

Latin America advances in its political and economic challenges at different speeds

Inflation continues to be the common denominator in Latin America's economic news, but while some countries continue to reach record highs month after month, others are beginning to control it.

On the political front, instability continues in Peru, where there have already been 68 ministerial changes in the 13 months of Pedro Castillo's term in office. Uncertainty is also affecting Chile following the rejection of a new constitution in a plebiscite, which has prompted the executive to announce changes in the cabinet. At the same time, in Ecuador the citizens will also be consulted in a referendum on eight questions prepared by the government, which must first be approved by the Constitutional Court.

In Brazil, Lula da Silva is still leading the polls ahead of the upcoming presidential elections, although Jair Bolsonaro is closing the gap. The left is also getting good news from Colombia with Petro's high approval rating, focused on tax reform.

The Mexican government sets out its priorities in the 2023 Economic Package, focusing on welfare programmes and flagship projects, without considering raising or creating new taxes. For its part, the Dominican Republic recorded a slight drop in inflation and reached record numbers in terms of tourist arrivals.

Finally, Argentina was in the international news for the attempted assassination of Vice-President Cristina Fernández de Kirchner, which occurred during protests outside her home following her indictment in the so-called "Vialidad" case, which investigates cases of corruption.



The constant changes in Peru's government keep generating political instability. President Castillo is seeking to maintain the cabinet headed by Aníbal Torres after rejecting his letter of resignation. Meanwhile, in Congress, the former president of the Executive Board was removed from her post after being censured for alleged illegal acts committed during her short term in office. The economic growth projection has been revised downwards, but inflation has also been reduced. The Peruvian Bishops' Conference called for a political transition to end the confrontation between the legislature and the executive.

Ecuador's president, Guillermo Lasso, sent his proposal for an eight-question referendum to the Constitutional Court, which will have to decide whether to approve it. Meanwhile, talks between the government and indigenous movements continue despite tensions. There is great commercial expectation after the visit of the Spanish Prime Minister to Ecuador, during which a business meeting was held between the two countries.

Gustavo Petro completed his first month in office as president of Colombia amid widespread public acceptance. However, the citizens who voted for him hope that he will soon move from speech to action. For now, his work has focused on tax reform and a complicated appointment of cabinet members. Inflation continues to affect the price of the family basket and the pockets of households, especially those with the lowest incomes.

Argentina's vice president, Cristina Fernández de Kirchner, was the victim of an attempted attack during protests in front of her house, both in support of and against her, in the context of her indictment in the so-called Vialidad case, which investigates cases of corruption. The month was also marked by the resignations of authorities such as ministers, directors of the Banco Nación and the Secretary for Strategic Affairs. The exchange rate instability and the shortage of USD continues, as well as the increase in inflation. In addition, transport unions called an employers' strike in the Buenos Aires Metropolitan Area.

In Chile, a referendum was held on the proposal for a new Political Constitution of the Republic, which was rejected by 61.86% of the votes. In anticipation of this result, a reform was recently approved that reduces the quorum needed to reform the Magna Carta. As a consequence of the high level of rejection and low public approval of his administration, the government announced cabinet changes. The country's economy remains in a complicated situation and is likely to enter recession next year.

The Dominican economy grew by 5.5 per cent in the first seven months of the year. Tourism contributed significantly to this expansion thanks to the good data recorded by the sector so far this year. For example, 735,000 tourists arrived in the country in July, a record number for a single month. Inflation eases slightly and the central bank raised the policy rate by 25 basis points to 8.00%. The government is negotiating an Open Skies agreement with the United States and a USD 120 million loan with the IDB to modernise the national agricultural sector.



Lula da Silva continues to lead the polls ahead of Brazil's general elections in October. However, Jair Bolsonaro has managed to close the gap and is now 11 points behind the former president, the lowest figure since May. The country shows encouraging economic data: the monthly change in the CPI fell to -0.36% in August, as did the unemployment rate and the average income of the working population increased.

