XXXIV SEMINARIO REGIONAL DE POLÍTICA FISCAL

CEPAL, Naciones Unidas
Santiago, Chile, 13-14 de junio de 2022
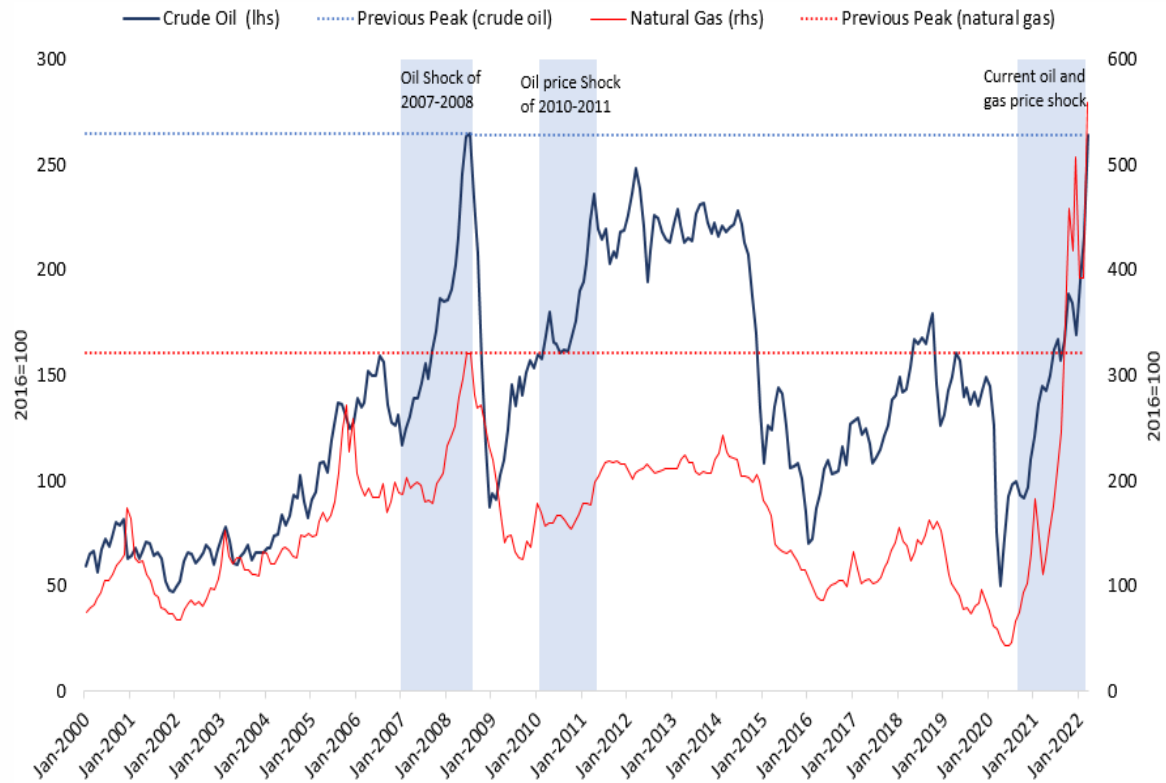
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Energy and Food Price Developments

International Oil and Gas Prices
(Index 2016=100; Jan 2000–March 2022)

