CABEI
Central American Bank for Economic Integration

MONTHLY ECONOMIC
SITUATION REPORT

OFFICE OF THE CHIEF ECONOMIST

JUNE 2022

The monthly economic situation report for June presents an ad hoc analysis of the macroeconomic performance of the world in general and of Central America in particular, with information available as of July 15, 2022. The process to prepare this report was led by Armando E. Navarrete, Principal Economist. The research and drafting were in charge of Miguel Angel Medina Fonseca (Economist), Fanny Vargas (Economist), Rodrigo Méndez (Economist), Clara Rivera (Junior Economist) and Bruno André Figueroa (Intern).

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OPINION

The economic situation points to a slowdown in global economic growth, within a high inflation and more restrictive financial conditions environment, which if maintained, would increase the probability of stagflation. Meanwhile, supply chain bottlenecks, consequences from geopolitical conflict between Russia and Ukraine, and mobility restrictions implemented in China in the second quarter (Policy Zero COVID), have accelerated internacional price increases in crude oil, other commodities, and merchandise shipping costs, which along with underlying demand pressures, have raised observed inflation and short-term expectations. As a response, the FED increased its policy rate again and further increases are expected in the coming months. In Central America, lower global economic performance could cause a slowdown growth forecast's for 2022. Finally, inflationary pressures are expected to remain high, causing additional hikes the regions policy rates, which would deepen the negative impact on demand.

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Principal Economist

MONTHLY ECONOMIC SITUATION REPORT JUNE 2022

I. Global economy slows down in a high inflation context

1. US reported mixed economic indicators. Productive activity has slowed down in recent weeks, without yet having any negative effects on labor market. For their part, the high inflation rates and increases in short-term expectations justified a more restrictive monetary policy.

i. The weekly economic index grew 2.6% as of July 9 (3.4% in the previous week),[1] while the 13-week moving average increased by 3.6%.[2]

ii. The GDPNow model estimated a drop of -1.2% for the second quarter of 2022 (as of July 8), lower than the initial estimate of 1.9% (April 29). The smaller decline compared to previous estimates was due to the update of June employment statistics, which showed a stable evolution.[3,4]

iii. Total nonfarm employment rose by 372,000 people in June 2022 (384,000 in May), with total and Latino unemployment unchanged at 3.6% and 4.3%, respectively.[5]

iv. Initial jobless claims reached 244,000 in the week ending July 9, an increase of 9,000 from the previous week.[6] These have risen in recent weeks, reaching levels like those registered in the second half of 2019.

2. Inflation accelerated in the US. This behavior reflected the increases in international commodity prices in the face of imbalances between supply and demand caused by the pandemic and exacerbated by the conflict between Russia and Ukraine.

i. Year-over-year inflation was 9.1% in June 2022 (8.6% in May) reaching its highest level since November 1981. The groups that registered the largest year-over-year increases were fuels (60.6%), energy services -electricity, gas- (19.4%), sale of new vehicles (11.4%) and food (10.4%); while the total index minus food and energy grew below general inflation (5.9%).[7]

ii. The FED increased the monetary policy rate to 1.50%-1.75%, a change of 75 basis points, the highest since 1994. It also continued to reduce unconventional asset purchase programs (quantitative easing).[8] Another hike of 75 basis points in the rate is expected for the July meeting, and successive increases in the following meetings until it is placed in the range of 3.25% to 3.50% by the end of the year.[9]

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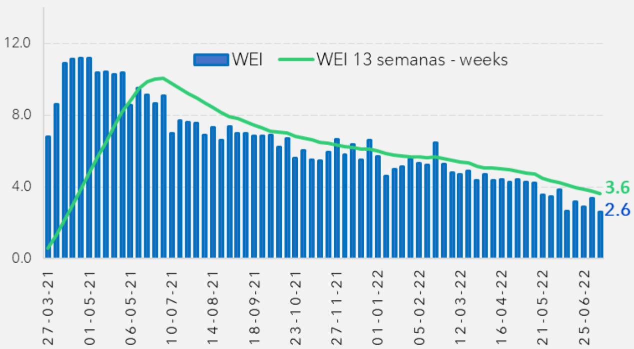
[1] The weekly economic index (WEI) is compiled with data available on a daily or weekly basis for 10 indicators of real economic activity related to the consumer, the labor market and production.
[2] Federal Reserve Bank of New York. Weekly Economic Index (WEI). July 14, 2022.
[3] GDPNow is not an official Atlanta Fed forecast. It is an estimate of seasonally adjusted real GDP growth based on available economic data for the current quarter (nowcast).
[4] Federal Reserve Bank of Atlanta. GDP Now. Estimate for 2022: Q2. July 8, 2022.
[5] United States Bureau of Labor Statistics. Employment situation summary. July 8, 2022.
[6] United States Department of Labor. Unemployment insurance weekly claims, Seasonally Adjusted Data. July 14, 2022.
[7] US Bureau of Labor Statistics. Economic news release: Consumer Price Index Summary. July 13, 2022.
[8] Board of Governors of the Federal Reserve System. Federal Reserve issues FOMC statement. June 15, 2022
[9] Reuters poll. Federal Reserve Will Raise Interest Rates by 75 Basis Points in July, Despite Recession Concerns - Poll. June 22, 2022.

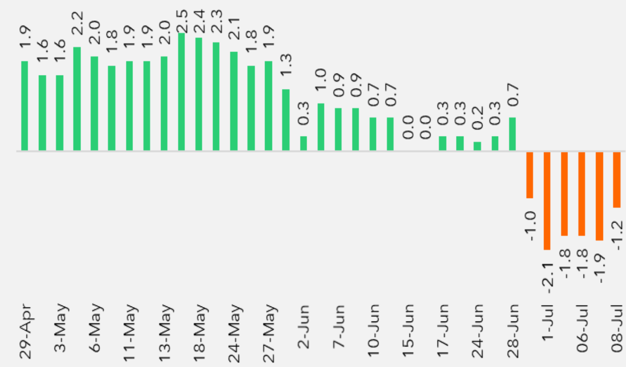
Panel 1. Selected macroeconomic indicators for the United States

Figure 1. Weekly economic activity
(year-over-year, percent change)



