Fundación BBVA Microfinanzas 15 aniversario

Latin American macroeconomic context

Latin America: Robust come-back across our footprint

Economy[1]

The COVID-19 crisis exacerbated a decade of sluggish expansion in the region: from 2010 to 2019, average annual growth was just 2.2%, compared to the global rate of 3.1%. Despite record levels of new infections at the end of 2021, the fatality rate across the region was the lowest it has been since the start of the pandemic, which has made it possible for mobility to return to pre-pandemic levels in most places, even though certain countries have maintained some restrictions on movement.

Globally, there has been widespread recovery, although to differing degrees, both in advanced and emerging markets. Many economies have reverted to positions held before the pandemic, whereas others have remained below their 2019 figures. Developed economies grew by 5%, after a slump of 4.5% in 2020, while emerging and developing countries expanded by 6.5%, having fallen back 2% in the year the pandemic began. The world economy, which had shrunk by 3.1% in 2020, increased by 5.9% in 2021.

The return to growth of Latin America's trading partners, particularly China, the United States and Europe, together with intra-regional momentum, has supported the region's growth. By importance we should point to China, which expanded by 8.1% and was the only major economy that did not shrink during the pandemic (growth of 2.3% in 2020), and the United States, which increased by 5.6%, after falling back by 3.4% in 2020.

This strong recovery is explained by a base effect, as it is being compared against a period when activity ceased, as well as by the monetary and fiscal stimulus programs which held economies up and acted to reduce the negative impact of the pandemic during 2020 and 2021. All of the above partially offset the supply shocks caused by the difficulties in the value chain resulting from logistics issues and high transport costs, which were a brake on growth.

Consistent with the growth momentum, the global volume of goods trade grew by 11% in 2021, following a 5.3% contraction in 2020. The reactivation of the world's economic activity in 2021 caused trade in goods to top pre-pandemic levels.

The recovery of activity was driven both by demand and by certain restrictions in the supply of raw materials. This explains the sharp improvement in the terms of trade, which triggered the swift rise in the price of the region's key commodities, starting in the second half of 2020. In 2021 these commodities enjoyed an average boost of 43%.

The price of crude oil, such as Brent, shot up by 55% in 2021. This is the outcome of interruptions due to climate factors, higher demand for gasoline and diesel, and the increased de-

[1] National sources. Estimates to end of 2021 by BBVAMF Research.

mand for crude and gas that outpaced the growth in production. The price of oil futures expanded by 54% during 2021. Natural gas price hikes were the most moderate of the energy commodities, but still grew by 38%.

In 2021, the energy indicator increased twice as much as the industrial metals index in percentage terms. Most of the remaining commodity indexes expanded by around 20%.

In this climate of trade recovery, Latin American countries' exports surged 25% in value, while volumes exported increased by 8%. Meanwhile, imports expanded 32% in value and 20% by volume.

Bottlenecks in production chains and the increase in commodity prices drove up inflation throughout the world.

Blockages and mobility restrictions triggered serious interruptions in several production chains, which caused a short-term supply shortage. Later there were restrictions in the supply chains resulting from the high demand overall caused by the economic recovery, the sharp increase in relative demand for durable goods, and greater demand for other goods too, in anticipation of possible scarcity in the future.

In the medium and long term, if inflationary growth persists, particularly in food prices, this could be a factor driving inequality within countries because of the greater weight of these products in the food baskets of lower-income segments.

Within this global framework, the region's economy expanded by 6.8% during the year, almost matching the fall the previous year (6.9%). All the region's economies recovered in 2021, apart from Surinam, Haiti and Venezuela,

[1] National sources. Estimates to end of 2021 by BBVAMF Research.

countries suffering from a mix of a greater persistence of the pandemic, an adverse socio-political climate of institutional instability, growing insecurity, and social unrest, depending on the country.

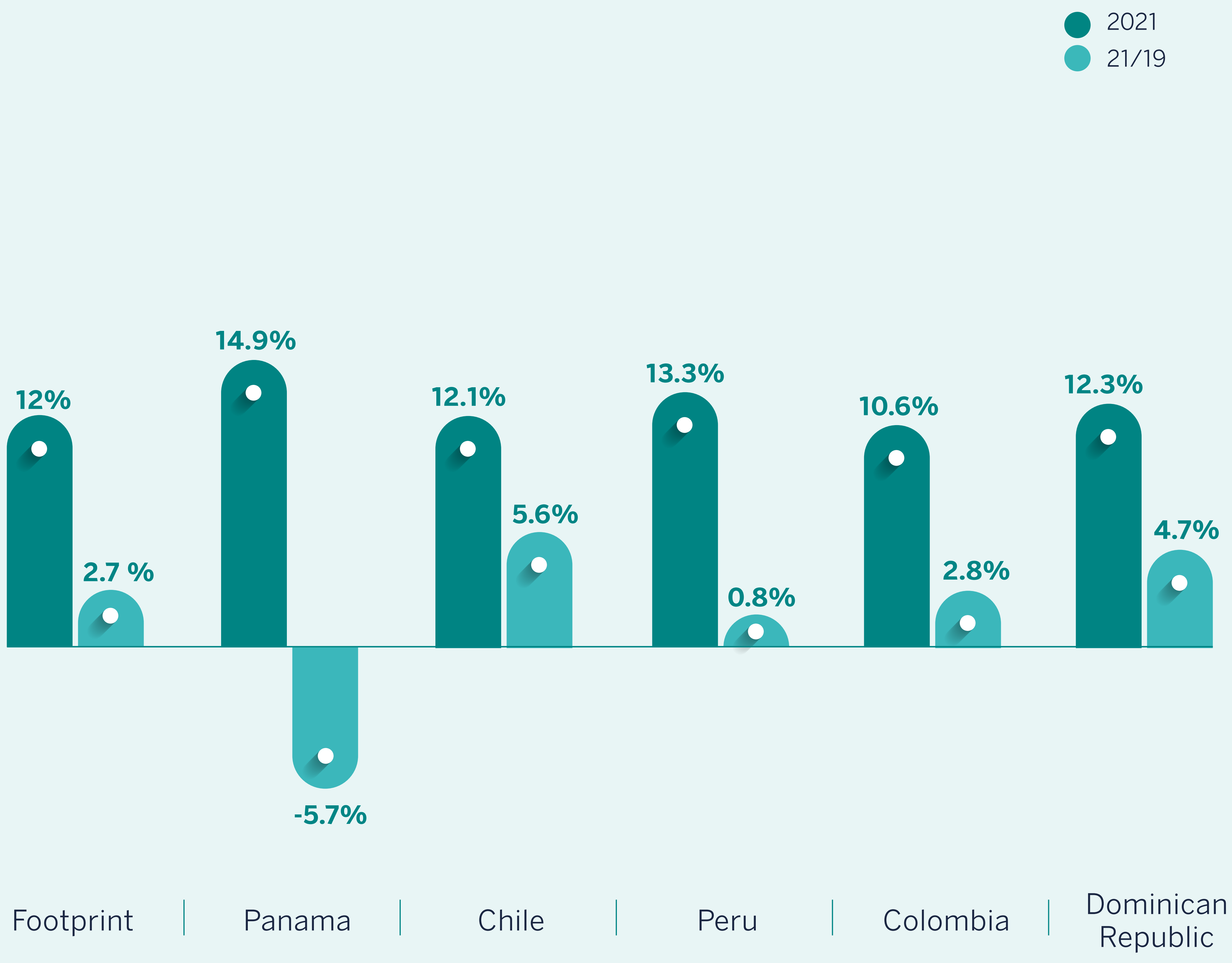
In all countries the same factors were in play as in developed markets, but support measures were less comprehensive. Fiscal efforts by the region's economies to mitigate the effects of the crisis were conditioned by the capacity of the economy in question to stimulate economic and social recovery. To put the magnitude of the measures into some context, fiscal measures in some countries doubled those in others, depending on the size of the economy..

Averaging out the region's recovery conceals significant variations between countries. Colombia and Chile, for example, had more than recouped the losses suffered in 2020, growing faster than prior to the pandemic. However, larger economies such as Mexico and Brazil have still not recovered, or only just, their previous levels, affecting the region's aggregate performance.

In the countries where BBVA Microfinance Foundation's institutions operate, our footprint[2], activity increased by an average of 12%[3], double the average for the region. All countries posted strong recovery. Panama grew by 14.9% despite being the country with the sharpest reverse in activity in 2020; Peru bounced up by 13.3%; Dominican Republic by 12.3%, Chile by 12.1% and Colombia by 10.6%.

