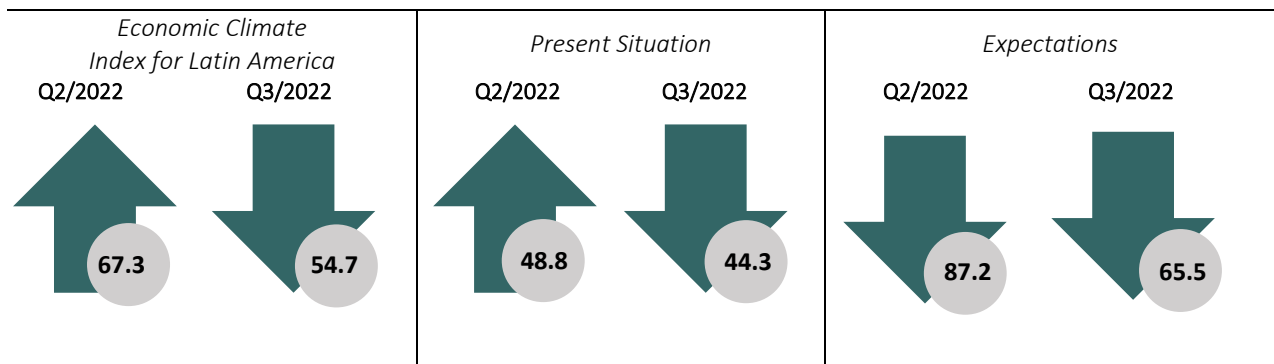


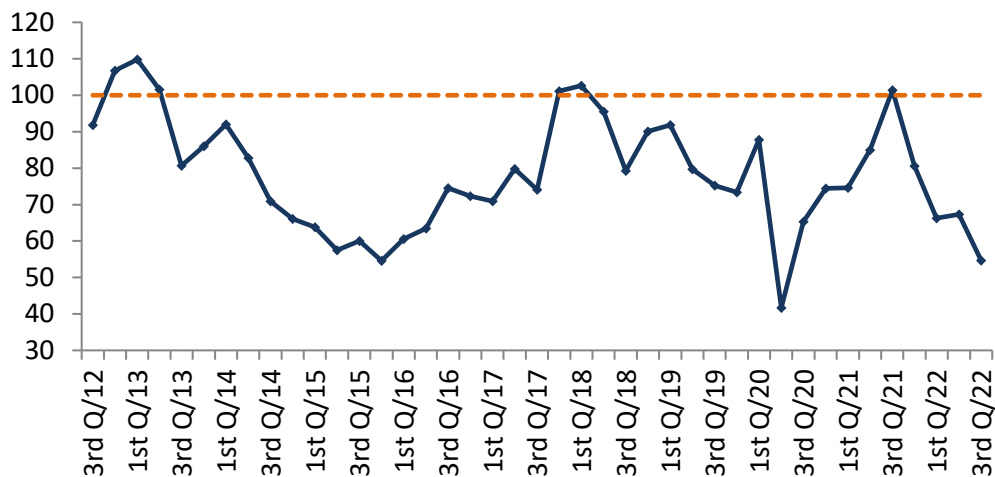
The Economic Climate Index for Latin America falls once again with a worsening of expectations

The Economic Climate Index (ECI) for Latin America declines in the third quarter of 2022 in comparison to the previous quarter under the influence of the significant worsening of expectations, and, to a lesser degree, evaluations on the present situation. This edition of the Survey also brings a poll on the persistent bottlenecks in the supply of inputs and raw materials, and identifies the main products that are out of stock or suffering delivery delays in the region.



Following the trend of decline begun in the fourth quarter of 2021, the ECI falls 12.6 points in the 3rd quarter of 2022, dropping from 67.3 points to 54.7 points.

