



Latin American Alliance of Economic Consultancies junction report

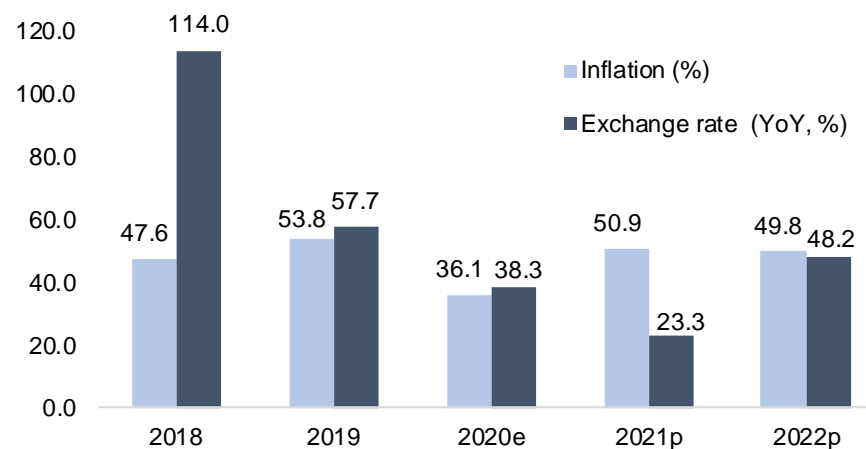
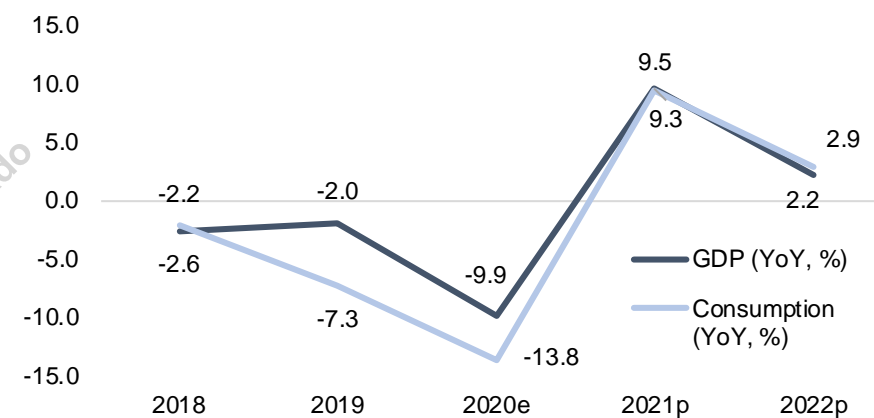
January 2022

Partners



Economy: 2021 was characterized by the economic recovery that ensued after 2020, the significant increase in terms of trade and the trade balance, and the reduction of the fiscal imbalance. Economic activity showed an expansion of more than 9%, most of the drop experienced in 2020 due to the impact of the pandemic and lockdown. However, during the year nominal imbalances steepened and the clear emergence of the limitations of the economic scheme became apparent. There was a sharp acceleration in nominality and exchange rate tensions persisted (the Central Bank did not capture the surplus of foreign currency that entered the country). 2021 clearly exposed the economic limitations: control path is not enough to contain inflation (which accelerated to 50.9% Y.o.Y) or to accumulate reserves (despite the extraordinary income of 2021). Looking to 2022, where the availability of foreign exchange will not be as comfortable as it was in 2021 and corrections will have to be implemented, which is why a challenging year is set.

Politics: The path of materialization of the agreement with the IMF has become more diffuse than the Government itself imagined, due to the distance that existed between the proposal of the Argentine Government and the requirements of the IMF staff to reach an agreement of extended facilities. While the agreement is delayed, the appearance of an economic program that helps align economic expectations will be delayed, which will surely affect the performance of the economy in the coming months. The Government will have to work to contain the rise in prices, being not only a requirement of the IMF but also of its own electorate. This whole process will shape the political dynamics of 2022.



ARS/USD

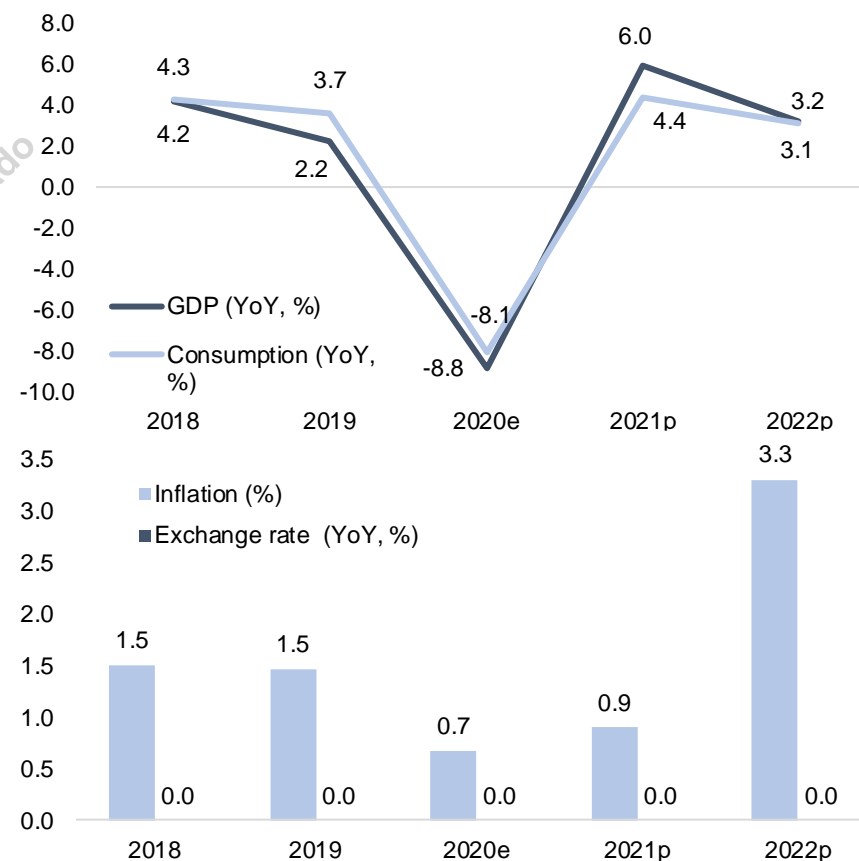
Year	ARS/USD
2018	37.9
2019	59.7
2020	82.6
2021	101.9
2022p	151.0

Bolivia



Economy: Due to the incomplete recovery of the Bolivian economy (6% increase in GDP estimated in 2021 versus a 9% drop in 2020) and the fixed exchange rate regime since 2011, inflation in 2021 ended at 0.9% , one of the lowest in history and also in the region. This also reflects low wage pressures, since formal wages are still at least 5% below the pre-pandemic level, a phenomenon that is more pronounced in the informal sector (80% of all workers). This environment of contracted aggregate demand together with better prices of export raw materials explains why international reserves have moderated their fall to two percentage points of GDP (from 14% of GDP to 12% or USD4.9 billion), when in 2018 it was at 22% of GDP (USD9 billion). Consistent with the above, as of the third quarter of 2020 the current account of the balance of payments had a surplus of 2.5% of GDP or USD 1 billion.

