

LATAM 7 + Argentina

MACRO BRIEF

ECONVIEWS
ECONOMÍA Y FINANZAS

April, 2022



Argentina

The IMF deal's targets set out a new roadmap

Page 2



Brazil

Polarization in polls contrasts with RER appreciation

Page 4



Chile

A new government and an upcoming constitution

Page 6



Colombia

Petro leads for the elections, amidst high inflation

Page 8



Mexico

Referendum and midterms will set scenario for electrical reform

Page 10



Paraguay

Growth continues at a slower pace, amidst inflation

Page 12



Peru

Political instability crises

Page 14



Uruguay

Government wins referendum on reforms by slight margin

Page 16



ARGENTINA

Good news	To be alert	Bad news
The default with the IMF and Paris Club has been avoided and worst scenarios became unlikely.	The war produced a rise in commodity prices. Although it benefits exports, the import of LNG could complicate fiscal and FX balances.	At the end of the year, inflation will probably be the highest since the early '90s.

POLITICS

The agreement with the IMF exposed differences inside the ruling coalition. First, Máximo Kirchner resigned from the presidency of Frente de Todos deputy's bloc as a sign of rejection of the deal. Then, he and his allies did not support the program and turned their backs in the Congress. Despite their opposing views on the agreement, the opposition provided the numbers to approve the new EFF program in Congress. The relationship between the President and the VP is not going through its best moment. Liberals are gaining relevance in the public debate and installed the idea of dollarization, which was also supported by some legislators from Juntos por el Cambio party.

ECONOMIC ACTIVITY

The economy rebounded 10.3% in 2021 after the collapse of 9.9% in 2020. In the fourth quarter, activity grew 1.5% compared to the third quarter s.a. and 8.6% y/y. Investment and private consumption were the components of aggregate demand with the best performance. On the supply side, the largest year-on-year increases were in sectors that had been the most affected by the lockdown measures and, therefore, in 2021 benefited from the reopening, such as theaters, hotels, and restaurants. In January, activity fell 0.5% monthly due to a COVID outbreak and restrictions on imports. For 2022 we expect 3.5% growth, below the statistical carryover left by Dec-21 of 4.1%.

INFLATION

Monthly inflation was 3.9% (50.7% y/y) in January and 4.7% (52.3% y/y) in February. With these increases, accumulated inflation is 8.8% and could be more than 14% in the first quarter. Foods and beverages rose 7.5% m/m in February, with fruits and vegetables at the top. For March, expectations, far from improving, indicate that inflation could be even higher. Fuels rose again between 9.5% and 11.5% and seasonal increases in education and clothing, coupled with the impact of the war in Ukraine on international prices, led to an estimated 6% monthly headline inflation. Considering the strong inertia and the upcoming tariff and FX adjustments, we have raised our forecast to 61% y/y for December.

MONETARY SECTOR

After a year with no movements, the Central Bank increased the policy rate by 650 basis points, aiming to reach real positive rates as was agreed with the IMF. The hike for Reverse Repos rate was only 250 bps in the same period. The BCRA has also created new instruments with longer maturities. The depreciation rate was accelerated and now is around 50% annualized. This fact combined with a stable BCS, allowed to reduce the FX spread to 70%. The first disbursement of the IMF was key to recovering international reserves that now stand at USD 43,074 million, while net reserves are USD 3,663 million.

FISCAL ACCOUNTS

In the first two months of the year, the Treasury accumulated a primary deficit of ARS 92.9 billion, which is less than half of the IMF target for Q1. This implies that the first review will be passed without problems, but for the rest of the year, challenges will be important. The war in Ukraine produced a rise in energy prices, and tariff increases could be insufficient to offset the rise in energy subsidies. The announced increases in utility prices will not be enough to offset higher costs. The positive side is that agricultural commodity prices are also up, so there will be higher revenues for export taxes. For 2022 we expect the primary deficit to be at 2.7%, slightly above the IMF target of 2.5%, and the fiscal deficit at 4.2%.

WHAT'S COMING NEXT?

- This month, there will be public audiences to set up the new subsidies scheme and utility prices hikes.
- Next June, the IMF mission will arrive to assess compliance with quarterly targets and recalibrate policies if needed.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (ARS/USD, eop.)	111.00	107.39	105.00	102.68	84.15
Interest rate (%)	44.50%	42.50%	40.00%	38.00%	38.00%
National inflation (y/y)	-	52.32%	50.69%	50.94%	36.14%
Economic activity (y/y)	-	-	5.4%	10.0%	-9.9%
Industrial activity (y/y)	-	-	-0.3%	10.4%	-7.6%
Automotive production (y/y)	-	72.7%	-23.3%	32.1%	-18.5%

Source: EconViews based on several sources

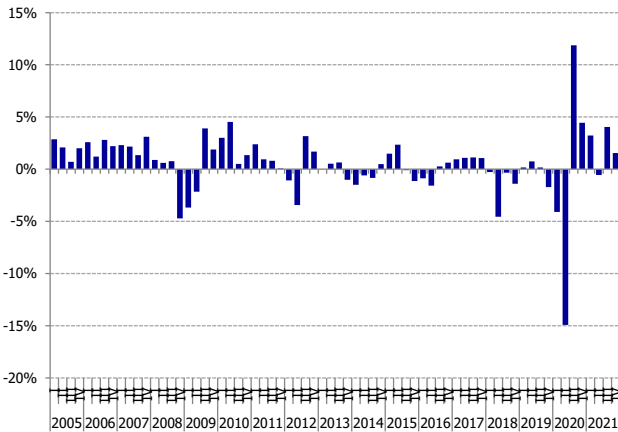
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	-2.1%	-9.9%	10.3%	3.5%	3.0%
National inflation (Dec-Dec)	53.8%	36.1%	50.9%	61.0%	50.0%
Fiscal Balance (% GDP)	-3.8%	-8.5%	-4.5%	-4.2%	-3.5%
Current Account (% GDP)	-0.8%	0.9%	1.3%	0.6%	0.5%
International reserves (USD Bn)	44.8	39.4	39.7	49.1	51.5
Exchange rate (ARS/USD)	59.90	84.15	102.75	160.28	232.40

