

REGIONAL ECONOMIC OUTLOOK

WESTERN HEMISPHERE



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DEPARTMENT

Rebalancing Policies and Pressing on with Reforms

OCTOBER 16, 2024

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Presentation Outline

I

**RECENT
DEVELOPMENTS**

II

OUTLOOK AND RISKS

III

**POLICY
RECOMMENDATIONS**

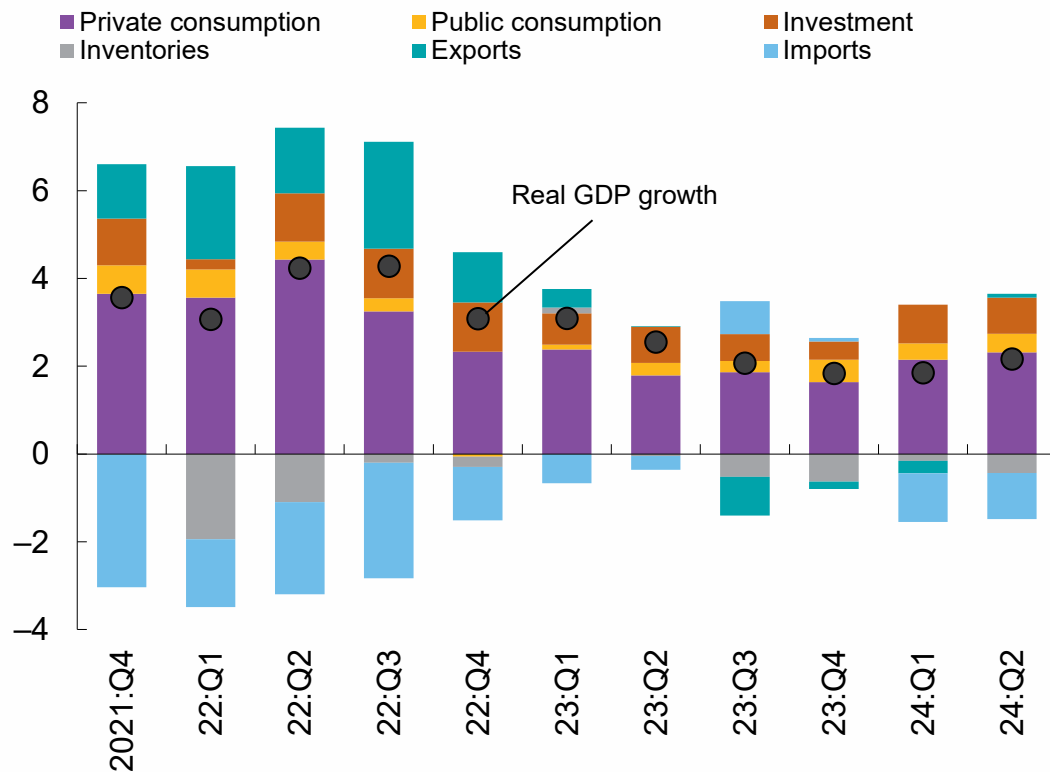
Recent Developments

Growth has moderated across the region...

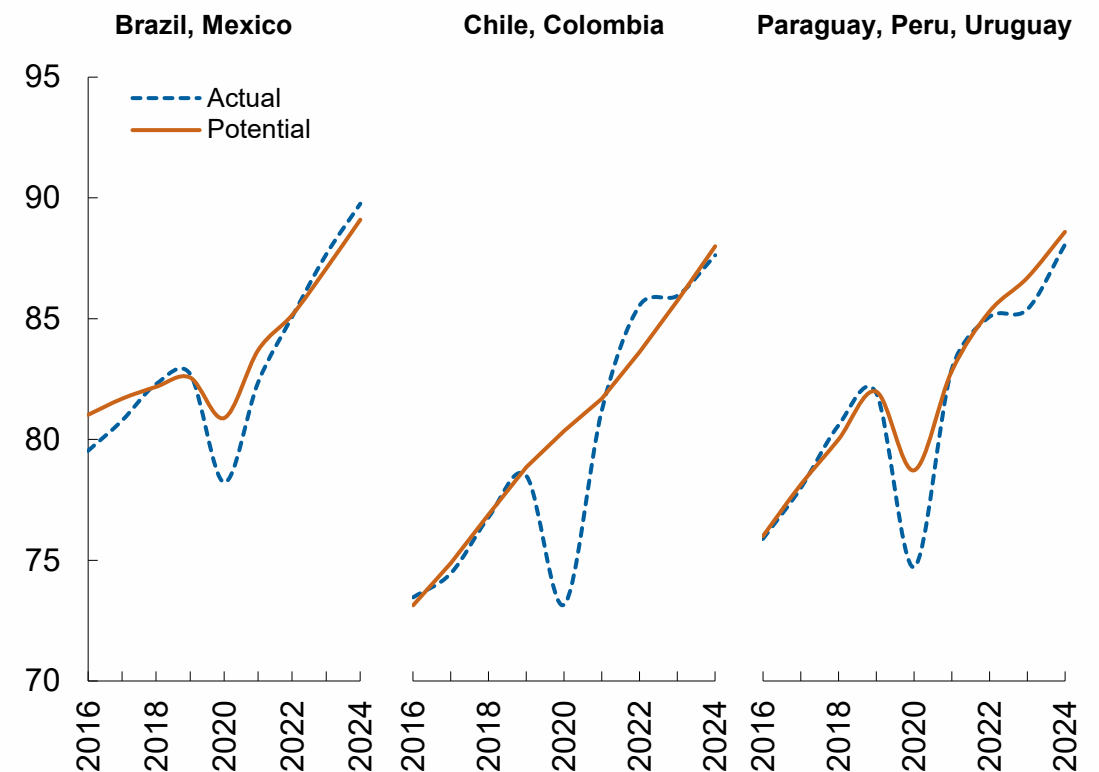
Growth has moderated post pandemic, plateauing in recent quarters...

... as it settles near potential, albeit with countries converging from different cyclical positions

LA7: Contributions to Real GDP Growth
(Year-over-year percent change)



Actual and Potential Real GDP
(Index: 2029 = 100)



Sources: Haver Analytics; IMF, World Economic Outlook database; and IMF staff calculations.
Note: Seasonally adjusted. Purchasing-power-parity GDP-weighted average of LA7 countries. Inventories include statistical discrepancies. LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

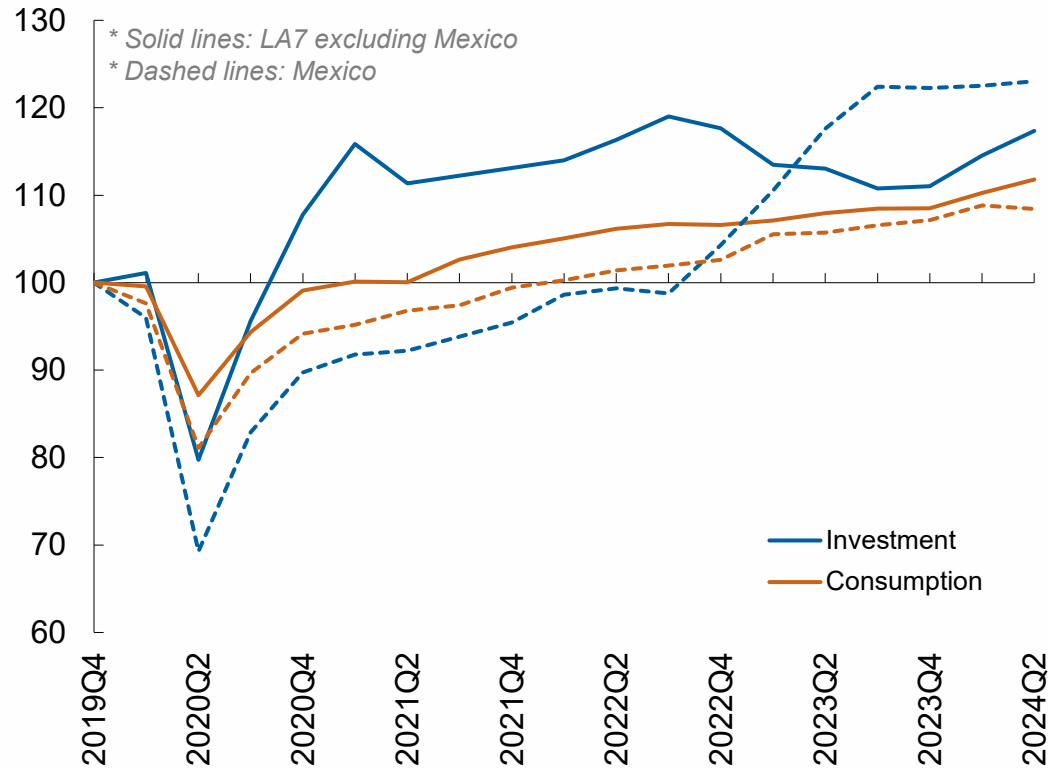
Sources: IMF, World Economic Outlook; and IMF staff calculations.
Note: Purchasing-power-parity GDP-weighted averages.

... increasingly relying on consumption amid stagnant investment...

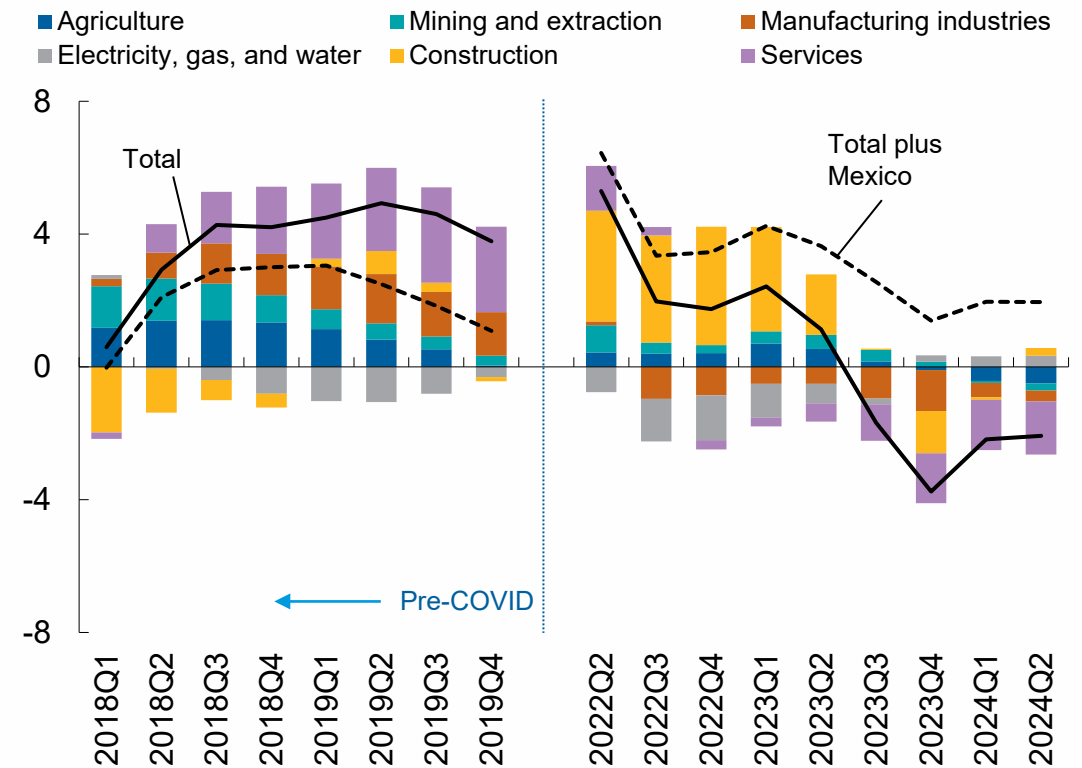
Consumption remains robust, while investment has stalled (after the rebound from the pandemic)...

... reflecting a broad-based slowdown, especially in manufacturing (except in Mexico) and residential construction

Real Investment and Real Consumption
(Index: 2019Q4 = 100)



Selected LA7 Economies: Contributions to Private Gross Fixed Capital Formation Growth by Economic Activity
(Year-over-year percent change; 4-quarter moving average)



Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Aggregate is purchasing-power-parity GDP-weighted average. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

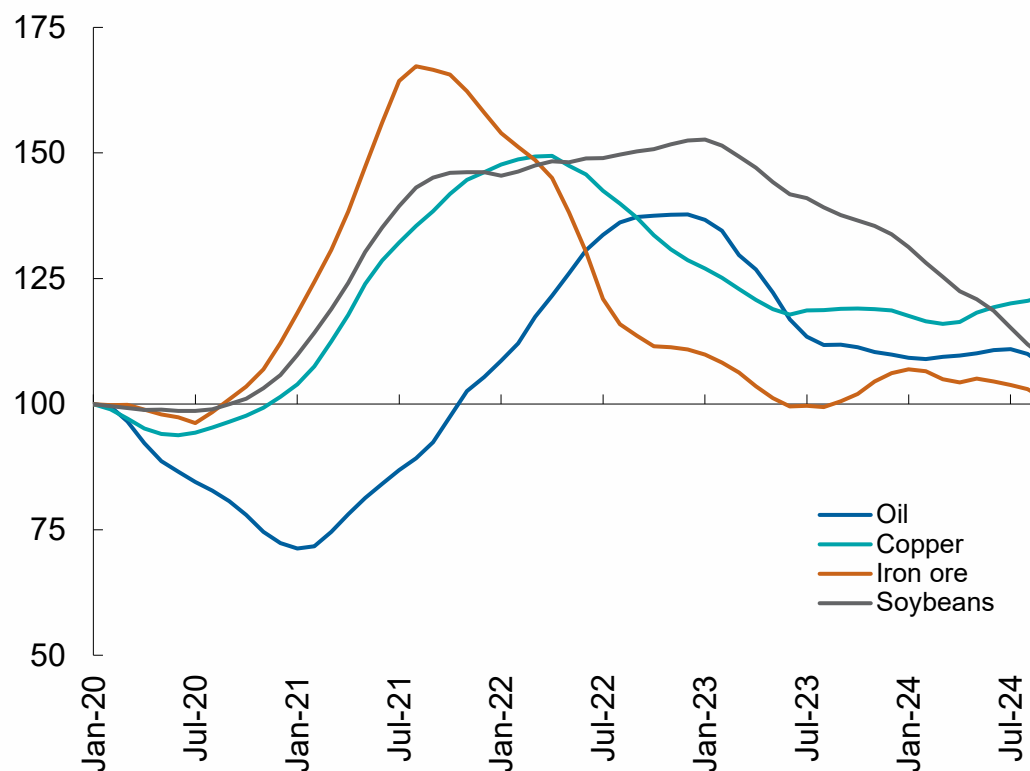
Sources: National authorities; and IMF staff calculations.
Note: Includes Brazil, Chile, Colombia, and Peru. Data for COVID years (2020–22Q1) are not shown in the chart. Aggregates are purchasing-power-parity GDP-weighted averages. "Construction" activity includes residential construction.

