

## 11.4 General government fiscal balance

The fiscal balance is the difference between a government's revenues and its expenditures. It signals if public accounts are balanced or if there are surpluses or deficits. Recurrent deficits over time can mean the accumulation of public debt and may send worrying signals to consumers and investors about the sustainability of public accounts. These, in turn, may deter consumption or investment decisions. Nonetheless, if debt is kept at a sustainable level, deficits can help to finance necessary public investment, or, in exceptional circumstances such as unexpected external shocks (e.g. pandemics, wars or natural disasters), can contribute to maintaining living conditions and preserving social stability.

In 2022, the average general government fiscal balance in Latin American and Caribbean (LAC) countries amounted to -3.4% of gross domestic product (GDP). Only 6 out of 24 LAC countries recorded surpluses, the largest of which were in Honduras (1.6%), Chile (1.4%) and Nicaragua (0.8%) (Figure 11.7). Between 2007 and 2022 the evolution of the fiscal balance across LAC countries showed a mixed trend. From 2015 to 2021, Mexico consistently had smaller deficits than the LAC average, while Brazil and Argentina often had substantially larger ones. Differing levels of fiscal deficits can be explained by countries' differing economic structures, levels of government spending and efficiency, revenue generation capabilities, and external economic influences such as trade relationships and global market fluctuations. The size of the fiscal response to the COVID-19 pandemic also differed, reflecting both policy choices and fiscal capacity. In 2020, when the pandemic started, Brazil recorded the largest deficit (11.9% of GDP) of the three largest LAC economies, compared to the LAC average of 8.2%, and deeper even than the OECD average of 10.1%. Argentina's fiscal deficit aligned closely to the LAC average, at 8.6%, while Mexico's deficit was significantly smaller at 4.3% (Figure 11.8).

The general government primary balance is the difference between revenues and expenditures excluding net interest payments. It highlights a government's capacity to meet its financial commitments without taking on additional debt. It is a more accurate indicator of the overall state of public finances in a country than the general fiscal balance. In 2022, the average primary balance in the LAC region was 0.5% of GDP. This indicates that, in general, governments were collecting slightly more money than they were spending. Out of 24 countries, 13 had primary balance surpluses in 2022, with Jamaica (5.8%) having the largest relative to GDP. The remaining 11 countries had primary deficits (Figure 11.9).

Net interest payments for debt servicing are an inflexible part of public budgeting, and countries must always meet them to maintain access to international financial markets and

multilateral funds. On average, net interest payments among LAC countries in 2022 amounted to 3.9% of GDP, a higher proportion than among OECD countries (2.1%). The countries with the highest net interest payments relative to GDP were Jamaica (5.5% of GDP), Brazil (5.2%) and Mexico (5.0%). Chile was the only LAC country which had a negative net interest payment (-0.5%), meaning that the country earned more from interest on debt it had issued than interest it had to pay on its loans (Figure 11.9).

### Methodology and definitions

Data are drawn from the IMF World Economic Outlook (WEO) database (October 2023), 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.

Fiscal balance, also referred to as net lending (+) or net borrowing (-) of general government, is calculated as total government revenues minus total government expenditures. The fiscal balance signals whether a government is either putting financial resources at the disposal of other sectors, or using the financial resources generated by other sectors. The primary balance is the fiscal balance excluding net interest payments on general government liabilities (i.e. interest payments minus interest receipts). For the OECD average, data are from the OECD National Accounts Statistics database, which is based on the SNA framework.

### Further reading

OECD (2023), *OECD Economic Outlook, Interim Report September 2023: Confronting Inflation and Low Growth*, OECD Publishing, Paris, <https://doi.org/10.1787/1f628002-en>.

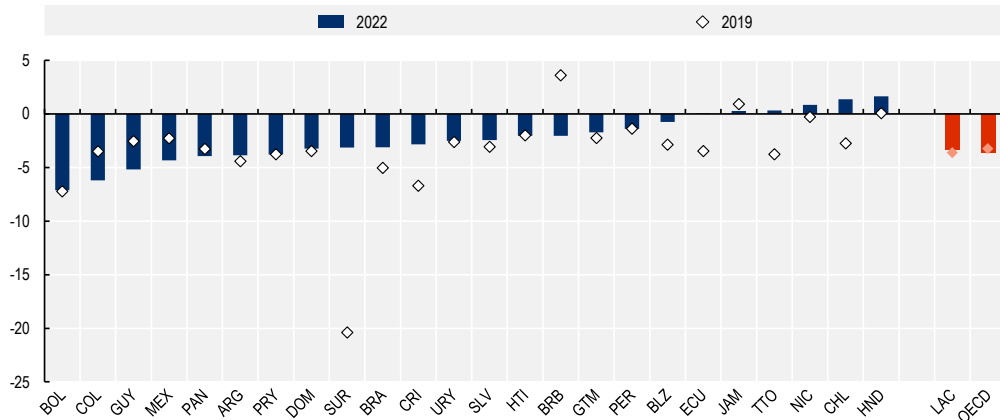
OECD (2023), *OECD Economic Outlook, Volume 2023, Issue 1*, OECD Publishing, Paris, <https://doi.org/10.1787/ce188438-en>.

