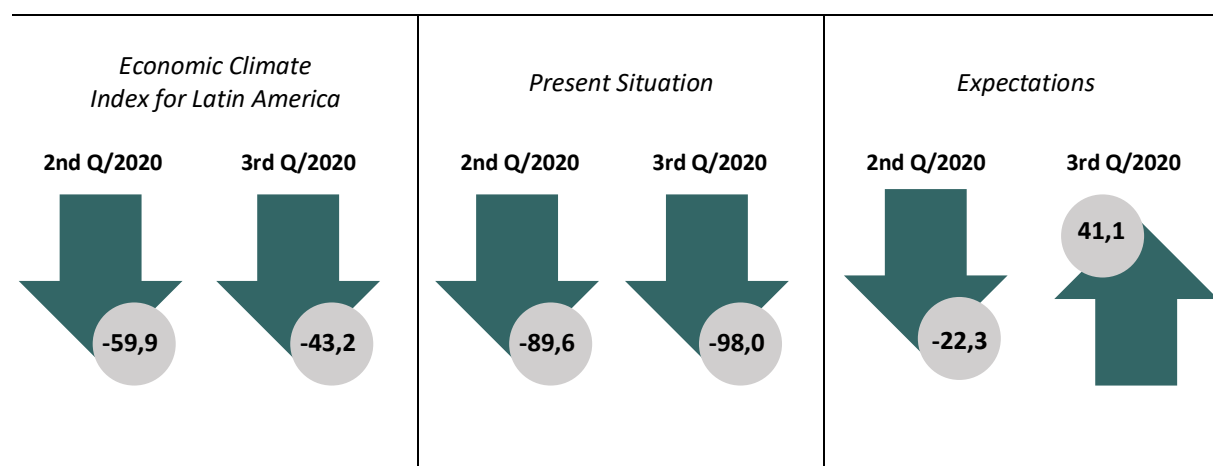
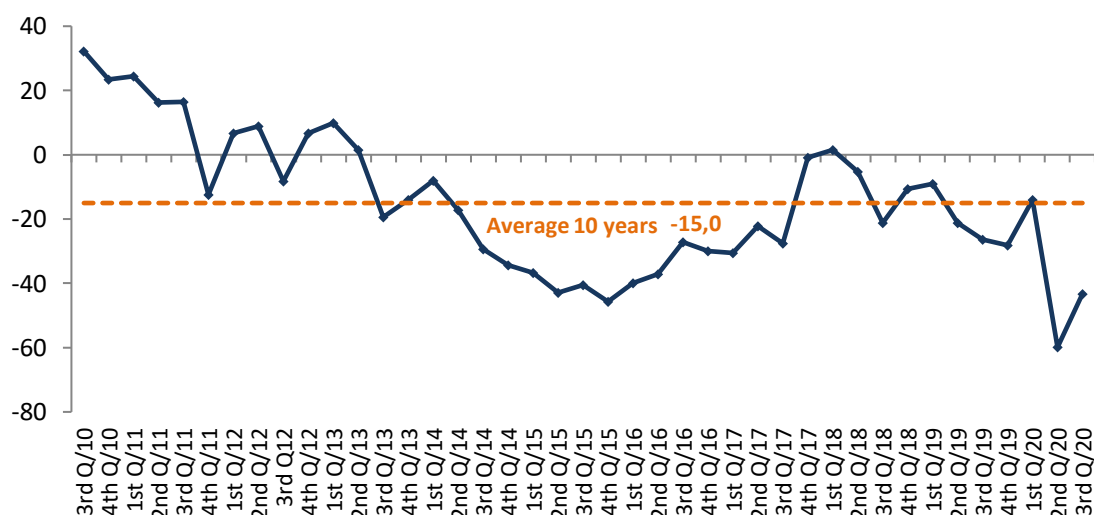


The economic climate in Latin America advances with the betterment of expectations. Perception of the current situation is still worsening.



