

BOLIVIA – Time to address deep macro imbalances

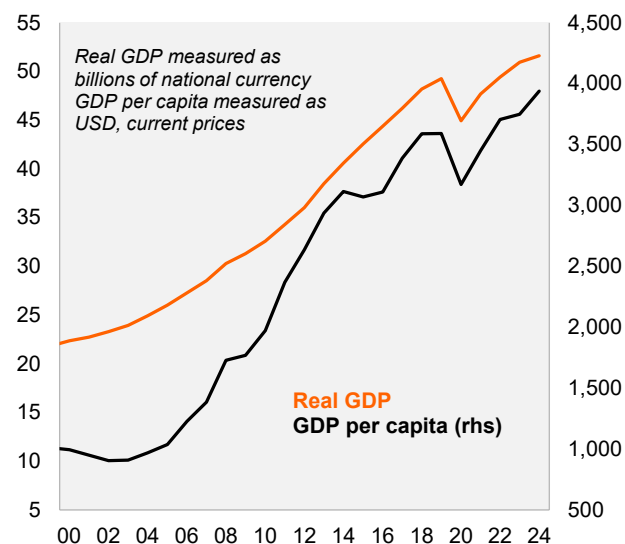
- ▶ The Bolivian economy has accumulated severe macro imbalances in recent years, reflected by persistent fiscal deficits, elevated public debt, low central bank reserves, along with high and accelerating inflation.
- ▶ Recent electoral results in Bolivia point to a marked swing towards pro-market policies, in the context of several elections in the region this year and next.

Macro Challenges

Some basic facts. Bolivia has a population of 11.3 million, of which 37% are estimated to live in poverty (11.3% in extreme poverty), and with an average GDP per capita at USD 3,736 (2023). Life expectancy has gradually inched up to 73 years, yet remains below the regional average (75.6), and 69% of the population lives in urban areas. While the unemployment rate appears low, labor informality is elevated at 85% (ILO).

Slowing growth. After swiftly exiting the covid-shock, GDP growth has gradually slowed from 3.1% in 2023 to 1.4% in 2024, in the context of falling hydrocarbon output, weaker services, and El Niño-related agricultural disruptions. In 2025, election-related unrest is expected to dampen domestic demand and disrupt supply chains, with weak exports due to declining gas and oil production (Latin Consensus Forecasts, August 2025). The IMF forecasts average GDP growth between 2026-2028 at a meager 0.6%.

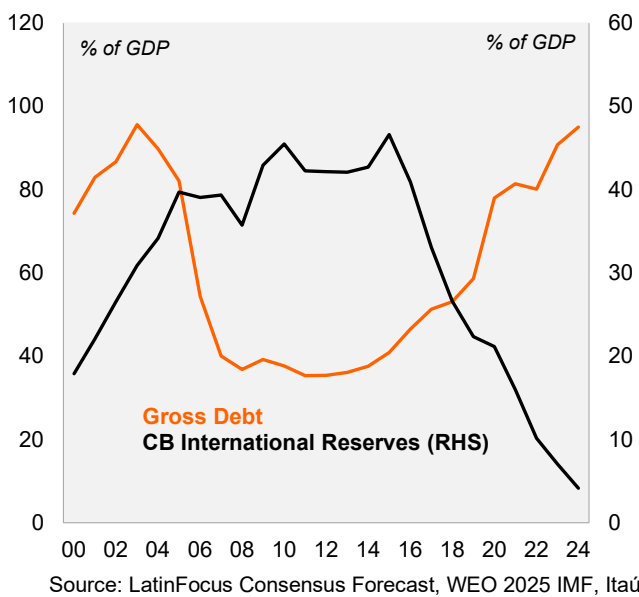
Still a long way to go



Source: WEO 2025 IMF, Itaú

The (unsustainable) policy mix. Fiscal deficits between 2023 and 2024 were above 10% of GDP per year, with the lion's share of the deficit financed by the central bank, in the context of limited access to external funding sources. The primary deficit reached 8.7% of GDP in 2023 and 7.3% in 2024; fuel subsidies reach roughly 3% of GDP. Gross public debt stands at 95% of GDP, surging by around 60pp over the last decade. In parallel, Bolivia's monetary system is structured around a fixed exchange rate, pegged to the dollar, that has led to a substantial real appreciation of the currency, and a widening gap with the weaker parallel exchange rate. The central bank's foreign reserves have been near depleted.