Graph 1: Economic Climate Index for Latin America (in points)

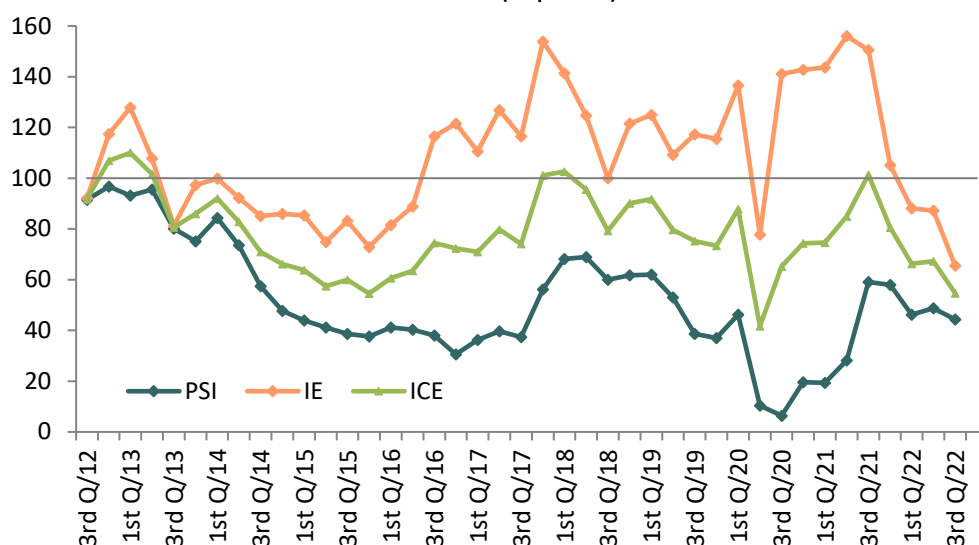


Source: FGV IBRE

Both indicators composing the ECI record a decrease in relation to the previous quarter. The Expectations Index (EI) falls 21.7 points, to 65.5 points, while the Present Situation Index (PSI) loses 4.5 points, decreasing from 48.8 points to 43.3 points. The worsening in expectations sends a warning signal as it indicates that the

specialists expect an economic slowdown for the coming months. All the indicators are in the adverse zone of the economic cycle.

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



Source: FGV IBRE

In the table below, the results for the 3rd quarter of 2022 were compared to those for the same period in previous years. The EI and ECI for 2022 show a decrease in comparison with 2019, the greatest difference being in the EI (-51.7 points). In relation to 2020, there is an improvement in the PSI, but the other indicators are at a lower level. The largest decreases are recorded in comparison with 2021,

Table 1: Difference in the indicators for Latin America in relation to the same period in previous years

	PSI	EI	ECI
2019	5.6	-51.7	-20.5
2020	37.9	-75.6	-10.6
2021	-14.8	-85.1	-46.7

Obs.: The results show the difference in points in the indicators in relation to the results of the 3rd quarter of 2022.

Source: FGV IBRE

Economic climate: Results by country

Table 2 summarizes the Economic Climate results for the largest economies in the region monitored by FGV IBRE.

Table 2: Economic climate index and its components in the selected countries

Country	ECI		PSI		EI	
	Variation in number of points between Q2/2022 and Q3/2022	Index in Q3	Variation in number of points between Q2/2022 and Q3/2022	Index in Q3	Variation in number of points between Q2/2022 and Q3/2022	Index in Q3
Paraguay	9.9	101.1	-14.5	40.0	44.5	177.8
Bolivia	1.7	67.6	-17.9	57.1	21.5	78.6
Ecuador	-1.6	70.5	3.8	58.3	-7.6	83.3
Brasil	-8.2	54.5	12.9	42.9	-33.3	66.7
Chile	-9.8	36.2	-26.5	27.3	7.0	45.5
Latin America	-12.6	54.7	-4.5	44.3	-21.7	65.5
Argentina	-13.3	25.8	-9.1	6.7	-18.3	46.7
Peru	-13.7	49.7	-16.0	38.5	-11.2	61.5
Mexico	-17.5	48.7	-19.4	25.0	-15.0	75.0
Colombia	-23.1	72.6	15.7	135.7	-51.9	21.4
Uruguay	-27.0	122.6	-4.7	128.6	-50.0	116.7

Source: FGV IBRE

In Table 2, the countries are ordered from the highest to the lowest variation in the number of points for the Economic Climate Index between the 2nd and 3rd quarter of 2022. The ECI only increased in two countries during this period: Paraguay (9.9 points) and Bolivia (1,7 points). The largest fall occurred in Uruguay (-27.0 points). Nevertheless, Uruguay and Paraguay are the only countries with an ECI in the favorable zone. In Brazil, the ECI decreased 8.2 points for the period.