... and a muted external environment...

Prices of key commodities have softened...

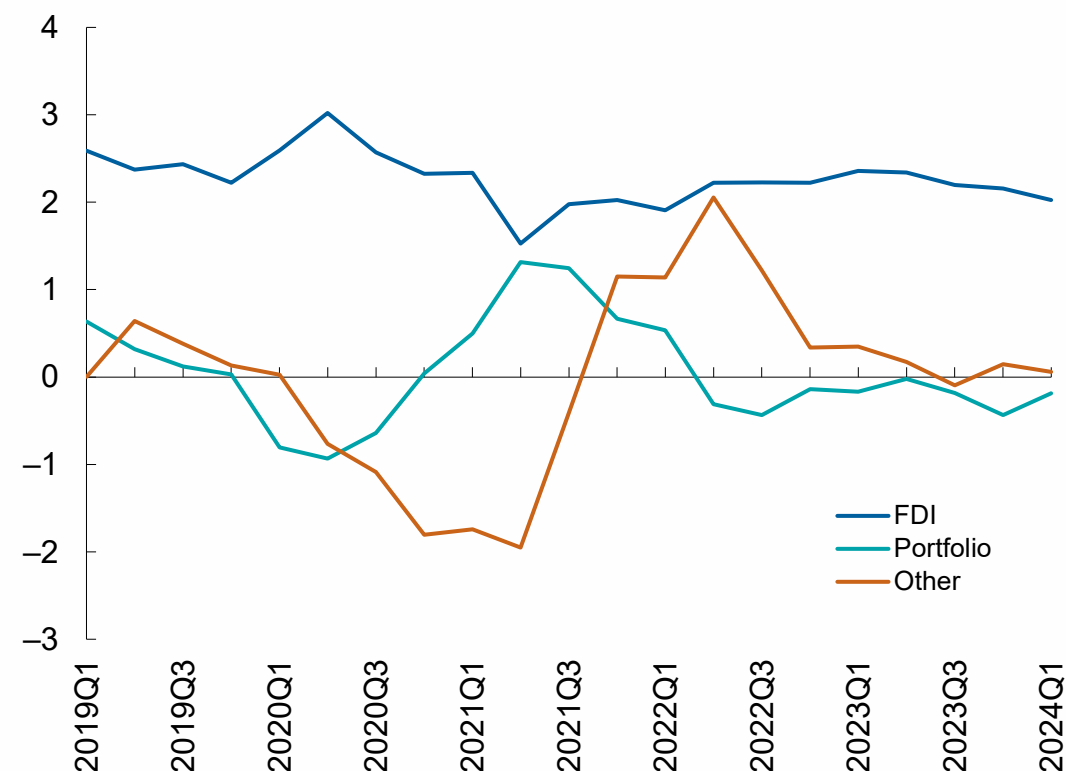
... while capital flows, dominated by FDI, have remained broadly unchanged

Commodity Prices Deflated by US CPI
(Index: January 2020 = 100; 12-month moving average)



Sources: Bloomberg Finance L.P.; Haver Analytics; and IMF staff calculations.
Note: CPI = consumer price index; US = United States.

LA7: Net Capital Inflows
(Percent of GDP; four-quarter moving average)



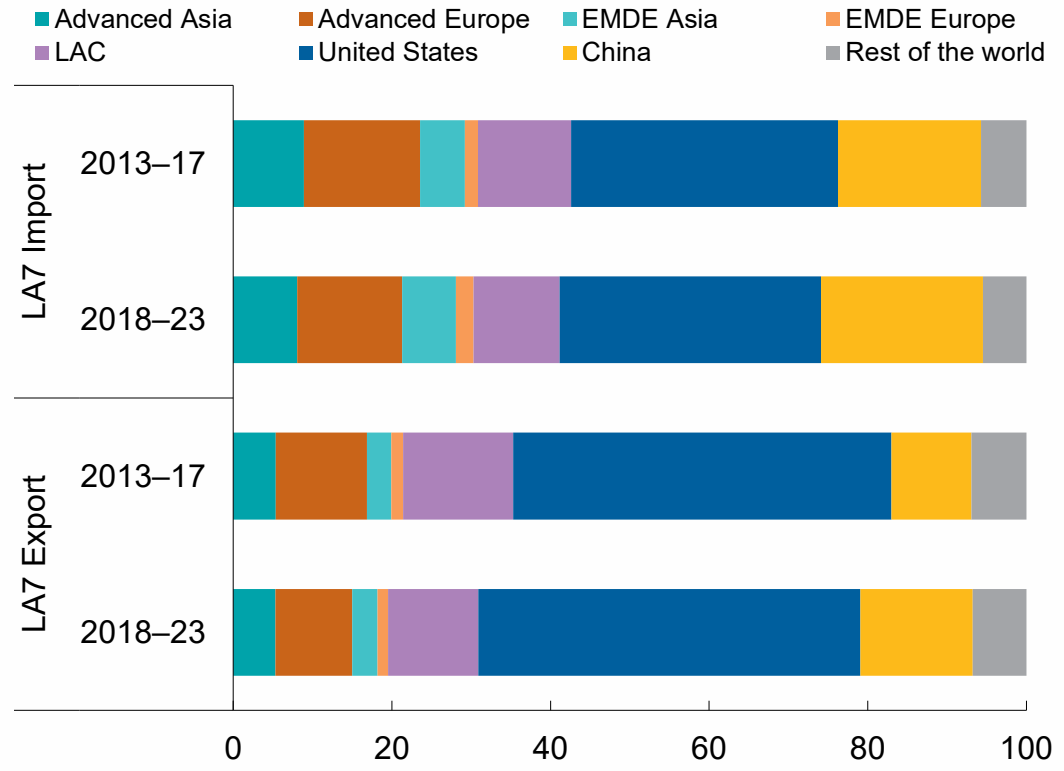
Sources: IMF, Balance of Payments Statistics database; IMF, World Economic Outlook database; and IMF staff calculations.
Note: LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

... and trade flows mostly unaffected by geopolitical tensions

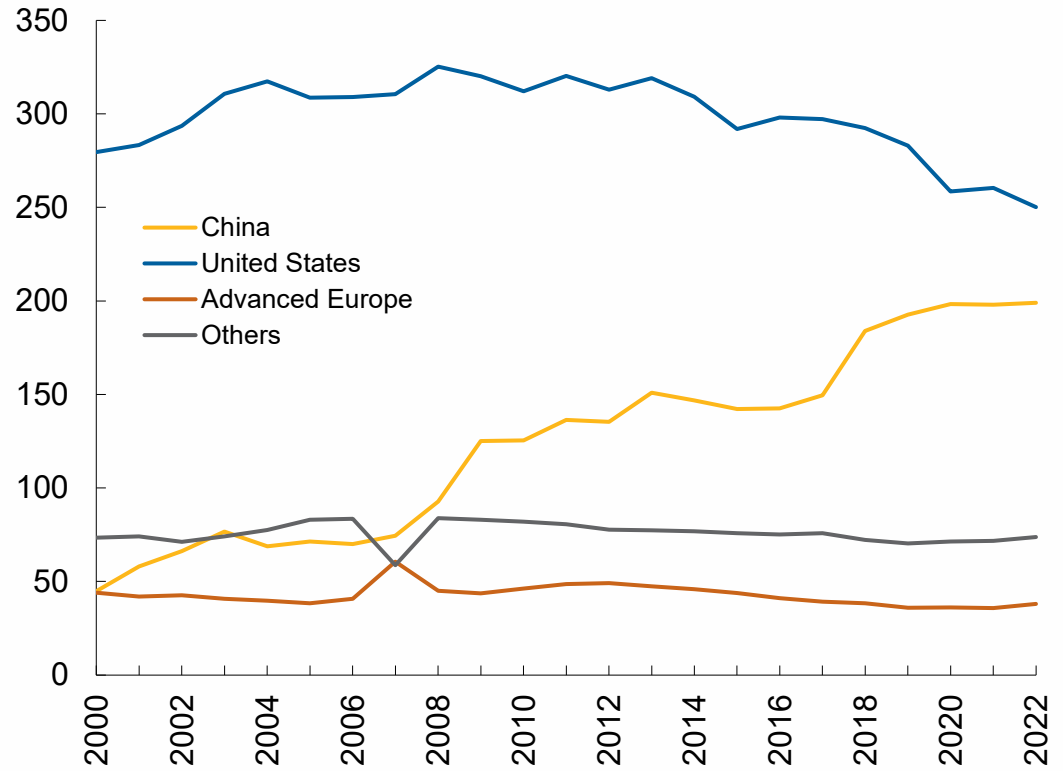
The region's trade structure has not changed materially despite rising global geopolitical tensions, ...

... as the increase in trade with China reflects a long-term trend

LA7: Share of Merchandise Trade
(Percent of world)



LA7: Export Intensity Index by Trading Partners
(Points)



Sources: IMF, Direction of Trade Statistics database; and IMF staff calculations.
Note: Average for 2018-23 excludes 2020. EMDE = emerging markets and developing economies; LAC = Latin America and the Caribbean; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

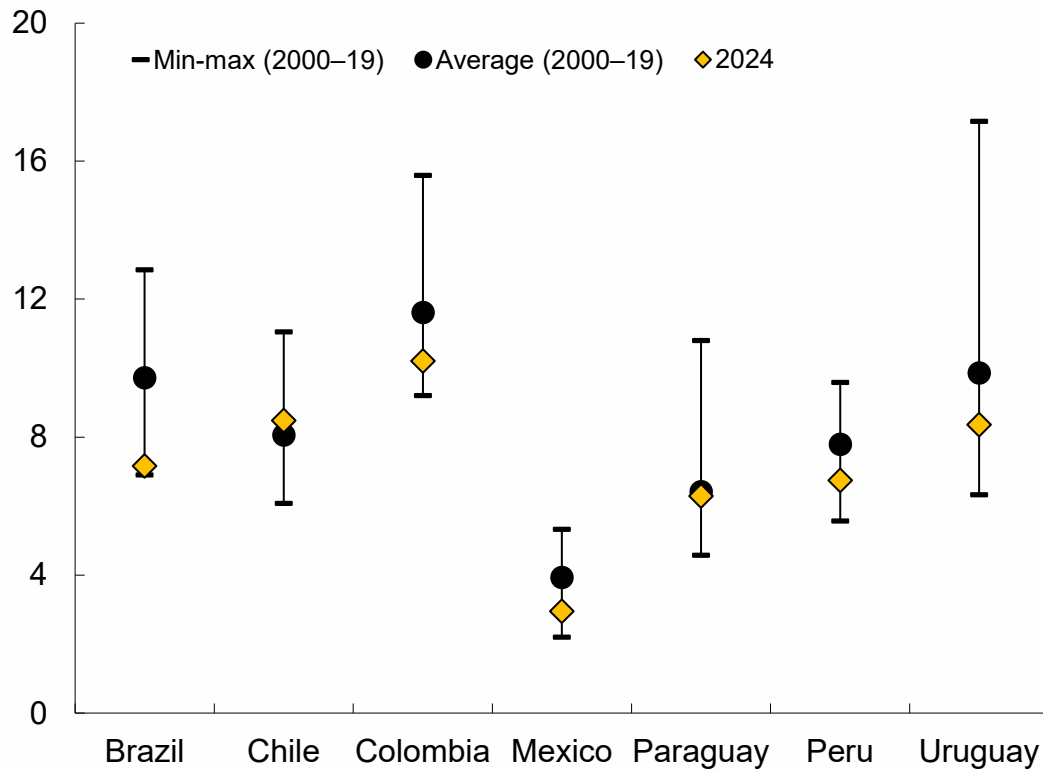
Sources: World Bank, World Integrated Trade Solution; and IMF staff calculations.
Note: Export intensity index—measured as a trade intensity index based on World Integrated Trade Solution—indicates if a country exports more, as a percentage, to a partner than the world does. The index shows relative importance of a given exporter for a given partner country. A value greater than 100 indicates a relationship more intense than the world average for the partner. Aggregates are purchasing-power-parity GDP-weighted averages.

Strong labor markets continue supporting consumption

Unemployment is at historically low levels, ...