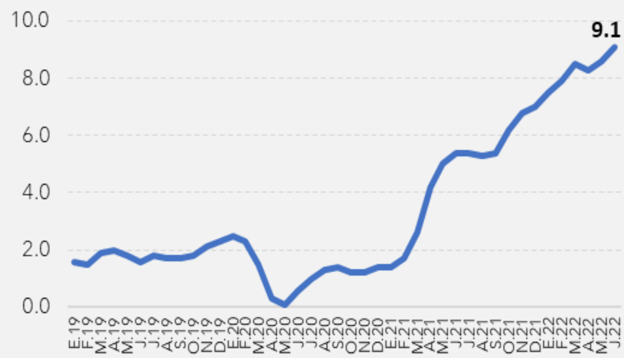
Signs of economic slowdown are seen in the weekly activity indicator

Figure 2. GPDNOW- second quarter real GDP estimate
(seasonally adjusted annual rate, percent)



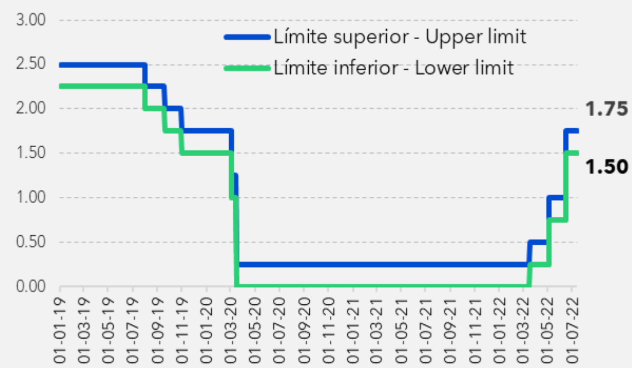
Nowcasting with negative estimates of real GDP

Figure 3. Inflation *(year-over-year, percent change)*



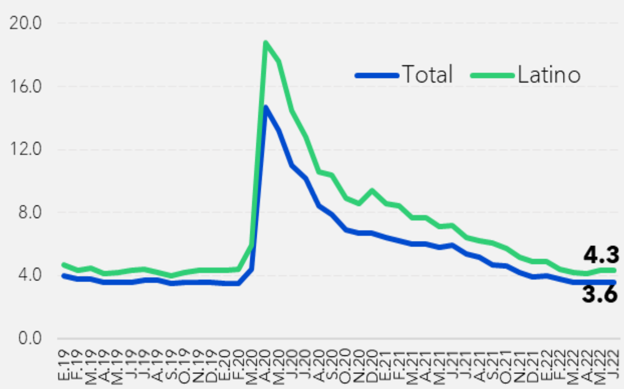
Increase in energy products impacts the acceleration of inflation from the end of 2021

Figure 4. Federal Funds Interest *(percent)*



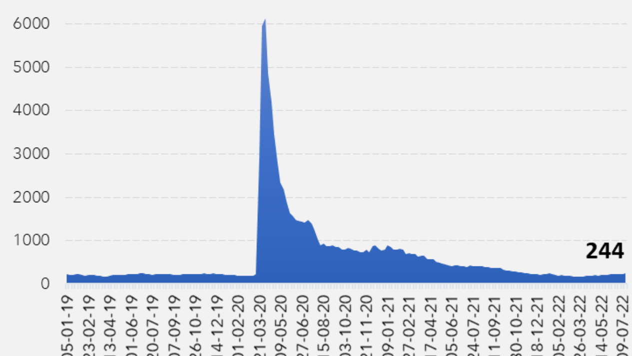
FED seeks to curb inflationary pressures and anchor expectations

Figure 5. Unemployment rate *(percent)*



Lower economic activity has not been transferred to the labor market

Figure 6. Initial subsidy claims *(thousands)*



Strong labor market seen in stability of initial claims in recent weeks

Source: Office of the Chief Economist with information from the Federal Reserve Bank of New York. Federal Reserve Bank of Atlanta. Bureau of Labor Statistics. Board of Governors of the Federal Reserve System. United States Department of Labor. Federal Reserve Bank of St. Louis.

3. Unemployment fell marginally and inflation continued to rise in the Euro Zone. The unemployment rate was 6.6% in May 2022, lower than the previous month (6.7%) and below that reported in May 2021 (8.1%).[10] For its part, inflation is expected to be 8.6% in June 2022 (8.1% in May). Energy would have the largest annual increase with 41.9% (39.1% in May), followed by food, alcohol and tobacco with 8.9% (7.5% in May), non-energy industrial goods with 4.3% (4.2% in May) and services with 3.4% (3.5% in May). Inflation continued to exceed the milestone of the highest value in the history of the single currency.[11]

4. Inflation registered increases in most of CABEI's non-regional partner countries. The monetary authorities of Argentina, Colombia and Mexico raised the policy interest rate to deal with inflationary pressures and expectations in the short term. In this regard, the Board of Directors of the Central Bank of the Argentine Republic increased it by 300 basis points,[12] the Board of Directors of Banco de la República at 150 basis points[13], the Monetary Policy Board of Korea by 50 basis points[14], and the Board of Governors of the Bank of Mexico at 75 basis points.[15] Finally, the variation in industrial production indices increased in most of the countries, while unemployment was stable or declining in most of them.

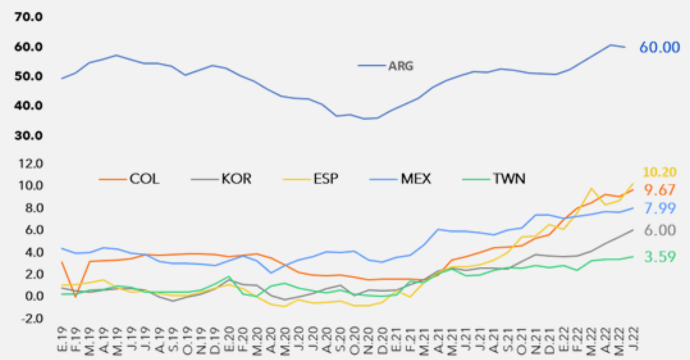
5. The prices of the main commodities in the Central American region had a mixed behavior. The average price of WTI oil was USD 114.6 a barrel in June 2022, an increase of 4.6% compared to May and 60.5% higher compared to the previous year. For its part, the international prices of Arabica coffee rose 5.1%; while they fell for palm oil (-12.6%), beef (-1.6%), bananas (-1.5%), sugar (-1.1%), and gold (-0.6%). Prices of all commodities increased compared to June 2021.[16]

6. The food price index fell in June. The variation was -2.3% compared to the previous month, its third consecutive monthly decrease, although it was 23.1% above the level registered in June 2021. The fall was led by decreases in the prices of vegetable oils, cereals and sugar, while the prices of dairy products and meat increased. Among the main factors that influenced the downward trend in international prices were the seasonal availability of the new wheat crops in the northern hemisphere and of palm oil, and lower global demand and prospects for an economic slowdown. Meat prices faced a surge to an all-time high because of prolonged global supply shortages affected by the conflict in Ukraine and outbreaks of avian flu in the northern hemisphere. Finally, within the dairy group, cheese prices rose the most due to increased import demand, as markets worried about the availability of supplies for the rest of the year, as the early summer heat wave further depressed already low milk production in Europe.[17]