Source: EconViews based on official figures and own estimates

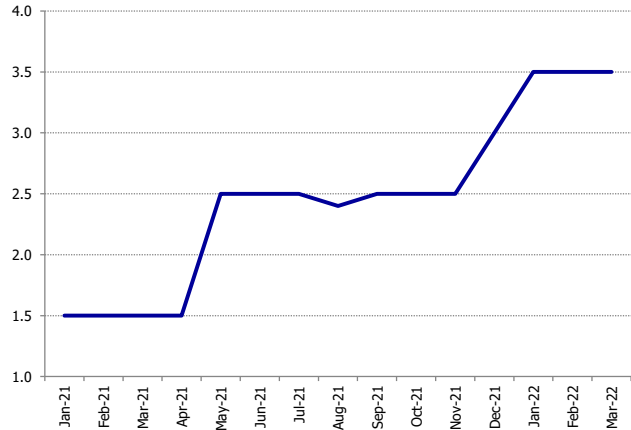
Real GDP

Q/Q variations- Seasonally adjusted data INDEC



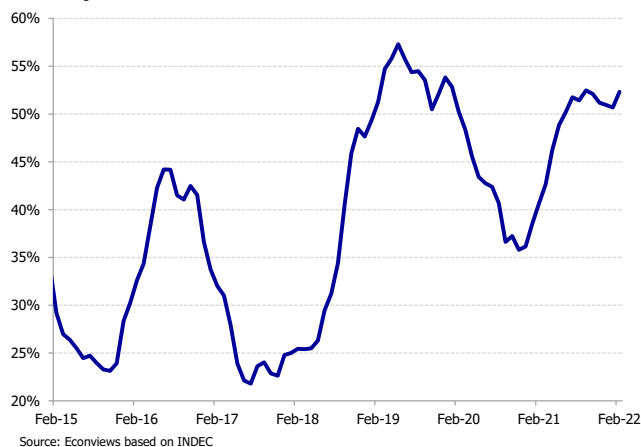
GDP growth - rolling forecasts for 2022

In %



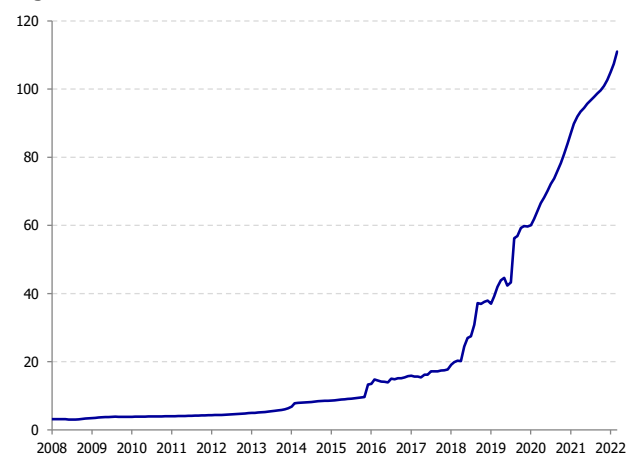
Inflation - General CPI

Annual changes



Source: Econviews based on INDEC

Argentinian Peso / Dollar





BRAZIL

Good news

In February the government gave a 25% tax cut on industrial products with the aim of boosting the sector, controlling prices and facing the election year.

To be alert

Inflation continues to rise and does not seem to find a downward trend yet despite rate hikes.

Bad news

Growth expectations for 2022 remain low, amid an increasingly restrictive monetary policy and uncertainty arising from the electoral campaign.

POLITICS

Brazil is gearing up for the October presidential elections. Incumbent Jair Bolsonaro improved his hold on Congress through a series of alliances with legislators from the "centrão" sector and his Liberal Party secured the Lower House first minority with 75 seats. Polls are still favoring ex-president Lula da Silva, who is flirting with centrist Gerardo Alickmin as running mate, as a way to make his left-wing candidacy more appealing to the markets. The governor of Sao Paulo, Joao Doria, will try to break into what appears to be an increasingly polarized choice between Bolsonaro and Lula, although the official campaign does not begin until August.

ECONOMIC ACTIVITY

In Q4-2021 the economy expanded by 0.5% against the previous quarter, after two periods of contraction, thus exiting a technical recession. Growth for the year closed at 4.6%, recovering the 3.9% drop that took place in 2020 as a result of the pandemic. A very moderate growth of approximately 0.5% is projected for this year. Industrial production fell 2.5% monthly in January, the steepest drop since April 2020 and contrasting with the increase in December. This implied a negative annual variation of 7.3%. The PMI index, after falling to its lowest level in 20 months in January, rose to 49.6 in February. Although it has risen, it is still below 50 (below mean).

INFLATION

Inflation has been above 10% for several months now, and February was not the exception with a monthly variation of 1.01%, which led to an annual rate of 10.5%, the highest figure since November (10.7%). The growing inflation is mainly attributed to the increase in energy and food prices. In this sense, the price index continues well out of range for the Central Bank target, which is placed at 3.5% for this year. The rise in energy prices puts pressure on inflation and market projections doubt the target will be reached in the following years. We expect inflation to moderate to 6.3% by the end of 2022.

MONETARY SECTOR

Brazil has been one of the countries that has tightened its monetary policy the most in recent months. At the beginning of February, the Central Bank had announced an increase of 150 basis points in its monetary policy rate, going from 9.25 to 10.75%. On March 16, the country's Central Bank announced a new increase in the SELIC rate by 100 basis points, for which is now found at 11.75%. We expect the rate to exceed the 12% by the end of the year in the face of an inflation that does not seem to slow its pace, although it is thought that the rate of adjustment will slow down as months pass. The Brazilian Real has appreciated from 5.57 to 4.74 per dollar this year.

FISCAL ACCOUNTS

The fiscal deficit closed at 4.4% of GDP in 2021, much less than the one from the previous year (13.6%) and most of the good news came from good results from tax revenues and by the fact that the subnational governments presented a much higher surplus than expected, coupled with a Covid-related spending that was less than the one planned. For 2022, the fiscal deficit is expected to exceed 7% of GDP, partly due to higher expenditure before the elections. Public debt ended at 80.3% of GDP in 2021 and is projected to rise to 82.8% by 2022. The fiscal net debt stood at 66.9% of GDP in January.

WHAT'S COMING NEXT?

- Bolsonaro recently fired the president of Petrobras and all his proposals to replace him resigned shortly after being announced due to conflicts of interests. The future leader of the company is becoming a political issue so it will be interesting to see who will end up taking the place.
- Bolsonaro feels pressure from the polls' results and is speeding up a series of measures that can provide economic relief, such as a reduction of taxes on fuels. More measures of this style are expected in the coming weeks.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (BRL/USD, eop.)	4.74	5.16	5.30	5.57	5.19
SELIC (%)	11.75%	11.75%	10.75%	9.25%	2.00%
Inflation (y/y)	-	10.5%	10.4%	10.1%	4.5%
Economic activity (y/y)	-	-	0.0%	1.7%	-4.1%
Industrial activity (y/y)	-	-	-7.2%	-4.9%	-4.5%
Automotive production (y/y)	-	-15.8%	-27.4%	0.8%	-31.6%

Source: EconViews based on several sources

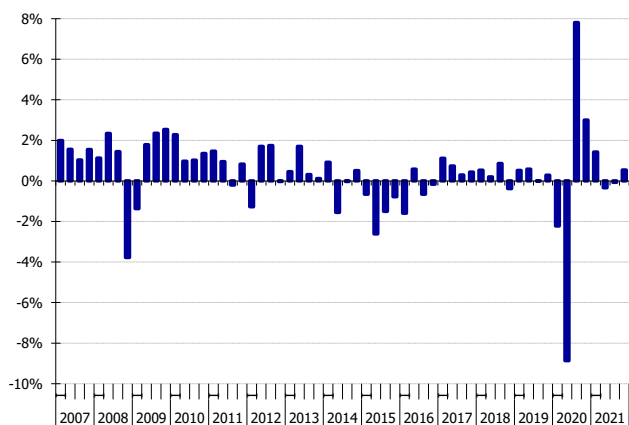
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	1.2%	-3.9%	4.6%	0.5%	1.6%
Inflation (Dec-Dec)	4.3%	4.5%	10.1%	6.3%	3.9%
Fiscal Balance (% GDP)	-5.8%	-13.6%	-4.4%	-7.6%	-7.0%
Current Account (% GDP)	-3.5%	-1.7%	-1.7%	-1.6%	-2.0%
International reserves (USD Bn)	346.5	342.7	330.9	351.6	351.9
Exchange rate (BRL/USD)	4.02	5.19	5.57	5.20	5.40

