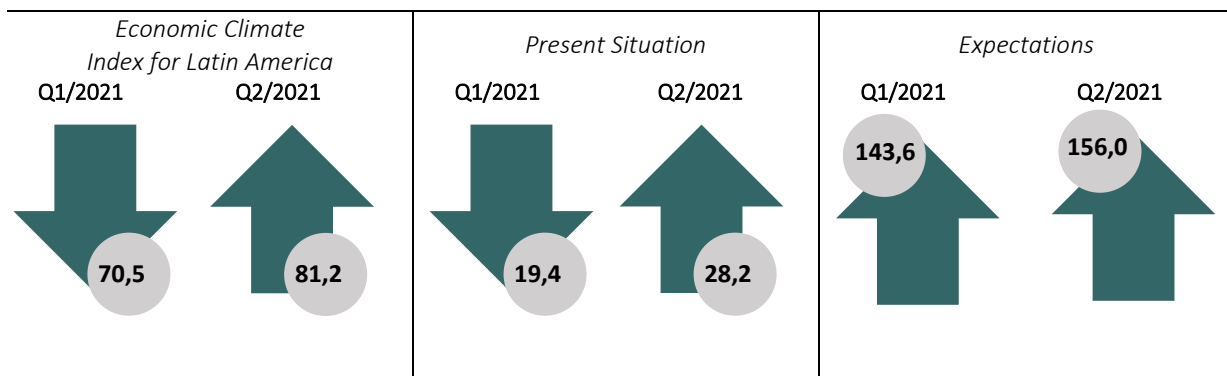


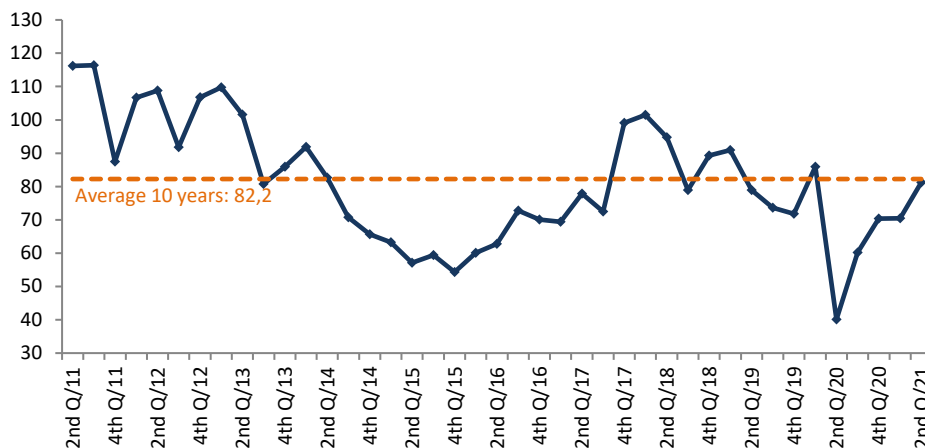
## Latin American Economic Climate improves but the present situation remains difficult

The Latin American economic climate improved in the 2nd Quarter of 2021 for the fourth consecutive quarter. The two components continue to suggest differing evaluations according to the temporal horizon. While expectations in relation to the coming months are optimistic, the perception regarding the present situation remains distinctly adverse. The COVID-19 pandemic is highlighted as a problem in all countries, but the improvement in world demand and the increase in the price of commodities positively influenced revised forecasts of economic growth for 2021 in most countries in the region.



The Economic Climate Index (ECI) for Latin America by the Getulio Vargas Foundation (FGV) increased from 70.5 to 81.2 points between the first and second quarters of 2021. Despite the 10.7-point rise, the index remains in the adverse zone of the economic cycle with a combination of unfavorable assessments regarding the present situation and optimistic expectations regarding the near future. Therefore, the result is similar to that observed in the Survey in the 1st quarter.