The Mexican government's priorities have been reflected in the 2023 Economic Package, with a significant increase in allocations for social welfare programmes and flagship projects such as the Mayan Train and the Dos Bocas refinery. On the revenue side, it does not envisage increasing or creating new taxes, in order to provide certainty and encourage foreign investment. In line with previous months, inflation in August was at levels not seen for more than 20 years.



Peru

POLITICAL CONTEXT

The president of the Council of Ministers, Aníbal Torres, presented his letter of resignation to President Pedro Castillo, who rejected it a few days later. In this way, Torres remains in office, although nine ministers have been changed in less than a month. The portfolio with the most changes has been that of the Interior, where seven ministers have been appointed in the 13 months of Castillo's government.

The president has made 68 ministerial changes in the short time he has been in office, more than any other in Peru's history. The unexpected ministerial moves in the various portfolios have generated political and social instability and uncertainty. It is hoped that the latest changes will finally bring greater predictability to government policies.

Meanwhile, Congress faces its own internal problems. Lady Camones, the former president of the Presiding Board, was removed from office after being censured. The congresswoman was elected president in July and her term lasted 38 days. The main reason for her departure were audios in which she was allegedly demanded to prioritise some bills that would favour her caucus and the political party of which she is a member. Her replacement would be elected in mid-September.

ECONOMIC CONTEXT

The Ministry of Economy and Finance (MEF) lowered the GDP growth estimate for the end of 2022, from 3.6% to 3.3%. According to the institution, this lower growth rate would be the result of transitory supply shocks that impacted the economy in the first half of the year, as a consequence of social conflicts and less favourable external conditions.

On the other hand, the National Institute of Statistics and Informatics (INEI) reported that the consumer price index in Lima was 0.67% in August. Thus, year-on-year inflation in the capital reached 8.4%. This figure is lower than the July figure of 8.74%, maintaining a downward trend for the second consecutive month.

SOCIAL CONTEXT

In mid-August, the Peruvian Episcopal Conference declared itself in favour of a political transition that would allow a solution to the constant crises the country is experiencing. According to the highest institution of Catholic representation in Peru, a social and political transformation must be sought urgently to facilitate dialogue between the executive and the legislature. In the same way, they invited civil society to promote, through democratic channels, a consensual solution to the crisis. The Bishops' Conference pointed to a change of government as a potential solution.

HEALTH CONTEXT

The number of Covid-19 infections and deaths began to decline in mid-August at the national level. According to health authorities, the fourth wave is expected to end soon. In view of this improvement, the optional use of facemasks in schools and universities has been authorised. Similarly, paediatric doses were approved for children under 5 years of age at the end of September.

On the other hand, cases of monkeypox have been on the rise. Peru is the country with the highest number of cases in Latin America and the third highest infection rate per million inhabitants in the world. In view of this large increase, the Minister of Health, Jorge Lopez, confirmed that the vaccines against the disease would be arriving at the end of September.



Ecuador

POLITICAL CONTEXT

President Guillermo Lasso announced his proposal for a referendum. Eight questions focused on institutional strengthening, citizen security and environmental protection, which must be approved by the Constitutional Court.

Dialogue between the government and social movements continues, despite disagreements and lack of agreement. In this context, mobilisations are being prepared for 21 September by workers and 22 September by the peasantry. However, the indigenous organisations have so far withdrawn their participation.

The Spanish Prime Minister Pedro Sánchez visited Ecuador, who raised the need to strengthen relations with the whole of the European Union. For this reason, business delegations from both countries held business meetings.

ECONOMIC CONTEXT

The International Monetary Fund analysed the country's economic statistics, which are within the targets set, and had meetings with the authorities of the Ministry of Economy and the Central Bank.

Meanwhile, inflation increased by 3.77% in August, compared to the same month in 2021. Despite this, Ecuador is among the seven Latin American countries with the lowest payments linked to its public debt.

The Minister of Production, Julio José Prado, hopes that after the business meeting between Spain and Ecuador, trade between the two countries will increase to at least USD 1.5 billion by the end of 2022. China is gaining greater protagonism in Ecuador's trade agenda and bilateral agreements with Mexico are advancing, which would speed up the country's entry into the Pacific Alliance.

