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Transcript of Western Hemisphere Department April 2024 Press Briefing

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MS. ZIEGLER: Good afternoon. Welcome, everyone. Welcome to the Regional Economic Outlook Press Briefing for the Western Hemisphere. My name is Julie Ziegler and I'm with the Communications Department, and I am joined today by Rodrigo Valdes, who is the Director of the Western Hemisphere Department. We are going to start with some opening remarks from Rodrigo. Rodrigo, over to you.

MR. VALDES: Thank you, Julie, and good afternoon, and welcome to this briefing on Latin America and the Caribbean. Let me start this briefing with three main messages on recent developments in the region and key policy challenges for the region.

First, we will say that the region has showed quite a bit of resilience. The rebound from the Pandemic has been stronger than previously expected. We see resilience partly as a result of countries progress in strengthening their macroeconomic frameworks. With most economies now operating near potential, however, activity in the region has been generally moderating in recent quarters.

On a positive side, labor markets have remained pretty resilient, with unemployment still at historical low levels almost everywhere. With an external environment that, at least in the trade side, is weakening and the effect of monetary policy tightening to bring down inflation in the region and those effects still materializing. We expect growth in Latin America and in the Caribbean to moderate further this year. Slowing from 2.3 percent that the region grew in 2023 to 2 percent this year. We see risk around this baseline projection as broadly balanced. This is not, as we saw this in the past, this is good news, and this reflects basically more balanced global risks.

My second message -- so first is resilience. My second message is that inflation is receding throughout the region, and we project that it will continue falling during this year, thanks to swift actions of the region's central banks and also, of course, the global disinflation trend that reflects monetary policy elsewhere, and also that the supply side shocks are normalizing. Risks to inflation have also become more balanced than in the past, although still tilde to be more persistent or higher than these expectations that it's going down. With inflationary pressures subsiding since 2023, the region's central banks have started to reduce rates, although policy rates remain in contractionary territory. Our view is that more policy easing should continue, although it will be very important to carefully calibrate the pace of easing to strike a balance between durably bringing inflation back to target in the final stretch and also avoiding an undue economic contraction.

On the other hand, with public debt at high levels, we think that fiscal policy should focus decisively on rebuilding policy space. This is not very different from the message we have for many regions in the world, but this applies especially to our region.

As we highlighted in the past, most countries in the region have withdrawn the Pandemic related fiscal stimulus and have ambitious plans to strengthen policy finances. However, we have high debt from before the Pandemic. In the period where commodity prices declined, countries took some time to adjust to that, and

before the Pandemic, we already had high debt. And today we see that risks of slippages are increasing as consolidation plans are being postponed.

Faster consolidation is needed to put public debt on a stronger footing. Timely fiscal tightening will also allow for faster normalization of the monetary policy mix. For macro, you need to think of both together, [n], for the policy mix. Moreover, to be durable, fiscal adjustment will need to include revenue mobilization to protect key social spending. Maintaining social cohesion should be a centerpiece of a fiscal consolidation plan given the region's high, still levels of poverty and inequality.

However, fiscal consolidation is not the only task, the only thing that is urgent. It's important to macroeconomic stability. But for social challenges, we also need to grow, and this is my third message. It's urgent to take action to raise potential output growth. The region's medium-term growth is projected to average about 2 percent* in the next few years, and this is well, well below the growth rate of peer economies in other regions.

** [Reference to region in the sentence above refers to: Brazil, Chile, Colombia, Mexico, Paraguay, Peru, and Uruguay.]*

It would be important for countries to identify structural reforms with high growth payoffs and work hard on building the consensus at the political level to implement them durably and inclusively. For most countries in the region, boosting growth will require strengthening governance, improve the business environment, and to raise the historical low investment levels. Comprehensive and well sequenced climate change strategies will also boost growth, including by investing in green minerals abundant in the region and in energy sectors.