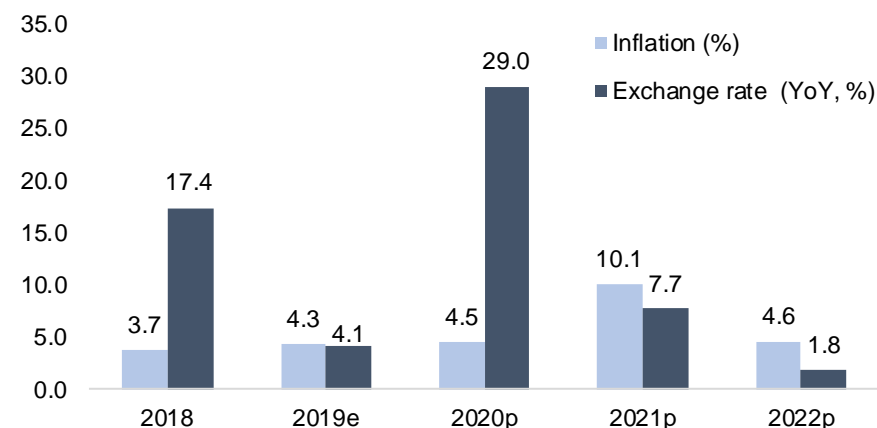
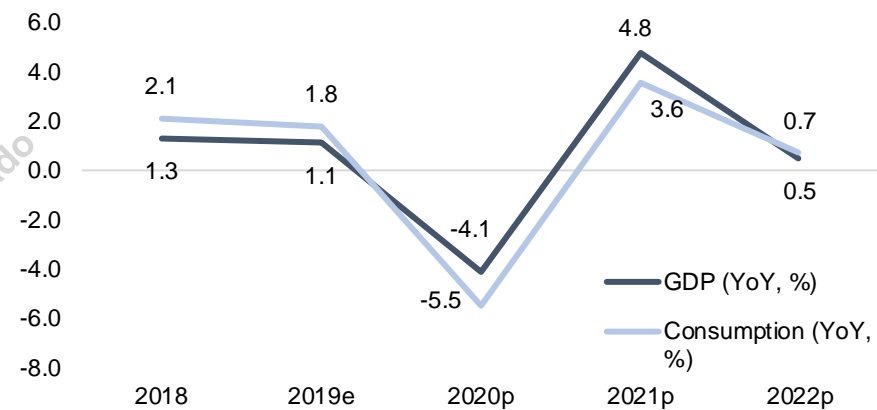
Politics: On January 22 of each year the anniversary of the Plurinational State is celebrated, when it is customary to modify the cabinet of ministers. This year, various tendencies within the ruling party have expressed their interest in the change of ministers. Among them, there is a group close to the pre-2020 administration that suggests ministers with a more political profile. This discussion takes place in the midst of a sudden increase in cases of coronavirus, against which a decree has been promulgated that requires carrying the vaccination card in public and private spaces since the beginning of the year, which has increased the demand for vaccination . However, there are factions within the party in function of government that are in disagreement, for which its application has been postponed until the end of the month. Public discussion has also focused on the hiring of almost a thousand people in the Santa Cruz mayor's office without exercising functions for several years, a scandal called "ghost items".



BOB/USD				
2018	2019	2020	2021	2022p
6.96	6.96	6.96	6.96	6.96

Economy: The downward revision for economic activity in 2022 is already incorporated by economic agents. The explanations behind this movement are basically the combination of less favorable international winds, due to the perspective of monetary tightening in the US, and a domestic environment marked by electoral uncertainties. The differences in the prospective scenarios for this year are therefore conditioned by the magnitude of international noise and the degree of populism in government decisions and in the economic debate. Thus, 2022 should be affected by a contractionary movement by the monetary authority to avoid further deterioration in expectations. The less favorable financial conditions, in fact, represent a trend of loss of breath of activity, whether on the supply side, especially in the industrial sector, or in household consumption. The risks associated with the pandemic are also holding back the performance of the service sector.

Politics: The political landscape still bears the growing divide between the economic agenda and the interests of President Bolsonaro's re-election. Not coincidentally, the political dilemmas were not resolved with the approval of the 2022 budget. The political framework in January must respond to potential presidential vetoes on budget legislation and the possible emergence of serious ones of various categories. The fiscal space in the budget represents the decision of selective increase for some categories, generating strong political pressure. The economic team has already demanded the president's veto, but political uncertainty remains. There is no way out without political cost for the government, which explains the president's low political capital. This weakness adds an element of risk throughout the year, explaining the downward trend in Brazilian assets. The political scenario is also fueled by slightly more consistent signals from possible candidates for the Presidency of the Republic regarding the economic agenda, with emphasis on the positioning of Lula's candidacy.

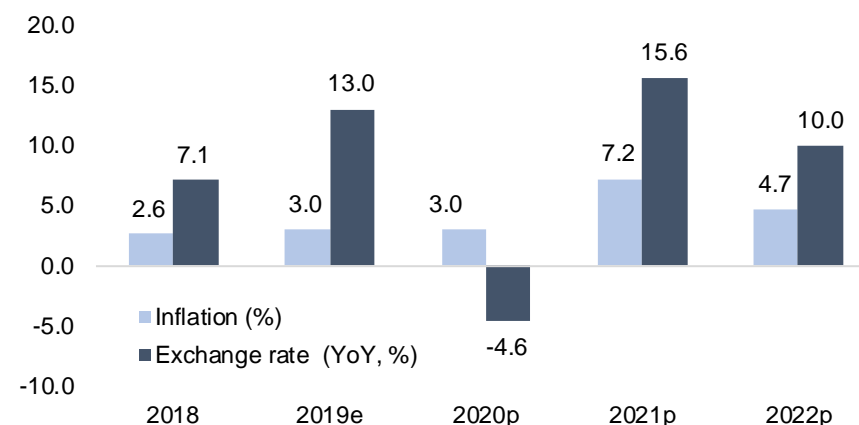
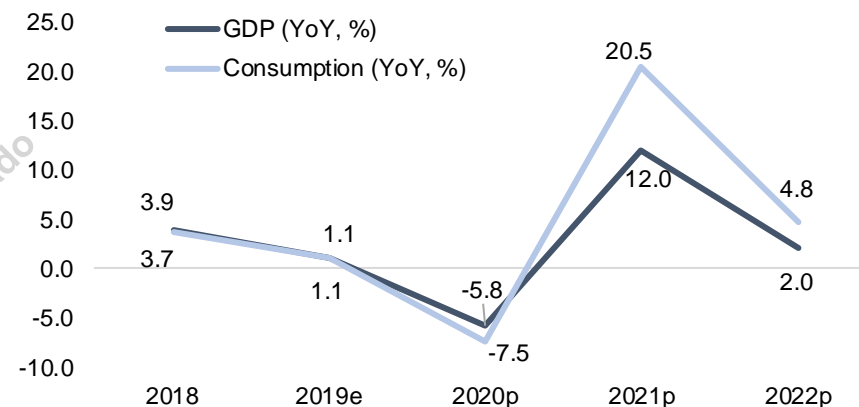