SOCIAL CONTEXT

The problem of shortages of medicines in the public health system continues, with a range of between 65% and 89%, according to the Minister of Health, José Ruales.

On the other hand, the government launched a regularisation plan for Venezuelan migrants to obtain a certificate of residence.

On 1 September, the school year began in the Highlands and Amazon. 1.8 million students and 96,000 teachers returned to classes. President Lasso indicated that he will open more than 13,000 jobs for teachers in the public system. Meanwhile, Vice President Alfredo Borrero headed the Intersectoral Committee for the Prevention and Reduction of Chronic Childhood Malnutrition to monitor the progress of this crusade undertaken by the government.

HEALTH CONTEXT

The sixth wave of Covid-19 infection has been contained. Specialists are now focusing their attention on the medium and long-term consequences of the virus.

Since the first of September, public sector workers have returned 100% to their jobs in person. In addition, until 13 September, 7 million people had received the third dose, while 87.64% of the population had received the first dose and 84.23% had received the second dose. A total of 1.8 million Ecuadorians have already received their fourth inoculation.



Colombia

POLITICAL CONTEXT

Thirty days have passed since Gustavo Petro took office in Colombia. After this first month, polls show that the majority of Colombians approve of the president's administration, 56% of those polled compared to 20% who disapprove, according to a recent study by Invamer.

So far, his action has focused on the tax reform currently being debated in Congress, which has generated a diversity of opinions among different social sectors and within the different legislative benches. For now, the project has enough support to be approved.

The appointment of his cabinet members has caused controversy, as many of his choices have been criticised for their lack of experience in public office. Some were even disqualified from holding public office, as in the case of the ICT Ministry, which forced Petro to appoint a different person to the one he had initially designated.

The government has stated that after the first 100 days in office it will be possible to begin to see the promised changes and evaluate his administration. So far, even those who voted for Petro are waiting for concrete actions.

ECONOMIC CONTEXT

The latest report published by the National Statistics Department (DANE) shows that inflation is not abating in the country, with the figure recorded in August being the highest since 1998. Also, the devaluation of the Colombian peso continues, making the basic food basket more expensive and adding to the increase in electricity prices.

As a result, the cost of living for Colombians has risen sharply, with lower-income households seeing inflation at 12 per cent, while for more affluent sectors it remains at 9 per cent.

Experts believe that the country could reach an inflation rate of between 11% and 12% by the end of 2022 and that the trend could remain the same during the first months of 2023.

SOCIAL CONTEXT

One of Petro's proposals has been to review the treaties that provide for the extradition of people to be judged in the United States. The president said a few days after taking office that his government recommends that in many of these cases the sentences be served in Colombia, as this would provide the country with real reparations. In response, the US Secretary of State issued a communiqué stating that such a modification is not contemplated by the US.

In recent weeks, the problem of illegal occupation of properties, especially in Valle del Cauca, has worsened. Tensions have been heightened after the Regional Indigenous Council of Cauca assured that the squatters will not leave the occupied properties until they have decent housing, claiming that they are planning to occupy more properties. In response, the government has rejected this practice and ordered the police to evict them within 48 hours.

HEALTH CONTEXT

According to the latest report from the Ministry of Health and Social Protection, 3,214 new cases and 127 deaths were reported in recent weeks due to Covid-19. These data show a slight increase, that three of the deceased were minors and that the rest suffered from comorbidities such as diabetes, HIV, asthma, among others.



Argentina

POLITICAL CONTEXT

Vice-president Cristina Fernández de Kirchner has been accused in the so-called Vialidad case, which investigates cases of corruption in public works. The event prompted supporters and detractors of Fernández to hold protests in the vicinity of her home in the Recoleta neighbourhood of Buenos Aires. In this context, on 1 September a man made an unsuccessful attempt on her life. The assassination attempt caused President Alberto Fernández to decree a bank holiday hours later, and political groups close to the government called for a protest in front of the Casa Rosada.

The last month was marked by the resignations of the ministers of economy, production and agriculture, the directors of the Banco Nación and the secretary of energy. Also, the Secretary for Strategic Affairs, Gustavo Béliz, who publicly expressed his dissatisfaction with the appointment of the new Minister of Economy, Sergio Massa, resigned.