[2] Chile, Colombia, Panama, Peru, and Dominican Republic.
[3] Growth weighted by the size of each of the economies where BBVA Microfinance Foundation institutions operate.

01 GDP growth



> The robust recovery of growth in 2021 has enabled the fall in activity caused by the pandemic to revert in BBVAMF's footprint, with a rise of 2.7% since 2019 ”

Since activity in 2020 was extremely atypical, the base effect of comparison is one of the factors accounting for this robust growth, together with the fiscal, monetary, and other support measures adopted in each of the countries.

These hearty rates of expansion have enabled our footprint to return to 2019 levels on the whole, with the average actually 2.7% higher than that year. All countries, except for Panama, which is carrying an accumulated drop of 5.7%, have recovered the activity lost during the pandemic.

Chile and Dominican Republic have grown the most, jumping by 5.6% and 4.7% respectively, whereas Colombia and Peru's gains are lower, 2.8% and 0.8% respectively since 2019, but thus still beating their pre-pandemic results.

Turning to domestic demand, private spending has been the strongest driver, explaining a major part of the growth in all our footprint countries. Spending was up by 14.3%, after dipping 6.1% in 2020, while investment grew by 20%, after slumping by 17% the year before.

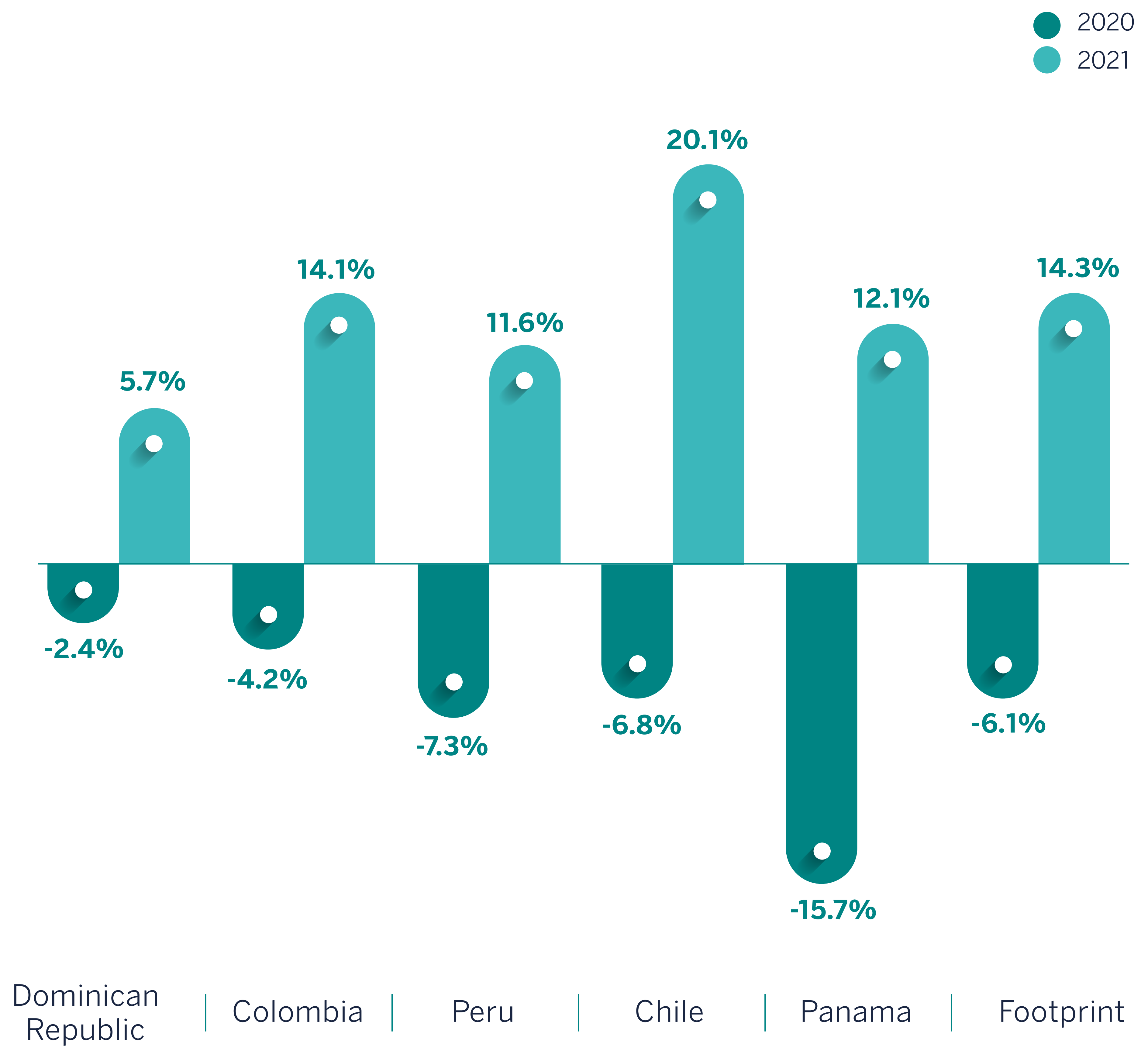
Household spending in Colombia shot up by 14.6% in 2021, as excess saving accumulated during the pandemic's strict lockdown period was used. Higher remittances from workers and the availability of credit at historically low real interest rates also contributed to this momentum.

In Peru, household spending grew by 11.7%, driven by recovery in disposable income resulting from drawdowns on contingency savings, as well as the better labor market and greater flexibility in health measures thanks to progress in the vaccination campaign.

Private-sector spending in Dominican Republic rose by 6.6 %, reflecting the impact of remittances from the rest of the world, which reached record levels, at USD 10.4 billion. Monetary flexibility measures also helped to push up spending.

In Chile, private spending soared by 20.3% in response to greater mobility, the partial drawdown of contingency savings and fiscal transfers. Spending in services and non-durable goods was noticeably higher, while sales of automotives, white goods and technology products rose too.

02 Consumption growth



Source: National sources and BBVAMF.

In a context of demand recovery, all countries in our footprint saw a considerable uptick in investment, together with a return to normal in construction activity. Nevertheless, although exports expanded significantly, the net external sector[4] made a negative contribution to growth as a result of the sharp increase in imports associated with this improvement in activity.

After the shutdown in 2020, private investment returned to growth. However, despite expanding by 11.2% in 2021, in Colombia investments did not manage to get back to their pre-pandemic levels, while progress in construction remained low.