The Economic Climate Index (ECI) in Latin America by the Getulio Vargas Foundation (FGV)<sup>1</sup> advanced in the third quarter of 2020, cruising from 59,9<sup>2</sup> up to 43,2 negative points. The index is still in the unfavorable zone of the economic cycle, however, if compared to that of the second quarter, registered a gain of 16,7 points.

**Graph 1: Economic Climate Index for Latin America**

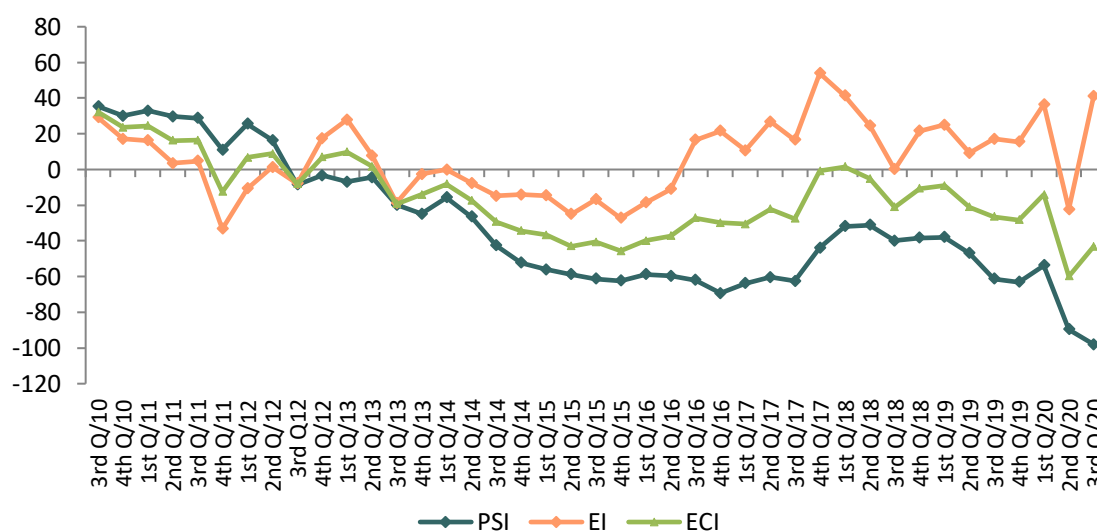


<sup>1</sup> Until October 2019, the Latin America Survey was produced in partnership between FGV and the German Ifo Institute. As of January 2020, the survey started to be produced only by FGV.

<sup>2</sup> The indicators reflect the balance between the proportion of favorable and unfavorable responses. Data reviewed in in relation to the press release released in the second quarter.

The ECI is a geometric average between the Present Situation Index (PSI) and the Expectations Index (EI). The PSI dropped between the second and the third quarters of 2020, from 89,6 down to 98,0 negative points. The EI transited from 22,3 negative points up to 41,1 positive points. The improvement in the economic climate is explained, thus, by the reversion in the expectations that went from pessimistic to optimistic, while the present situation assessment worsened. It can be highlighted that the difference between the EI and the PSI, of 139,1 points, is the biggest of this historic series. The crisis would have at its worst moment, but from now on the economy in the region would start a recovery phase.

**Graph 2: Present Situation Index (PSI), Expectations (EI) and Economic Climate Index for Latin America (ECI)**



In this edition, The Latin American Survey included a special poll which helps to explain these results (see Attachment Table A1). The main question was: “Besides COVID-19 pandemic and the social distancing protocols, what factors most influenced your revision for the GDP growth?” (being possible up to three answers). This question originated in another poll where, except for Ecuador, all the specialists considered that the GDP growth prediction for 2020 conducted in the third quarter was worse than the one run in the end of 2019 (see Attachment Table 2).

