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ECONOMIC SURVEY

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**BRAZIL AND MEXICO DRIVE DOWN THE
REGION'S ECONOMIC CLIMATE**





ABOUT THE LATIN AMERICAN ECONOMIC SURVEY

The Latin American Economic Survey is a Fundação Getulio Vargas (FGV) publication that monitors and forecasts economic trends in the region. Since 1994, hundreds of specialists in more than 10 Latin American countries are consulted on a quarterly basis, generating information to support decision making in the public and private sectors.

The Economic Climate Index (ECI) for Latin America is the main indicator of the Latin American Economic Survey. It consists of two items: the Present Situation Index (PSI), which shows the present economic situation of the countries, and the Expectations Index (EI), which forecasts the economic situation for the upcoming six months. The index scale varies from 0 to 200 points, with 100 points being the point of inflection between favorable and adverse economic conditions.

The Survey also monitors the GDP growth forecast of the Latin American countries. In each new edition, the growth forecast for the regional economies is updated.

Traditionally, in the 2nd and 4th quarters, the Survey has an additional section dedicated to the view of the specialists on the main problems that harm the economy of each country in the region.

To conclude the Survey, each edition also includes a section with special polls consulting on events with the potential to impact the region's economies, such as elections, political and economic instabilities, climatic events, trade, and international politics.

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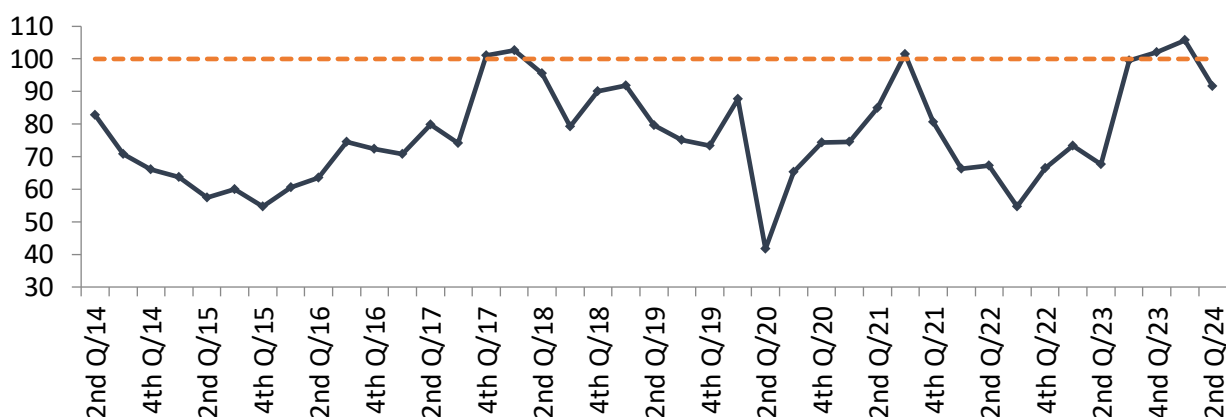
SECTION 1 - EXECUTIVE SUMMARY

The Economic Climate for Latin America worsens in the 2nd quarter of 2024, driven by Brazil and Mexico

Economic Climate Index

In the second quarter of 2024, The Economic Climate Index (ECI) for Latin America decreased 14 points in relation to the previous quarter, entering the adverse economic zone with 91.7 points.

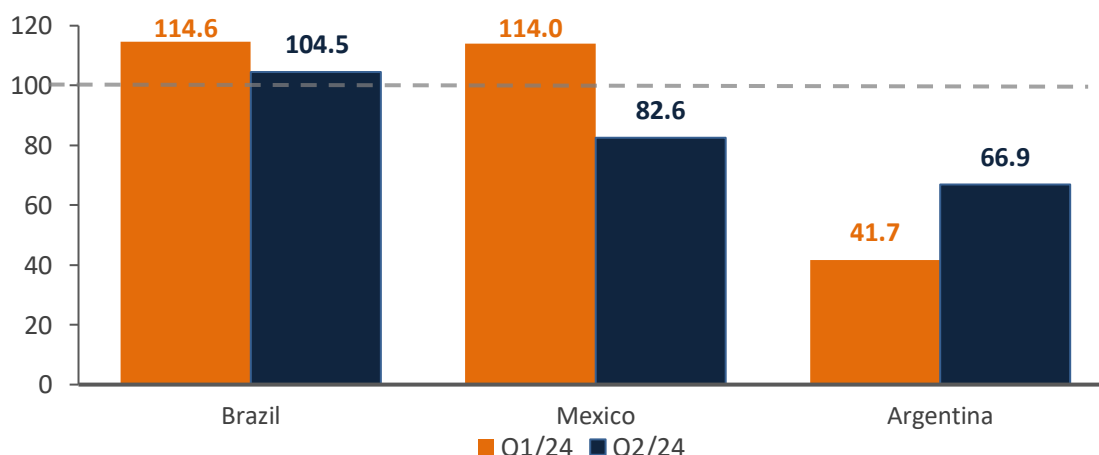
Latin America returns to the adverse zone of the Economic Climate
Evolution of the Economic Climate Index for Latin America (in points)



Source: FGV IBRE, International Affairs Division (FGV DINT)

The negative result was influenced by the decrease in the evaluation of the two biggest economies in the region: Brazil and Mexico, which together represent 61% of the GDP for Latin America. In contrast, Argentina, the third largest economy in the region, with an 11% participation in regional GDP, saw an improvement in the economic climate.