Robinson, M. (2022), "Public finances after the COVID-19 pandemic", *OECD Journal on Budgeting*, Vol. 22/3, <https://doi.org/10.1787/f26b2a3b-en>.

### Figure notes

Data for 2022 for Guyana and Suriname refer to forecasts.

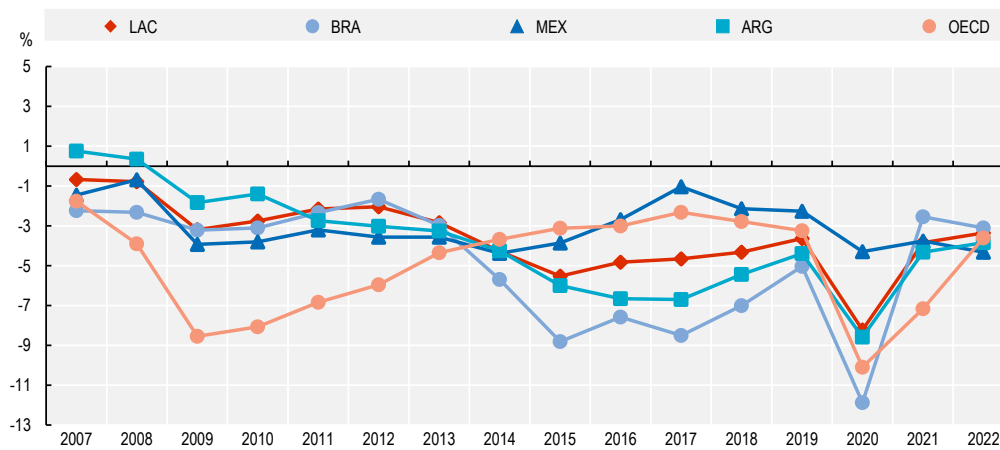
**Figure 11.7. General government fiscal balance as a percentage of GDP, 2019 and 2022**



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2023); data for the OECD average: OECD National Accounts Statistics (database).

StatLink <https://stat.link/2rvdwt>

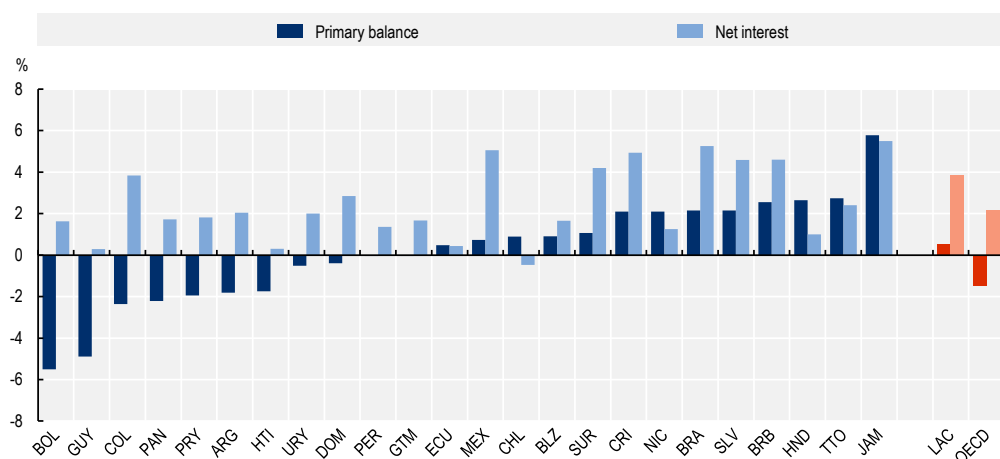
**Figure 11.8. General government fiscal balance as a percentage of GDP; LAC, OECD and largest LAC economies, 2007 to 2022**



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2023); data for the OECD average: OECD National Accounts Statistics (database).

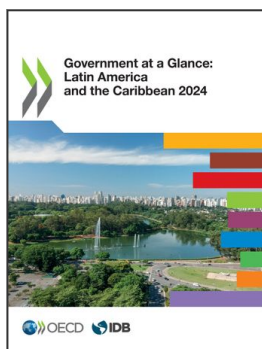
StatLink <https://stat.link/mgp6jl>

**Figure 11.9. General government primary balance and net interest spending as a percentage of GDP, 2022**



Source: Data for the LAC countries: IMF, World Economic Outlook database (IMF WEO) (October 2023); data for the OECD average: OECD National Accounts Statistics (database).

StatLink <https://stat.link/m87qt5>



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