

Special Reports

Political and Economic Climate in Latin America looking to 2024



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Summary

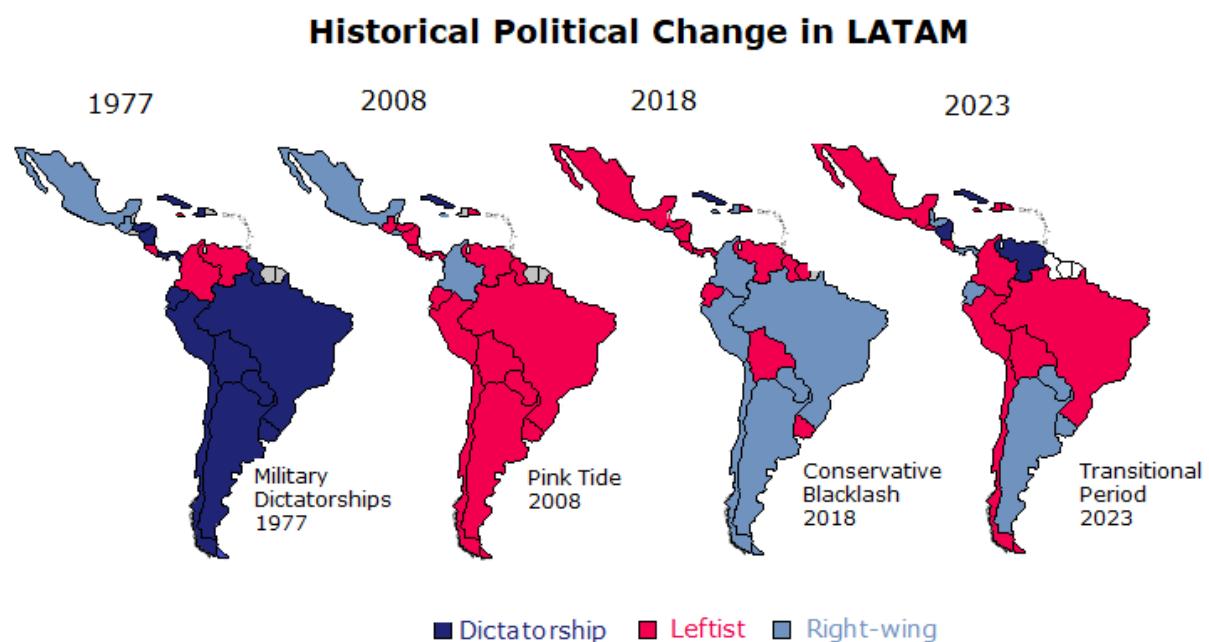
- In this Special Report edition, we are exploring recent and upcoming elections in Latin America and their political and economic impacts on the region.
- In general, one of the key challenges in LATAM is related to political dynamics. But, there are some advantages and disadvantages to Latin America in terms of growth and development.
- In this report, we are looking into past and future inflation and GDP as well as its impacts on the region and relationships to world powers like the US, Europe, and China

The political and economic climate in Latin America has been complicated for a very long time, however, the COVID 19 pandemic added new layers of complexity by changing the perspectives of the voter base significantly. While many countries were primarily voting in left leaning in presidential elections after the pandemic, recently, there has been a strong wave of right leaning or extreme right candidates running and even being elected.

Before the elections of the past couple of years, the stage was set for Latin America to elevate its global position due to the inauguration of President Biden in January 2021. There was an intent to deal with LATAM as a partner and to engage with the left leaning leaders that had been elected in Peru, Chile, Bolivia, Honduras in 2021-2022, and Mexico and Argentina in 2018-2019. Of course, things didn't go as planned due to changing foreign policy priorities within the US: various proxy wars began such as the conflict between Russia and Ukraine, some skepticism arose about the newly elected leftist governments, and internal concerns like immigration took some attention away

from LATAM. With more conflicts arising every day such as the Israeli and Palestinian conflict and potential trouble between China and Taiwan, it is unlikely that the LATAM external relationship will succeed as hoped.

Before the pandemic, many Latin American countries were led by right-of-center governments produced by voter backlash due to the leftist governments from the 2000-2010's being ousted. It seems like the political pendulum may be swinging in the other direction sooner than expected with countries like Ecuador and Argentina voting in center-right and far-right candidates respectively in the most recent elections. Along with this new shift, many of the legislative bodies of the countries with left leaning leaders are experiencing gridlock and polarization such as Brazil, Chile, Peru, Colombia, and Mexico. Additionally not all countries in LATAM were part of the recent pink tide, there are centrist, populist, and center right governments in Uruguay, Paraguay, Ecuador, Panama, Costa Rica, Guatemala, El Salvador, and the Dominican Republic.



Source: elaboration Economic Research Accivalores.

Economically, LATAM has three main areas where it can excel and propel itself to be a bigger player in the world: energy, the environment, and food production. Of course, seizing these opportunities isn't as easy as it may be in more developed countries due to the rampant corruption, lack of jobs, economic and political instability, as well as crime.