Source: IMF's Primary Commodity Price.
Note: Crude oil (petroleum) price index 2016 = 100, simple average of three spot prices; Brent, the West Texas Intermediate , and the Dubai Fateh. Natural gas price index 2016 = 100, includes American, European, and Japanese natural gas price indices
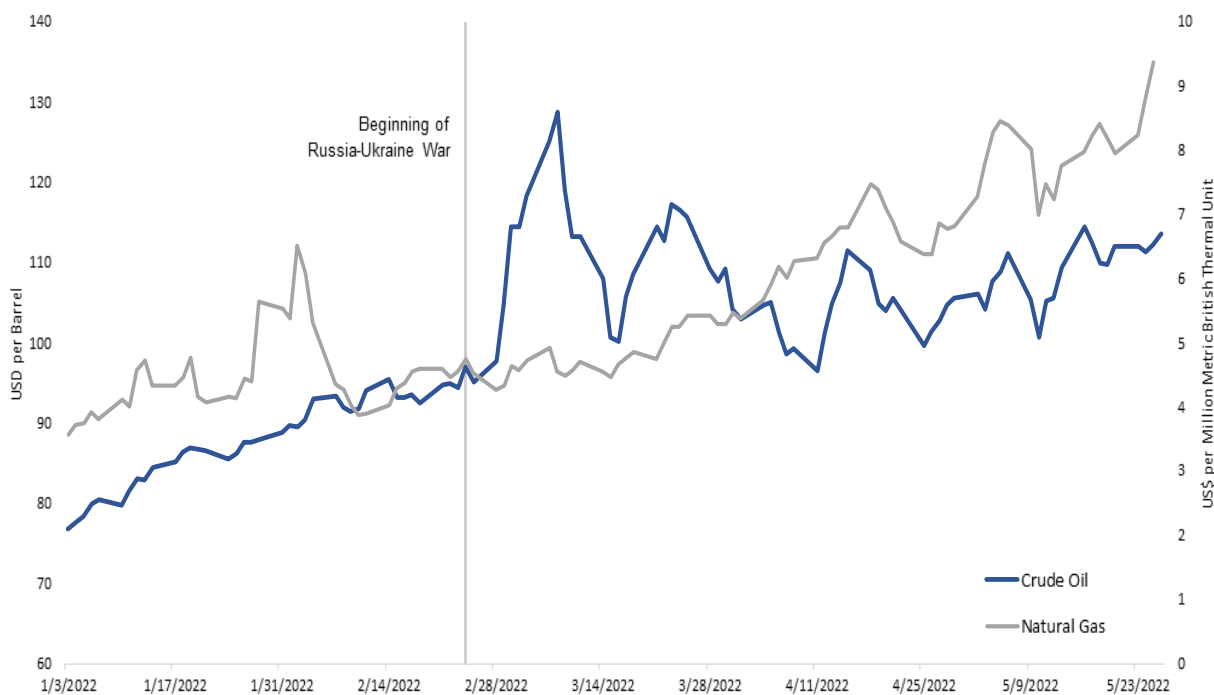
International Food Prices
(Index, 2014-16=100; Jan 2000–April 2022)
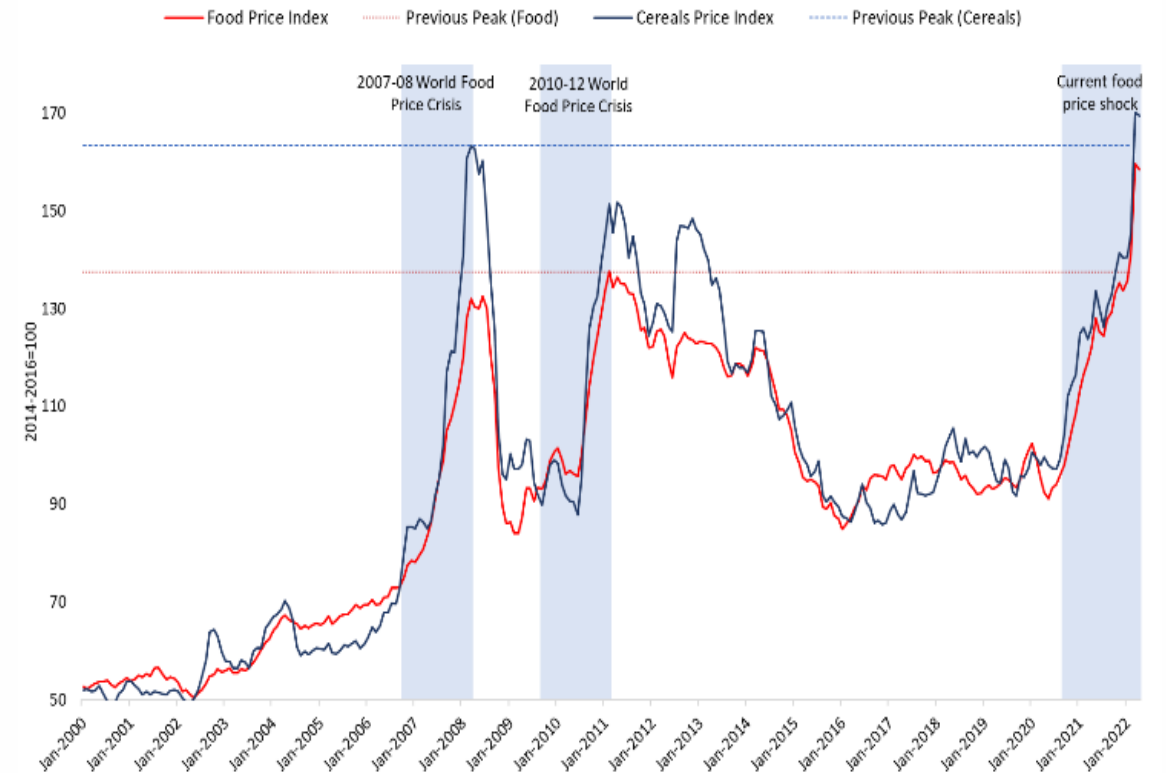
Source: UN Food and Agriculture Organization.
Note: Food price index 2014–2016=100, weighted average of meat, dairy, cereals, vegetables, oils, and sugar. Cereal price index 2014–2016=100, weighted average of price indexes for wheat, maize, barley, sorghum, and rice.
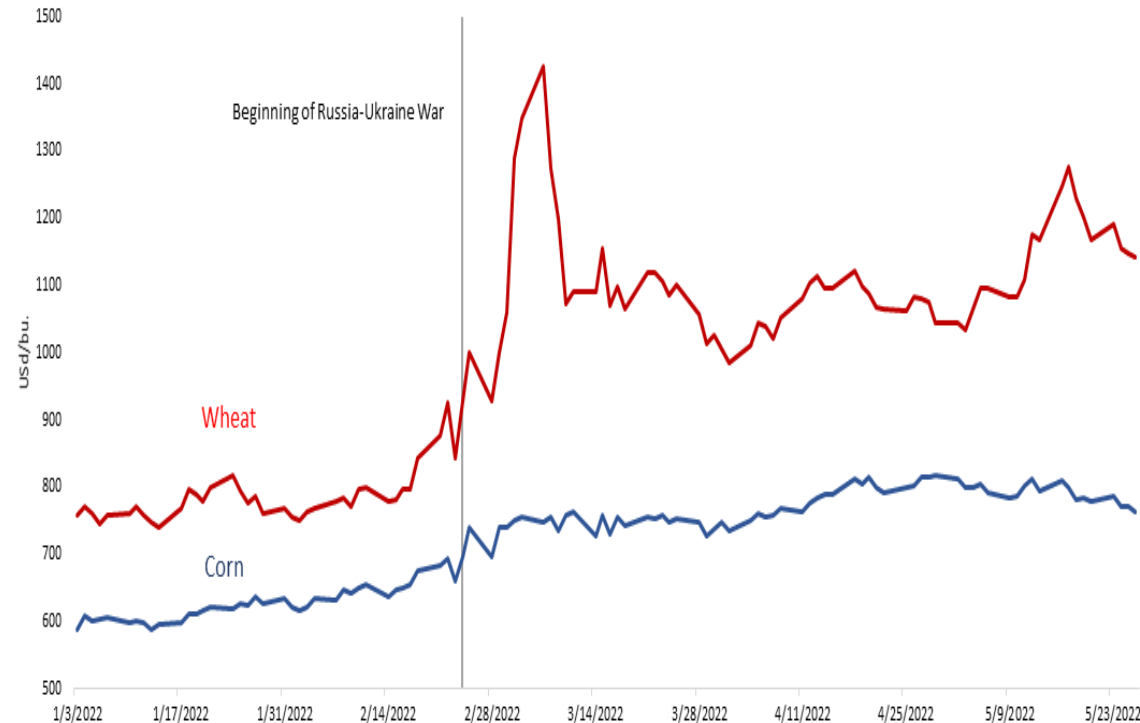
Energy and Food Price Developments