The Economic Climate worsens in Brazil and Mexico but improves in Argentina

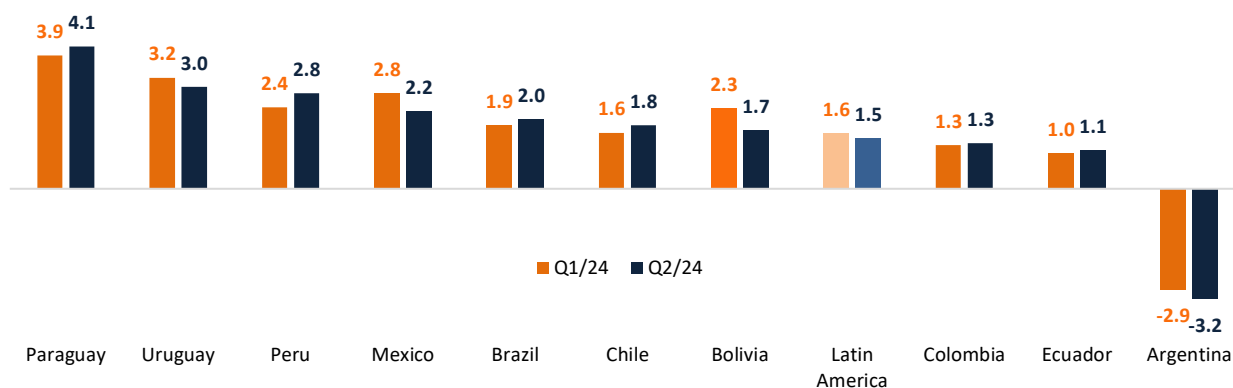


Source: FGV IBRE, International Affairs Division (FGV DINT)

GDP Growth Forecasts

The GDP growth forecasts for 2024 improved for Paraguay, Peru, Brazil, Chile, and Ecuador. In contrast, the forecasts worsened in Bolivia, Mexico, and Uruguay. Argentina continues with the worst growth forecast, with a projected decrease of 3.2% in the GDP.

The GDP Growth Forecast for 2024 is positive in most of the countries (%)



Source: FGV IBRE, International Affairs Division (FGV DINT)

The main problems

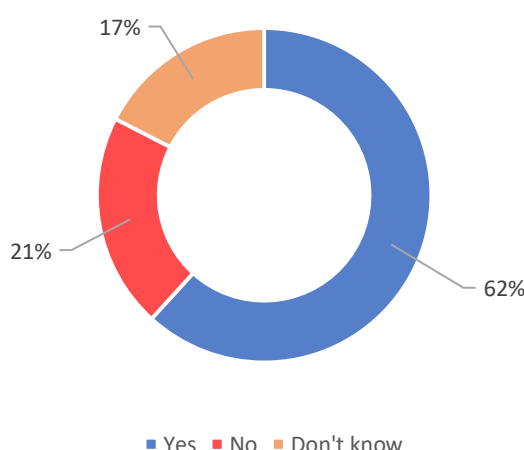


Source: FGV IBRE, International Affairs Division

Special poll – The impact of a slowdown in Chinese economic growth on the region's economies

In this edition of the Survey, two themed questions were presented. The first questioned the specialists on their expectations in regard to Chinese economic growth. Most of the economists consulted in the region (62%) forecast a slowdown in the rate of China's economic growth.