Reforms should also focus on raising participation rates amid a slowing population growth and aging, including tackling gender gaps. This is a new topic for the region. In the past, basically, labor was growing because of different reasons. Right now, we are facing something that the developed world faced some time ago, and here, of course, woman participation in the labor force is critical. Also, reducing informality and fostering firm growth to facilitate the relocation of resources to high productivity endeavors should be part of a comprehensive reform agenda.

And as we have emphasized recently in our previous round in the Marrakech, reducing crime and violence that is a serious problem in the region would also have substantial socioeconomic gains.

Let me finish these introductory remarks by saying that while many countries in the region have shown strong macro frameworks and managed their economies very well in recent years, some others face significant macroeconomic imbalances and stabilization challenges. These countries need to implement stronger policies to put their economies on a sustainable path.

We stand ready to help to support all countries in the region through our policy advice, capacity development, and financial assistance. With this, let's go back to Julie and take your questions. Thank you.

MS. ZIEGLER: Thank you. Thank you, Rodrigo. So, before we take questions, I just want to go through a couple of housekeeping items. We are going to take questions both in the room and online. If you are online, please make sure your camera is on before we go to you. And then also, could you please state your name as well as your organization? And let's start, since you just gave a nice overview of the region, I wanted to ask to does anyone have any questions on the region before we go to country specific questions? Is it on the region? Okay, go ahead.

QUESTIONER: Hi, Ana Rodriguez, Colombian newspaper, El Tiempo. The President Petro said that we want to renegotiate IMF. What is being discussed for this topic, please? Thank you.

MR. VALDES: Thank you. Do we have regional questions? Because that's a very specific Colombia.

MS. ZIEGLER: Yes.

MR. VALDES: And I will take it, but I would like to --

MS. ZIEGLER: Before we answer that, let's go to see, does anyone have a regional question?

MR. VALDES: Thank you.

MS. ZIEGLER: Okay.

MR. VALDES: Sorry that I jumped first.

MS. ZIEGLER: Please go ahead. And one for Mexico, I don't know if I can take a note.

MR. VALDES: Send both and we will --

QUESTIONER: Okay. The first one is about remittances. I want to know if --

MS. ZIEGLER: Sorry, you are your name and --

QUESTIONER: I'm sorry, I'm Yolanda Morales from El Economista in Mexico. I want to know if you are considering the possibility of an increase in the remittances to Latin America, and what about Mexico in the special. And the second question, please, is about the Mexican peso, what's happening with the money of my country, because in this week we have seen any -- I'm sorry could I ask the question in Spanish?

MR. VALDES: Yes.

QUESTIONER: This week we've seen a drop of the peso, the collapse of the peso vis-a-vis the dollar. However, it recovered yesterday, it's been fluctuating the whole week. So I want to know what lies behind this and if the interest rate are not helping counteract the global risk? Thank you.

MR. VALDES: Yeah, perfect. And are there are others for regional? Regional. Really regional, so you cannot name a country. Sorry, go ahead.

MS. ZIEGLER: All right. Okay, we have two. Do you want to -- do you want to do the first batch?

MR. VALDES: Let's add one more.

MS. ZIEGLER: One more. All right. Please go ahead and we'll come to you next.

MR. VALDES: I only have remittances so far.

QUESTIONER: Thank you. My name is Luis Zolla Minuto Digital News. The price gold is \$2,394 by ounce today. The last 12 months raises like more than 12 percent, and the market bought like 4,900 tons the whole year -- the last 12 months. We are dealing with a big problem. Mostly the central bank bought this volume of gold. They will continue on this policy because many countries began to have some sign of violence and then they start feeling like a new pandemic. The price of gold starts increasing, and then we see the emergence of problems all over the place.

MR. VALDES: Another question for the region, please.

MS. ZIEGLER: Okay, the orange shirt, please.