Graph 1: Economic Climate Index for Latin America



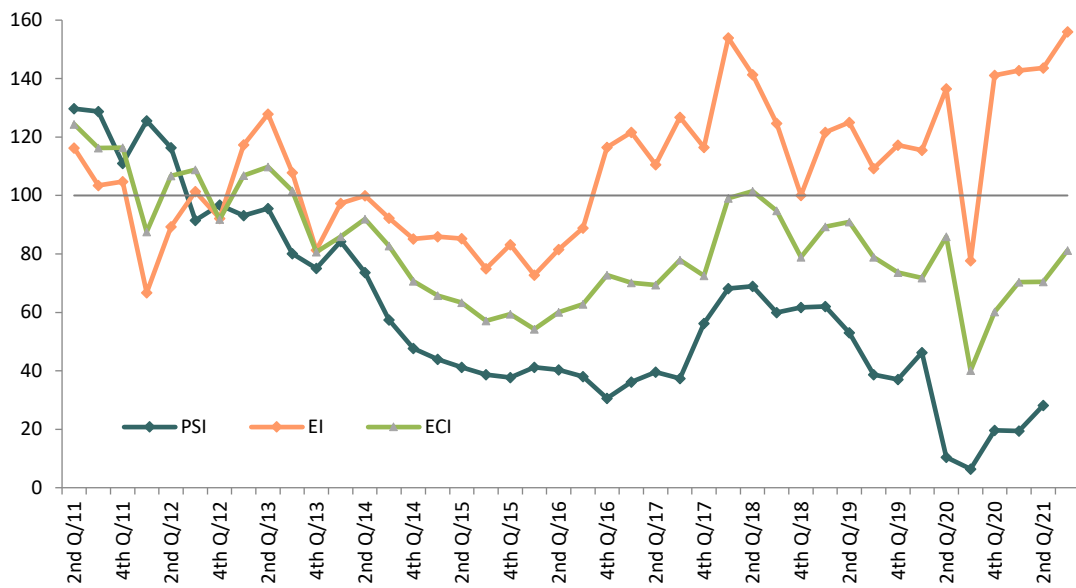
Source: FGV IBRE



The ECI is the geometric mean between the Present Situation Index (PSI) and the Expectations Index (EI). Both indexes rose in the 2nd quarter of 2021. The PSI climbed 8.8 points, a variation of 45.4% between the first two quarters of 2021. However, the index level of 28.2 points, remains extremely low considering that the boundary between favorable and unfavorable zones is 100 points. The PSI for Latin America has been in the adverse zone since July 2012.

The EI also contributed to improving the ECI, by increasing from 143.6 to 156.0 points. The EI has remained in the favorable zone since July 2016, except for in the 1st quarter of 2020, at the peak of the health crisis.

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



Source: FGV IBRE

## Economic climate: Results by country

Table 1 summarizes the Economic Climate results for the largest economies in the region monitored by FGV IBRE.

**Table 1: Economic Climate Index in selected countries**

| Países    | ECI  |             | PSI  |             | EI   |             |
|-----------|--|-------------|--|-------------|--|-------------|
|           | Variation in number of points between Q1 and Q2 2021 | Index in Q2 | Variation in number of points between Q1 and Q2 2021 | Index in Q2 | Variation in number of points between Q1 and Q2 2021 | Index in Q2 |
| Colombia  | 22.5   | 92.0        | 27.7   | 33.3        | 4.3  | 176.5       |
| Peru      | 19.9   | 80.9        | 29.7   | 36.4        | -2.9   | 140.0       |
| Bolivia   | 15.9   | 69.9        | 11.1   | 44.4        | 22.2   | 100.0       |
| Mexico    | 11.6   | 81.3        | 13.3   | 33.3        | 6.7  | 146.7       |
| Brazil    | 9.9  | 82.2        | -7.4   | 17.6        | 44.9   | 182.4       |
| Ecuador   | 7.1  | 51.7        | -10.0  | 0.0         | 40.0   | 130.0       |
| Chile     | -1.4   | 94.4        | 8.4  | 41.7        | -20.8  | 166.7       |
| Argentina | -15.4  | 49.8        | 7.6  | 16.7        | -57.7  | 92.3        |
| Uruguay   | -11.5  | 60.3        | -12.5  | 0.0         | -5.4   | 157.1       |
| Paraguay  | -22.2  | 100.0       | 0.0  | 77.8        | -52.8  | 125.0       |

Source: FGV IBRE

The countries are ranked by the variation in number of points for the Economic Climate between the 1st and 2nd quarters of 2021. Colombia recorded the largest positive variation, with 22.5 points, driven by improvement in the PSI, given that the EI rose only 4.3 points in the quarter. Colombia has the third highest ECI in Q2, behind Paraguay and Chile. This result needs to be qualified in light of the protests that began in the last days of April and intensified in the first weeks of May. The majority of questionnaires were answered prior to the end of April, and, as such, the perception that the protests would escalate was not clear.

In addition to Colombia, Bolivia and Mexico had positive variations in all three indicators. Bolivia differs from Colombia and Mexico, since the larger variation is in the expectations index and not in evaluation of the present situation, as in the other two countries. Peru recorded the second largest positive variation in the ECI, although its expectations registered a slight decrease.

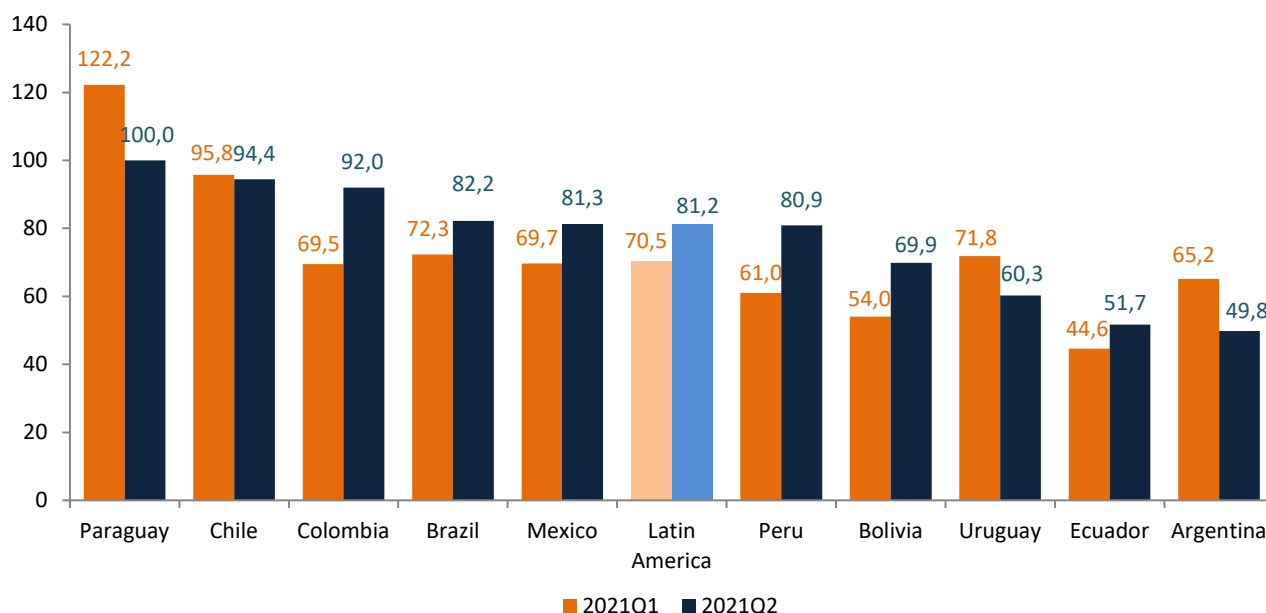
Brazil and Ecuador improved the economic climate, driven exclusively by an increase in the EI. In Brazil, the PSI fell by 7.4 points and is now the fourth worst in the region (17.6 points) close to that of Argentina (16.7 points), but above Ecuador and Uruguay (zero points). It should be remembered that the worst quarter in terms of perception regarding the present situation in Brazil was Q3 of 2020 (zero points). Subsequently, the index reached 25.0 points in Q1 of 2021 prior to the latest fall in the 2nd quarter.

