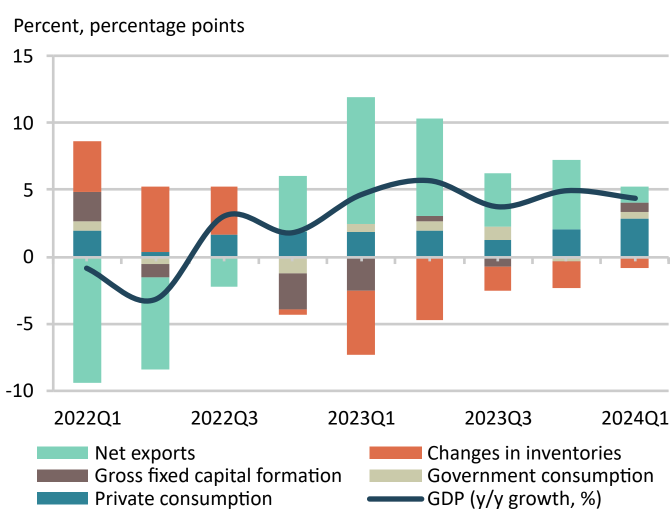
Recent developments

Real GDP expanded 4.3 percent y-o-y in Q1 2024, driven by the services and manufacturing sectors. Private consumption and exports contributed the most to growth. Fixed investment also began to pick up, although construction activity remained soft. The economic activity index showed momentum in Q2, rising 7 percent on average from the previous quarter on a seasonally adjusted, annualized basis. Growth would have been faster if not for low river levels of the Paraguay-Paraná waterway, which reduced hydropower generation by 18 percent y-o-y in H1 2024.

The national unemployment rate was 6.4 percent in Q2 2024, rising 0.6 percentage points from Q2 2023. Rural areas saw a 1.3 percentage point increase, with women facing higher increases (3.7 to 7.3 percent) than men. In contrast, the underemployment rate due to insufficient working hours decreased from 4.0 to 3.4 percent compared to Q2 2023. This reduction was primarily driven by a lower proportion of women reporting underemployment.

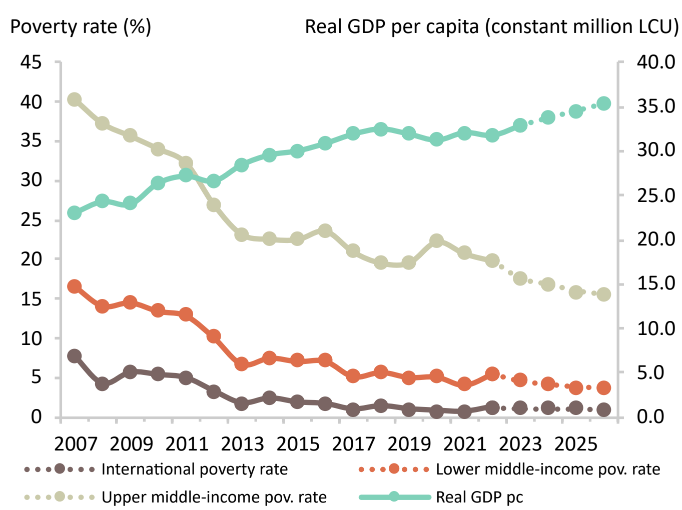
From January to August 2024, the goods trade balance recorded a surplus 64 percent smaller than that recorded over the same period last year. Growth of imports outpaced that of exports as fuel and capital goods imports increased, while hydropower export volumes halved. Soybean export volumes rose by

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



Source: Central Bank of Paraguay.

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



Source: World Bank. Notes: see Table 2.

40 percent, but average prices were 24 percent lower. The nominal exchange rate depreciated by 4.3 percent against the US dollar in this period. Net international reserves stood at 6.9 months of imports at end-August.

Headline inflation rose from 3.7 percent in December 2023 to 4.3 percent y-o-y in August 2024, driven by fresh fruit and vegetables. Core inflation fell from 4.7 to 4.2 percent y-o-y over the same period. The overnight policy rate has remained at 6 percent since March 2024.

The annualized fiscal deficit declined from 4.1 percent at end-2023 to an estimated 3.4 percent of 2024 GDP at end-August. Tax collections rose 17 percent y-o-y in real terms from January to August 2024, reflecting higher corporate profits from robust growth in 2023 and higher VAT receipts, reportedly due to fewer Paraguayans shopping in Argentina as price differentials narrowed. Merging the tax and customs authorities may also have yielded efficiency gains. Real spending rose by 7.2 percent y-o-y, driven by material expenses and interest payments. Public debt remained stable at 38.2 percent of GDP as of the end of July.

Outlook

Given the high statistical carryover from Q1 and robust activity data in Q2, growth is forecast at 3.9 percent in 2024 and at 3.6 percent in 2025-2026. Private fixed investment growth is expected to accelerate as financing conditions ease. Paraguay recently secured an investment grade rating (Baa3) from Moody's, which could reduce borrowing costs for the sovereign and for corporates.

Annual inflation is expected to remain at an average of 4 percent, the midpoint of the target range, from 2024 to 2026. With buoyant growth and inflation under control, poverty is expected to decline to 16.8 percent in 2024 and to 15.5 percent in 2026, driven by rising incomes in the services and agriculture sectors. Non-labor incomes are projected to see a modest increase in 2024.

The central government fiscal deficit is expected to continue to narrow towards the fiscal rule's target of 1.5 percent of GDP in 2026. Although Paraguay is expected to receive an estimated 0.6 percent of GDP in additional annual revenues from higher negotiated prices of electricity exports from the Itaipú dam to Brazil over 2024-2026, the government has announced that these will be spent off-budget on social and infrastructure investments. Public debt is expected to stabilize at 40-41 percent of GDP.

The current account is expected to post a small deficit as import growth, particularly of machinery and capital goods, gradually accelerates as large private investments are implemented. Export growth is expected to remain buoyant, assuming normal weather conditions.

Climatic conditions remain a threat to the outlook. If abnormally low precipitation persists, soybean and hydropower production would decline, and overall trade would slow. Such challenges could aggravate inflationary pressures and reverse poverty reduction gains. Geopolitical tensions also pose risks through the trade and financial market channels (89 percent of Paraguay's debt is denominated in foreign currency). Faster progress on structural reforms could accelerate growth and poverty reduction.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	4.0	0.2	4.7	3.9	3.6	3.6
Private consumption	6.1	2.3	2.7	3.9	3.6	3.6
Government consumption	2.6	-2.2	3.6	1.3	0.3	0.0
Gross fixed capital investment	18.2	-1.8	-3.5	3.3	3.9	5.6
Exports, goods and services	2.1	-1.1	36.7	2.5	4.0	4.0
Imports, goods and services	21.8	9.4	14.1	1.2	3.1	3.8
Real GDP growth, at constant factor prices	3.6	0.1	4.8	3.9	3.6	3.6
Agriculture	-11.6	-8.6	16.5	5.0	5.0	5.0
Industry	5.0	0.7	3.4	2.1	2.5	2.5
Services	6.5	1.5	3.6	4.9	4.0	4.0
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	0.2	-0.6	-0.9	-1.2
Net foreign direct investment inflow (% of GDP)	0.2	1.7	0.8	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	14.4	14.3	14.3
Debt (% of GDP)	34.1	35.9	38.6	41.0	40.7	40.2
Primary balance (% of GDP)	-2.5	-1.7	-2.4	-0.8	-0.1	0.2
International poverty rate ($2.15 in 2017 PPP)[a,b]	0.7	1.3	1.1	1.1	1.1	1.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	4.1	5.6	4.6	4.2	3.8	3.7
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	20.8	19.9	17.6	16.8	16.0	15.5
GHG emissions growth (mtCO2e)	0.4	-0.7	1.0	1.4	1.4	1.3
Energy related GHG emissions (% of total)	9.2	9.4	9.8	10.1	10.5	11.0

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-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	266.9
GDP per capita, current US$	7768.5
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]	107.4
Life expectancy at birth, years[b]	73.4
Total GHG emissions (mtCO2e)	185.9

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

GDP growth is expected to reach 3.1 percent in 2024, after a mild recession in 2023, which together with lower inflation is expected to drive down poverty rates to 33.1 percent in 2024. Risks include heightened political uncertainty, which could affect the well-established fiscal credibility. 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. The macroeconomic environment is characterized by low public debt, ample international reserves, 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. Additionally, Peru's vulnerability to climate change is high due to its exposure to natural hazards and dependence on glacial freshwater.