QUESTIONER: Hi, good afternoon. Jermaine Abel, IWMF in St. Kitts. I have two regional questions and one country specific question. Start with the regional questions. Many of the territories within the Caribbean and OECS have complained or, they're seeing rather, inflation and it's being imported. What advice would you give to those specific territories within the Caribbean region? Climate financing. There has been a concern, and just recently, during this week, the Minister of Finance, specifically within St. Vincent, raised this concern. Reclassification. Is there any consideration by the IMF to reclassify them as not necessarily being high-income earning countries, specifically when they're going to be affected by hurricanes, stronger, more rainfall and so forth? And country specific question, Haiti, regarding what's the IMF's approach to Haiti and is there any possibility of financing for Haiti? Thanks.

MS. ZIEGLER: Okay, why don't we --

MR. VALDES: Okay. You didn't ask the question I was expecting about U.S. interest rates and more policy rate in the region, but that's fine. So let me start from remittances. That applies, I guess, to many countries and say two things only here. First, remittance have been very strong in the last few years for we already -- we always expected some decline and they haven't. Of course, that reflects my second point. That is, the U.S. economy has been very strong and that has helped that remittances flow. But it's also interesting to keep in mind that perhaps this is not forever but has been much more durable than expected.

In terms of inflation and the region, the Caribbean region, we see as countries, et cetera, and gold -- let me put the two together. Reality is that in the region, the scope of monetary policy to control inflation directly is not large, because many, many countries have basically exchange rates that are tied to the dollar in some way or form. Therefore, this inflation process depends a lot on what the central banks, what advanced countries have done to control inflation, and whether shocks disappear that brought inflation in the first place.

The two things have worked pretty well. The global community of central banks have done their job pretty much. Not fully. We're not there yet. But inflation for the Caribbean is dropping significantly. And we expect that it will continue to drop, as you can see in our forecast.

Of course, there are a few countries that could have some more wiggle room through monetary policy because they have exchange rates that are more flexible and those have to calibrate that morally policy according to what they would like to see with inflation. But generally speaking, we expect lower inflation. The peak of inflation is behind us, in general. Bearing large new shocks, we expect inflation to continue to decline. This has to do with gold to some extent and with commodities. And look, it's very difficult to know the price of gold. When you ask me what will happen, I wouldn't be sitting here if I knew. But what is real is that inflation movements have a bearing also in gold.

The issue of violence, the issue of social unrest, the issue of how to keep more coherent societies is one of the top issues in the region. And for that you -- it did many, many things, but it won't go through, I don't know, tweaking with the price of dollar, which is impossible.

Let me also take one general comment that is applied to Mexico. That is the movement of the exchange rates we have seen recently in several countries. Let me first say that the design of the modern day policy framework in several of the countries in the region, particularly in South America and in Mexico, not everywhere, but almost everywhere, is to have a floating exchange rate and inflation target. That means that the exchange rate moves with shocks, and it's much better that that moves than that the economy entirely moves. So it's by design: a valve to isolate movements in global conditions into the country.

And what has happened in the last few weeks and especially in the last ten days, I would say, is that markets have been thinking that the Fed may delay the rate cuts that were expected. That's because of inflation and also because they're very strong of the U.S. economy, and that probably produces some movements. But I would say that's normal part of the -- how the macroeconomic frameworks are set so that you don't have even bigger problems.

Given that you ask about Colombia, and I would like to be very careful on this, let me tell you -- well, first, as the Minister clarified earlier today in his statement, the authorities conveyed to us, to the team, to Western Hem, that they will continue their longstanding plan to meet the repayment obligations to the Fund as scheduled initially from their drawing of the FCL in 2020. They had already programmed these repayments in the budget for this and next year, and there's no discussion about any other plan. Separately, you know that the authorities have also reiterated their request of a new FCL for purely precautionary purposes as additional insurance against [inaudible] risk that could appear. That is expected to be considered by the IMF Board in the coming weeks. Thank you.

MS. ZIEGLER: So, we had some questions on the Caribbean, about the facilities, climate, financing being reclassified, and I'm going to throw in another question on the region as well. The Caribbean. From Claire Jones at Financial Times, asking if you could comment on the good performance of the Caribbean region and what are the drivers?