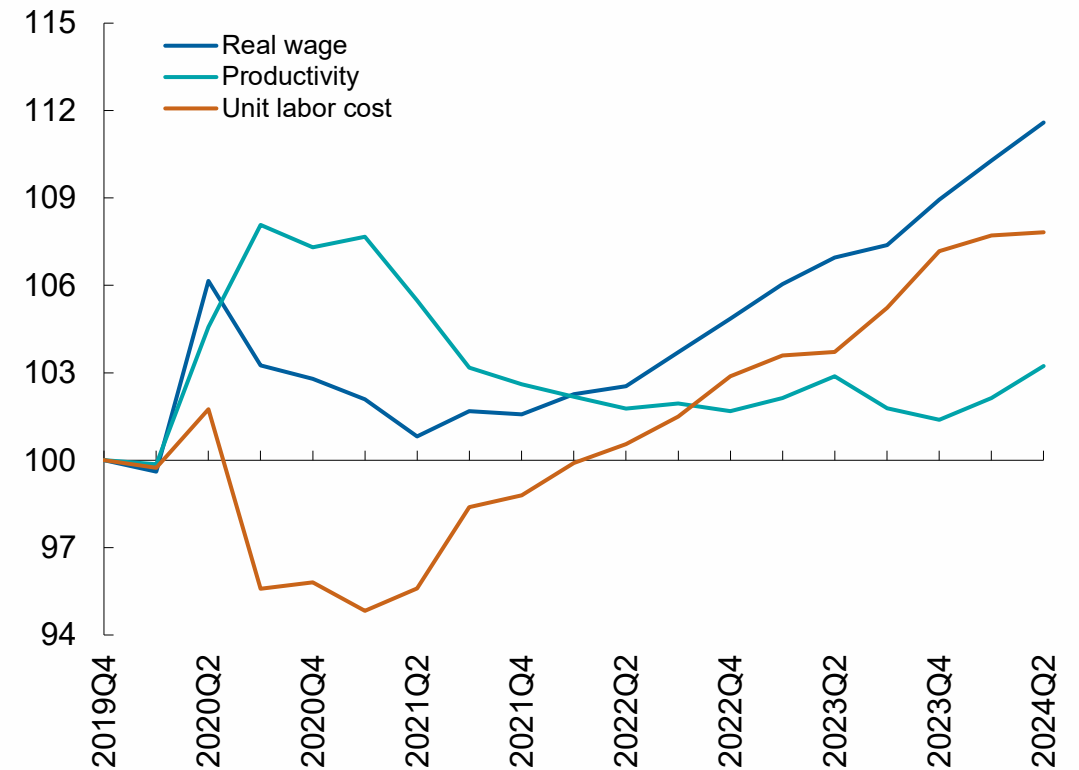
... and real wages have outpaced productivity, contributing to rising labor costs

Unemployment Rate (Percent)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

LA7: Real Wage, Productivity, and Unit Labor Cost (Index: 2019Q4 = 100)



Sources: Haver Analytics; and IMF staff calculations.

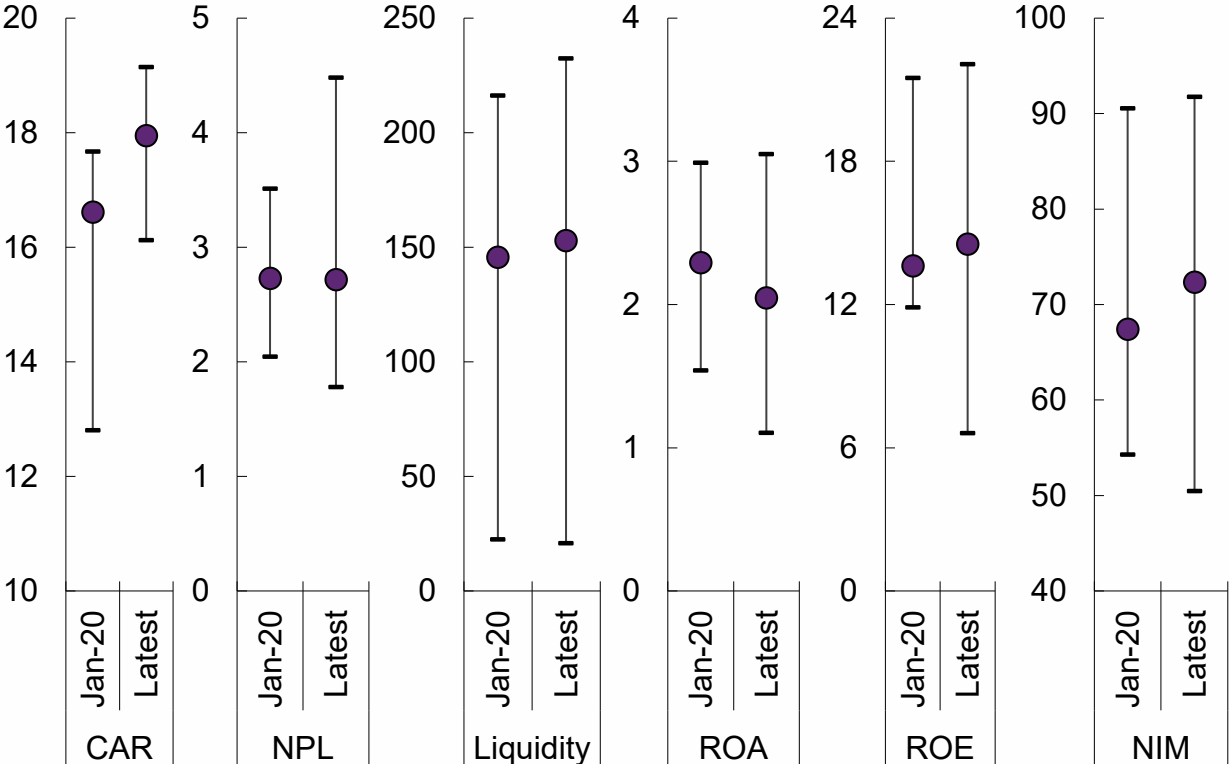
Note: Aggregates are purchasing-power-parity GDP-weighted average. Excludes Paraguay and Uruguay due to data limitations. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

... amid healthy balance sheets and resilient consumer credit

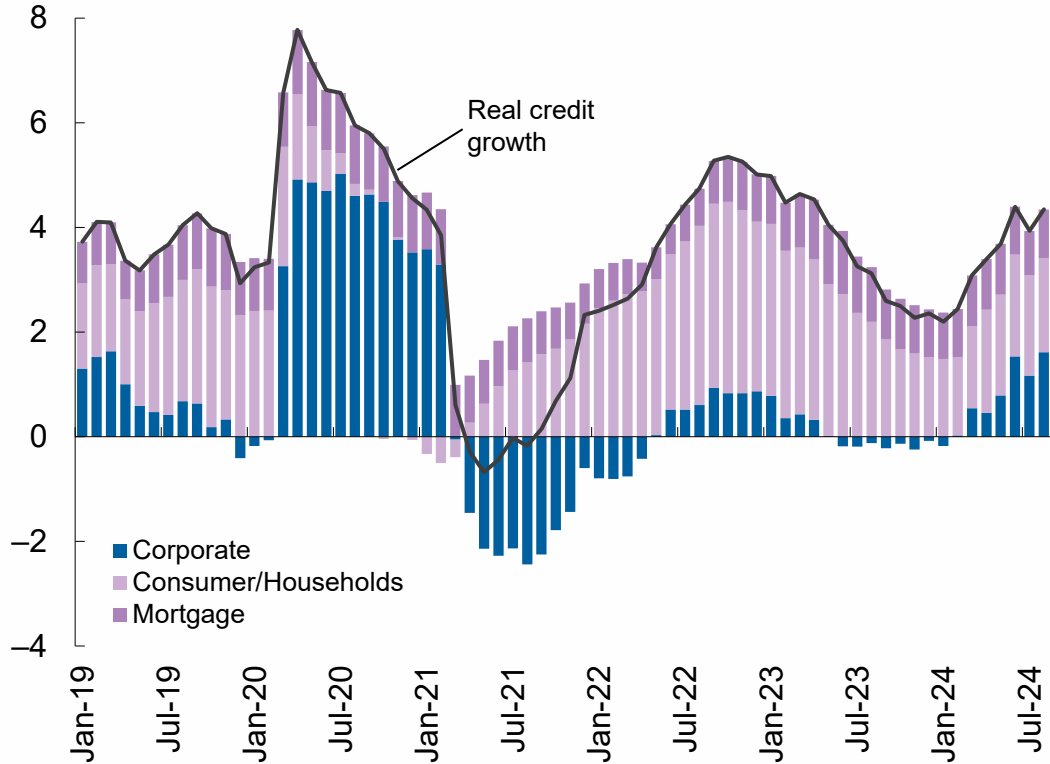
Banks balance sheets have remained healthy despite high interest rates...

... amid resilient, consumer-driven credit growth

LA7: Deposit Takers Financial Indicators (Percent)



LA7: Real Credit Growth (Year-over-year percent change)



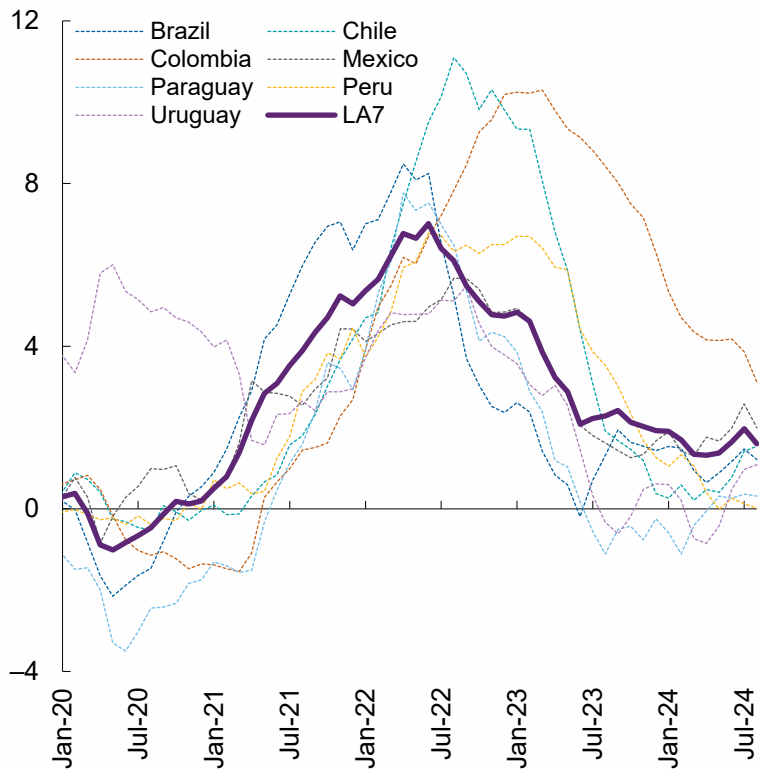
Sources: Haver Analytics; IMF, Financial Soundness Indicators database; national authorities; and IMF staff calculations. Note: Markers are purchasing-power-parity GDP-weighted averages; whiskers are the min-max range across LA7 countries. Chile is excluded from liquidity due to data limitations. CAR = capital adequacy ratio; liquidity = liquid assets to short-term liabilities; NIM = net interest margin to gross income; NPL = nonperforming loans to total loans ; ROA = return on assets; ROE = return on equity.

Sources: Haver Analytics; national authorities; and IMF staff calculations. Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay and Uruguay due to data limitations. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Inflation is close to target, but the last mile has been long

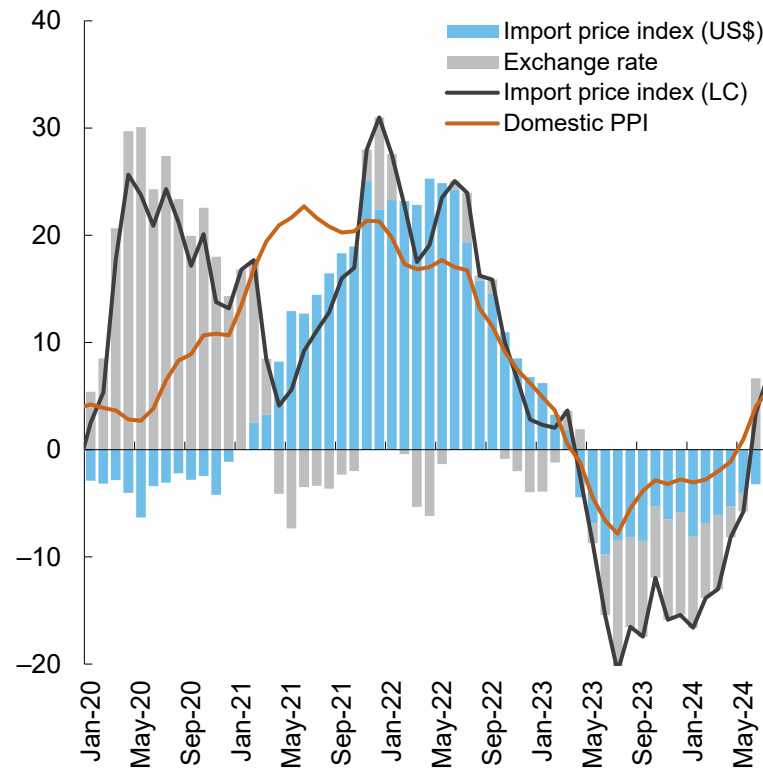
Headline and core inflation have been receding since mid/end-2022, ...

Headline Consumer Price Inflation
(Deviation from inflation target; percentage points)



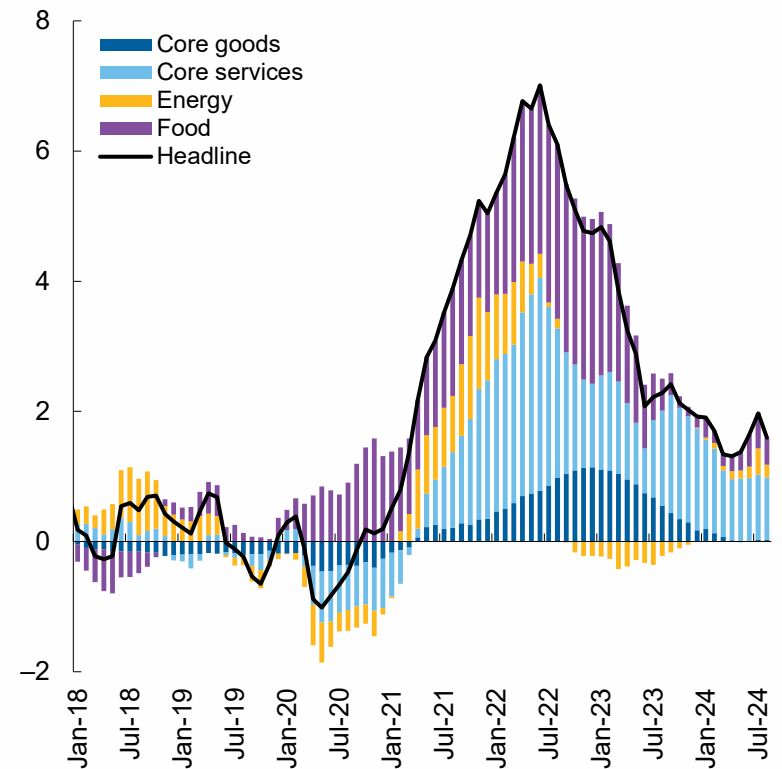
... helped by global disinflation and, until recently, domestic currency appreciation, ...