[10] Eurostat. May 2022. Euro area unemployment at 6.6%. US at 6.1%. June 30, 2022.
[11] Eurostat. Flash estimate - June 2022. Euro area annual inflation up to 8.6%. July 1, 2022.
[12] Central Bank of the Republic of Argentina. June 16, 2022.
[13] Banco de la República de Colombia. Minutas de la reunión de la Junta Directiva del Banco de la República del 30 de junio de 2022.
[14] Bank of Korea. Monetary Policy decisión. July 13, 2022
[15] Banxico. Monetary policy announcement. May 12, 2022.
[16] The World Bank. Commodity markets. July 2022.
[17] Food and Agriculture Organization of the United Nations. FAO Food Price Index. July 8, 2022.

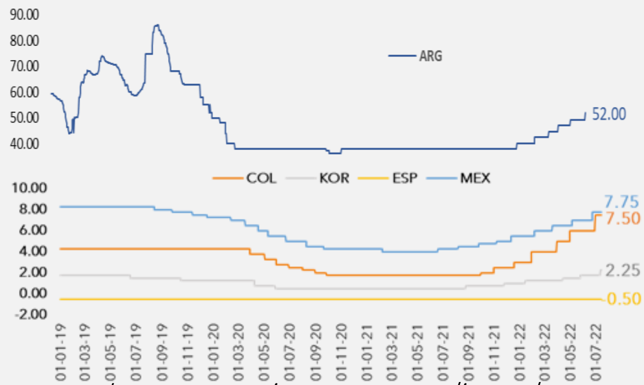
Panel 2. Macroeconomic indicators selected non-regional member countries of CABEI and commodity prices

Figure 7. Inflation (year-over-year, percent change)



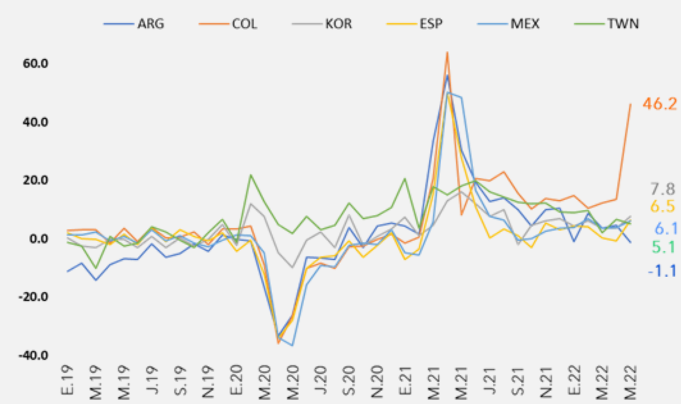
It has accelerated in recent months, due to the interruption of supply chains and the increase in the price of commodities

Figure 8. Monetary policy rate (percent)



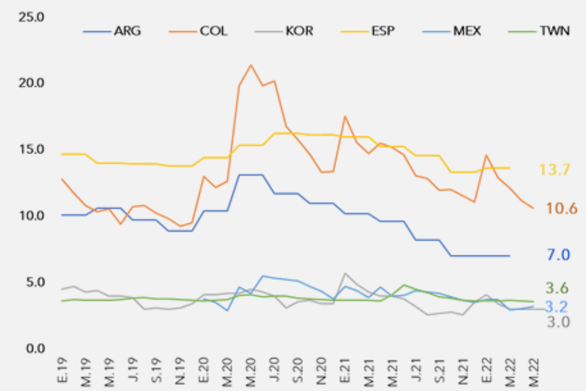
In some countries, monetary policy seeks curb inflationary pressures

Figure 9. Industrial production index (year-over-year, percent change)



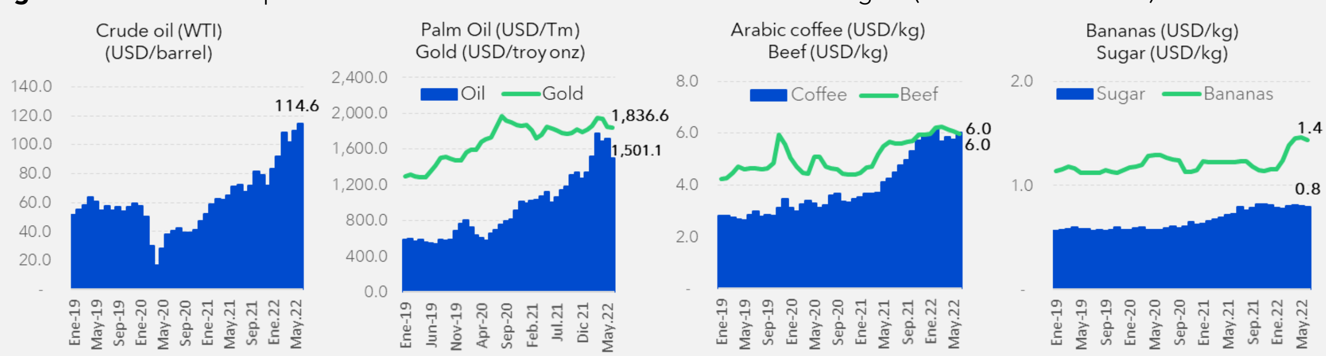
Industrial economic activity is growing

Figure 10. Unemployment rate (percentage)



Economic growth reduces unemployment

Figure 11. International prices of main commodities in the Central American region (USD/unit of measure)



Prices had a mixed behavior compared to the previous month

Source: Office of the Chief Economist with information from the statistical institutes and central banks of the partner countries outside the region; The World Bank.

