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The dichotomy continues in Latin America between greater economic stability and persistent political volatility

Latin America has presented a noticeable dichotomy over the last month. The economy of some countries shows signs of stabilization and growth, while others face increasing challenges due to political uncertainty. In this context, Peru, Ecuador, Bolivia, and Chile emerge as notable examples of states grappling with social and political turbulence, while Mexico, Brazil, Uruguay, and Colombia exhibit varied positive economic outcomes.

In Peru, President Dina Boluarte deals with growing popular rejection in a polarized context. A similar instability is shared by Ecuador, where violence entered the political arena following the assassination of candidate Fernando Villavicencio, shaking the country during ongoing presidential elections.

Controversy centers around the eldest son of Colombian President Gustavo Petro, accused of illicitly funding his father's campaign as the country prepares for upcoming regional elections in October. Mexico also prepares for the 2024 elections amidst political tensions and a stable economy seeking to capitalize on trade opportunities.

Brazil is also working to revitalize its economy with the launch of the Growth Acceleration Program, after finally reducing high interest rates. Despite achieving stability in this regard, Chile still faces persistent challenges in terms of protests and social demands for equality and justice.

Regarding Uruguay, a severe water crisis impacts both daily life and internal politics. Meanwhile, the fight against drug trafficking and the search and capture order for a significant criminal leader shape Bolivia's political trajectory.



Peru's President Dina Boluarte delivered her first State of the Nation address during the Independence Day celebrations, amidst low popular approval. Meanwhile, a new Congress Leadership Board was established, consisting of diverse ideological positions. Despite the economic slowdown in May, optimism remains for growth in the last quarters of the year. The upward trend in formal job creation in the private sector remains sustainable. Additionally, Peru assumed the presidency of the Pacific Alliance.

Ecuador is facing a wave of violence that escalated into the political sphere. The assassination of presidential candidate Fernando Villavicencio shocked the country. Despite this unfortunate event, the elections continue. Political instability has started to affect the economy, with reduced state revenues due to declines in private spending and investment. To tackle growing insecurity, the National Police carried out significant purchases.

The eldest son of Colombian President Gustavo Petro faces justice for allegedly receiving money from drug trafficking to fund his father's presidential campaign. Meanwhile, different political sectors prepare for October's regional elections, in a context where unemployment and inflation show better figures. Petro has completed one year in power and, in the second, he will have to tackle the challenge of pushing and passing his social reforms.

In Chile, a scandal unfolded due to the "Convenios Case," involving substantial transfers between the Democracy Viva Foundation and the Ministry of Housing. The Comptroller's Office audited funds allocated to various foundations from 2021 onwards. To address violence and the Mapuche conflict, the State of Exception in the Southern Macrozone was extended. Meanwhile, political differences became evident as a Constitutional Accusation against the Minister of Education was rejected.

Brazilian President Lula da Silva participated in the EU-CELAC summit in Brussels, where he advocated for new global governance capable of reducing economic and social asymmetries. The president launched the Growth Acceleration Program (PAC), involving an investment of around 1.3 trillion reais until 2026. In the economic context, the Selic rate, the basic interest rate, was finally lowered from 13.75% to 13.25% annually. Brazil's unemployment rate reached 8%, showing its best figures since 2014.

The race for Mexico's presidency in 2024 is at an intermediate point as potential candidates are being nominated. Meanwhile, tensions grow between President Andrés Manuel López Obrador and some electoral institutions. The country maintains inflationary and productive stability, seeking to exploit every opportunity arising from nearshoring. In terms of the social context, studies show an increase in consumption and income in the nation, but the impact of phenomena such as peso-dollar appreciation and water scarcity are expected.



President Luis Arce's administration in Bolivia faces a series of challenges, marked by allegations of covering up drug traffickers made by members of his own party aligned with Evo Morales. Simultaneously, the search and capture of influential criminal leader Sebastián Marcet has begun. The country has also witnessed a vigil led by Mrs. Amparo Carvajal, who, after 52 days, concluded her protest against the occupation of the headquarters by supporters of the ruling party following Spanish Diplomacy mediation.