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

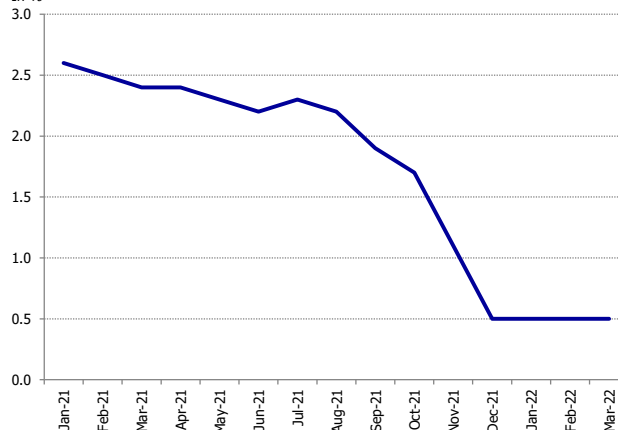
Real GDP

quarterly variations, in %



GDP growth - rolling forecasts for 2022

In %



Inflation (IPCA)

Annual changes



Brazilian Real / Dollar





CHILE

Good news	To be alert	Bad news
The Government has vowed to put order on fiscal accounts, continuing the tradition of fiscal responsibility.	The Constitutional Convention will be rushing to finish the final draft in the next three months; debates regarding the pensions systems will take center stage.	Upcoming US interest rates hikes are likely to negatively impact copper's prices, which have recently risen due to the Russia-Ukraine war.

POLITICS

The Constitutional Convention has been working against the clock to define key issues of the new Constitution before the July 4th deadline, but clashes over radical proposals between left and right leaning factions have prolonged debates. What has been defined is the regionalization of the country, where each region will be autonomous and represented at Chamber of regions. The proposal also aims to diminish the power of the Executive branch. Proposals to limit the property right and extend indigenous property rights have been rejected, but the Convention voted against a proposal from the opposition to prohibit the expropriation and nationalization of private pensions funds.

ECONOMIC ACTIVITY

GDP posted a sharp rebound of 11.7% in 2021 after contracting 6% in 2020. Fueled by pension withdrawals, private consumption shot up 20.4%, ending 10.8% above 2019 levels -adding pressure to prices. Investment displayed a strong performance, growing 17.6% YoY and 6.6% vs 2019. Exports shrank 1.5% though, explained by a decrease of 2.3% in mining exports -which had grown 3.7% in 2020. Economic activity stalled in January; production of goods fell considerably (-3% s.a.) with the mining sector falling 2.5% s.a. The drop in production was offset by the services sector, which grew 2.4% m/m. Affected by the base effect, we expect GDP to grow 2.1% in 2022.

INFLATION

Inflation posted a fresh new high: in February it was 7.81% YoY, despite a softer print in the monthly comparison (0.29% vs 1.21% in January). It was the highest record in over a decade, well above the Central Bank's target of 3%. On the yearly comparison, Transport continued on top (19.5%), followed by Hotels and Restaurants (11.5%) and Food and Beverages (8.4%). Rising energy prices could add more pressure to prices in coming months, but the recent increase in interest rates should moderate the impact. After closing 2021 at 7.2%, we expect the year to end with an annual inflation of 6.6%.

MONETARY SECTOR

The Central Bank decided to increase its monetary policy rate by 150 basis points to 5.5%: it now stands 5 percentage points above its level during the first half of 2021, as inflation continued to rise and expectations have not receded. Further hikes are expected in the short run. The Chilean Peso is currently trading at 784 CLS per USD, 10% below its peak in December when it reached 871 CLP per USD. New rises in the monetary policy rate are likely to partly offset the impact of high inflation and we expect the Chilean peso to end 2022 trading at 823 per USD.

FISCAL ACCOUNTS

2021 closed with a fiscal deficit of the General Government of 7.6% of GDP, below our projection of 8.1% and the government's 8.3% estimate, aided by a good performance of revenues from the national copper company Codelco. In the whole year, fiscal revenues grew 37.8% in real terms and amounted to 23.7% of GDP, while expenditures grew 33.2% in real terms and totalized at 31.3% of GDP. The 2022 Budget will aim to normalize fiscal accounts and expects a sharp reduction of the structural fiscal deficit. We expect the year to close with a fiscal deficit of the General Government of 3.4% of GDP.

WHAT'S COMING NEXT?

- Amid fears of a future nationalization of private pension funds, the idea of a fifth pension withdrawal (but of the totality of funds) is gaining popularity among congressional members of the opposition. But a fifth withdrawal of any kind is not likely to be approved as the ruling party, led by president Boric, has opposed the idea.
- The Convention has only finished drafting a small part of the final text. We'll be paying attention to new debates around climate, mining and property rights which could have profound implications.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (CLP/USD, eop.)	785.88	798.00	799.90	851.10	711.25
Interest rate (%)	7.00%	5.50%	5.50%	4.00%	0.50%
Inflation (y/y)	-	7.8%	7.7%	7.2%	3.0%
Economic activity (y/y)	-	-	9.0%	10.1%	-6.0%
Industrial activity (y/y)	-	-	-1.1%	1.7%	-0.9%
Mining production (y/y)	-	-	-6.3%	0.6%	0.5%

Source: EconViews based on several sources

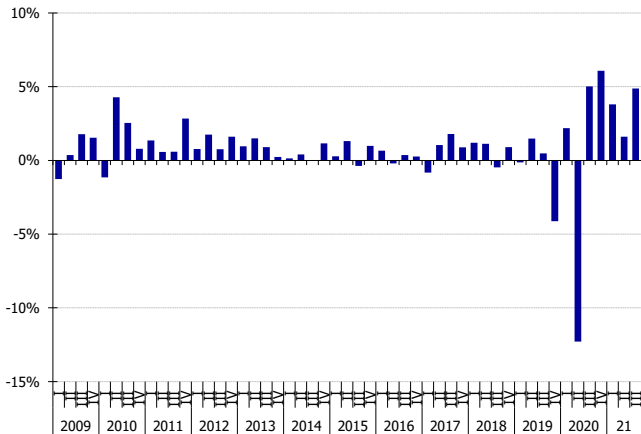
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	0.9%	-6.0%	11.7%	2.1%	1.2%
Inflation (Dec-Dec)	3.0%	3.0%	7.2%	6.6%	3.6%
Fiscal Balance (% GDP)	-2.7%	-7.1%	-7.6%	-3.4%	-3.1%
Current Account (% GDP)	-3.8%	1.3%	-4.2%	-3.3%	-2.9%
International reserves (USD Bn)	39.5	37.8	47.1	50.6	51.3
Exchange rate (CLP/USD)	752.0	711.2	852.0	823.0	809.0

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

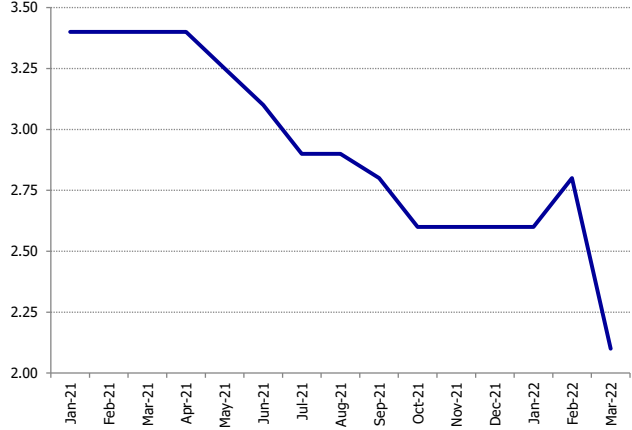
Real GDP

Q/Q variations



GDP growth - rolling forecasts for 2022

In %



Inflation - General CPI

Annual changes



Chilean Peso / Dollar





COLOMBIA

Good news	To be alert	Bad news
Colombia has experienced one of the best post-pandemic recoveries and is on track, albeit with more moderate numbers, for solid growth in 2022.	The electoral campaign was involved in a series of irregularities that damaged the system and that is generating a climate of social tension.	Despite measures to control inflation, such as the removal of tariffs on certain agricultural products, the international context puts pressure on prices and inflation continues to rise.