The ECI remained relatively stable in Chile, with a drop of 1.4 point. Argentina, Uruguay, and Paraguay recorded decreases above 10 points. The EI fell in all three countries, although only Argentina has passed from a favorable to an unfavorable scenario. The assessment of the present situation has improved less than 10 points in Chile and Argentina, worsened in Uruguay, and remained stable in Paraguay.

Paraguay recorded the largest fall in the ECI in number of points in Q2 2021 (22.2 points), although it remains the only country with the index in the favorable zone.

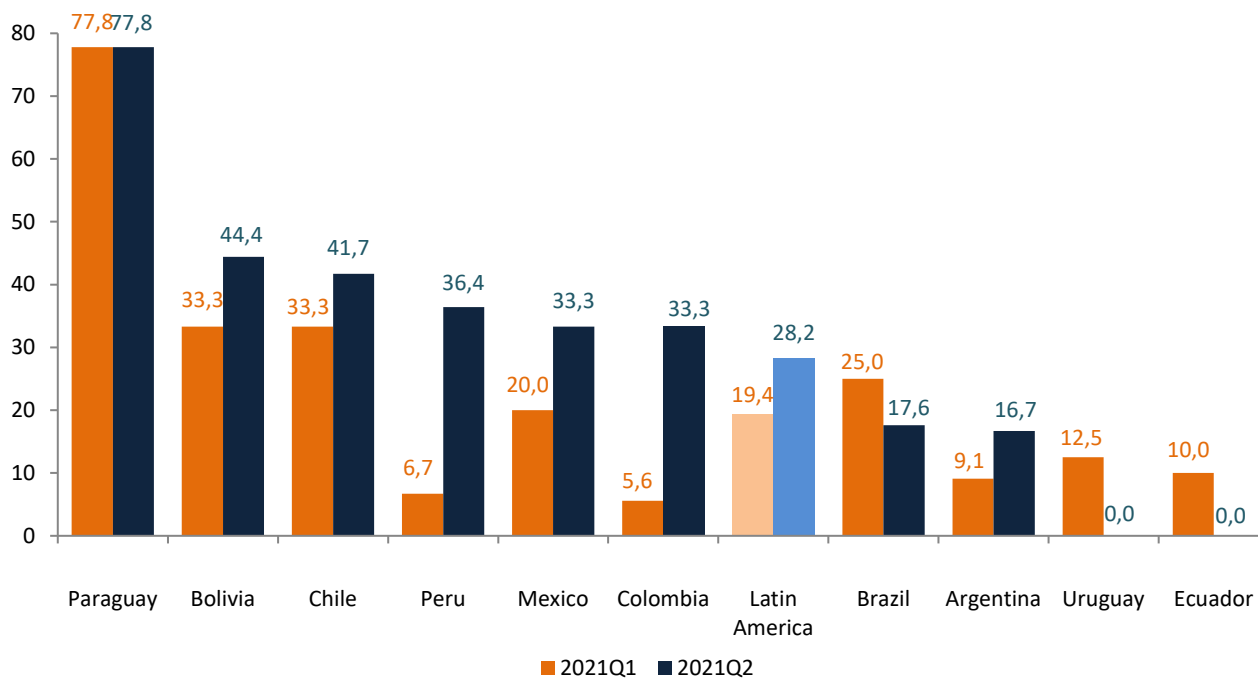
In summary, all Latin American countries analyzed are in the adverse zone of the economic climate, except for Paraguay, which is on the boundary (100 points). All countries recorded unfavorable indexes in the assessment of the present situation, and all showed favorable expectations regarding the coming months, with the exception of Argentina. All countries, except Bolivia, Argentina, and Paraguay, showed differences of over 100 points between the EI and the PSI. The largest difference in Brazil, with 164.8 points.