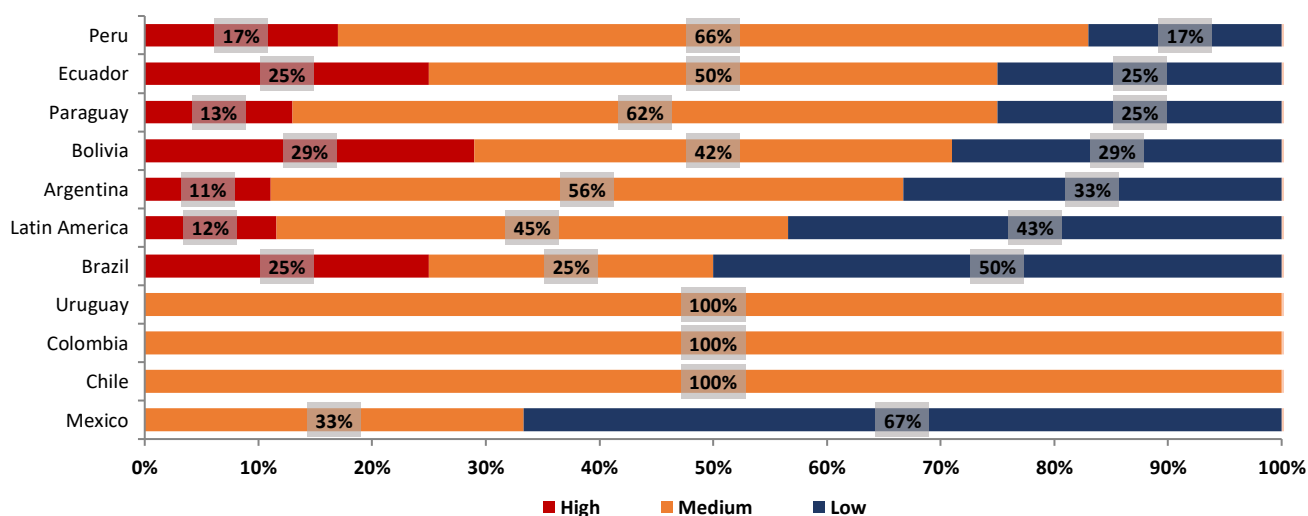
Specialists foresee a slowdown in the Chinese economy in 2024



Source: FGV IBRE, International Affairs Division

The following question enquired as to the impact that a slowdown in the Chinese economy would have on the economies of their respective countries. The general perception of the specialists converged on a medium impact in most of the countries. Mexico stands out as the country with the largest number of specialists indicating a low impact on their economy.

Chinese slowdown: Specialists anticipate a medium impact on the region

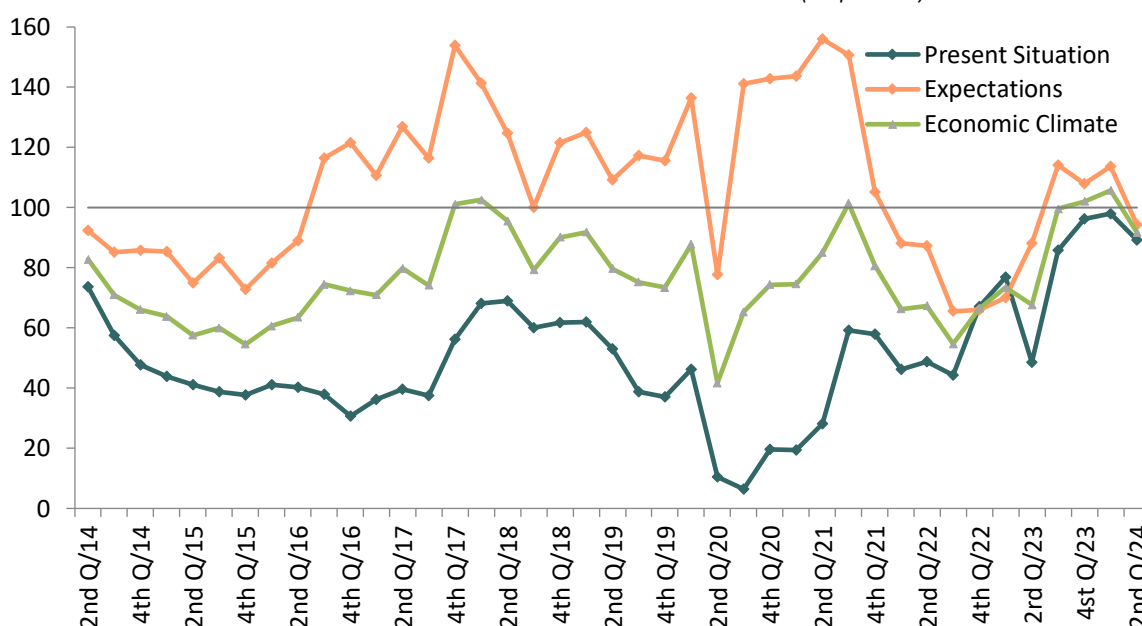


Source: FGV IBRE, International Affairs Division

SECTION 2 – Economic Climate Index for Latin America

After the increase from the 4th quarter of 2023 to the 1st quarter of 2024, the Economic Climate Index for Latin America fell 14 points in the 2nd quarter of 2024 in relation to the previous period, returning to the adverse zone of the indicator (91.7 points). Between the first two quarters of 2024, both the indicators that make up the Economic Climate Index also decreased. The Present Situation Index fell by 8.8 points to 89.2 points, while the Expectations Index dropped 19.4 points, to reach 94.3 points.