International Oil and Gas Prices
(January 1- May 23, 2022)

Source: Bloomberg.
Note: Natural Gas, Natural Gas spot price at the Henry Hub terminal in Louisiana, US$ per Million Metric British Thermal Unit
Crude oil: the average of Brent, WTI and Dubai

International Food Prices
(January 1- May 23, 2022)

Source: Bloomberg.
Corn: USDA Grain Export-Louisiana No.2 Yellow Corn. Wheat: USDA No. 1 Hard Red Winter Wheat /Kansas City Missouri

Policy Advice
Countries with Strong Social Safety Net

Pass through

Allow full pass-through of international prices to domestic consumers.

Temporary and Targeted Support

Provide targeted and temporary transfers relying on existing SSN programs.

Other Temporary Measures

Temporary measures, such as smoothing energy consumption bills over time or energy bill discounts could be considered (if SSN cannot be immediately expanded).

IMF Note on "Fiscal Policy for Mitigating the Social Impact of High Energy and Food Prices"

Policy Advice
Countries with <u>Weak</u> Social Safety Net

Social Safety Net

- **Expand** the most efficient existing SSN programs by increasing benefit levels and coverage as much as feasible.
- Consider **reducing** education, health, or public transport fees.
- Rely on **digital tools**, and information & delivery mechanisms.
- Invest in **strengthening** the SSN and set out a reform strategy:
  - ✓ Address program duplication and fragmentation.
  - ✓ Expand coverage.
  - ✓ Improve targeting capabilities.

Fuels and Utilities

- **Gradually** increase prices while committing to eliminate subsidies.
- **Calibrate** the pace of pass-through.

Fuels

- Adopt a **slower pass-through** for products consumed mostly by the poor.

Utilities

- Consider **lump-sum bill** discounts.
- Consider **smoothing** of energy consumption bills over time.

Food

- If a food subsidy program exists, **increase rationed food prices** gradually while committing to eliminate subsidies.
- Reduce **consumption taxes** temporarily with clear sunset clauses if food security is a concern and all other options have been exhausted.

Policy Advice
The Role of International Cooperation

Countries vulnerable to **food insecurity** will require international assistance through an international coordinated mechanism.

Avoid measures that contribute to the rise of **biofuels** (substitution with food).

Export restrictions are counterproductive and need to be avoided.

High energy prices offers an opportunity to **diversify away** from fossil fuels, but… in the short run alternative supplies of nonrenewable energy can be considered.