7. COVID-19 continues to generate downside risks to the outlook for global economic growth. In China, the closure of major cities in April and May (Zero COVID Policy) paralyzed the world's second largest economy and affected global supply chains. The foregoing was reflected in downward revisions of economic growth for this country to 4.1% in 2022 (5.5% official estimate).[18] For its part, new cases of COVID-19 in the world increased 17.1% in the last moving month (as of July 5). To date, the fully vaccinated and booster population reached 61.2% and 27.1%, respectively.[19]

8. Moody's downgraded Mexico's long-term debt rating. The rate was downgraded to Baa2 (previously Baa1), while the outlook went from negative to stable. The rating agency considered that weak investment prospects and increasing structural rigidities will affect economic activity, preventing a narrowing of the gap between the pre-pandemic GDP trend level and current estimates for 2022-2024. It also mentioned that the fiscal outlook would be affected by the increase and rigidities in spending, as well as by the reduction in financial reserves, which together would limit the authorities' ability to manage future crises. The stable outlook incorporates the expectation of policy continuity and the authorities' commitment to macroeconomic stability.[20]

9. Standard & Poor's affirmed Mexico's long-term debt rating and revised upward the outlook. The rating remained at BBB while the outlook was changed from negative to stable. The change in outlook reflects the rating agency's expectation that cautious macroeconomic management will prevail over the next two years, despite a more complex global context.[21]

[18] Nikkei Asia, China GDP seen up 4.1% in 2022 as zero-COVID bites: Nikkei survey. July 7, 2022.
[19] Our World in data. COVID-19 Data Explorer. July 5, 2022.
[20] Moody's Investors Service. Rating Action. Moody's downgrades Mexico's ratings to Baa2, changes outlook to stable from negative. July 8, 2022.
[21] S&P Global Ratings. Comunicado de prensa: S&P Global Ratings revisó perspectiva de México a estable por ejecución de políticas fiscales y monetarias más cautelosas; confirmó calificaciones. 6 de julio de 2022.

Box 1. Effects on shipping of the conflict between Russia and Ukraine

The price of maritime transport has increased in recent months. This has been driven in part by factors related to the COVID-19 pandemic, such as port congestion, mobility restrictions in Chinese cities, among others. The conflict between Russia and Ukraine has exacerbated this situation due to the paralysis of port operations in Ukraine, the destruction of important infrastructure, the trade restrictions imposed on Russia, the increase in insurance costs and the further increase in prices of the fuel. In particular, the average price of fuel oil rose to USD 1,000.0 per ton at the end of May 2022, an increase of 64.0% compared to the beginning of the year.

Fewer grain shipments over longer distances caused food prices to rise. Before the conflict, a 3.0% growth in world cereal exports by sea was estimated; they are now projected to decline by 3.8% in 2022. Dry bulk freight rates increased by 59.0% between February and May 2022, due to higher rates and greater distances travelled, which would lead to explain almost half of the additional increase of 3.7% in global food prices. Middle-income economies are expected to see a slightly higher increase in food prices, since its imports depend on bulk maritime transport to a greater extent than the world average. While in low-income economies the impact would be less, given that their food imports are concentrated in processed products rather than primary ones, in part due to their limited capacity to process food.

Container shipping and global value chains are also disrupted. As ports closed and carriers cut off shipping services to Russia and Ukraine, ships and containers had to change routes. Shippers face delays and increased detention and demurrage charges at ports. Cargo from Russia is also getting stuck in ports, for example in Europe. This increases pressure on storage capacity and drives up costs.

The increase in the cost of maritime freight could be passed on to food prices in Central America. Food imports represented about 13.0% of total imports in 2021, with half of these being primary goods and the other half processed foods[1].

Note: Office of the Chief Economist with information from World Trade Map, International Trade Center.
Source: United Nations Conference on Trade and Development (UNCTAD). Maritime trade disrupted. The war in Ukraine and its effects on maritime trade logistics. June 28, 2022.

Box 2. FAO and WFP warn of imminent food crisis

A strong deterioration of alimentary conditions in 20 countries is expected between June and September 2022. The multiple looming food crises are driven by organized violence and conflict, climatic crises, the consequences of the COVID-19 pandemic, the deterioration of macroeconomic conditions and the massive increase in public debt; and exacerbated by the fallout from the conflict between Russia and Ukraine, which has accelerated global food and fuel price hikes. These shocks affect national contexts already characterized by rural marginalization and fragile agri-food systems.

Beyond it's immediate effects, it is likely that the war in Ukrain will affect future food availability. The shortages and supply chain disruptions caused by the pandemic have been exacerbated by disruptions in the Ukrainian agricultural sector, decreasing the global food supply, further driving up prices. High fertilizer costs are likely to affect agricultural yields and thus future food availability.

Post pandemic economic fragility and the worldwide inflationary shock are negatively affecting the response capacity of governments and international aid organizations. The current negative macroeconomic conditions, derived from the public measures promoted to counter the COVID-19 pandemic and the crisis in the world food and energy markets, are causing dramatic losses of income among the poorest communities and testing the capacity of national governments to finance social safety nets, income support measures and the importation of essential goods. Aside from economic instability, civil disturbances may arise in the next few months in some of the more affected countries. In this context, humanitarian organizations are experiencing drastic increases in the costs of their operations and a reduction in global attention, which risks translating into a growing shortage of funds.

Critical hotspots are in Africa and Asia, but conditions in the Middle East, Haiti and Ukraine are also concerning. Ethiopia, Nigeria, South Sudan, Yemen, Afghanistan, and Somalia are on "high alert" as hotspots with catastrophic conditions, with up to 750,000 people close to starvation and death. The Democratic Republic of the Congo, Haiti, the Sahel, Kenya, Sudan, and Syria remain "of high concern" due to deteriorating conditions. Sri Lanka, Benin, Cape Verde and Guinea, Ukraine and Zimbabwe have been added to the list of critical countries, joining Angola, Lebanon, Madagascar, and Mozambique. Specific humanitarian action is urgently needed to save lives and livelihoods in the 20 hunger hotspots.

The exposition of the Central American agricultural sector to high international food and input prices is of concern. Greater surveillance of food insecurity and the needs of the most vulnerable households in Honduras and Guatemala is recommended.

Source: World Food Programme and Food and Agriculture Organization of the United Nations. (2022). Hunger Hotspots. FAO-WFP early warnings on acute food insecurity: June to September 2022 Outlook.

II. Central American region continues to recover at a slower pace

10. Monthly economic activity slowed in the last month. The monthly index of economic activity registered positive year-over-year variations, although less than the previous month, going from an average of 6.2% to 4.9%; Panama being the economy that reduced its growth rate the most, from 13.8% to 7.2%. This behavior is linked the world's economy slowdown due to external shocks such as the increase in oil prices and higher inflation, to name a few. Monthly production was driven by an increase in more than half of activities, highlighting construction, commerce, financial services, transportation, and accommodation activities.

11. Economic dynamism was transmitted to the labor market. Formal employment level increased in all countries for which information is available.[22] The Dominican Republic reported the largest year-over-year increase in employment (13.0%). Meanwhile, Guatemala reported the highest growth rate in employment level compared to February 2020 (11.9%).