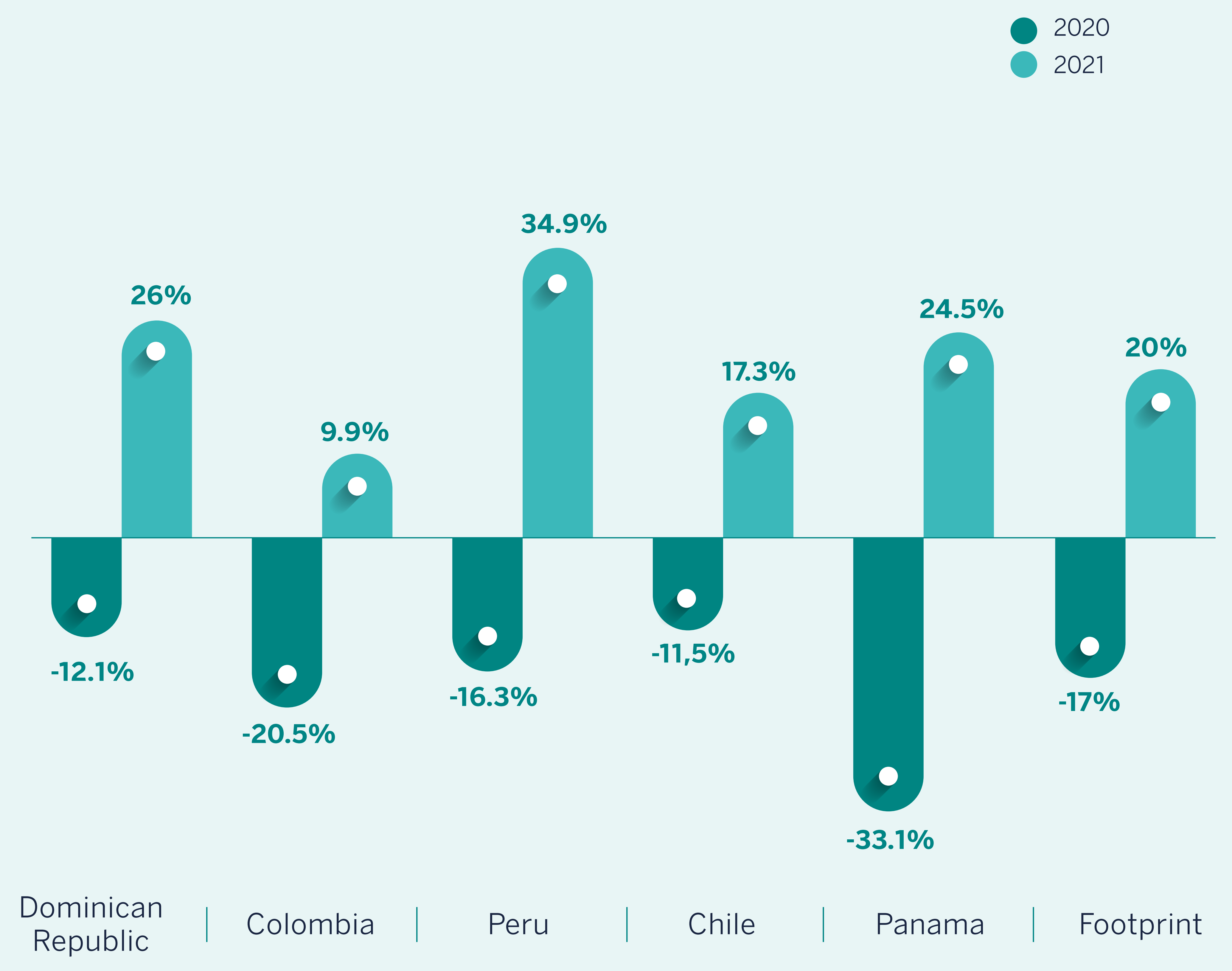
In Peru, investment in the private sector increased by 37.6% in 2021, mainly thanks to momentum in construction and the execution of major infrastructure projects. Public-sector investment rose by 23.7% in the same year, boosted by the execution of reconstruction projects and the *Arranca Perú* [Get Going, Peru] program. The development of major transport infrastructure, such as line 2 of the metro networks in Lima and Callao, and the international airport at Chinchero, helped too.

Dominican Republic's private-sector investment expanded by 22.1%, thanks to the impetus from the construction sector, where important tourism, trade and residential projects got going again.

In Chile, investment grew by 17.6%, spearheaded by an expansion in the purchase of industrial plant and freight vehicles, as well as construction and other works, because of an increase in building and reactivation of engineering projects.

[4] Exports minus imports.

03 Investment growth



Source: National sources and BBVAMF.

> Average inflation across the footprint went from 2.3% in 2020 to 6.3% in 2021, particularly impacting lower-income sectors, as they are more exposed to the brunt of price rises ”

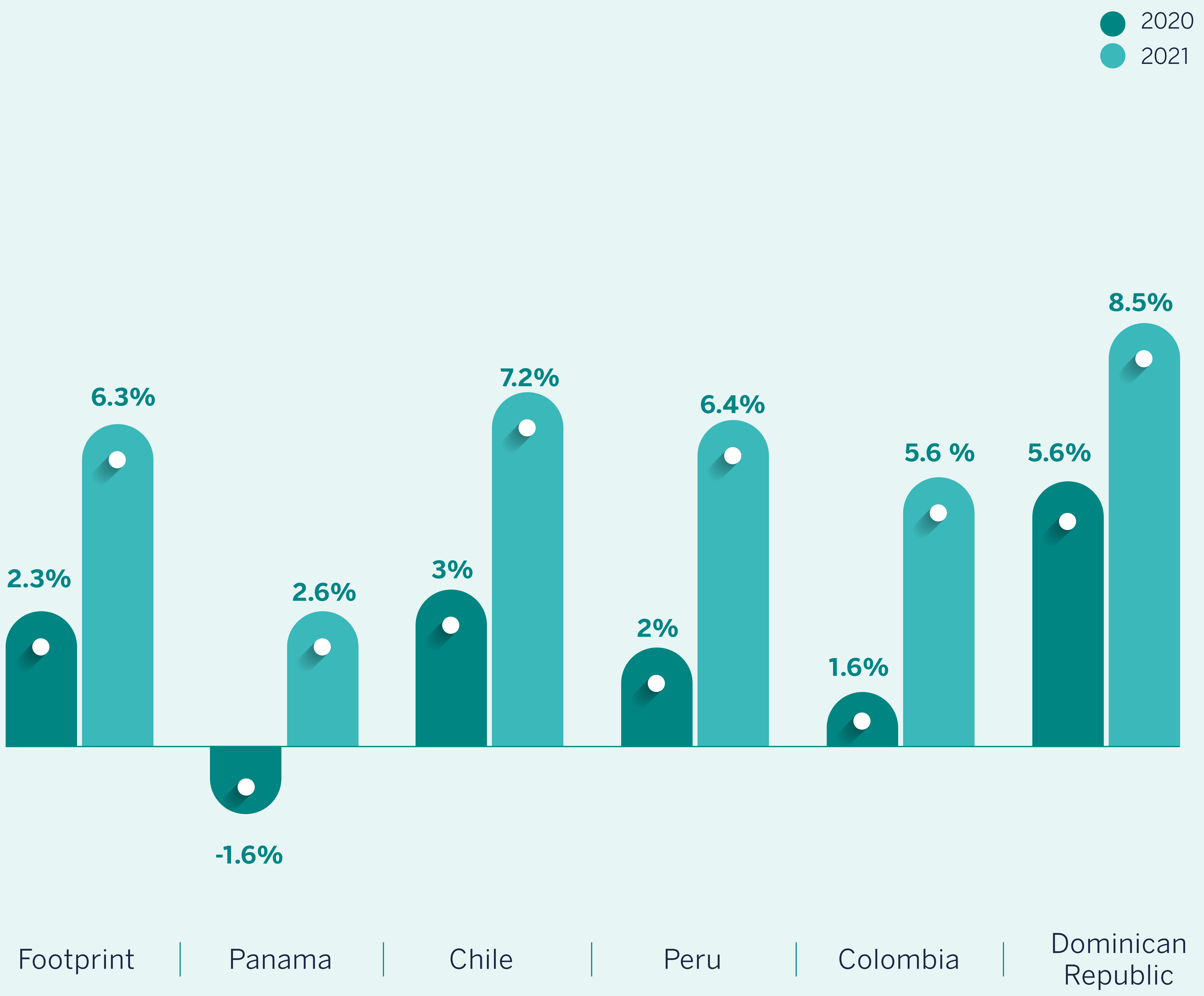
At the end of 2021, average inflation in Latin America and the Caribbean[5] stood at 7.2%. As well as the recovery of domestic demand, the underlying reasons were the increase in energy and food prices, depreciating exchange rates, which impacted the price of imported products, and the pent-up demand caused by the pandemic for the supply of goods.

This increase in inflation comes on top of the region's pre-existing structural issues prior to the pandemic. Both headline and core inflation have exceeded the targets of central banks throughout the region, tightening family budgets and raising poverty.

The same factors impacting global and regional inflation were at work in our footprint, with the price rises jumping from 2.3% in 2020 to 6.3% in 2021. In this more inflationary environment, the behavior of the real sector and market uncertainty meant that central banks' monetary policy was less expansive, with adjustments to the monetary policy in all countries, but still with strongly negative real interest rates.

[5] Not counting countries with chronic inflation, such as Argentina, Haiti, Surinam, and Venezuela.

04 Inflation



Source: National sources and BBVAMF.

In Colombia, inflation fell to 1.6% in 2020 as a result of weak demand because of the pandemic. From May 2021 onwards, however, the trend changed direction, and by the end of the year the rate stood at 5.6%. This is explained by supply problems and the swift recovery of the economy once lockdowns were lifted. As part of the return to normal, interest rates stayed at 1.7% until September, rising to 3% by year end.

In Peru, as well as the factors inherent to the post-pandemic recovery, the rise in the exchange rate put even more pressure on the prices of products containing imported components in 2021. Inflation jumped from 1.97% in 2020 to 6.43% in 2021, with food and beverages rising by 7.97%, while fuel and electricity leapt up by 24.41%, prices of these having risen by merely 2.24% and 2.13% respectively in 2020.