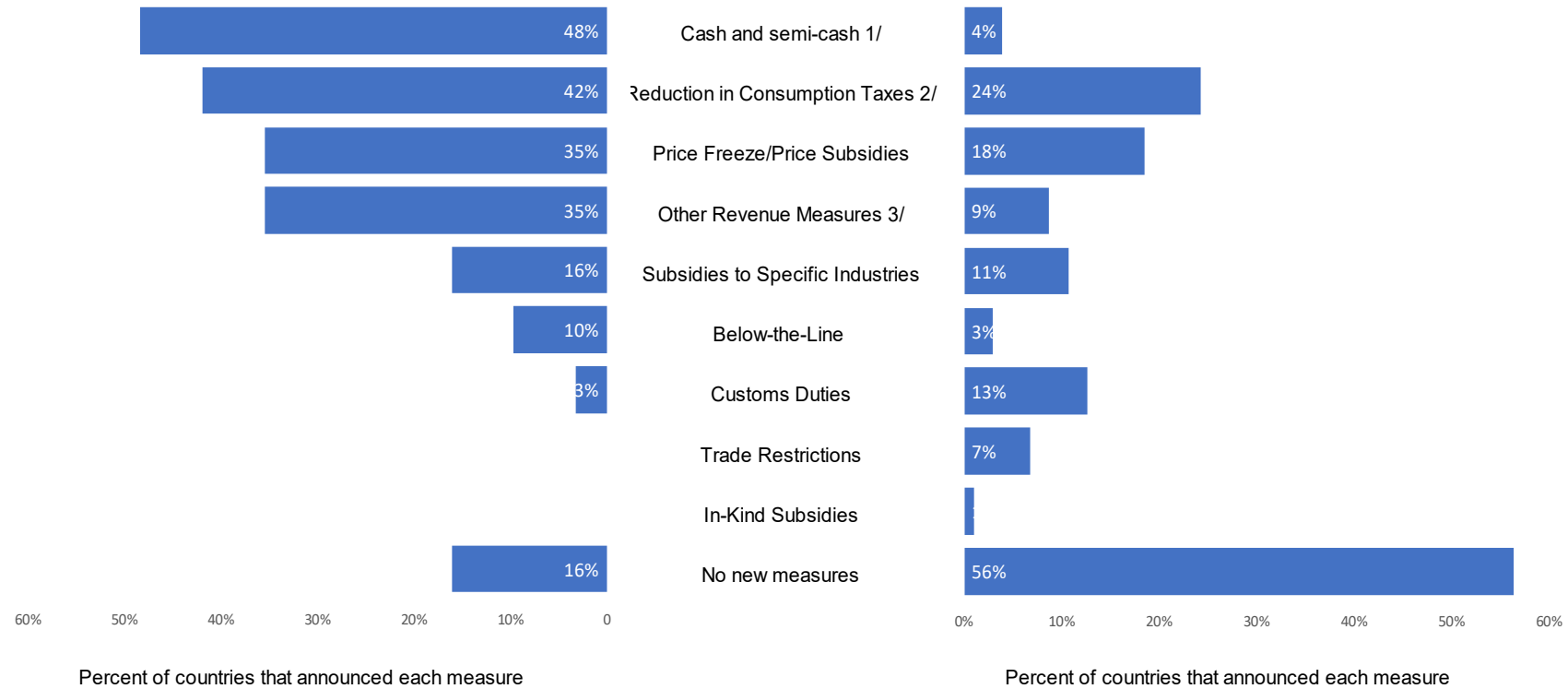Incentivize the shift toward more sustainable food production systems.

Initial Policy Responses

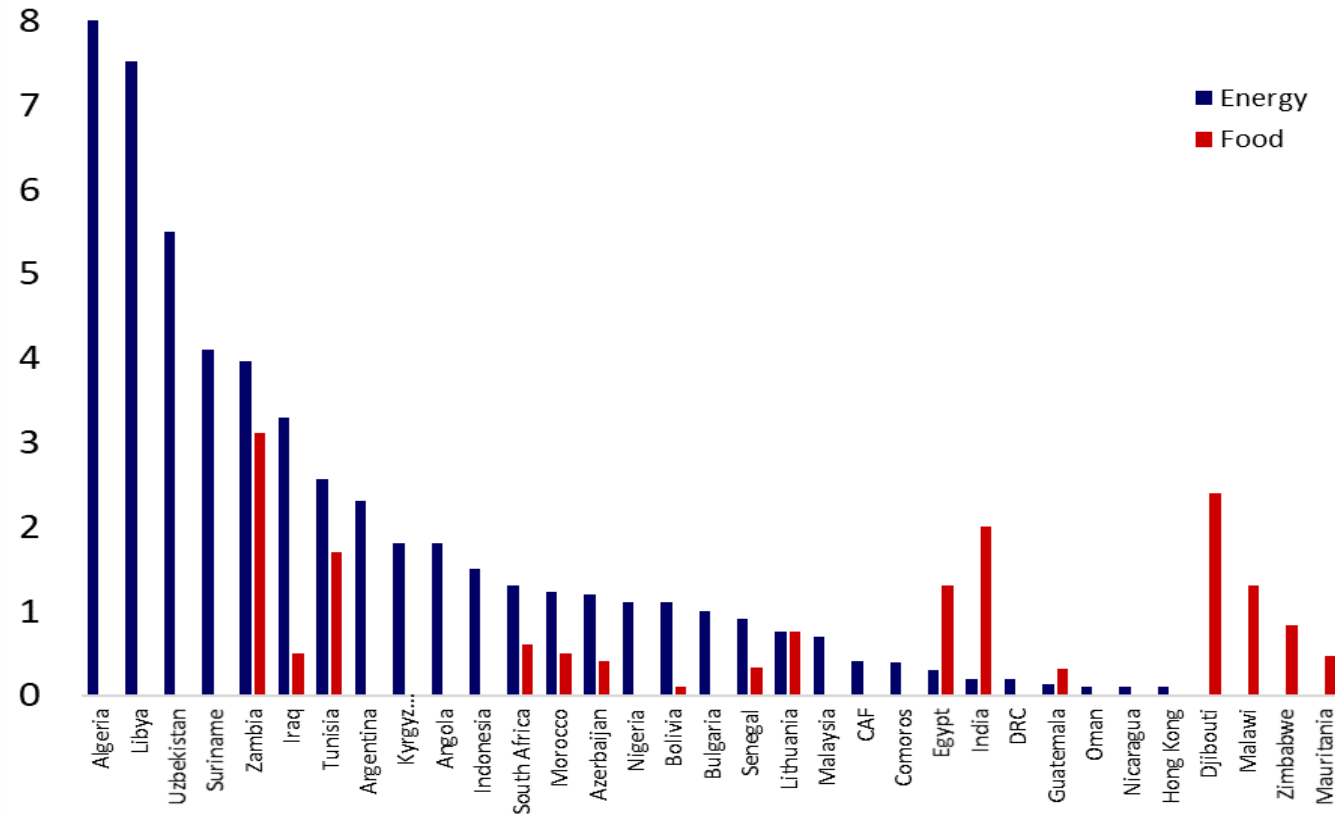## Recently Announced Measures in Response to High Energy and Food Prices