LA7: Produce Price and Imported Inflation
(Year-over-year percent change)



... but services inflation has remained elevated

LA7: Contributions to Headline Inflation
(Deviation from inflation target; y-o-year percent change)



Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: LA7 is purchasing-power-parity GDP-weighted average. Peru refers to Lima. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

Sources: Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.
Note: Aggregates are purchasing-power-parity GDP-weighted average. LA7 excludes Chile and Paraguay due to data limitations. LC = local currency; PPI = producer price index.

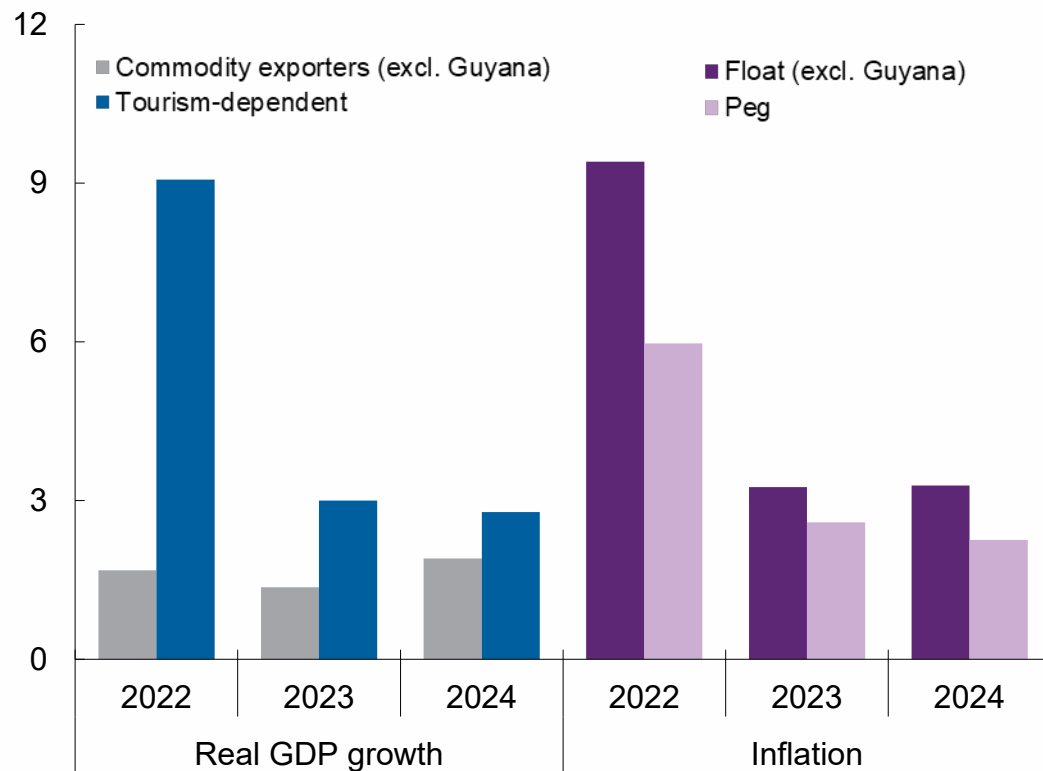
Sources: Haver Analytics; national authorities; and IMF staff calculations.
Note: Aggregate is PPP-weighted average. Core services inflation is defined as headline inflation less food, energy, and core goods. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay); PPI = producer price inflation.

The Caribbean: Economic momentum has slowed

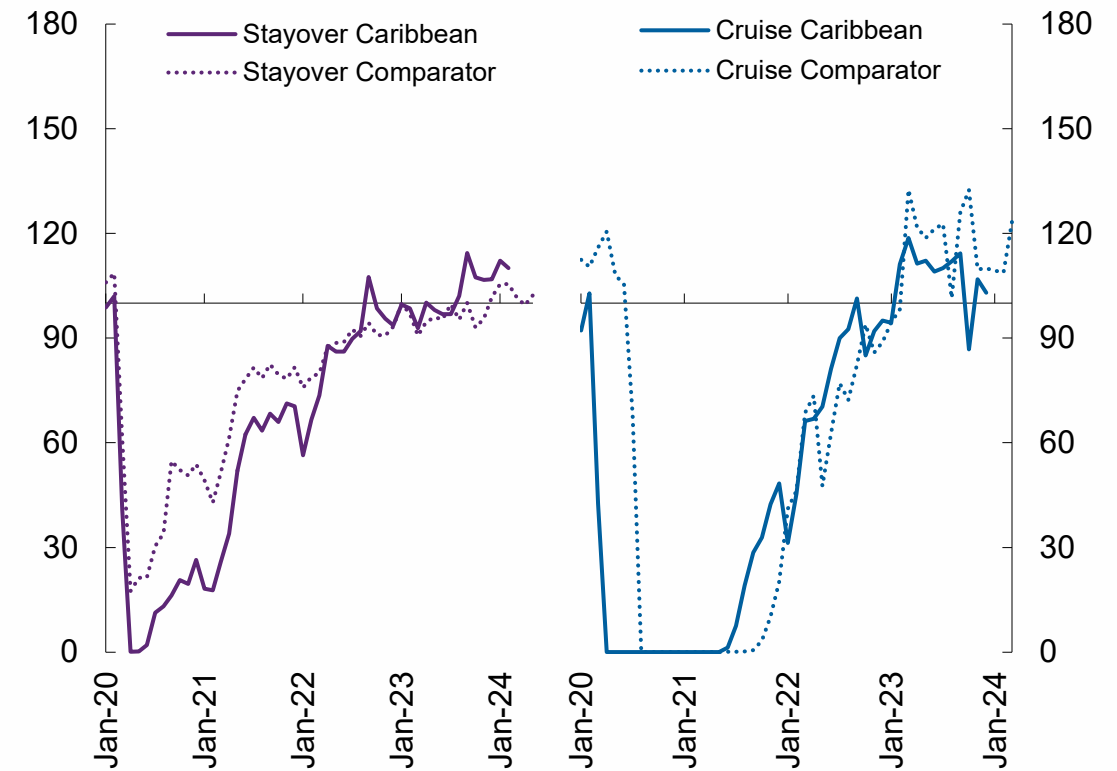
Economic activity has slowed, and inflation has moderated but shows some stickiness

Tourism-dependent countries have slowed as tourist arrivals approached pre-pandemic levels

The Caribbean: Real GDP Growth and Inflation (Percent)



The Caribbean: Tourist Arrivals (Percent of 2019 levels)



Sources: IMF, World Economic Outlook database; and IMF staff calculations.
 Note: Aggregates are purchasing-power-parity GDP-weighted averages. Year average is reported for inflation. IMF staff forecasts for 2024. Haiti is a fragile and conflict-affected state and is not classified as a tourism-dependent or commodity-exporting country. Due to idiosyncratic factors, Haiti had negative growth rates over the period of analysis.

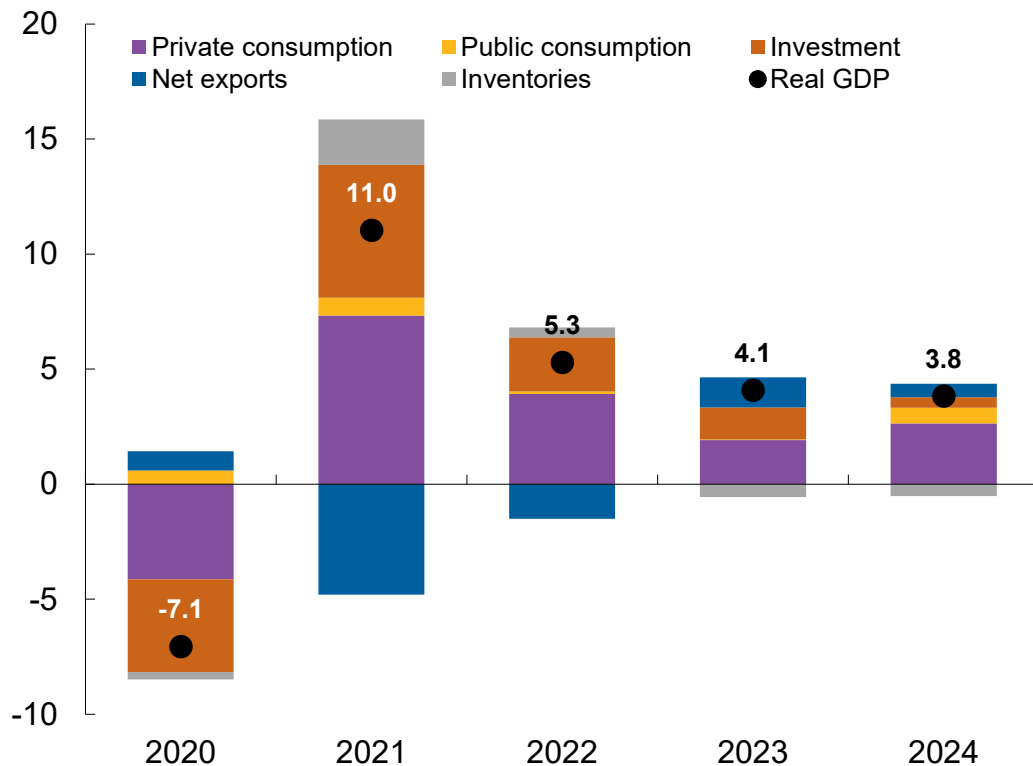
Sources: Caribbean Tourism Organization; Eastern Caribbean Central Bank; national authorities; Tourism Analytics; and IMF staff calculations. Note: Caribbean sample includes Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, Dominica, Grenada, Jamaica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines. Comparator sample includes Costa Rica, Dominican Republic, and Mexico for stayover arrivals, and Dominican Republic and Mexico for cruise ship arrivals.

CAPDR: Growth is robust while inflation is slowing

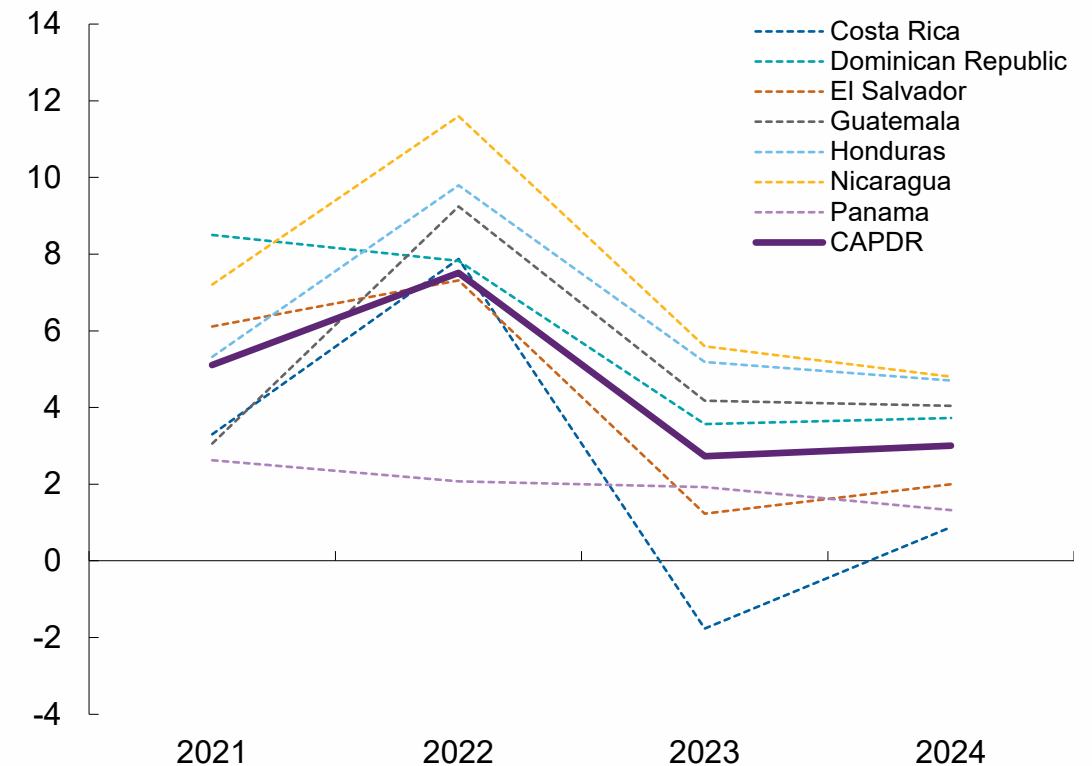
Growth remained solid thanks to strong remittance-fueled consumption and robust exports...

... while inflation has come down in most countries

CAPDR: Contributions to Real GDP Growth
(Year-over-year percent change)



CAPDR: End-of-period Inflation
(Year-over-year percent change)



Source: IMF, World Economic Outlook database; and IMF staff calculations.
Note: Purchasing-power parity GDP-weighted average. Inventories include statistical discrepancies. CAPDR = Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

Source: IMF, World Economic Outlook database.
Note: CAPDR is geometric purchasing-power-parity GDP-weighted average. CAPDR = Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

Near-term Outlook and Risks

Growth will moderate further in 2024–25...