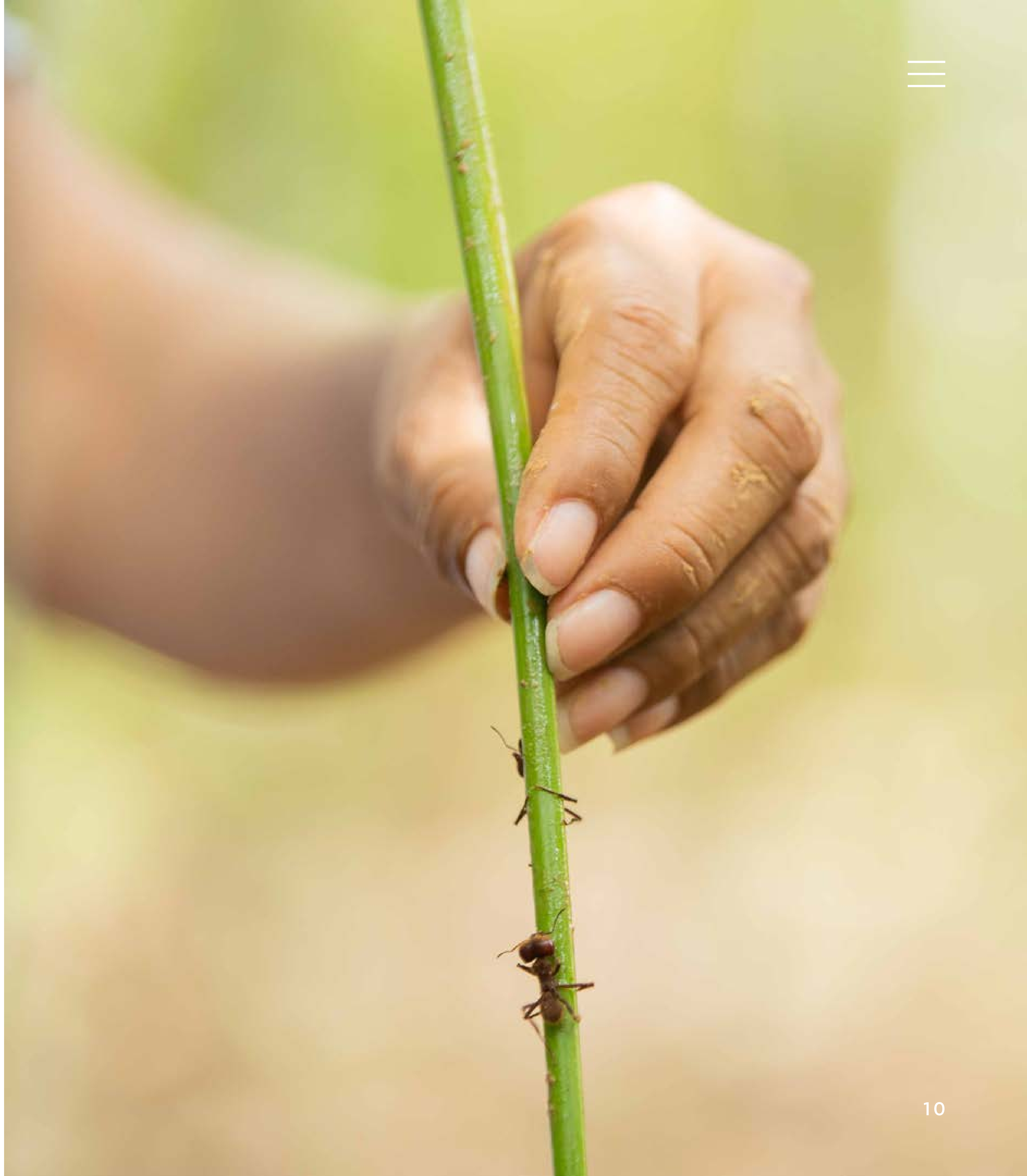
In Dominican Republic, headline inflation went from 5.5% in 2020 to 8.5% in 2021, with core inflation reaching 6.87% by the end of December 2021. Against this backdrop of inflationary pressures, the central bank took the decision to raise the monetary policy rate, which it had left at 3% since September 2020, by 150 base points from November, thus closing December 2021 at 4.5%.

Inflation ended 2021 at 7.2% in Chile, the highest rate for 14 years. This is mainly accounted for by the expansion in internal demand and the depreciation of the peso caused by idiosyncratic reasons. On top of this were the other global factors, such as demand growth, disruptions caused by the pandemic to international value chains of goods, and the rise in commodity prices.

In Panama, 2021 closed with inflation having posted a year-on-year variation of 2.6% and an accumulated rate between January and December of 1.6%. These rates contrast with the variation in 2020 of -1.6% in 2020, a year of almost total economic paralysis due to the pandemic, the accumulated -0.4 % between January and December 2019, and the accumulated 0.8% posted for 2018.

The 10.6% expansion in transport sector prices, a consequence of the increase in the cost of oil in the last quarter of 2021, has impacted the other categories.

In general terms, across all the countries in our footprint, inflation has risen fast and more strongly than in recent years. It has had considerable impact on all families' budgets, especially the most vulnerable, since they are more exposed and have fewer mechanisms to protect them from the onslaught of inflation.



Employment, poverty and welfare[6]

The pandemic was an unprecedented attack on the world economy, with a widespread stoppage of activity, as such causing massive disruption to employment. Measures and policies to try to soften the impact on jobs and protect incomes, which were essential to mitigate the crisis, helped but were not enough.

In 2020 the equivalent of 255 million fulltime workers were lost worldwide, whether due to the loss of jobs or to the lower number of hours worked. The latter reason explains why approximately half of those losses were as a consequence of reducing working days for those who kept their jobs, resulting from job protection policies that entailed furloughs.

The remaining half was due to job destruction, whether of those who lost their jobs or left the workforce, or of those jobs that would have been created were it not for the pandemic. According to the ILO's estimates[7], 100 million net jobs were restored in 2021, meaning that employment levels were still below their 2019 levels.

In Latin America, all these factors were in play. The participation rate dropped from 62.7% to 53.2%, while the employment-to-population rate fell from 57.4% in 2019 to 51.7% in 2020, which implies that about 25.8 million people stopped being occupied over the course of that year. The average unemployment rate surged from 7.9% in 2019 to 11.6% in 2020.

The departure from the labor force of many potential workers who stopped looking for work, which was simply non-existent during the crisis, attenuated the unemployment figures, because of the fall in both the participation and the employment-to-population rates. The furlough policies adopted, temporarily suspending work contracts while offsetting this with some kind of monetary provision or subsidy, allowed many to keep their jobs and softened the impacts on unemployment rates.

In 2021, the participation rate increased by 6.8 percentage points to 60%, still 2.7 percentage points below its 2019 levels. The employment-to-population rate rose to 54%, up by 2.3 percentage points from 2020, but still 3.4 percentage points below 2019.

6 National sources. Estimates to end of 2021 by BBVAMF Research.
7 ILO. World Employment and Social Outlook: Trends 2021.

As a result, the unemployment rate fell by 0.9% from 2020 although, posting at an average 10.1%, it was still 1.7 percentage points above the figure in 2019.

Labor figures showed that recovery was shared unevenly between men and women. During 2021, women's participation rate was 49.1%, i.e. 3 percentage points below 2019, whereas the rate for men was 71.8%, 2.4 percentage points less than the year before, widening the gender gap.