POLITICS

In a tense electoral process, Colombia is heading for the presidential elections scheduled for May 29. Gustavo Petro from the left-wing party "Pacto Histórico" leads polls, followed by right-wing Federico Gutiérrez. After the legislative elections that took place on March 13th, the presidential elections are reached with a lot of controversy and doubts about the transparency of the electoral system. The election for the Congress generated doubts from various parties, as the final scrutiny yielded very big differences with respect to the pre-count done in the Election Day. A vote recount was proposed but was ultimately rejected, although damage has been done to the reliability of the electoral system.

ECONOMIC ACTIVITY

Q4-2021 closed with good numbers and the country experienced one of the best post-Covid recoveries in the region, reaching a growth of 10.6% of GDP. For the Q1-2022, growth is expected to be more limited than what has been observed due to the increase in prices and a pessimistic consumer sentiment. In any case, the estimates for this year remain solid and a GDP growth of 4.8% is expected. In December, manufacturing production expanded 13.3% annually (slightly less than the November expansion) and the PMI index fell to 52 in February (although it remains above the threshold of 50).

INFLATION

Inflation reached in February 8.01% year-on-year, the highest record since August 2016. It derives from a monthly variation of 1.63%. The rise in the Food and non-alcoholic beverages sector stood out (3.26% m/m). Despite a lower rise, Housing and public services (0.71% m/m) had the second strongest incidence due to its weight on the index, but it was Education which displayed the highest monthly increase (4.48% m/m). We expect inflation to end at 6.1% in 2022 as monetary policy tightens but will still remain way above the Central Bank's target range of 2-4% per annum.

MONETARY SECTOR

On March 31st, the Central Bank authorities announced the increase in the monetary policy rate by 100 bps, taking it to 5% apr. The decision was taken by majority, although two of the seven members voted for an increase of 150 bp. We expect the rate to end the year above 7%. The Colombian peso has appreciated in recent weeks; it currently trades at 3715 COP per USD, a decrease of 8.6% since the beginning of the year. We expect the COP to end the year trading at 3,921 per USD.

FISCAL ACCOUNTS

Thanks to the windfall of stronger activity growth and higher oil prices, the 2021's deficit closed at 7.1% of GDP, substantially lower than the one projected in the Medium-Term Fiscal Framework (8.6% of GDP). The economic recovery was reflected in a rebound in tax revenues. This allowed public debt to fall to 63.8% of GDP. For 2022, the fiscal deficit is expected to be of around 6.1%, as the continued economic recovery will allow for an increase in current revenues.

WHAT'S COMING NEXT?

- It was announced that the United States will name Colombia as a strategic ally outside NATO, which would symbolize additional aid, especially in terms of military exchange. It is the third country in the region to receive this characterization.
- In the middle of the race for the presidency, one of the issues raised and that generated much debate is the sustainability and composition of the pension system.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (COP/USD, eop.)	3,768	3,933	3,941	4,065	3,410
Interest rate (%)	5.0%	4.0%	3.9%	2.9%	1.7%
Inflation (y/y)	-	8.0%	6.9%	5.6%	1.6%
Economic activity (y/y)	-	-	7.8%	11.9%	-6.8%
Industrial activity (y/y)	-	-	15.1%	13.2%	-7.9%

Source: EconViews based on several sources

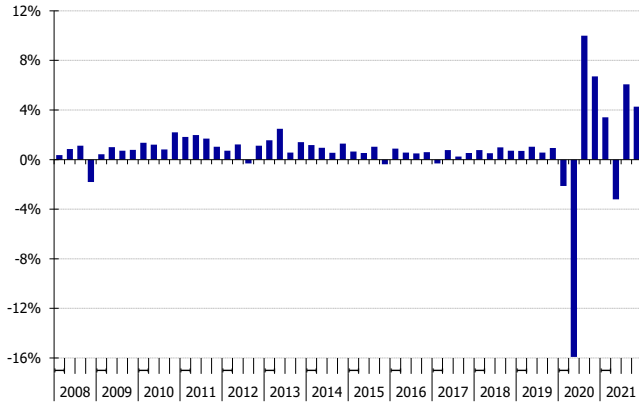
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	3.2%	-7.0%	10.6%	4.8%	3.0%
Inflation (Dec-Dec)	3.8%	1.6%	5.6%	6.1%	3.8%
Fiscal Balance (% GDP)	-2.5%	-7.8%	-7.1%	-6.1%	-4.7%
Current Account (% GDP)	-4.6%	-3.4%	-5.7%	-4.6%	-4.3%
International reserves (USD Bn)	50.5	56.6	53.5	58.4	59.5
Exchange rate (COP/USD)	3,282	3,421	4,070	3,921	3,923

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

Real GDP

Q/Q variations - DANE



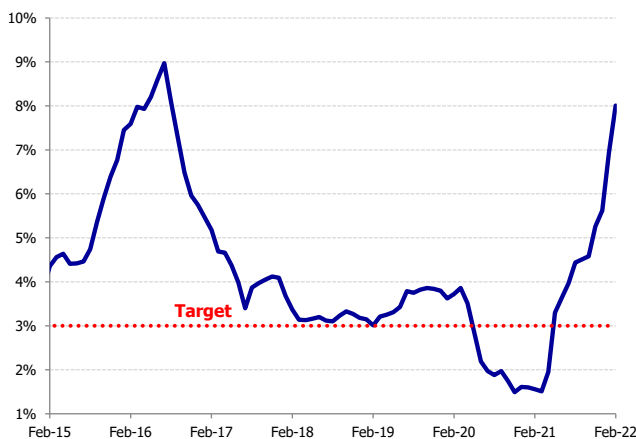
GDP growth - rolling forecasts for 2022

In %

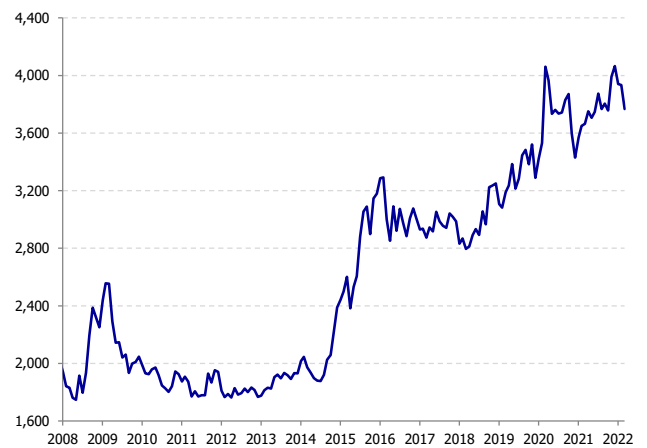


Inflation - General CPI

Annual changes



Colombian Peso / Dollar



Good news	To be alert	Bad news
Record prices will help state oil company Pemex: after its debt was downgraded to Ba3 in 2021, Moody's considers there is less risk of another downgrade this year.	Inflation remained high at 7.3% in February and AMLO has announced he may resort to price controls on food and vegetables.	Banxico is understandably worried about the Fed's rate hikes and believes Mexico's sovereign bonds could suffer from a tighter external environment.