Advanced Economies

Emerging and Developing Economies

Measure	Advanced Economies	Emerging and Developing Economies
Cash and semi-cash 1/	48%	4%
Reduction in Consumption Taxes 2/	42%	24%
Price Freeze/Price Subsidies	35%	18%
Other Revenue Measures 3/	35%	9%
Subsidies to Specific Industries	16%	11%
Below-the-Line	10%	3%
Customs Duties	3%	13%
Trade Restrictions		7%
In-Kind Subsidies		
No new measures	16%	56%

Percent of countries that announced each measure

Percent of countries that announced each measure
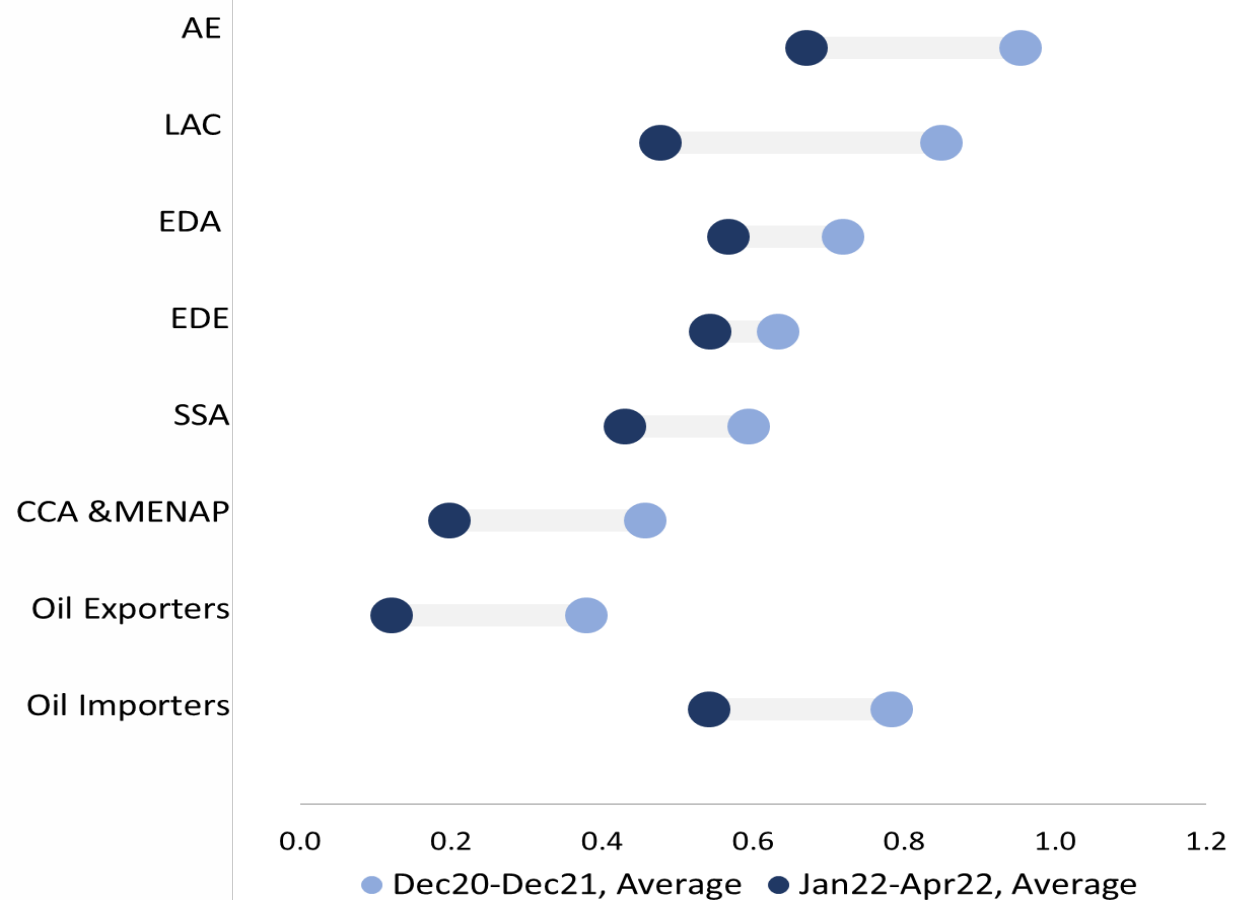
Initial Policy Responses

Energy and Food Subsidies, 2021
(percent of GDP)

Source: IMF desk survey based on inputs for 134 countries (responses received during March 2022)

Pass Through of International Prices

Estimates of Pass-through of Prices for Fuel

Source: IMF staff calculations based on the global petrol price database and International Energy Agency.
Note: AE = advanced economy; CCA = Caucasus and Central Asia; EDA = Emerging and Developing Asia; EDE = Emerging and Developing Europe; LAC = Latin America and the Caribbean; MENAP = the Middle East, North Africa, Afghanistan, and Pakistan; SSA = Sub-Saharan Africa.