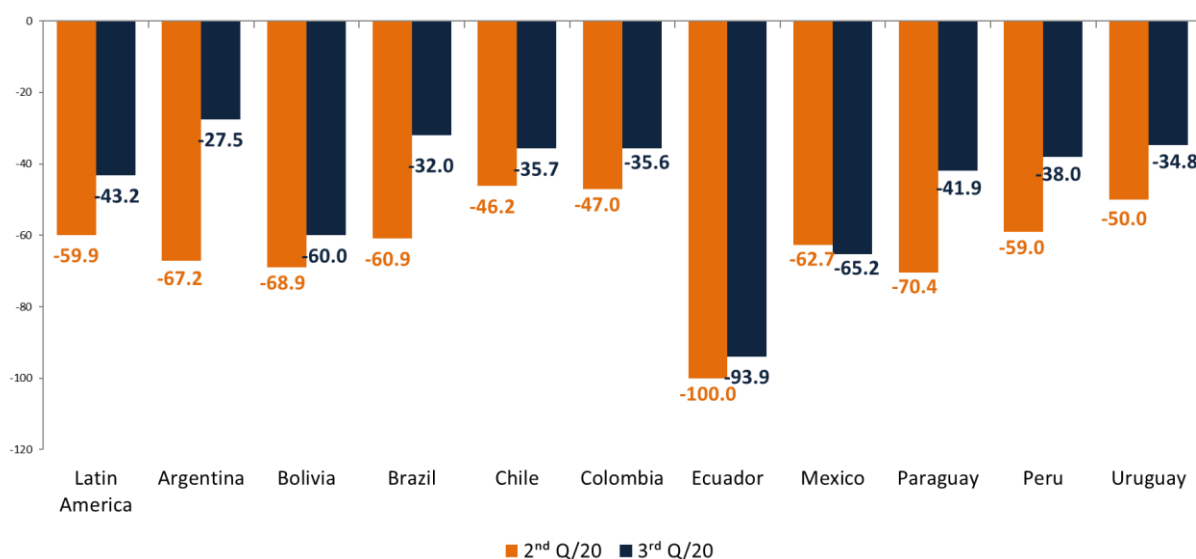
In table A1, indexes over 50 points show that the selected factor influences on and grows proportionally to the level that such factor is considered relevant. Indexes under 50 show little influence from the analyzed factor. The only item with results over 50 points was *slow and insufficient government response to the health/sanitary crisis*, which is associated with the current situation. *Slow and insufficient government response to the economic crisis* displayed a 45,4 points index, close to 50 and it reveals that the specialists consider that the economic measures had an impact relatively smaller than the health/sanitary crisis. *Political Instability* was a factor that contributes to a scenario of favorable expectations. Equal observation may be applied to the *elevated uncertainty about the future*, however this latter is comparatively more relevant than *political instability*.

The combination of the present situation worsening and the expectations expressively bettering suggests that the negative effects of the pandemic on the economy would be gradually losing strength.