MR. VALDES: Perfect. Well, the Caribbean region has done as the rest pretty well in the last few years. If you would have put the shocks that were coming five years ago in the future, I would have been very worried. And reality is that the economy has recovered. The Caribbean region went back to activity levels pre-COVID. Some countries are growing faster than others, particularly to notice [inaudible] very strong growth. But there are others, too, no. The group of countries that are more tourism dependent rebounded very quickly and are normalizing. And the following message is valid for all countries in the region. We're going back to normal growth. If we want more growth, what is needed is to work through the underpinnings of long-term growth with reforms of different types. And that's critical as a message for the Caribbean, too.

By the way, on the Caribbean that I didn't mention the issue of access, there are no plans to change our definitions of which country is either -- which is not one who has concessional lending, et cetera. Those are rules that are given. But we understand that there is an interesting discussion about other measures of vulnerability. Now, there is no consensus on that. So really is discussion ongoing.

And very importantly, we're pretty flexible when we design programs. When we design programs, we take into account vulnerability. And part of our advice to the region, to the Caribbean region, is, given the effect of natural disasters that happen there, in terms of how often and how big, it's very important to have fiscal space to tackle that in preparation. So this measure of -- this recommendation of fiscal restraint in the short run, to build up space, to build up buffers, applies squarely also to the Caribbean.

MS. ZIEGLER: Okay, let's have another round of questions. Okay. All right, yes, there.

QUESTIONER: Thank you. Rafael Mathus from La Nacion, Argentina. Rodrigo, on the Argentina economy and the program, the government has been pretty effective in bringing down the fiscal deficit. But at the same time, they're lowering interest rates, which seems at odds with the idea of a stabilization plan, and we're hearing more often from economies warnings about the exchange rate that it's falling behind. I was hoping you could comment on whether you still think that, whether you think at all, that the government program is consistent with a stabilization plan, and if not, what needs to be done to make the plan consistent. Thanks.

MS. ZIEGLER: Okay, do we have any other questions on Argentina while we're on the topic?

QUESTIONER: Okay, thank you. Paula Lugones. Clarin, Argentina. The Argentinian government is looking for additional funds or additional money in order just to move forward with some measures of the program, such as lifting the exchange restrictions. I would like to ask you, is it possible that the IMF will give additional money to Argentina? And what does it depend on? Thank you.

MS. ZIEGLER: Okay, I think we have a couple questions on Argentina online. Could we go to. On Webex, that is, could we go to Liliana Franco?

QUESTIONER: Good afternoon. Thank you for taking my question. I will follow the question of my colleague from La Nacion. In recent months, the exchange rate has been appreciated in Argentina. Does the IMF consider that the current level is in equilibrium. What is the IMF recommendation for managing exchange rate policy in the short terms? And if I may, the second question is, what are you suggesting to the government for the second phase of the stabilization plan? I mean, what nominal anchor? Thank you.

MS. ZIEGLER: Thanks. We have one more online on Argentina too, from Augustin Maza from Infobae.

QUESTIONER: Hi, my question is, is the exit from the capital controls in Argentina is a necessary condition for GDP to grow 5 percent in 2025? Thank you.

MS. ZIEGLER: Okay. Do you want to take that?

MR. VALDES: Okay. As always with program countries, we have to be very careful of what we say. And we don't say no, because it's not -- it's important. Anyway, let me start by recognizing what you at the beginning mentioned. Know that the authority Stabilization Plan has yielded better results than we anticipated that we had in our last review of the program. We have the first fiscal surplus over a decade. Reserves are being decisively rebuilt day after day. The central bank balance sheet is being strengthened and inflation, although high, still is coming down more quickly than we anticipated. Preliminary information also suggests that key program targets through end March were met with important margins. These days we are in active discussions with authorities. As you know, the first managing deputy managing of the Fund, Gita and I were both in separate trips in Buenos Aires over the past few weeks, and the team was there too. And both of us had the opportunity to meet with the economic team and also President Milei, though discussions have, as I mentioned, continued at the margins of the spring meetings.