Latin America and the Caribbean: Real GDP Growth (Year-over-year percent change)



Latin America
and the
Caribbean



LAC excluding
Argentina and
Venezuela



Latin
America 7
(LA7)



Other South
America



CAPDR



Caribbean:
Tourism
dependent



Caribbean:
Non-tourism
dependent








	Latin America and the Caribbean	LAC excluding Argentina and Venezuela	Latin America 7 (LA7)	Other South America	CAPDR	Caribbean: Tourism dependent	Caribbean: Non-tourism dependent
2023	2.2	2.6	2.4	-0.1	4.1	3.0	10.0
2024	2.1	2.6	2.4	-1.8	3.8	2.8	16.5
Difference from April 2024	0.1	0.2	0.2	-0.6	-0.1	0.3	2.9
2025	2.5	2.2	2.0	4.0	3.8	2.4	7.1
Difference from April 2024	0.0	-0.1	0.0	0.0	0.0	0.3	-2.2

Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Aggregates are PPP GDP-weighted averages. Difference based on rounded figures for the October 2024 and April 2024 WEO vintages. LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Other South America includes Argentina, Bolivia, Ecuador, and Venezuela. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Caribbean: Tourism dependent encompasses the rest of the Caribbean countries not included in the Caribbean: Non-tourism dependent group, which includes Commodity Exporters (Guyana, Suriname, Trinidad and Tobago) and Haiti.

... amid continuing, but more gradual, disinflation

Latin America and the Caribbean: End-of-period Inflation
(Year-over-year percent change)

	 Latin America and the Caribbean	 LAC excluding Argentina	 Latin America 7 (LA7)	 Other South America	 CAPDR	 Caribbean: Tourism dependent	 Caribbean: Non-tourism dependent
2023	17.2	4.7	5.0	139.1	2.7	4.3	11.5
2024	13.2	4.3	4.4	95.5	3.0	3.5	9.1
Difference from April 2024	0.5	0.6	0.6	-5.5	-0.3	-0.1	1.0
2025	6.9	3.3	3.3	33.5	3.3	3.1	7.6
Difference from April 2024	0.4	0.2	0.3	0.0	0.0	-0.2	0.9

Sources: IMF, World Economic Outlook database; and IMF staff calculations.

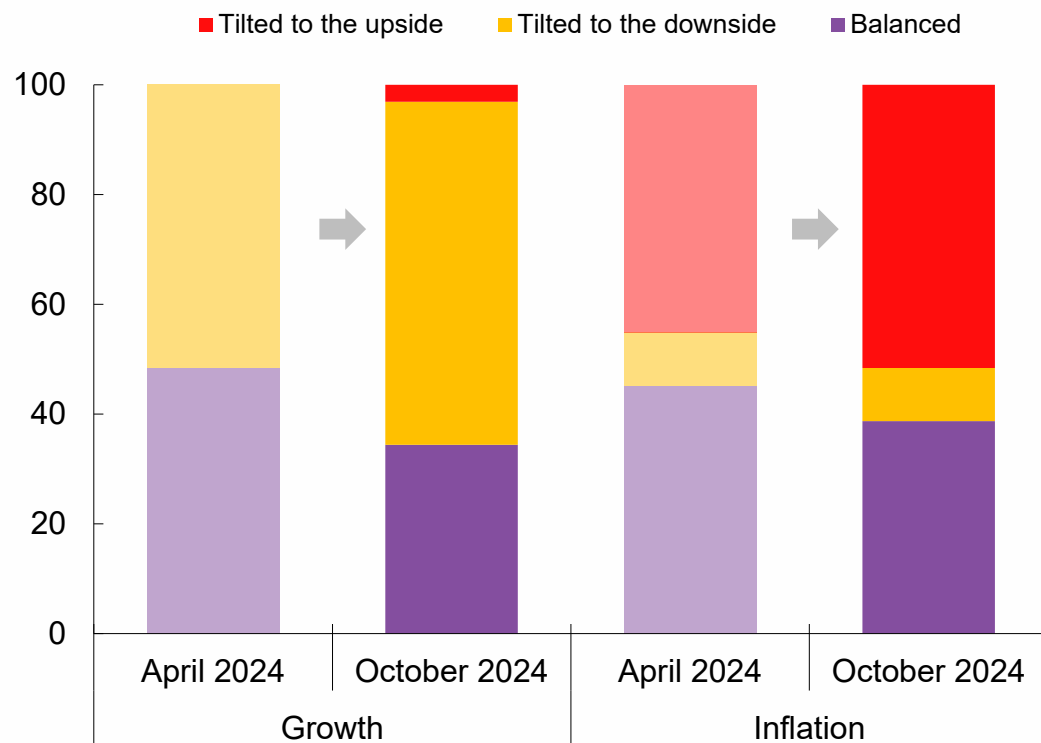
Note: Aggregates are PPP GDP-weighted geometric averages. *All inflation aggregates exclude Venezuela.* Difference based on rounded figures for the October 2024 and April 2024 WEO vintages. LA7 includes Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay. Other South America includes Argentina, Bolivia, and Ecuador. CAPDR includes Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Nicaragua, and Panama. Caribbean: Tourism dependent encompasses the rest of the Caribbean countries not included in the Caribbean: Non-tourism dependent group, which includes Commodity Exporters (Guyana, Suriname, Trinidad and Tobago) and Haiti.

Downside risks to growth and upside risks to inflation dominate

Risks to near-term growth are mainly tilted to downside, while upside risks to inflation have risen somewhat...

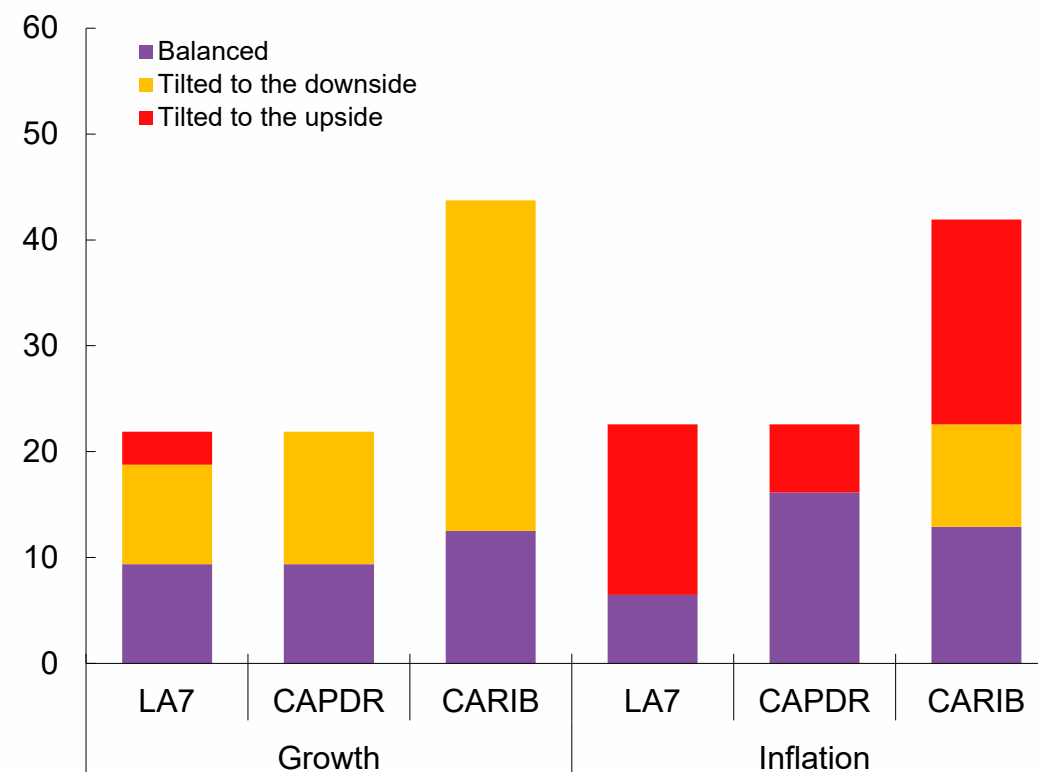
... with some heterogeneity across subregions

LAC: Growth and Inflation Risk
(Percent share of total number of LAC countries)



Source: IMF staff calculations.
Note: LAC = Latin America and the Caribbean.

Growth and Inflation Risks by LAC Subregion
(Percent share of total number of LAC countries)



Source: IMF staff calculations.
Note: CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

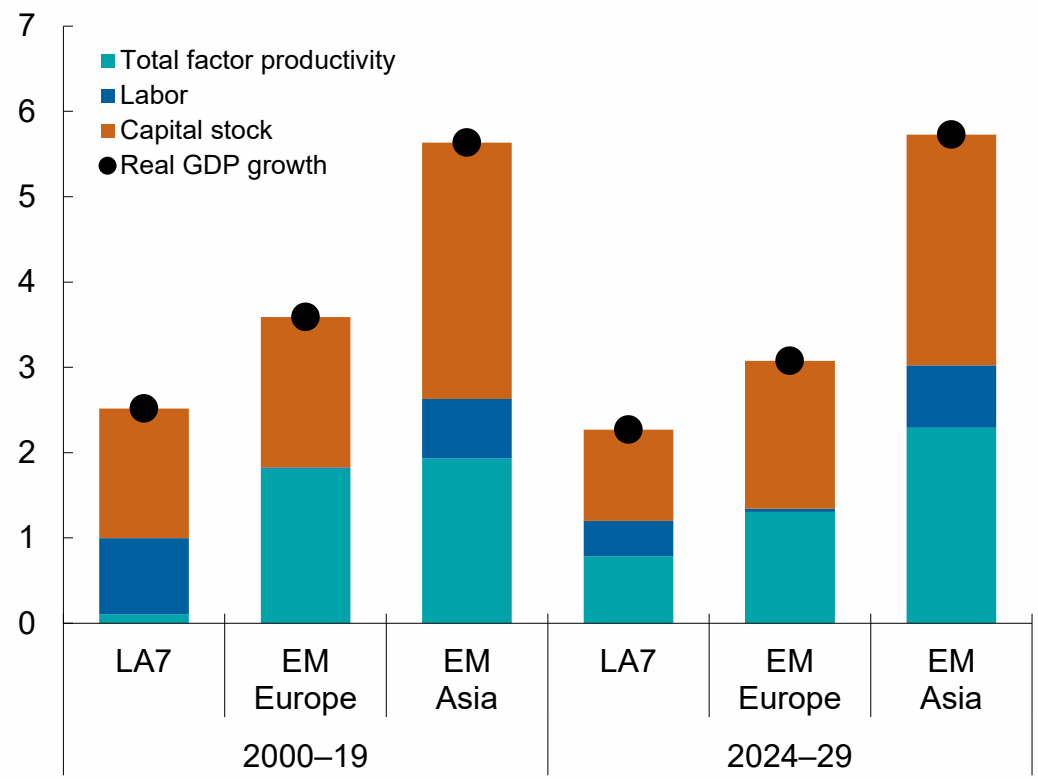
Medium-term Outlook

The medium-term outlook remains lackluster, including due to demographic headwinds ...

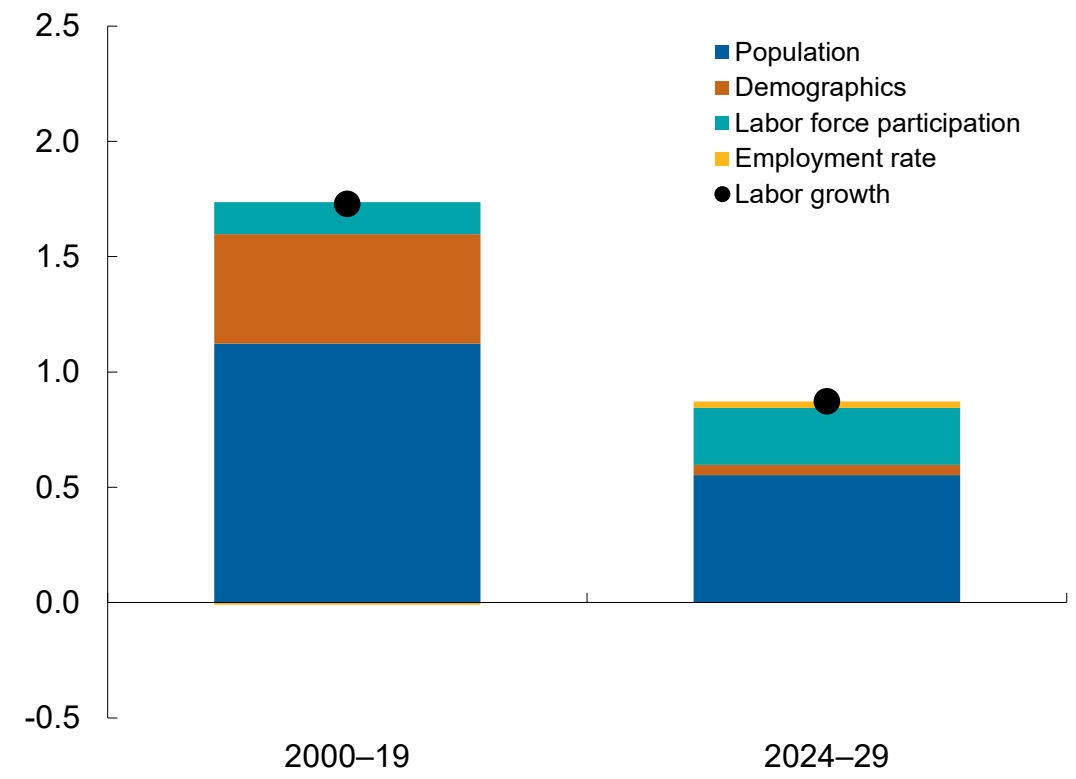
Medium-term growth is expected to remain low, ...

... partly reflecting demographic headwinds

Contributions to Real GDP Growth (Year-over-year percent change)



Contributions to Labor Growth (Year-over-year percent change)



Sources: IMF, World Economic Outlook database; Penn World Table 10.0 database; and IMF staff calculations.
 Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay due to data limitations. EM = emerging; EM Asia = India, Indonesia, Malaysia, Philippines, Thailand; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay; Peru, Uruguay).

Sources: IMF, World Economic Outlook database; World Bank, Population Estimates and Projections database; and IMF staff calculations.
 Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay).