POLITICS

On April 10th, President AMLO will self-submit to a referendum to see if he continues in power, one of his 2019 campaign promises. According to polls, he should win comfortably. The midterm elections will take place 2 months later, on June 5th, and 6 states will also choose governors, of which the governing party is expected to win in a majority. Voter support -or lack thereof- will also impact on the government's pursuit of two key reforms. An electoral one, which would federalize the process, and electricity reform, which seeks to empower a Federal Committee against private power generators. Canada complained about the reform's impact on foreign investment, and US climate envoy John Kerry met with AMLO.

ECONOMIC ACTIVITY

GDP advanced 0.02% quarterly in the October-December period, leaving 2021's year-on-year growth at 4.8%. Activity kept expanding at 1.8% yearly in January, with manufacturing 4.3% above that same month last year and up 1% against December. The auto industry had started out 2022 with its left foot, with an 8% year-on-year drop in the number of vehicles produced in January, but 254,825 cars were built in February, a 2.3% rise and the first positive variation since June. Although higher inflation is hitting consumers, oil output is accelerating due to record prices. We expect the Mexican economy to grow 1.9% in 2022, below other countries in the region, but improving against pre-pandemic stagnation.

INFLATION

Inflation remained high at 7.28% year-on-year in February, while the core rate is running at 6.59%, a 20-year record. Monthly CPI accelerated to 0.83% after hitting 0.59% in January, the most since November. Food prices are up 9.4% year-on-year, pushed by fruit and vegetables (19.6%). Energy prices are still contained at 4.5%, although liquefied domestic gas shot up 5.7% between January and February. Aside from upside risks from Covid and the Ukraine war, the Banxico is particularly worried about the persistence in core prices, well above its 3% target, and has updated its forecast for December 2022 CPI from 4 to 5.5% since its February 10th meeting, in line with the market consensus of 5.4%.

MONETARY SECTOR

On March 24th the Banxico hiked rates for the sixth time since last May, by 25 basis points to 6.5%, citing the mentioned upside risks, although it noted weak growth could curb price increases. The current rate is still below the 1.8-3.4% long-term neutral rate recommended by the CB's models, suggesting further hikes. Banxico is also alert about the Fed Funds adjustment, although the Mexican Peso is holding at 19.85 per USD, after slipping near 22 last November. Our exchange rate forecast is 21.29 MXN/USD for December. External financing recorded net outflows worth 0.8% of GDP in 2021, highest since the 2008 crisis, while the public sector continues to absorb half of internal financing, equal to 3.8% of GDP.

FISCAL ACCOUNTS

The surge in international prices led oil royalties to increase 6.2% year-on-year in real terms as of February. Overall tax revenues grew 0.7% against the first two months of 2021, with a 10.4% jump in income tax. Net expenditure increased 5.1% in real terms, with a 9.6% rise in health costs and a 25.1% expansion of welfare programs. The accumulated primary deficit for January-February stands at MXN 72 billion, below the Government's target. After striking a 2.9% to GDP fiscal deficit last year, we expect that figure to rise to 3.3% in 2022 even with the economy in growth, as authorities seek to strengthen social programs.

WHAT'S COMING NEXT?

- The April referendum and June midterms will also set the field for the 2024 presidential elections. Today, CDMX mayor Claudia Sheinbaum is one of the leading candidates within the ruling Morena, while the PAN-PRI-PRD opposition coalition has several names.
- State oil company Pemex's exports reached a record 925,000 barrels per day in February, and Fitch considers the Government may be partially relieved from subsidizing the firm this year, although its objective to cut oil exports by 2023 should be put on hold.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (MXN/USD, eop.)	19.85	20.46	20.63	20.49	19.91
Interest rate (%)	6.50%	6.00%	5.50%	5.50%	4.25%
Inflation (y/y)	-	7.28%	7.07%	7.36%	3.15%
Economic activity (y/y)	-	-	1.8%	1.3%	-8.5%
Industrial activity (y/y)	-	-	4.3%	3.0%	-10.0%
Automotive production (y/y)	-	2.3%	-8.0%	-12.8%	-20.8%

Source: EconViews based on several sources

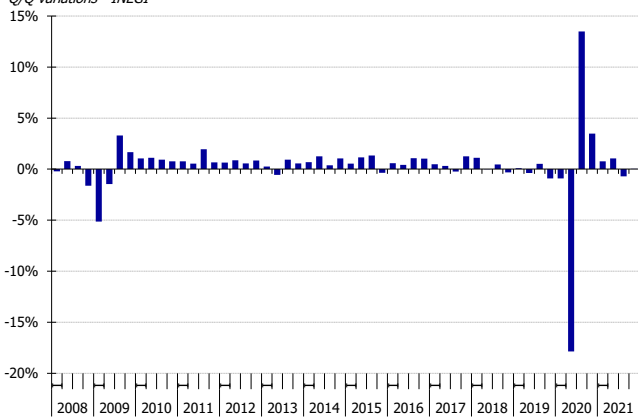
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	-0.2%	-8.2%	4.8%	1.9%	2.3%
Inflation (Dec-Dec)	2.8%	3.2%	7.4%	5.4%	3.7%
Fiscal Balance (% GDP)	-1.6%	-2.9%	-2.9%	-3.3%	-3.1%
Current Account (% GDP)	-0.3%	2.4%	-0.4%	-0.4%	-0.7%
International reserves (USD Bn)	170.6	184.2	180.8	201.5	205.5
Exchange rate (MXN/USD)	18.93	19.91	20.49	21.29	21.65

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

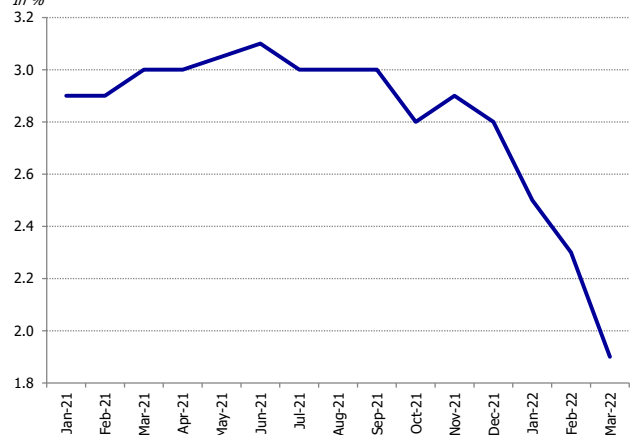
Real GDP

Q/Q variations - INEGI



GDP growth - rolling forecasts for 2022

In %

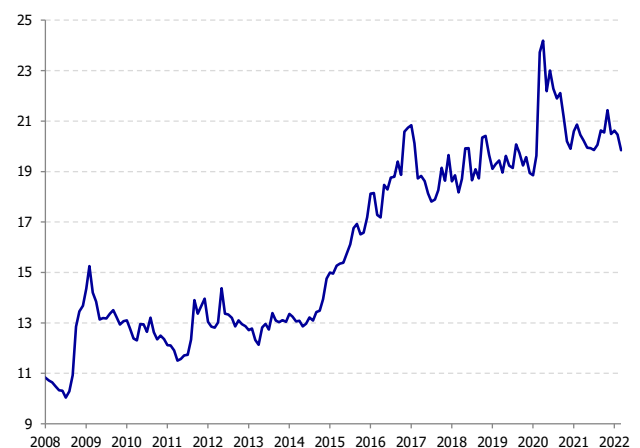


Inflation - General CPI

Annual changes



Mexican Peso / Dollar





PARAGUAY

Good news	To be alert	Bad news
Due to the important share of food in exports, higher international prices could benefit the country.	Economic growth will decelerate this year and droughts could be a risk.	Inflation is too high, and it will not be easy to bring it down without costs.