The assessment of the present situation has improved in Colombia, Brazil, and Ecuador. In all these three countries, however, the worsening in expectations led to a fall in the ECI. In Brazil, the PSI improved 12.9 points, but the decrease in the EI was 33.3 points. In Colombia, the 51.9-point fall of the EI overshadowed the improvement of 15.7 points in the PSI. In Ecuador, the improved PSI (+3,8) also failed to compensate the worsening in expectations (-7.6 points) and the ECI fell 1.6 points. Colombia and Uruguay are the only countries in the favorable zone for the present situation. The worst assessment of the present situation is that of Argentina, with 6.7 points.

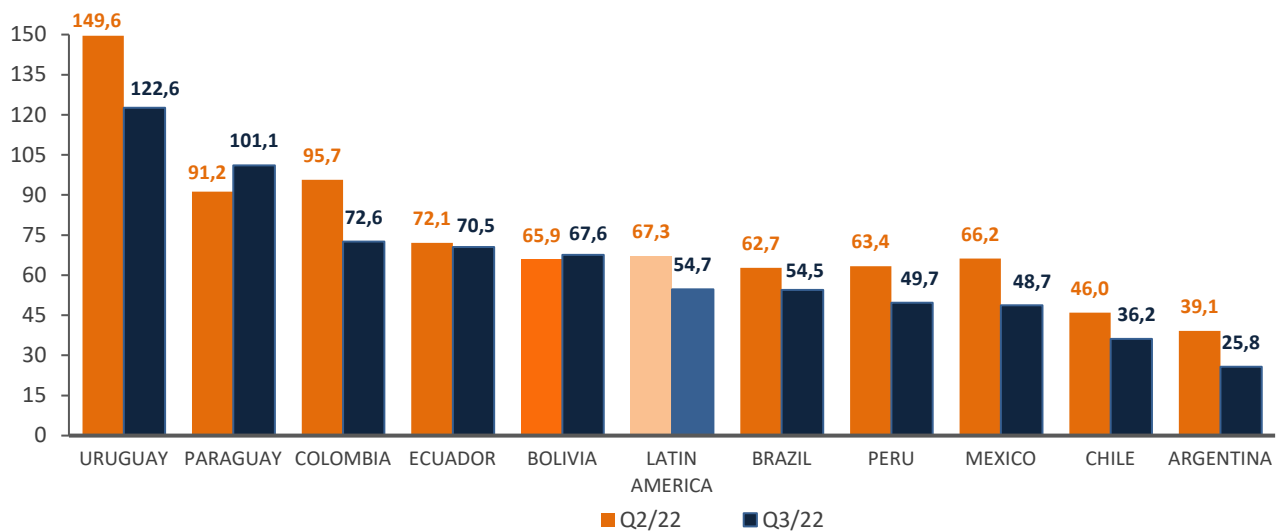
There was an improvement in expectations in Paraguay (44.5 points), Bolivia (21.5 points), and Chile (7.0 points). In the cases of Bolivia and Paraguay, the result for the EI compensated the worsening in the assessment of the present situation, and both countries record an improvement in the ECI, which did not happen in Chile, where there was a decrease in the ECI. Colombia recorded the worst EI, with 21.4 points.

In summary, the negative perspectives dominate the results of the economic climate in Ecuador, Brazil, Argentina, Colombia, Peru, and Uruguay. In Mexico, the trajectory is different, whereby the fall in the ECI is associated with a greater decrease in the PSI than in the EI. For Paraguay and Bolivia, the improvement in the

EI is greater than the decrease in the PSI and the ECI therefore improves. In Chile, despite the increase in the EI, the fall in the PSI led to a decrease in the ECI.