To build on the progress that the country has made so far, we're working to complete the 8th review of the existing Fund supported program. Our discussions have focused on policies to improve the quality and durability of the fiscal adjustment that has been well known by everybody, and also how to best to adjust central bank policies to continue to reduce inflation and rebuild reserves. I was asked about FX controls. Of course, any unwinding of controls will need to be carefully considered, taking into account the extent of the imbalances that still the economy has, the reserve buffers that we have to build, and to strengthen the policy framework on effects controls. Let me tell you that it's not one. It's a suite of different measures that have to be revised. Some of them are pretty important for growth, less are less, others are less important for growth. It's not trivial the sequencing on how to revise those. And we are discussing actively with the authorities what will be alternative and better paths.

Finally, on the question regarding the equilibrium real exchange rate. As you know, this is a very difficult exercise everywhere. The one sort of data or number that is not in the tables of any Article IV going forward is the real effective exchange rate in surveillance, in programs, et cetera. Because it's difficult. But what I can say is that it's critical that at the end policies have to be consistent and that includes the level of the real effective exchange rate, although it's a result, not a policy, to be durably safeguard stability and reserve accumulation. Let me stop there on Argentina. As soon as we have more information, we will share it.

MS. ZIEGLER: Okay, we are going to shift gears and go to Mexico. We have a question online from Sylvia Rodriguez from Forbes Mexico. Could you elaborate on your assessment of my country's economic performance and the most pressing risks it faces? And I believe we had another question on Mexico. Yolanda, we answered that already? Okay, then let me see if we can take another question. This one may be on Ecuador from Sebastian Angulo from Webex. Could you go online now, please?

QUESTIONER: Good afternoon. Can you hear me?

MS. ZIEGLER: Yes.

QUESTIONER: Good afternoon, Mr. Valdes and Julie. Thank you for the opportunity. My questions are, how are the negotiations with Ecuador going? Minister Vega say that they are close to reaching an agreement at the personal level in the coming days. And is the IMF concerned about the demands in the constitutional court so that the debt does not rise to 15 percent? Thank you.

MS. ZIEGLER: Okay, let's take one more. Any more on either of those countries? No, behind you. Sorry.

QUESTIONER: This is Jim Kasin from La Jornada, also in Mexico. And I had a question about taxation. You talked about raising revenues, the managing director talks about taxation some, but has not responded to the specific proposal for a two percent tax on wealth that is being moved by Brazil in particular. And I wonder for the region as a whole and also for Mexico in specific. Given that the tax to GDP rates are

generally low, do you recommend a tax on wealth in the range of two percent on the very rich?

MS. ZIEGLER: All right, let's take one more. Yes, go ahead.

QUESTIONER: Thank you. Also about Ecuador, I would like to know –

MS. ZIEGLER: What's your organization, please?

QUESTIONER: Sorry. I'm Paula Escalada from EFE. I'm so sorry. So I would like to know how can affect Latin America's growth and also to Ecuadorian growth. Recent conflicts like what happened in Mexico and Bati in Ecuador. Thank you.

MS. ZIEGLER: Okay, thanks. We'll stop there.

MR. VALDES: Okay, let me head on to the two percent wealth. Let me phrase this the following way. There is a very nice paper from the fiscal affairs department in the series of war two on this topic. And from general economic theory, we have to be very careful on the steps of taxes and what is easier to implement and has more chances to be implemented too. And we have to look very carefully at corporate taxes and base. The base of that tax is important. And when you think about wealth, the inheritance tax, for example, and how the personal tax interacts with the corporate tax are, I would say, prior steps. If you cannot do something around those, yeah, you can consider wealth taxes. But the experience so far, reality is that more countries have undone wealth taxes than those who have put wealth taxes in the last couple of decades. Why is that? Because people move. So it's not that easy to collect. And therefore, the next question will be, is a global tax in all jurisdictions something that is achievable in the near future to tackle all the things that are very urgent? Or actually that route, although promising, has not really a big chance. And let's work on what is more doable.