BRL/USD

Year	2018	2019	2020	2021	2022p
Value	3.87	4.03	5.20	5.60	5.70

Economy: Economic activity has continued to grow at double-digit rates with information as of November, which leads to raise again the closing estimate for 2021 to 12%. Although this leaves an important floor to growth for 2022, the sharp reduction in fiscal stimuli as of January, the contractionary monetary policy and the gradual exhaustion of the withdrawals of the AFPs, added to the strong political and institutional uncertainty, will lead to a significant slowdown in growth, especially from the second or third quarter, which can turn into a recession. On the other hand, inflation continues to accelerate, and closed 2021 at 7.2%, the highest in 14 years, which will force the Central Bank to continue raising the MPR rapidly in the short term, currently at 4% and which could exceed 6% by the end of the first semester. The exchange rate has tended to stabilize in recent weeks after the rise experienced after the second round of elections, but we estimate that this may be a rather transitory phenomenon.

Politics: The categorical triumph of Gabriel Boric in the second presidential round of December 19, will lead a coalition of the Communist Party and the Broad Front, both of the left, to the government for the first time since the return to democracy in 1990. The coalition has shown strong internal divergences that have been clearly evidenced in the operation of the Constituent Convention (CC), where they have generally been at odds. In addition, they have a very small parliamentary representation, which will make it necessary to form alliances with center-left forces, making their management capacity even more difficult, while facing, from now on, persistent attacks from the clearly revolutionary far left. If we add to this that the CC must deliver its draft new constitution in July, it is likely that the wear and tear suffered by the new government in its first year in office will be very great and its results mediocre at best.

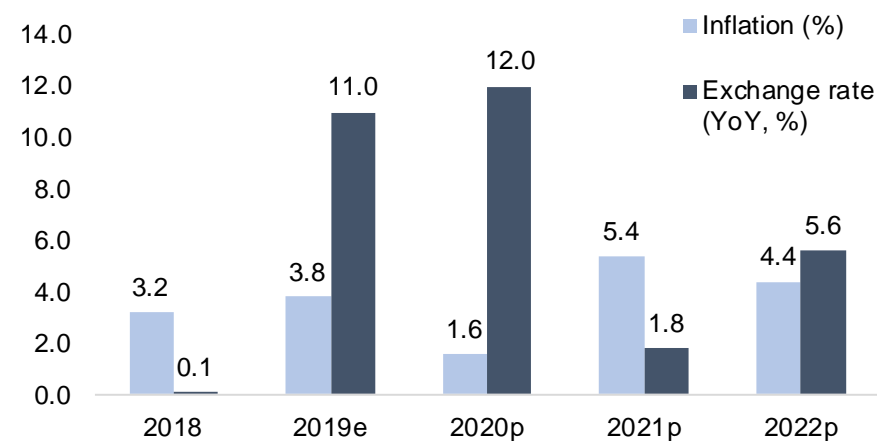
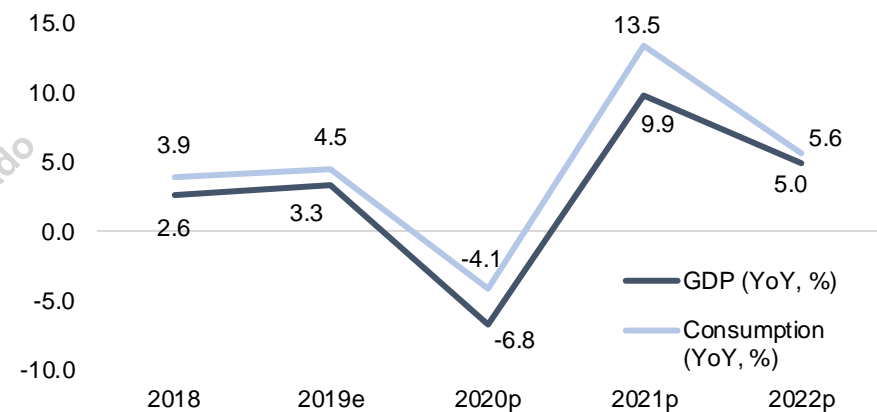


CPL/USD				
2018	2019	2020	2021	2022p
682	770	735	849	850

Economy: The year 2021 marked an important recovery for the Colombian economy. Economic growth will be close to 10%. However, the pronounced devaluation and the damaging effects of the national strike had important effects on inflation, which closed at 5.6% for 2021, above the Central Bank's target range of 3% to 4%. For its part, the year 2022 has sources of optimism, although it will also have important risks. Sources of optimism include progress in the national government's vaccination plan, which has mitigated the effect of the fourth wave of the COVID-19 virus, the high oil price (USD 85-95 per barrel) and the reactivation plans of the national and some local governments. On the negative side, there is the political uncertainty associated with the presidential elections and the processes of monetary contraction due to the inflationary peak. As a result, Colombia is expected to grow by 5.5% this year, have an unemployment rate of 11.6% and close with an inflation rate of 4.4%.

Politics: The presidential elections for the period 2022-2026 will be held on 29 May. At the moment, uncertainty about the electoral scenario is high, given that to date there are more than 15 presidential pre-candidates from political parties and a significant number of candidates nominated by citizen signatures such as: Luis Emilio Pérez Gutiérrez, Alejandro Gaviria Uribe, Federico Gutiérrez Zuluaga, Rodolfo Hernández Suárez, Alejandro Char Chaljub and Juan Carlos Echeverry Garzón. For now, the electoral scenario looks very fragmented and there is a risk of reaching extremes like in Chile or Peru.