Graph 3: Economic Climate Index of selected countries



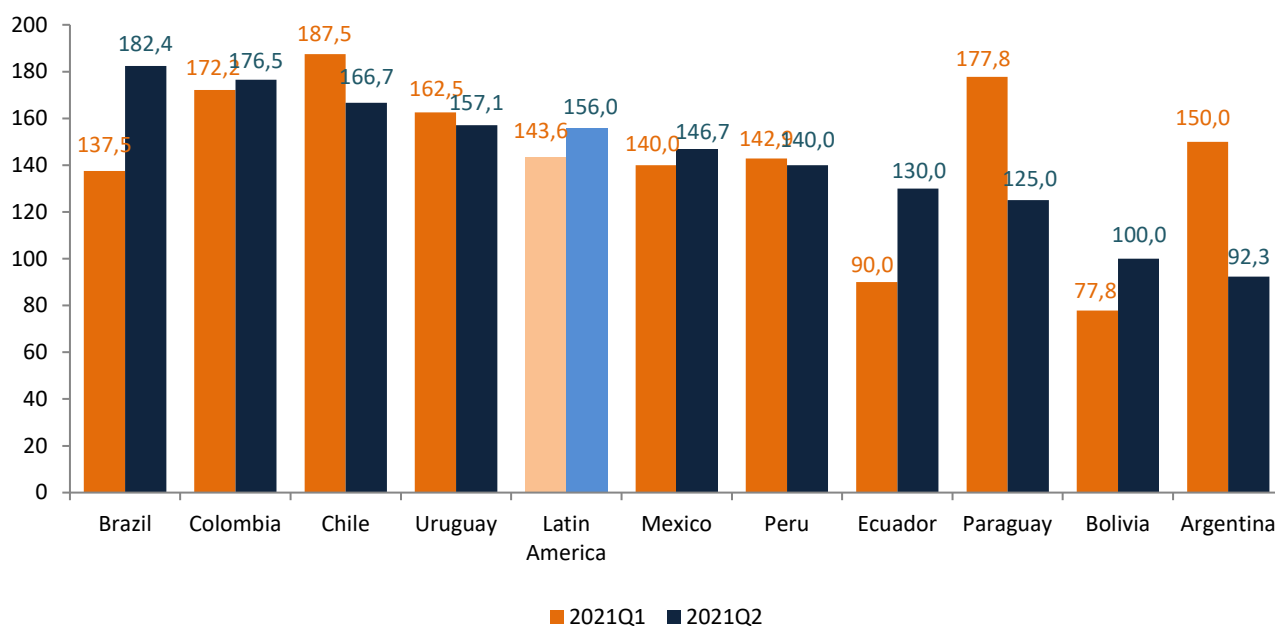
Source: FGV IBRE

Graph 4: Present Situation Index of the selected countries



Source: FGV IBRE

Graph 5: Expectations Index of selected countries



Source: FGV IBRE

## Forecasts for GDP growth in 2021

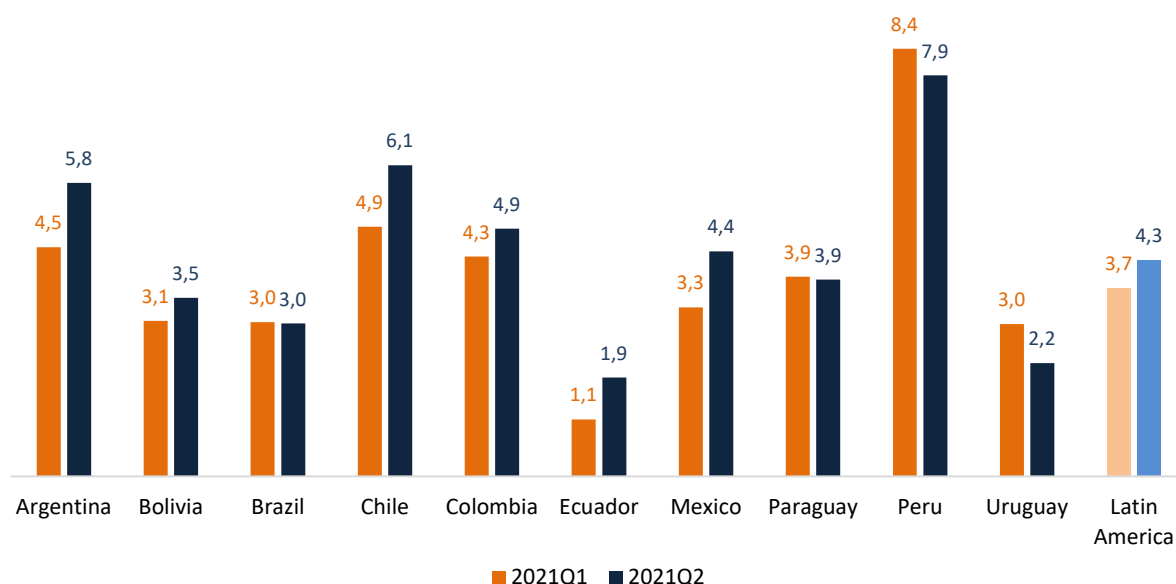
Graph 6 compares the 2021 GDP growth forecasts of the consulted experts in the 1<sup>st</sup> and 2<sup>nd</sup> quarters. It is interesting to note that we do not observe a perfect correlation between ECI development and these forecasts. In Argentina, for example, there was a fall in the ECI driven by a worsening in expectations, yet the forecast GDP growth increased from 4.5% to 5.8% in the Survey. A possible explanation for this result is the positive impact expected from the increase in commodities prices (see the section on external trade).