Uruguay continues to grapple with a severe water crisis, despite sporadic rainfall in July. The pace towards the upcoming internal elections is accelerating, with different parties preselecting their candidates. The PIT-CNT union resolved to promote a constitutional plebiscite to demand changes to the recently approved pension reform. In July, the country reported its lowest year-on-year inflation since 2005, at 4.79%. Exports dropped in the first half of the year mainly due to drought.



Peru

POLITICAL CONTEXT

The government of Dina Boluarte arrived at Independence Day celebrations with a popular rejection rate of 79%, compared to a meager 14% approval rate, according to the most recent IEP poll. For this reason, during her first State of the Nation address, the president emphasized the projects and plans that the Executive branch has slated for the remainder of the year.

She particularly highlighted the measures being implemented to counter the effects of the Global El Niño phenomenon, improvements in the healthcare sector, and reforms in the National Police to reduce crime. She also addressed the efforts her administration is making to revive the economy.

The new Congress Leadership Board stands out for its multipartisan composition and ideological differences, with an alliance between the right-leaning Fuerza Popular party and the left-leaning Perú Libre party

ECONOMIC CONTEXT

According to data from the Ministry of Economy and Finance, the economy experienced a contraction of 1.43% in May, affected by reduced production in the fishing, agricultural, and industrial sectors, marking the worst record in 27 months.

Experts predict that the country could enter a technical recession if the GDP remains negative in June. However, despite these adverse figures, the Minister of Economy stated that a recovery is expected in the last two quarters of the year, maintaining the GDP growth projection close to 2% by year-end.

On the other hand, year-on-year inflation closed at 5.88% in July, indicating that the deceleration persists, though the figure still remains above the target range of the Central Bank.

SOCIAL CONTEXT

According to data provided by the Ministry of Labor, private employment increased by 4% compared to 2022, marking 25 consecutive months of growth in formal private sector employment following the pandemic-induced contraction. In concrete numbers, over 3 million workers were registered, implying an increase of 148,000 jobs.

Following diplomatic tensions with members of the Pacific Alliance, Peru assumed the presidency of the organization, aiming to improve relations with Mexico, Chile, and Colombia.



Ecuador

POLITICAL CONTEXT

Ecuador is undergoing one of its most violent and insecure periods in history. In recent weeks, various public figures have been targeted, including Assembly candidate Rider Sánchez, the mayor of Manta Agustín Intriago, and presidential candidate Fernando Villavicencio. Following the attack on Villavicencio, the government declared a new nationwide state of emergency for 60 days and deployed the military throughout the territory. Additionally, a national mourning period was declared. Despite the tragic assassination, elections continue, and the Construye movement selected Christian Zurita, a journalist and Villavicencio's colleague in various investigations, as his replacement in the presidential race.

The candidate of the Revolución Ciudadana Movement, Luisa González, aligned with former President Rafael Correa, continues to lead all polls. However, it's worth noting that three other candidates, Jan Topic, Otto Sonnenholzner, and Villavicencio himself, had chances to reach the second round. Following the presidential debate on August 13th, Jan Topic, a representative of social Christianity, is gaining prominence and rapidly climbing in the polls. Many already placed him in second place before the debate, where he achieved quite positive results.

President Guillermo Lasso advocated for visa exemption in the Schengen area for Ecuadorian citizens during his trip to Europe. However, the EU still views the potential measure with some skepticism. It's also relevant to mention that Ecuadorian Cristina Reyes will assume the presidency of the Andean Parliament. Additionally, the Central University of Ecuador concluded that there were no indications of plagiarism in the thesis of prosecutor Diana Salazar, allowing her to retain her position.

ECONOMIC CONTEXT

Despite political and social challenges, 2023 shows signs of economic growth. During the first quarter of this year, there was a 0.7% increase in Gross Domestic Product (GDP) compared to the previous year. This trend has been affected by a slowdown in private spending and a significant 5.2% decline in investment.