The return of women to the labor force in 2021 was slower than usual because of circumstances in which remote school learning has become more generalized. The increased need to look after family members had still not totally abated and women's participation in this area was over-represented

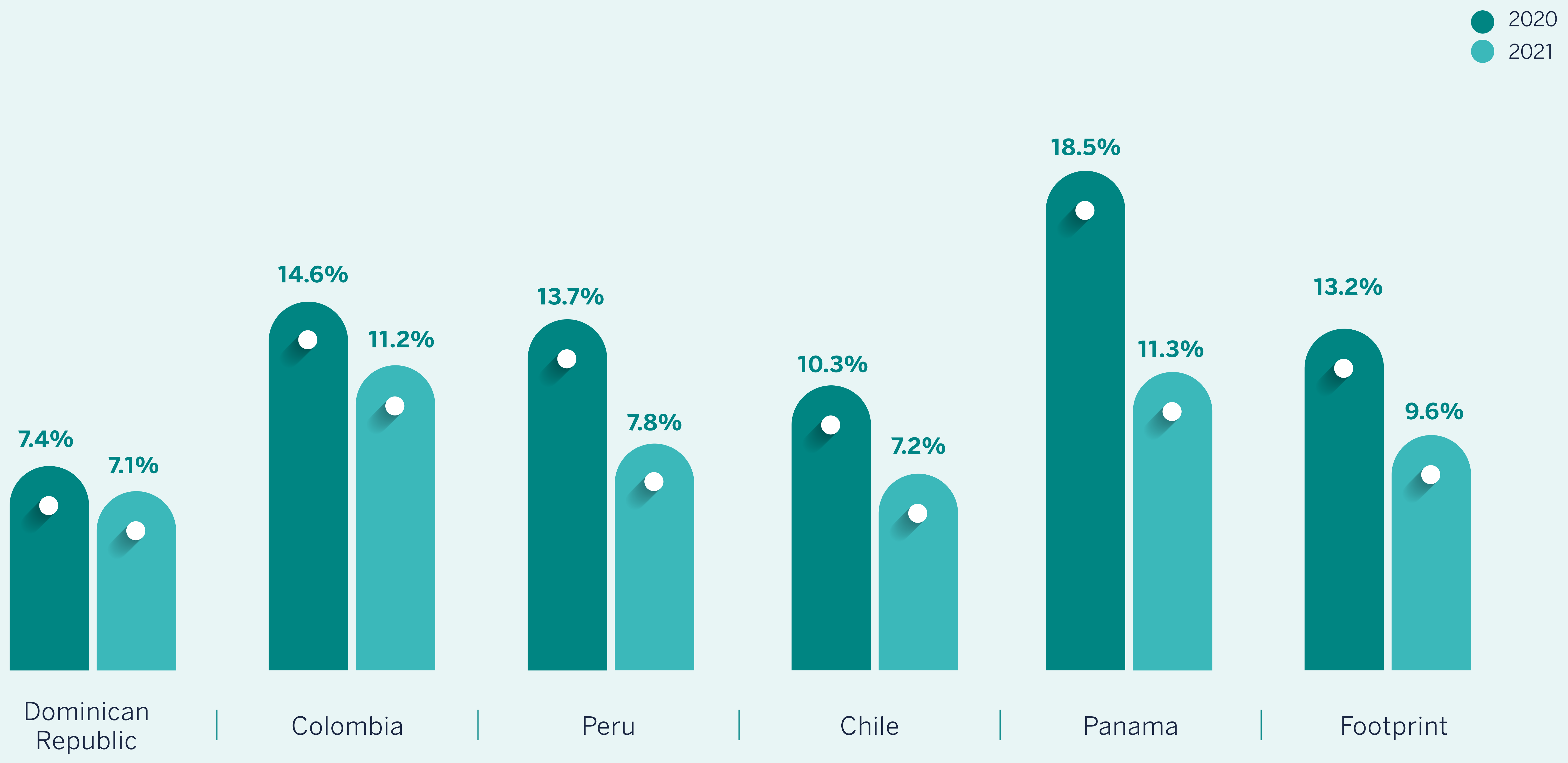
Men's unemployment rate improved in 2021, falling from 10.7% in 2020 to 8.7%, while women's unemployment rate was virtually the same (12%).

In the footprint, the economy's performance meant that the unemployment rate fell by 3.6%, in line with the trend across the region, posting at 9.6% in 2021, the outcome of a stronger labor market in all countries.

> Labor indicators showed that recovery between men and women was uneven, with a widening gender gap in terms of participation and a slower improvement in female employment ”

> In the footprint, economic performance brought the unemployment rate down by 3.6%, in line with outcomes across the region, posting at 9.6% in 2021 ”

05 Unemployment rate

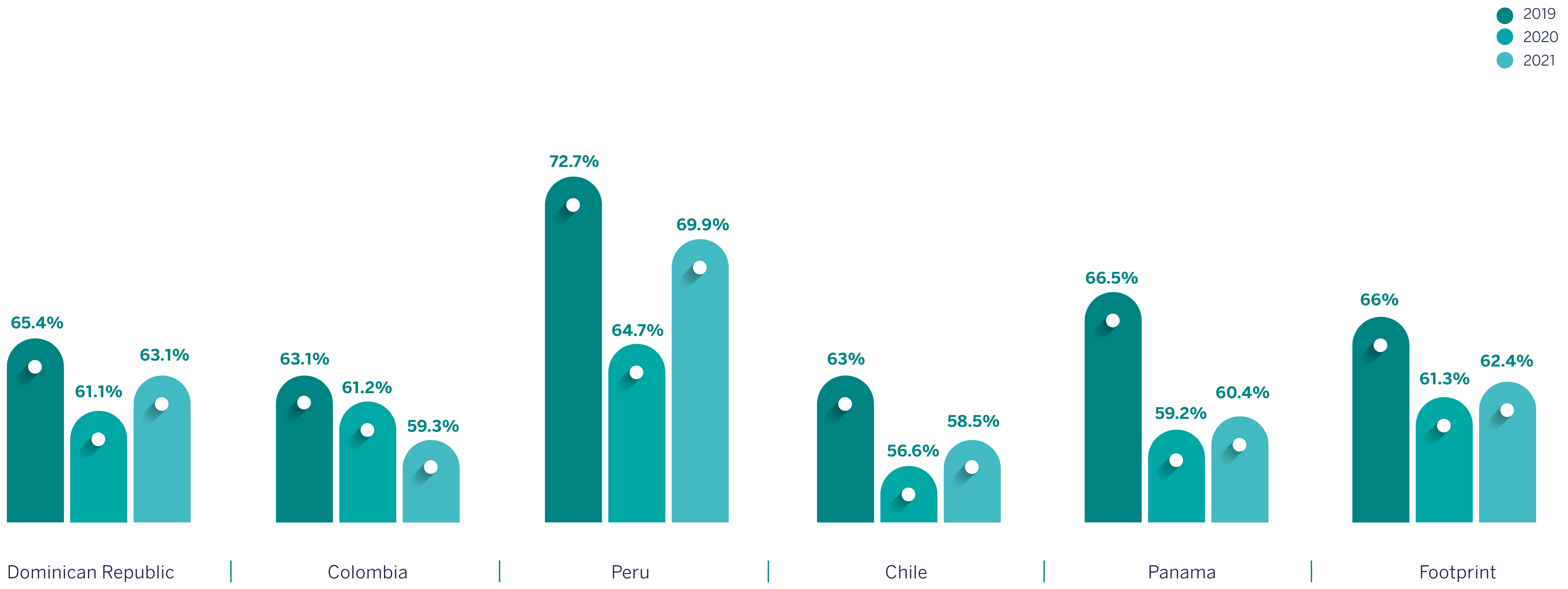


Source: National sources and BBVAMF.

In 2021, female unemployment stood at 12%, 4.2% worse than for men, which came to 8.7%.

The overall participation rate inched up by 1.1%, from 61.3% to 62.4%, with a participation gap between men and women of 21.7%. The participation of the former was 73.4% and that of women 51.8%.

06 Labor market participation rate



Source: National sources and BBVAMF.

The pandemic exposed the fact that the number of women working in jobs that require more personal interaction, such as retail trade, hospitality, caring for people, and tourism, is much higher than the number of men. Since these activities cannot be carried out remotely, they were more likely to stop working.

A second factor that put a stop to women's progress in the labor force was unpaid work in the home, together with looking after children and other dependents. Many minors were still not going to school and required greater dedication in overseeing their schoolwork. This was a brake on the full incorporation of many women into the labor market, since the bulk of these activities fell on their shoulders.