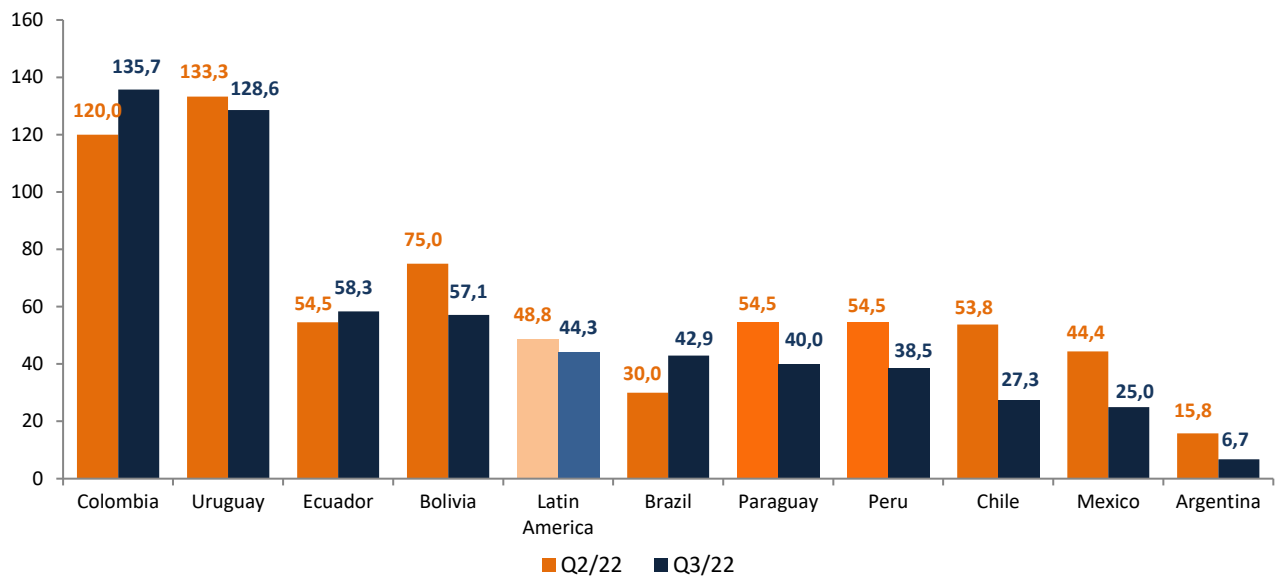
Finally, Uruguay is the only country in the favorable zone for all three indicators.

Graph 3: Economic Climate Index of selected countries (in points)