As far as policy measures are concerned, the Ministry of Finance decoupled the increase in the minimum wage from the increase in the minimum wage, the increase in health care moderator fees, the fees for techno-mechanical inspections in automotive diagnostic centres, the collection of fines and penalties in the ICT, Education, Labour, Defence, Agriculture and Transport sectors. These are now indexed to inflation. This is due to the high increase in the minimum wage.

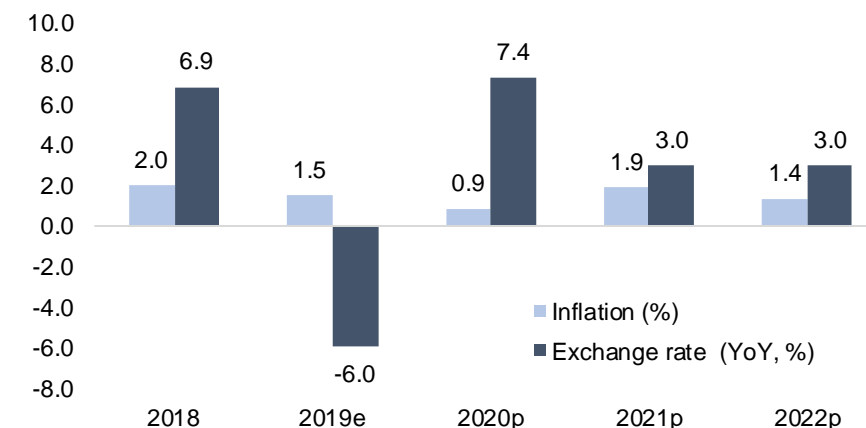
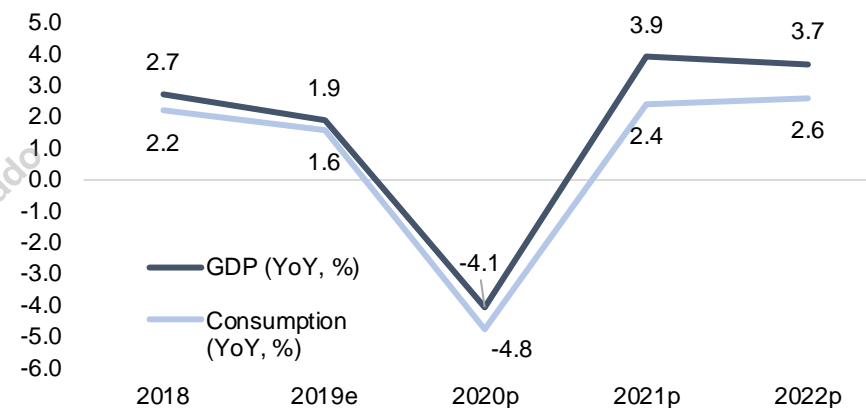


COP/USD				
2018	2019	2020	2021	2022p
2,956	3,280	3,674	3,740	3,950

Economics: Costa Rica ended 2021 with an inflation of 3.3%, according to figures published by the National Institute of Statistics and Censuses (INEC). In December 2021, the level of the general price index was 103.3 while in November it was 102.8. This inflation is the highest recorded since 2014. Moreover, contrary to what usually happens at the end of the year, the dollar closes 2021 with an upward trend, with an increase of 4.2% in the year. One of the reasons is that there has been a lower foreign currency income from tourism, this added to the requirements of foreign currency by the public sector to meet payments.

On the other hand, the Central Bank of Costa Rica (BCCR) published the maximum annual interest rates for credit operations in colones, U.S. dollars and other currencies. For all types of loans except micro loans, the rate was set at 33.4% in colones and 28.0% in dollars. For microcredits the rate was set at 47.3% in colones and 39.7% in dollars, and loans in other currencies were set at 5.8%. These rates correspond to those that will be used in the first half of 2022.

Politics: Cases of COVID-19 have increased during the end of 2021 and the first weeks of January, mainly due to the new omicron variant. Health authorities announced that this variant could saturate national health centers in a few weeks. Due to this, the government announced measures to extend —again— the vehicle restriction. As for education, the return to face-to-face classes throughout the country for the time being remains for February 17. Experts assure that the fact that this new variant is less lethal, that more than 7.5 million vaccinations have already been registered and that children between five and eleven years old will begin to be immunized in the coming weeks, make the return to the classroom safe and necessary for the education system.