After Argentina, Chile and Mexico show the highest gains in percentage points in the GDP forecasts. In Chile, improved external demand has influenced the result. In Mexico, the expected recovery the United States, with forecasts of up to 6%, may explain the revised forecast.

Bolivia, Colombia, and Ecuador showed improvements in the ECI and in the GDP growth forecast for 2021. Paraguay worsened on the ECI, but the GDP growth forecast remained without relevant changes. Brazil improved on the ECI, but the GDP growth forecast remained stable.

Uruguay revised the GDP forecast downwards, and in this case the result is consistent with the fall in the ECI resulting from the decrease in the PSI and in the EI. In the case of Peru, the ECI improved, but the expectations diminished, which may have influenced the GDP growth forecast being revised downwards. Furthermore, the perspective of a polarized presidential election in this country with two candidates identified as popularists in a second round may have influenced the worsening in expectations and in the GDP forecast.

Graph 6: GDP growth forecasts for 2021



Source: FGV IBRE

## Main problems in selected countries

Table 2 shows the proportion of experts indicating a specific problem as relevant in their country. Therefore, the larger the indicator, the more relevant the problem. The aggregated result for Latin America indicates that the *pandemic* followed by *lack of confidence in the economic policy* and *lack of innovation* as the items with the highest scores.

In addition to the abovementioned issues, five items obtained values above 80 points: *inadequate infrastructure*; *application of the COVID-19 vaccine is slower than expected*; *increase in income inequalities*; *insufficient demand*; and *corruption*. The following themes are not considered relevant: *inefficient debt management*; *barriers to exports*; and *lack of credibility in central bank policy*.

There is relative uniformity in the analysis of the pandemic issue regarding the importance of the theme among the problems facing each country. With the exception of Paraguay, albeit with a high proportion (88.9%), the pandemic is unanimously indicated as a relevant issue in all countries. For the “problem” of *application of the COVID-19 vaccine is slower than expected*, Chile and Uruguay consider that the vaccination timetable is not a problem, which does not impede them from considering the pandemic as a serious problem facing the country. In all the countries, the rate of vaccination is considered an important problem.

It should be highlighted that the issue of *lack of confidence in economic policy* is a consensus as a serious issue in Argentina, Bolivia, and Mexico. In Mexico this assessment did not impede an improvement in the ECI.