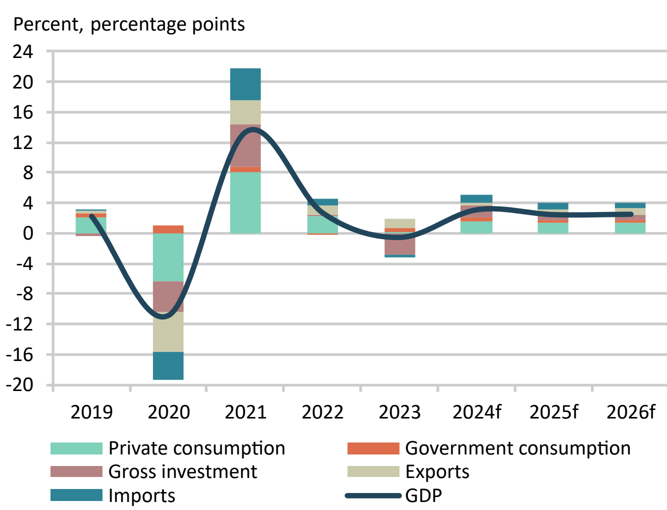
Structural constraints limit formal job creation and the pace of poverty and inequality reduction. Informality affects 71.1 percent of workers and gender disparities are stark: women's monthly earnings are on average 25.7 percent lower than men's. By 2023, more than one in three Peruvians subsisted on less than US$6.85 daily (2017 PPP), largely due to low-productivity jobs and inadequate social protection. Over half of the population faced food insecurity. Improving the quality of public services and infrastructure, governance and the business environment, while ensuring political stability, is crucial to achieving higher growth. Improving job quality, labor formalization, and gender equality in the labor market are needed steps to make growth inclusive.

Recent developments

In 2024, the Peruvian economy is recovering from the previous year's recession. The cumulative annual growth rate for the first half of 2024 was 2.5 percent. The economic bounce-back reached most sectors, especially those severely affected by the adverse weather shocks of 2023 (agriculture and fisheries, the latter adding around 0.3 percentage points to the first-semester y-o-y growth). In addition to dissipating supply shocks, the recovery reflects higher business confidence, a strong expansion in public investment, the gradual easing of monetary conditions, and better export commodity prices.

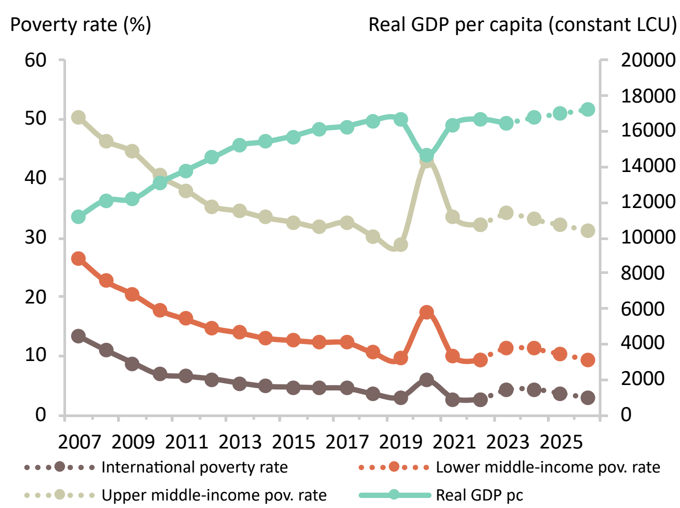
The fiscal deficit widened in 2024, from 2.8 percent of GDP in 2023, to 4.0 percent of GDP in the first eight months of the year, due to stagnating tax revenues and accelerating non-financial expenditures. Real growth in expenditure up to August reflects higher growth in public investment (27.4 percent y-o-y), but also non-negligible increases in wages (6.3 percent y-o-y). Unlike 2023, when the government did not adhere to the fiscal rule, this year, it amended the rule to allow a higher fiscal deficit for 2024, raising it from 2 percent to 2.8 percent of GDP. Public debt (32.7 percent of GDP in the second quarter of 2024) and sovereign spreads (166 basis points at the beginning of September) remain at historically low levels.

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



Sources: Central Reserve Bank of Peru (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.

Inflation reached 2.0 percent in August 2024 (within the Central Bank's target range of 1-3 percent). Core inflation remained closer to 3 percent due to higher inflation in some service sectors. The Central Bank lowered its policy rate by 1.5 percentage points since last December, to 5.25 percent in September. The labor market showed improvements in July 2024, with employment rising 2.8 percent year-over-year. The services, commerce, and construction sectors added the most jobs during the month.

The current account recorded a surplus of 0.8 percent and 2.3 percent of GDP in the first two quarters of the year, largely due to better export prices and higher earnings on assets held abroad by Peruvians coupled with a reduction in the profits of foreign companies based in Peru. The exchange rate has remained broadly stable and net international reserves stood at 27 percent of GDP in July 2024.

Outlook

Growth is expected to reach 3.1 percent in 2024. The approval by Congress of the withdrawal of private pension funds (accumulated numbers until mid-August represent 2.4 percent of GDP) will boost consumers' real disposable income in a context of declining inflation rates. GDP growth is projected to moderate to around 2.5 percent thereafter. New investments in the mining sector (Zafranal, Corani, Reposición Antamina, and possibly Tía María) and the opening of the port of Chancay at the end of 2024 would help support medium-term growth. Moderate poverty (US$6.85/day, 2017 PPP) is projected to decline to 31.3 percent by 2026 driven by economic growth and lower inflation.

Despite the fiscal rule amendment, the fiscal deficit is expected to close at 3.3 percent in 2024, exceeding the revised ceiling. Revenues are expected to accelerate in the second half of the year due to higher commodity export prices and improved economic activity, and expenditures are expected to grow at a similar pace to early-2024. The recent revision of the fiscal rule also raised the fiscal deficit ceiling from 1.5 percent to 2.2 percent of GDP in 2025 and from 1.0 percent to 1.8 percent of GDP in 2026. The medium-term baseline scenario reflects this new consolidation path, exceeding the ceiling by a small margin. Regularization of income tax in 2025, supported by higher commodity prices of 2024, and conservative growth projection of the 2025 budget, would contribute the consolidation. Public debt would follow a stable path in the coming years. Inflation is expected to remain within the Central Bank's target of 1-3 percent. The Central Bank is expected to continue lowering its policy rate. The current account will improve in 2024, mainly because of better terms of trade observed since the second quarter.

Domestic risks related to political uncertainty will continue to drag on economic growth and the presidential election in 2026 will add another layer of uncertainty. If the government fails to adjust its fiscal accounts promptly, it could weaken the credibility of fiscal policy, with potential implications for the market outlook for debt. Increased threats from climate change could continue to impact medium-term growth. External risks include a faster-than-expected slowdown in US growth and a deterioration in commodity prices.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	13.4	2.7	-0.6	3.1	2.5	2.5
Private consumption	12.4	3.6	0.1	2.4	2.1	2.2
Government consumption	4.8	-0.2	4.6	4.1	2.2	2.2
Gross fixed capital investment	34.6	0.7	-5.4	6.4	2.9	2.9
Exports, goods and services	13.3	5.2	4.9	1.5	3.2	3.2
Imports, goods and services	17.9	3.9	-1.4	4.0	3.1	3.1
Real GDP growth, at constant factor prices	13.1	2.7	-0.4	3.1	2.5	2.5
Agriculture	5.3	3.1	-3.9	4.1	2.8	2.4
Industry	17.2	1.5	-1.3	2.6	2.3	2.1
Services	11.6	3.5	0.6	3.3	2.6	2.8
Inflation (consumer price index)	6.4	8.5	3.2	2.2	2.0	2.0
Current account balance (% of GDP)	-2.1	-4.0	0.8	1.8	0.6	0.4
Net foreign direct investment inflow (% of GDP)	2.3	4.8	0.9	2.5	2.5	2.5
Fiscal balance (% of GDP)	-2.5	-1.7	-2.8	-3.3	-2.3	-1.9
Revenues (% of GDP)	20.9	22.1	19.8	19.2	20.4	20.4
Debt (% of GDP)	35.8	33.9	32.9	33.6	34.7	35.0
Primary balance (% of GDP)	-1.0	-0.1	-1.1	-1.7	-0.6	-0.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	2.8	2.7	4.3	4.3	3.6	3.0
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b]	10.0	9.5	11.5	11.2	10.3	9.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[a,b]	33.4	32.2	34.2	33.1	32.2	31.3
GHG emissions growth (mtCO2e)	3.5	1.2	-1.2	0.2	0.0	0.1
Energy related GHG emissions (% of total)	25.8	25.9	25.0	25.1	25.1	24.9