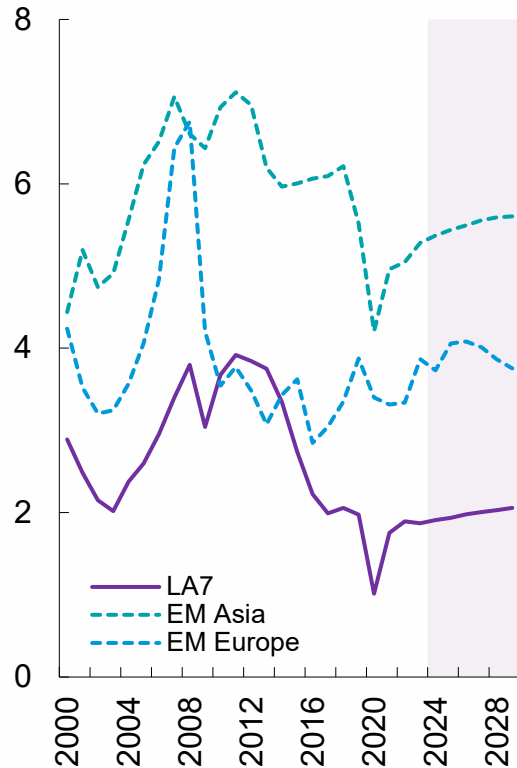
... and tepid prospects for capital accumulation and productivity growth

Investment is expected to remain low, partly reflecting low public investment

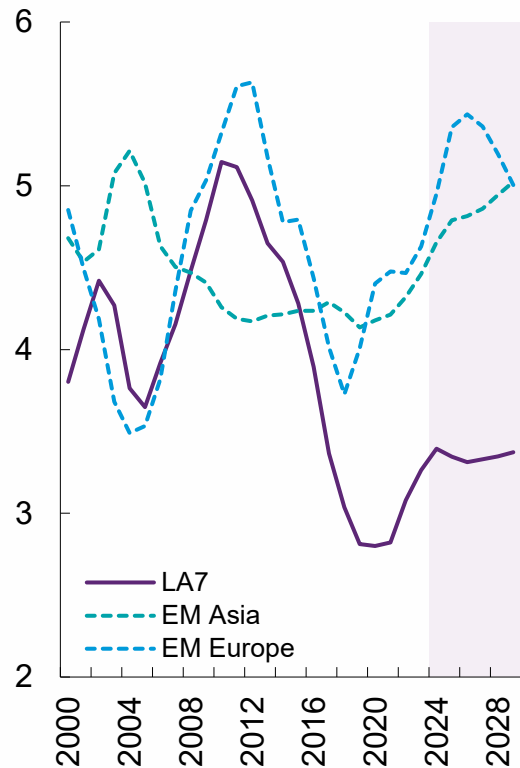
Total factor productivity is expected to remain stagnant unlike in peers

Real Capital Stock and Public Investment

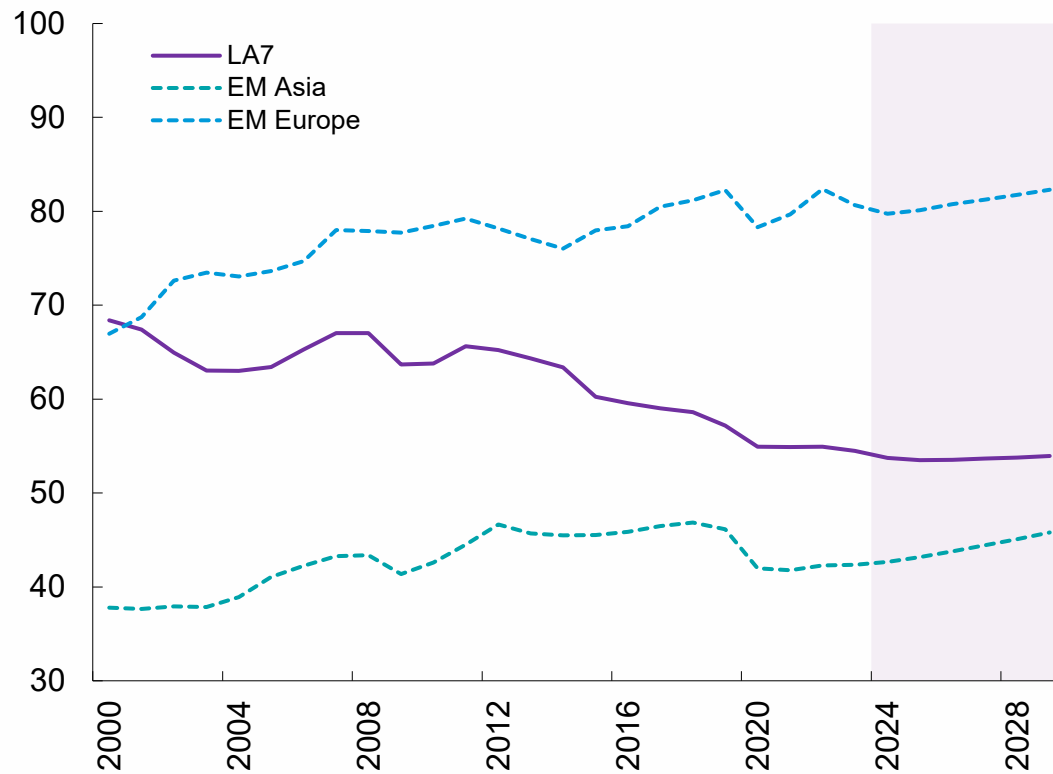
Real Capital Stock Growth (Percent)



Public Gross Fixed Capital Formation (Percent of GDP; 3y moving average)



Total Factor Productivity Relative to the United States (Percent)



Sources: IMF, World Economic Outlook database; Penn World Table 10.0 database; and IMF staff calculations. Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay in real capital stock growth chart) and Uruguay (in public investment chart) due to data limitations. EM Asia = India, Indonesia, Malaysia, Philippines, Thailand, Vietnam; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay; Peru, Uruguay).

Sources: IMF, World Economic Outlook database; Penn World Table 10.0 database; and IMF staff calculations. Note: Aggregates are purchasing-power-parity GDP-weighted averages. LA7 excludes Paraguay due to data limitations. EM Asia = India, Indonesia, Malaysia, Philippines, Thailand; EM Europe = Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Latin America 7 (Brazil, Chile, Colombia, Mexico, Paraguay; Peru, Uruguay).

Rebalancing the Policy Mix

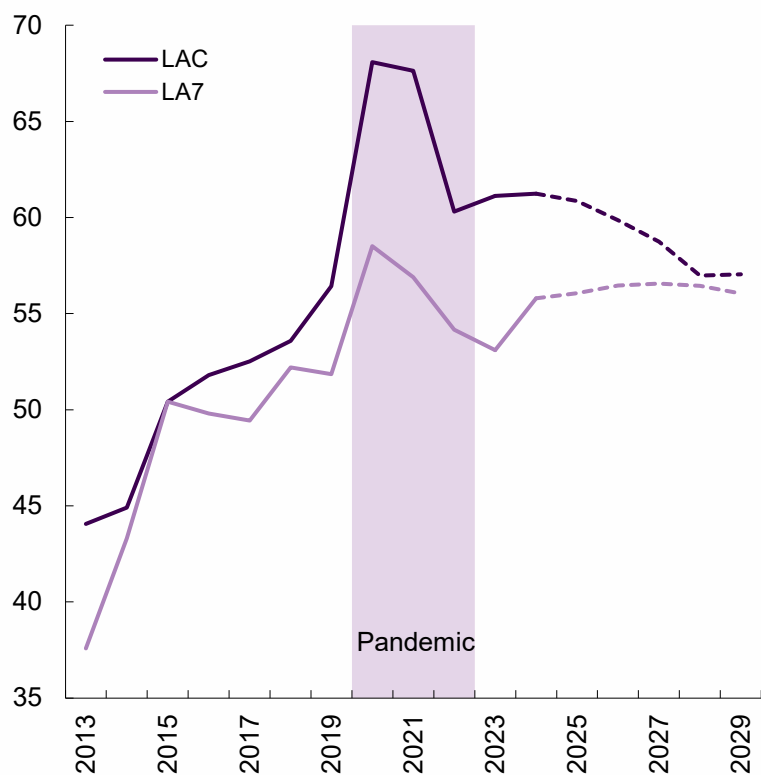
With closed output gaps, efforts to rebuild fiscal buffers should proceed

Public debt is projected to remain elevated, following a pre-pandemic buildup

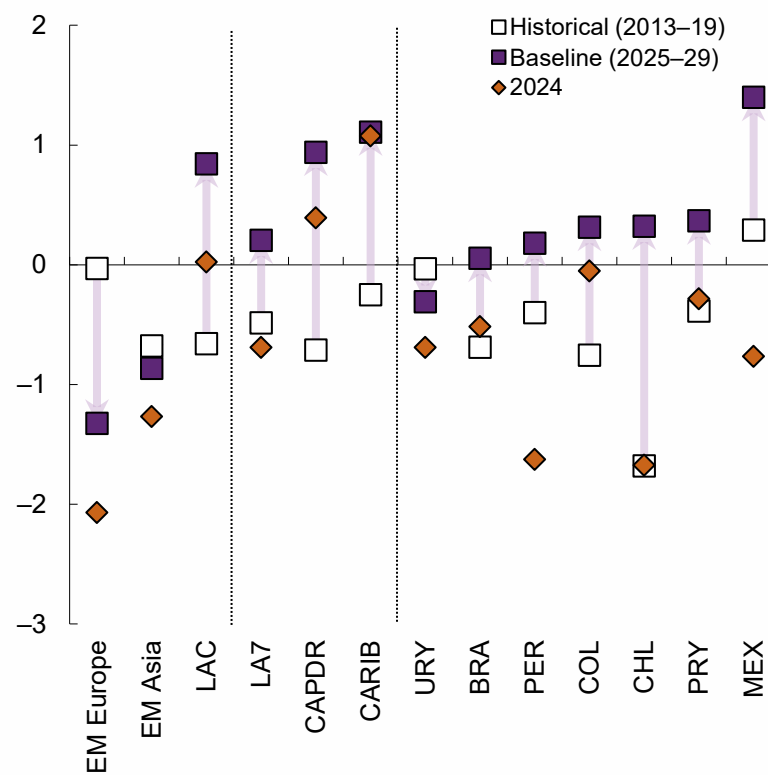
...despite ambitious fiscal consolidation plans,...

... as the region faces unfavorable debt dynamics due to low growth and high financing costs

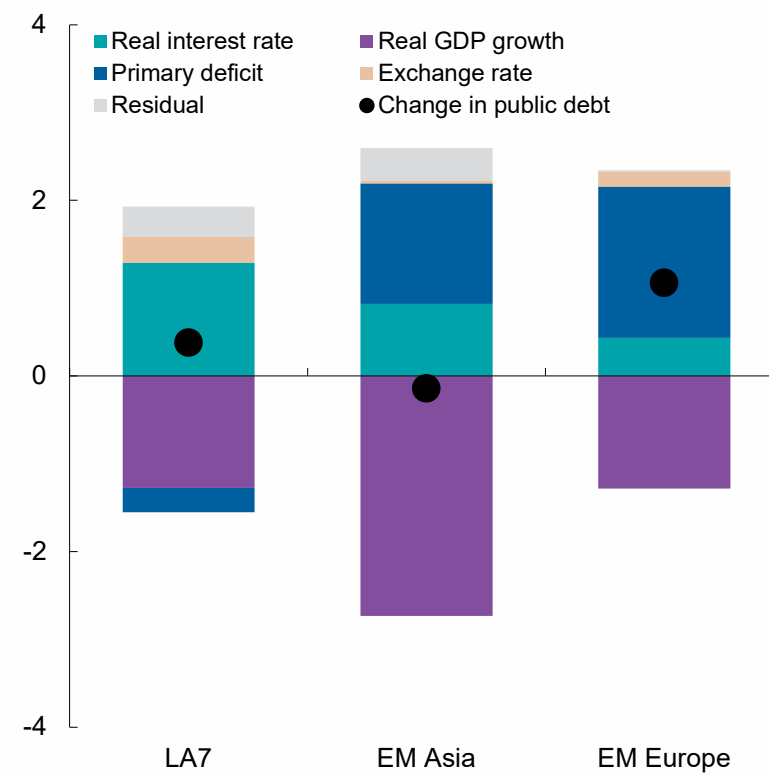
General Government Gross Debt
(Percent of GDP)



General Government Primary Balance
(Percent of GDP)



Decomposition of Public Debt Changes
(Average 2024-29; percentage points of GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations. Note: Aggregates are medians. LAC = Latin America and the Caribbean (excl. ARG/VEN); LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

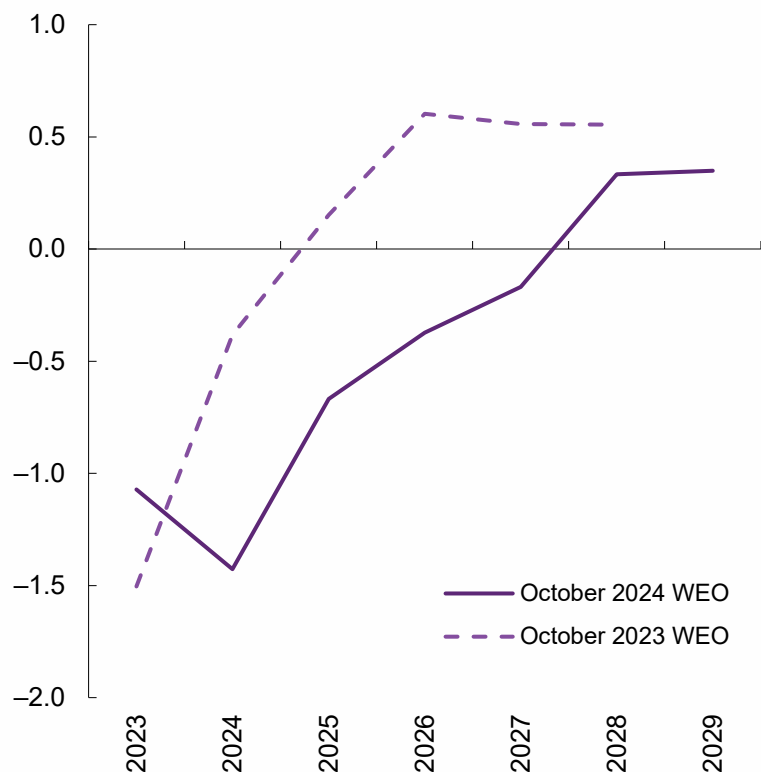
Sources: IMF, World Economic Outlook database; and IMF staff calculations. Note: Aggregates are medians. CAPDR = Central America, Panama, and the Dominican Republic; CARIB = Caribbean; EM Asia = India, Indonesia, Malaysia, Philippines, Thailand, Vietnam; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LAC = Latin America and the Caribbean (excl. ARG/VEN); LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

Sources: IMF, World Economic Outlook database; and IMF staff calculations. Note: Aggregates are simple averages. EM = emerging markets; EM Asia = India, Indonesia, Malaysia, Philippines, Thailand; EM Europe = Bosnia and Herzegovina, Bulgaria, Hungary, Poland, Romania, Serbia; LA7 = Brazil, Chile, Colombia, Mexico, Paraguay, Peru, Uruguay.