**Graph 1: Present Situation, Expectations, and
Economic Climate Indexes for Latin America (in points)**



Source: FGV IBRE, International Affairs Division

In recent years, the Expectations Index for Latin America has had higher values than the Present Situation Index, as shown in Graph 1. This difference reached over 100 points between the 3rd quarter of 2020 and the 2nd quarter of 2021, reflecting expectations of improvement in the economic climate that contrasted with the perception of the specialists regarding the present situation at the height of the COVID-19 pandemic. There was a brief period between the 2nd quarter of 2022 and the 1st quarter of 2023 in which the Present Situation Index overtook the Expectations Index, albeit with a difference of less than 10 points. Since this period, the Expectations Index has returned to a higher level than the Present Situation Index, although the differences have diminished over time. In the 2nd quarter of 2024, the difference between the Expectations Index and the Present Situation Index was only 5.1 points, indicating a greater convergence of expectations with evaluations on the present situation for Latin America as a whole.

Section 3: Economic Climate Index for Latin America by country

The **Economic Climate Index** increased in five countries – Paraguay, Peru, Ecuador, Argentina, and Bolivia. Of these countries, only Paraguay is in the favorable zone of the Economic Climate Index. Five countries recorded a loss on the Economic Climate Index — Uruguay, Brazil, Mexico, Chile, and Colombia — with only Uruguay and Brazil in the favorable zone. In the 1st quarter Survey, with the exception of Mexico and Chile, all the countries had recorded an improvement in the Economic Climate Index in relation to the 4th quarter of 2023.

Regarding the **Present Situation Index**, there was a rise in eight countries — Paraguay, Brazil, Peru, Ecuador, Chile, Argentina, Colombia, and Bolivia — with Paraguay and Brazil in the favorable zone. Uruguay and Mexico recorded losses on the Present Situation Index, with the former in the neutral zone (100 points) and the latter in the favorable zone. On the previous Survey, five countries had recorded a decrease on the index

In the case of the **Expectations Index**, seven countries recorded a decrease — Mexico, Brazil, Peru, Chile, Uruguay, Colombia, and Bolivia. Brazil and Chile are in the neutral zone of evaluation and Peru and Uruguay are in the favorable zone. Three countries showed an improvement in the result of the Expectations Index — Paraguay, Ecuador, and Argentina, with Ecuador in the neutral zone of evaluation and Paraguay and Argentina in the favorable zone. On the previous Survey, seven countries had recorded an increase on the index.

While improvements on the Expectations Index predominated in the 1st quarter, in the current quarter, the largest gains are in the evaluation of the Present Situation, which would confirm the role of the Expectations Index as a leading indicator of the present situation. However, the worsening of the Expectations Index in seven countries suggests the possibility of a fall in the Present Situation Index in certain countries.

Table 1: Economic climate index and its components in the selected countries (in points)						
Country	ECONOMIC CLIMATE INDEX		PRESENT SITUATION INDEX		EXPECTATIONS INDEX	
	Variation between Q1 2024 and Q2 2024	Indicator in the 2nd quarter of 2024	Variation between Q1 2024 and Q2 2024	Indicator in the 2nd quarter of 2024	Variation between Q1 2024 and Q2 2024	Indicator in the 2nd quarter of 2024
Paraguay	9.0	163.6	11.1	177.8	7.1	150.0
Uruguay	-12.1	127.3	-20.0	100.0	-2.9	157.1
Brazil	-10.1	104.5	9.1	109.1	-30.0	100.0
Latin America	-14.0	91.7	-8.8	89.2	-19.4	94.3
Peru	0.5	85.8	16.4	36.4	-24.5	145.5
Mexico	-31.4	82.6	-19.5	109.1	-41.7	58.3
Ecuador	29.6	71.8	35.1	46.2	22.2	100.0
Chile	-5.8	66.9	25.0	37.5	-50.0	100.0
Argentina	25.2	66.9	2.9	15.4	55.8	130.8
Colombia	-7.0	65.8	1.7	41.7	-17.7	92.3
Bolivia	6.1	26.9	14.1	30.8	-1.9	23.1

