10.1 General government revenues

Government revenues refer to the income generated by the government. The primary sources of revenue in Latin American and Caribbean (LAC) countries are typically taxes, social contributions and customs duties. In some LAC countries, such as Chile, Colombia, Ecuador and Mexico, a significant share of revenue may also derive from non-tax sources, such as income from state-owned enterprises or royalties on natural resources. Governments use revenues to provide public goods and services and to redistribute income through social benefits and subsidies that in turn can contribute to reducing income inequality, among other purposes. Revenue policies can also be used to encourage socially beneficial activities, for example, through tax breaks for research and development; or to discourage harmful ones for example through taxes on carbon emissions or tobacco use.

General government revenues in LAC countries averaged 31.5% of gross domestic product (GDP) in 2022 compared to 39.7% in OECD countries. This represents an increase between 2019 and 2022 of 1.1 percentage points (p.p.), exceeding pre-pandemic levels (from 30.4% of GDP in 2019), as economic activity rebounded, and commodity prices surged. OECD countries also experienced a similar return of revenues to pre-pandemic levels, from 37.6% in 2019 to 39.7% in 2022. Within the LAC region, Brazil (43.27%), Ecuador (39.38%), Argentina (33.42%) and Jamaica (30.08%) had the highest general government revenues relative to GDP in 2022 (Figure 10.1). Countries rich in natural resources, such as oil or minerals, tend to have higher government revenue, as exemplified by Ecuador. However, these differences also reflect policy decisions. For instance, Brazil's revenues as a share of GDP exceed the OECD average, primarily due to the country's high tax revenue ratio (OECD et al., 2023). Over the longer term, average, government revenues as share of GDP increased by 2.1 p.p. between 2007 and 2022 in LAC countries and by 2.6 p.p. across the OECD (Figure 10.2).

The average general government revenues per capita differ substantially between LAC countries (USD 6 152.86 PPP) and OECD countries (USD 22 559.56 PPP). Revenues per capita also vary widely within the region. Argentina, Brazil and Chile collect around USD 8 000 PPP per capita, while Honduras and Guatemala collect under USD 1 700 PPP, and Haiti just USD 197 PPP (Figure 10.3). LAC countries also differ in how much COVID-19 affected government revenue, and the subsequent rebound. Those experiencing the strongest downturn in real government revenue per capita between 2019 and 2020, such as Suriname (-24,8%), Panama (-21.3%) and Peru (-20.6%), also experienced some of the fastest growth between 2020 and 2021. Suriname's growth of 42.1% in per capita government revenues during that period meant it had both the sharpest fall and the largest rebound among LAC countries (Online Figure F.7.1). These variations in Suriname were the result of years of economic mismanagement, exacerbated by the global economic crisis caused by the pandemic, combined with a stark currency devaluation and an inflation spike as the monetary system gradually transitioned to a freely floating exchange rate (IMF, 2022).

Methodology and definitions

Data are 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 the other macroeconomic statistical frameworks, such as the overarching System of National Accounts (SNA). However, there are some differences 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 systems.

General government consists of central government, state government, local government and social security funds. Revenues encompass taxes, net social contributions, and grants and other revenues. Government revenues per capita were calculated by converting total revenues to USD using the implied IMF purchasing power parities (PPP) conversion rates and dividing it by population. PPP is the number of units of a country's currency needed to purchase the same quantity of goods and services in another country. Gross domestic product (GDP) is the standard measure of the value of the goods and services produced by a country during a period. For the OECD average, data are derived from the OECD National Accounts Statistics database, which is based on the SNA framework.

Further reading

IMF (2022), *Suriname: First Review under the Extended Arrangement under the Extended Fund Facility, and Financing Assurances Review-Press Release; Staff Report; Staff Statement; and Statement by the Executive Director for Suriname*, International Monetary Fund, IMF Country Report No. 22/90.

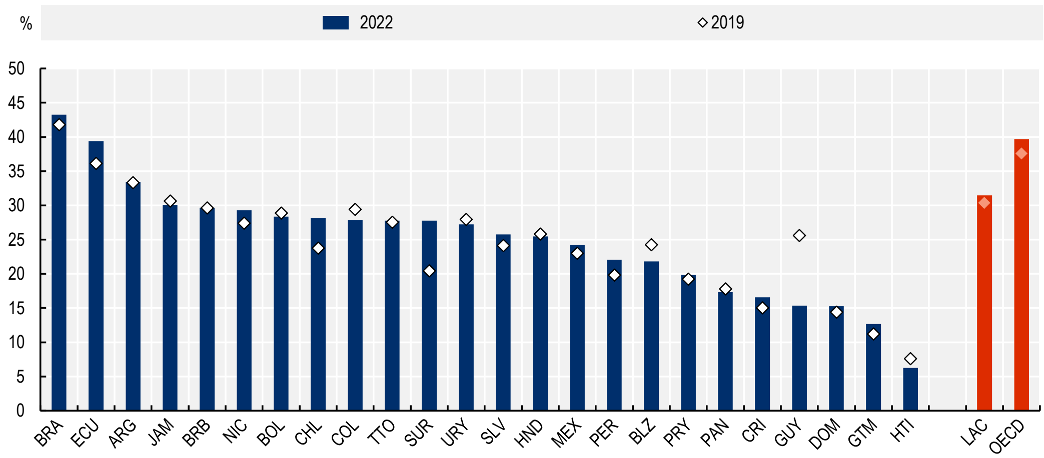
OECD et al. (2023), *Revenue Statistics in Latin America and the Caribbean 2023*, OECD Publishing, Paris, https://doi.org/10.1787/a7640683-en.