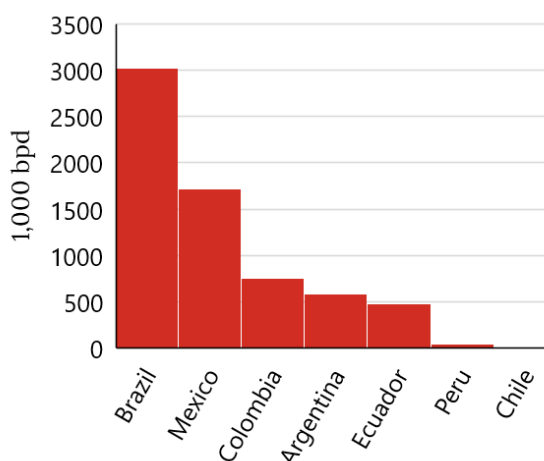
These issues make it very difficult to capitalize on the wealth in resources in an effective way to maximize profits and bring about as much public good as possible. Even if companies were to do everything right and ethically, governments may simply misuse the tax dollars. Without reducing the corruption present in the region it makes everything much harder especially for investors who would otherwise love to capitalize on the rich natural resources and cheap labor that is readily available. The truth is that neither left nor right leaning governments have been able to change living conditions and reduce inequality in any real way as Latin America is considered one of the most unequal regions in the world.

Why is Latin American Development important?

Latin America is one of the most important geographical regions on the planet. It contains 40 percent of the world's copper

reserves, 35-40 percent of lithium reserves, and deposits of nickel, cobalt, and other very important minerals for the energy transition. Besides, Brazil, Mexico, Colombia, and Argentina all have the capacity to develop greater oil exports.

Crude Oil Production in LATAM in 2022



Source: Statista - Economic Research Accivalores

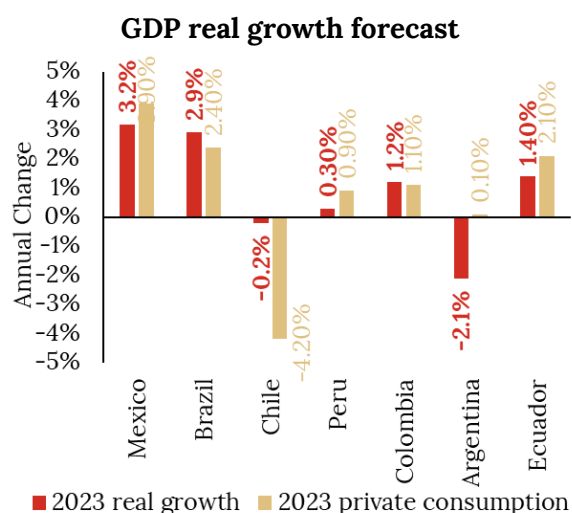
Additionally, LATAM is a very fertile land and is expected to export 18 percent of the world's global food exports such as grains, meat, fish, and fruits by 2030 (CSIS, 2023¹). The wealth of LATAM is not just in what can be extracted but also in what can be preserved, for example without the Amazon Rainforest, greenhouse gas emissions would be more damaging. Brazil and Colombia have reduced deforestation by 22% and 29% respectively after years of failing to do so, meaning that there will be more trees to clean up the atmosphere of the greenhouse gasses like carbon dioxide that are released (Al Jazeera, 2023²).

Even if natural resources aren't a part of the conversation, LATAM boasts a well-established service sector. Many countries in LATAM have an interest in modernizing roads, railways, ports, and airports in order to improve tourism and

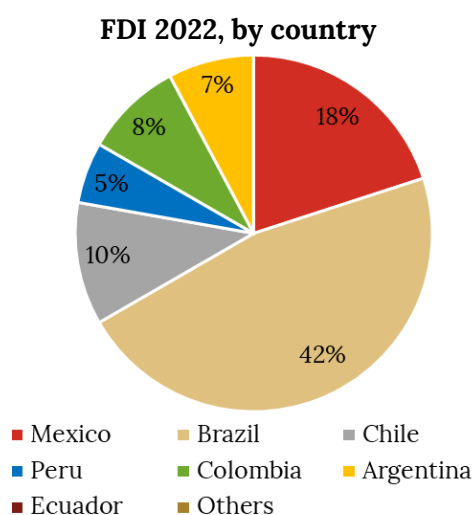
¹ CSIS. 2023. Inflection Point: The Challenges Facing Latin America and U.S. Policy in the Region.

² Al Jazeera. 2023. Deforestation in Colombia dropped by 29 percent, a milestone.

commerce. Creating or updating these services or industries has the potential to generate a lot of business for the private sector and create a lot of employment opportunities. The European Union, China, and the United States already invest heavily in South America and the rest of LATAM to the tune of \$225 billion in 2022 (CEPAL, 2023³).



Source: WEO - Economic Research Accivalores



Source: CEPAL - Economic Research Accivalores. Percent of the \$255 billion.

Brazil for example recently overhauled its foreign investment taxation structure to make it easier for foreign enterprises to

flourish in the country. Forty five billion euros of potential investments were announced at an EU hosted summit in Brussels in mid July. In addition to the more than \$225 Billion the region received, it would be feasible to gain more foreign capital if the local governments were more inviting towards the private sector and to the market based reforms needed to modernize their economies. That being said, Brazil, Mexico, and Chile received the most foreign direct investment as seen in the following graphic.