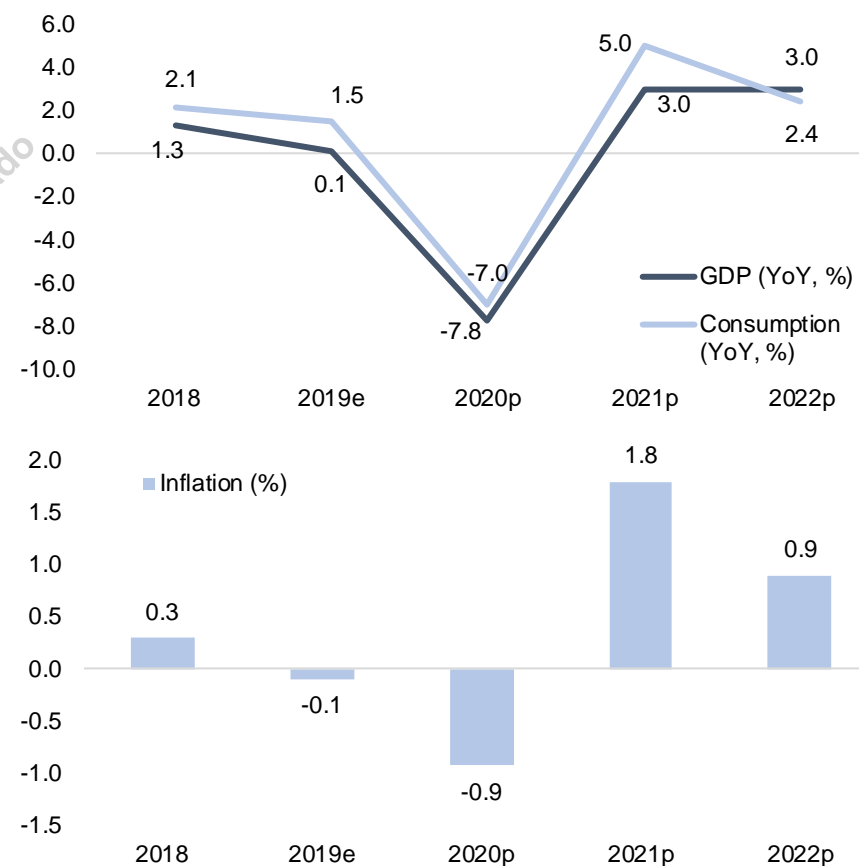


CRC/USD

Year	2018	2019	2020	2021	2022p
Value	609.6	573.2	615.4	633.9	652.9

Economy: The Central Bank of Ecuador published the results of the national accounts until the third quarter of 2021. According to the official institution, the Ecuadorian economy recorded a year-on-year growth of 5.6% in the third quarter, with which the accumulated growth between January and September 2021 compared to the same period of 2020 was 4%. In addition to publishing the figures for the third quarter of 2021, the Central Bank significantly revised the results of the first two (from -5.4% to -4.1% for the first and from 8.4% to 11.6% for the second). With cumulative growth of 4% through September, our 3% projection for the entire year would seem too conservative (in the fourth quarter growth should be zero to reach that result). However, at the moment we are still in that projection, since a good part of the accumulated GDP growth until the third quarter of 2021 is explained by a striking jump of 377% in the variation of inventories. Without this jump, annual GDP growth in the third quarter would have been just 2.7%.

Politics: One of the current president's main campaign offers was to increase Ecuador's minimum wage from \$400 to \$500 per month during his term in office. At the end of last year, the Government announced that the minimum wage for 2022 would be \$425, an increase of 6.25 per cent. The increase decided by the Government was much more political than technical in nature, as it far exceeds Ecuador's annual inflation in 2021 (1.9 per cent in December, one of the lowest rates in the world today) and also the inflation projections for 2022 (1.3 per cent on the annual average, according to the Government itself). The decision came in a context in which some social organizations, led by the Indigenous Movement, have announced protests against the government for having announced that it will not lower the price of fuel, whose subsidy was significantly reduced in 2021. The protests have been announced for the second half of January. However, last year's call for proposals was very limited.



Mexico



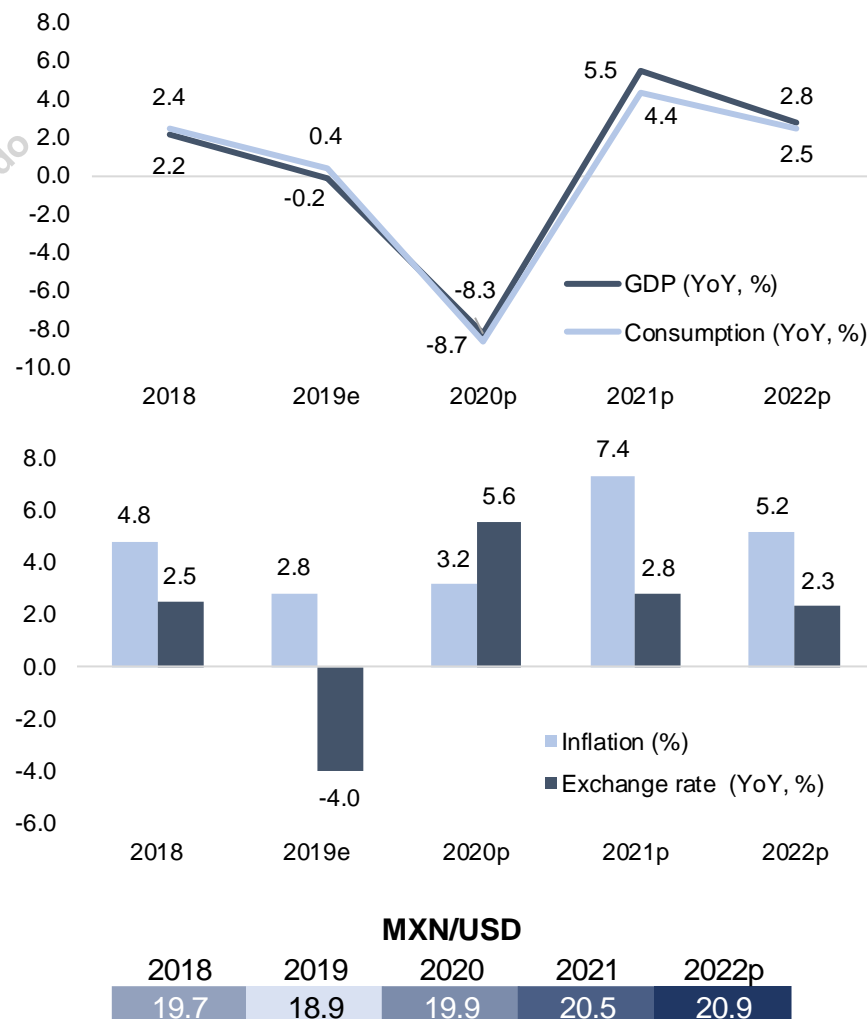
Economy: The year 2021 closed with the generation of 781.9 thousand new formal jobs with social security benefits, higher than the 647.7 thousand jobs lost in 2020. During the month of December, a seasonal drop of 312.9 thousand jobs was recorded, which is typical of the end of the year. With the above, there are more than 20.6 million people with formal jobs in Mexico, higher than the 19.7 million registered in 2020. Although lost jobs were recovered, average wages in industry, commerce and services are still below pre-pandemic levels.

Annual inflation in December registered a level of 7.36% compared to last year, a decrease of 10 basis points from November's 7.37%, but still above the 3% annual target (with a margin of one percentage point) set by the Bank of Mexico. Inflation is expected to persist throughout 2022 and it is not expected that inflation expectations will converge to Banxico's target until 2023.

The Ministry of Finance and Public Credit (SHCP) announced that the refinancing of Petróleos Mexicanos' (PEMEX) short-term debt was paid, which generated a 3.2 billion dollar reduction in its debt and also reduced its financial pressure by 10.5 billion dollars. Despite this, it is expected that PEMEX (Mexico's most important state-owned company and the most indebted in the world) will continue to be a risk factor that will lead to a downward revision of the credit rating of the organization itself and of Mexico as a country.

Politics: The beginning of the year was characterized by the continuity of the Federal Government's attacks on the National Electoral Institute (INE), on the one hand by assigning a lower budget for 2022, being an election year in 6 of the 32 states; and on the other hand, by the pressure to carry out the citizen consultation on the revocation of mandate, a process in which citizens exercise their right to decide whether they approve the revocation or removal of a government official from his or her position in the government. Given the lack of legal arguments for the INE to fail to implement the citizen consultation and for the Government to meet its budgetary needs, the collection of signatures for the approval of the process reached 11.1 million, higher than the 2.8 million required to carry out the electoral exercise.