ECONOMIC CONTEXT

Inflation in July reached its highest level since April 2002: 7.4 per cent. The cumulative figure for the first seven months was 46.2 per cent, and for the year as a whole it reached 69.2 per cent, according to data from the National Institute of Statistics and Censuses.

The new leadership of the economic cabinet carried out budget cuts in health, education and public works programmes, among other sectors. The so-called segmentation of tariffs stands out, which is driving increases in the price of electricity, gas and water utilities.

On the external front, renegotiation of the goals of the agreement with International Monetary Fund began and an international tour was undertaken to demobilise loans from the Inter-American Development Bank (IDB).

Thanks to an improvement in tax collection, industrial production and employment generation, public and private projections indicate economic growth of 4 per cent this year.

SOCIAL CONTEXT

The exchange rate crisis and macroeconomic instability are at the forefront of Argentines' main concerns, as they are causing the price of basic household goods to rise. This increase in the international price of commodities, such as wheat, soya and maize, generated profits for exporters, but had a negative impact on the domestic market. The middle classes suffered from restrictions on the purchase of dollars for savings, an increase in tariffs, a rise in the price of public services and rents, and a significant increase in interest rates.

For several weeks there was an employers' strike called by the transport unions in the Buenos Aires Metropolitan Area, home to 20 million people. On the other hand, the provinces of Buenos Aires, Santa Fe and Entre Ríos were affected by forest fires in the Delta of the Paraná River. These events had an impact on productive, social and sporting activities, as well as causing a lack of visibility and risks to human health due to the smoke present in the main road corridors.

HEALTH CONTEXT

The Ministry of Health reported a decrease in Covid-19 cases nationwide in August compared to the previous month. Health authorities are moving forward with the vaccination schedule for children under two years of age, and booster doses were increased in age groups that had not completed their schedules, mainly young people between 18 and 35 years of age. As a result, the number of deaths per day has dropped below three figures.



Chile

POLITICAL CONTEXT

On 4 September, the plebiscite on the proposal for a new Political Constitution of the Republic of Chile was held, with the rejection option winning with 61.86% of the votes, compared to 38.14% approval. In anticipation of this result, a reform was recently approved that reduces the quorum needed to reform the Constitution from 2/3 to 4/7, which will allow agreements to be reached more easily in the continuation of the constituent process. The election of a new Constitutional Convention will have to meet the minimum requirements for parity, include representatives of indigenous peoples, take place in a shorter period of time (6-8 months) and be composed of significantly fewer members.

The government announced cabinet changes after the referendum due to the significant rejectionist victory, low public approval of its administration and the impossibility of gaining support in the Senate and the Chamber of Deputies. The appointment of new ministers seeks to balance its coalitions by giving greater importance to figures from historic left-wing parties such as the Socialist Party (PS), the Party for Democracy (PPD) and the Radical Party (PR), and to improve negotiations with Congress.

ECONOMIC CONTEXT

The president of the Central Bank, Rossana Costa, acknowledged that the economic situation is still far from normal and pointed to inflation (the highest since 1994), the activity gap and the current account deficit as the main causes of the imbalances. The latter accumulated, during the first quarter, a negative balance equivalent to 7.3% of GDP, the worst figure since the end of the 1990s.

The Central Bank released its Monetary Policy Report for September, projecting that Chile will close 2022 with an annual inflation rate of 12%, two points higher than previously expected. In addition, the institution confirmed that the country will enter recession in 2023, with annual GDP variation of between 1.75% and 2.25% this year, between -1.5% and -0.5% next year, and between 2.25% and 3.25% in 2024.

SOCIAL CONTEXT

Insecurity in the south of the country continues to be an issue of concern. For this reason, the Chamber of Deputies had to vote again on the extension of the State of Emergency in the Araucanía region and in the provinces of Biobío and Arauco. For the sixth time, and with a large majority of 107 votes in favour, 18 against and 4 abstentions, this measure was extended once again.