Political and Economic Challenges in LATAM

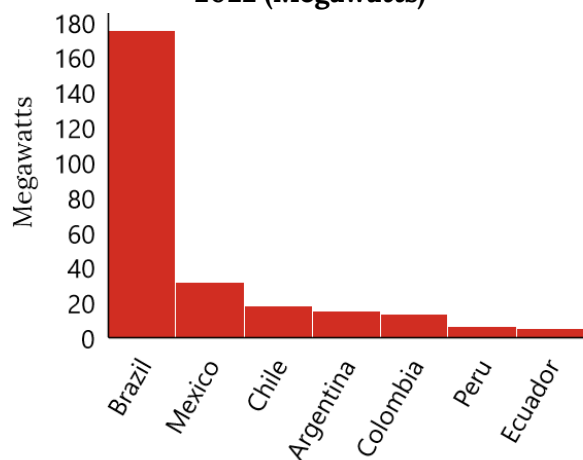
The region faces a multitude of complex issues that hinder its development. Broadly speaking, crimes, whether financial or of another nature, are a big deterrent to many, but there are many other reasons why investing in LATAM could be difficult. Chile could secure foreign investment in the lithium sector but is dragging its feet when it comes to incentives and guarantees. Mexico's president attacked the independence of the country's central bank. Colombia's President Petro has shut down further development of the hydrocarbon energy that provides his government with a lot of revenue. In Peru, local communities block mining investments at a moment when there is a lot of demand for these resources. These are just some of the hurdles investors have to get past, making it potentially easier for them to invest in other areas of the world. Many countries want bigger governments, with more state owned firms, higher spending, and a greater influence on the market. Many want to reduce inequality by implementing higher taxes on the rich, having state funded healthcare, and social welfare programs.

The window to seize these opportunities to grow could be relatively short depending on the state of the world, with potential conflicts arising between world powers, divestment from fossil fuels being

³ CEPAL. 2023. Foreign Direct Investment in Latin America and the Caribbean Rose by 55.2% in 2022, Reaching a Historic High.

encouraged, the region is at a crossroads that will determine its future. It is hard to tell if the leaders of LATAM will be able to capitalize on this opportunity since they are all worried about countless domestic challenges that they need to solve. One such opportunity is renewable energy, which could offer a significant opportunity for profit as well as helping the planet in a healthy and more sustainable way.

Renewable Energy Capacity by Country in 2022 (Megawatts)



Source: Statista- Economic Research Accivalores

In general, one of the key challenges in LATAM is related to political dynamics. Now, this is not necessarily the fault of the leaders all the time as polarization and gridlock in the legislative process can make passing legislation next to impossible, but there are plenty of examples of blatant mishandling of social, political, and economic issues. For example, last year's Summit of the Americas was hosted by President Biden, who was personally committed to working with LATAM. Many heads of state including the presidents of Mexico, El Salvador, Honduras, and Guatemala either threatened to not attend or did not attend the summit at all. This was seen as an affront by many in the US, signaling the Latin American rejection of unilateralism by the US.

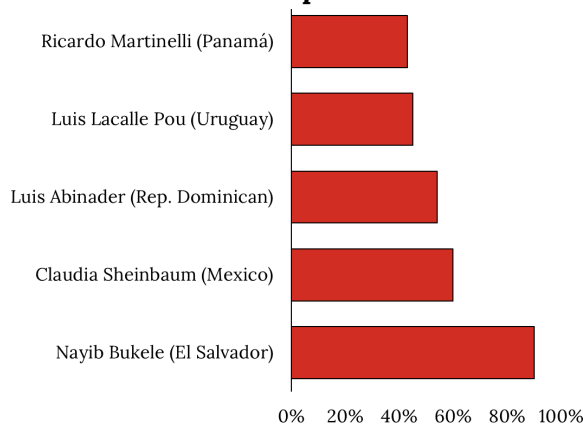
In this sense, the elections-calendar for this year will be a guide for markets. In 2024, more than 60 countries worldwide are slated to hold elections, making it a significant year for global democratic

processes. In Latin America, the Dominican Republic, El Salvador, Panama, Mexico, and Uruguay are set to elect new presidents, while Venezuela plans a presidential election with an unspecified date. Additionally, Brazil and Chile will conduct municipal votes. The United States will also hold a presidential race, where Latino voters are anticipated to have a crucial impact.

LATAM Elections calendar

DATE	COUNTRY	ELECTION TYPE
4-Feb	El Salvador	Presidential y legislative
3-Mar	El Salvador	Regional election
5-May	Panamá	Presidential y legislative
19-May	Dominican Republic	Presidential y legislative
26-May	Peru	Regional election
2-Jun	México	Presidential y legislative
30-Jun	Uruguay	Regional election
27-Oct	Uruguay	Presidential y legislative
27-Oct	Chile	Regional election
Pending	Venezuela	Presidential y legislative

%voters for the next presidential elections.