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ 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	2.4
GDP per capita, current US$	13482.0
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]	71.3
Total GHG emissions (mtCO2e)	0.9

Source: WDI, Macro Poverty Outlook, and official data.
a/ Most recent value (2015), 2017 PPPs.
b/ Most recent WDI value (2022).

Saint Lucia's economy, which is reliant on tourism, faces ongoing challenges from the pandemic's impact, high import prices, and natural disasters. Economic growth was modest before the pandemic, and recent price hikes have likely worsened poverty. Emergency-related spending has limited development funding and increased the public debt. While recovery is underway with tourism and inflation improving, overall fiscal deficits continue to grow. Fiscal reforms and better conditions for private investment are crucial for future growth.

Key conditions and challenges

Saint Lucia relies heavily on tourism and was significantly impacted by the pandemic, along with rising prices for imported food and fuel. As a small open economy, Saint Lucia experienced volatile and relatively low economic growth even before the pandemic, averaging 1.3 percent between 2010 and 2019. The country suffers significant economic losses due to frequent natural disasters and the effects of climate change.

In 2015, fewer than 1 in 10 Saint Lucians lived below the poverty line (US$6.85/day 2017 PPP). St. Lucia had a Gini index above 40, which is high by international standards. Estimates suggest that monetary poverty declined slowly in the following years but increased rapidly during the pandemic and due to high food and fuel prices. The recent census points to a longer-term decline in multidimensional poverty. The share of households without toilet facilities decreased from 6.2 percent in 2010 to 1.9 percent in 2022, the share of households relying on coal or wood as cooking fuel declined from 5.6 percent to 1.6 percent, while the share of households with internet access increased from 26.5 percent to 89.1 percent.

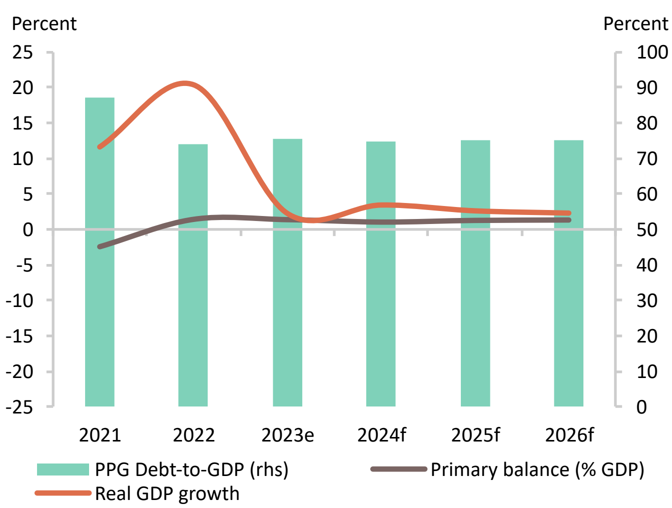
The government's spending related to the pandemic, low revenues, and substantial public investment led to a rapid increase in public debt from 62.2 percent of GDP in 2019 to 95.8 percent of GDP in 2020. While public debt is expected to stabilize in the medium term, the high debt service limits the government's ability to finance important development projects in the short to medium term. The government has implemented various measures to increase revenue, but additional reforms should be considered to reduce distortions and create a more progressive tax system. The country would benefit from a credible and growth-friendly fiscal consolidation framework, including the implementation of a fiscal rule, and from reforms to stimulate private sector growth.

The financial sector remained stable during the pandemic, and there was substantial liquidity in the banking sector. However, the accumulation of non-performing loans and deficiencies in compliance with Anti-Money Laundering/Countering the Financing of Terrorism have hindered credit intermediation. The pegged exchange rate under the Eastern Caribbean Currency Union helped ensure price stability.

Recent developments

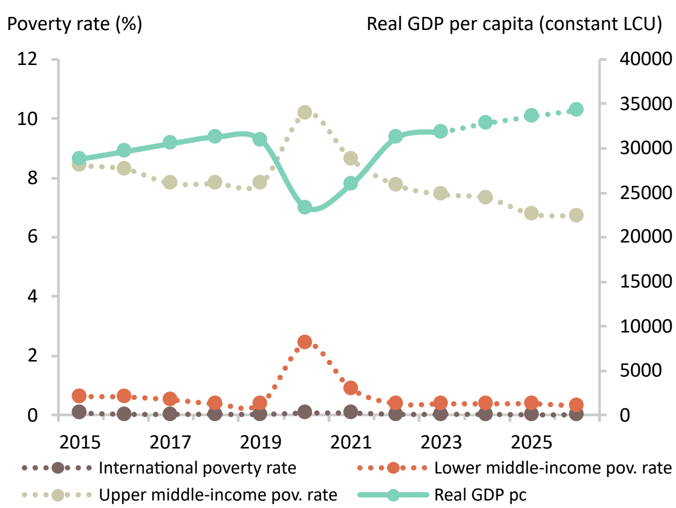
Real output growth reached 2.2 percent in 2023 and accelerated in the first half of 2024. The number of stayover tourist arrivals during the first six months of 2024 increased by 14.6 percent compared to the same period of 2023. Agricultural exports declined due to unfavorable weather conditions in 2023, but are now recovering. A labor market recovery also continues, with the unemployment rate falling from

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.

16.3 percent in Q1 2023 to 11.6 percent in Q1 2024. This helps to bring down poverty. The current account deficit is narrowing from 1.9 percent of GDP in 2023 due to the recovery in tourism, somewhat lower fuel prices, and stable remittances. Foreign direct investments are estimated around 5.8 percent of GDP in 2023, helping to fund the current account deficit. International reserves stood at 3.9 months of imports at the end of 2023.

Inflation started to slow from 4.1 percent in 2023, reflecting in a large part the global trend. The pressure on food security, which had previously worsened because of the successive pandemic and food price shocks, is now easing. The financial sector remains profitable, though the level of non-performing loans is elevated.

The overall and primary fiscal balances are expected to deteriorate, from 1.4 of GDP in 2023 to 1.0 percent in 2024. This deterioration is mostly driven by higher primary expenditures and interest payments. The government's new tax policies including a health and citizen security levy and an increase in cigarette excise tax helped to boost annual revenues. The public debt has stabilized at around 75 percent of GDP since 2022.

Outlook

Real output growth is projected to accelerate to 3.4 percent in 2024 and then moderate gradually 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 2025. Agriculture is likely to expand at a slower pace for some time. Poverty is projected to continue declining in the medium term. Inflation will gradually stabilize from 1.4 percent of GDP in 2024 to its long-term average of 2.0 percent in 2026.

The primary fiscal surplus is projected to increase to 1.3 percent of GDP in 2025-2026. The government is expected to undertake some modest fiscal consolidation. Revenue to GDP ratios are anticipated to remain relatively stable at 2023 levels in the medium term. Total spending in the medium term (on average 24.5 percent of GDP) is 0.2 percent of GDP lower than the 2010-2019 average, as current expenditures are anticipated to stabilize around 21.7 percent of GDP. Interest payments are projected to remain stable at around 3.4 percent of GDP over the projection period. The public debt to GDP ratio will also remain steady.