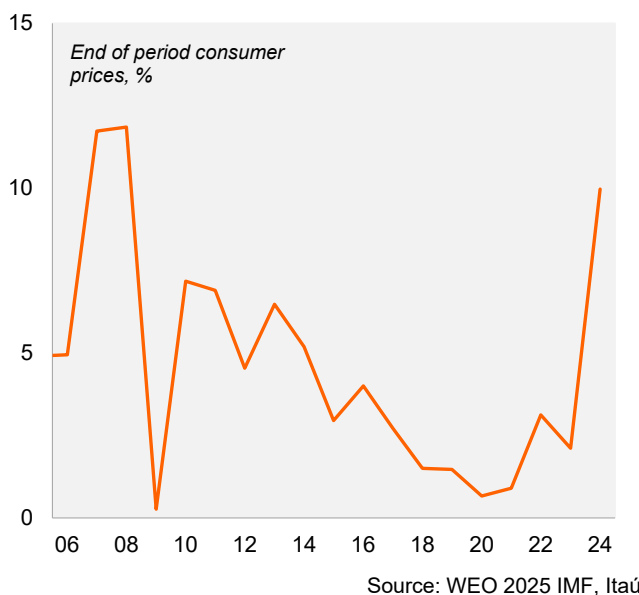
Rising debt, falling reserves



Inflation spiraling higher.

Persistent Inflation Amid Economic and Supply Constraints. Inflation reached 10 percent by the end of 2024 — the highest in over a decade — driven by high import costs, weak agricultural production, and widespread road blockages. In 2025, price pressures have continued to escalate uncontrollably. By July, the annual inflation rate soared to 24.9 percent, fueled by a severe shortage of U.S. dollars and agricultural goods. Despite existing price controls and subsidies, these inflationary dynamics are likely to intensify social unrest. Specifically, a gradual removal of fuel subsidies is likely to pose additional short-term pressure on inflation.