12. Inflation marked levels not seen in the last decade in most countries. The increase in crude oil prices and derivatives, as well as other imported raw materials, raised domestic prices. Nicaragua, Honduras and Costa Rica showed a number above 10.0%. In this context, monetary policy rate has been adjusted upwards in all countries in recent months, to anchor expectations of economic agents and counteract inflation; being the Dominican Republic the one with the highest adjustment, 7.25%.

13. The central government cumulative financial balance improved in most countries. Economic activity promoted the recovery of public revenues this year, which in general accumulate growth in the range of 19.0% to 23%; while expenses grew at a lower rate in most of the countries (between 3.7% and 29.7%), allowing an improvement in the fiscal position in relation to the previous month and year. In the case of Honduras, revenues increased in april (17.9%) after continuous mounths in contraction and expenses decreased (-12.8%), so it also performs the biggest improvement in the fiscal deficit.

14. Moody's reaffirmed Guatemala's Ba1 rating and upgraded the outlook from negative to stable. The change reflects the country's demonstrated ability to weather the pandemic with minimal impact to its overall credit profile. The economic recovery was combined with conservative fiscal policies, which limited the increase in the country's debt metrics. The rating agency expects that in 2022 and 2023 economic growth will support the stabilization of the debt burden.[23]

15. Standard & Poor's downgraded El Salvador's rating from B- to CCC+ with a negative outlook. Despite the economic recovery supported by private investment and remittances, the change in credit rating was motivated by the country's significant financing gap and the potential risk to short-term debt refinancing, the need for funding to cover the fiscal deficit and the amortization of an external bond of USD 800 million in January 2023.[24]

16. The IMF positively assessed the economic performance and prospects of the Dominican Republic. The Article IV consultation report highlighted the resilience of the

[22] Measured by the number of contributors to social security.
[23] Moody's Investors Service (June 15, 2022). Moody's affirms Guatemala's Ba1 ratings; changes outlook to stable from negative
[24] S&P Global Ratings (June 1, 2022). S&P Global Ratings downgraded El Salvador's long-term ratings to 'CCC+' due to fewer financing options; the outlook is negative

Dominican economy in the face of the crisis and the effective public policy response implemented since 2020, which allowed for a rapid recovery. It also indicated that the country's prospects are positive despite the more restrictive external environment; GDP growth is expected to converge to its potential level (5%) and inflation to return to the target range (4%±1%) in 2023, as the impacts of global shocks dissipate.[25]

17. Foreign trade continues to grow but loses momentum. Cumulative export growth reached 15.0%, however, a certain moderation was observed due to the lower dynamism of the international economy in recent months.[26] Meanwhile, imports accumulated an average growth of 34.8% driven by domestic demand and import price increases. Therefore, the trade deficit deteriorated in all countries compared to the same period of the previous year.

18. Accumulated family remittances slowed in most countries. This behavior could be influenced by the reduction in US household savings which, as of May, was below pre-crisis levels, and by a stabilization of the Latino unemployment rate in this country in recent months. However, cumulative remittance growth remains at double-digit rates, except in El Salvador with 3.9% and the Dominican Republic, where remittances contracted 7.6% in May.

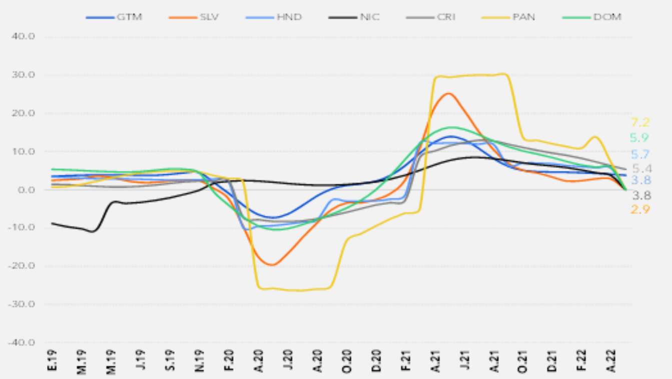
19. Net international reserves (NIR) continued to accumulate. The dynamism of remittances cushioned the effect on the current account of the higher trade deficit, generated by a greater increase in imports than exports, which, together with the highest net foreign direct investment and portfolio flows, determined the increase in NIRs in recent months in all countries except Costa Rica (3.1% as of April) and Honduras (-0.9%) which registered contractions in May. Most countries have enough reserves to cover at least three months of their imports, except for El Salvador with 2.5 months. The rise in the Fed's monetary policy rate is expected to increase the probability of capital outflows or reduce inflows in the countries of the region. This situation would generate devaluation pressures, which could drive central bank interventions in the foreign exchange market and a NIR reduction in the future.

[25] IMF (July 6, 2022). IMF Executive Board Concludes 2022 Article IV Consultation with the Dominican Republic. Press release no. 22/248

[26] To monitor the situation of exports and imports, variations in nominal values are estimated, since values at constant prices are only calculated to compile the Gross Domestic Product (GDP) in the national accounts. The publication of the quarterly GDP in the countries of Central America is made around 90 days after the end of the reference quarter.

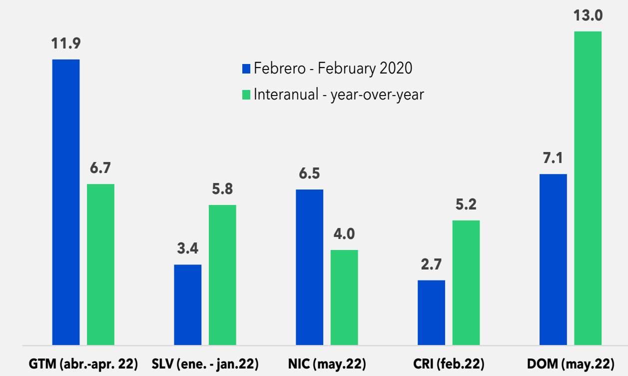
Panel 3. Selected macroeconomic indicators for Central America

Figure 12. IMAE *(year-over-year, percent change)*



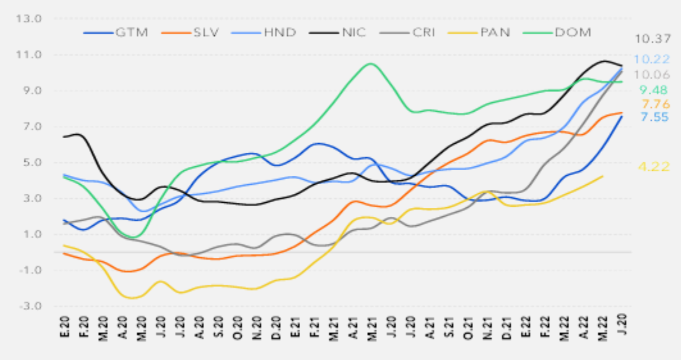
Monthly economic activity slows down due to the impact of external shocks