The risk outlook is skewed towards the downside, with potential challenges including delays in fiscal consolidation, economic slowdown in key tourist-origin countries, escalating geopolitical tensions, tightening financial conditions, natural disasters, and the impacts of climate change.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	11.6	20.4	2.2	3.4	2.6	2.3
Real GDP growth, at constant factor prices	10.7	19.7	2.1	3.3	2.6	2.3
Agriculture	9.2	4.4	-16.9	0.5	2.5	1.1
Industry	9.4	1.8	12.4	6.5	2.6	2.6
Services	11.0	23.5	0.9	2.8	2.6	2.3
Inflation (consumer price index)	2.4	6.4	4.1	1.5	1.8	2.0
Current account balance (% of GDP)	-11.9	-2.9	-1.9	-1.4	-1.2	-0.9
Fiscal balance (% of GDP)[a]	-5.8	-1.5	-1.9	-2.4	-2.1	-2.1
Revenues (% of GDP)[a]	22.3	21.7	22.2	22.3	22.3	22.2
Debt (% of GDP)[a,b]	87.2	74.1	75.5	74.9	75.0	75.0
Primary balance (% of GDP)[a]	-2.4	1.4	1.4	1.0	1.3	1.3
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	0.3
Upper middle-income poverty rate ($6.85 in 2017 PPP)[c,d]	8.6	7.8	7.4	7.3	6.8	6.7
GHG emissions growth (mtCO2e)	3.0	16.2	6.9	2.8	2.2	1.8
Energy related GHG emissions (% of total)	70.9	73.1	71.5	71.0	70.7	70.5

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 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 not comparable to pre-2024 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. Estimates: 2016-2023. Forecasts: 2024-2026.
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$	10279.5
School enrollment, primary (% gross)[a]	110.6
Life expectancy at birth, years[a]	69.0
Total GHG emissions (mtCO2e)	0.4

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

St. Vincent and the Grenadines (SVG) is projected to grow at 5 percent in 2024, supported by a robust performance in tourism, recovery in agriculture, and implementation of large-scale infrastructure projects. Despite a decrease in the fiscal deficit, public debt remains high, in part due to debt deferral/new borrowing undertaken to address the impact of Hurricane Beryl. The fiscal responsibility framework remains suspended. Economic growth and Hurricane Beryl are expected to have had offsetting impacts on poverty.

Key conditions and challenges

SVG is a small island developing state (SIDS) that is highly integrated into the global economy and particularly vulnerable to climate change, external economic shocks, and natural disasters. The economy is driven primarily by tourism, agriculture, and construction. Ongoing investments in upgrading infrastructure—such as a new port, an international airport, roads, hotels, the hospital, water supply, and digitalization—support growth and foster economic diversification. The country seeks to diversify its economy through the promotion of high-end tourism, international financial services, agroprocessing, light manufacturing, renewable energy, and information and communication technologies.

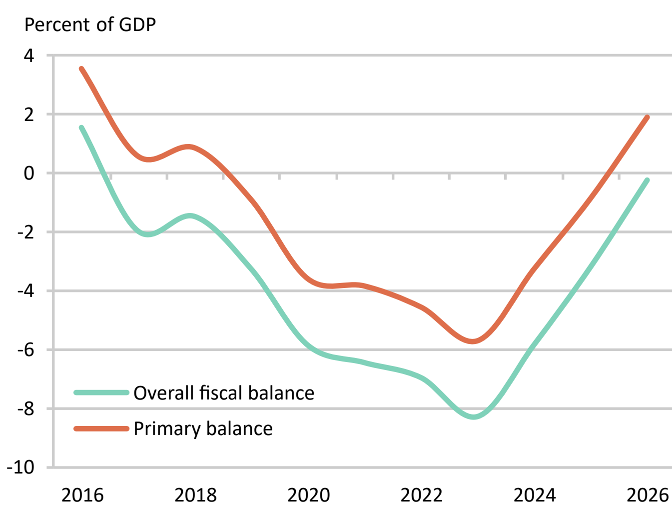
The deterioration of the primary fiscal balance, caused by the pandemic and the subsequent volcanic eruption in April 2021, was compounded by Hurricane Beryl, which caused significant infrastructure damage in July 2024 and led to an increase in public debt. The challenge will be to reduce fiscal deficits while directing limited fiscal resources toward recovery and high-priority public investment projects. In addition, there is no up-to-date poverty data available. According to the latest data from 2008, 30.2 percent of the population was living below the national poverty line. Economic growth in subsequent years should have contributed to declining poverty.

Recent developments

With tourism recovering and agriculture rebounding after the volcanic eruptions, growth reached 6 percent in 2023 (7.2 percent in 2022). The overall fiscal deficit increased to 8.3 percent of GDP in 2023 from 7.0 percent in 2022, largely in response to the fiscal demands imposed by the volcanic eruption, ongoing exceptional COVID-19 related expenditures, higher capital expenditure, and lower tax revenue. Low tax revenue was primarily due to changes in income tax, delayed CIT arrears and fuel import duty collection, VAT refunds, temporary import tax concessions for Sandals Resort, and a 50 percent duty reduction on new tires. This adds to measures to cushion the impact of rising food and fuel prices, including the expansion of existing social programs, subsidies on electricity, social safety net payments to food-vulnerable households, and agricultural incentives.

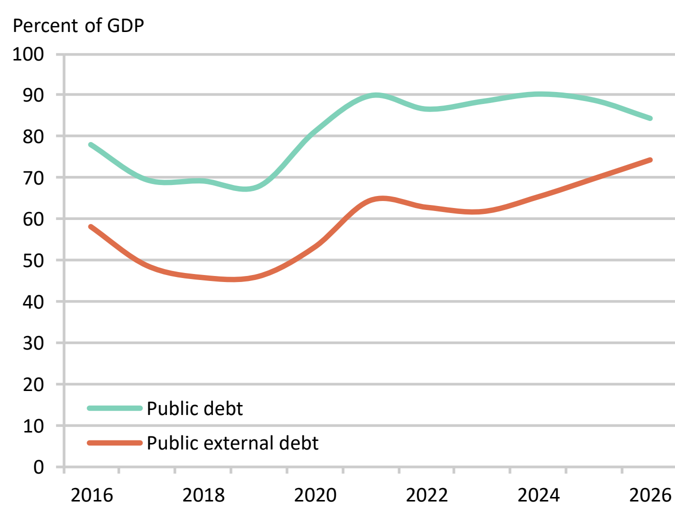
Following the port modernization project (total investment of 22 percent of GDP in 2023), public investment reached 9.5 percent of GDP in 2023. Fiscal rule targets, which have been suspended due to the pandemic and the volcanic eruption, are to be reintroduced in 2025. Total public debt was 88.5 percent of GDP at end-2023, of which 61.7 percent of GDP was external debt. Government gross financing needs are covered primarily by official external financing and by some recourse to domestic financing through T-Bill and bond issuances.

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



Sources: Ministry of Finance and World Bank staff calculations.
Note: See Table 2.

FIGURE 2 St. Vincent and the Grenadines / Public debt



Sources: Ministry of Finance and World Bank staff calculations.
Note: See Table 2.

The current account deficit (CAD), driven by major capital investments in hospitals, ports, hotels, and infrastructure, narrowed slightly due to increased tourist arrivals. However, imports rose as a result of volcanic eruptions and the port project, along with higher food and fuel costs. The CAD is mainly financed by foreign direct investment, external borrowing on concessional terms, and limited domestic financing. International reserves remain above 5 months of imports.

Annual inflation in 2023 was 4.6 percent, a decrease from 5.7 percent in 2022, and continued to moderate in the first part of 2024. Over the past two years, rising food prices have contributed the most to overall inflation. Data from a (non-representative) survey indicated that high food prices had reduced food security. While food prices remain elevated, declining inflation appears to have lowered food security concerns, with the share of the population reporting severe food shortages (going a whole day without eating or skipping meals) declining over the past year.