Source: FGV IBRE, International Affairs Division

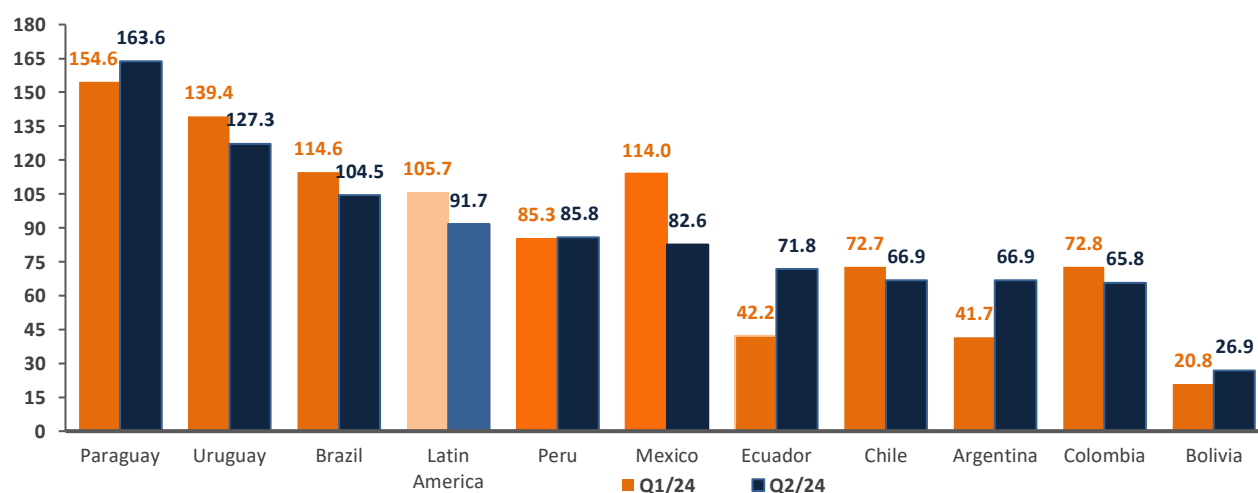
The results of the largest economies stand out among the set of countries analyzed by the Survey. In Brazil, the fall of 10.1 points on the Economic Climate Index is associated with a 30-point decrease on the Expectations Index, which dropped to the neutral zone (100 points). The Present Situation Index increased 9.1 points and the country moved into the favorable zone. It should be noted that the survey was carried out prior to the floods in Rio Grande do Sul.

In Mexico, the Economic Climate Index decreased 31.4 points, the Present Situation Index, 19.5 points, and the Expectations Index, 41.7 points. All the indicators are in the adverse zone except for the Present Situation Index. It should be noted that the responses were collected in the period prior to the presidential election on June 02. The pre-election period was marked by a turbulent climate with the assassination of various candidates for mayor and other positions.

In Argentina, despite the controversial climate in relation to the measures of the president elected at the end of 2023, the Economic Climate Index increased 25.2 points to 66.9 points in the 2nd quarter. The Present Situation Index improved by 2.9 points to a value of 15.4 points. However, the biggest gain was in the Expectations Index, which increased 55.8 points, ensuring a position in the favorable zone.

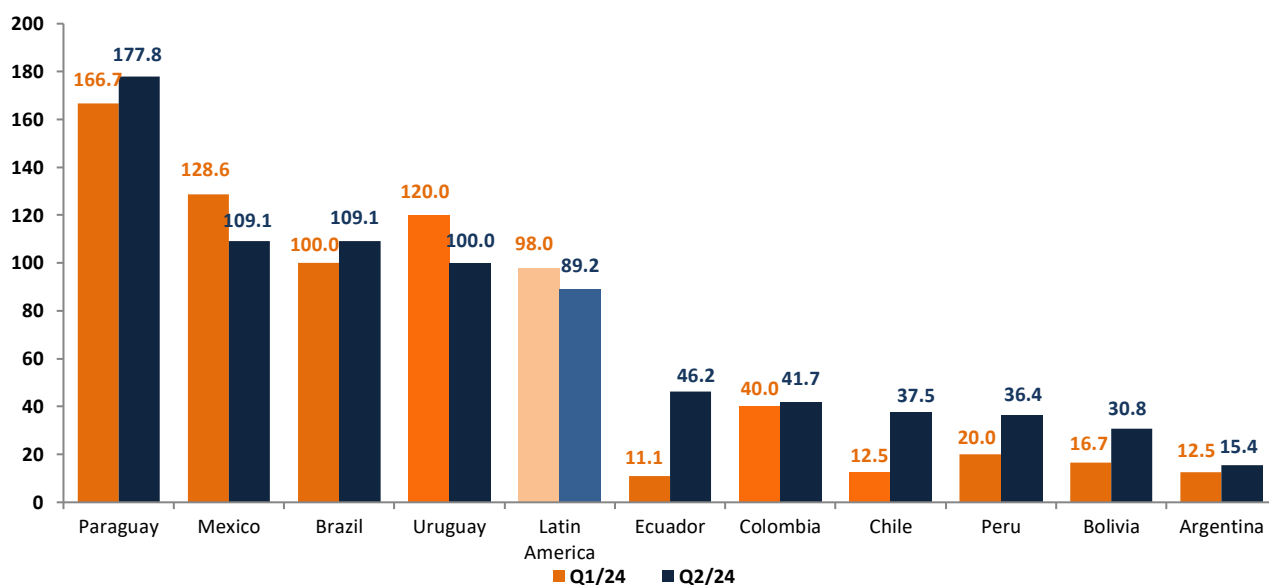
Graphs 2, 3, and 4 show the results for each country's indicators in the 1st quarter of 2024 and the 2nd quarter of 2024. In addition to Argentina, also standing out is Ecuador's improvement of 29.6 points on the Economic Climate Index, 35.1 points on the Present Situation Index, and 22.2 points on the Expectations Index. The current government was elected in October 2023.