**Table 2 – Main problems of selected countries**

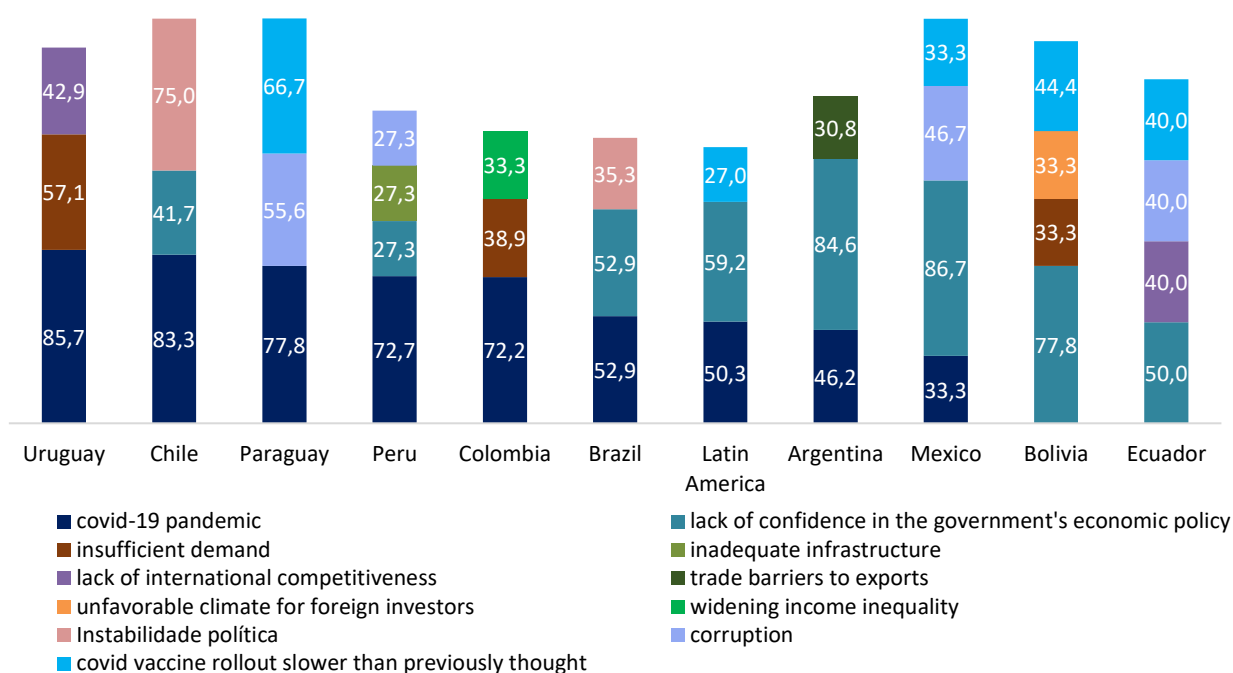
| Problem   | Latin America | Argentina | Bolivia | Brazil | Chile | Colombia | Ecuador | Mexico | Paraguay | Peru  | Uruguay |
|---|---------------|-----------|---------|--------|-------|----------|---------|--------|----------|-------|---------|
| COVID-19 pandemic   | 99.2          | 100.0     | 100.0   | 100.0  | 100.0 | 100.0    | 100.0   | 100.0  | 88.9     | 100.0 | 100.0   |
| Lack of confidence in economic policy                       | 88.6          | 100.0     | 100.0   | 94.1   | 75.0  | 50.0     | 90.0    | 100.0  | 66.7     | 81.8  | 42.9    |
| Lack of innovation  | 88.1          | 76.9      | 88.9    | 88.2   | 54.5  | 88.9     | 90.0    | 100.0  | 88.9     | 100.0 | 85.7    |
| Inadequate infrastructure                                   | 83.9          | 69.2      | 77.8    | 94.1   | 25.0  | 93.8     | 60.0    | 86.7   | 87.5     | 100.0 | 57.1    |
| Application of the COVID-19 vaccine is slower than expected | 83.8          | 92.3      | 100.0   | 88.2   | 0.0   | 83.3     | 100.0   | 93.3   | 88.9     | 100.0 | 0.0     |
| Increase in income inequalities                             | 83.1          | 76.9      | 55.6    | 87.5   | 75.0  | 88.9     | 90.0    | 80.0   | 66.7     | 72.7  | 100.0   |
| Insufficient demand   | 82.4          | 69.2      | 100.0   | 82.4   | 63.6  | 88.2     | 90.0    | 86.7   | 55.6     | 90.9  | 100.0   |
| Corruption  | 80.3          | 81.8      | 88.9    | 76.5   | 18.2  | 83.3     | 100.0   | 93.3   | 100      | 100.0 | 0.0     |
| Unfavorable climate for foreign investors                   | 74.1          | 92.3      | 100.0   | 76.5   | 41.7  | 33.3     | 88.9    | 93.3   | 33.3     | 54.5  | 0.0     |
| Legal and administrative barriers to investors              | 69.0          | 91.7      | 100.0   | 70.6   | 33.3  | 72.2     | 80.0    | 66.7   | 33.3     | 80.0  | 28.6    |
| Lack of international side                                  | 66.8          | 53.8      | 100.0   | 88.2   | 25.0  | 94.4     | 100.0   | 35.7   | 66.7     | 63.6  | 85.7    |
| Lack of qualified labor                                     | 60.8          | 25.0      | 66.7    | 76.5   | 58.3  | 58.8     | 80.0    | 46.7   | 88.9     | 81.8  | 71.4    |
| Political instability                                       | 58.4          | 53.8      | 55.6    | 76.5   | 83.3  | 16.7     | 50.0    | 46.7   | 44.4     | 100.0 | 14.3    |
| Lack of capital   | 52.2          | 91.7      | 55.6    | 52.9   | 33.3  | 52.9     | 88.9    | 42.9   | 66.7     | 27.3  | 33.3    |
| Inefficient debt management                                 | 30.9          | 50.0      | 55.6    | 41.2   | 8.3   | 22.2     | 100.0   | 13.3   | 33.3     | 0.0   | 0.0     |
| Barriers to exports   | 28.9          | 75.0      | 55.6    | 29.4   | 16.7  | 41.2     | 50.0    | 14.3   | 0        | 0.0   | 57.1    |
| Lack of credibility in central bank policy                  | 10.7          | 75.0      | 44.4    | 0.0    | 0.0   | 0.0      | 70.0    | 0.0    | 22.2     | 0.0   | 14.3    |

Source: FGV IBRE



The Survey also asked the experts about the three main problems faced in their respective countries at this time. The percentage refers to the number of specialists that indicated the issue as one of the main problems in each country. In Chile, Colombia, Paraguay, Peru, and Uruguay, the pandemic was the main problem indicated by the Survey. The *lack of confidence in economic policy* is also a serious problem in Argentina, Bolivia, Brazil Ecuador, and Mexico (Graph 7)

Graph 7: the three main problems facing selected countries



Source: FGV IBRE

## Special poll on external trade

The World Trade Organization (WTO) estimates that world trade will grow 8% in 2021, driven by China and expansionist policies of the United States and the European Union. In Latin America, especially for South American commodities exporting countries, the perspective of a new “commodities supercycle” has a relevant impact on economic growth.

The Survey put forward two questions. The first was whether an increase in the volume of exported trade in the next six months was expected, and, secondly, about the reasons for this increase.

As illustrated in Table 4, none of the countries expect a reduction in exports. An increase in commodity prices and external demand are the main factors explaining the expectations for an increase in the volume of exports (Table 5). The Exchange rate is only mentioned in Colombia and Brazil, which have export tariffs with degrees of diversification by manufacturer. Other factors are mentioned in Chile, Paraguay, Ecuador, and Uruguay.



