



Brief profile of Latin America

BASIC FACTS

Overview

There are 618 million people living in Latin America according to the World Bank, this accounts for 8.4% of the current global population. Mexico and Brazil account for close to 60% of the region's entire population.

Although Latin America represents a relatively small percentage of the world's population, the region has registered 29% of total COVID deaths, and more than 30% of the

Brazil and Mexico comprise 60% of the region's GDP, Argentina is responsible for 9.3%, Chile and Colombia make up approximately 6%, Peru contributes 4.6%, and the rest of the countries represent less than 2%.

Latin America's total population is almost double that of the United States', but its economy only adds up to 21% of the American GDP.

	Population (Millions)	%	GDP 2021 (US\$ Billions)	%
Argentina	45.4	7%	\$455.2	9%
Belize	0.4	0%	\$1.9	0%
Bolivia	11.7	2%	\$38.5	1%
Brazil	212.6	34%	\$1,645.8	34%
Chile	19.1	3%	\$331.3	7%
Colombia	50.9	8%	\$300.8	6%
Costa Rica	5.1	1%	\$61.5	1%
Dom. Republic	10.8	2%	\$89.5	2%
Ecuador	17.6	3%	\$104.5	2%
El Salvador	6.5	1%	\$27.7	1%
Guatemala	16.9	3%	\$83.3	2%
Honduras	9.9	2%	\$26.3	1%
Mexico	128.9	21%	\$1,285.5	26%
Nicaragua	6.6	1%	\$13.4	0%
Panama	4.3	1%	\$60.1	1%
Paraguay	7.1	1%	\$37.0	1%
Peru	33	5%	\$225.9	5%
Uruguay	3.5	1%	\$60.1	1%
Venezuela	3.5	1%	\$60.1	1%
Total	618.7	100%	\$4,893.1	100%

Despite Colombia and Peru's strong economic growth in the last two decades, their per capita GDP only represents between 34% and 40% of Uruguay and Chile's per capita GDP.

Four out of six Central American countries have the highest poverty rates in Latin America, with a per capita GDP under US \$5,000 (El Salvador, Guatemala, Honduras and Nicaragua).

Country	Poverty rates (2019)	GDP per capita (Estimates for 2021)
Uruguay	3%	\$16,965
Chile	10.7%	\$16,799
Panama	14.6%	\$13,861
Peru	15.4%	\$6,677
Costa Rica	16.5%	\$11,860
Brazil	19.2%	\$7,741
Paraguay	19.4%	\$5,028
Dominican Republic	20.3%	\$8,492
Ecuador	25.7%	\$5,884
Argentina	27.2%	\$9,929
El Salvador	30.4%	\$4,244
Bolivia	31.1%	\$3,267
Colombia	31.7%	\$5,892
Mexico	41.5%	\$9,967
Nicaragua	46.3%	\$2,047
Guatemala	50.5%	\$4,542
Honduras	52.3%	\$2,602
Venezuela	94%	\$1,627

Source: IMF and ECLAC

ECONOMY CONTEXT

Seven years of economic crisis

Latin America was already in crisis before 2020. From 2001 to 2014 an economic boom in the commodities market afforded the region a period of economic prosperity that improved its social welfare.

Poverty in Latin America was reduced from 45.2% in the year 2000 to 27.8% in 2015; every country, except for Costa Rica, reduced inequality. Poverty rates in Chile, Peru, Ecuador, Bolivia and Colombia were reduced by more than 23%.

However, from 2014 to 2019 commodity prices plunged at an average rate of 30%. During this period, the region experienced one of the most severe economic crisis in the last century. Economic conditions in Latin America from 2015 to 2019 were equivalent to those experienced by the region during the Great Depression or that of the World Wars.



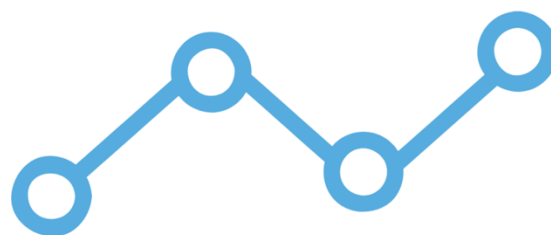
From 2014 to 2019, regional per capita GDP fell by 14%. During this time, the countries that experienced a greater fall in per capita GDP were Brazil (-26.5%), Colombia (-20.8%) and Argentina (-19.6%).

The COVID economic impact

In 2020 Latin America's GDP fell by 6.8%; a fall worse than that of the European Union (-5.9%) and emerging markets (-2.1%).

Venezuela (-30%), Panama (-17.9%), Peru (-11.1%), Argentina (-9.9%), Honduras (-9%) and Mexico (-8.3%), were among the most affected economies. The economies that suffered the least impact were Paraguay (-0.6%), Guatemala (-1.5%) and Nicaragua (-2%).

Despite the economic crisis, global wealth grew 7.4% in 2020 as a result of stock market gains, a real estate boom, and the effects on interest rates due to changes in monetary policy. Yet, in Latin America, the depreciation of exchange rates reduced total wealth by 11.4%.