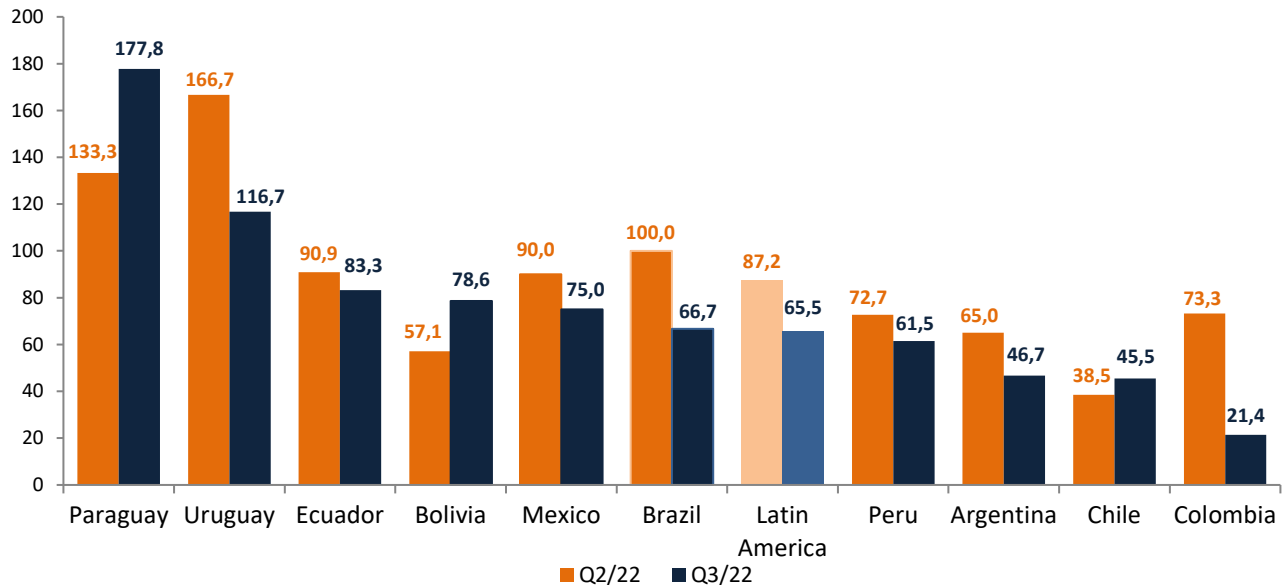
Source: FGV IBRE

Graph 4: Present Situation Index of selected countries (in points)



Source: FGV IBRE

Graph 5: Expectations Index of selected countries (in points)



Source: FGV IBRE

Special poll: the supply problem

The production and logistics chains that were getting reorganized in 2021 have been impacted by the lockdown in China and the war in Ukraine. An additional question included in the Survey for the 3rd quarter of 2022 asked the specialists if the productive sector of their country is facing problems with the supply of inputs and/or raw materials, the responses to which can be found in Table 3. Only in Argentina is there a predominance of responses that consider the supply problems to be severe. In this case, domestic issues of access to foreign currency to carry out international transactions must have influenced the responses.

All the countries, except Argentina and Uruguay responded with percentages greater than or equal to 50% for “Yes, moderate/light problems”. The specialists in Uruguay evaluated that “We have not faced problems of this nature”.

The case of Brazil stands out, where 13.3% responded that the problems were severe, which would be directly related to bottlenecks in the supply of chips and semiconductors. The responses of “moderate/light problems” also identify problems in the supply of chips and semiconductors.

Table 3: Problems with the supply of inputs and/or raw materials (%)

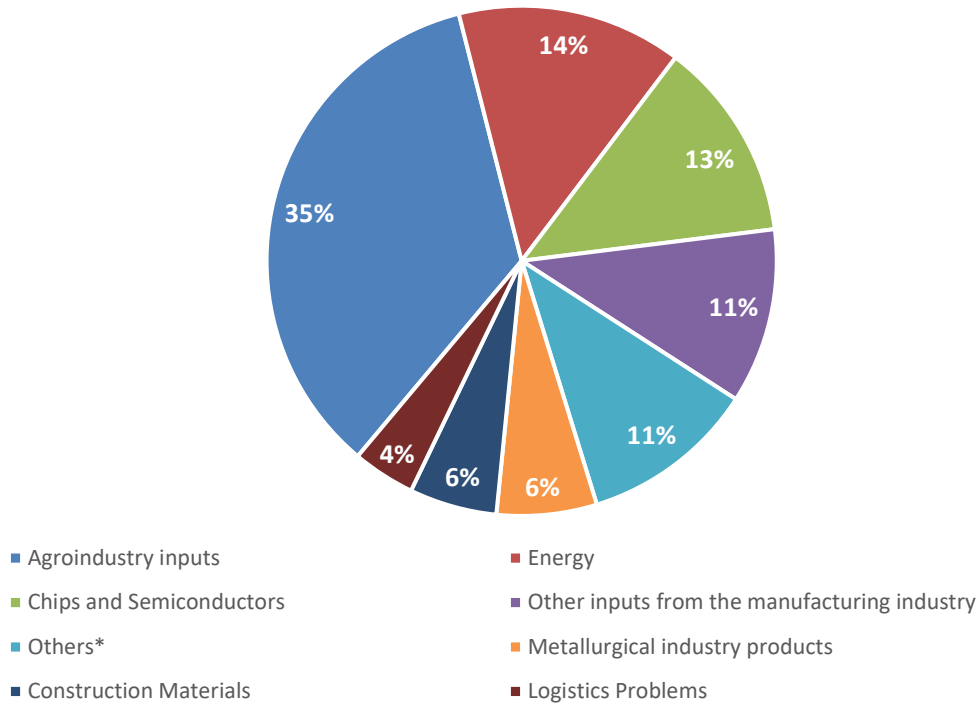
Country	Is the productive sector in your country still facing problems with the supply of inputs and/or raw materials?				
	Yes, severe problems	Yes, moderate/light problems	We are not facing problems of this nature anymore	We have not faced problems of this nature	I Don't know
Argentina	60.0	26.7	0.0	0.0	13.3
Bolivia	21.4	57.1	7.1	7.1	7.1
Brazil	13.3	66.7	6.7	6.7	6.7
Chile	0.0	90.9	9.1	0.0	0.0
Colombia	21.4	64.3	0.0	7.1	7.1
Ecuador	25.0	66.7	0.0	0.0	8.3
Mexico	33.3	58.3	0.0	0.0	8.3
Paraguay	0.0	77.8	22.2	0.0	0.0
Peru	15.4	76.9	0.0	7.7	0.0
Uruguay	0.0	28.6	28.6	42.9	0.0
LATIN AMERICA	23.1	62.2	3.9	3.9	7.0