POLITICS

The cabinet underwent modifications as President Abdo Benitez removed the Interior Minister, who has been accused of having relations with a drug dealer. The Justice Minister has also been dismissed. Another issue that was at the center of the stage was the protest carried out by transport workers that claimed against the increase in oil prices and asked for a reduction. After 5 days of protests, that impeded the normal circulation of trucks and buses causing shortages, the Government decided to go backward and reduce oil prices. To cover the cost of that measure it created a fund financed with a loan from the Latin American Bank of Development.

ECONOMIC ACTIVITY

After two years of contractions (-0.4% in 2019 and -0.8% in 2020), GDP grew 4.2% in 2021. From the supply point of view, services (3.3%), manufacturing (1.3%), and construction (0.9%) were the activities with the highest incidence on annual growth, while agriculture had a negative contribution. From the demand side, investment and private consumption were the most relevant factors. According to the IMAEP, economic activity had an important contraction in the first month of 2022 as it fell 6.3% m/m s.a. and grew 3.5% YoY. For 2022 we expect a growth of 3.2%, 0.2% below our last forecast due to a fewer statistical effect.

INFLATION

Monthly inflation was 1.5% in January and 1.4% in February, accumulating 2.8 percentage points so far this year. Considering the interannual rate, February's figure of 9.3% was the highest since May 2011. Three main groups displayed the greatest incidence on headline inflation. The first one is Foods and inside it, bread, flour, and dairy products. Fuels also had a significant contribution, with international oil prices increase affecting local prices. The last group corresponds to education, where there have been increases in fees as well as in school supplies. By the end of 2022 we expect inflation to ease and stand at around 4.5%.

MONETARY SECTOR

The Central Bank continues tightening its monetary policy. In this way, in its last meeting, it decided to increase the policy rate 50 basis points from 5.75% to 6.25%. This is the eighth consecutive hike aiming to bring down inflation to the target of 4%, although authorities expect it to continue above the objective in the first half of 2022. The exchange rate started the year with a depreciation of 2.6% in January, when it went from PYG 6,857 to PYG 7,033. After that, it reversed the increase and now stands at PYG 6,910 per USD. Our expected value for the end of the year is PYG 6,962 per USD.

FISCAL ACCOUNTS

2021's fiscal deficit was 3.6% of GDP, while the operative deficit was 0.7%. These numbers show an improvement compared to 2020 figures as revenues grew 13.7% and expenditures only 1.3%. In 2022, up to February, the accumulated fiscal deficit is 0.3% of GDP. On the revenues side, total income fell 4.1% in the first two months of the year, compared with the same period of 2021. This is explained by the reduction in non-tax revenues and royalties from binational companies of 34.2% and 22.5% respectively. At the same time, public expenditures had an increase of 7% due to rises in public salaries and social benefits. Our forecast for 2022 indicates a moderation of fiscal deficit ending at 2.9%.

WHAT'S COMING NEXT?

- Negotiations with Brazil on Itaipu electricity prices have not concluded yet but should end soon. Brazil's government wants to reduce the price while Paraguay's position looks for keeping the current price.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (PYG/USD, eop.)	6,922	6,981	7,033	6,857	6,948
Interest rate (%)	6.25%	5.75%	5.50%	5.25%	0.75%
Inflation (y/y)	-	9.3%	7.9%	6.8%	2.2%
Economic activity (y/y)	-	-	3.5%	4.9%	-0.6%

Source: EconViews based on several sources

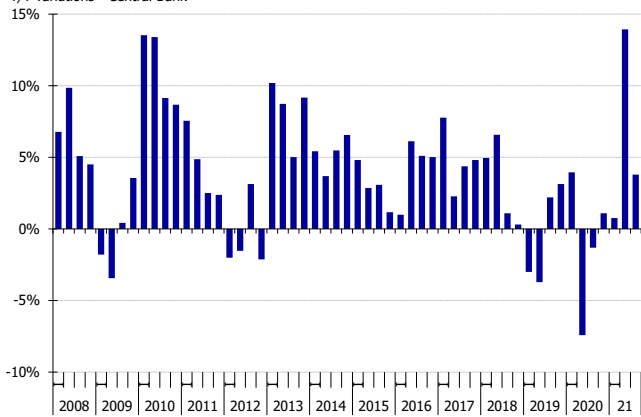
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	-0.4%	-0.8%	4.2%	3.2%	4.0%
Inflation (Dec-Dec)	2.8%	2.2%	6.8%	4.5%	4.3%
Fiscal Balance (NFPS - % GDP)	-2.8%	-6.2%	-3.6%	-2.9%	-2.2%
Current Account (% GDP)	-0.6%	2.5%	1.9%	1.3%	0.8%
International reserves (USD Bn)	6.8	8.5	9.0	10.3	11.1
Exchange rate (PYG/USD)	6,453	6,907	6,877	6,962	7,064

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

Real GDP

Y/Y variations - Central Bank



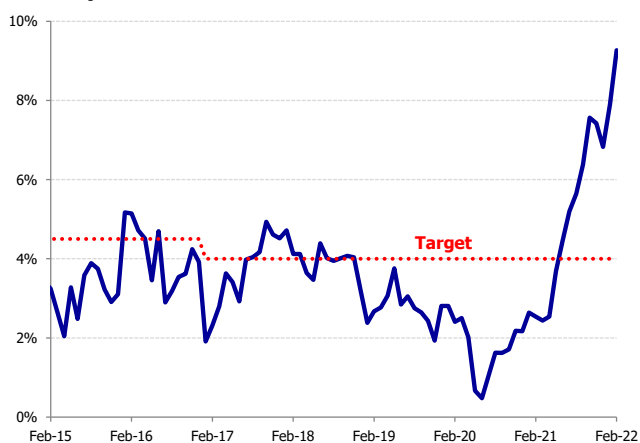
GDP growth - rolling forecasts for 2022

In %

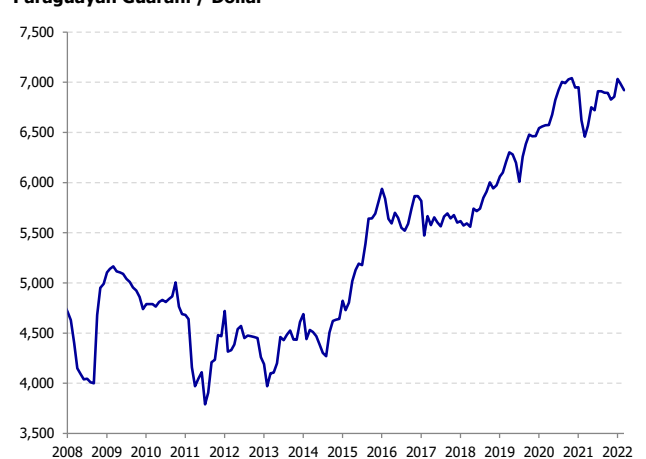


Inflation - General CPI

Annual changes



Paraguayan Guarani / Dollar



Good news	To be alert	Bad news
After a record 2021, Peru's exports grew by 7% in February, to US\$ 4.6 billion	The IMF technical assistance report on tax reform suggests mining royalties and rates for income and capital gains taxes could be somewhat higher.	Peru is currently in a "state of emergency", as widespread protests over hikes in gasoline, highway toll rates and food prices break out in Lima and Callao.