... without further delays, and accompanied by measures to strengthen fiscal frameworks and revenue mobilization

Making progress with consolidation...

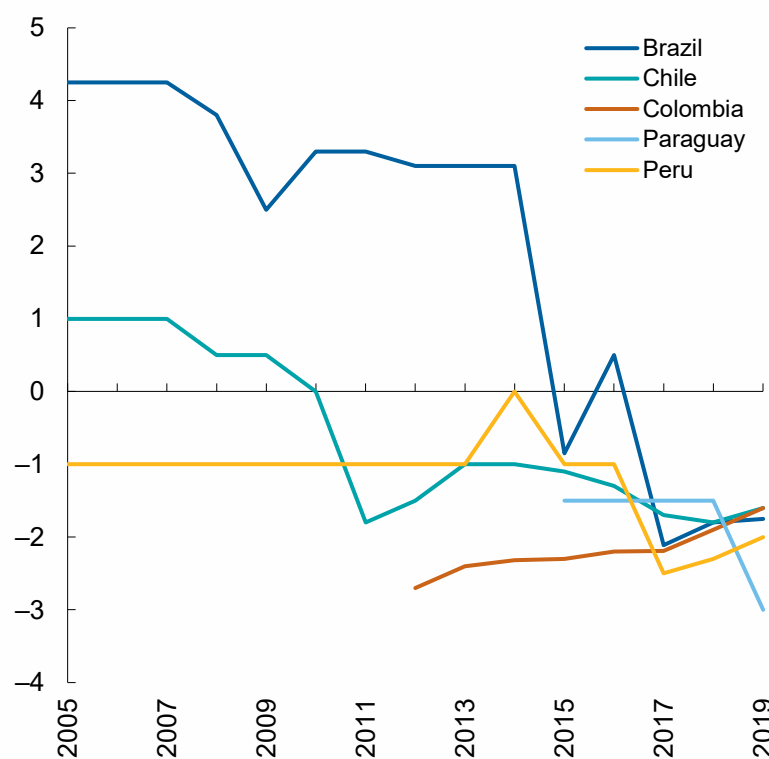
LA7: General Government Structural Primary Balance
(Percent of potential GDP)



Sources: IMF, World Economic Outlook database; and IMF staff calculations. Note: LA7 is median. Chile refers to the central government's structural non-mining primary balance. Colombia refers to the consolidated public sector's structural non-oil primary balance. Peru refers to the nonfinancial public sector's structural primary balance. LA7 = BRA, CHL, COL, MEX, PRY, PER, URY.

... may require strengthening of fiscal frameworks, as they allow frequent changes to operational targets

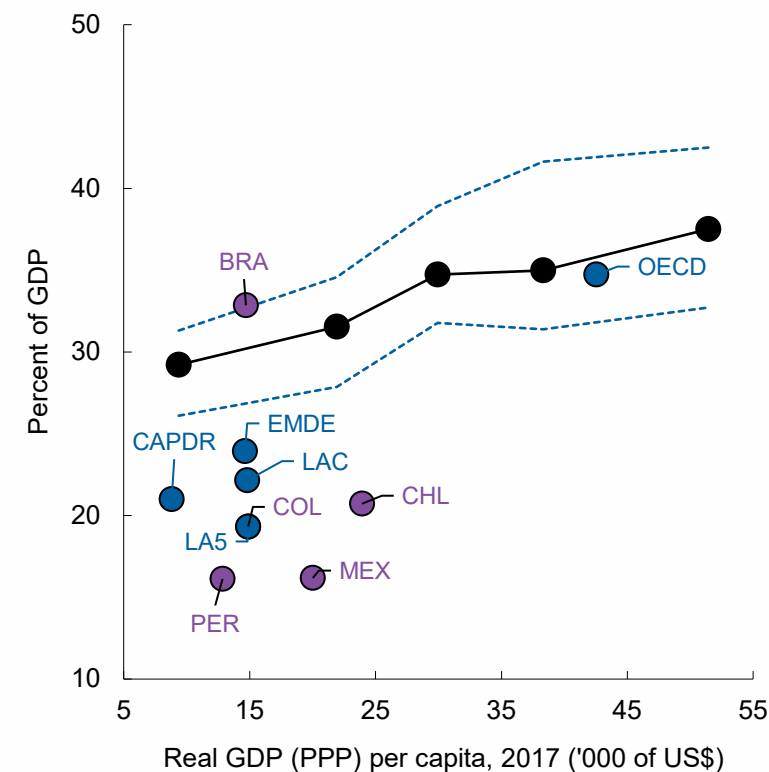
Fiscal Targets for Budget Balance Rules
(Percent of GDP)



Sources: Ulloa-Suarez and Valencia (2022); Survey of IMF country teams; and IMF staff calculations. Note: Reflects the ultimate fiscal target set for each given year. Brazil has a primary balance fiscal target. Chile and Colombia have a structural balance fiscal target. Peru and Paraguay have an overall balance target.

Consolidation should put emphasis on raising tax revenue from currently low levels

Tax Revenue Collection
(Percent of GDP)



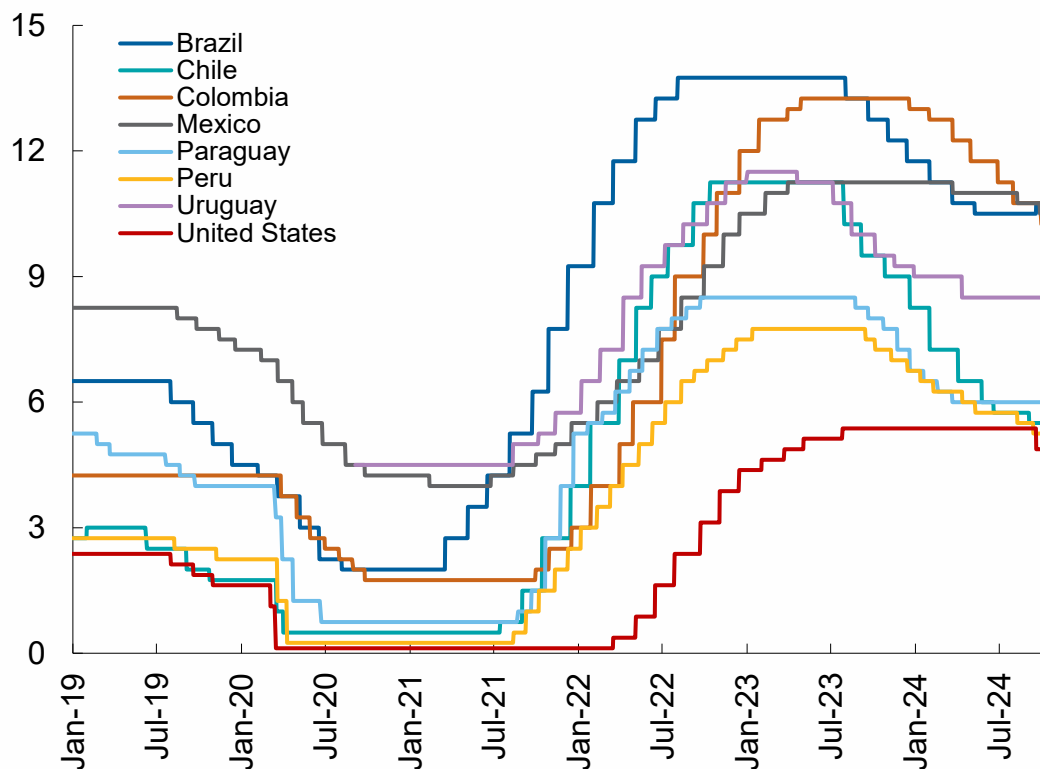
Sources: Methodology builds on Acosta-Ormaechea, Sola, and Yoo (2019); OECD Tax Revenue Statistics database; and IMF staff calculations. Note: See details in 2021 Regional Economic Outlook Background Note "Tax Policy for Inclusive Growth in Latin America and the Caribbean."

Monetary easing should continue in most countries given still-high real rates and near-target inflation, ...

Although most central banks have moved forward with monetary easing, ...

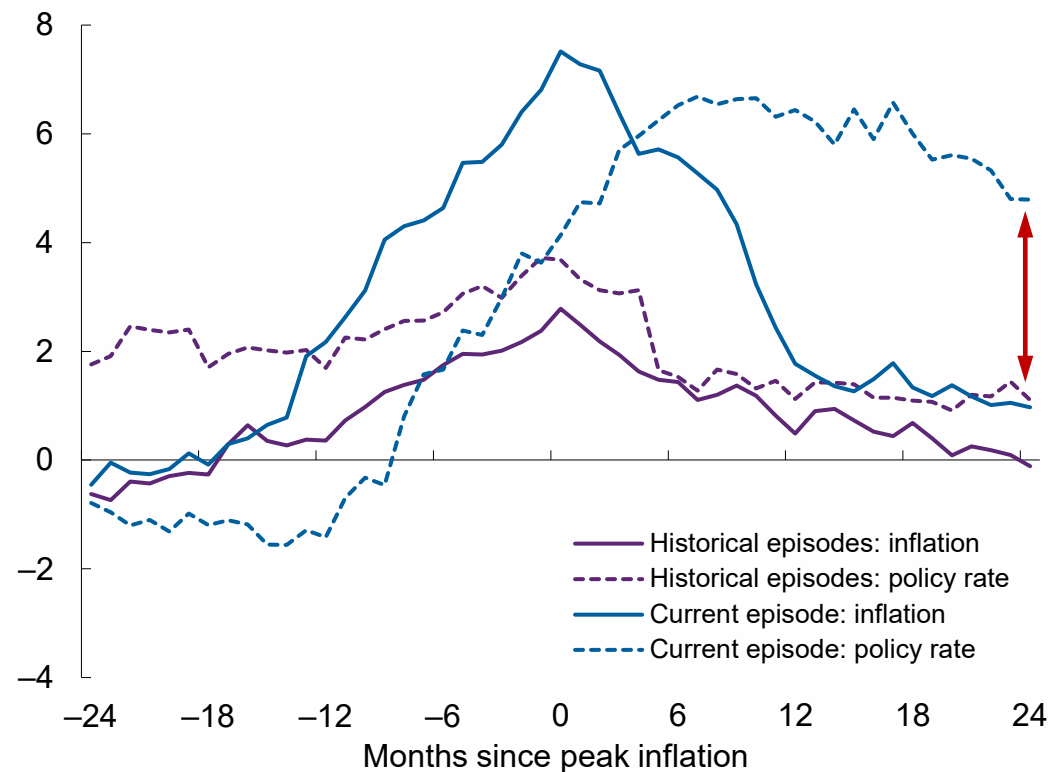
... real policy rates remain restrictive

Monetary Policy Rates
(Nominal; percent)



Sources: Haver Analytics; and national authorities.

LA5: Headline Inflation and Ex-ante Real Monetary Policy Rate Across Inflation Episodes
(Percentage points)



Sources: Haver Analytics; national authorities; and IMF staff calculations.

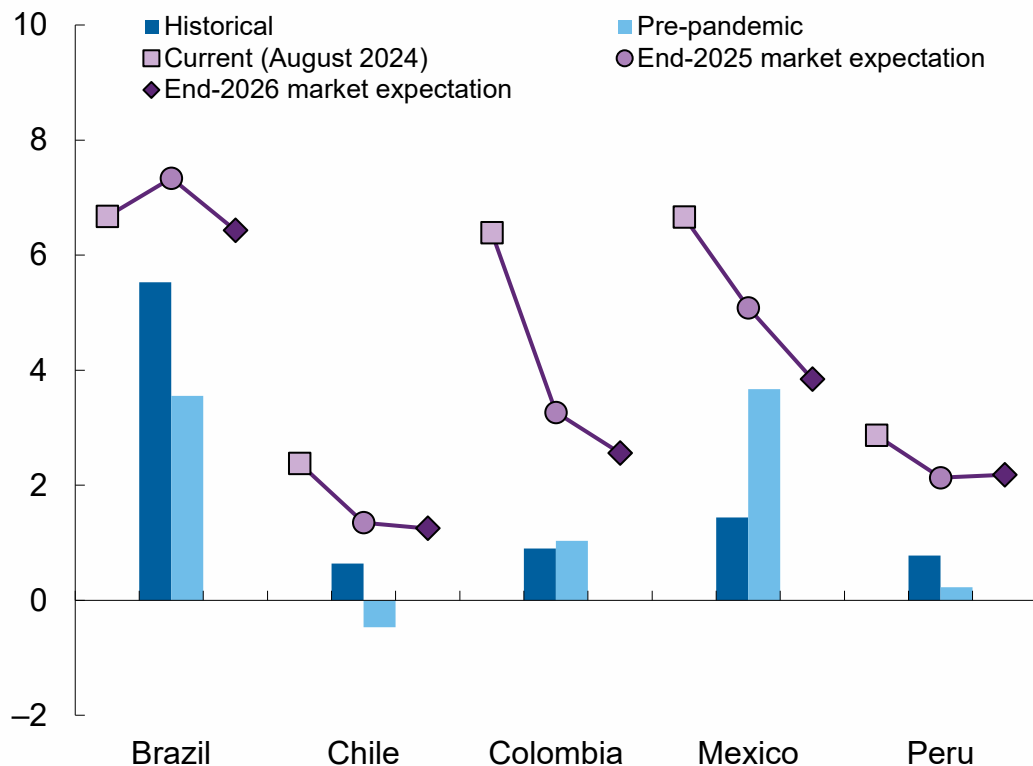
Note: Inflation is deviation from inflation target. Ex-ante real policy rate is the difference between nominal policy rate and one-year ahead inflation expectations. Historical episodes are defined as periods when headline inflation rises above the target by 2 percentage points and returns within 2 percentage points in under 2 years, since the adoption of inflation targeting. Current episode excludes Colombia. Aggregates are medians. LA5 = Latin America (Brazil, Chile, Colombia, Mexico, Peru).