Source: FGV IBRE

Graph 6 shows the distribution of the responses by product. The main bottlenecks are in agroindustry inputs (35%), followed by energy (14%), chips and semiconductors (13%), other inputs from the manufacturing industry (11%), and others (11%); the other percentages were below 10%.

It is noteworthy that the main bottleneck is in agroindustry inputs. For Brazil, as previously mentioned, the issue does not appear to be a priority, despite the importance of the sector in Brazilian exports. In the comparison of the volume of accumulated imports up to July with the same period of last year, compost and fertilizers recorded a growth of 15%. Some agroindustry sectors may be having difficulties; however, the increased volume in the bundle of imports indicates that the supply of composts and fertilizers is growing.

Graph 6 – Main Productive Bottlenecks



*Composed of: Packaging, Items related to health, and others.

Source: FGV IBRE

Table 4 shows the time expected to normalize the supply of inputs and/or raw materials. The highest concentration of responses is in the 1st half of 2023 (35.6%) followed by the 2nd half (26.4%). Thus, the normalization of supply is expected in the first semester of 2023. In Brazil, 46.7% of the responses refer to the 1st half of 2023.

The worst result is recorded in Argentina, with 33.3% of the responses for normalization being only in 2024, and with the same percentage for those that did not know. The crisis in Argentina with the scarcity of foreign currency would have influenced the responses.

Table 4: Normalization Time

Country	When do you think this situation will get normalized ?					
	3rd quarter of 2022	4th quarter of 2022	1st half of 2023	2nd half of 2023	Only from 2024 onwards	I don't know
Argentina	0.0	6.7	13.3	13.3	33.3	33.3
Bolivia	0.0	7.7	61.5	15.4	7.7	7.7
Brazil	6.7	13.3	46.7	26.7	0.0	6.7
Chile	0.0	9.1	54.5	18.2	9.1	9.1
Colombia	14.3	0.0	35.7	28.6	7.1	14.3
Ecuador	0.0	16.7	33.3	16.7	8.3	25.0
Mexico	0.0	8.3	25.0	33.3	16.7	16.7
Paraguay	20.0	10.0	20.0	10.0	10.0	30.0
Peru	0.0	16.7	25.0	41.7	0.0	16.7
Uruguay	0.0	0.0	25.0	0.0	0.0	75.0
LATIN AMERICA	3.9	10.2	35.6	26.4	9.5	14.2

Source: FGV IBRE

APPENDECIS

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

<i>Country</i>	<i>Q2/22</i>	<i>Q3/22</i>
Uruguay	123.8	132.8
Paraguay	110.9	104.6
Colombia	109.3	101.3
Ecuador	87.3	84.3
Bolivia	72.8	71.2
Mexico	78.5	67.3
Peru	76.1	62.9
Brazil	75.7	59.7
Chile	68.7	51.7
Argentina	45.2	36.1
Latin America	78.9	67.2