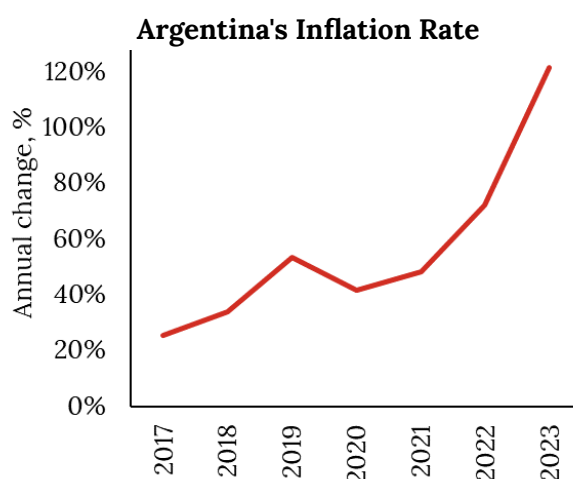


Source: CID-Gallup, Factum, Economic Research Accivalores

Argentina:

On November 19th, 2023 Javier Milei won the presidential election in Argentina by a landslide of more than 11 points, and even won 20 out of 23 of Argentina's provinces. This election marked a continuation of the shift to the political right as Milei is a libertarian. The opposition Sergio Massa conceded defeat in the election even though

his coalition in congress holds the most seats in both chambers of the legislature. Many leaders in LATAM responded with well wishes and support such as Gabriel Boric from Chile, Uruguay's Luis Lacalle Pou, Paraguay's Santiago Peña, and even Bolivia's Luis Alberto Arce. However, some, such as Colombia's President Petro and Brazil's President Lula were less enthusiastic. Milei hopes to dollarize the Argentinian economy, reduce government ministries to cut costs, privatize the state oil company, state tv, radio, and news agencies. While his economic and political stances may bring Argentina closer to the United States.



Source: Investing- Economic Research Accivalores

Economically, Argentina's growth contracted by 2.5% in 2023 and is expected to recover by 2.7% in 2024(World Bank, 2023⁴). Although the labor market has improved, the coming recession is expected to bring a drop in employment. Inflation in the country has skyrocketed to 142.70% and interest rates are currently at 129.34% to try and combat this inflation.

These rates are alarming and Milei's goal of dollarizing the economy could help combat inflation meaning interest rates would be brought down as well. There are drawbacks to dollarization however, such as loss of monetary autonomy and greater vulnerability to foreign influence. As it's still

early in Milei's term only time will tell what he will be able to accomplish and if it will be positive or negative for the country.

Brazil:

Brazil is one of the countries that participated in the so-called pink tide of the post COVID 19 pandemic. Politically, on January 1st, 2023 Luiz Inácio Lula da Silva became President, succeeding far-right candidate Jair Bolsonaro who had been facing a significant decrease in popularity due to public perception of how his government managed the pandemic, cutting funding for education, and relaxing gun ownership laws. Lula had served two terms as president in 2003 and 2010, but was imprisoned on corruption charges that were later annulled. This time around, Lula won the polls in October 2022 with 50.90% of the vote (against Bolsonaro's 49.10%).

After this narrow defeat, many of Bolsonaro's supporters demanded a military coup and the abolishment of democracy in Brazil, and even attacked the seats of power in the capital Brasilia. Although this was undemocratic behavior, it does show how much support the right still has in Brazil, in addition to this, Congress has moved significantly towards the right, allowing Bolsonaro's allies to hold power in important commissions that oversee the environment and public security. This makes it difficult for the Lula administration to implement reform.

It's worth mentioning that Brazil is part of BRICS and supports the de-dollarization of the world economy, while this isn't considered openly hostile it is definitely taking a side that is seemingly starting to creep closer towards opposition of the US while claiming to be neutral. For instance, even when there was hope of reconciliation between Brazil and the US, after the presidency of Bolsonaro, President Lula made comments regarding the United States involvement in the Ukraine conflict

⁴ World Bank. 2023. GDP Growth (annual %) - Argentina.

suggesting that they were adding flames to the fire.

Economically, Brazil's growth is expected to remain solid in 2023 with a projection of 3% GDP growth for this year. However, in 2024 it is expected that there will be less growth at around 1.6% (Valor International, 2023⁵). These increases are due to agriculture, household spending, and government consumption. Inflation also seems to be going in a positive direction, with a decrease from its peak of 12.1% in April of 2022 to around 4.6% in August of 2023, and a projected 3.9% in 2024. That being said, income growth among the poorest in Brazil is still stagnant and due to this there has been little poverty reduction for almost the past decade. According to the Gini coefficient of 0.53 in 2021 Brazil is one of the most unequal countries in the world, with the wealthiest one percent owning almost half of the country's household wealth. A real increase in minimum wages, a major overhaul of the Bolsa Familia (a social welfare program that provides financial aid to poor families if their children attend school and are vaccinated), and the planned introduction of additional benefits for families with children are expected to drive poverty down in 2023 and 2024.

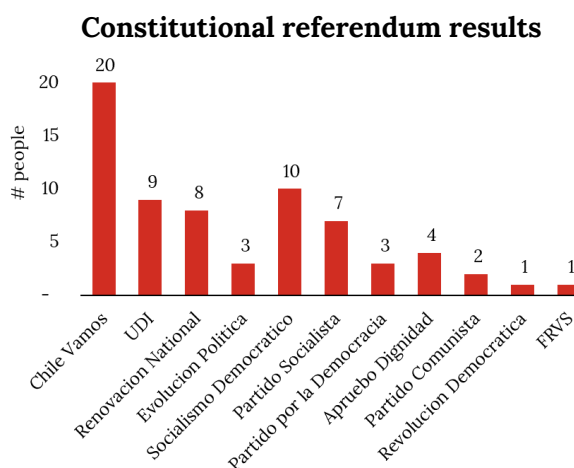


⁵ Valor International. 2023. Brazil's GDP growth to halve in 2024 without economic stimulus.