At the end of August, the Mapuche community member and leader of the armed group Coordinadora Arauco Mapuche, Héctor Llaitul, was arrested and remanded in custody. Far from stopping the attacks, they have intensified, burning properties, knocking down electricity pylons and carrying out armed attacks on forestry trucks.

HEALTH CONTEXT

Since 1 September, non-resident foreigners can enter the country by presenting only their vaccination certificate and identity card. Furthermore, as part of the measures of the Protected Borders Plan, it was announced that the vaccination certificate presented will be equivalent to the Mobility Pass, in the case of foreign tourists. This allows them to enter shows, restaurants, gyms and other places that require the document.



Dominican Republic

POLITICAL CONTEXT

President Luis Abinader announced that negotiations for the signing of an Open Skies agreement with the United States are at an advanced stage, a process that could be completed in about 60 days. According to the president, it would facilitate air operations between the two countries and make it possible to establish the Dominican Republic as an airline hub.

The Government informed that it has already prepared a document with the loan of USD 120 million with the Inter-American Development Bank to be sent to the National Congress. The purpose of the loan will be the acquisition of new technologies to modernise the national agricultural sector, increasing productivity, promoting good environmental practices and guaranteeing the country's food security.

ECONOMIC CONTEXT

The Central Bank of the Dominican Republic (BCRD) reported that between January and August 2022, remittances received reached USD 6,518 million. In August only, they amounted to USD 849 million, higher than in June and July. These data show that the new level of monthly remittance flows is around USD 800 million.

The institution also announced that the variation of the CPI in August was 0.21% with respect to July, the lowest monthly variation in the last 27 months, which brings the accumulated January-August figure to 5.7%. Year-on-year inflation, which compares August 2021 and 2022, fell by 0.84 percentage points from the peak of 9.64% in April. The magnitude thus declined to 8.8% in August, maintaining a downward trajectory over the past four months.

The BCRD decided to increase the monetary policy rate by 25 basis points, from 7.75% to 8.00% per annum. This brings the standing facility rate for liquidity expansion to 8.50% p.a. and the rate for interest-bearing deposits to 7.50% p.a.

SOCIAL CONTEXT

Rafael Blanco, president of the National Association of Hotels and Restaurants, reported that the sector contributed 1.8 percentage points to GDP growth, which had an average expansion of 5.5% in the period January-July 2022. He highlighted that this represents a third of the growth registered in the first seven months of the year, with an increase in real value added of 32.9%. He pointed out that this good performance is due to the arrival of 4,282,000 travellers in January-July this year. The number represents an increase of 74% compared to the same period in 2021, 1.8 million more travellers. Particularly noteworthy is the all-time record for a single month with the arrival of 735,000 tourists in July 2022.

The Minister of Education, Ángel Hernández, announced that the government will launch a programme of direct vouchers for families who have not found places in public schools. Besides, a project of law that seeks to guarantee the teaching of English as a second language in public schools in the Dominican Republic was approved.

HEALTH CONTEXT

The Ministry of Public Health reported in mid-September the presence of 1,245 active cases of Covid-19 in the country. According to data from the entity, 409 new infections were reported in the last month, with a positivity of 5.88%.



Brazil

POLITICAL CONTEXT

According to data from a survey released by Datafolha on voting intentions for the next general elections, Lula da Silva would obtain 45% of support compared to 34% for Jair Bolsonaro. The current president improves his results compared to the 32% he was awarded in the poll made by the same institute a week earlier and represents the shortest distance between the two candidates since May. It should be noted that this is the first poll to be conducted since Bolsonaro's participation in the Independence Bicentenary commemoration events held on 7 September.

The Datafolha survey also shows that three out of four voters have already made up their minds about the direction of their vote for the next president, with only 22% saying they could still change. In one week, the percentage of decided voters increased by one point.

ECONOMIC CONTEXT

The Broad National Consumer Price Index was -0.36% in August, according to the Brazilian Institute of Geography and Statistics (IBGE). This is the lowest variation for an August month since 1998 and, again, the fall is mainly due to the retraction in fuel prices.