Source: FGV IBRE

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

PRESENT SITUATION INDEX

PSI	Q3/20	Q4/20	Q1/20	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	10-year mean
Argentina	9.1	8.3	9.1	16.7	25.0	12.5	18.7	15.8	6.7	38.2
Bolivia	14.3	0.0	33.3	44.4	50.0	90.0	70.0	75.0	57.1	104.8
Brazil	0.0	13.3	25.0	17.6	69.2	54.5	22.2	30.0	42.9	32.2
Chile	0.0	10.0	33.3	41.7	87.5	100.0	44.4	53.8	27.3	72.4
Colombia	6.7	0.0	5.6	33.3	47.1	100.0	118.2	120.0	135.7	93.6
Ecuador	0.0	0.0	10.0	0.0	20.0	80.0	55.6	54.5	58.3	55.4
Mexico	0.0	0.0	20.0	33.3	57.1	46.2	50.0	44.4	25.0	60.3
Paraguay	0.0	14.3	77.8	77.8	90.0	133.3	50.0	54.5	40.0	108.1
Peru	0.0	7.7	6.7	36.4	80.0	64.3	42.9	54.5	38.5	85.2
Uruguay	11.1	10.0	12.5	0.0	11.1	66.7	120.0	133.3	128.6	89.1
Latin America	6.4	19.6	19.4	28.2	59.1	58.0	46.2	48.8	44.3	51.5

Source: FGV IBRE

EXPECTATIONS INDEX

EI	Q3/20	Q4/20	Q1/20	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	10-year mean
Argentina	172.7	133.3	150.0	92.3	105.6	64.7	68.7	65.0	46.7	110.8
Bolivia	71.4	150.0	77.8	100.0	100.0	84.6	58.3	57.1	78.6	76.7
Brazil	182.4	146.7	137.5	182.4	176.9	72.7	100.0	100.0	66.7	124.5
Chile	170.0	160.0	187.5	166.7	122.2	61.5	44.4	38.5	45.5	107.6
Colombia	153.3	194.1	172.2	176.5	175.0	180.0	81.8	73.3	21.4	113.6
Ecuador	12.5	114.3	90.0	130.0	163.6	160.0	100.0	90.9	83.3	75.7
Mexico	81.8	125.0	140.0	146.7	135.7	130.8	88.9	90.0	75.0	97.1
Paraguay	150.0	200.0	177.8	125.0	166.7	133.3	142.9	133.3	177.8	131.5
Peru	162.5	169.2	142.9	140.0	126.7	100.0	71.4	72.7	61.5	128.1
Uruguay	145.5	190.0	162.5	157.1	188.9	183.3	160.0	166.7	116.7	109.0
Latin America	141.1	142.8	143.6	156.0	150.6	105.1	88.1	87.2	65.5	109.0

Source: FGV IBRE

ECONOMIC CLIMATE INDEX

ECI	Q3/20	Q4/20	Q1/20	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	10-year mean
Argentina	79.2	63.5	70.5	51.7	62.2	37.2	42.4	39.1	25.8	71.2
Bolivia	41.2	64.6	54.6	70.8	73.9	87.3	64.1	65.9	67.6	89.2
Brazil	76.6	71.9	75.6	88.5	118.5	63.4	58.2	62.7	54.5	73.5
Chile	72.0	75.0	100.7	97.7	104.4	80.1	44.4	46.0	36.2	86.8
Colombia	70.2	80.7	76.6	96.4	104.4	137.6	99.4	95.7	72.6	100.8
Ecuador	6.2	50.7	46.8	56.9	82.8	117.5	76.9	72.1	70.5	63.2
Mexico	37.4	55.0	73.5	84.4	93.8	85.4	68.7	66.2	48.7	77.4
Paraguay	64.6	92.8	124.0	100.5	126.1	133.3	92.8	91.2	101.1	118.1
Peru	69.3	76.9	66.2	83.5	102.4	81.6	56.8	63.4	49.7	104.5
Uruguay	70.1	86.2	77.5	67.2	86.5	119.7	139.4	149.6	122.6	96.7
Latin America	65.3	74.4	74.6	85.0	101.4	80.6	66.3	67.3	54.7	78.2

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

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 1st 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:

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

$[option]_+$ = 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 3rd quarter of 2022, 150 economics specialists in 15 Latin American countries were consulted.

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