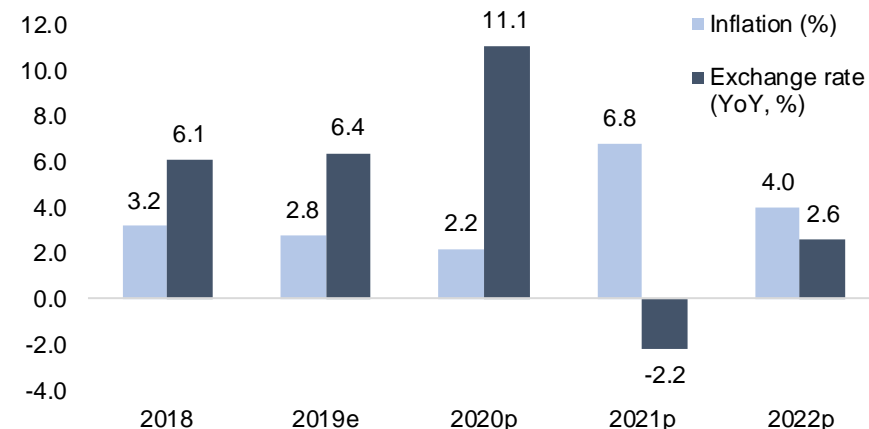
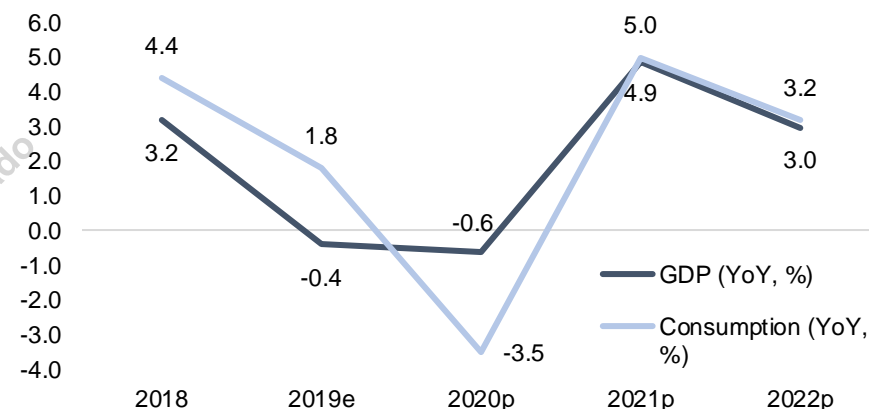
During January, a new maximum of COVID-19 infections was registered, reaching a historic high of 30.6 thousand positive cases per day; however, the Ministry of Health and the Federal Government informed that they will not modify the green traffic light for economic activities, and therefore the mobility of all productive sectors will continue unchanged. It is worth mentioning that President López Obrador tested positive for Covid-19 for the second time.



Economy: Analyzing the first nine months of 2021, the Gross Domestic Product (GDP), measured in constant terms, registered an expansion of 5.8%. This reverses the fall of 1.5% observed during the same period of 2020. This favorable performance is shown by activities such as construction (16.9%), livestock, forestry, fishing and mining (11.0%), manufacturing (8.6%) and services (7.6%), which together account for 6.7 percentage points (pp) on the growth of the GDP. Meanwhile, agriculture and electricity and water presented contractions of 8.8% and 10.7%, respectively. These results had a negative incidence of 1.6 pp. Moreover, the economic recovery helped tax income, which increased 9.8% year on year, this component contributes 0.7 pp to the variation on the GDP.

In December 2021, inflation measured by the month-on-month variation of Consumer Price Index stood at 0.0% to reach an accumulated rate of 6.8% by the end of the year. It is noteworthy that the groups that showed the highest variation were food and non-alcoholic beverages (12.3%) followed by transport (11.4%). The one that showed the least variation was education (0.7%).

Politics: On January 5th of 2022, the President of Paraguay, Mario Abdo Benitez, met with the National Economic Team to assess the current climate situation and adopt contingency measures. This, to mitigate the impact of the drought on the productive sector, specifically agriculture and livestock. This meeting, concluded in a) Refinancing debts of the agricultural sector, through the Central Bank of Paraguay, without affecting the credit rating; b) Providing a line of credit for operating capital, this being a total of Gs. 500,000 million (USD 70 millions) with a term of 12 to 24 months, with interest rates of 8.0% and 9.0% in local currency; and 6.0% and 7.5% in USD dollars; c) A new special line of USD 100 millions for refinancing debt, with a grace period of up to one year; d) Refinancing of up to 24 months for the Enabling Agricultural Credit; e) Provisions from the Ministry of Agriculture and Livestock, of seeds of high genetic quality and fuels for 21,000 small producers and lastly, and f) Postponement of the payment of the Business Income Tax.

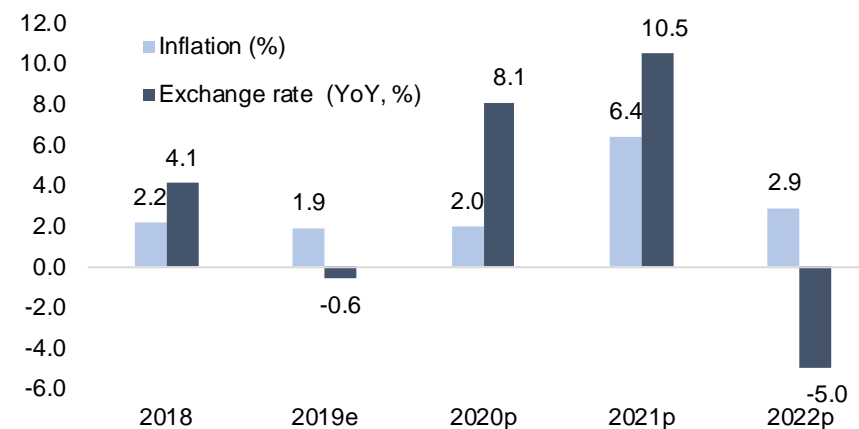
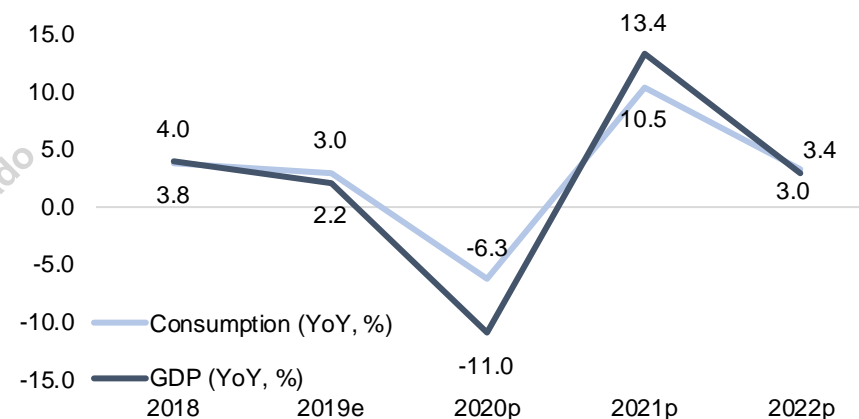