Share of Renewable Sources in Total Energy Supply
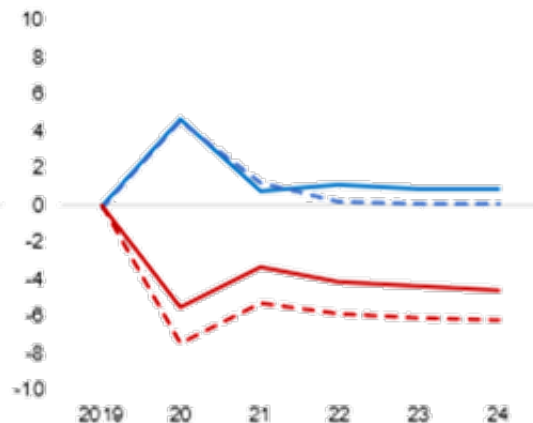(Percent)
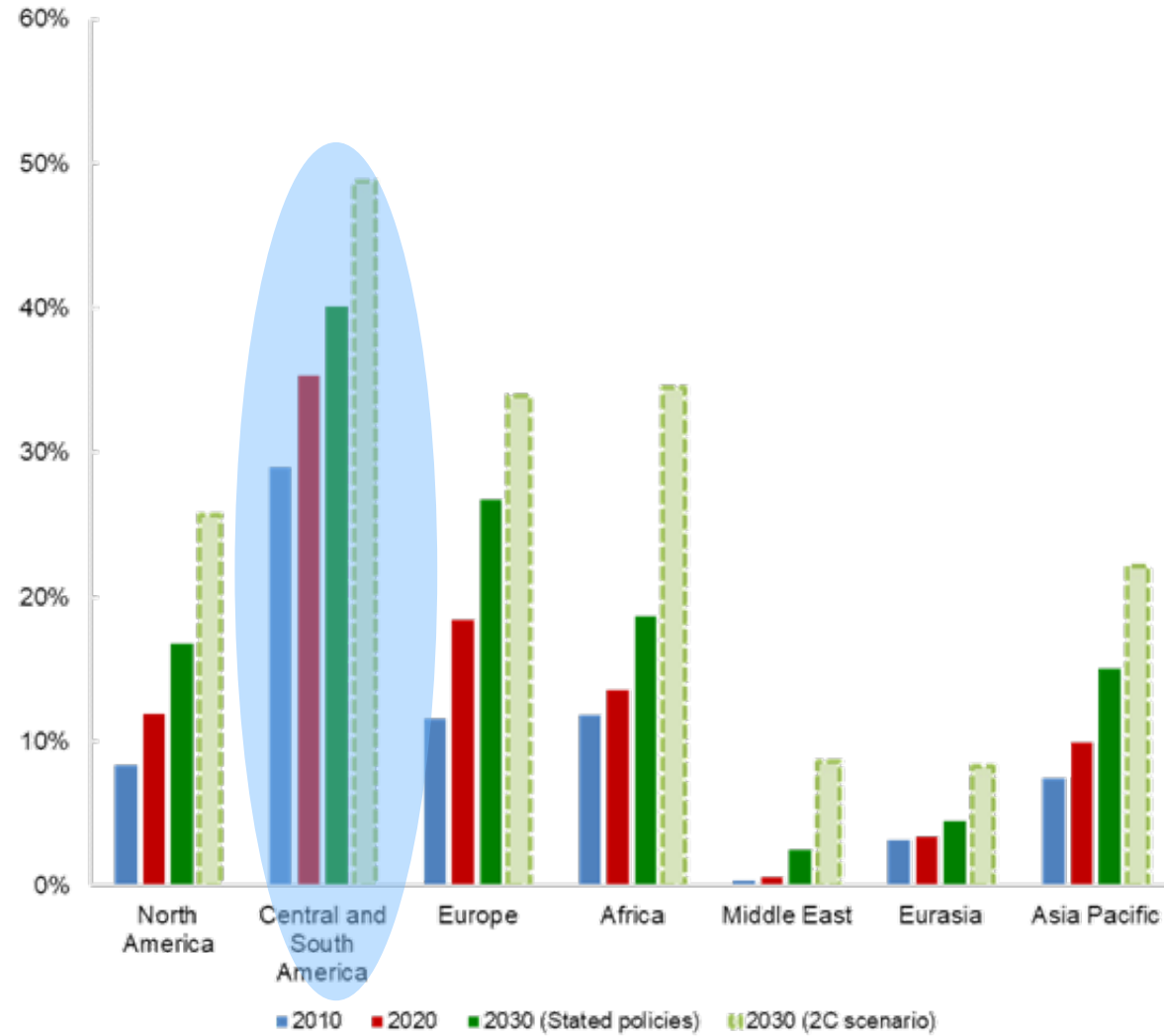
Uneven Economic Recoveries and Fiscal Deficits, 2019–2024
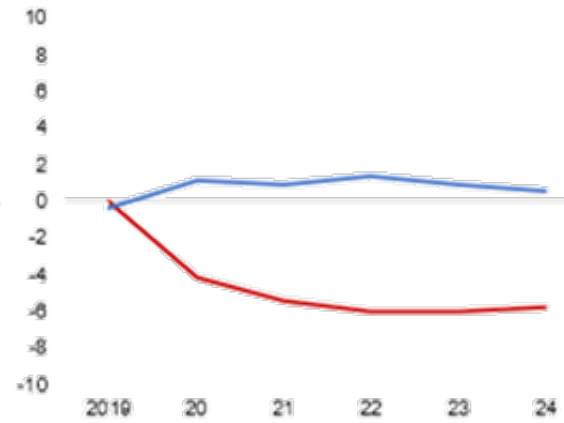(Deviations from prepandemic projections)
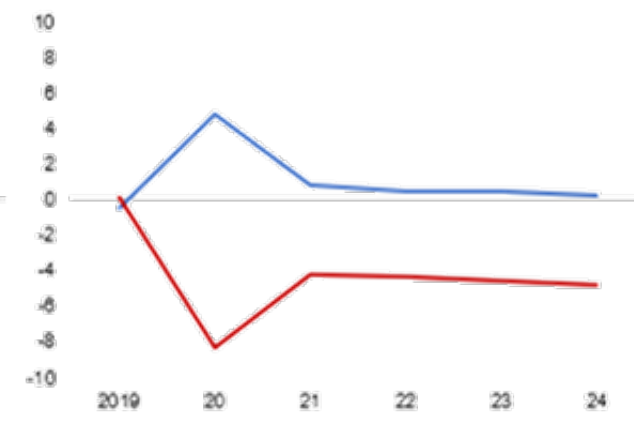