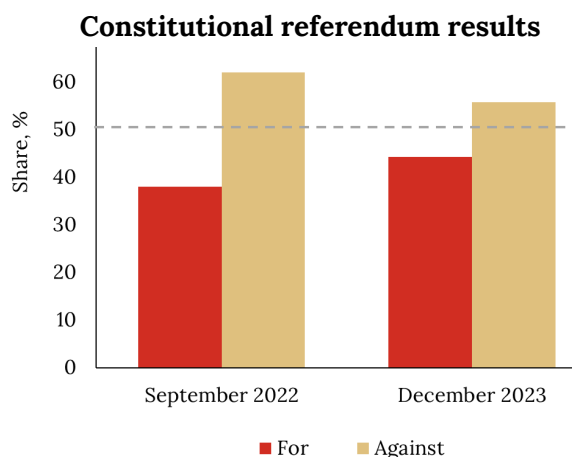
However, Brazil's economy will face some difficulties in 2024 as high consumer spending is not likely to remain as high due to the slowing of wage growth, household debt being high at 28.3%, and the labor market tightening. Also, exports are unlikely to be as high next year due to potential waning in external demand as well as relatively high yield of some crops such as soybeans. That being said, Brazil's economy can still move in the right direction. The central bank is lowering interest rates, which will support consumer finances; since inflation appears to be declining.

Chile:

Gabriel Boric was inaugurated to a four year presidential term in March of 2022, after rising to prominence as a leader of Chile's student movement. He defeated right wing populist Jose Antonio Kast with 56% of the vote in a December 2021 runoff election. He pledged to address environmental concerns and usher in a new era of economic and social inclusion by improving the public education and health care systems, replacing privatized pensions, improving working conditions, and expanding the rights of historically marginalized groups. Before he was voted into office Chileans had elected a constitutional convention in which predominantly left of center independents held a plurality of seats in May of 2021, supporting the pink tide trend at the time.



Earlier this year, Chile's congress appointed a 24 member committee of experts to produce a revised progressive constitution, though it was rejected by voters overwhelmingly.



Source: Servel- Economic Research Accivalores

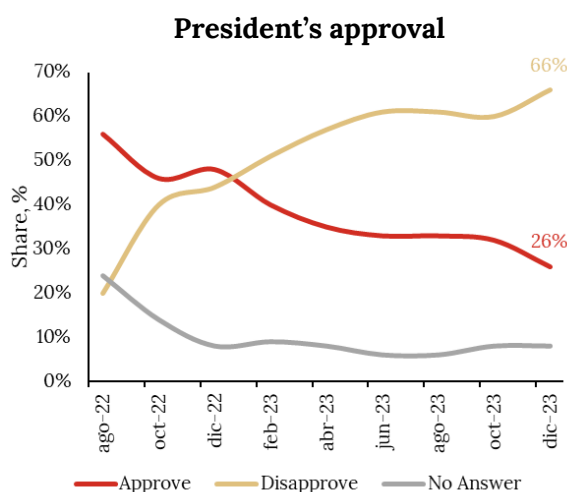
Due to the rejection, in May of 2023, Chile held national elections for a constitutional council whose members are to finalize the new draft. Since there were modifications to the rules for electing delegates, and public opinion shifted, center right parties gained a majority of the 50 council seats. A revised draft of the constitution is expected to be shorter and more limited in scope as well as potentially less progressive and more conservative due to the affiliations of the members that currently sit on the committee. Chile's left secured only 17 seats on the council, meaning they won't be able to veto rightwing changes. Boric's popularity has also dropped significantly from 50% at the start of his term to 32% in mid July of 2023. This supports the idea for some people that the pink tide is coming to an end and a new conservative wave is coming through LATAM.

Economically, Chile has had a tough time after the boom of 11.7% growth in 2021, following the pandemic. In 2022, growth slowed massively to 2.4% due to withdrawal of stimulus measures, rising inflation, domestic and geopolitical uncertainty. The IMF projected that these factors would tilt

the Chilean economy into a recession in 2023, with a 1% contraction in GDP, which turned out to be less than the actual contraction which placed growth estimates at 0% for the year, meaning that warnings of a recession are growing. These economic setbacks have deteriorated the confidence of the public in Boric and his ability to lead the country in a better direction. Although there were negatives, Chile's inflation also dropped to under 5% in November 2023 from a high of 12.33% at the beginning of the year. Interest rates were also lowered to about 9.5%, which is better than they were previously. The economy is also projected to grow in 2024 by about 2.5%.

Colombia:

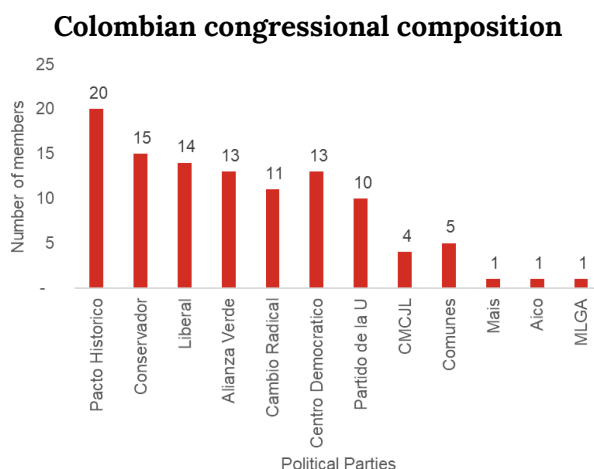
On August 7th, 2022 Gustavo Petro, a former member of the M-19 armed guerrilla movement assumed the Colombian presidency as the first leftist president in the history of the country with a 50.4% run off vote in June 2022. He began his time in office with an approval rate of 56%, but his popularity has dropped significantly since then to 26%.