Table 4: Volume of exports expected up to the end of the next six months

| Country   | Higher | The Same | Lower |
|-----------|--------|----------|-------|
| Argentina | 46,2   | 53,8     | 0,0   |
| Bolivia   | 44,4   | 55,6     | 0,0   |
| Brazil    | 94,1   | 5,9      | 0,0   |
| Chile     | 75,0   | 25,0     | 0,0   |
| Colombia  | 88,2   | 11,8     | 0,0   |
| Ecuador   | 40,0   | 60,0     | 0,0   |
| Mexico    | 86,7   | 13,3     | 0,0   |
| Paraguay  | 66,7   | 33,3     | 0,0   |
| Peru      | 63,6   | 27,3     | 9,1   |
| Uruguay   | 71,4   | 28,6     | 0,0   |

Source: FGV IBRE

Table 5: What is the factor with the most influence in relation to the expected increase in exports.

| Country   | Commodity prices | External demand | Exchange rate | Other factors |
|-----------|------------------|-----------------|---------------|---------------|
| Argentina | 100.0            | 0.0             | 0.0           | 0.0           |
| Bolivia   | 60.0             | 40.0            | 0.0           | 0.0           |
| Brazil    | 50.0             | 37.5            | 12.5          | 0.0           |
| Chile     | 40.0             | 50.0            | 0.0           | 10.0          |
| Colombia  | 53.3             | 26.7            | 20.0          | 0.0           |
| Ecuador   | 0.0              | 66.7            | 0.0           | 33.3          |
| Mexico    | 0.0              | 100.0           | 0.0           | 0.0           |
| Paraguay  | 50.0             | 16.7            | 0.0           | 33.3          |
| Peru      | 83.3             | 16.7            | 0.0           | 0.0           |
| Uruguay   | 33.3             | 50.0            | 0.0           | 16.7          |

Source: FGV IBRE

## APPENDICES

### Appendix 1 – Mean ECI of selected countries for the last four quarters

| <i>Country</i>       | <i>Q1/21</i> | <i>Q2/21</i> |
|----------------------|--------------|--------------|
| Paraguay             | 73.8         | 91.4         |
| Chile                | 70.8         | 80.9         |
| Uruguay              | 66.4         | 69.0         |
| Colombia             | 64.6         | 74.4         |
| Brazil               | 61.7         | 72.4         |
| Peru                 | 58.6         | 68.6         |
| Argentina            | 57.4         | 61.6         |
| Mexico               | 48.0         | 59.0         |
| Bolivia              | 45.8         | 55.5         |
| Ecuador              | 24.3         | 37.2         |
| <b>Latin America</b> | <b>60.3</b>  | <b>70.6</b>  |

Source: FGV IBRE

### Appendix 2 – Historical series of the indicators of selected countries

#### PRESENT SITUATION INDEX

| <i>PSI</i>           | <i>Q2/19</i> | <i>Q3/19</i> | <i>Q4/19</i> | <i>Q1/20</i> | <i>Q2/20</i> | <i>Q3/20</i> | <i>Q4/20</i> | <i>Q1/21</i> | <i>Q2/21</i> | <i>10-year mean</i> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| <b>Latin America</b> | <b>53.0</b>  | <b>38.7</b>  | <b>37.0</b>  | <b>46.2</b>  | <b>10.4</b>  | <b>6.4</b>   | <b>19.6</b>  | <b>19.4</b>  | <b>28.2</b>  | <b>60.2</b>         |
| Argentina            | 7.7          | 15.4         | 0.0          | 11.1         | 22.2         | 9.1          | 8.3          | 9.1          | 16.7         | 53.4                |
| Bolivia              | 100.0        | 112.5        | 100.0        | 71.4         | 25.0         | 14.3         | 0.0          | 33.3         | 44.4         | 106.7               |
| Brazil               | 25.0         | 25.0         | 25.0         | 47.8         | 9.1          | 0.0          | 13.3         | 25.0         | 17.6         | 43.2                |
| Chile                | 110.0        | 90.0         | 90.0         | 20.0         | 0.0          | 0.0          | 10.0         | 33.3         | 41.7         | 85.2                |
| Colombia             | 106.7        | 83.3         | 66.7         | 123.1        | 13.3         | 6.7          | 0.0          | 5.6          | 33.3         | 100.4               |
| Ecuador              | 25.0         | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 10.0         | 0.0          | 65.0                |
| Mexico               | 66.7         | 40.0         | 40.0         | 30.8         | 9.1          | 0.0          | 0.0          | 20.0         | 33.3         | 67.1                |
| Paraguay             | 120.0        | 71.4         | 60.0         | 100.0        | 20.0         | 0.0          | 14.3         | 77.8         | 77.8         | 113.8               |
| Peru                 | 113.3        | 53.8         | 64.3         | 57.1         | 7.7          | 0.0          | 7.7          | 6.7          | 36.4         | 98.8                |
| Uruguay              | 50.0         | 37.5         | 37.5         | 66.7         | 0.0          | 11.1         | 10.0         | 12.5         | 0.0          | 100.3               |