Graph 2: Economic Climate Index of the selected countries (in points)



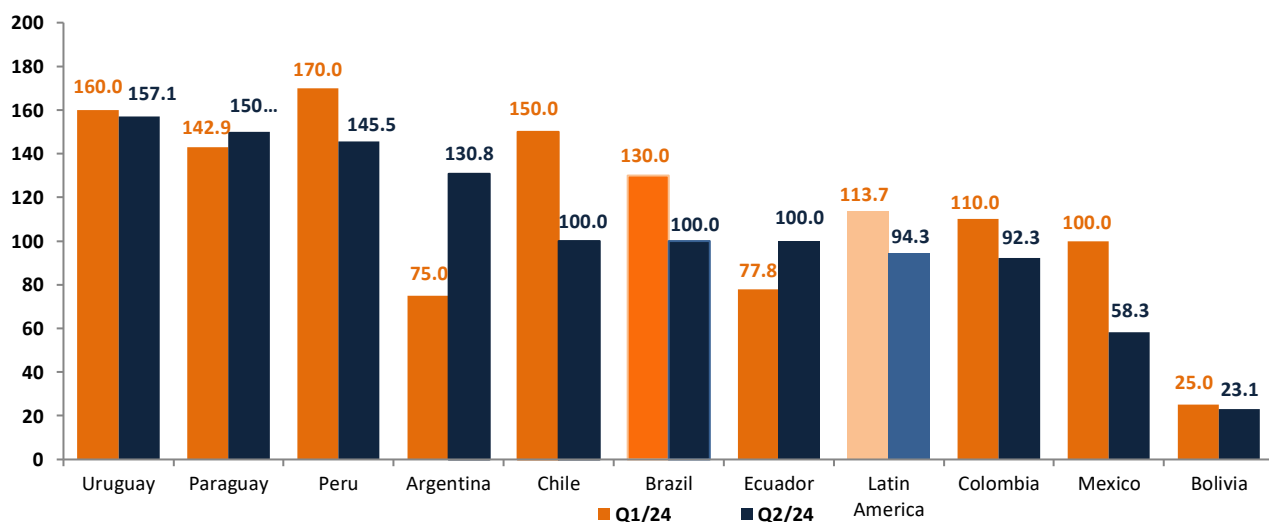
Source: FGV IBRE, International Affairs Division

Graph 3: Present Situation Index of the selected countries (in points)



Source: FGV IBRE, International Affairs Division

Graph 4: Expectations Index of the selected countries (in points)



Source: FGV IBRE, International Affairs Division

Section 4: The main problems

Table 2 shows the degree of consensus among the specialists regarding the issues presented as barriers to the economic growth of their respective countries. Scores vary from 0 to 100 points: above 50% indicates that the issue is relevant for most of the specialists, and the higher the percentage, the greater the consensus. For percentages below 50%, the theme is not that relevant at the moment. The table is ordered according to the degree of consensus on the impact of the problems for Latin America.

In the region, of the 15 problems listed, 10 had scores above 50%. Among the problems indicated by the specialists, those that most stood out were: Inadequate infrastructure; Lack of innovation; Lack of confidence in the government's economic policy; Corruption; and Legal and administrative barriers for investors. The lowest score refers to the Lack of credible central bank policy, with 6 percentage points.

Table 2 – Consensus among the specialists regarding problems in the selected countries (in %)											
Problems	Latin America	Argentina	Bolivia	Brazil	Chile	Colombia	Ecuador	Mexico	Paraguay	Peru	Uruguay
Inadequate infrastructure	91	83	77	100	0	92	77	100	78	100	43
Lack of innovation	86	58	92	91	57	92	100	92	78	91	100
Lack of confidence in the government's economic policy	81	50	100	91	88	100	85	83	33	73	0
Corruption	78	39	100	73	86	85	100	91	88	100	0
Legal and administrative barriers for investors	72	83	100	64	86	77	83	82	44	55	14
Lack of international competitiveness	72	82	92	73	29	92	75	67	67	73	100
Lack of skilled labor	68	42	85	70	57	67	67	75	89	73	86
Unfavorable climate for foreign investors	56	62	100	36	86	85	92	67	25	40	0
Political instability	54	50	100	46	50	69	69	55	33	91	0
Widening income inequality	52	83	54	27	33	77	92	58	22	55	43
Capital shortage	46	75	92	27	71	75	92	50	67	9	14
Inefficient debt management	36	23	77	55	0	17	77	33	11	0	0
Insufficient demand	31	83	50	0	86	67	92	17	44	73	14
Trade barriers to exports	22	55	62	18	14	46	31	8	22	9	57
Lack of credible central bank policy	6	17	100	0	14	0	46	0	22	0	14