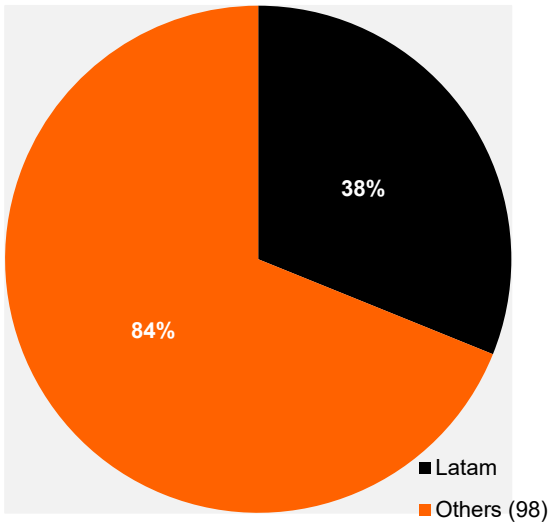
Inflation reaching historical levels



Brazil is a Key Trade Partner for Bolivia

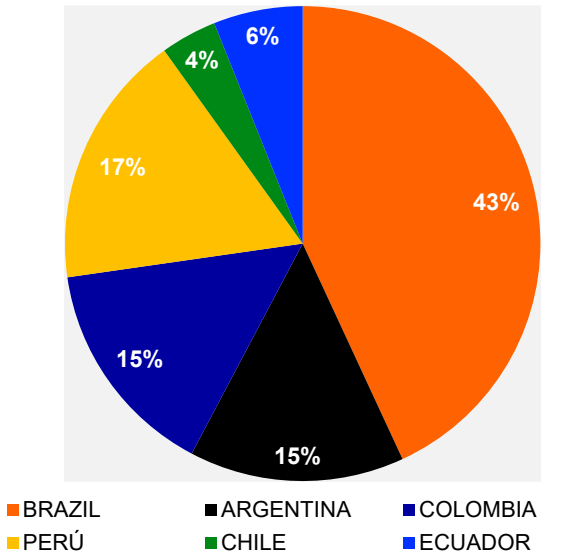
In 2024, Bolivia exported goods for a total of USD 9.1 billion (near 20% of GDP), with 38% going to Latin America. Brazil was the top destination (16%), followed by Peru (7%), Argentina (6%), Colombia (6%), Ecuador (2%), and Chile (1%). However, Bolivia’s share in these countries’ total imports remains modest—generally below 2%. Bolivia plays a role in supplying natural gas to Argentina and Brazil, accounting for 9.2% and 37.7% of their respective natural gas imports. Yet, Bolivia’s gas production is in decline due to underinvestment and weak incentives, reducing export volumes. On the import side, Bolivia sources 43% of its goods from Latin America, mainly from Brazil, Argentina, and Peru. Still, its importance in these countries’ export profiles remains limited.