Source: Invamer- Economic Research Accivalores

Although his party the Historical Pact has twenty seats in congress, out of party support is waning for many reasons. This fall in grace is based on many factors but is in large part due to the signing of contracts

that forbid new projects having to do with carbon, oil, and gas.



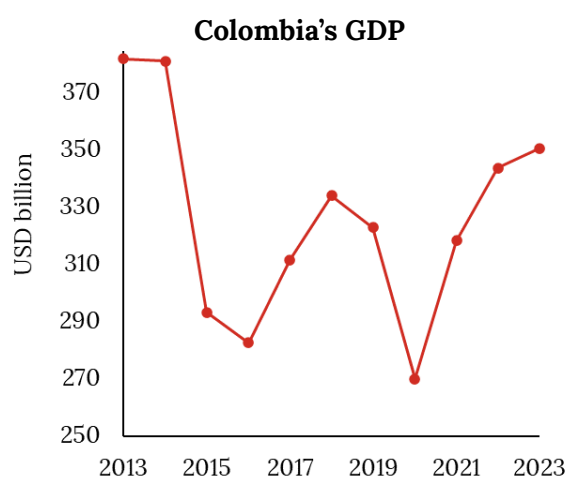
Source: National Sources- Economic Research Accivalores

As a result of his drop in popularity, on October 29th 2023, Colombians selected all of its 1,102 mayors, 32 governors, and 12,072 councilmembers in a round of local elections, the results were in favor of the opposition of Petro's party the Historical Pact, including the mayoral race of Bogota. In comparison to other Latin American countries, Petro's approval ratings are lower than average, with presidents like Abinader, Obredor, and Lula all having higher approval ratings. The president had been mayor of Bogota previously, but his party's candidate still managed to lose by a landslide to centrist candidate Carlos Fernando Galan of the New Liberalism party. Petro had been part of the political pink tide that has since started to dissipate, as a wave of more center right politicians were elected in the recent elections.

After the elections, Petro fired almost a third of his cabinet and dissolved his coalition in Congress after he faced internal opposition to his healthcare reforms, and ended gas subsidies that caused an increase in gas prices which gave him a reputation as anti-business. Even his initiative to end the six decade long conflict with the armed guerrillas has not been very successful even though as a former member of one of the

groups he was supposed to have a better chance than most to make some headway. Along with this, his son Nicolas Petro was arrested in July for money-laundering connected to his father's presidential race, causing people to perceive him and his family as corrupt which is a prevalent problem in the region but especially in Colombia. His government could take a more moderate approach in order to get things done instead of pushing for laws that won't pass, especially with less support than ever from the rest of the government and voters.

Recently, President Petro of Colombia threatened to suspend foreign relations with Israel in response to that country's decision to halt exports of security equipment to Colombia. This halt in exports is due to President Petro choosing to show his support for Palestine on X, formally Twitter. This has made Colombia look bad internationally, and damaged relationships with pro Israel countries all over the globe. Regardless of his personal opinions, a president should be able to stay diplomatic especially on such a globally significant matter.



Source: Statista - Economic Research Accivalores

Economically, in 2022 Colombia's GDP grew strongly at 7.3%, but this did not carry over to 2023 where it is projected to end at around 1.44% growth. The unwinding of

repressed consumption comes to an end, continued monetary, and fiscal tightening continues and external demand remains weak causing this drop in growth. It's worth mentioning inequality seems to be on the rise as the national poverty level hovers around 39.3%. However, there are projections for increases in 2024 to 2% and 3.2% in 2025 as inflation and interest rates continue to drop. Inflation is at around 9.28%, with projections of dropping to around 5.2% in 2024. Interest rates are hovering around 13.0% in an effort to reduce inflation.

Economic growth alone has not been enough to reduce inequality as Colombia remains one of the most unequal countries in the world and the second most unequal country in Latin America after Honduras with a Gini Index of 0.53 (UNAL, 2018⁶). Barriers to economic opportunities exist for certain groups that limit social mobility for certain groups classified by gender, ethnicity, and geographical location. An effective way to reduce poverty and increase financial resilience is to expand the social security system, reduce rigidities in inclusion to social programs, making labor markets more efficient and inclusive, fostering business environment, and improving the level and quality of education, infrastructure, and health. There are many barriers to improving these systems such as a high debt to GDP ratio which reduces the fiscal space to respond to aggregate shocks or increase spending sustainably without additional resources.