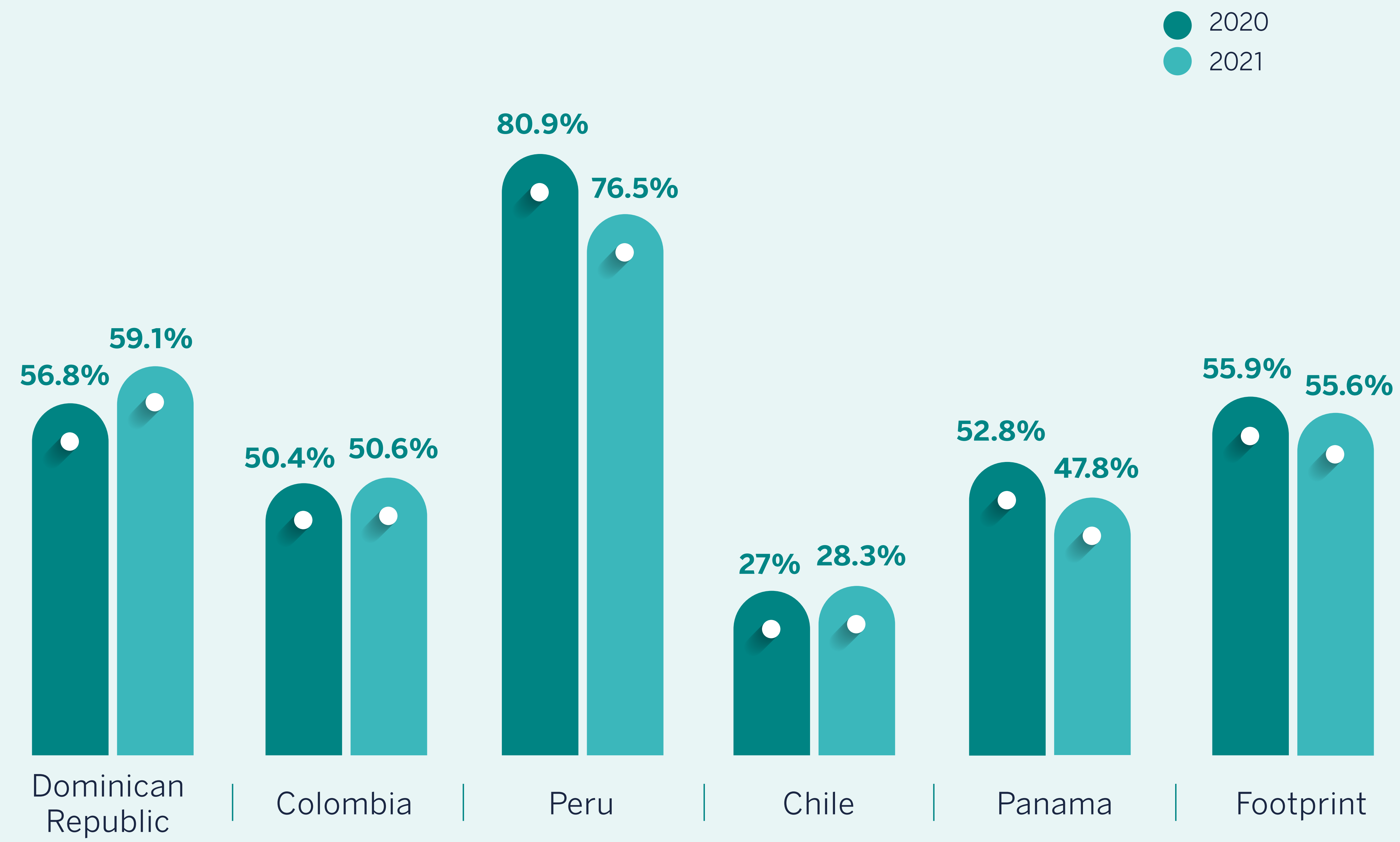
The crisis brought on by the pandemic has changed the traditional dynamics that, together, shaped the composition of employment in previous crises. When formal employment fell, typically it was the informal sector that picked up the slack, partly offsetting that reduction.

However, during this crisis, both formal and informal employment fell, with the informal sector shrinking more because of its nature and its greater sensitivity to lockdown measures

In 2021, informality in the footprint accounted for 56% of employment, with the partial recovery of jobs spearheaded by the growth in informal employment. This amounts to around 60% of all jobs generated during the reactivation after the pandemic.

During the pandemic, the pre-existing gaps in participation, employment-to-population, and unemployment rates narrowed between rural and urban areas. Even though in 2021 the improvement in labor indicators was visible in both types of environment, neither rural nor urban areas returned to their 2019 levels.

07 Informality rate



Source: National sources and BBVAMF.

The labor dynamics during the crisis caused by the pandemic and the subsequent recovery have been heterogenous across the footprint, varying significantly between countries and sectors. From the beginning of the recovery, employment growth trends have depended on vaccination rates and the different fiscal capabilities of each country to put support policies in place.

In Colombia, the unemployment rate was 13.7%, that is, a 2.2% reduction from 2020. The participation rate came in at 60.6%, an increase of 1.4% from the year before. Finally, the employment-to-population rate was 52.3%, 2.5% up from 2020.

Men's unemployment rate was 8.4%, while for women it was 15.1%, i.e. 6.7% lower for men than for women. In 2020 this difference worked out at 8.5%.

In Dominican Republic, the official unemployment rate – defined as the proportion of the economically active population that is unemployed but actively looking for work[8], posted at 7.1% at the end of 2021, 0.3% down on the 2020 proportion of 7.4%.

[8] Active unemployed.

If we turn to extended unemployment rate, counting both the active unemployed, those who are looking for a job, and the people who have a high likelihood of putting pressure on the job market or of joining the labor force as soon as conditions improve, this stood at 13.2%, shrinking by 1.7% from the end of 2020.

As far as the time spent unemployed goes, only 17% of the unemployed recorded in 2021 had been without an occupation for a long time.

58.1% of all jobs were worked under informal, low-quality conditions with low productivity, while the majority of workers were self-employed.

The official unemployment rate for men was 4.1%, and 11.2% for women. Thus, whereas women's unemployment was 7.1% higher than that of men, the previous year the gap had been 5.8 percentage points.

In Peru, in metropolitan Lima, the unemployed accounted for 10.7% of the entire economically active population, a drop of 0.7% from 2020. Female unemployment came to 12.8%, 3.8% more than for men. The participation rate was 63.8%.

In Chile, at the close of 2021, the unemployment rate was 7.2%, marking a fall of 3.1% since the end of 2020. This was the outcome of a 4.5% rise in the labor force, lower than the uptick in employed people, which was 8.1%. The numbers of the unemployed, meanwhile, shrank by 9% over the same twelve-month period, because of the reduction in the number of those who were laid off (27.8% fewer) and a 18.3% reduction among those looking for work for the first time.

The rate of women's unemployment was 7.4%, and that of men 7.1%, a drop of 3.5% and 2.7% respectively from 2020. On the other hand, since the peak of the pandemic, 1,436,000 jobs have been restored, equivalent to 77.5% of those destroyed. This recovery has been skewed 81.8% towards men, and 73.1% towards women.

The employment-to-population rate ended 2021 at 54.3%, while participation in the labor force posted 58.5%. In 12 months, the number of people in work increased by 8.1%, with the proportion of women up by 11.7%, and that of men higher by 5.7%.

Informal employment-to-population was 28.3%, 1.3 percentage points higher than in 2020. The number of people working in the informal sector also rose, by 13.3%; of these, working women rose by 21.9%, while the figures for men went up by 7.4%.

The unemployment rate in Panama was 11.3%, representing a reduction of 7.2% from 2020. The rate for men was 11%; for women it was 11.8%, meaning that men's unemployment was lower than women's by just 0.8%. In 2020, the difference was much wider: 6.4%.

The informal sector accounted for 47.6% of the whole in 2021, a reduction of 5.2% since 2020 (when it was 52.8%), although slightly up, by 2.7%, from 2019.