Bolivia's exports to the world



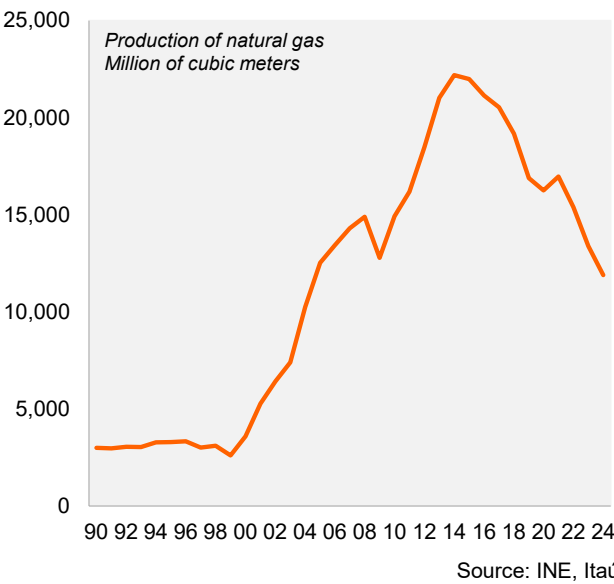
Source: INE, Itaú

Bolivia's exports to Latam countries



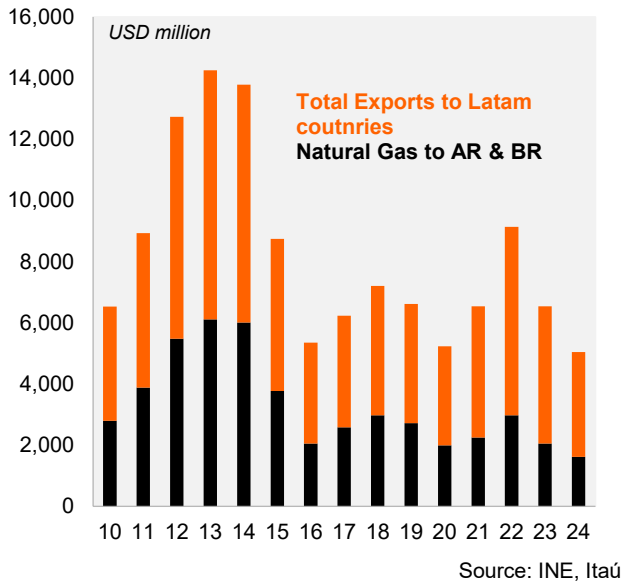
Source: INE, Itaú

Downward trend in gas production

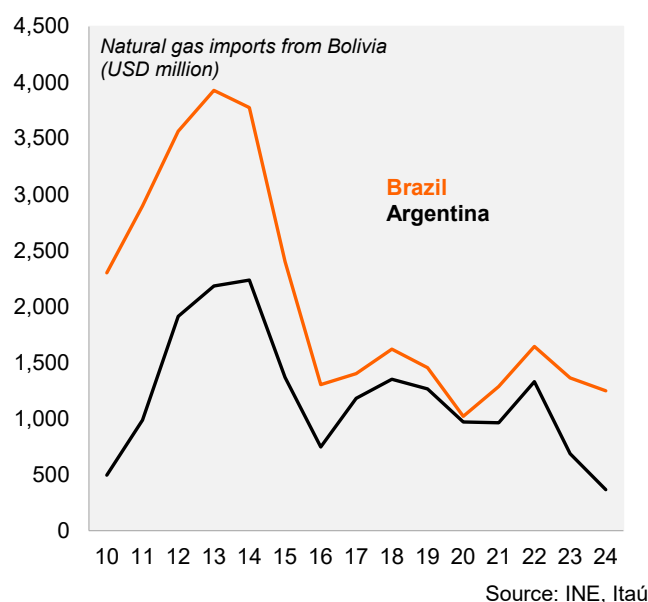


Source: INE, Itaú

Argentina and Brazil key export destinations



Source: INE, Itaú

Natural gas exports have fallen**Opportunities in gas and lithium**

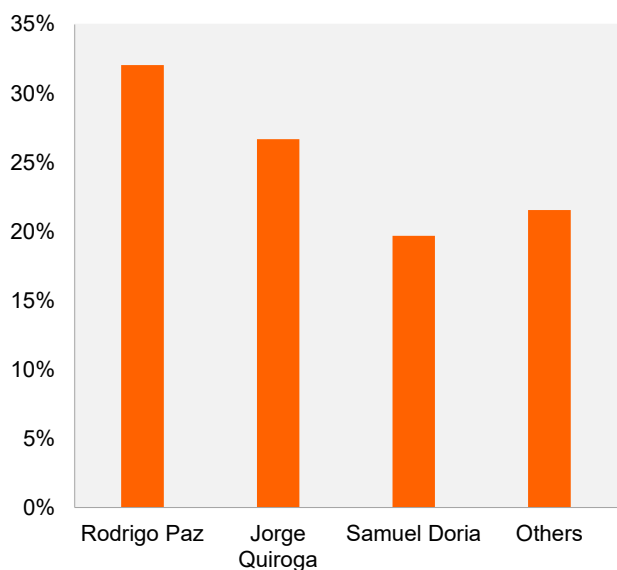
Policies that ramp up investment in the gas sector could, over time, recover production and exploration. Much-needed investment in the gas sector in Bolivia takes place as Argentina has continued to boost prospects for greater production, over time. Even though Bolivia is estimated to hold the world's largest lithium reserves (23 million tons, according to the USGS), exploitation remains limited due to technological gaps, lack of skilled labor, opaque bidding processes, and political polarization.

A historic runoff

The first round of Bolivia's presidential election saw centrist Senator Rodrigo Paz (32%) and conservative former president Jorge "Tuto" Quiroga (28%) advance to a runoff on October 19. This marks a rare right-leaning shift in Bolivia's political landscape. The runoff campaign runs from August 31 to October 15, with the new five-year presidential term beginning on November 8. The winner of the first-round, Rodrigo Paz, received the endorsement of Samuel Doria, who came in third with roughly 20% of the votes. Paz has a pro market stance, supporting trade liberalization, lower taxes, and fiscal discipline. However, he has ruled out seeking IMF assistance, citing concerns over increasing debt.

In parallel, congressional results suggest the centrist and conservative parties should wield a majority for the 2025-2030 period, potentially leading to a qualified majority.

Presidential 1st round elections



Source: Órgano Electo Plurinacional, Itaú

Bolivia's election takes place in the context of several others in the region this year and next.