Source: FGV IBRE, International Affairs Division

The change in the perception of the specialists from Argentina stands out. In the Survey of the 4th quarter of 2023, 92% of the experts consulted signaled that the credibility of central bank policy was an obstacle to the country's economic development, compared to 17% in the current Survey. In the same vein, the lack of confidence in the government's economic policy fell from 92% to 50%. The improvement in the evaluation of the specialists indicates a decrease in the uncertainty related to the economic policy of Milei's government.

The specialists were also questioned as to which of the listed problems they considered the three most relevant for their country's economy. From the perspective of Latin America, the aggregate results identified Lack of confidence in the government's economic policy (55%), Corruption (43%), and Inadequate Infrastructure (42%) as the main bottlenecks.

Table 3 – The main problems by country						
Country	Main problem	%	Second main problem	%	Third main problem	%
Argentina	Insufficient demand	62	Widening income inequality Legal and administrative barriers for investors	39	Trade barriers to exports	31
Bolivia	Political instability	69	Lack of confidence in the government's economic policy	54	Lack of credible central bank policy	46
Brazil	Lack of confidence in the government's economic policy	64	Inadequate infrastructure	55	Lack of international competitiveness	36
Chile	Lack of confidence in the government's economic policy	63	Legal and administrative barriers for investors	50	Insufficient demand	38
Colombia	Lack of confidence in the government's economic policy	85	Inadequate infrastructure Corruption	39	Lack of international competitiveness	31
Ecuador	Corruption	54	Insufficient demand Unfavorable climate for foreign investors	39	Political instability	31
Mexico	Corruption	75	Lack of confidence in the government's economic policy	58	Inadequate infrastructure	50
Paraguay	Corruption	88	Capital shortage	50	Inadequate infrastructure Lack of innovation	38
Peru	Political instability	73	Corruption	64	Lack of confidence in the government's economic policy	46
Uruguay	Lack of international competitiveness Lack of skilled labor	71	Lack of innovation	57	Trade barriers to exports	43
Latin America	Lack of confidence in the government's economic policy	55	Corruption	43	Inadequate infrastructure	42

Source: FGV IBRE, International Affairs Division

Section 5: Special poll – The impact of a slowdown in Chinese economic growth on the region’s economies

A special poll with two questions was carried out for this edition of the Survey. The first refers to the expectations in relation to the Chinese economic slowdown. With the exception of Colombia, the percentage of those that foresee a slowdown is over 50% in all the countries (Table 4).

Table 4: Do you expect a slowdown in Chinese economic growth in 2024? (% of respondents)			
Country	Yes	No	Don’t know
Argentina	69.2	0.0	30.8
Bolivia	53.8	30.8	15.4
Brazil	72.7	18.2	9.1
Chile	75.0	12.5	12.5
Colombia	46.2	30.8	23.1
Ecuador	61.5	30.8	7.7
Mexico	50.0	25.0	25.0
Paraguay	88.9	0.0	11.1
Peru	54.5	45.5	0.0
Uruguay	57.1	14.3	28.6
Latin America	61.8	20.8	17.4

Source: FGV IBRE, International Affairs Division

Table 5 shows the responses on the expected impact of the Chinese slowdown for the country’s economy. Responses indicating a medium impact predominate (above 50%) in all the countries, except Bolivia, Brazil, and Mexico. In the case of Brazil, the percentage is 25% for those that consider a medium impact and 25% for those that expect a high impact, with 50% of those interviewed minimizing the impact. There is, therefore, a clear division, with half of the Brazilian specialists expecting medium/high impacts and the other half expecting the impact to be low.

If the high and medium percentages are added, Chile, Colombia, and Uruguay reach 100%, Peru- 83.4%, Paraguay and Ecuador- 75%, Bolivia- 71.5%, and Argentina- 66.7%. In Mexico the percentage for a low impact is 66.7%, as would be expected, given that the country’s trade is geared towards the United States.

Table 5: If so, how would you qualify the impact of the slowdown on your country's economy?