One of the major internal concerns stems from potential changes in participation rules and regulations for the Social Security Institute. A special Commission appointed by the government is working on a draft to carry out pension-related reforms.

The Attorney General's Office announced that the extension of mobile phone concessions is entirely valid. Negotiations with Claro and Movistar were interrupted in May, and there is concern that, if their operations conclude without agreements, services could be suspended. However, this possibility has been ruled out by the state institution.

Income in the General State Budget has experienced a downward trend, attributed to the current political crisis in the country and natural disasters affecting the region. During the first half of 2023, Ecuador had revenues of USD 10.549 billion, representing a drop of USD 1.095 billion (9.4%) compared to the same period in 2022.

SOCIAL CONTEXT

To combat crime, the National Police made purchases of weapons, armored vehicles, and other equipment, amounting to USD 20.5 million. This also includes the acquisition of vehicles, helmets, bulletproof vests, and firearms.

The National Institute of Statistics and Censuses (INEC) provided recent data on the situation of Ecuadorian citizens, showing that 4.9 million people live in poverty (27% of the population). Additionally, it reveals that unemployment increased for women in June 2023, with a rate of 4.7%.

A new oil spill occurred in Esmeraldas. The fuel ended up affecting Las Palmas Beach, a tourist area already hit by crime. Meanwhile, the CONAIE (Confederation of Indigenous Nationalities of Ecuador) held a general assembly where the decision was made to support the "Yes" vote in referendums, opposing exploitation in Yasuní and mining in the Chocó region.



Colombia

POLITICAL CONTEXT

Nicolás Petro has become the first son of a president of the Republic to face the justice system. His former partner, Daysuris Vásquez, revealed conversations in which the eldest son talked about receiving money from drug trafficking for his father's campaign. As a result, the Office of the Attorney General of the Nation charged him with money laundering and unjust enrichment. Nicolás Petro decided to cooperate with the Public Ministry, providing statements and information in exchange for house arrest.

On another note, on October 29th, local and regional entities that will govern during the 2024-2027 period will be elected. On July 29th, the Registrar's Office closed the registration period for candidates, with around 57 candidates vying for the mayoralties of the five most important cities in the country. Following the first poll on this matter, Carlos Fernando Galán of the New Liberalism leads in Bogotá, Federico Gutiérrez, a right-wing candidate, leads in Medellín, and Roberto Ortiz, a center-right candidate, is leading the electoral race in Cali.

Efraín Cepeda, the President of the Senate's Third Commission, convened a debate for political control in which a detailed report on budget execution in various ministries will be demanded. Cepeda argued that, according to the database published by the Ministry of Finance, only 15.7% of the General National Budget has been executed, when it should be close to 50% at this point.

ECONOMIC CONTEXT

The purchasing power of Colombians is on the rise, although the increase is less pronounced than in other Latin American countries. According to the most recent report from the National Administrative Department of Statistics (DANE), annual inflation in June was 12.13%, lower than May's 12.36% in 2023. This marks three consecutive months of decreasing inflation in the country. Additionally, the Board of Directors of the Central Bank announced that interest rates will remain unchanged for the next few weeks, at 13.25%.

The price of the dollar has experienced significant volatility in recent weeks, reaching its lowest value in the last 13 months in July, at 3,900 pesos. However, according to the Colombian Stock Exchange, the currency briefly dropped slightly below 4,100 pesos, significantly increasing its value. Nevertheless, the peso remains one of the most devalued currencies in the world over the past year.

Furthermore, according to figures from the Central Bank, from August 2022, the start of the current government, to July 7th, 2023, there has been a flow of Foreign Direct Investment (FDI) amounting to a total of USD 12.169 billion. Mainly directed towards the oil and mining sector, with USD 9.703 billion in investments. This means that FDI during the first year of Gustavo Petro's term exceeded that of most previous governments in the same period.