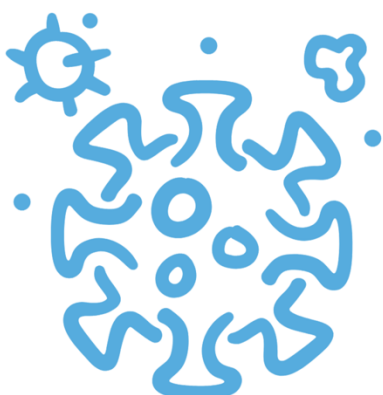
Short term forecast

Poverty increased from 27.8% in 2015 to 30.5% in 2019. The pandemic only worsened this economic and social crisis. By the end of 2020, the region's per capita GDP was only 70% of the one registered in 2014. Poverty rates surged to 33.7% in 2020.

The region's projected growth in 2021 is between 5.2% and 6.3%. This will still not be enough to recover from the economic losses suffered in 2020. A GDP growth of at least 7.3% would be required during 2021 to return to the levels seen in 2019.

According to the IMF, Latin America's economy will not reach the size it had in 2013 (USD 6,061.4 billion) until 2025.

According to the IMF, the region's projected growth of 3% during 2022 will be the lowest in the world. However, the new rally in commodity prices could boost the economic recovery of the region as it did in the 2000's.



Even so, macroeconomic problems such as high inflation rates, the depreciation of exchange rates, and a high level of public debt, could threaten the region's economic recovery.

DEMOCRACY AND INSTITUTIONAL TRENDS

The last decade (2010 - 2020) throughout Latin America, could be regarded as one of democratic unraveling: support for democracy declined considerably, there were social and political protests in practically every country in the region; and furthermore, Venezuela and Nicaragua regressed into autocratic dictatorships.

Since 2013, dissatisfaction with democracy has increased considerably. In 2013, 51% of Latin America's population stated that they were "unsatisfied with democracy". By 2021, that percentage grew to 70%. All the while, only 49% of Latin America's population considers democracy as the "best form of government".

In addition to the decline in support for democracy, there is also a regional trend towards "veiled authoritarianism".

Faced with the question "I would not mind if a non-democratic government came to power if it solved our problems", those who responded favorably increased from 44% in 2002 to 51% in 2020. This phenomenon is most noticeable in Central American countries such as El Salvador (63%) , Honduras (62%) and Guatemala (57%); and some Caribbean countries like the Dominican Republic (66%).

Similarly, there is an increase in support for the idea of media censorship. Although only 34% of the region supported the statement "If problems arise, it is okay for the government to take control of the media", this percentage has continued to increase from 26% in 2010. El Salvador tops the list with 66% of favorable responses, followed by Guatemala and the Dominican Republic with 49% of their population in support of media censorship.

In addition, the perception of the "seizing of democracies" has also increased. Since 2009, the perception that "democracy serves only the interests of a few" has increased by 19 percentage points, with a regional average of 73% according to a 2021 report.

POLITICAL LANDSCAPE

Latin America was experiencing difficult times even before the pandemic started. In 2019, Chile, one of the most stable countries in the region, saw a series of massive demonstrations and riots all over the country that ended with a referendum that would rewrite its Constitution.

In the last few months there have been similar demonstrations in Colombia and Brazil.

The following table summarizes some of the main institutional indicators, and ranks the countries from stronger to weaker institutions.

Country	Rule of law ranking (Global rank of 139 countries)	The Economist Democracy Index (Global rank of 167 countries)	The Economist Democracy Index Status	Freedom House Freedom in the World Report. Score: 0: not free 100 = Free	Freedom House Global Freedom Status
Uruguay	25	15	Full democracy	98	Free
Chile	32	17	Full democracy	93	Free
Costa Rica	31	18	Full democracy	91	Free
Panama	71	40	Flawed democracy	83	Free
Argentina	56	48	Flawed democracy	84	Free
Brazil	77	49	Flawed democracy	74	Free
Peru	87	57	Flawed democracy	71	Partly Free
Dominican Republic	94	63	Flawed democracy	67	Partly Free
Paraguay	96	67	Flawed democracy	65	Partly Free
Ecuador	92	69	Flawed democracy	67	Partly Free
Mexico	113	72	Flawed democracy	61	Partly Free
El Salvador	95	77	Hybrid regime	63	Partly Free
Honduras	126	88	Hybrid regime	44	Partly Free
Bolivia	129	94	Hybrid regime	66	Partly Free
Guatemala	109	97	Hybrid regime	52	Partly Free
Nicaragua	131	120	Authoritarian	30	Not Free
Cuba	N/A	140	Authoritarian	13	Not Free
Venezuela	139	143	Authoritarian	14	Not Free

In the first group, we find the most stable countries in the region. Uruguay's center right president, Luis Lacalle Pou was successful in containing the pandemic; the country appears to be on a good path towards economic recovery.