Country	High	Medium	Low
Argentina	11.1	55.6	33.3
Bolivia	28.6	42.9	28.6
Brazil	25.0	25.0	50.0
Chile	0.0	100.0	0.0
Colombia	0.0	100.0	0.0
Ecuador	25.0	50.0	25.0
Mexico	0.0	33.3	66.7
Paraguay	12.5	62.5	25.0
Peru	16.7	66.7	16.7
Uruguay	0.0	100.0	0.0
Latin America	11.6	45.1	43.4

Source: FGV IBRE, International Affairs Division

APPENDICES

Appendix 1- Mean Economic Climate Index of the selected countries for the last four quarters

<i>Country</i>	<i>Q1/24</i>	<i>Q2/24</i>
Argentina	25.9	41.3
Bolivia	26.4	28.6
Brazil	98.7	110.1
Chile	72.0	74.2
Colombia	62.6	63.5
Ecuador	44.4	51.1
Mexico	116.4	114.2
Paraguay	155.1	160.0
Peru	75.8	80.6
Uruguay	122.0	124.0
Latin America	93.7	99.8

Source: FGV IBRE, International Affairs Division

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

PRESENT SITUATION INDEX										
	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	10-Year mean
Argentina	15.8	6.7	5.9	16.7	0.0	15.4	7.7	12.5	15.4	28.9
Bolivia	75.0	57.1	78.6	50.0	23.1	50.0	30.8	16.7	30.8	90.1
Brazil	30.0	42.9	92.3	70.6	28.6	100.0	100.0	100.0	109.1	32.7
Chile	53.8	27.3	20.0	22.2	20.0	22.2	25.0	12.5	37.5	49.1
Colombia	120.0	135.7	115.4	121.4	90.9	53.8	58.3	40.0	41.7	85.8
Ecuador	54.5	58.3	60.0	75.0	41.7	41.7	27.3	11.1	46.2	40.1
Mexico	44.4	25.0	55.6	100.0	85.7	125.0	133.3	128.6	109.1	62.3
Paraguay	54.5	40.0	66.7	150.0	130.0	188.9	155.6	166.7	177.8	111.7
Peru	54.5	38.5	45.5	63.6	45.5	36.4	11.1	20.0	36.4	65.6
Uruguay	133.3	128.6	116.7	120.0	100.0	83.3	60.0	120.0	100.0	83.7
Latin America	48.8	44.3	67.0	76.8	52.1	85.7	96.2	98.0	89.2	50.3

Source: FGV IBRE, International Affairs Division

EXPECTATIONS INDEX										
	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	10-Year mean
Argentina	65.0	46.7	38.9	55.6	14.3	46.2	46.2	75.0	130.8	107.1
Bolivia	57.1	78.6	64.3	15.4	15.4	45.5	7.7	25.0	23.1	64.0
Brazil	100.0	66.7	76.9	76.5	92.9	144.4	100.0	130.0	100.0	121.3
Chile	38.5	45.5	50.0	50.0	110.0	144.4	150.0	150.0	100.0	114.2
Colombia	73.3	21.4	28.6	0.0	30.0	69.2	50.0	110.0	92.3	105.6
Ecuador	90.9	83.3	70.0	83.3	41.7	58.3	54.5	77.8	100.0	75.7
Mexico	90.0	75.0	70.0	80.0	85.7	112.5	150.0	100.0	58.3	93.8
Paraguay	133.3	177.8	171.4	175.0	150.0	157.1	142.9	142.9	150.0	132.0
Peru	72.7	61.5	70.0	118.2	127.3	145.5	133.3	170.0	145.5	131.8
Uruguay	166.7	116.7	100.0	80.0	140.0	150.0	180.0	160.0	157.1	117.9
Latin America	87.2	65.5	66.1	70.1	80.3	114.2	108.0	113.7	94.3	107.1

Source: FGV IBRE, International Affairs Division

ECONOMIC CLIMATE INDEX										
	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23	Q1/24	Q2/24	10-Year mean
Argentina	39.1	25.8	21.8	35.3	7.0	30.3	26.1	41.7	66.9	64.5
Bolivia	65.9	67.6	71.4	32.1	19.2	47.7	18.9	20.8	26.9	75.6
Brazil	62.7	54.5	84.5	73.5	58.8	121.4	100.0	114.6	104.5	72.2
Chile	46.0	36.2	34.5	35.7	61.2	76.6	80.6	72.7	66.9	78.4
Colombia	95.7	72.6	68.5	53.5	58.7	61.4	54.1	72.8	65.8	92.7
Ecuador	72.1	70.5	65.0	79.1	41.7	49.9	40.5	42.2	71.8	55.7
Mexico	66.2	48.7	62.7	89.8	85.7	118.7	141.5	114.0	82.6	76.8
Paraguay	91.2	101.1	114.7	162.3	139.9	172.7	149.2	154.6	163.6	120.2
Peru	63.4	49.7	57.5	89.6	83.5	85.8	65.3	85.3	85.8	96.0
Uruguay	149.6	122.6	108.2	99.3	119.4	114.9	114.3	139.4	127.3	98.3
Latin America	67.3	54.7	66.5	73.4	65.8	99.6	102.0	105.7	91.7	76.7

Source: FGV IBRE, International Affairs Division



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