SOCIAL CONTEXT

The latest poll on Gustavo Petro's performance as President of Colombia indicates that 53.4% disapprove of his work, while 42.2% approve. Barranquilla is the city where the president receives the highest ratings, and in Medellín, the lowest.

In his first-year speech as president, Petro reiterated that the main focus of his government is total peace, prioritizing life over hatred and profit. He refuted opposition accusations of being against the Armed Forces and emphasized the creation of agrarian jurisdiction. He clarified that he is not expropriating but formalizing land for those who wish to work it.

Finally, after his first year in office, the leader is faced with the challenge of consolidating a political force or an innovative strategy to achieve approval in Congress for fundamental reforms in health, pensions, and labor. Although, for example, the healthcare reform is technically ready for presentation, it lacks the required political support for approval.



Chile

POLITICAL CONTEXT

The "Convenios Case," involving the Democracia Viva foundation and the Ministry of Housing, created a major scandal due to the large transfers between the organizations. In response, the General Comptroller's Office initiated a national audit of funds allocated to various foundations since 2021. President Boric stated that he learned about the case from a previous memo, aiming to convey transparency in the corruption investigation.

On the legislative front, the State of Emergency in the Southern Macrozone was extended, focusing on the La Araucanía region and the provinces of Bío Bío and Arauco to address the Mapuche conflict and violence. Additionally, the Constitutional Accusation against the Minister of Education, Marco Antonio Ávila, was rejected in the Chamber of Deputies due to internal divisions and controversial statements, exposing tensions both within the Chile Vamos coalition and the opposition, impacting the country's governance.

The Ministry of Science took the initiative to establish a Commission against Disinformation to combat the spread of fake news. However, the legitimacy of this commission was questioned and brought before the Constitutional Court for consideration.

ECONOMIC CONTEXT

The economy underwent notable changes. After 17 months of salary decline due to inflation, wages began to recover in May 2023, increasing by 10.1% in Nominal Remuneration Indexes. There was also a 9.8% increase in Labor Costs compared to the previous year, positively impacting sectors such as Manufacturing, Commerce, and Education.

The Public Finance Report for the second quarter, presented by the Minister of Finance alongside the Budget Director, projected a slight 0.2% growth in annual Gross Domestic Product (GDP), stabilizing after the high inflation of the previous year.

The government is seeking a fiscal pact with broad support. However, the business sector has requested additional time to thoroughly analyze the proposed tax reform due to the tight timelines under which it is being worked on.

The Monetary Policy Group recommended a 75 basic point reduction in the Monetary Policy Rate at the Central Bank Meeting to favor the banking sector, relying on growth forecasts from the International Monetary Fund.

A dynamic month is perceived in the Chilean economy, marked by wage recovery, moderate expectations regarding GDP growth, and tensions surrounding tax reform.

SOCIAL CONTEXT

During the first half of 2023, there was a significant increase in the number of companies and individuals declaring bankruptcy. The Superintendent of Insolvency and Re-Entrepreneurship reported that a total of 595 companies and numerous individuals faced liquidation processes. In terms of geographical distribution, the Metropolitan Region accounted for 37.7% of the cases.

In the context of an analysis of social and political dynamics, the Center for Public Studies presented significant results regarding citizen perceptions in various areas. Notably, there was a negative perception regarding the country's economic situation, with 60% of respondents rating it as "bad" or "very bad," compared to 6% considering it "good" or "very good." Additionally, 42% expressed pessimism about the economic future, and 34% anticipated deterioration in the next 12 months. Only 21% evaluated their personal economic situation as "good" or "very good."



Brazil

POLITICAL CONTEXT

President Luiz Inácio Lula da Silva participated in the 3rd Summit of the Community of Latin American and Caribbean States - European Union, held on June 17th and 18th in Brussels. During the event, Lula advocated for peace, reducing inequalities, respecting individual freedoms, uniting nations for the future of the planet, and establishing a new global governance capable of reducing economic and social asymmetries and providing opportunities to developing countries.