Key Electoral Dates		
Argentina	September 7, 2025	Local Congressional Election in Buenos Aires
	October 26, 2025	National Congressional Elections
	December 10, 2025	Elected National Congressmen begin their term
Bolivia	August 17, 2025	General Elections - 1st round
	October 19, 2025	General Elections - 2nd round
	November 8, 2025	Elected officials begin their term
Brazil	October 4, 2026	General Elections - 1st round
	October 25, 2026	General Elections - 2nd round
Chile	June 29, 2025	Governing coalition's presidential primary
	November 16, 2025	Presidential and Congressional Elections
	December 14, 2025	Presidential runoff (if needed)
	March 11, 2026	New presidential and congressional terms begin
Colombia	March 8, 2026	Congressional Elections
	May 31, 2026	Presidential first-round
	June 21, 2026	Presidential runoff (if needed)
Mexico	September 1, 2025	New justices, magistrates, and judges begin their terms
Peru	April 12, 2026	General Elections
	June 7, 2026	Presidential runoff (if needed)
	July 28, 2026	Elected officials begin their term

Source: Itaú compilation based on official sources.

Our Take: Bolivia faces mounting economic pressures after years of severe macro imbalances, reflected by spiraling inflation, high and rising public debt, and the depletion of the central bank's reserves. A macro stabilization program that paves the way for a credible and sustainable policy framework should gradually restore confidence, attract investment, and support growth. Support from multilateral financial institutions could reduce the short-term costs and contribute to the flows of international trade credit, crucial for the recovery.

Bolivia



	2020	2021	2022	2023	2024
Economic Activity					
Real GDP growth - %	-8.7	6.1	3.6	3.1	1.3
Nominal GDP - USD bn	36.9	40.7	44.3	45.5	48.4
Population (millions)	11.6	11.8	12.0	12.1	12.3
Per Capita GDP - USD	3,173	3,449	3,706	3,748	3,939
Unemployment Rate - year avg	8.3	6.9	4.7	4.9	5.3
Inflation					
CPI - %	0.7	0.9	3.1	2.1	10.0
Interest Rate					
Monetary Policy Rate - eop - %	2.91	2.98	3.07	3.08	3.05
Balance of Payments					
BOL / USD - eop	6.89	6.91	6.93	6.91	6.93
Trade Balance - USD bn	0.6	2.9	3.0	0.1	-0.3
Current Account - % GDP	0.0	3.9	2.1	-2.5	-4.3
Foreign Direct Investment - % GDP	-0.03	0.01	0.00	0.00	0.00
International Reserves - USD bn	5.3	4.8	3.8	1.7	2.0
Public Finances					
Primary Balance - % GDP	-11.2	-8.0	-5.5	-8.7	-7.3
Nominal Balance - % GDP	-12.7	-9.3	-7.1	-10.9	-10.3
Gross Public Debt - % GDP	78.0	81.4	80.1	90.8	95.0
Net Public Debt - % GDP	65.2	69.2	70.3	80.6	86.6

Source: WEO April 2025 IMF, LatinConsensus Forecast and Itaú.

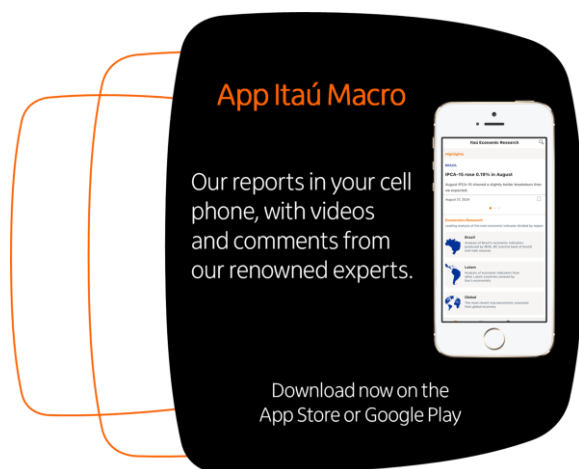
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