Also, Mexico. Mexico is growing more than we had expected in the past. It's an economy that is to some extent benefiting from being so close to the US in this era of more turbulent trade flows because of geopolitical considerations. And I would say one of the risks is that Mexico doesn't take advantage of the opportunity that it has. It has been taking advantage, but more remains to be done. As you have seen in our Article IV reports on the bottlenecks that the economy has, for example, in energy and other infrastructure. From a more macro perspective, the central bank has done a very good job there. Fiscal policy, we believe is procyclical this year. And we would prefer to see something different, but it's already there, although we're expecting some considerable consolidation towards 2025.

Okay, let me move to Ecuador and being a program country again, I have to be particularly careful of what I say. The first thing that I would like to mention is that we're following very closely the recent events in the embassy, in the Mexican embassy in Ecuador, and we hope that this matter can be resolved through diplomacy and in line with international norms. An IMF team recently visited Ecuador and had conversations on these and other issues. More generally, with regards to the program, we are actively engaged with authorities. The team is working these days with authorities on how the Fund can better support their efforts to address the economic challenges facing the country. Conversations with authorities during the ongoing spring meetings are happening, as I mentioned, and we're making good progress in the program negotiations, and we'll inform in due course about the outcome of those discussions. Thank you.

MS. ZIEGLER: Thank you. Let's take a question online from Reuters. I believe we have. This is on Webex. We have Rodrigo Campos.

QUESTIONER: Thank you. Can you hear me?

MS. ZIEGLER: Yes.

QUESTIONER: Thank you, Rodrigo and Julie, a couple of things on El Salvador, are negotiations there still happening? And can you give us details of the timeline and the amount that is being discussed? Is the Fund requesting that the government remove bitcoin's legal status as part of those negotiations? And also, recently they issued a bond that included an increase in interest rates in the next 18 months if there's no deal with the IMF the next 18 months. Was that discussed with the Fund? Do you approve of it? And do you expect other countries to follow that?

MS. ZIEGLER: Thank you. We are getting low on time. I'm going to take one more question from the room and one more question from the online. Let's go online first to also another Rodrigo Cardenas, please.

QUESTIONER: Hello. Do you hear me?

MS. ZIEGLER: Yes.

QUESTIONER: Okay. Good afternoon, Rodrigo. You already talked about how the crime is an issue in Latin America. You wrote a study about it a few months ago. But what centrally, especially in Chile, because we have seen a sharp increase in organized crime in Chile. How much will this affect the country as an investment destination in the middle and the long term growth of the Chilean economy? And the second question is that your growth projection for this year is at the bottom of the

range, estimated by the central bank in Chile and lower than the Ministry of Finance in Chile have. Why is that? Thank you.

MS. ZIEGLER: Okay. For the room, please go ahead.

QUESTIONER: Good afternoon. Andre Huey Eske, News Lion St. Kitts, Nevis. Quickly, if you could just give us your comments on the status of the status of the St. Kitts/Nevis economy. I know you said generally Caribbean economies have done well, but how has St. Kitts/Nevis performed compared to the rest of the region? And while on that, if you could also give the region another advice as it relates to especially Caribbean tourism dependent economies of ways in which they can diversify the economy, because we do know that tourism is very fragile and, you know, it just takes a hurricane to affect that industry significantly.

MS. ZIEGLER: Okay, we will take one more. Honduras. Okay, go ahead. Yeah.

QUESTIONER: I will ask a question in Spanish. I apologize, Mr. Jeremias Bustillo from Honduras. Could you give us an opinion on the performance of Honduras, the strengths and the weaknesses that you can see? How do you consider the level of reserve of the country, the buffers in the country? What would you recommend in fiscal terms? Thank you.

MR. VALDES: If I remember correctly, we have El Salvador, Chile, Haiti, St. Kitts and Honduras. But I didn't mention Haiti before and that was a mistake. So let me start from the question on Haiti. You probably know, but we have been engaged very closely with Haiti in the last few quarters. We have a staff monitoring program there. But at this point the priority really is to restore security. This is a precondition for macroeconomic stability and for growth to materialize. We are projecting 3 percent negative growth this year, given latest developments. And we're closely monitoring the economic situation, including through big data. We have a lab in the Fund with that, and we're also monitoring political developments, including the next steps of the newly foreign presidential council. But we will continue engage during this difficult time within the mandate that the fundamental has. That's on Haiti.