Figure 13. Formal employment *(percent change)*



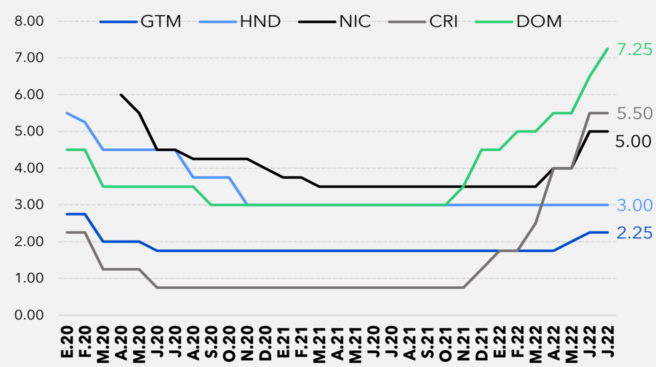
Economic growth increased formal employment

Figure 14. Inflation *(year-over-year, percent change)*



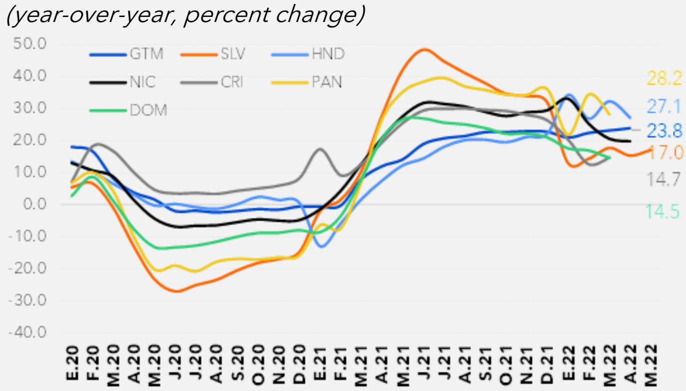
It has accelerated in recent months, due to the interruption of supply chains and the increase in the price of oil

Figure 15. Monetary policy rate *(percent)*



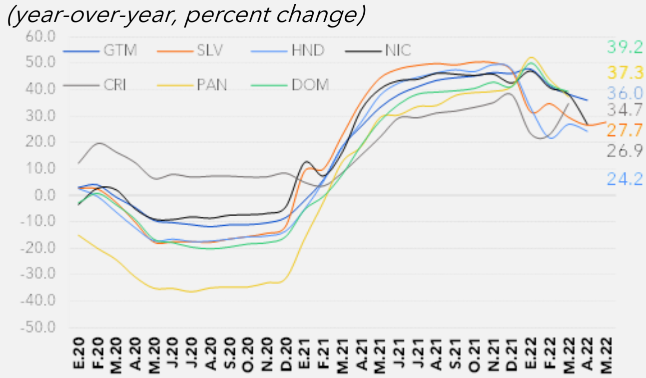
Monetary policy has begun to adjust rates upwards to counteract inflation

Figure 16. Accumulated exports *(year-over-year, percent change)*



Exports growing at lower rates, in line with global growth slowdown

Figure 17. Accumulated imports *(year-over-year, percent change)*

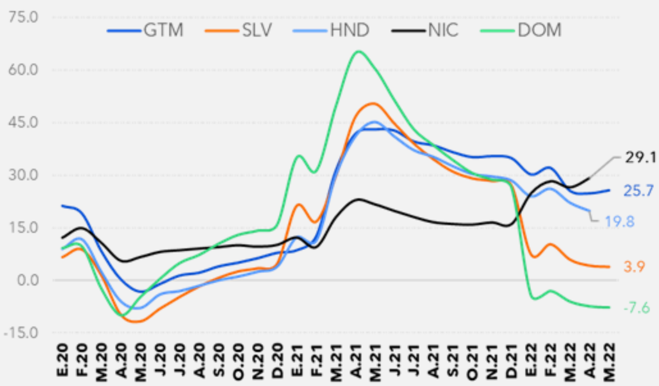


Imports continued to grow, partly due to the increase in the oil bill

Source: Office of the Chief Economist with information from the SECMCA as of July 15.

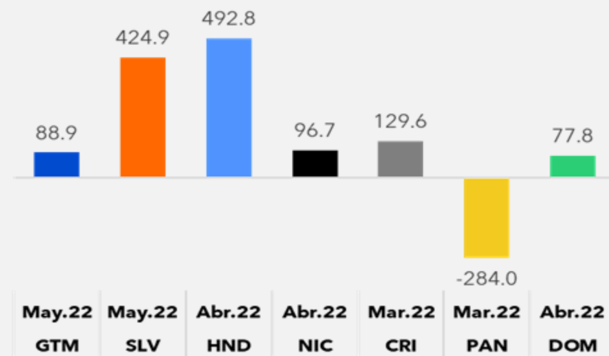
Panel 3. Selected macroeconomic indicators for Central America

Figure 18. Accumulated remittances received *(year-over-year, percent change)*



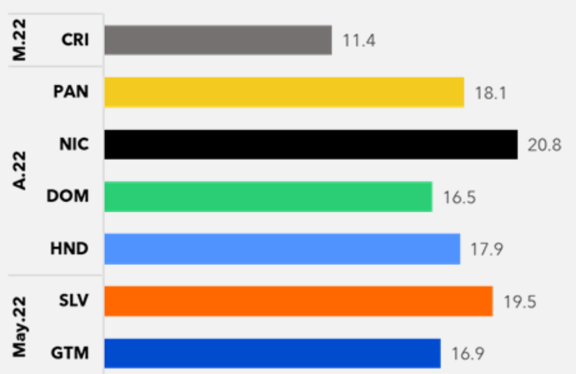
They slow down in most countries in line with the unchanged evolution of Latino unemployment in the US.