Costa Rica was also effective in containing COVID-19. They head to the polls in February 2022, and according to a recent survey, half of the respondents have not yet picked a candidate. José María Figueres, former president of Costa Rica (1994-1998) is leading the polls with 19% among twelve possible candidates.

Chile is about to hold the second round of their presidential election on December 19th. The leftist candidate Gabriel Boric is leading the polls against conservative candidate José Antonio Kast. Meanwhile, the Constitutional Convention is drafting the text of a new Constitution that will have to be ratified in a referendum. The new Constitution, if ratified, could mean an abandonment of its successful economic model.

In Brazil, President Jair Bolsonaro is facing impeachment. Although it is unlikely that the impeachment process will trigger a criminal indictment, it will inevitably affect his popularity. General elections are scheduled to be held in October 2022, and former leftist president, Lula da Silva, is polling first. Lula's Workers Party called Nicaragua's fraudulent election "a great display of democracy" on Twitter. Lula's comeback can be a big win for the left in Latin America and will strengthen the Foro de Sao Paulo.

The Dominican Republic and Paraguay are both stable countries. The Dominican Republic's president, Luis Abinader, has a comfortable majority in Congress and the country is following a strong economic recovery. Paraguay's center right president, Mario Abdo Benítez, is leading a government that is prioritizing fiscal prudence and economic recovery.

Peru's far left president, Pedro Castillo, is facing a governability crisis. He has sworn in a new minister every 11 days in his first 110 days as President of Peru. Now he faces a motion of impeachment in Congress and is struggling to pursue his statist economic policies..

Mexico is the second largest economy in Latin America. Leftist president Andrés Manuel López Obrador (AMLO) remained popular and retained dominance over national politics in the legislative elections held in June 2021. AMLO is using polarization as a political weapon and is concentrating power in an already strong executive branch. In the summit of the Community of Latin American and Caribbean States (CELAC) AMLO received both the Cuban and Venezuelan presidents. This was Nicolás Maduro's first international trip since the US government accused him of drug trafficking back in March 2020. Miguel Diaz Canel, Cuba's president, hosted Mexico's Independence Day celebration on September 16th.

Ecuador's center right president, Guillermo Lasso, took office last May. He is facing a legislative branch dominated by leftist forces that may prevent his free market oriented policies. He is also facing violent revolts in prisons due to drug violence that ended in the killing of 230 people; to this he has stated that "there is only one enemy: drug trafficking".

El Salvador is under Nayib Bukele's regime. President Bukele remains highly popular with a 71% approval rating. He drew international attention in February 2020, when he entered the National Assembly alongside soldiers to push for the approval of a loan to buy equipment for the police force. Last May he gained control over the legislature and used that power to remove the justices of the Constitutional Chamber of the Supreme Court. Months later the Legislative Assembly approved a law which reduced the maximum time allowed in a judicial career, which will result in the completion of the services of nearly 180 judges.

Honduras just held elections and the far left candidate Xiomara Castro was elected in an election that marked the highest turnout level since 1997 with 69% of participation. Castro is the wife of former leftist president Manuel Zelaya. She is a self proclaimed democratic socialist and promises to rewrite the country's Constitution and to increase government spending and welfare programs.

In November, Nicaraguan President Daniel Ortega, expanded his autocracy. He was elected president again but the elections were neither fair, free or competitive. Ortega imprisoned all of his serious challengers as well as journalists, business leaders and other opposition politicians.

Cuba's regime change is unlikely despite recent massive and historical protests, though social unrest will pressure the government. Cuba's economic performance will be insufficient and may not recover its previous levels until 2024.

Guatemala is facing challenges amidst the pandemic due to its weak institutions. It has one of the worst vaccine rollouts in the region. Guatemala's president, Alejandro Giammattei has an approval rating of nearly 20%. Corruption is one of the most fundamental problems of the country. Back in September, the Guatemalan Attorney General was included in the United States' Undemocratic and Corrupt Actors list because she fired an anti-graft prosecutor.

Venezuela's dictator Nicolás Maduro is expected to remain in power. In recent regional elections, Maduro's regime secured victories in key states. The opposition suffered blowback after Julio Borges resigned as a minister of the interim U.S. backed government of Juan Guaidó.

Argentina held midterm elections on November 14th. The Peronist coalition of president Aberto Fernández lost its majority in Congress. The Peronists lost the majority in the senate for the first time since 1983. This is positive in terms of checks and balances. Economic growth is constrained by the poor macroeconomic conditions of the country. Argentina has one of the highest inflation rates in the region and it's in the middle of negotiations with the International Monetary Fund.

In Bolivia the Movimiento al Socialismo of president Arce and former president Evo Morales has a majority in the legislature but faces internal party divisions and slow economic growth. Bolivia's economy relies heavily on natural gas exports but its tax revenues aren't as high as they used to be. It is expected that President Arce will continue the statist oriented economic model put in place by Evo Morales. President Arce's popularity has declined from 33.8% in July to 29.5% in September compared to a 50% approval rating the same time last year.

FUNDACIÓN
LIBERTAD Y DESARROLLO