## Other countries' results

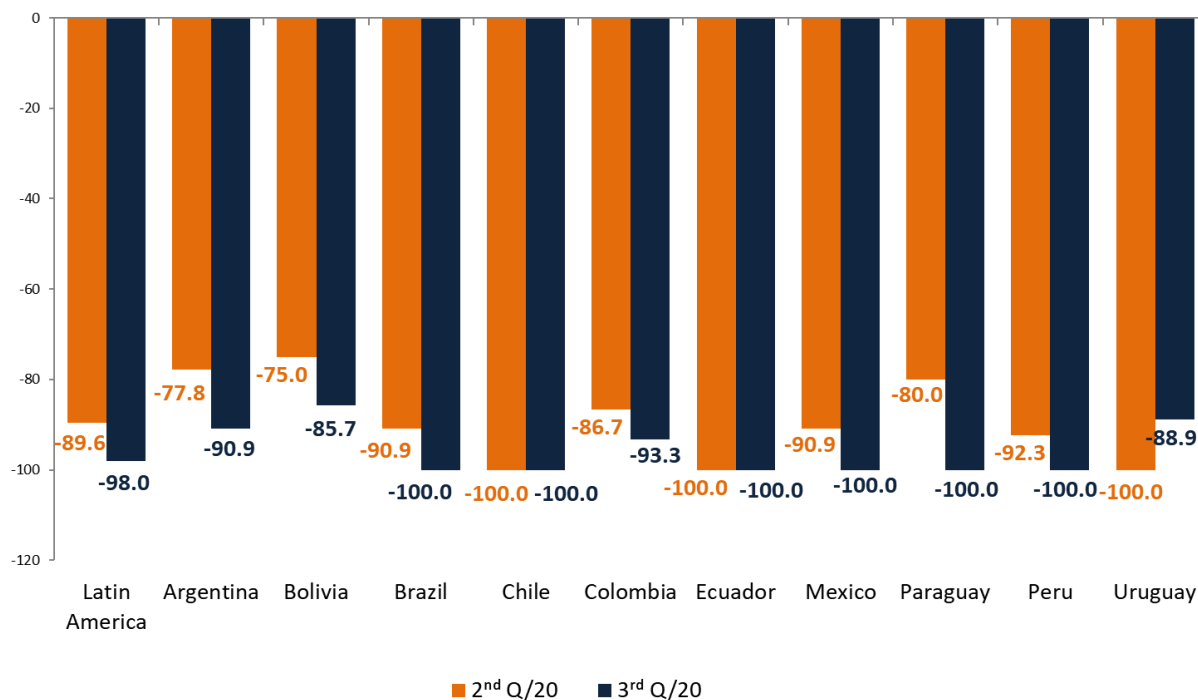
Except for Mexico, the ECI increased in all the countries selected for the analysis, though all follow in the unfavorable zone, with a percentage of negative answers above that of the positive ones. It may be highlighted that in Mexico's case, the fall was little expressive, of only 2,5 points. In the case of other countries, the biggest advances in ECI in the comparison between the second and the third quarters of 2020 were in Argentina (a high of 39,7 points), followed by Brazil (28,9 points) and that of Paraguay (28,5 points). With these results, the biggest ECI ended up being that of Argentina (27,5 negative points). The beginning of the renegotiation of the country's debt and the relatively favorable performance in fighting the pandemic may have influenced the economic scenario in the country.

**Graph 3: Economic Climate Index of the selected countries**



The present situation indexes worsened and continued on the negative in all the countries, except for Uruguay, a country where the PSI is still very unfavorable on 88.9 negative points. The biggest difference in the comparison of the second and the third quarters was seen in Paraguay, where the PSI transitioned from 80 to 100 negative points. Other countries where specialists unanimously considered the present situation unfavorable were: Brazil; Chile; Ecuador; and Mexico. In the specialists' perception, therefore, the current economic situation has worsened between the second and the third quarters of the year.