Figure 19. Central government: accumulated financial balance *(year-over-year difference, millions of USD)*



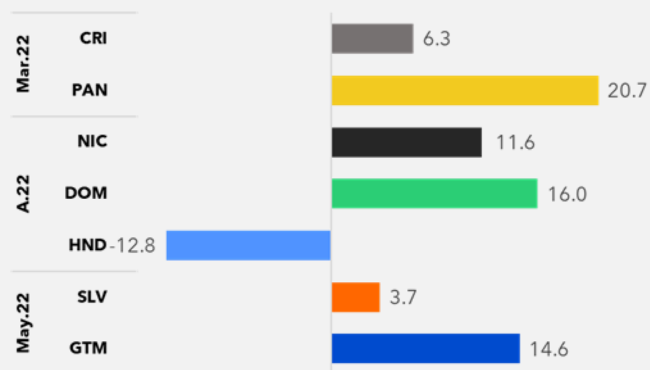
Reported a higher surplus in most countries, except in CRI/PAN with lower/higher deficit, respectively

Figure 20. Central government: cumulative total revenue *(year-over-year, percent change)*



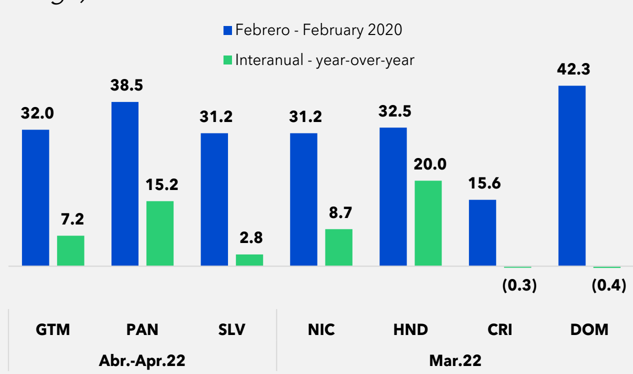
Revenues grow more than public spending

Figure 21. Central government: total accumulated expenses *(year-over-year, percent change)*



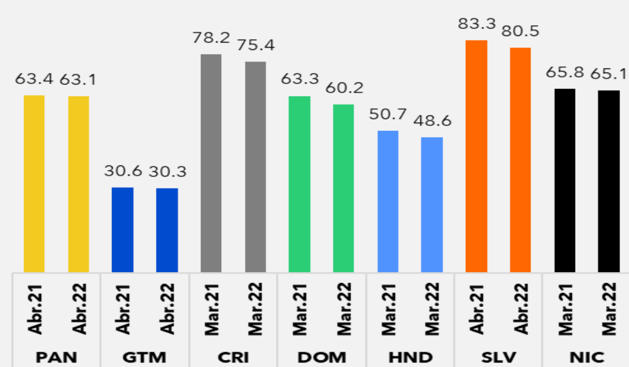
Expenditures grow less than public income

Figure 22. Central government: total debt *(percent change)*



Slowed down in 2022 and fell in CRI and DOM

Figure 23. Total public debt *(as a percentage of GDP)*



Decreased due to lower financing needs

Source: Office of the Chief Economist with information from the SECMCA as of July 15.

Box 3. Public debt, private debt, and debt services in Central America

The public sector accounts total debt largest share in most countries. On average, 57.0% of the total debt belongs to the public sector. Nicaragua's public debt has the largest share of the total debt (73.0%); meanwhile, in Guatemala it is private debt (56.0%) that weighs the most (see Figure 1).

The public sector represented total external debt largest share. External private indebtedness is greater in those countries that have more access to international markets. Public indebtedness in Belize represented 95.0% of the total external debt; while in Panama private indebtedness had the largest share (63.0%) (see Figure 2). On the other hand, average total external debt to GDP in the region went from 68.0% in 2020 to 70.0% in 2021. The largest increase was reported in Panama, and in Guatemala and El Salvador it decreased the most (see Figure 3).

Public debt service as percentage of GDP fell for most countries in 2021. High growth rates of most countries explain this reduction. El Salvador saw the largest drop from 21.0% in 2020 to 15.0% in 2021, however, it continues to be the highest. Meanwhile, Belize and Costa Rica reported the largest increase, going from 5.0% to 6.0% (see Figure 4).

Public debt service as a proportion of government revenue fell in most countries. This was due to the economies post-pandemic recovery, which resulted in higher collection levels. In El Salvador and the Dominican Republic, the reduction was 28 and 20 percentage points in 2020 and 2021, respectively (see Figure 5). For its part, Belize saw the largest increase from 17.0% to 20.0%.

Debt service could increase its share of government revenue due to rising international interest rates. Decline in total debt level ratio following a strong recovery was positive and supported countries returning to a sustainable path. However, international interest rates are being adjusted upwards, which implies a higher cost of external debt. Thus, an increase in debt service expenses as a share of income will result in less fiscal space to face external shocks derived from the current global uncertainty. Therefore, the demand for funds from multilateral institutions with better financial conditions than the market will increase. These funds will be useful for the country’s fiscal soundness and deal with negative impacts derived from events of international nature.

Figure 1. Total debt structure 2021 (percentage)

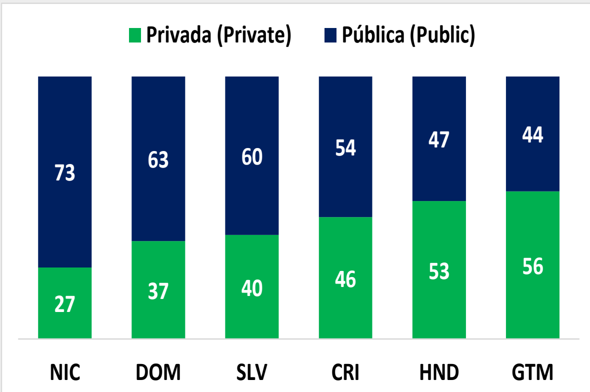


Figure 2. Total external debt structure 2021 (percentage)

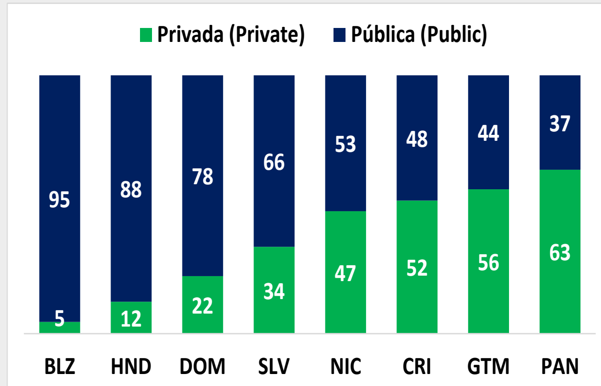


Figure 3. Total external debt to GDP (percent)