... mindful of uncertainty about neutral rates and upside risks to inflation

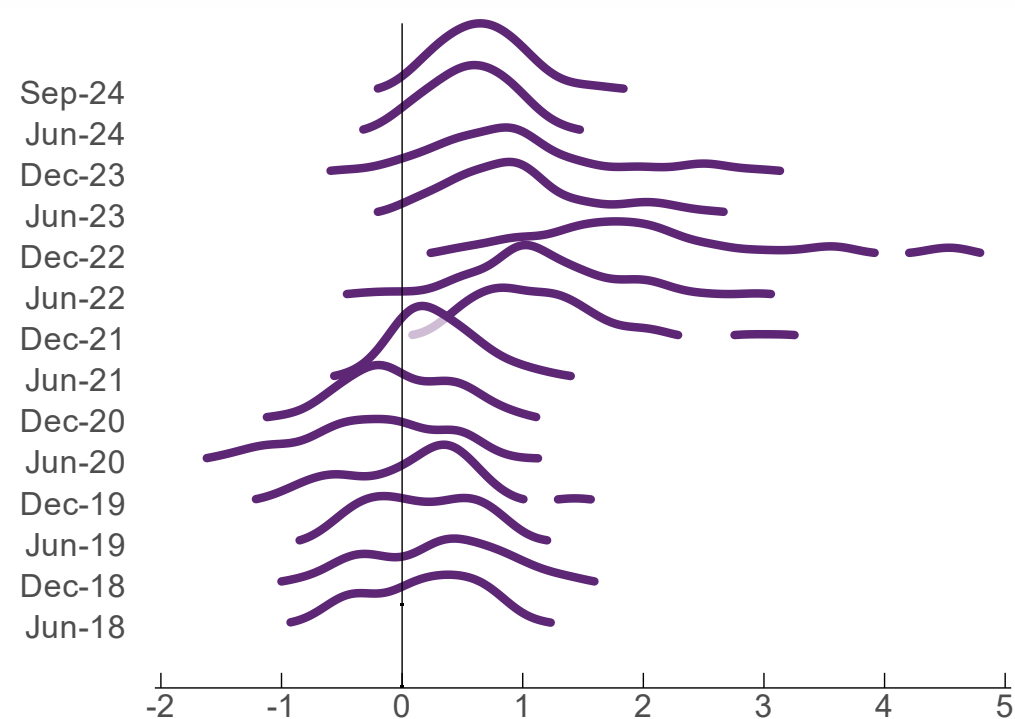
Market expectations for terminal policy rates point to higher levels than those prevailing before the pandemic

Inflation expectations are not-yet-fully re-anchored

Real Ex-Ante Monetary Policy Rates and "Terminal Rate" Estimates (Percent)



LA7: Distribution of One-Year-Ahead Inflation Expectations by Forecasters (Percentage points; deviation from inflation target)



Sources: Bloomberg Finance L.P.; Haver Analytics; IMF, World Economic Outlook database; national authorities; and IMF staff calculations.

Note: Historical (full sample, 2001–19) and pre-pandemic (2017–19) refer to the average real ex-ante monetary policy rates when headline inflation was within one percentage point of the inflation target during those periods. End-2025 and end-2026 reflect market expectations of monetary policy rates. Paraguay and Uruguay are not shown due to data limitations.

Sources: Consensus Economics; and IMF staff calculations.

Note: Density plots of one-year-ahead (December-over-December) inflation forecast deviation from inflation targets by Consensus Forecasts vintage. Excludes Paraguay and Uruguay due to data limitations.

Pressing on with Structural Reforms to Boost Potential Growth

Structural impediments cloud the medium-term outlook

FISCAL

Poor public investment management

Distortionary tax policy

Inadequate social spending

Inefficient revenue administration

Inadequate fiscal rule

Weak fiscal transparency

Energy subsidies

Distortionary policies for green transition

LABOR MARKETS

Skills mismatch

Inadequate active labor market policies

Rigid employment protection

Labor mobility and migration restrictions

Gender discrimination

High tax wedge

Inadequate unemployment benefits

Rigid collective bargaining frameworks

GOVERNANCE

Government ineffectiveness

Inadequate control of corruption

Weak rule of law

Political instability and violence/terrorism

Weak voice and accountability

PRODUCT AND CREDIT MARKETS

Barriers to access to credit

Barriers to entry and exit of firms

Inadequate government involvement

Inadequate competition policies

Poor contract enforcement, consumer protection, and creditor rights protection

TRADE

Inadequate trade infrastructure and/or customs

Non-tariff barriers to trade in goods

Tariff barriers to trade in goods

Services trade restrictiveness

Source: WHD country teams.

Reforms are needed to address these impediments

CROSS-CUTTING REFORMS

- ❖ Strengthen enforcement of contracts and property rights
- ❖ Enhance independence, efficiency and credibility of justice system
- ❖ Tackle corruption through robust legal anti-corruption framework, reduce fragmentation of anti-corruption agencies
- ❖ Enhance government effectiveness
- ❖ Strengthen fiscal rules and predictability of fiscal policies
- ❖ Eliminate tax distortions, strengthen tax administration and tackle evasion

REFORMS TO MITIGATE DEMOGRAPHIC HEADWINDS AND BOOST PRODUCTIVITY

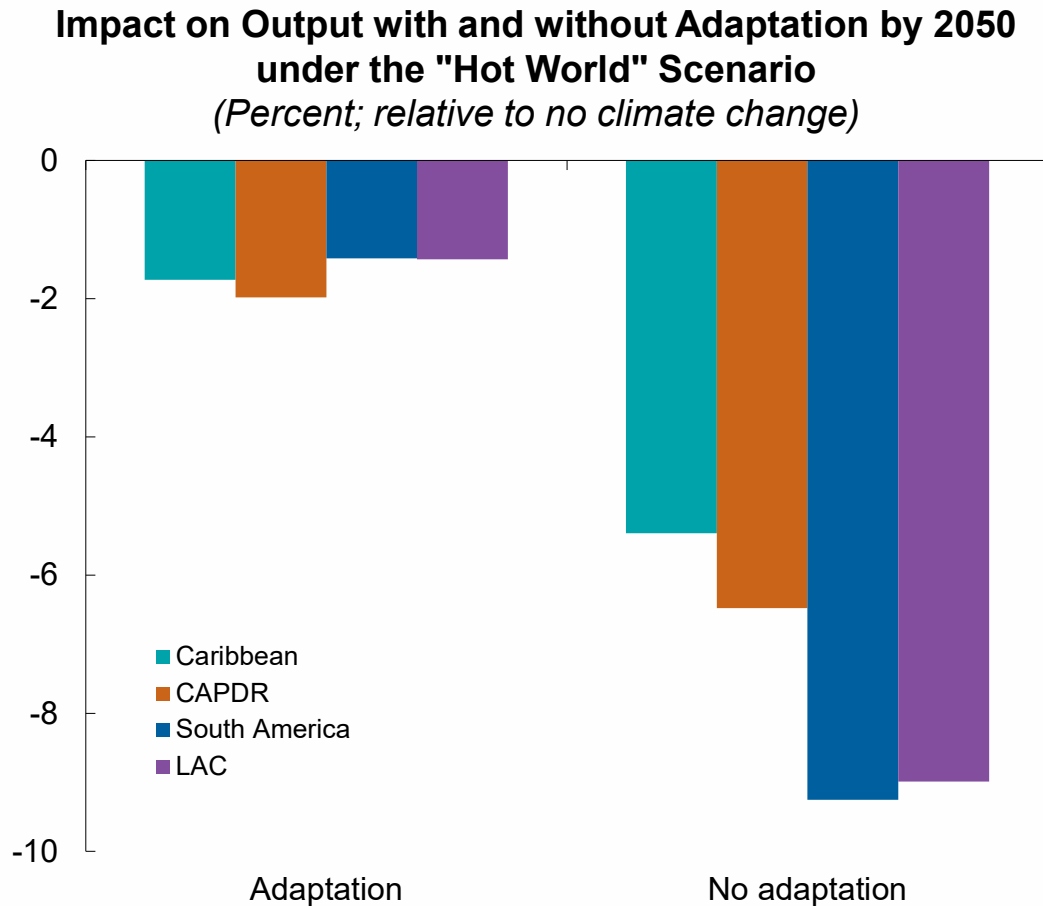
- ❖ Tackle informality by incentivizing formalization through social benefits and tax policies (especially SMEs)
- ❖ Address skill mismatch, by improving vocational training and youth education.
- ❖ Increase female labor participation
- ❖ Reduce non-wage labor costs
- ❖ Strengthen employment protection

REFORMS TO FOSTER CAPITAL ACCUMULATION

- ❖ Simplify business entry and exit by facilitating licensing and permits and swifter bankruptcy procedures
- ❖ Strengthen competition policies
- ❖ Foster trade integration by improving trade-related infrastructure
- ❖ Strengthen public investment management systems
- ❖ Strengthen management and accountability of public utility companies
- ❖ Implement climate mitigation and adaptation policies, and foster green transition

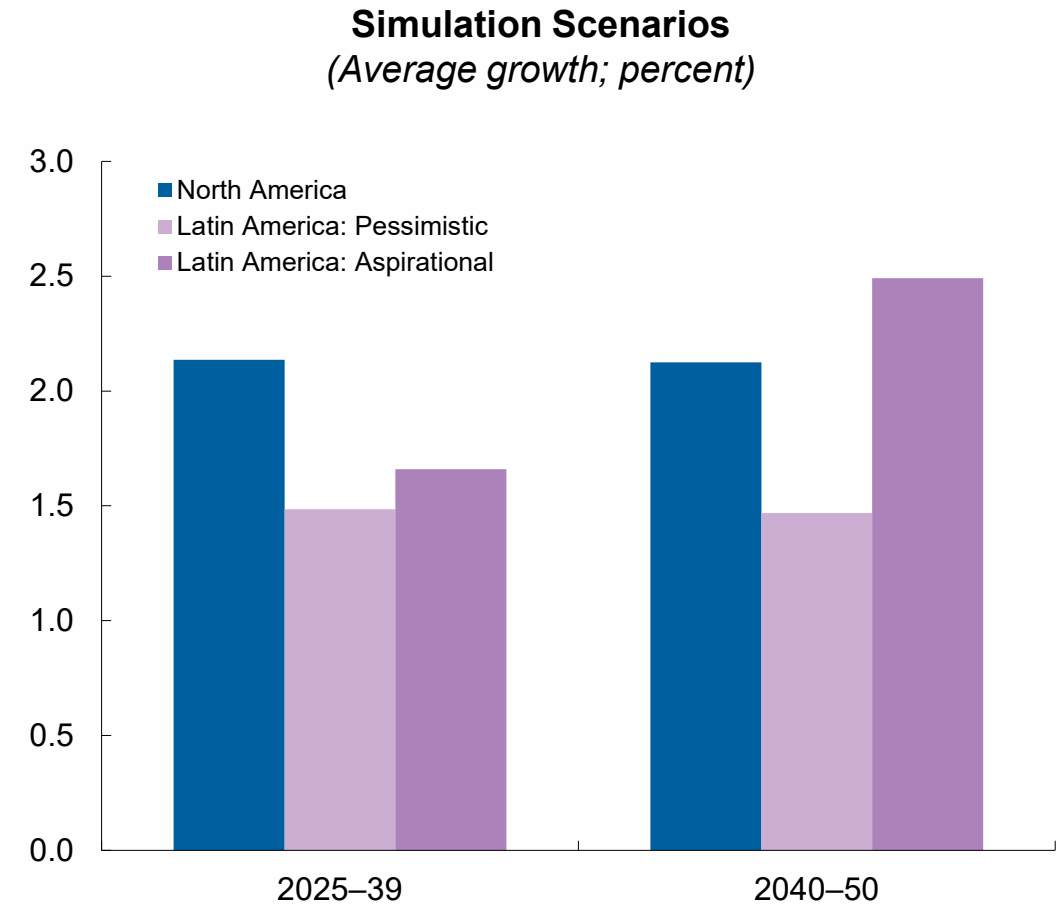
Policies will also need to focus on new challenges and opportunities

Adaptation policies are needed to mitigate the expected impact of climate change



Sources: FADCP Climate Dataset (Massetti and Tagliis, 2023), using CRU data (Harris et al., 2020) and CMIP6 data; and Mohaddes and Raissi (2024).
Note: The "Hot World" scenario implies doubling CO2 emissions by 2100.

Harnessing the benefits of AI will require investment in IT and education to foster faster adoption



Source: Bakker and others, forthcoming.

Main messages

- ❖ Most countries in the region are **converging to their (tepid) potential**, although from different cyclical positions.
- ❖ **Inflation** has fallen considerably and is **near target** in most countries but showing stickiness.
- ❖ With output and inflation gaps mostly closed, a further **rebalancing of the policy mix is necessary**.
 - ❖ **Fiscal consolidation** should advance without delay to rebuild buffers while protecting priority public investment and social spending. This will support monetary policy normalization and strengthen credibility and resilience of policy frameworks.
 - ❖ Most central banks are well placed to proceed with **monetary easing**, striking a balance between fending off the risk of reemerging price pressures and avoiding an undue economic contraction.
- ❖ **Medium-term growth** is expected to remain **subdued**, reflecting long-standing, unresolved challenges—including low investment and productivity growth—as well as shifting demographics.
- ❖ The ongoing reform agenda is thin and could lead to a vicious circle of low growth, social discontent, and populist policies.
- ❖ Avoiding low-growth trap requires **pressing on with reforms** to foster all drivers of growth.



Thank You