PRY/USD				
2018	2019	2020	2021	2022p
5,899	6,279	6,974	6,824	7,000

Economy: GDP growth continued to moderate in November: it stood at 3.5% yoy, lower than the 4.6% yoy in October and the 9.7% yoy in September. On the other hand, the fiscal deficit was reduced to 2.6% of GDP in 2021 (8.9% in 2020) due to higher tax revenues due to the rebound in economic activity and the increase in the international price of copper.

Regarding consumer prices, inflation closed 2021 at 6.4% yoy, above the target range of the Central Reserve Bank of Peru (between 1% and 3%). Imported inflation reached 19.2% yoy, contributing almost a third to the total result. In this context, the BCRP raised its policy interest rate again in January by 50 basis points to 3.0% in its attempt to anchor inflation expectations. Finally, the exchange rate has been showing a downward trend and is already close to 3.85 soles per dollar (almost 4.00 soles per dollar at the end of 2021) in line with the dissipation of political noise in recent weeks.

Politics: The political environment was relatively calm amid the end-of-year festivities. Although the questions to the Executive continued, even the Congress censured the Minister of Education at that time, there were no new signs that point to a radical change in the rules of the game, which has brought some calm to the markets. In relation to social conflicts, the Las Bambas mine restarted its operations after paralyzing them in mid-December following an agreement between the company, the Government and the communities influenced by the project. The greater calm did not prevent presidential approval from falling to 33% in a recent poll (36% last month).



PEN/USD				
2018	2019	2020	2021	2022p
3.37	3.35	3.62	4.00	3.80

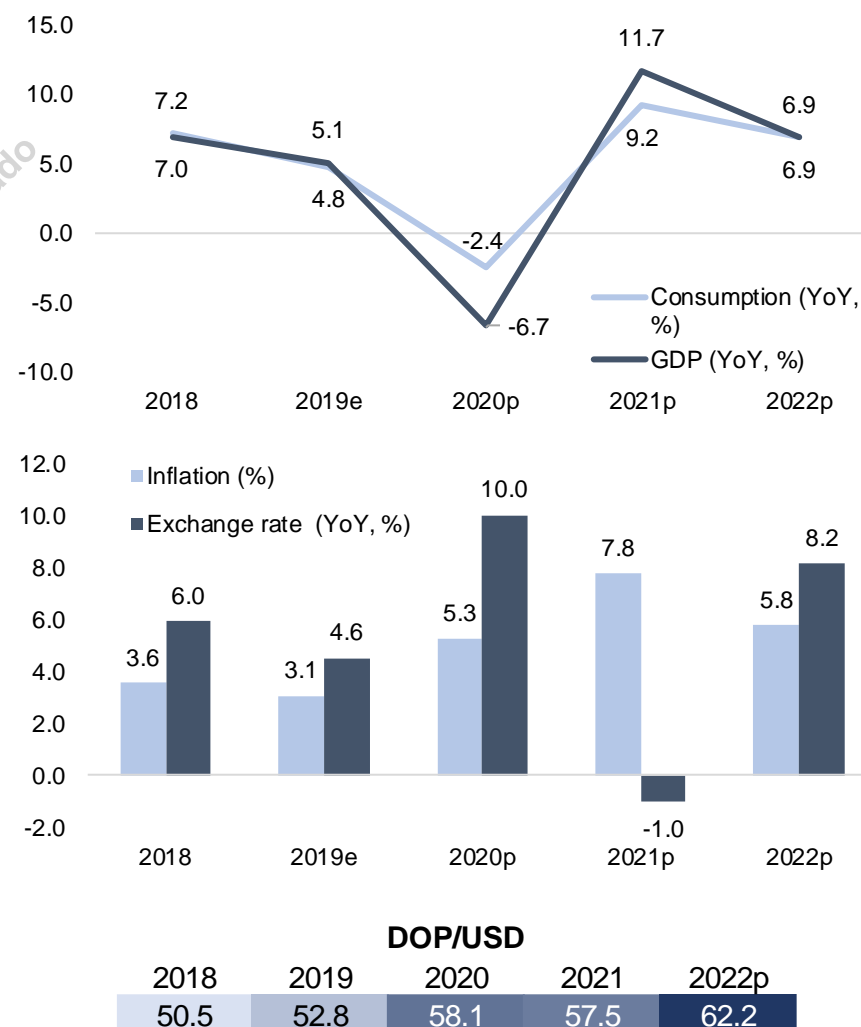
Economy: In the last month, the most relevant economic event has been the new rise in interest rates after the increase of 50bp in November, of an additional 100bp in December, which leaves the interest rate at 4.50% by the end of the year, already reaching pre-pandemic levels. This evidences the late response with which the monetary authority, compared to its regional peers, applied the restrictive policy in the face of increases in the inflation rate, which closed at 8.5% in December, 3.5% above the target range defined by the BC. , the biggest rally in more than 10 years (November 2011). At Ecoanalítica we also believe that the higher pace of rate increases was related to the surprise suspension of the tax reform at the end of October, given that a tax reform that would have increased taxes would curb inflationary pressures.

Now without reform and with inflation ending 2021 above 8%, we expect the persistence of prices at high levels to lead to successive rate increases during the first half of 2022.

Regarding the fiscal area, the 2021 general budget deficit managed to be reduced by more than DOP 50,000 million, 3% of the gross domestic product (GDP), thanks to greater planning of the destination of public resources and the adjustment in the accounts to pay internal in the public administration, but that also translated into a wide lag in capital expenditures, whose execution was barely close to 50% of what was budgeted. With the data from the informally mentioned budget directorate, the deficit estimates for the end of the year are around 1.5% for 2021, in line with what Ecoanalítica estimated in its latest reports, although we expect it to rise to 3.6 % in 2022, due to the absence of the fiscal reform and a greater execution of capital expenditures, around 4% with respect to GDP, which the IDB recommends for developing countries with the infrastructure conditions of the Dominican Republic.