1. Advanced Economies
2. Emerging Market Economies
3. Low Income Developing Countries
4. Latin America and the Caribbean

Legend: — Primary deficit --- Primary deficit excluding China — Real GDP --- Real GDP excluding China

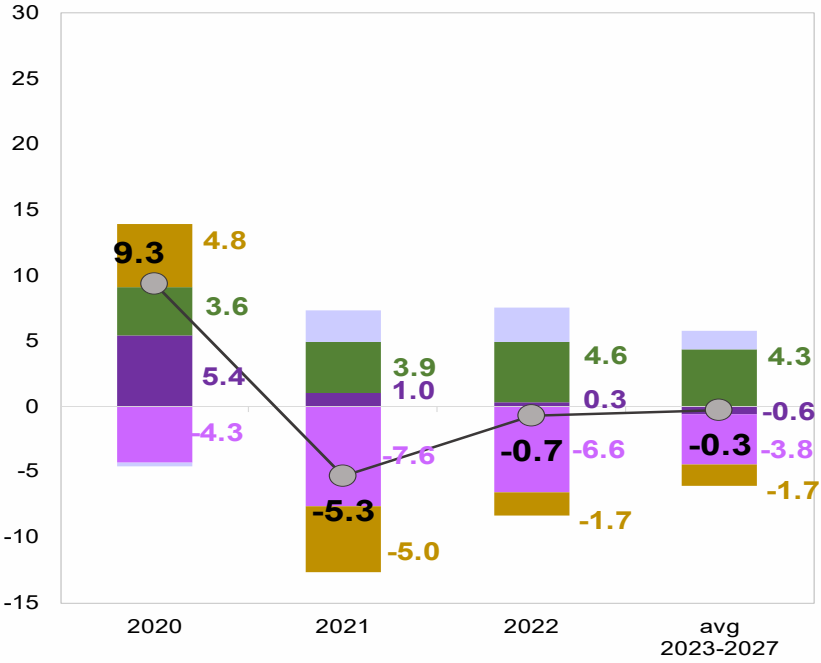Sources: World Economic Outlook Database and IMF staff calculations.
Note: Chart shows deviations from prepandemic projections reported in the January 2020 World Economic Outlook. Primary deficit is shown as a percentage of GDP. Real GDP is shown as percentage points.