Outlook

Growth is expected to remain strong at 5 percent in 2024 as tourism and agriculture continue to rebound. Poverty is expected to follow a similar trajectory. Tourism growth over the medium term is projected to be further facilitated by the new airport and Sandals Resort. Inflation is to slow to 3.5 percent in 2024 and return to more typical rates of around 2 percent thereafter.

The fiscal deficit will likely remain high at 5.8 percent of GDP in 2024 due to ongoing public investment spending on the port modernization project and hotel construction as well as reconstruction related to Hurricane Beryl, despite a decrease in emergency spending related to the pandemic and volcanic activity. Public investment is expected to decline slightly to 8.3 percent of GDP in 2024 and to 6.3 percent in 2025, returning to its long-term trend of around 4.4 percent in 2026. A primary surplus is anticipated by 2026, supported by the gradual completion of major projects, contained current expenditure, increased revenues, and robust growth, which will enable public debt to decline to 84.4 percent of GDP.

SVG needs to fully operationalize the Fiscal Responsibility Framework to sustain debt reduction and enhance resilience to shocks. Additionally, it should increase the share of public investments financed through concessional loans and public-private partnerships, enhance revenue mobilization efforts, and further develop contingency plans for natural disasters.

The baseline scenario projections are primarily subject to downside risks given the uncertainty in global economic conditions, heightened global geo-political pressures, and the ever-present risk of natural disasters. On the upside, continued strength within the tourism sector and completion of the new port could further 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	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	0.8	7.2	6.0	5.0	3.5	2.9
Real GDP growth, at constant factor prices	-1.7	8.0	5.3	5.0	3.5	2.9
Agriculture	-29.4	-6.2	-2.9	7.1	2.1	2.0
Industry	6.1	7.9	3.9	3.5	2.2	2.1
Services	-0.1	9.1	6.2	5.2	3.9	3.1
Inflation (consumer price index)	1.6	5.7	4.6	3.5	2.0	2.0
Current account balance (% of GDP)	-22.6	-19.3	-13.4	-13.0	-11.9	-10.3
Fiscal balance (% of GDP)[a]	-6.4	-7.0	-8.3	-5.8	-3.2	-0.2
Revenues (% of GDP)	32.9	28.1	26.8	27.9	28.2	28.3
Debt (% of GDP)[a]	89.9	86.7	88.5	90.3	88.8	84.4
Primary balance (% of GDP)[a]	-3.8	-4.6	-5.7	-3.3	-0.9	1.9
GHG emissions growth (mtCO2e)	2.8	4.9	2.3	1.8	1.1	1.4
Energy related GHG emissions (% of total)	76.0	76.9	77.3	77.5	77.7	77.9

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.

SURINAME

Table 1	2023
Population, million	0.6
GDP, current US$ billion	3.5
GDP per capita, current US$	5528.0
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)	13.8

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

Suriname's economy has stabilized under a program to restructure debt, modernize monetary and exchange rate policies, and address financial sector vulnerabilities. Tighter monetary policy has gradually reduced inflation. Debt sustainability has improved, but managing the fiscal deficit remains a priority ahead of the 2025 elections. Improved social protection systems would support faster poverty reduction, while a framework to manage prospective oil revenues would help sustain inclusive growth over the medium term.

Key conditions and challenges

Macroeconomic indicators have improved under a comprehensive package of fiscal, monetary, and financial sector reforms, supported by an IMF program. Debt restructuring, subsidy reform, and improvements in tax policy and administration have supported fiscal consolidation and improved debt sustainability. Tighter monetary policy has helped contain inflation, while greater exchange rate flexibility has supported foreign exchange reserve accumulation. Reducing financial sector vulnerabilities relies on the completion of a program of ongoing reforms.

Poverty rates are gradually declining. Approximately 17.5 percent of the population lived below the upper middle-income poverty line of US$6.85 (2017 PPP) per day in 2022, with 46.5 percent of the population in multidimensional poverty—a broader measure devised by Suriname's Multidisciplinary Poverty Committee that includes chronic illness, education and ICT skill level, and access to medical insurance. Monetary and multidimensional poverty are markedly higher in the country's interior, where households have more children and people have lower levels of education. Reforms to social protection and education programs, as well as enhanced participation of women in the labor market, will be key for accelerating poverty reduction.

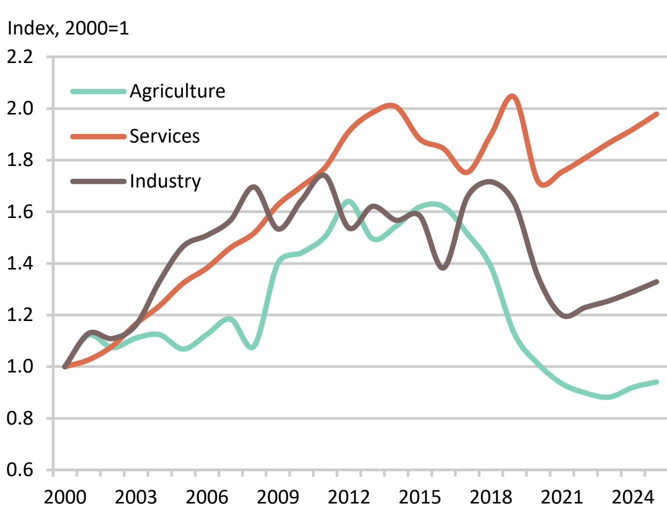
Suriname is exposed to natural disaster hazards due to irregular precipitation (floods and droughts). Water management is a high priority, especially in the more vulnerable interior. Recent discoveries of several offshore oil deposits should improve Suriname's economic prospects in the medium term. A final investment decision by an oil major is expected before the end of 2024, with production potentially starting in 2028. Sustaining inclusive economic growth will require strengthening the governance and institutional framework to enhance fiscal management, deliver public services, and implement climate change adaptation measures.

Recent developments

Growth accelerated modestly to an estimated 2.5 percent in 2023, up from 2.4 percent in 2022, as monetary and fiscal policy remained restrictive. Services led the expansion (transportation, hospitality, and utilities), supported by a modest recovery in industry. Inflation moderated to 16.2 percent (y-o-y) by June 2024, a significant decline from 54.6 percent (y-o-y) one year earlier as a result of tight monetary policy and fiscal consolidation. Decelerating inflation is lowering pressure on household purchasing power, especially among the poorest households.

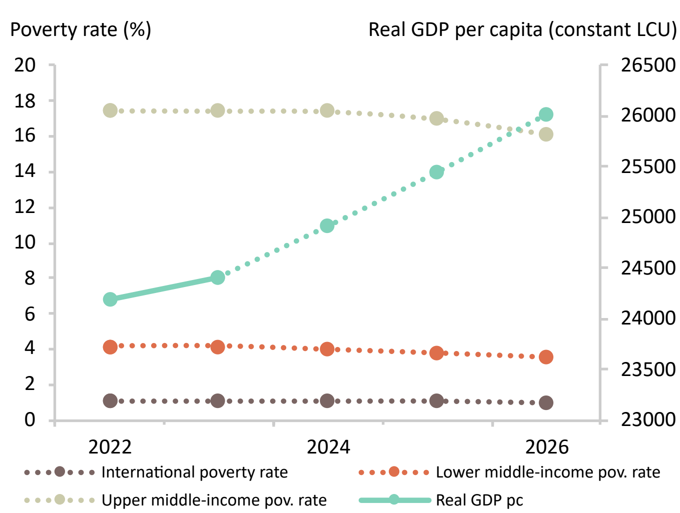
A narrower service account deficit and a stable trade deficit helped boost the current account to an estimated 4.3 percent surplus in 2023, up from 2.0 percent in 2022. External financing supported gross international reserve accumulation to an estimated 7 months of prospective imports

FIGURE 1 Suriname / Sectoral real output, index 2000=1



Sources: Suriname General Bureau of Statistics (2000-23) and World Bank (2024).

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



Source: World Bank. Notes: see Table 2.

in 2023, up from 6.5 months in 2022. The Surinamese dollar appreciated to SRD 29/USD by July 2024 partially reversing a sharp depreciation that began in 2020.