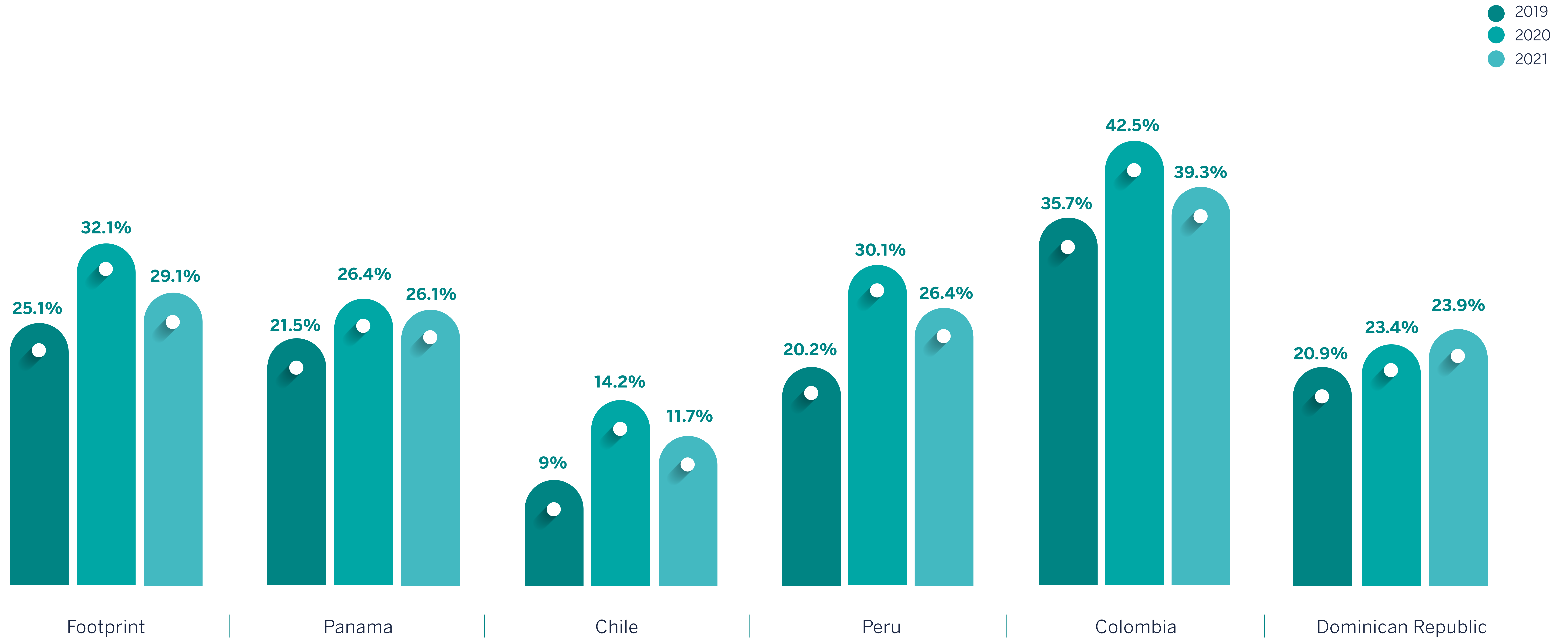
The fact that not all jobs destroyed during the pandemic were restored, and the major increases across the footprint countries of inflation, led to a fall in real household incomes, with the corresponding impact on poverty levels. The loss of jobs and the reduction of labor incomes that took place during the pandemic affected lower-income segments especially hard.

In 2021, monetary poverty stood at 29.1%, meaning that nearly 34.6 million people found themselves in these circumstances. Last year around 2.9 million people escaped poverty, a 2.87% reduction in the poverty levels from 2020.

The pandemic caused 8.6 million people to fall into poverty in 2020. Of these, only 33% managed to escape it in 2021, with 5.7 million more people in this situation than in 2019.

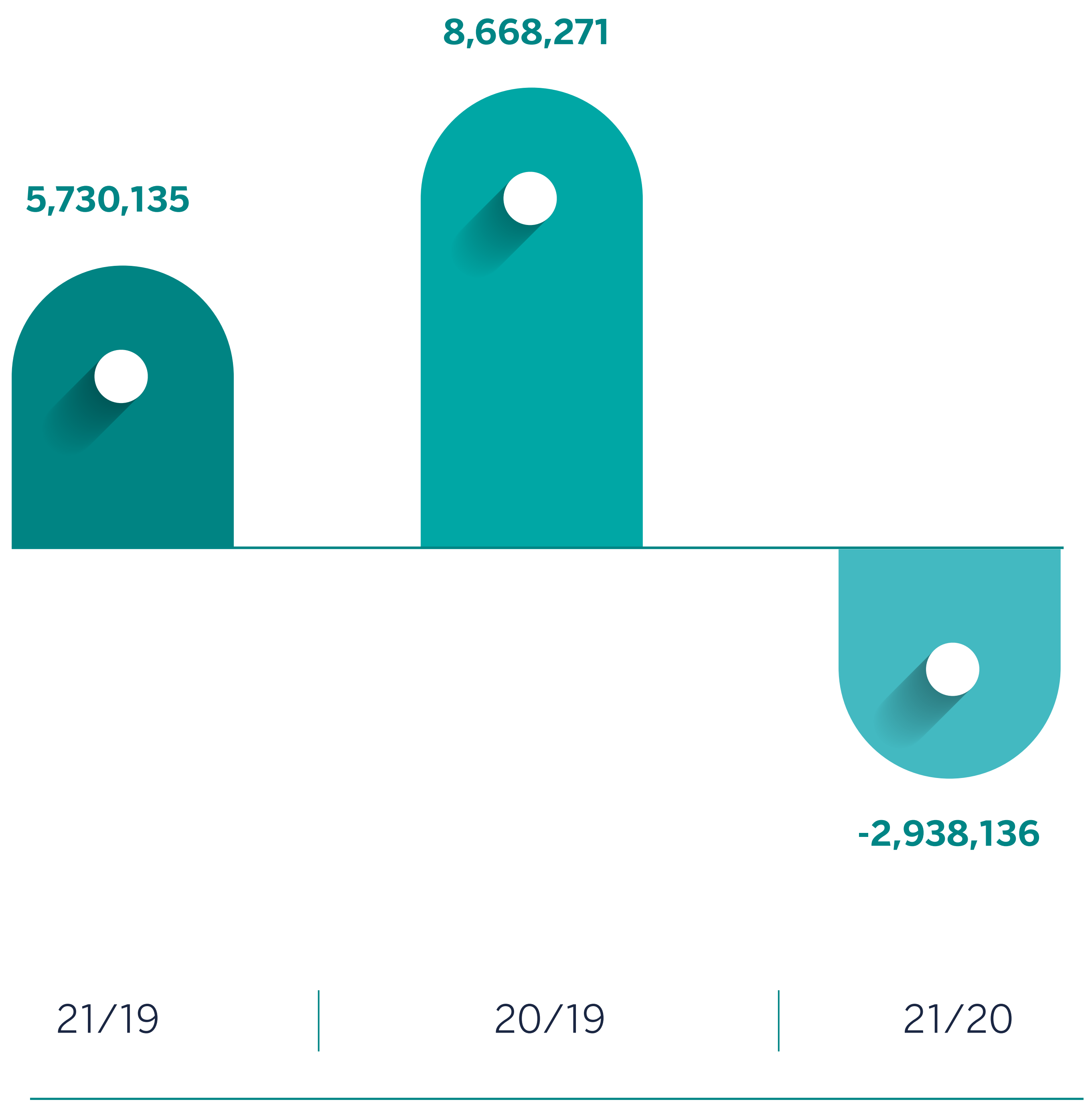
The pandemic caused 8.6 million people to fall into poverty in 2020. In 2021, only 33% had escaped, leaving 5.7 million people still in poverty ”

08 Monetary poverty



Source: National sources and BBVAMF.

09 **Footprint**
People moving in and out of poverty



Source: National sources and BBVAMF

All of the above means that a faster recovery of household incomes will be needed to return to 2019 levels. Creating jobs will play a central role in achieving this, together with a gradual moderation in the rise of inflation.

In Colombia, in 2021, 39.3% of Colombians suffered monetary poverty, a reduction of 3.2% from 2020. Around 1.3 million people had escaped poverty, but another 2.4 million who fell into it because of the pandemic are still in this situation.

