General government gross debt represents governments' outstanding liabilities stemming from the need to finance deficits through borrowing. Governments accumulate debt to finance expenditures above their revenues. In the long run, debt can help for instance the development of infrastructure that could trigger economic growth. In turn, fluctuations of the exchange and interest rates can have a strong effect on government debt when it has a relevant foreign currency component (as it is the case in several LAC countries), creating vulnerability to external conditions.

In 2018, the average debt level in LAC countries reached 64.7% of GDP. Between 2007 and 2018, debt increased by 17.2 p.p. across LAC countries. That is relatively low when compared to an increase of 35.5 p.p. in OECD countries during the same time period. Despite still recording the third highest debt in the region (94.3% of GDP), Jamaica is the country were debt decreased the most (20.1 p.p.) over the 11-year period; helped by an IMF programme for fiscal recovery accompanying a set of fiscal reforms. The other LAC countries that managed to decrease their debt levels over the same period are Panama (9.7 p.p.), Guyana (8.0 p.p.) and Peru (5.7 p.p.).

Conversely, the highest increases during the 2007-2018 period occurred in Suriname (55.3 p.p.), Barbados (48.3 p.p.), Trinidad and Tobago (28.8 p.p.) and Costa Rica (26.5 p.p.). The steep increase in Suriname' debt could be explained by its dependency on the mining industry and its vulnerability to changes in mineral prices. The drop in international commodity prices and the cessation of alumina mining in Suriname significantly reduced government revenue and reduced GDP growth over the past few years. In response, the government only established a stabilization fund in 2017 and highly devalued the local currency and resorted to debt for financing public expenditure (IMF, 2018).

Between 2007 and 2018, the annual average growth rate of real government debt per capita in LAC countries was 3.9%, reaching an average of USD 10 656 PPP per capita in 2018. In turn, the average growth rate of real government debt per capita in OECD countries was higher (4.6%), reaching an average of USD 55 219 PPP per capita in 2018. During the 11-year period, Chile strongly increased its debt per capita (21 p.p.) and Jamaica was the only LAC country where it decreased it (-2.2 p.p.), see online graph. It is expected that debt in the LAC region will continue to grow in the near future to partially compensate for, among others, the stabilization of commodity prices at comparatively low levels, slower economic growth and increasing expectations and demands from the population for governments to provide more public goods and services.

Methodology and definitions

Data are from the IMF World Economic Outlook (WEO) database (October 2019), which is based on the *Government Finance Statistics Manual* (GFSM). The GFSM provides a comprehensive conceptual and accounting framework suitable for analysing and evaluating fiscal policy. It is harmonised with other macroeconomic statistical frameworks, such as the System of National Accounts (SNA). However, some differences exist between the GFSM and the SNA frameworks in several instances, which led to the establishment, to a large extent, of correspondence criteria between the two statistical systems. The GFSM and SNA frameworks have been recently revised and several statistical standards were implemented by the countries.

Debt is generally defined as all liabilities requiring payment(s) of interest or principal by the debtor to the creditor at a date(s) in the future. Thus, all debt instruments are liabilities, but some liabilities (e.g. shares, equity and financial derivatives) are not debt. The treatment of government liabilities in respect of their employee pension plans varies across countries, making international comparability difficult. Under the GFSM framework, unfunded government sponsored retirement schemes are included in the debt components. In the 1993 SNA, only the funded component of the government employee pension plans is reflected in its liabilities. However, the 2008 SNA recognises the importance of the liabilities of employers' pension schemes, regardless of whether they are funded or unfunded. For pensions provided by the government to its employees, some flexibility is allowed in the recording of unfunded liabilities in the core accounts. See more on calculating government debt per capita in general government revenues in the methodology and definitions of Section 2.4. For the OECD average, data are from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

IMF (2018), "Suriname: 2018 Article IV Consultation – Staff report", *IMF Country Report*, No. 18/376, IMF Publishing, Washington, DC.