The president also mentioned negotiations regarding the trade agreement between Mercosur and the EU. While there are important negotiation points to address, he expressed extreme optimism in finalizing the agreement this year. The protection of the environment and the Amazon rainforest were mentioned in his speech, with Lula affirming that protecting the region is an "obligation" and reiterating Brazil's commitment to achieving zero deforestation by 2030.

On August 11th, Lula launched the Growth Acceleration Program (PAC). According to the government, the project will invest 1.3 trillion reais until 2026, at the end of his third term. An additional 300 billion reais are planned from 2027 onwards. The program will involve resuming stalled projects, accelerating ongoing works, and initiating new endeavors. The new PAC will focus on nine axes to address needs in various areas. Created in 2007, the program has become a hallmark of the Workers' Party administrations, encompassing infrastructure projects and social programs like "Mi Casa, Mi Vida" (My House, My Life).

ECONOMIC CONTEXT

The Monetary Policy Committee (COPOM) of the Central Bank announced a reduction in the SELIC interest rate from 13.75% to 13.25% annually on August 2nd. This marked the first decrease in the basic interest rate in three years. The last reduction occurred in August 2020, amid the height of the COVID-19 pandemic, when the SELIC rate was lowered from 2.5% to 2% annually.

Meanwhile, the National Consumer Price Index (IPCA), the official inflation indicator in the country, rose by 0.12% in July, according to data from the Brazilian Institute of Geography and Statistics (IBGE).

Brazil's inflation had been slowing down since February, and the indicator even showed deflation of 0.08% in June. However, it accelerated again, driven by the Transport group (1.50%), particularly gasoline (4.75%).

Furthermore, on July 19th, the Ministry of Finance shared an estimate that the Gross Domestic Product (GDP) will grow by 2.5% in 2023. In May, the government had projected a 1.9% expansion of the economy. Additionally, in June, after the release of the first-quarter GDP results for 2023, the Ministry stated that the "carry-over" effect for growth throughout the year is 2.4%.

SOCIAL CONTEXT

According to data published by the Continuous National Household Sample Survey (PNAD Continua) by the Brazilian Institute of Geography and Statistics (IBGE) on July 28th, the unemployment rate in Brazil was 8% in the quarter ending in June. This represents a decrease of 0.8% compared to the January-March quarter and a 1.3% decrease compared to the same period in 2022. It's the lowest rate for a quarter ending in June since 2014. The financial market's expectation was that the unemployment rate would reach 8.3%.

Thus, Brazil recorded 8.6 million unemployed individuals. On the other hand, the number of employed individuals was 98.9 million, with a 1.1% increase compared to the previous quarter and a 0.7% increase annually.



Mexico

POLITICAL CONTEXT

One month away from the official party Movimiento Regeneración Nacional (MORENA) and the coalition "Va por México" concluding the process of selecting presidential pre-candidates, Claudia Sheinbaum, Marcelo Ebrard, and Adán Augusto are emerging as the most prominent figures within the ruling party. On the other hand, Xóchitl Gálvez, Santiago Creel, and Enrique de la Madrid stand out within the opposition coalition.

In response to statements made by President Andrés Manuel López Obrador, which were classified by the Electoral Tribunal of the Federal Judicial Power (TEPJF) as political violence and vote coercion in relation to the selection processes, the National Electoral Institute (INE) approved implementing precautionary measures. The President described this action as a blatant violation of freedom of expression and suggested a supposed conspiracy against him within the TEPJF.

Furthermore, the publication of new free books by the Ministry of Public Education (SEP) has caused controversy among the political class and society, as they have been described as inefficient, poorly edited, and ideologically biased. Governors from Chihuahua, Jalisco, Guanajuato, and Coahuila announced that these books will not be distributed in their states. This action is justified by the injunction filed by the Union of Parents, which will not be resolved until the SEP verifies compliance with the legal process in developing the books.