Fiscal policy focused on debt sustainability, improving the quality of public spending, and social assistance programs to protect the vulnerable. A series of revenue and expenditure measures contributed to an estimated primary surplus of 1.4 percent of GDP in 2023, including a phaseout of energy subsidies, expanded VAT coverage of goods and services, and the removal of unregistered workers from public payrolls. Cash transfers helped mitigate the impact of higher energy prices on the vulnerable, as social assistance spending increased to 2.3 percent of GDP in 2023 (from 1.9 percent in 2022).

Debt restructuring negotiations with most official and private creditors have been completed. Standard and Poor raised Suriname's credit rating to CCC+ with a stable outlook in December 2023 following the successful exchange with private bondholders. Adherence to prudent fiscal reforms and policies will be critical ahead of upcoming elections.

Financial sector indicators highlight chronic vulnerabilities in the banking system related to capital adequacy and asset quality, which will require timely implementation of recapitalization plans.

Outlook

Real GDP growth is projected to accelerate to 2.9 percent in 2024, driven by a gradual recovery of services and industry, supported by higher public investment spending in non-oil sectors. Growth is expected to continue over the medium term supported by infrastructure investment for the oil and gas sector. Inflation is anticipated to continue decelerating over the medium term, supported by restrictive monetary and fiscal policy. Driven by economic growth and lower inflation, poverty is projected to decline to 16 percent in 2026.

The fiscal deficit is expected to narrow, supported by a broader VAT, new fuel taxes, and increased non-tax revenues supported by lease rates and fees. Subsidy expenditure is expected to continue declining, driven by electricity and gas price adjustments. Fiscal consolidation will create space to scale up social spending and growth-enhancing infrastructure investments, including for climate adaptation. Over the medium term, public investment in oil infrastructure is expected to modestly increase the fiscal deficit. The current account surplus will narrow as capital imports for investment projects rise, and compression measures end.

The government aims to expand coverage of social assistance programs, introduce digital payments, and regularly update payment amounts in line with inflation. The 2024 budget allocates 3.1 percent of GDP for social protection. A new cash transfer program aims to support the elderly and low-income households, covering approximately one-fifth of the population. Data on the effectiveness and impact of this program are currently not available.

Over the long term, offshore oil revenues are expected to further increase fiscal space. A robust institutional and fiscal framework will be essential to manage the potential impact of Dutch Disease (declining competitiveness of other sectors of the economy), vulnerability to commodity price shocks, and environmental impacts. Enhancing macroeconomic institutions, governance, and human capital is critical to mitigating risk and creating a foundation for efficient and equitable management of future revenues.

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

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-2.4	2.4	2.5	2.9	3.0	3.1
Real GDP growth, at constant factor prices	-2.4	2.4	2.5	2.9	3.0	3.1
Agriculture	-7.5	-3.9	-1.8	4.3	2.3	2.4
Industry	-10.9	2.5	2.1	2.8	3.0	3.5
Services	2.2	3.1	3.2	2.8	3.1	3.0
Inflation (consumer price index)	59.1	67.8	36.7	17.2	14.5	9.5
Current account balance (% of GDP)	5.4	2.0	4.3	1.2	1.0	0.8
Net foreign direct investment inflow (% of GDP)	-3.8	0.1	-1.8	-0.5	0.2	0.3
Fiscal balance (% of GDP)[a]	-5.6	-2.6	-1.9	-1.0	-0.1	-0.5
Revenues (% of GDP)	26.1	25.6	27.4	25.4	25.7	26.0
Debt (% of GDP)[a]	114.9	113.2	98.2	87.2	82.0	78.0
Primary balance (% of GDP)[a]	-0.5	1.0	1.4	2.7	3.7	3.3
International poverty rate ($2.15 in 2017 PPP)[a,b]	..	1.1	1.1	1.1	1.1	0.8
Lower middle-income poverty rate ($3.65 in 2017 PPP)[a,b,c]	..	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	17.3	16.6	16.0
GHG emissions growth (mtCO2e)	-0.2	1.0	1.1	1.8	1.9	2.0
Energy related GHG emissions (% of total)	19.4	20.1	20.8	21.8	22.9	24.1

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 CONLAC harmonization, using 2022-SSLC. Actual data: 2022. Nowcast: 2023. Forecasts are from 2024 to 2026.
c/ Projection using neutral distribution (2022) with pass-through = 0.7 (Low (0.7)) based on GDP per capita in constant LCU.

TRINIDAD AND TOBAGO

Table 1	**2023**
Population, million	1.5
GDP, current US$ billion	27.4
GDP per capita, current US$	17847.9
School enrollment, primary (% gross)[a]	97.6
Life expectancy at birth, years[a]	74.7
Total GHG emissions (mtCO2e)	23.6

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

Trinidad and Tobago is a high-income country, with a corresponding level of human development. Substantial financial reserves maintain stability amid energy sector fluctuations. The government aims to diversify the economy, enhance the business environment, and improve public services. In 2023, GDP grew by 1.3 percent, driven by the non-energy sector. The medium-term outlook is cautiously optimistic, but risks include global energy price volatility and potential delays with internal reforms and energy sector investments.

Key conditions and challenges

Trinidad and Tobago exhibits several economic strengths, including solid human development and robust financial buffers. The country's human capital indicators compare favorably to those of the rest of Latin America and the Caribbean and are bolstered by substantial government investments, fostering a knowledge-based economy essential for adaptation to globalization and technological advancements.

However, Trinidad and Tobago's economy remains heavily dependent on the energy sector, which accounts for only 2.4 percent of workers, but over one-third of GDP and over two-thirds of exports. This reliance makes the country vulnerable to global energy price fluctuations and production issues. To balance its maturing energy sector with the shift toward a low-carbon economy, efforts are being made to cut greenhouse gas emissions and increase renewable energy use.

The economy is supported by significant reserves and the Heritage and Stabilization Fund, which buffer against economic shocks. These reserves, as well as political stability, help stabilize the economy during periods of fluctuating oil and gas prices, crucial for the nation's fiscal health. Prudent management of natural resource revenues and a focus on diversification of its economic base are also essential for advancing economic development.

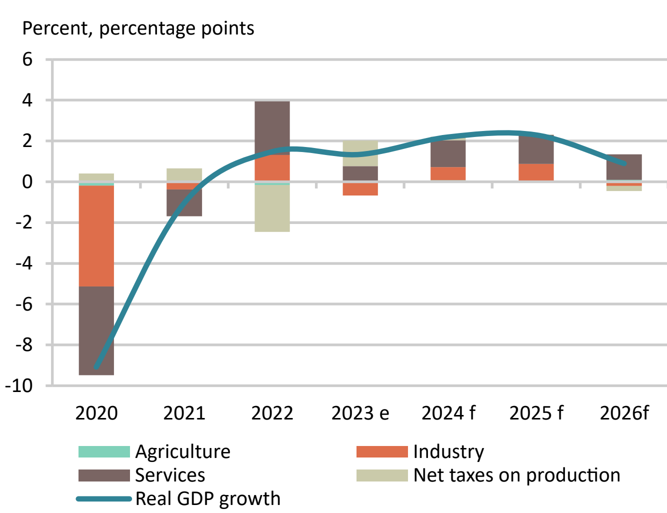
Recent data are not available to assess developments in poverty and inequality. Trinidad and Tobago's Human Development Index (HDI), which tracks its performance against several Sustainable Development Goals, corresponds with its status as a high-income country. The country is grouped in the category of countries with high gender equality in terms of HDI achievements. Yet, some notable gender gaps remain. Despite their comparatively strong performance in school, women's labor force participation (47.6 percent) lags that of men by about 15 percentage points. In addition, the adolescent fertility rate is high compared to other high-income countries.

The government is committed to attracting investment, promoting private sector engagement, and increasing trade integration to foster diversification. Advancing structural reforms to enhance the business environment, improve trade logistics, and tackle insecurity is crucial for fostering private sector growth and economic diversification. Improving governance, infrastructure, and public service delivery are essential for creating a conducive environment for investment and growth.