POLITICS

On Tuesday, Pedro Castillo declared a "state of emergency" and curfew in Callao and capital Lima, in response to protests and pickets over the recent increases in gasoline, highway toll rates and food prices. Recently, Castillo had survived another impeachment attempt on March 28th, as the opposition reached a 55-54 majority, but was short of the 87 votes necessary to remove him from office. In February, the Minister of Economy Pedro Francke had resigned in the midst of a new cabinet crisis. His successor Oscar Graham has a similar technocratic profile, as a BCRP career official. He also floated a project to raise the minimum wage by 10% to PEN 1,025, roughly 273 dollars, which could improve his image.

ECONOMIC ACTIVITY

Peru's economy rebounded 13.4% last year, after plunging 11% in 2020. Activity kept expanding at 2.9% year-on-year in January, led by mining (4.5%). The sector has benefited from copper prices, despite the ongoing strikes and protests due to environmental concerns. The IMF has suggested royalties could be moderately increased. Hotels and restaurants (30.4%) are still recovering, and agriculture (4.96%) also started out well. On the other hand, manufacturing (-1.5%) construction (-0.6%) and fishing (-30.3%) all contracted in January 2022, year-on-year. Peru's GDP forecast for this year was revised from 3 to 2.8%, as higher inflation and rate hikes will counter the positive impact of the commodity price boom.

INFLATION

Lima Metropolitan CPI climbed to a new high of 6.8% in March, above the previous record from 2008, and at levels unseen since 1998. In monthly terms, inflation accelerated to 1.48%, the most since 1996. Food and beverages were up 11.1% year-on-year, with staples such as chicken (+8%), sugar (+15%) or lentils (+4%) sharply above February's mark. Housing prices increased 10.9% year-on-year. Transport was up 8.8%, as international energy prices were somewhat countered by RER appreciation. Diesel (+4.4%) and gasohol (+11.8%) shot up between February and March. Given the external pressures, the inflation forecast for 2022 has been raised from 3.3 to 4.5%, although disinflation to 2.8% is expected in 2023.

MONETARY SECTOR

Since December 31st the BCRP has lost USD 1.2 billion in reserves, with net FX intervention at USD 371 million. This helped the Peruvian Sol appreciate solidly to 3.70 per dollar, back to February 2021's levels, or 8% YTD, despite constant political turmoil. Total reserves still total USD 77.3 billion, the third largest in Latin America after Brazil and Mexico. Over the last year, the Central Bank has also hiked its policy rate from 0.25 to 4%, and private rates have responded by jumping to a 4.8-5.7% range. After an initial shock from the Ukraine War, Peru's country risk fell from 200 to 175 basis points. While Fed hikes will put pressure on the BCRP, the rally in metals will help. We forecast a 3.97 end-of-period FX rate for 2022.

FISCAL ACCOUNTS

The 12-month rolling fiscal deficit fell from 8.9 to 2.4% of GDP over the last year, as of February 2022, and amounts to PEN 2.1 billion. Tax revenues increased 11.3% year-on-year to PEN 14.6 billion, aided by more income tax (+15.5%) contributions and mining, gas and oil royalties (+16%), which added up to PEN 3.5 billion in February. Current expenditures fell 6% against February 2021, as transfers to homes (-28.3%) are phased out in the post-pandemic scenario. However, the fiscal adjustment has also fallen upon public investment, with capital expenditures down 16.9% year-on-year. We expect Peru's fiscal deficit to end 2022 around 2.9% of GDP, with a further contraction to 2.6% the following year.

WHAT'S COMING NEXT?

- Congress is debating a new withdrawal from pension funds, following five such motions during 2020 and 2021, although both the Ministry of Economy and the BCRP have shown their opposition.
- The IMF is counseling Perú on tax reform. A recent document recommended raising levies on mining royalties up to 1 p.p. and widening the tax base for income and capital gains taxes.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (PEN/USD, eop.)	3.68	3.77	3.84	3.99	3.62
Interest rate (%)	4.00%	3.50%	3.00%	2.50%	0.25%
Inflation (y/y)	6.8%	6.1%	5.7%	6.4%	2.0%
Economic activity (y/y)	-	-	2.9%	1.7%	-11.1%
Manufacturing activity (y/y)	-	-	-1.6%	1.4%	-13.4%
Mining production (y/y)	-	-	4.5%	-6.1%	-13.2%

Source: EconViews based on several sources

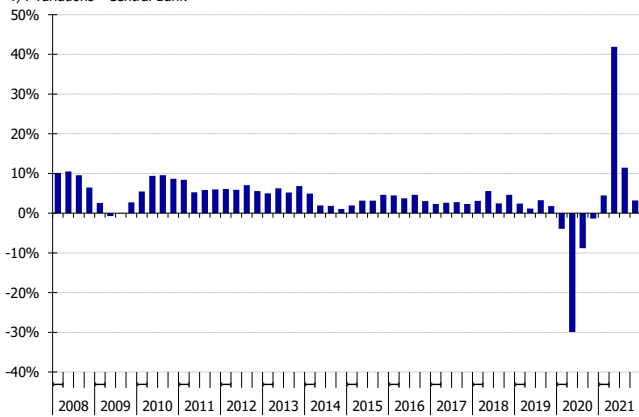
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	2.2%	-10.9%	13.4%	2.8%	2.9%
Inflation (Dec-Dec)	1.9%	2.0%	6.4%	4.5%	2.8%
Fiscal Balance (% GDP)	-1.6%	-8.9%	-2.6%	-2.9%	-2.6%
Current Account (% GDP)	-1.0%	0.8%	-2.8%	-1.5%	-1.3%
International reserves (USD Bn)	64.9	71.4	77.1	79.8	81.2
Exchange rate (PEN/USD)	3.31	3.62	3.99	3.97	3.99

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

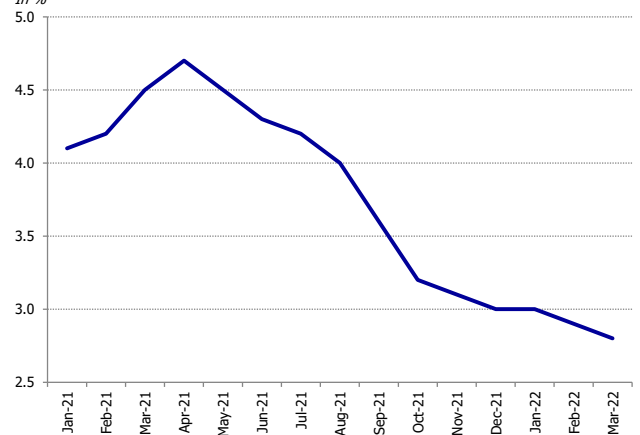
Real GDP

Y/Y variations - Central Bank



GDP growth - rolling forecasts for 2022

In %



Inflation - General CPI

Annual changes



Peruvian Sol / Dollar





URUGUAY

Good news	To be alert	Bad news
President Lacalle Pou announced the end of the "sanitary emergency", with 65% of population boosted and a sharp drop in cases.	Fitch ratings congratulated the Government on winning the referendum despite "austerity, falling real wages and oil price hikes".	Inflation hit 8.9% in February, its highest mark in over a year.

POLITICS

On March 27th, a referendum on several reforms was narrowly passed by a 49.9% vote, with high turnout (86%), in a victory for the Government. The LUC bill included items on crime, housing, education, and other areas. The main economic reforms concern energy (gasoline prices will adjust monthly), unions (strike-breakers are given more margin), limits on cash transactions (raised from USD 40,000 to 120,000) and employer-employee relations (bank transfers no longer a requirement for paying salaries). Critics consider the measures could consolidate Uruguay as a tax haven. Lacalle Pou's next objective is a pension reform, which includes raising the age of retirement from 60 to 65 years.