ECONOMIC CONTEXT

The National Institute of Statistics and Geography (INEGI) reported that the Gross Domestic Product (GDP) experienced a growth of 0.9% in the April-June period compared to the previous quarter, resulting in a 3.6% increase in the annual rate for the first half of the year. However, in terms of the trade balance, Mexico recorded a deficit of USD 6 billion, experiencing a 50% setback compared to 2022.

Inflation decreased to an annual rate of 4.79% in July, marking its lowest level since March 2021, as reported by INEGI. This makes July the sixth consecutive month of decline after starting the year with a 7.91% inflation rate.

Due to nearshoring, Mexico has an investment opportunity of USD 80 billion and a potential export value of USD 35.5 billion. Given these prospects, states with greater capacity to leverage this phenomenon have taken actions to increase Foreign Direct Investment. However, experts continue to point out that water supply shortages, strengthening Mexican technical labor, road and energy infrastructure, as well as territorial capacity, could impede this investment opportunity.

SOCIAL CONTEXT

INEGI published the 2022 National Survey of Household Income and Expenditure, which has been conducted since 2016 and reveals amounts, origins, and distributions of incomes and expenses among Mexican households. The report unveiled micro-level dynamics, such as a 11% increase in household incomes in 2022 compared to 2020.

Internationally, the appreciation of the peso against the dollar is beginning to erode income from exports. Additionally, the exit of Russia from the export agreement with Ukraine is expected to increase grain prices by 10% to 15%, affecting companies like Alsea, Bimbo, and Agruma. All of this will generate uncertainty about the prospects of Mexico's agricultural and livestock exports, which have experienced a 120% increase in the last decade.

In environmental matters, in recent months, a scarcity of rainfall has affected 43.3% of the national territory, thereby reducing the productivity of cultivated land. This has resulted in a decrease from 31 to 26 million hectares between 2007 and 2022. Thus, the World Bank warns that Mexico is undergoing a water crisis, estimating a need for an investment of 85 billion pesos per year for hydraulic infrastructure over a 10-year period.



BOLIVIA

POLITICAL CONTEXT

The administration of President Luis Arce has been undermined by a series of allegations. Accusations related to the covering up of drug traffickers have been brought forth by lawmakers from the "radical wing" of his own party and those affiliated with former President Evo Morales Ayma.

In response to this situation, the Ministry of Government and the police issued an arrest warrant for Sebastián Marset Cabrera, a known Uruguayan drug trafficker and head of the "Primer Cartel Uruguayo." He resided in the city of Santa Cruz, from where he has been involved in illegal activities in recent years, such as money laundering and cocaine trafficking to Europe and Asia.

Marset is also accused of being the mastermind behind the murder of Paraguayan prosecutor Marcelo Pecci, which took place in Colombia while the official was on vacation. The lack of swiftness in his capture has once again triggered political confrontations within the ruling party, accusing the Minister of Government of cover-up due to his lack of effectiveness in apprehending Marset, who is wanted by Interpol and other international agencies. In light of these events, some polls have placed opposition leaders with a higher intention of votes compared to the most prominent candidates of the ruling party, namely Luis Arce and Evo Morales.

Due to political disagreements in the Legislative Assembly and a ruling issued by the judiciary, the election of magistrates scheduled for November has been suspended. This has further escalated political discrepancies between opposition members and the two factions of the ruling party, as well as deepening the crisis within Bolivia's judicial system.

ECONOMIC CONTEXT

Operations of Bolivia's second airline, Amazonas, were suspended by the Directorate General of Civil Aeronautics (DGAC) upon the request of the British company that leases the aircraft. The situation arose due to delays in the lease payments for four planes, which is considered illegal by Bolivian law. This controversy has led to the politicization of the matter and potential conflicts of interest between the airline and the government.

The state-owned airline, Boliviana de Aviación (BOA), could benefit from this action, potentially leading to unfair competition. Additionally, the request to deregister Amazonas' aircraft could be aimed at favoring BOA, which has faced criticism for its lack of service quality.