Recent developments

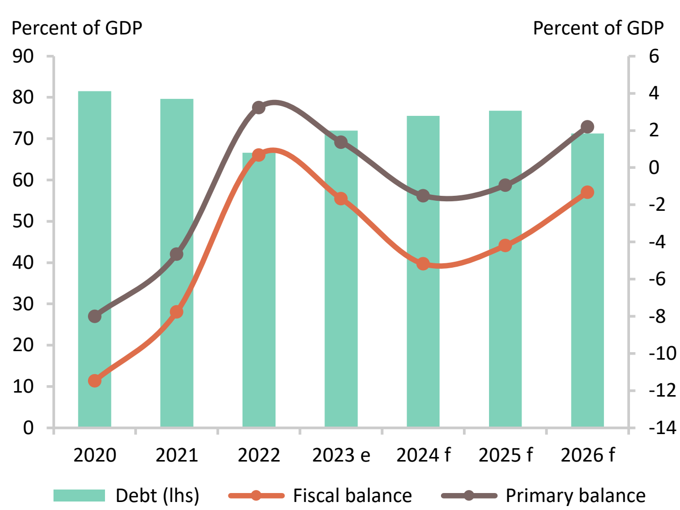
In 2023, the energy sector experienced challenges due to lower global energy prices and weaker production. As a result, the economy's post-pandemic recovery continued at a slower pace, with an estimated real GDP growth of 1.3 percent

FIGURE 1 Trinidad and Tobago / Real GDP growth and contributions to real GDP growth



Sources: Government of Trinidad and Tobago and World Bank staff calculations.

FIGURE 2 Trinidad and Tobago / Fiscal balance and public debt



Sources: Government of Trinidad and Tobago and World Bank staff calculations.

driven by the non-energy sector. The labor market remained relatively stable with unemployment at 5.4 percent in 2024Q1, while inflation saw a decline from 5.8 percent in 2022 to 4.7 percent. In 2024, economic growth is projected to gain momentum with an expected real GDP expansion of 2.2 percent. This growth will be supported by the services sector, which employs the largest share of workers (35.4 percent). Inflation has continued to decline.

In 2023, fiscal position improved, with a better-than-budgeted fiscal deficit. Fiscal measures included enhancing revenue mobilization, streamlining transfers to state-owned enterprises, and phasing out subsidies on fuel, electricity, and water. Expenditure on transfers to households increased to a substantial 5.9 percent of GDP, but targeting to those most in need remains a priority. In FY2024, the fiscal deficit is projected to widen to 5.2 percent of GDP from 1.7 percent in FY2023 due to a public sector wage settlement, lower energy revenues, and higher capital spending. The FY2024 budget included reforms to enhance the fiscal regime for the energy sector, promote non-energy economic activity, and support vulnerable groups. These include adjustments to the Supplementary Petroleum Tax and incentives for SMEs and the tourism sector, both of which account for a substantial share of workers.

According to the government's estimates, current account surplus declined to an estimated 12.4 percent of GDP in 2023 from 17.4 percent in 2022, driven by weaker exports and reduced domestic energy production. Nonetheless, lower imports because of lower global food and energy prices helped maintain a significant surplus. The value of remittances declined by 4.7 percent in real terms and represented only 1.2 percent of GDP. The primary income account deficit also narrowed due to reduced profit repatriation by non-resident energy companies. In 2024, the surplus is projected to narrow further to 5.7 percent of GDP due to continued declines in energy exports. However, international reserves are expected to remain adequate, supported by the Heritage and Stabilization Fund, which holds assets of about one-fifth of GDP.

Outlook

Trinidad and Tobago's medium-term economic outlook is cautiously optimistic, though it faces several risks. The economy is expected to keep recovering, supported by stable energy prices and gradual improvements in domestic production helped by investment incentives that will see increased total amounts as capacity expands. However, the GDP growth rate may be moderated by both external and internal challenges.

Externally, the country is vulnerable to changes in global energy prices, which significantly affect export revenues and overall economic stability. A prolonged decline in energy prices could hurt the current account balance and fiscal health. Additionally, global uncertainties like geopolitical tensions and shifts in trade policies could further strain the economy by affecting energy exports and disrupting trade flows.

Internally, key risks include potential delays in structural reforms and investments in the energy sector. Effective management of public finances, especially controlling wage expenses and capital spending, and continued efforts to reduce crime will be crucial. The country also faces environmental risks, such as natural disasters and climate change impacts, which could disrupt economic activities and infrastructure.

To sustain growth and mitigate risks, the government's focus on fiscal discipline, structural reforms, and climate resilience will be essential.

TABLE 2 Trinidad and Tobago / Macro poverty outlook indicators (annual percent change unless indicated otherwise)

	2021	2022	2023	2024e	2025f	2026f
Real GDP growth, at constant market prices	-1.0	1.5	1.3	2.2	2.3	0.9
Real GDP growth, at constant factor prices	-1.8	4.0	0.1	2.1	2.4	1.2
Agriculture	-3.5	-11.5	0.2	6.0	2.6	7.8
Industry	-0.8	3.2	-1.6	1.6	2.1	-0.5
Services	-2.5	5.0	1.4	2.4	2.6	2.3
Inflation (consumer price index)	2.0	5.8	4.7	1.2	1.8	1.9
Current account balance (% of GDP)	10.8	17.4	12.4	5.7	6.5	6.1
Net foreign direct investment inflow (% of GDP)	-7.0	-6.9	-7.6	-2.8	-2.9	-2.7
Fiscal balance (% of GDP)[a]	-7.8	0.7	-1.7	-5.2	-4.2	-1.3
Revenues (% of GDP)	23.4	28.2	28.9	27.5	27.5	28.5
Debt (% of GDP)[a]	79.6	66.6	72.0	75.5	76.7	71.3
Primary balance (% of GDP)[a]	-4.7	3.2	1.4	-1.5	-0.9	2.2
GHG emissions growth (mtCO2e)	-10.1	-1.3	-0.8	0.2	0.5	0.0
Energy related GHG emissions (% of total)	53.5	52.7	51.1	49.4	47.8	46.0

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Budget balances and public debt are for the central government.

URUGUAY

Table 1	2023
Population, million	3.4
GDP, current US$ billion	77.2
GDP per capita, current US$	22564.5
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]	105.5
Life expectancy at birth, years[b]	78.0
Total GHG emissions (mtCO2e)	37.9

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

After experiencing a once-in-a-century drought in 2023, Uruguay's growth is projected to rebound to 3.2 percent in 2024, driven by agricultural exports. Cellulose production is also expected to increase as the new pulp mill reaches full capacity. Despite a 3.7 percent increase in average real wages in 2023, the lack of growth in sectors employing low-income workers has kept the poverty rate stable at 6.7 percent.

Key conditions and challenges

Uruguay has the highest income per capita and the largest share of the middle class in Latin America, but it faces challenges in accelerating growth. The economy grew 5.3 percent annually between 2003 and 2014 but then only 1 percent over 2014-2019, and 0.7 percent between 2019-2023. While the poverty rate is low at 6.7 percent (under the international poverty line of US$6.85 per day, 2017 PPP) compared to the rest of the region, poverty reduction has stalled. Income inequality, as measured by the Gini coefficient, rose slightly to 40.9 points in 2023.

The recent slowdown reflects a combination of exogenous factors, notably the severe drought that caused agricultural losses of nearly 3 percent of GDP in 2023, and structural challenges such as low productivity growth and gaps in human capital quality. Despite structural transformation, approximately 70 percent of exports still depend on natural resources. Limited competition and low trade integration have prevented faster diversification.

Some structural reforms have advanced. Important parametric pension reforms were enacted in May 2023, although Uruguayans will vote during the Presidential elections this October on whether to repeal its implementation. Reforms in education, including the introduction of a competency-based curriculum, have also begun to take shape. Decisive implementation of these and other reforms to reignite growth will be crucial to drive Uruguay's social progress.