Graph 4: Present Situation Index of the selected countries

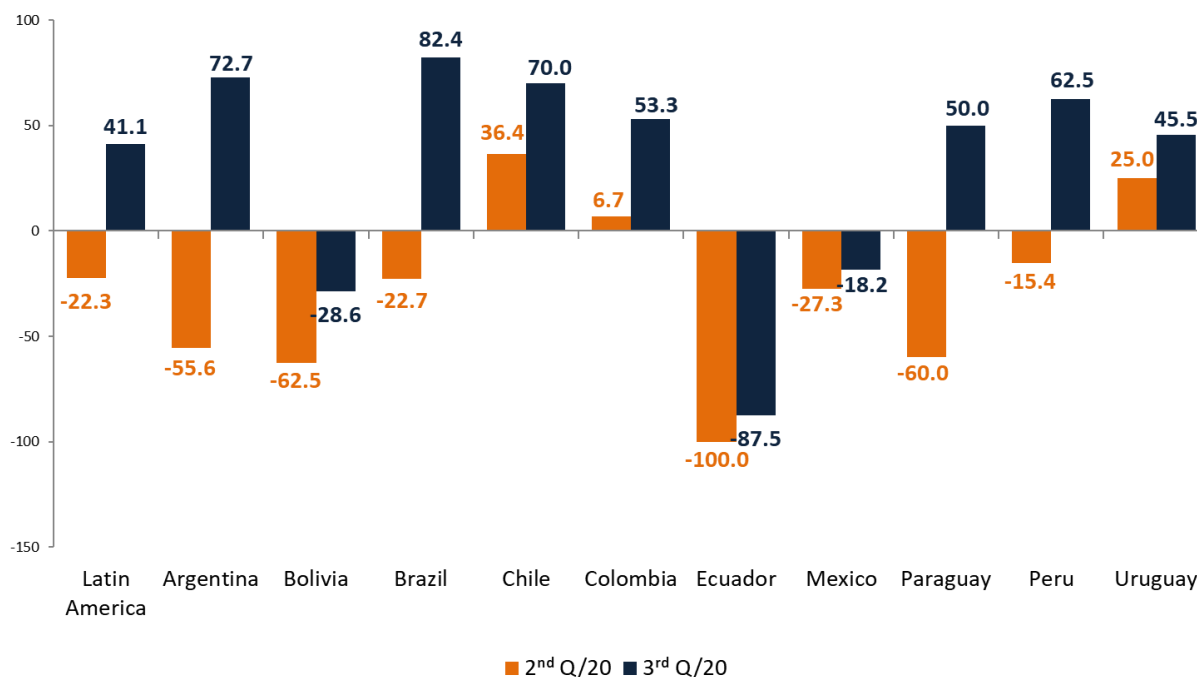


The ECI betterment in the countries is associated with the results of the expectations index. In the second quarter of 2020, the EI was positive in Chile, Colombia and Uruguay. In the third quarter Argentina, Brazil, Paraguay and Peru joined this group. The EI remains negative in Bolivia, Ecuador and Mexico. The reversion in regional expectations is substantial. In Brazil, the EI jumped from 22,7 negative points to 82,4 positive points, in Argentina from 55,6 negative points to 72,7 positive points. in Peru from 15,4 negative points to 62,5 positive points.

The consulted experts point out that the current situation is unfavorable for all the countries selected for the analysis. Though, they consider that in a sixth-month horizon, the scenario will be favorable. The difference in the assessment of EI and PSI is over 100 points in all the countries except for Mexico.

Brazil displays the biggest difference (182,4 points) followed by Argentina (163,6 points). This accentuated difference suggests that the experts wait for a recovery of the economies until the end of the year.

Graph 5: Expectations Index of the selected countries



The table A1 in the attachment shows results of the influence of the factors on the worsening of GDP growth by country. Bolivia, Brazil and Ecuador governments' response in relation to the health/sanitary crisis had a bigger effect on worsening the prediction of GDP growth rather than the responses in relation to the economic crisis. Except for Argentina, Bolivia and Mexico, specialists consider that the unfavorable economic climate in the countries before the pandemic was not the factor of most influence. *Political instability* was pointed out as relevant for Bolivia and Brazil, whereas *elevated uncertainty in relation to the future* was highlighted as an issue for Chile, Colombia and Peru.

In the case of Brazil, hence, unfavorable responses in relation to the *health/sanitary crisis* and the *political instability* hinder the growth of GDP in 2020. In relation to other large economies in the region, some points might be highlighted: In Mexico, the economic climate was already unfavorable before the pandemic and the answers to the *health/sanitary and economic crises* had a negative effect on the GDP growth. In Argentina, the *unfavorable economic climate* and the *insufficient answers to deal with the economic crisis* are the most relevant factors.

In a nutshell, the poll shows a relative diversity in the weight attributed to each questionnaire item, but the response to the health/sanitary and/or to the economic crises lead among the factors that most contributed, in average, to the economic retraction of the countries.

Considering the Average ECI of the latest four quarters, all the Latin countries selected had a fall on the index, being Bolivia the country with the biggest loss (13,2 points) and Uruguay with the smallest variation

(0,1 point). In the third quarter Paraguay, followed by Colombia and Uruguay, presented the least unfavorable ECI results.