In another economic aspect, the purchase and sale of foreign currencies have not yet normalized, with the exchange rate of the US dollar in the parallel market being between 12% and 15% higher than the official rate. It is suspected that the alleged source of these dollars comes from illicit activities such as smuggling and money laundering related to drug trafficking.

Lastly, Bolivia has been sentenced by the Andean Community Court of Justice for differentiating the fuel price for vehicles between Bolivian and Peruvian license plates. The verdict obliges the country to sell subsidized gasoline to Peruvian transporters, who argued unfair competition and discrimination.

SOCIAL CONTEXT

The Covid-19 health emergency has officially ended in Bolivia, allowing the use of masks to be a voluntary decision for individuals across the entire national territory. However, in recent weeks, protests have erupted from some medical sectors seeking improved working conditions, leading to strikes and demonstrations.

Ms. Amparo Carvajal, president of the Permanent Assembly of Human Rights of Bolivia (APDHB), conducted a 52-day vigil in the open air. Her protest aimed to reclaim a building occupied by followers of the ruling party, Movement for Socialism (MAS). The vigil eventually concluded through the mediation of Spanish diplomacy.

Reports have indicated an increase in cases of femicides and infanticides, raising widespread concerns over citizen security and the vulnerability of women and children.



URUGUAY

POLITICAL CONTEXT

The Government presented the last Accountability Bill before the general elections of 2024. They highlighted budget allocations aimed at strengthening water resources and sustainable water use, as well as initiatives related to mental health, combating addictions, and recovering the purchasing power of real wages.

Even though the official electoral campaign has not started, several leaders who aspire to be presidential precandidates in the internal elections of June next year are already making moves. The competition within the Frente Amplio is led by Yamandú Orsi, mayor of Canelones, in a highly competitive scenario with Carolina Cosse, mayor of Montevideo. Álvaro Delgado leads the internal race of the National Party followed by Laura Raffo. Meanwhile, Pedro Bordaberry, with uncertainties about his return, is taking the lead in the Colorado Party.

The PIT-CNT labor union decided to promote a constitutional plebiscite to set the retirement age at 60 years, eliminate the Pension Savings Fund Administrators (AFAP), and incorporate a mechanism in the Constitution for minimum pensions to equal the national minimum wage. The first two points are central elements of the recent pension reform approved by the Government, which, among other things, raised the minimum retirement age to 65 years and extended the individual savings scheme.

ECONOMIC CONTEXT

During the month of July, the country reported the lowest year-on-year inflation since 2005, standing at 4.79%.

Exports fell by 20% in the first semester of the year, largely due to drought and lower demand from China. Notably, sales of soybeans (-84%) and beef (-31%) decreased. Exports to China and Argentina had a negative impact, as they registered a decrease of 46% and 58% respectively in July compared to the same month in 2022. In contrast, sales to Brazil grew by 19%. In the first semester of the year, the European Union positioned itself as the fourth destination for exports, accounting for 7% of the total, equivalent to USD 57 million.

The critical situation of businesses on the Uruguayan border with Argentina continues, due to the increasing exchange rate differential, leading to long lines of Uruguayans crossing to the Argentine side for consumption, as well as an increase in smuggling. Despite the Uruguayan Government outlining a roadmap to benefit national businesses, closures persist, and urgent demand for more policies continues.

SOCIAL CONTEXT

Uruguay faced its worst drought in history, leading to record lows in the Paso Severino reservoir, the main source of fresh water for Montevideo and the metropolitan area. Although the situation is not as critical as the previous month, thanks to some rains in July, water supply in the southern region of the country remains critical.

As a result, and after a month of construction, a transference project from the San José River to the Santa Lucía River was recently inaugurated, which supplies the capital and increases reserve capacity. Access to bottled water remains in effect.

This month saw the launch of the first mental health program for adolescents and young people, jointly promoted by the Ministry of Development and the National Youth Institute. The pioneering project aims to raise awareness about the mental health of adolescents and young people throughout the country, involving them as agents of change in their communities.




Latin American Keys Highlights 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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