ECONOMIC ACTIVITY

Although its 6.1% contraction in 2020 was relatively light for the region, Uruguay's GDP grew 4.4% last year and was unable to fully recover until Q4-2021. Manufacturing fared much better, expanding 12.3% in 2021, and was still going strong in January with a 10.1% year-on-year variation. The unemployment rate fell from a peak of 11.1% in February 2021 to 7.3% today, its lowest register since 2017. Employment also improved from 54.9 to 57.2% and is above pre-pandemic levels. Wages (6.96% year-on-year) are still moving below inflation, although they jumped 4.3% since December. Market consensus is that Uruguay will grow 3.2% this year and 2.7% in 2023, an improvement on 2018-19's sluggish 0.3% average.

INFLATION

Inflation leapt to 8.85% in February, its highest mark in over a year, and racked up 9 consecutive months out of the Central Bank's upper target of 7%. CPI rose 1.47% in monthly terms, slightly below January's 1.78%, but food and beverage prices jumped 3.18% in February alone and are 10.3% up year-on-year. Education costs also grew 3.9% monthly, with seasonal effects. Gasoline increased 4.25% and gasoil was up 6%, but transport stayed in line between January and February (0.64%), albeit a 13.1% yearly variation. The Government has already cut 10% VAT tax on some meats and may do the same for flours and oils. We expect Uruguay's inflation to moderate to 7.3% by December and go to 6.5% in 2023.

MONETARY SECTOR

The Central Bank last raised its policy rate in February, by 75 basis points to 7.25%, the fourth hike in 6 months, citing market 24-month inflation expectations at 6.6%, and business surveys at 8%. In an adverse external environment, the BCU aims at reaching a neutral rate during Q2-2022. Its monetary policy committee will meet again on April 7th, and another 75 basis point hike to 8% is expected. Consumer credit has been growing above mortgages and business credit since January 2021. After slipping 5.3% during 2021, the Uruguayan Peso has appreciated 9% YTD and currently stands at 41.38 per dollar. We expect it to end 2022 closer to UYU 45.6 per USD.

FISCAL ACCOUNTS

As of February, the public sector's global fiscal deficit kept improving, at 3.3% of GDP in the 12-month rolling average, 0.4 points below January's register. Tax revenues increased slightly to 26.5% of GDP, while primary expenditures fell by 0.3 points to 27.7%. Covid-related expenditures made up 1.6 points of the 12-month figure, while interest payments added up to 2.1% of GDP. After a 4.3% fiscal deficit in 2021, the pandemic recovery and the Government's insistence on austerity should allow Uruguay to achieve a fiscal deficit of 3.6% of GDP this year. Higher international prices may put pressure on ANCAP, the state-owned oil company.

WHAT'S COMING NEXT?

- Tourism week in mid-April will allow one of Uruguay's key economic sectors to assess its post-Covid standing, after a weak summer due to sanitary restrictions and an unfavorable RER for Argentines and Brazilians.
- As part of the debate on pension reforms, the Minister of Labor warned the Fund for Professional Workers could have problems covering payments within two years.



APPENDIX

Dashboard

	Mar-22	Feb-22	Jan-22	Dec-21	2020
Exchange rate (UYU/USD, eop.)	40.97	42.53	43.92	44.70	42.37
Interest rate (%)	7.25%	7.25%	6.50%	5.75%	4.22%
Inflation (y/y)	-	8.8%	8.2%	8.0%	9.4%
Manufacturing activity (y/y)	-	-	10.1%	11.3%	-5.0%

Source: EconViews based on several sources

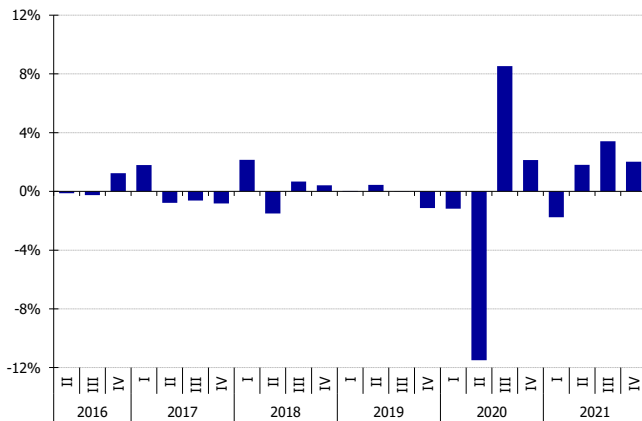
Macroeconomic Outlook

	2019	2020	2021	2022F	2023F
GDP growth (%)	0.2%	-6.1%	4.4%	3.2%	2.7%
Inflation (Dec-Dec)	8.8%	9.4%	8.0%	7.3%	6.5%
Fiscal Balance (% GDP)	-3.2%	-5.2%	-4.3%	-3.6%	-3.1%
Current Account (% GDP)	1.6%	-0.6%	-1.2%	0.2%	0.1%
International reserves (USD Bn)	14.5	16.2	17.0	17.1	17.2
Exchange rate (UYU/USD)	37.34	42.37	44.70	45.60	47.50

Source: EconViews based on Consensus Forecast, LatinFocus Forecast & IMF

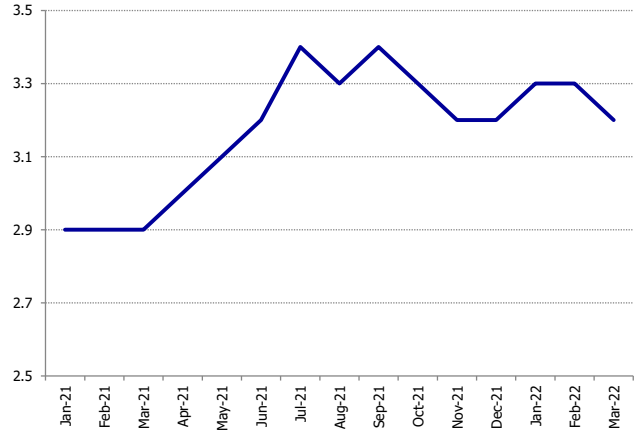
Real GDP

Q/q variations, s.a. - BCU



GDP growth - rolling forecasts for 2022

In %











Inflation - General CPI

Annual changes



Uruguayan Peso / Dollar



	GDP		Inflation	
	2022	2023	2022	2023
	3.5%	3.0%	61.0%	50.0%
	0.5%	1.6%	6.3%	3.9%
	2.1%	1.2%	6.6%	3.6%
	4.8%	3.0%	6.1%	3.8%
	1.9%	2.3%	5.4%	3.7%
	3.2%	4.0%	4.5%	4.3%
	2.8%	2.9%	4.5%	2.8%
	3.2%	2.7%	7.3%	6.5%

(+54 11) 5252-1035
 Carlos Pellegrini 1149
 Buenos Aires
www.econviews.com
www.facebook.com/econviews
 Twitter: @econviews

Miguel A. Kiguel
 Director
mkiguel@econviews.com

Andrés Borenstein
 Chief Economist
aborenstein@econviews.com

Víctor Ruilova
 Guest Economist
vruilova@econviews.com

Isaías Marini
 Economist
imarini@econviews.com

Alejandro Giacoia
 Economist
agiacoia@econviews.com

Melina Sommer
 Economist
msommer@econviews.com

Rafael Aguilar
 Analyst
raguilar@econviews.com