Ecuador:

On October 16th 2023, Daniel Noboa was elected as Ecuador's youngest president ever. He ran on a promise to rebuild the country, which has been struggling with a weak economy, rising crime, and violence. Noboa will have a shortened term until May

2025, which is what remains of former President Guillermo Lasso's tenure. Lasso cut his term short when he attempted to dissolve the National Assembly in May of 2023, after which lawmakers successfully impeached him. Noboa has pledged to balance Ecuador's foreign debt as well as meeting the needs of the population by lowering crime and increasing security against violence and the drug trade. Noboa is characterized as center right wing, who is socially more liberal but orthodox in economics and business. It is hard to tell what direction Noboa will choose to take for the government, but it is still a definite shift to the right, definitely not adhering to the former pink wave that was going on in LATAM.

In terms of the Ecuadorian economy, things could be better at a 1.1% GDP increase in 2023 and a projected growth of 0.8% in 2024. This lower growth level may be devastating for Noboa's future prospects at reelection, but if he is able to surpass expectations it could be very favorable. Inflation is well below the LATAM regional average at 1.53% in November of 2023, down from 1.93% in the previous month.

Ecuador Employment Rate



Source: Bloomberg - Economic Research Accivalores

The interest rate is currently at 9.94% which is lower than average for the country. Although these numbers are better than many countries in LATAM, the largest problems with Ecuador's economy are the lack of jobs, inequality, and corruption. In terms of employment, the COVID 19

⁶ Periodico UNAL. 2018. Despite economic growth, Colombia continues to be one of the most unequal countries in the world.

pandemic ravaged the economy to the point where even now in 2023, just 45.7% of Ecuadoreans have adequate employment according to government data (Trading Economics, 2023⁷). The weakening of fiscal accounts will most likely continue until 2025.

With Noboa's political party only holding 14 out of the 137 seats in the National Assembly, passing legislation will require managing complex and fluctuating political alliances. This may prevent Noboa from being able to fix the economy in a reasonable amount of time to keep his voter base content.

Mexico:

Mexican President Andres Manuel Lopez Obrador broke a two-party hegemony that had lasted for decades when he took office in December 2018. His left-wing party the Movimiento Regeneración Nacional (MORENA) and Obrador declared that they would focus on economic reforms on legislation in the energy, financial, fiscal, and telecommunications sectors, along with more equal income distribution. However popular he was there have been increasing amounts of criticisms throughout his presidency including not implementing a stimulus package or program large enough to jumpstart the economy after the pandemic. In November of 2022, Mexico's Congress rejected a controversial electoral reform backed by the president which triggered massive protests. Obrador later reverted to a package of laws that required a simple majority, instead of a two-thirds majority, leading to its approval in December of 2022. With elections looming in 2024, MORENA party wanted to take over the state of Mexico, and they were able to do so in this year's governmental election that took place in June. This was great news for the party as the state of Mexico represents around 15% of the country's electorate. Although MORENA party's candidate was not able to win Coahuila's race for governor,

it looks like they are polling well ahead of the alliance between the PRI, PAN, and PRD in preparation for the presidential election that will take place in June of 2024. The MORENA's candidate for president Claudia Sheinbaum has a massive lead with 52% support, while rival Xochitl Galvez has only 25%.

Interestingly, this shift in Mexican politics from the long, almost uncontested rule of the centrist (PRI) towards the leftist (MORENA) looks like it will continue. This shift differs from most of the other big economies in LATAM as it seems like the pink tide towards the left is still going strong. López Obrador was the founder of MORENA, so if Claudia Sheinbaum is elected in 2024, it will test the actual strength of the party as opposed to the pull of its founder and most popular figure. The Lopez Obrador government has caused the state to stagnate in terms of growth, struggle to recover from the post pandemic costs, have difficulty resolving social conflicts, tackle public insecurity, and take advantage of Mexico's geostrategic assets (The Dialogue, 2023⁸). His heavy reliance on the military has been a crutch as it does not question his decisions and simply follows orders. The fact is that Lopez Obrador is running out of time in office and money, and it will be difficult to for the administration to cover short-term budget gaps, continue financing its cash-transfer social programs, and fund major public infrastructure projects such as Dos Bocas Refinery, the Mayan Train, and the AIFA Airport.

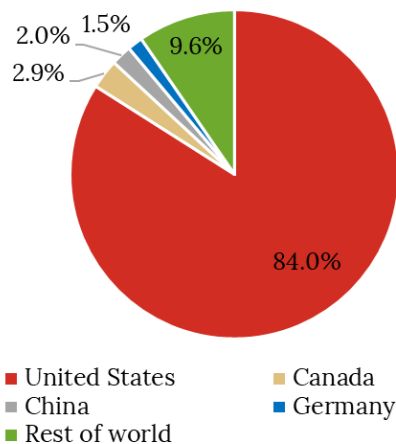
All these issues may pose a problem for his successor Sheinbaum if she becomes the first female president in Mexico's history. Since the MORENA party is relatively new, if she is unable to show results, the people may turn on her as they have turned on left wing leaders in other Latin American countries recently.

⁷ Trading Economics. 2023. Ecuador Employment Rate.

⁸ The Dialogue. 2023. How Much Has Lopez Obrador Accomplished.

Economically, Mexico is among the world's 15 largest economies and is the second largest economy in LATAM after Brazil. During the pandemic it had emerged as a key supply chain relationship for the United States. Given the advantageous geographic location, its economic activity is dependent on the United States, its largest trading partner and destination of more than 80% of its exports. It saw growth in 2023 that was more than originally expected, with an estimated 3.2% increase, which was up from an original estimate of 1.2% earlier this year. Although the relationship between Mexico and its biggest trade partner, the relationship between mandatories have some difficulties. For instance, President Obrador has accused the United States of intervening in domestic Mexican politics, the fentanyl crisis, and immigrant deaths publicly.