**Table 1 - Average ECI of the selected countries over the last four quarters**

<i>Country</i>	<i>2<sup>nd</sup> Q/2020</i>	<i>3<sup>rd</sup> Q/2020</i>
Paraguay	-7.1	-20.1
Colombia	-11.8	-22.4
Uruguay	-26.6	-26.7
Peru	-22.0	-29.4
Brazil	-27.8	-30.0
Chile	-17.9	-30.2
Bolivia	-31.4	-44.6
Argentina	-46.7	-48.3
Mexico	-46.9	-49.4
Ecuador	-71.5	-75.6
<b>Latin America</b>	<b>-32.2</b>	<b>-36.4</b>

## Protectionism in the post-pandemic international commerce

Responding to the pandemic, many countries adopted protectionist measures related to equipment and the resources used in the fight against the COVID-19. In addition, the crisis brought to the surface a debate about vulnerability in strategic sectors which operate in the dependency of a reduced number of foreign suppliers. As in agriculture, a sector considered strategic in association with the topic of eating safety, countries could start adopting protectionist measures in order to incentivize domestic production of medical sector associated products and others that may be considered vulnerable as well.

The survey asked whether the specialists considered that the current protectionist trend would be maintained after the COVID-19 crisis. In Latin America, more than half of the specialists (59,8%) partially agree that the protectionism should continue post-pandemic whereas 25,5% fully agree on that. In contrast, only 3,1% partially or fully disagree. Brazil keeps the same behavior, with 25% of the specialists answering that they fully agree and 56,3% saying that partially agree on the protectionist bias in the international market. In Latin America as a whole, thus, the international market expected scenario is that of an increase in protectionism. In Table 2, the percentages refer to the answer's distribution and, then, sum up 100.

**Table 2 - Protectionism in the post-pandemic international commerce**  
(percentage (%) distribution of the answers)

<i>Country</i>	<i>Fully Agree</i>	<i>Partially Agree</i>	<i>Neither Agree nor Disagree</i>	<i>Partially Disagree</i>	<i>Fully Disagree</i>
Argentina	10.0	70.0	20.0	0.0	0.0
Bolivia	50.0	50.0	0.0	0.0	0.0
Brazil	25.0	56.3	18.8	0.0	0.0
Chile	20.0	60.0	20.0	0.0	0.0
Colombia	40.0	60.0	0.0	0.0	0.0
Ecuador	37.5	50.0	0.0	12.5	0.0
Mexico	27.3	63.6	0.0	9.1	0.0
Paraguay	14.3	57.1	28.6	0.0	0.0
Peru	31.3	56.3	6.3	6.3	0.0
Uruguay	9.1	72.7	18.2	0.0	0.0
<b>Latin America</b>	<b>25.5</b>	<b>59.8</b>	<b>11.6</b>	<b>3.0</b>	<b>0.1</b>



## APPENDIX

Table A1

*Apart from the covid-19 pandemic and the resulting social distancing measures, which factor(s) most influenced your GDP growth revision? (Please select up to three response options)(%)*

Country	<i>Economic climate was already unfavorable in my country</i>	<i>Fall in commodity prices</i>	<i>Inefficient or slow government response to the health crisis</i>	<i>Inefficient or slow government response to the economic crisis</i>	<i>Poor performance of international commercial partners</i>	<i>Political Instability</i>	<i>High uncertainty about the future</i>	<i>Others Specify</i>
Argentina	63.6	18.2	0.0	63.6	18.2	9.1	45.5	9.1
Bolivia	71.4	71.4	57.1	42.9	0.0	71.4	28.6	0.0
Brazil	29.4	23.5	70.6	23.5	23.5	58.8	35.3	0.0
Chile	50.0	10.0	30.0	30.0	10.0	30.0	60.0	10.0
Colombia	0.0	80.0	20.0	33.3	46.7	0.0	80.0	6.7
Ecuador	25.0	75.0	50.0	37.5	12.5	25.0	25.0	0.0
Mexico	72.7	18.2	63.6	72.7	9.1	18.2	36.4	0.0
Paraguay	14.3	28.6	42.9	57.1	42.9	14.3	28.6	14.3
Peru	25.0	25.0	68.8	56.3	18.8	18.8	62.5	6.3
Uruguay	18.2	54.5	9.1	36.4	81.8	0.0	18.2	36.4
<b>Latin America</b>	<b>42.6</b>	<b>26.3</b>	<b>52.8</b>	<b>45.4</b>	<b>20.7</b>	<b>33.2</b>	<b>43.8</b>	<b>2.9</b>