Politics: Abinader's government maintains high levels of popularity of around 65%, which places it as the second most popular government in the region, only below Nayib Bukele of El Salvador.

Beyond that, the rebound in COVID-19 cases, due to the arrival of the omicron variant, which represents 80% of cases in the country, has sparked conflicts with school teachers' unions reluctant to return to classrooms in the midst of the highest peak of cases in the country, despite the lower lethality they are showing. In addition to this conjunctural issue, we see as relevant political agenda items in 2022 a possible lifting of fuel subsidies due to the rise in oil prices that raises the costs for the government to maintain it (about USD 225 million in 2021), as well as the management of the complex Haitian crisis and its implications throughout the island.



Uruguay



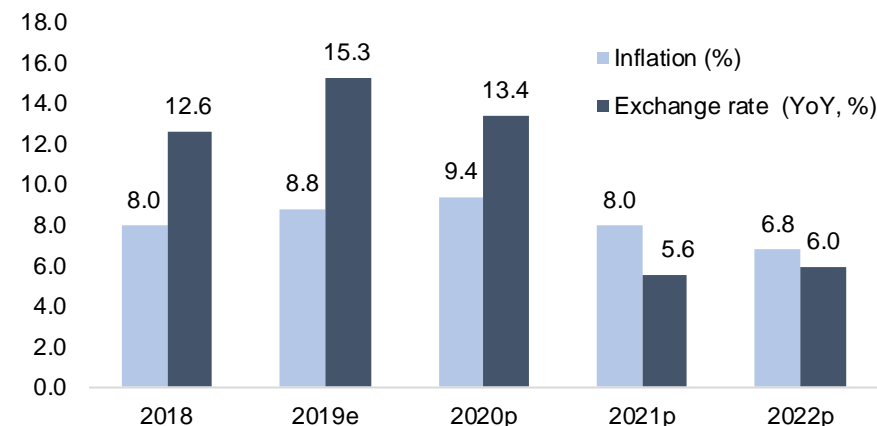
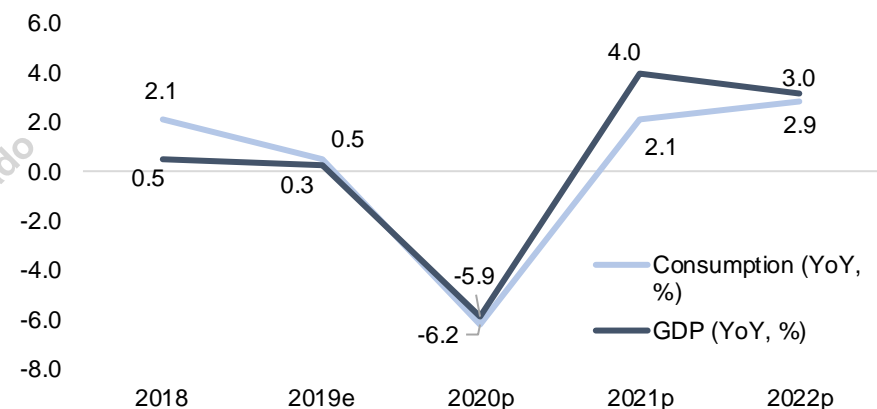
Economy: The Gross Domestic Product of the third quarter of the year exceeded initial expectations, growing 2.7% in relation to the immediate previous period, and 5.9% compared to the third quarter of 2020. The sector with the highest incidence was Commerce, Hotels and Restaurants as a consequence of the greater social mobility that allowed an increase in the sale of goods. In terms of expenditure, exports had the highlights, mainly the meat industry and energy. With this information Oikos C.E.F. projects an average growth of 4% for 2022.

Inflation closed the year at 7.96%, which meant a reduction of 1.5 points in relation to the previous year, even though it is above the Central Bank's target range of between 3% and 7%. Consequently, the monetary authority determined a new rise in the policy rate and positioned it at 6.5% to accelerate the reduction in the economy's means of payment.

In the end, the exchange rate stood at \$ 44.695, which represents an increase of 5.6% in the year.

Politics: The Minister of Economy and Finance, Azucena Arbeleche, was recognized by the British magazine, The Banker, as the Finance Minister of the Year. This recognition in the past had been awarded to Danilo Astori when he was the Minister of Economy of the Frente Amplio government. The relevance of this is that regardless of the ruling party, the country's macroeconomic policies continue and this is highlighted at the international level.

On the other hand, the Permanent Commission of Parliament – the acting body when the chambers are in recess - will meet on the 19th of this month to receive the Ministers of Livestock, Environment, Interior and Defense. The objective is for the different ministers to report on the impact of the recent forest fires that occurred on the 4th of January. The instance will also be conducive to questioning on the preventive measures for the remainder of the summer.



UYU/USD

Year	2018	2019	2020	2021	2022p
Rate	32.4	37.3	42.3	44.7	47.4

Economy: The Central Bank of Venezuela (BCV) and the Venezuelan Finance Observatory (OVF) released their inflation figures for December. The BCV indicates a month-over-month inflation of 7.6% and year-over-year inflation of 686.4%, and the OVF indicates a month-over-month inflation of 6% and year-over-year inflation of 660%.

With these results, according to the BCV, December 2021 represents the twelfth month with an inter-monthly inflation below 50%, so Venezuela would be abandoning the inflationary process according to Cagan's criteria (1956), while, according to OVF figures, December 2021 would represent the tenth month with an inter-monthly inflation below 50%, so Venezuela would still not be abandoning such process.

Regarding the Venezuelan oil market, according to Reuters, PDVSA will resume exports of diluted crude oil (DCO) for the first time in 9 months and its main destination is expected to be Asian refineries. This comes after it was reported that China acquired around 324 million barrels of crude oil from Iran and Venezuela in 2021, which represents a year-on-year increase of 53% and is expected to continue rising.

Politics: The opposition candidate, Sergio Garrido, won the governorship of the State of Barinas in the regional elections carried out on January 9th, which were repeated by order of the Supreme Court of Justice (TSJ), which annulled the results of November 21. This represents the first victory of an opposition candidate since former President Hugo Chávez assumed his first presidency in 1999.

On his part, the President of the TSJ, Maikel Moreno, proposed to the Parliament to promote a reform to the Organic Law of the TSJ to reduce the number of magistrates. The proposal was discussed and approved in first discussion by the parliamentarians in an extraordinary session. The reform proposes to reduce the number of magistrates of the court from 32 to 20.

In the international arena, Venezuela, together with seven other states, including Iran and Sudan, lost their right to vote in the General Assembly of the United Nations due to their excessive debt with the organization of approximately USD 40 million, as announced by Antonio Guterres, UN Secretary General.