Debt and Deficits in LATAM & the Caribbean

Public Debt (in percent of GDP)
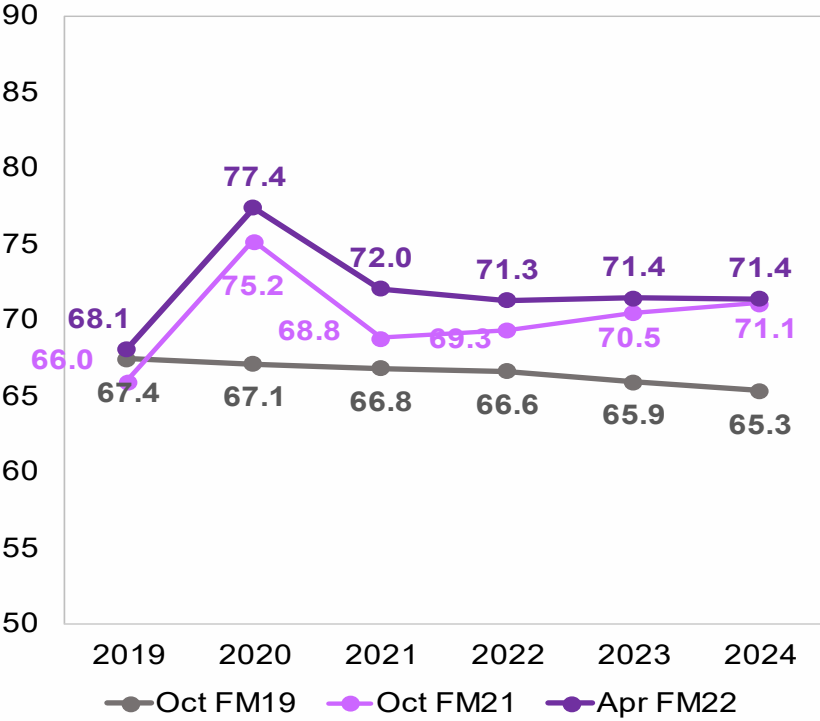
Debt Decomposition (FM Apr22)

Legend:
- Primary Deficit
- Growth
- Interest
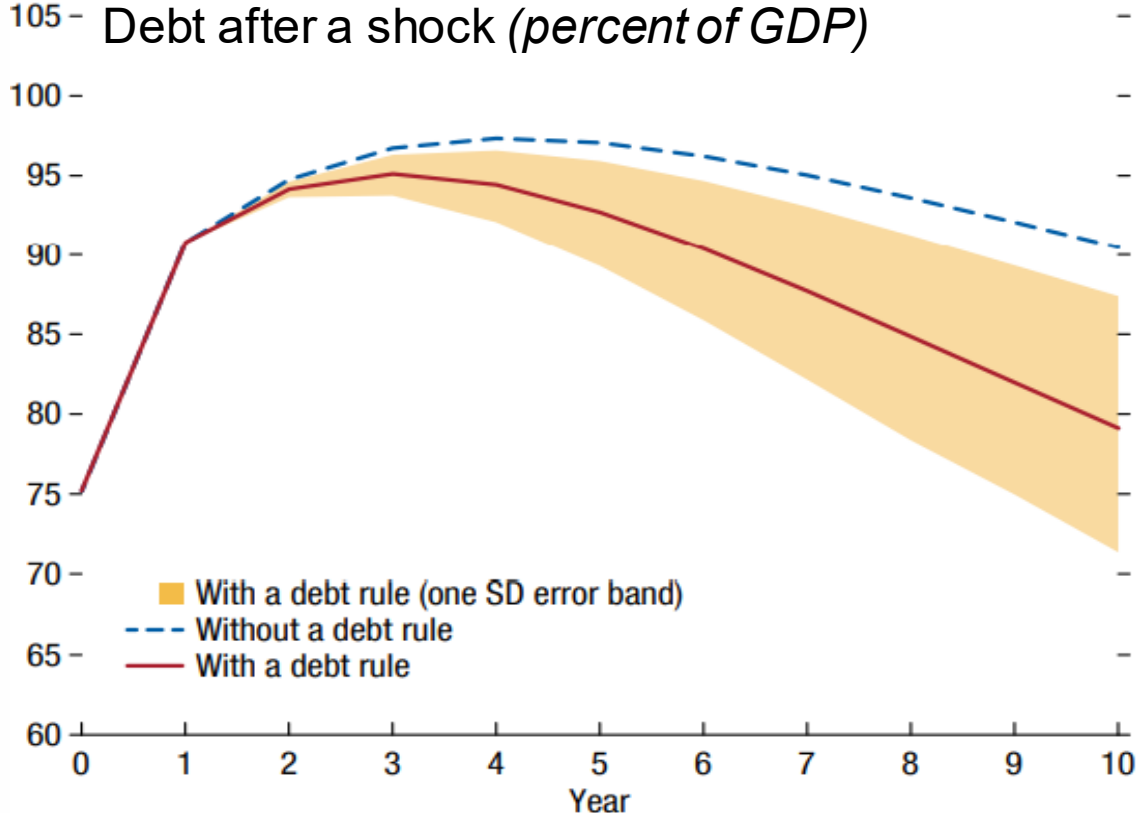- Inflation
- Residual
- Change in gross public sector debt

Source: IMF Fiscal Monitor (FM) & Staff Estimates.
Note: Data labels in the debt decomposition charts in black show the change in debt (in percentage points); labels in yellow show the contribution of growth to the change in debt, labels in green show the contribution of interest and labels in pink show the contribution of inflation. The blue stacked columns are the residual. The debt value includes Venezuela, but Venezuela is excluded for the contributions because of lack of projections in some of the variables and hyperinflation.

Budget balance rules and debt rules have been associated with fiscal prudence

Debt after a shock *(percent of GDP)*

Legend:
- With a debt rule (one SD error band)
- Without a debt rule
- With a debt rule

Source: IMF Fiscal Monitor "Strengthening the Credibility of Public Finances"
Note: Based on panel estimation of fiscal reaction function linking primary balance to past debt, for 55 countries over 1970-2018. Illustrative simulation using estimated coefficients from the panel estimation and calibrated to average debt of advanced economies in 2019 and their average debt increase in 2020.