Table A2

<i>País</i>	<i>What is your current forecast for your country's GDP growth rate in 2020?</i>	<i>Is this forecast worse than at the end of 2019?</i>
Argentina	-12.3	100.0
Bolivia	-6.2	100.0
Brazil	-6.5	100.0
Chile	-7.3	100.0
Colombia	-4.6	100.0
Ecuador	-7.5	85.7
Mexico	-9.1	100.0
Paraguay	-0.9	100.0
Peru	-12.5	100.0
Uruguay	-3.6	100.0
<b>Latin America</b>	<b>-7.7</b>	<b>99.7</b>



# Latin America Economic Survey

## PRESENT SITUATION INDEX

PSI	3 <sup>rd</sup> Q/18	4 <sup>th</sup> Q/18	1 <sup>st</sup> Q/19	2 <sup>nd</sup> Q/19	3 <sup>rd</sup> Q/19	4 <sup>th</sup> Q/19	1 <sup>st</sup> Q/20	2 <sup>nd</sup> Q/20	3 <sup>rd</sup> Q/20	Average 10 years
Latin America	-40.0	-38.3	-38.0	-47.0	-61.3	-63.0	-53.8	-89.6	-98.0	-31.9
Argentina	-70.0	-78.6	-78.6	-92.3	-84.6	-100.0	-88.9	-77.8	-90.9	-37.4
Bolivia	20.0	25.0	42.9	0.0	12.5	0.0	-28.6	-75.0	-85.7	12.8
Brazil	-88.0	-77.8	-56.0	-75.0	-75.0	-75.0	-52.2	-90.9	-100.0	-45.4
Chile	18.2	44.4	18.2	10.0	-10.0	-10.0	-80.0	-100.0	-100.0	-5.3
Colombia	-7.1	0.0	-6.3	6.7	-16.7	-33.3	23.1	-86.7	-93.3	8.7
Ecuador	-60.0	-66.7	-75.0	-75.0	-100.0	-100.0	-100.0	-100.0	-100.0	-28.6
Mexico	0.0	-11.8	-33.3	-33.3	-60.0	-60.0	-69.2	-90.9	-100.0	-26.7
Paraguay	42.9	66.7	50.0	20.0	-28.6	-40.0	0.0	-80.0	-100.0	22.0
Peru	13.3	-6.3	-5.9	13.3	-46.2	-35.7	-42.9	-92.3	-100.0	11.0
Uruguay	-33.3	0.0	-12.5	-50.0	-62.5	-62.5	-33.3	-100.0	-88.9	13.4

## EXPECTATIONS INDEX

EI	3 <sup>rd</sup> Q/18	4 <sup>th</sup> Q/18	1 <sup>st</sup> Q/19	2 <sup>nd</sup> Q/19	3 <sup>rd</sup> Q/19	4 <sup>th</sup> Q/19	1 <sup>st</sup> Q/20	2 <sup>nd</sup> Q/20	3 <sup>rd</sup> Q/20	Average 10 years
Latin America	0.0	21.6	25.0	9.2	17.2	15.5	36.5	-22.3	41.1	6.3
Argentina	-30.0	28.6	35.7	0.0	76.9	9.1	22.2	-55.6	72.7	8.3
Bolivia	20.0	0.0	-14.3	-28.6	-25.0	-50.0	-16.7	-62.5	-28.6	-24.4
Brazil	12.0	25.9	88.0	56.3	50.0	45.0	65.2	-22.7	82.4	21.9
Chile	0.0	44.4	9.1	0.0	40.0	0.0	30.0	36.4	70.0	10.3
Colombia	78.6	62.5	25.0	26.7	33.3	16.7	-15.4	6.7	53.3	12.6
Ecuador	-60.0	0.0	0.0	0.0	-50.0	25.0	0.0	-100.0	-87.5	-26.7
Mexico	-23.5	5.9	-50.0	-53.3	-50.0	-20.0	25.0	-27.3	-18.2	-6.4
Paraguay	14.3	0.0	0.0	0.0	57.1	60.0	60.0	-60.0	50.0	21.7
Peru	20.0	50.0	17.6	60.0	38.5	0.0	50.0	-15.4	62.5	28.9
Uruguay	-50.0	-33.3	-25.0	0.0	0.0	37.5	33.3	25.0	45.5	-1.5