Industrial production grew from June to July in only 4 regions: Pará (4.7%), Mato Grosso (3.7%), Santa Catarina (1.9%) and Rio de Janeiro (0.7%). In the country's overall result, the increase was 0.6% in the previous month.

Brazil's Gross Domestic Product grew by 1.2% in the second quarter of 2022 compared to the first quarter. So far this year, the economy has grown by 3.2%, according to the IBGE at the beginning of September.

SOCIAL CONTEXT

The payment of Auxílio Brasil follows the traditional schedule, with the relevant deposits being made from 19 September. The value of the benefit rose from R\$ 408.80 (USD 78) to R\$ 600 (115) last month, according to President Jair Bolsonaro's proposal approved by the National Congress. The project, called "PEC Kamikaze", plans to spend R\$ 41.2 billion on protection and assistance measures for the low-income population and some professional categories. As for the Auxílio Gás programme, beneficiaries will receive the payment in October, as it is bimonthly.

According to the IBGE, the number of people looking for work fell below 10 million for the first time since January 2016, when there were 9.8 million unemployed in Brazil. Furthermore, the institution reported that the average income of the working population increased significantly to R\$2,693 (USD515) after successive falls over the past two years exacerbated by inflation.

HEALTH CONTEXT

Data show that 170.2 million Brazilians have completed their vaccination schedule by receiving the second or single dose of Covid-19, representing 79.3 per cent of the population. The booster has been administered to 103 million people, 47.9 per cent of Brazilians.

In the child population, 13.98 million children have received the first dose, 53% of the population in this age group. While 9.3 million, or 35.6 per cent, have been inoculated with the second vaccine.



Mexico

POLITICAL CONTEXT

The Congress of the Union, composed of the Chamber of Deputies and the Senate, approved the presidential reform that will transfer operational, administrative and financial control of the National Guard to the head of the Ministry of National Defence (Sedena).

These changes give Sedena the power to "exercise control of the National Guard in accordance with the National Public Security Strategy", as well as to provide service to government entities and the legislative and judicial branches, upon request. The decree was sent to the head of the Federal Executive Branch for promulgation in the Official Journal of the Federation and subsequent entry into force.

ECONOMIC CONTEXT

According to the Bank of Mexico, the exchange rate stands at 19.90 pesos per USD.

The Ministry of Finance and the Tax Administration Service announced that the 2023 Economic Package does not contemplate the increase or creation of new taxes (VAT, ISR and IEPS), in order to provide certainty and confidence to foreign direct investment. The Mexican government's priorities, implicit in the 2023 Federal Expenditure Budget Project, will be focused on welfare programmes with a 36% increase, and on emblematic projects such as the Mayan Train and the Dos Bocas refinery, with a 116% increase in the budget.

According to data released by the National Institute of Statistics and Geography, annual inflation stood at 8.70 per cent at the end of August. This is the highest rate since December 2000, when the consumer price index reached 8.96%.

SOCIAL CONTEXT

The increase in violence by organised crime in recent months in various parts of the country has had a negative impact on Mexico's economic, productive and social development. According to the Secretariat of Security and Citizen Protection, nearly 50% of the homicides have been reported in the states of Michoacán, Guanajuato, Estado de México, Baja California, Jalisco and Sonora.

In terms of tourism, Cancun International Airport exceeded 20.2 million passengers and is expected to reach 26 million by the end of 2022. This would be the first time that the terminal has reached this number, as in 2019, before the pandemic, it had a peak of 25.1 million passengers.

HEALTH CONTEXT

The Ministry of Health reported that during the month of September, 3 million children aged 5-11 years will receive the Cuban Abdala vaccine as part of the national vaccination strategy against Covid-19. According to official records, immunisation in this age group is 46 per cent complete, while the average for the total population is 82 per cent.

In addition, health authorities confirmed that Mexico has accumulated 788 cases of monkeypox in 28 of the 32 states.



Latin American Keys presents a monthly report about the political, economic, and social situation of Latin America. Through this report, ATREVIA's Analysis and Research team provides companies with a first-hand perspective regarding the evolution of the political-institutional scene in the region.

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