Percentage of Mexican Exports by Country



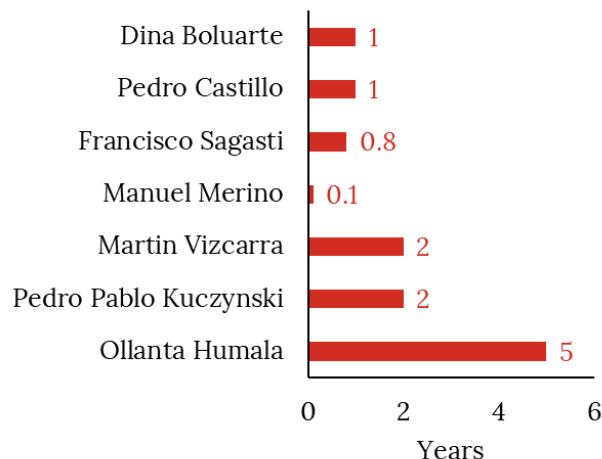
Source: Trading Economics- Economic Research
Accivalores

In 2024, growth was originally expected to be around 1.8% but estimates have been revised to around 2.6%. Inflation has been on the decline in 2023, currently sitting at 4.26% and estimated to drop to about 4% at the end of Q4. Interest rates are currently high at 11.25% marking the fifth consecutive session of a pause, after many interest hikes that have taken place since June of 2021.

Peru:

In December of 2022, former President Pedro Castillo was impeached and removed from office after he attempted to illegally dissolve Congress and rule by decree until new legislative elections could be held. He was arrested shortly afterwards and Congress appointed then vice president Dina Boluarte to the presidency. She was quickly inaugurated, and became Peru's first female president. There were many violent protests in favor of Castillo, but the new government used military force to quell the violence. This instance of instability was not the first, as the last president to be elected by national election was Pablo Kuczynski in 2016. Since then, presidents have been ousted or resigned, showing how difficult the situation in Peru really is.

Former President's Time in Office



Source: Statista- Economic Research Accivalores

Traditional political parties have been replaced by opportunistic political organizations that have very short lifespans and little dedication to democratic practices. Corruption is seemingly openly rampant as several former presidents have all been accused of accepting illegal funds.

Other political problems include: lack of freedom of the press, as defamation is criminalized, with journalists constantly being convicted under such charges. The

judiciary branch is perceived as extremely corrupt, with pretrial detention growing increasingly common as was the case with former president Castillo who was sentenced to 18 months of pretrial detention. Currently, President Boluarte's term constitutionally ends in 2026, however that would mean a 10 year gap between elected presidents, so the Government has presented a bill calling for general election in April of 2024.

For now, the situation is quite complicated as the Government extended a state of emergency at the end of June, with the police and armed forces tasked with maintaining order in the border regions of the country. Due to the amount of Venezuelan immigrants flooding into the country, Peruvian Congress approved a bill that amends the Penal Code and Immigration Law to facilitate the expulsion of foreign citizens involved in crimes.

The situation in Peru seems difficult that early elections may not even help that much because the country lacks visible leadership figures with the skills and experience to improve the outlook. This is also due to the fact that 88% of people believe that more than half of the politicians are corrupt.

Economically, Peru's growth fell from 3.5% in 2022 to 2.9% in 2023, and is projected to raise slightly to 3% in 2024. Since domestic demand is high, a recession is unlikely to happen as inflation slows and interest rates go down. Inflation is projected to end 2023 at around 4.1% and continue to trend down to 2.8% at the end of 2024. Private investment and consumption has been down, likely due to protests and political uncertainty. Key industries were also affected by climatic events like the el niño phenomenon including agriculture, construction, and fishing. However, the negative effects were partly offset by higher than usual copper output, and some industries like fishing should recover over the course of 2024. Lastly, interest rates

have dropped to about 7.5% and seem to be on a continued trend downward, matching the overwhelming majority of countries in LATAM.

A few thoughts

All in all, Latin America's future is exciting but also extremely volatile. There are so many possibilities, as well as so many things that can potentially go wrong. Politically, corruption is a huge problem that makes growth very difficult due to investors being skeptical as well as taxpayer money ending up in the hands of politicians or their friends and families. Without honest leaders that can set up the countries for long term success it is next to impossible to take advantage of all the resources available to the LATAM countries. In a perfect world, Latin America could become a contender on a global scale and rival the major powers of the world such as the United States, the European Union, China, Russia, and India. This could be done in a sustainable way, which could potentially change the world for the better as no other country has managed to elevate in social, economic, and political power without relying on fossil fuels and other unsustainable methods of growth.

On the negative side, the likelihood of LATAM seizing the opportunity is small just as it is for all developing and developed nations. This is especially true when there is a shift in political dominance every election cycle as we are seeing now with the dissipating pink leftist tide, and the incoming center right or extreme right wave that has started to make its way through LATAM. The people want change, but cannot decide in which direction they want it or how to achieve it. One thing is for certain, the inequality in LATAM is very high, and the people deserve the possibility of social mobility and a good quality of life.

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