

Latin American economic climate index falls to three-decade low



Brasilia, May 28 (RHC)-- Latin America's economic climate index has fallen to its lowest level in 31 years, driven down by the COVID-19 pandemic and its impact on regional economies, according to a report released this week.

According to Brazil's leading economic think tank, the Getulio Vargas Foundation (FGV), between January and April the index for Latin America tumbled from -14.1 points to -60.4 points, the worst reading since January 1989, when the measurement was first established. The index has been in the negative numbers since April 2018, though it had recently begun to show a slight recovery.

Both the perception of the current economic situation and the expectations for the future fell, with the former sliding from -53.8 to -89.9 points and the latter "plunging to -23.1 points."

"The results show that Latin America was in a stage of recovery in the economic cycle at the beginning of 2020, with the index of expectation improving and positive, and the index of the current situation negative but improving," the report said.

"April's results show that the pandemic drove the region directly to a recession, with a reversal in expectations and a very significant worsening in the assessment of the current situation," it added.

Each of the 11 countries analyzed in Latin America registered a decrease in its economic climate index, with Brazil going from -2 points to -60.9 points between January and April, and Paraguay, from -28 points to -70.4 points in the same period.

The perception of the current situation was negative all around, with Chile, Ecuador, Uruguay and Venezuela scoring the worst. Expectations were positive for Chile (30 points) and Uruguay (25 points), and neutral for Colombia (0 points), but negative for the rest of the countries.

"The favorable expectations in January pointed to a possible continuity in the trend towards an improvement in the economic climate. COVID-19 interrupted that potential recovery," said the report.

In all regional countries studied, lack of innovation and consumer demand were considered important factors for economic performance, along with corruption, identified as a key problem for nine of the countries, with the exception of Chile and Uruguay.

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