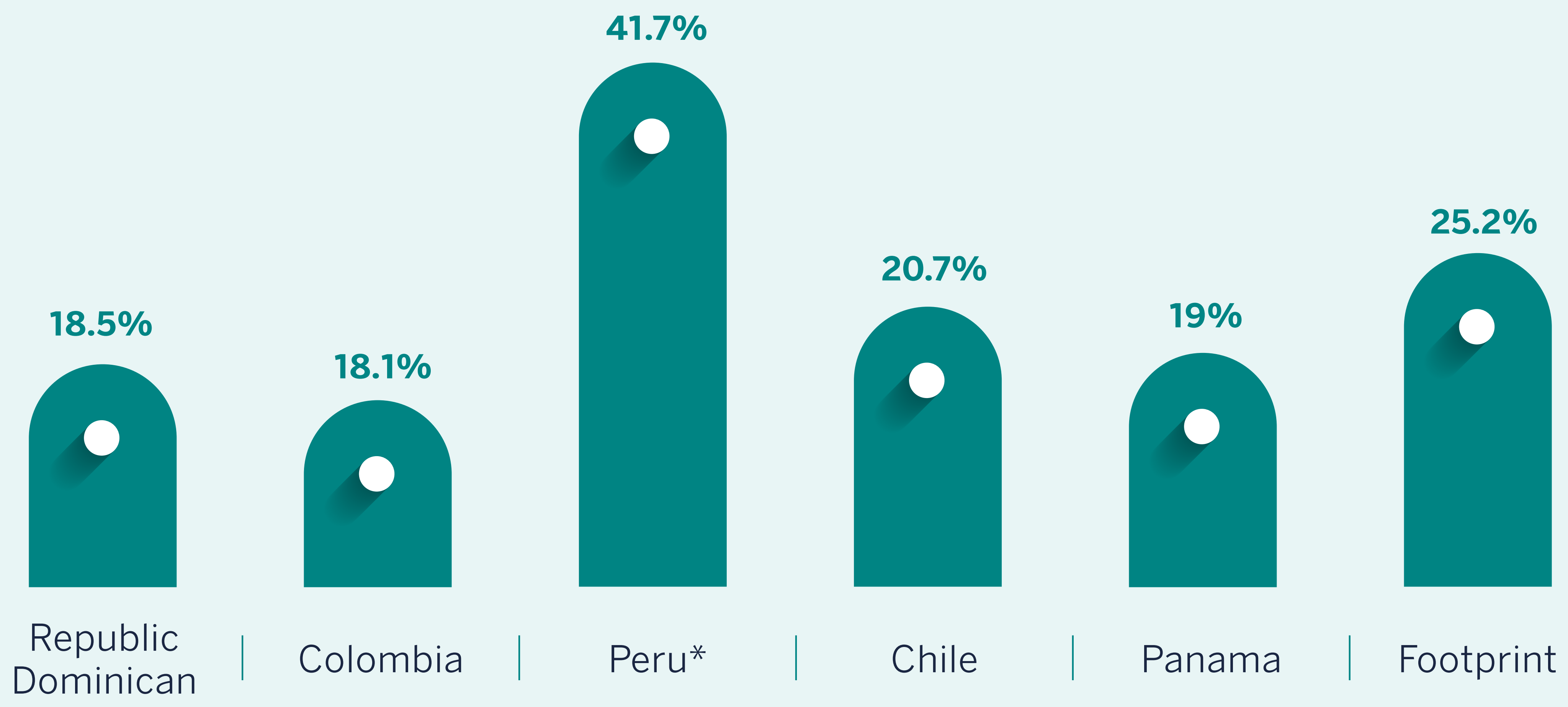
In 2020, the percentage of people in multidimensional[9] poverty in Colombia[10] was 18.1%; this ratio breaks down into 12.5% in urban areas, and 37.1% in rural ones, three times the proportion of those in cities.

[9] The six dimensions making up the Multidimensional Poverty Index (MPI) are: educational conditions in the home, conditions of children and young adults, healthcare, work, access to public utilities in the home; and housing conditions. Between them, they are measured by 15 indicators. Households are considered multidimensionally poor when they suffer privations in at least 33.3% of these indicators. Someone is considered vulnerable if they are deprived along 20-33.33% of the weighted indicators. Someone is categorized as living in severe poverty if they are deprived along 50-100% of the weighted indicators.

[10] Dane: Multidimensional poverty in Colombia.

10 Multidimensional poverty

Based on latest information available



Analysis conducted by COMEXPerú since 2020. COMEXPerú is a private association of the largest companies involved in Peruvian foreign trade. It estimates multidimensional poverty with its own measurements using data from the National Household Survey (ENAHO). COMEXPerú's measurement is an MPI based on Alkire-Foster methodology, but it is not an official poverty measurement in Peru.

Source: National sources and BBVAMF.
*Analysis conducted by COMEXPerú since 2020. COMEXPerú is a private association of the largest companies involved in Peruvian foreign trade. It estimates multidimensional poverty with its own measurements using data from the National Household Survey (ENAHO). COMEXPerú's measurement is an MPI based on Alkire-Foster methodology, but it is not an official poverty measurement in Peru.

In 2020, monetary poverty[11] affected 30.1% of Peru's population, a rise of 9.9% from 2019. This increase was due to the pandemic and the impact of most economic activities shutting down in response to the national emergency, together with the mandatory social isolation. All this resulted in around 3.3 million people falling into poverty.

In 2021, according to our own estimates[12], monetary poverty affected 26.4% of the population, a 3.7% drop from 2020. This means that approximately 1.1 million people had escaped poverty, but 2.2 million who had fallen into it because of the pandemic were still in this situation.

Despite the economic recovery in 2021, poverty levels have remained higher than in 2019, reflecting the vulnerability in which a large part of lower-income segments live; when there is any kind of shock, they fall back into poverty.

In 2020, 41.7% of Peruvians suffered from multidimensional poverty[13]. Unlike the sharp increase in monetary poverty that occurred in 2020, and which represented a return to the figures of 10 years previously, multidimensional poverty went down by 0.7%, showing a certain stagnation, especially if we bear in mind that in the last decade the reduction had been, on average, posting at 2.2% a year.

[11] Source: National Statistics & Information Technology Institute (Instituto Nacional de Estadística e Informática) (INEI).
[12] BBVAMF Research.
[13] Information from the National Household Survey (ENAHO).

In Dominican Republic, the monetary poverty rate went from 23.4% in 2020 to 23.8% in 2021. So, from the beginning of the pandemic, around 276,000 people, in absolute terms, fell into poverty. The rural monetary poverty rate increased by 0.78% between 2020 and 2021, reaching 24.7%. In urban areas the overall poverty rate ticked up by 0.43%, to 23.7%.

The general monetary poverty rate would have been higher in 2021 were it not for governmental transfers. In that year, the general poverty rate would have risen to 26.72%, if monetary transfers had not contained the increase, keeping the increase to 2.87%[14]. Transfers used during the pandemic have all had similar impacts, but to differing degrees in each of the footprint countries.

In 2019, 18.5% of homes in Dominican Republic were multidimensionally poor.

Even though Chile continues to have the second lowest rate of poverty in the region, after Uruguay, it rose 3.5% to 14.2% in 2020. If the year 2017 is taken as a benchmark (with poverty affecting 10.7%), the increase amounts to 1.18 million people, around 89% of whom fell into poverty because of the pandemic.

In 2021, according to our own estimates[15], monetary poverty stood at 11.7%, a decrease of 2.5% compared to 2020. In numbers of people, around 470,000 had escaped poverty, but 580,000 of those who fell into it during the pandemic were still in that situation.

According to the results of the last Casen survey

[14] Bulletin with Official Statistics on Monetary Poverty in Dominican Republic 2021 (N° 9/Year 7).
[15] BBVAMF Research.

from 2017, 20.7% of Chilean households were multidimensionally poor. In rural areas that indicator rose to 37.4%, while for urban areas it was 18.3%.

The pandemic has had impacts that have been only partially measured to date, making it impossible to compare the movements of poverty with previous years. On the other hand, when we analyze the different dimensions, we see that as well as the fall in household incomes, the crisis caused by coronavirus has affected other components of people's welfare, such as education and healthcare. The rise in these deprivations, which go to make up multidimensional poverty, sharpened considerably during the pandemic.

In 2019[16], monetary poverty in Panama affected 21.5% of the population. Between 2008 and 2019, Gross Domestic Product grew at an annual rate of 6.1%, and poverty fell by 12.3%. The average annual rate of people in poverty was 4.2%. The pandemic, according to our estimates[17], pushed around 230,000 people into poverty, meaning that 26.4% of the population found itself in this situation. Although poverty expanded by 4.9%, the set of support measures adopted by the government prevented many more people from falling into poverty in the short term.

Improved economic performance and of employment in 2021[18] brought monetary poverty down by 0.3% from 2020, to 26.1%.

According to the latest official figures, from 2018, 19% of the population was in multidimensional poverty. Average deprivations were 42.4%. As has been the case in other countries, the pandemic is very likely to have caused significant impairments and increased the intensity of the shortfalls in certain dimensions that are particularly impacted by the pandemic, such as education and healthcare.

[16] Latest year for which official information is available.
[17/18] BBVAMF Research.