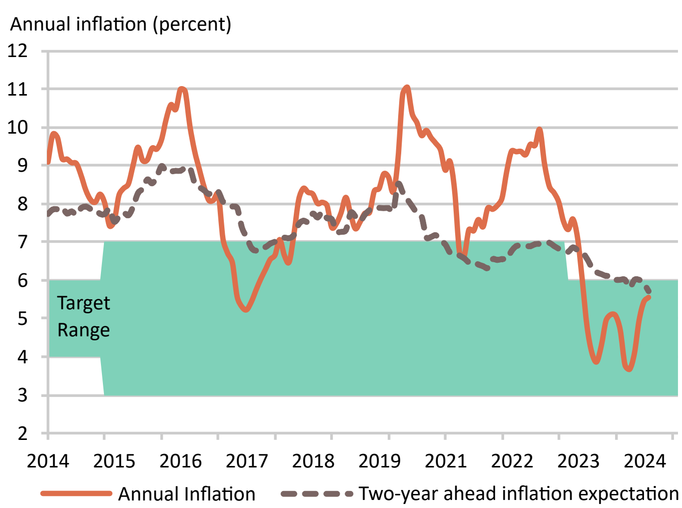
Recent developments

The economy continued to recover from the drought that began in late 2023. Real GDP grew 2.2 percent y-o-y in the first half of the year, driven by higher exports of soy, cellulose, beef, and hydropower. Fixed investment remained tepid, reducing growth by 0.5 percentage points, while the destocking associated with agriculture exports erased 2.4 percentage points from growth.

Labor demand increased as the economy recovered. The employment rate stood at 58.8 percent in July 2024, and unemployment was at 8.3 percent. The labor participation rate reached 64.2 percent, 1 percentage point (pp) above the previous year, and the highest since 2016. However, informality grew by 1.5 pp, reaching 21.7 percent nationally, with the northeastern departamentos showing an average increase of 5pp. This exacerbates existing regional disparities in poverty and access to good quality jobs.

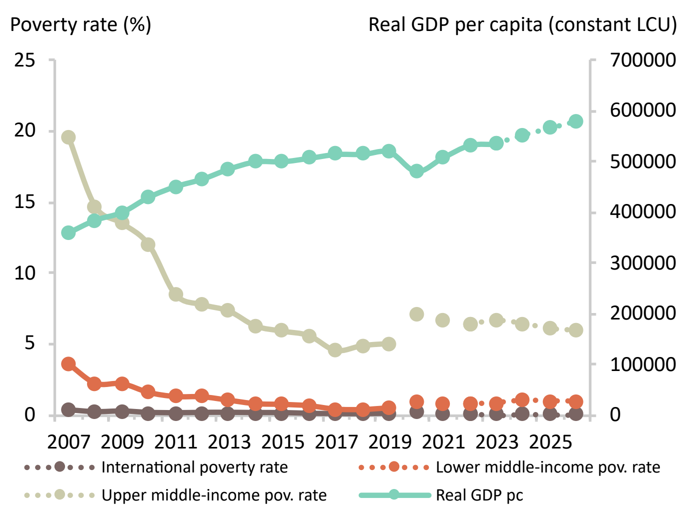
On a 4-quarter rolling sum basis, the seasonally adjusted current account deficit narrowed from an estimated 3.7 percent of GDP at the end of 2023 to an estimated 3.4 percent of estimated GDP in Q1 2024. This improvement mostly reflected a larger trade surplus

FIGURE 1 Uruguay / Annual inflation and inflation expectations



Source: Central Bank of Uruguay.

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



Source: World Bank. Notes: see Table 2.

in Q1 2024, driven by lower volumes of imported capital goods.

Headline inflation rose 5.6 percent y-o-y in August 2024, up from 5.4 percent in the previous month, as the prices of food and household items increased. However, both headline and core inflation remained within the Banco Central del Uruguay's (BCU) target range of 3 to 6 percent. After easing rates by a cumulative 275 basis points between April 2023 and April 2024, the BCU has held policy rates steady at 8.5 percent.

The non-financial public sector fiscal deficit reached an estimated 3.2 percent of GDP in the twelve months ending in July 2024, unchanged from the same period a year ago. In the first half of 2024, public revenues rose by 4.2 percent y-o-y in real terms, driven by higher transfers from public enterprises, while expenditures rose 5.8 percent over the same period, led by pensions. Gross public debt increased to 64.2 percent of GDP in 2023, partly reflecting the recapitalization of the central bank. Uruguay continues to enjoy the lowest sovereign spreads in the region.

Outlook

The economy is forecasted to rebound to 3.2 percent in 2024. Agricultural exports are expected to keep the post-drought momentum, while cellulose production is expected to increase as the new UPM-II pulp mill reaches full capacity. Growth is expected to stabilize around 2.6 percent in 2025-2026, converging towards potential. Private consumption is expected to remain robust as inflation pressures continue to abate, while fixed investment is projected to pick up as global financial conditions gradually improve.

Due to the faster-than-expected disinflation in 2023, the government expects deviations from the structural fiscal deficit and real primary spending cap of the fiscal rule in 2024, following four years of compliance. The fiscal deficit is expected to decline marginally to 3.1 percent of GDP this year as tax revenues rebound from the drought and relative price differences with Argentina normalize. By 2026, the fiscal deficit is projected to further decrease to 2.7 percent of GDP as consolidation efforts continue. Net indebtedness is expected to adhere to the legal ceiling, with public sector debt projected at 64-65 percent of GDP over the forecast period.

Average inflation is expected to subside in 2024 and remain within the target range over 2025-2026. Despite lower inflation, the poverty rate is projected to remain stable at 6.4 percent in 2024. Sectors that tend to employ low-skilled labor, such as construction and retail, have not shown steady improvements. Growth and labor demand in these sectors are key to improving income for the poor and vulnerable population.

The recovery may be constrained by weaker external demand, particularly from China, alongside commodity price volatility, heightened geopolitical tensions, and growing trade fragmentation. Additionally, Uruguay's high dollarization levels pose a risk in the face of a strong dollar and tighter-for-longer global financial conditions. While a transition to the La Niña phenomenon later this year is expected to be benign, unexpected extreme weather remains a risk.

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

	2021	2022	2023	2024e	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	3.7	3.3	3.3
Government consumption	5.2	2.5	-0.2	0.4	0.8	0.3
Gross fixed capital investment	19.3	11.8	-7.0	4.5	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	12.6	-9.5	5.0	3.0	2.7	2.5
Industry	5.7	3.5	-3.8	3.0	1.8	1.8
Services	4.5	6.2	1.1	3.3	2.9	2.8
Inflation (consumer price index)	7.7	9.1	5.9	5.5	5.9	5.6
Current account balance (% of GDP)	-2.5	-3.9	-3.8	-3.2	-2.9	-2.7
Net foreign direct investment inflow (% of GDP)	2.5	4.2	5.6	4.5	4.1	3.6
Fiscal balance (% of GDP)[a]	-3.1	-2.8	-3.2	-3.1	-2.9	-2.7
Revenues (% of GDP)	29.2	29.6	29.9	29.8	29.8	29.7
Debt (% of GDP)	62.4	62.0	64.2	64.3	64.4	64.5
Primary balance (% of GDP)[a]	-0.9	-0.6	-0.9	-0.8	-0.6	-0.5
International poverty rate ($2.15 in 2017 PPP)[b,c]	0.1	0.2	0.1	0.1	0.1	0.1
Lower middle-income poverty rate ($3.65 in 2017 PPP)[b,c]	0.8	0.8	0.9	1.0	1.0	1.0
Upper middle-income poverty rate ($6.85 in 2017 PPP)[b,c]	6.7	6.4	6.7	6.4	6.1	6.0
GHG emissions growth (mtCO2e)	8.8	1.3	0.4	1.8	1.7	1.9
Energy related GHG emissions (% of total)	21.3	22.6	22.3	23.1	23.9	24.7

Source: World Bank, Poverty & Equity and Macroeconomics, Trade & Investment Global Practices. Emissions data sourced from CAIT and OECD.
Notes: e = estimate, f = forecast.
a/ Non-Financial Public Sector. Excluding revenues associated with the "cincuentones".
b/ Calculations based on SEDLAC harmonization, using 2023-ECH. Actual data: 2022 and 2023 (Preliminary). Nowcast: 2024. Forecasts are from 2025 to 2026.
c/ Projections using microsimulation methodology.

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