Figure notes

Data for 2022 for Guyana and Suriname refer to forecasts.

F.7.1 (Annual growth rate of real government revenues per capita, 2019-20, 2020-21 and 2021-22) is available online in Annex F.

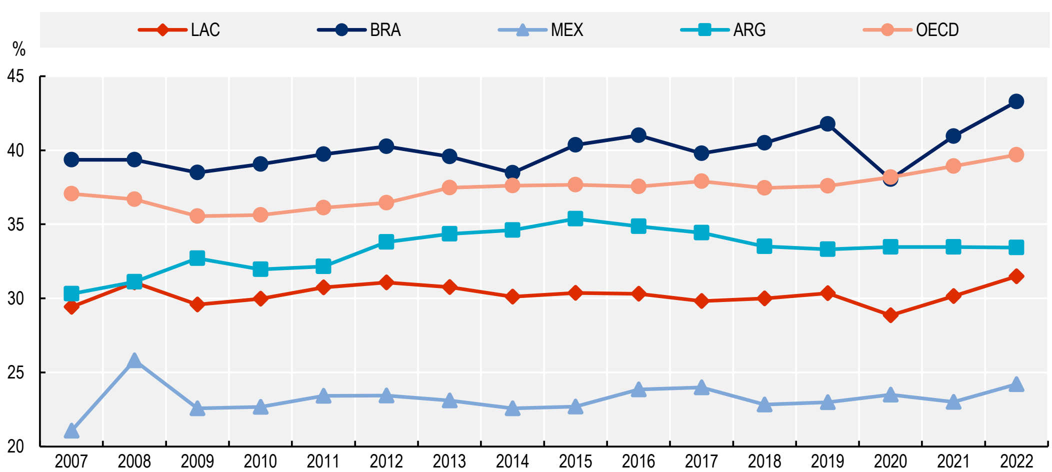
Figure 10.1. General government revenues as a percentage of GDP, 2019 and 2022



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/w4391j

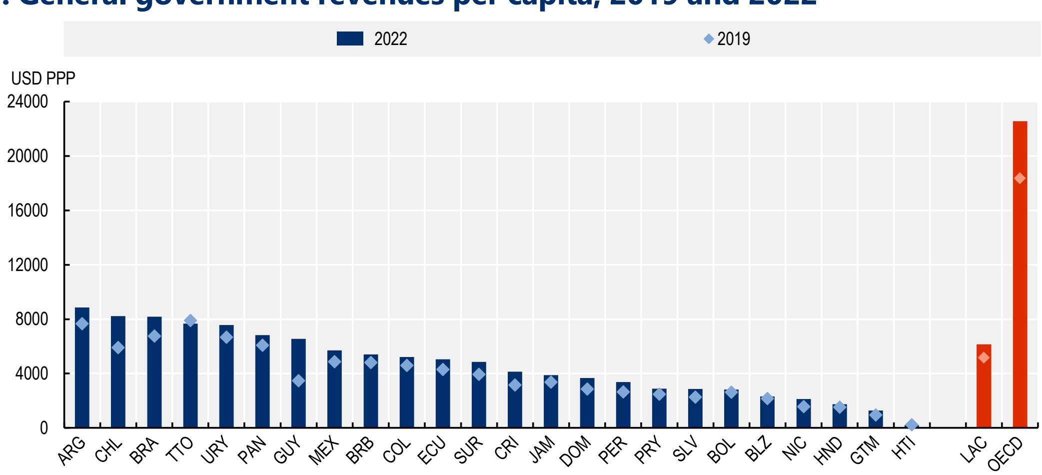
Figure 10.2. General government revenues as a percentage of GDP; LAC, OECD and largest LAC economies, 2007 to 2022



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).

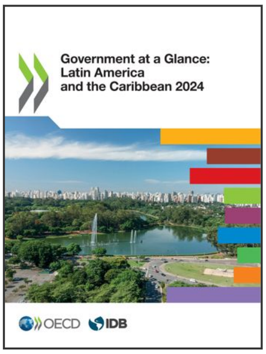
StatLink https://stat.link/2t3b9i

Figure 10.3. General government revenues per capita, 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/ds75rq



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