## ECONOMIC CLIMATE INDEX

ECI	3 <sup>rd</sup> Q/18	4 <sup>th</sup> Q/18	1 <sup>st</sup> Q/19	2 <sup>nd</sup> Q/19	3 <sup>rd</sup> Q/19	4 <sup>th</sup> Q/19	1 <sup>st</sup> Q/20	2 <sup>nd</sup> Q/20	3 <sup>rd</sup> Q/20	Average 10 years
Latin America	-21.1	-10.7	-9.1	-21.1	-26.4	-28.2	-14.1	-59.9	-43.2	-15.0
Argentina	-51.3	-33.4	-30.8	-53.2	-21.2	-55.4	-42.9	-67.2	-27.5	-19.2
Bolivia	20.0	12.1	12.4	-14.9	-7.2	-26.8	-22.7	-68.9	-60.0	-7.6
Brazil	-45.9	-33.9	3.6	-21.0	-23.2	-25.0	-2.0	-60.9	-32.0	-18.4
Chile	8.9	44.4	13.6	4.9	13.5	-5.1	-33.9	-46.2	-35.7	-2.1
Colombia	31.8	29.1	8.8	16.5	6.8	-9.9	2.9	-47.0	-35.6	8.2
Ecuador	-60.0	-36.7	-41.9	-41.9	-77.5	-50.0	-58.6	-100.0	-93.9	-30.4
Mexico	-12.1	-3.1	-41.9	-43.6	-55.1	-41.3	-28.4	-62.7	-65.2	-17.6
Paraguay	28.2	31.0	23.6	9.8	9.9	4.0	28.0	-70.4	-41.9	20.4
Peru	16.6	20.1	5.5	35.5	-8.5	-18.7	-1.8	-59.0	-38.0	17.4
Uruguay	-41.9	-17.4	-18.9	-26.8	-34.2	-19.3	-2.8	-50.0	-34.8	3.7

## METHODOLOGICAL ASPECTS OF THE SURVEY

The Latin America Economic Survey aims for monitoring and forecasting of economic trends, based on quarterly information supplied by economy experts in their respective countries. The survey is simultaneously applied with the same methodology in all countries of the region, a method that allows the construction of an agile and comprehensive picture of the economic situation in countries and economic blocks. In April 2020, 117 economic experts were consulted in 15 countries of Latin America.

The survey generates information of both qualitative and quantitative nature. The Economic Climate Index (ECI), is the synthesis indicator, comprised of two items of qualitative nature, the Present Situation Index (PSI) and the Expectations Index (EI), which deal, respectively, with the general economic situation in the country at the moment and for the upcoming six months.

From January 2018, the Present Situation (PSI) and Expectations (EI) indicators for each country are now expressed as the balance of responses of the respective qualitative items, according to the formula presented below:

$$PSI = \left( \frac{[\text{option}]_{+} - [\text{option}]_{-}}{n} \right) * 100,$$

option+ = Favorable option;

option- = Unfavorable option; and

n = number of experts who answered this question.

The EI formula is analogous.

The Economic Climate Index is constructed as the geometric mean of the response balances of the current situation and expectations items minus 100 (-100), according to the formula described below:

$$ECI = \sqrt{([\text{PSI} + 200] * [\text{EI} + 200])} - 200,$$

ECI = Economic Climate Index.

This way, the index scale varies from minus 100 (-100) to plus 100 (+100). Zero is the point of inflection.

To come up to the figures of any cluster of countries, such as the totality of Latin America, the indexes are aggregated by the GDP corrected by the Purchasing Power Parity (GDP, PPP, according to IMF data). The weights are changed annually.