Let me answer a few questions that we have from El Salvador. As you know, El Salvador did very well last year. Growth was higher than expected, the fiscal results were better than expected, and we continue in the conversations with them for a Fund supported program. We would like to see really, I mean, the implementations of several recommendations we have done in the past. You have seen them probably, but the composition and the needed fiscal consolidation is one aspect. Reforms to boost productivity and especially economic governance are important. And as you mentioned also the bitcoin is part of the discussion for us. It's very important to have measures to address the risk arising from the legal status of bitcoin, and we will continue discussions in the near future. It was good to see the authorities here and we'll probably have much more to discuss in the coming weeks.

In terms of the bond that Salvador issued, I can say that we were not consulted and we haven't endorsed that operation. That is an operation between the country and the private sector. Okay, let me move to Chile. It's true that crime in Chile is top mind for everybody, and the same happens in many, many countries in the region. But I have to say that some times of crime have increased in Chile, some others not. And importantly, it's much more lower still than in the rest of LATAM average. We have seen in the data and we have done some work showing that in general, security weaknesses are detrimental to growth. And therefore it's important to invest on that. There is an annex in the last REO. Having said that, Chile has the opportunity to benefit from many things. Global transition. It has copper too, that is very important for the electricity of the world. We see very importantly how to tackle the regulatory and procedural barriers to facilitate such investment. And we see with good eyes what authorities are doing in Congress to try to update the permitting processes in Chile.

With respect to the issue of forecasts here, it's important always to look at the wheel forecast as a photograph that is not as timely as others, because we closed our forecast some time ago. So in particular, in the case of Chile, the forecast of 2 percent against 2.5 that, for example, authorities have today doesn't include the February GDP numbers that were stronger than expected. So we have clearly risk to have revisions to the upside.

Let me move to St. Kitts in particular. St. Kitts have been growing very well. We expect that the economy will continue to grow by 3 percent on average in the medium run. Three percent, medium run is higher than the average of the region. There's only two. That's our call for potential growth enhancing reforms. And in the case of St. Kitts specifically, we think that it's very important to continue advancing in the transition to renewable energy, to increase capital expenditure in water, infrastructure and climate adaptation, also to better target current expenditures. And finally, we have put emphasis on tax reform and revenue mobilization to reduce reliance on citizenship by investment, which is a welcome income source. But we cannot bet that is forever there.

Honduras, I guess, is my last question on Honduras. What I can say is that Honduras also has done well, better than expected. You see, there are very positive surprises in the region. Reserves are five months of import right now in terms of fiscal policy. Fiscal policy has been in line with the program. Moreover, structural reforms have been very important and being approved there, and that's very welcome. In the fiscal

side, going back to fiscal, we would like to see some tweaking with the quality of fiscal policy in general. Sometimes we want more investment and less expenditures in other items. But overall, the economy is well, we are, of course, in close contact with the authorities. Thank you.

MS. ZIEGLER: Thank you, Rodrigo, would you like to make any last words?

MR. VALDES: Oh, yeah. Thank you for -- look, we will launch a book, so perhaps you are interested in knowing about that book. That book, it's entitled Climate Change Challenges and Opportunities in Latin America and the Caribbean. The editors are Fund staff, Anna Ivanova, Julie Kosak and Sonia Munoz. Julie, you know, is the head of right now, used to work in West. Anna Ivanova is another department, but Sonia Munoz is with us. We will have an event in Costa Rica at the end of July when we have the regional conference that we usually have in Central America. So all invited to take a look at the book and look for your own countries and to see what are the reflections there. Thank you.

MS. ZIEGLER: Thank you, everyone. This concludes the briefing. And if you do have any additional questions, please feel free to send an email to media@IMF.org Thank you.

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