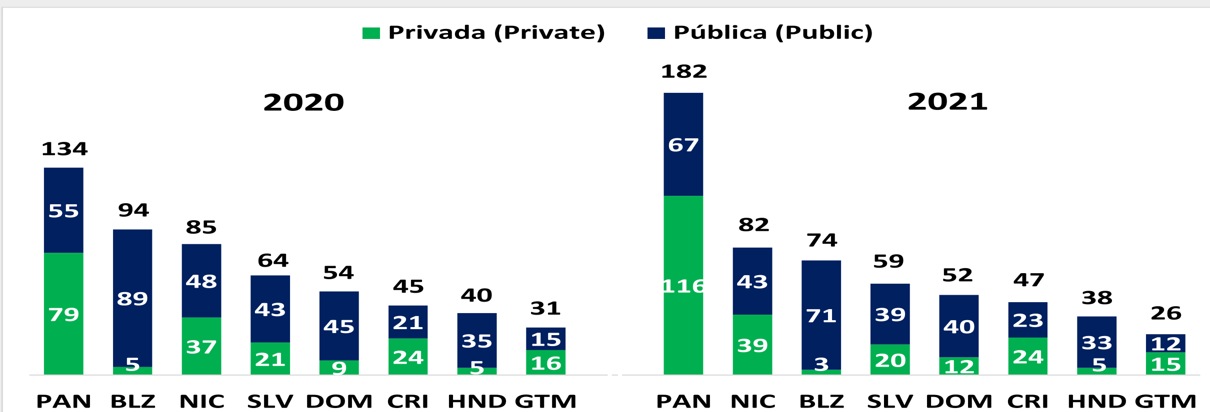


Figure 4. Total public debt service to GDP (percent)

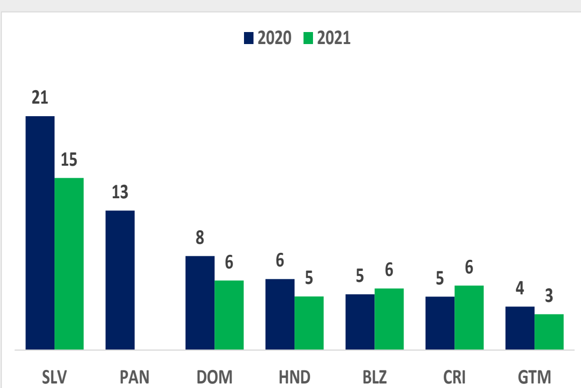
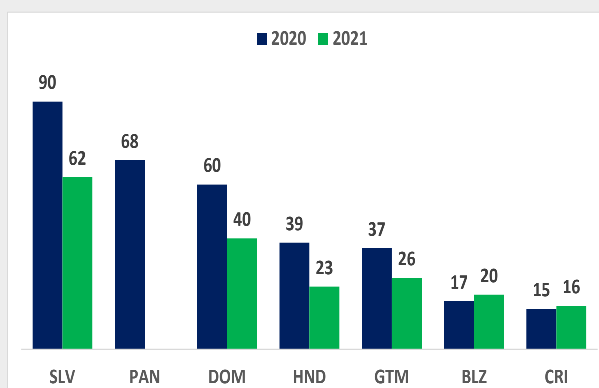


Figure 5. Total public debt service to total public revenue (percent)



Notes: Total debt for 2021 was estimated using the assumption that domestic private debt to GDP for 2021 was equal to that for 2020. Panama and Belize do not have data for total private debt. Public and private external debt data for 2021 are Fitch estimates. There is no data on the total private debt for the rest of the countries after 2020. The same source was used to maintain consistency in the analysis, for this reason there could be variations with the official data regarding the level of debt. Tax revenue includes tax revenue, non-tax revenue (including asset sales), financial resources, and capital revenue. Debt service refers to the value of interest payments and principal payments in the period. Debt service data is not available for Nicaragua.
Source: Office of the Chief Economist with information from Fitch Solutions.

Annex 1. Long-term sovereign debt rating in foreign currency

Moody's Rating Agency

Countries	Rating prior to March 2020		Last rating		Rating as of July 6, 2022	
	Rating	Perspective	Rating	Perspective	Rating	Perspective
Belize	Caa2	Stable	Caa1	Negative	Caa3	Stable
Guatemala	Ba1	Stable	Ba1	Stable	Ba1	Stable
El Salvador	B3	Stable	Caa3	Negative	Caa3	Negative
Honduras	B1	Stable	---	---	---	---
Nicaragua	B3	Stable	---	---	---	---
Costa Rica	B2	Stable	B2	Negative	B2	Stable
Panama	Baa1	Stable	Baa1	Negative	Baa2	Stable
Dominican Republic	Ba3	Stable	---	---	---	---
Colombia	Baa2	Stable	Baa2	Negative	Baa2	Stable
Republic of China (Taiwan	Aa3	Stable	Aa3	Stable	Aa3	Positiva
Mexico	A3	Negative	Baa1	Negative	Baa2	Stable

Standard & Poor's Rating Agency

Countries	Rating prior to March 2020		Last rating		Rating as of July 6, 2022	
	Rating	Perspective	Rating	Perspective	Rating	Perspective
Belize	B-	Stable	SD	n.a.	B-	Stable
Guatemala	BB-	Stable	BB-	Stable	BB-	Positiva
El Salvador	B-	Stable	B-	Negative	CCC+	Negative
Honduras	BB-	Stable	---	---	---	---
Nicaragua	B-	Stable	---	---	---	---
Costa Rica	B+	Negative	B+	Negative	B	Stable
Panama	BBB+	Stable	BBB	Stable	BBB	Negative
Dominican Republic	BB-	Stable	BB-	Negative	BB-	Stable
Colombia	BBB-	Stable	BBB-	Negative	BB+	Stable
Republic of China (Taiwan	AA-	Stable	AAu	Positiva	AA+	Stable
Mexico	BBB+	Negative	BBB	Negative	BBB	Stable

Fitch Ratings Agency

Countries	Rating prior to March 2020		Last rating		Rating as of July 6, 2022	
	Rating	Perspective	Rating	Perspective	Rating	Perspective
Belize	---	---	---	---	---	---
Guatemala	BB	Negative	BB-	Stable	BB-	Positiva
El Salvador	B-	Stable	B-	Negative	CCC	---
Honduras	---	---	---	---	---	---
Nicaragua	B-	Stable	B-	Negative	B-	Stable
Costa Rica	B+	Negative	B+	Negative	B	Stable
Panama	BBB	Negative	BBB	Negative	BBB-	Stable
Dominican Republic	BB-	Stable	BB-	Negative	BB-	Stable
Colombia	BBB	Negative	BBB-	Negative	BB+	Stable
Republic of China (Taiwan	AA-	Stable	AA-	Stable	AA	Stable
Mexico	BBB	Stable	BBB	Stable	BBB-	Stable

Source: Office of the Chief Economist with information from Bloomberg.

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