Source: FGV IBRE

#### EXPECTATIONS INDEX

| <i>EI</i>            | <i>Q2/19</i> | <i>Q3/19</i> | <i>Q4/19</i> | <i>Q1/20</i> | <i>Q2/20</i> | <i>Q3/20</i> | <i>Q4/20</i> | <i>Q1/21</i> | <i>Q2/21</i> | <i>10-year mean</i> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| <b>Latin America</b> | <b>109.2</b> | <b>117.2</b> | <b>115.5</b> | <b>136.5</b> | <b>77.7</b>  | <b>141.1</b> | <b>142.8</b> | <b>143.6</b> | <b>156.0</b> | <b>108.2</b>        |
| Argentina            | 100.0        | 176.9        | 109.1        | 122.2        | 44.4         | 172.7        | 133.3        | 150.0        | 92.3         | 110.2               |
| Bolivia              | 71.4         | 75.0         | 50.0         | 83.3         | 37.5         | 71.4         | 150.0        | 77.8         | 100.0        | 77.7                |
| Brazil               | 156.3        | 150.0        | 145.0        | 165.2        | 77.3         | 182.4        | 146.7        | 137.5        | 182.4        | 124.4               |
| Chile                | 100.0        | 140.0        | 100.0        | 130.0        | 136.4        | 170.0        | 160.0        | 187.5        | 166.7        | 110.5               |
| Colombia             | 126.7        | 133.3        | 116.7        | 84.6         | 106.7        | 153.3        | 194.1        | 172.2        | 176.5        | 114.9               |
| Ecuador              | 100.0        | 50.0         | 125.0        | 100.0        | 0.0          | 12.5         | 114.3        | 90.0         | 130.0        | 73.6                |
| Mexico               | 46.7         | 50.0         | 80.0         | 125.0        | 72.7         | 81.8         | 125.0        | 140.0        | 146.7        | 94.2                |
| Paraguay             | 100.0        | 157.1        | 160.0        | 160.0        | 40.0         | 150.0        | 200.0        | 177.8        | 125.0        | 124.7               |
| Peru                 | 160.0        | 138.5        | 100.0        | 150.0        | 84.6         | 162.5        | 169.2        | 142.9        | 140.0        | 130.4               |
| Uruguay              | 100.0        | 100.0        | 137.5        | 133.3        | 125.0        | 145.5        | 190.0        | 162.5        | 157.1        | 100.8               |

Source: FGV IBRE

## ECONOMIC CLIMATE INDEX

| <i>ECI</i>           | <i>Q2/19</i> | <i>Q3/19</i> | <i>Q4/19</i> | <i>Q1/20</i> | <i>Q2/20</i> | <i>Q3/20</i> | <i>Q4/20</i> | <i>Q1/21</i> | <i>Q2/21</i> | <i>10-year mean</i> |
|----------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| <b>Latin America</b> | <b>78.9</b>  | <b>73.6</b>  | <b>71.8</b>  | <b>85.9</b>  | <b>40.1</b>  | <b>60.2</b>  | <b>70.4</b>  | <b>70.5</b>  | <b>81.2</b>  | <b>81.2</b>         |
| Argentina            | 46.8         | 78.8         | 44.6         | 57.1         | 32.8         | 72.5         | 59.0         | 65.2         | 49.8         | 76.4                |
| Bolivia              | 85.1         | 92.8         | 73.2         | 77.3         | 31.1         | 40.0         | 58.1         | 54.0         | 69.9         | 89.9                |
| Brazil               | 79.0         | 76.8         | 75.0         | 98.0         | 39.1         | 68.0         | 67.2         | 72.3         | 82.2         | 76.3                |
| Chile                | 104.9        | 113.5        | 94.9         | 66.1         | 53.8         | 64.3         | 69.1         | 95.8         | 94.4         | 92.4                |
| Colombia             | 116.5        | 106.8        | 90.1         | 102.9        | 53.0         | 64.4         | 71.5         | 69.5         | 92.0         | 103.8               |
| Ecuador              | 58.1         | 22.5         | 50.0         | 41.4         | 0.0          | 6.1          | 46.4         | 44.6         | 51.7         | 65.9                |
| Mexico               | 56.4         | 44.9         | 58.7         | 71.6         | 37.3         | 34.8         | 50.0         | 69.7         | 81.3         | 78.9                |
| Paraguay             | 109.8        | 109.9        | 104.0        | 128.0        | 29.6         | 58.1         | 85.2         | 122.2        | 100.0        | 117.1               |
| Peru                 | 135.5        | 91.5         | 81.3         | 98.2         | 41.0         | 62.0         | 70.3         | 61.0         | 80.9         | 111.2               |
| Uruguay              | 73.2         | 65.8         | 80.7         | 97.2         | 50.0         | 65.2         | 78.6         | 71.8         | 60.3         | 97.0                |

Source: FGV IBRE

## METHODOLOGICAL ASPECTS OF THE SURVEY

The Latin America Economic Survey aims to monitor and forecast economic trends, based on quarterly information supplied by specialists in the economy of their respective countries. The survey is simultaneously applied with the same methodology in all the countries in the region, which is a method that enables the construction of an agile and comprehensive picture of the economic situation in countries and economic blocks. Until October 2019, the Latin America Survey was produced by FGV in partnership with the German Ifo Institute. Since January 2020, the survey has been produced exclusively by FGV.

The survey generates information of both a qualitative and a quantitative nature. The Economic Climate Index (ECI), is the synthesis indicator, comprised of two items of a 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.

Beginning with the edition for the 1<sup>st</sup> quarter of 2021, the Present Situation (PSI) and Expectations (EI) indexes for each country are expressed as a balance of responses of the respective qualitative items plus 100 (+100), as per the formula presented below:

$$ISA \text{ or } IE = \frac{([option]_+ - [option]_-) * 100}{n} + 100$$

$[option]_+$  = Favorable option;

$[option]_-$  = Unfavorable option; and

$n$  = number of specialists who answered this question

The Economic Climate Index is constructed as the geometric mean of the PSI and the EI, as per the formula described below:

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

ECI = Economic Climate Index.

As such, the index scale varies from 0 (zero) to 200. One hundred (100) is the point of inflection.

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

In the 1<sup>st</sup> quarter of 2021, 146 economy specialists were consulted in 15 Latin American countries.