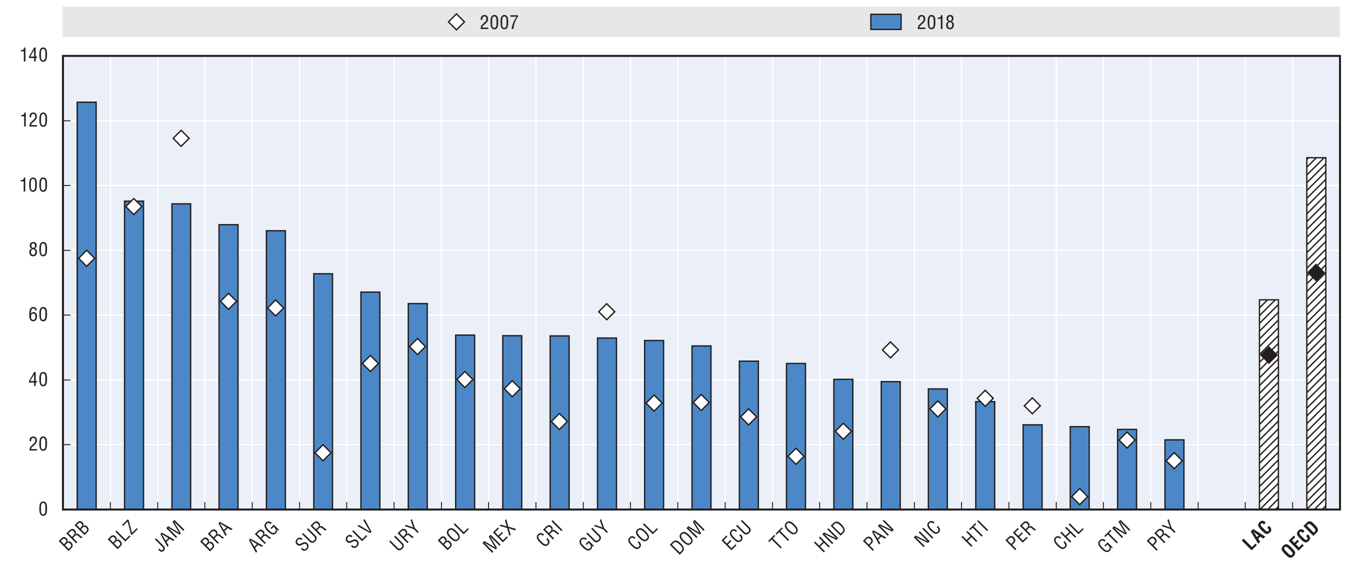
OECD et al. (2019), *Latin American Economic Outlook 2019: Development in Transition*, OECD Publishing, Paris, *https://doi.org/10.1787/g2g9ff18-en.*

Figure notes

Data for Bolivia and Suriname for 2018 refer to forecasts. LAC and OECD averages are weighted. For more information on country specific notes (e.g. coverage of general government) please refers to: *https://www.imf.org/external/pubs/ft/weo/2019/02/weodata/index.aspx*

2.7. (Annual average growth rate of real government gross debt per capita, 2007-18) is available online in Annex F.

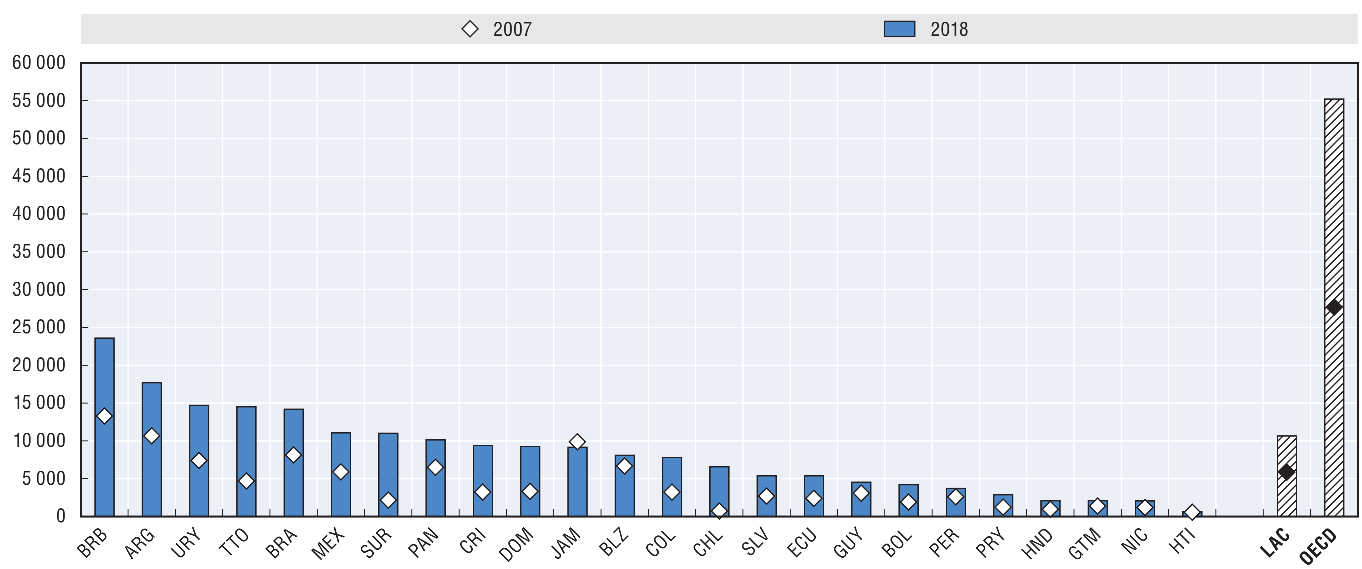
2.5. General government gross debt as percentage of GDP, 2007 and 2018



Source: Data for LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

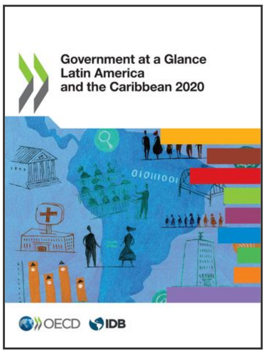
StatLink https://doi.org/10.1787/888934091220

2.6. General government gross debt per capita, 2007 and 2018



Source: Data for LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2019). Data for the OECD average: OECD National Accounts Statistics (database).

StatLink https://doi.org/10.1787/888934091239



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