



# Latin American Keys

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## ATREVIA

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## SUMMARY

### **LATIN AMERICA BEGINS THE NEW YEAR ANTICIPATING THE OMICRON VARIANT EFFECTS YET ENDS 2021 WITH POSITIVE ECONOMIC GROWTH DATA**

The new Coronavirus variant has arrived in Latin America. As in the rest of the world, Omicron has increased the number of infections, but it is not leading to a relatively high level of hospitalizations and deaths, especially compared to other phases of the pandemic.

Chile is particularly well prepared to face the new wave, as 92% of the population has received two vaccine doses. It also has a new president, Gabriel Boric, the youngest in its history. Similarly, Colombia will also have a new president this year, with Gustavo Petro leading the polls. The country closes 2021 with a GDP growth of 9.7%, a good figure shared with Peru, which would have grown by 13.2%. However, its president Pedro Castillo is under investigation for alleged acts of corruption.

Meanwhile, analysts predict that the Brazilian economy will only grow by 0.28% in 2022 after inflation reached 10.06% in 2021. Argentina is also facing problems in this matter, and inflation could reach 50% this year. However, the country's most current pressing issue is to reach an agreement with the IMF so as to be able to refinance its debt and attract investment.

On the average table, Ecuador's GDP grew by 3.55% during the year. Still, measures aimed at further reactivation are being implemented, such as reducing the Tax on Foreign Currency Outflows and an Investment Law to strengthen public-private alliances. Paraguay's economy is slightly expanding, with a 5% growth rate, but the controversy caused by the alleged mismanagement of funds by the Governor's Office of the Central Department is still ongoing.

Mexico seems to be the country most affected by the new variant. Several institutions have returned to the semi-remote format, the president has tested positive for the second time, and several federated entities have announced that the return to classes will be virtual or mixed. In contrast, the Dominican Republic's government has announced that it will not adopt new restrictive measures and projections indicate that GDP will grow by 5.5% this year.

**Peruvian President** Pedro Castillo is under several investigations by the Attorney General's Office for alleged corruption, and influence peddling acts. Meanwhile, economic data is promising, positioning the country as one of the fastest-growing economies in 2021 with 13.2%. In addition, conversations between the Executive, the extractive sector, and local communities demonstrate significant progress. Regarding the pandemic, the beginning of the third wave of infections was confirmed due to the increase in cases of the Omicron variant.

**Ecuador** closes 2021 with a successful vaccination plan and a higher GDP growth than expected. Compliance with respect to the IMF agreements and the commitment to strengthen public-private alliances continue. The Investment Law will be submitted to the Assembly soon, and the minimum wage will rise 6.25% to USD 425. There continues to be tension between the government and the indigenous movement due to fuel prices, and the health authorities state that the Omicron variant is already community-based.

**Colombians** will vote three times in 2022, given the possibility of a second presidential election round. Although the Centro Esperanza coalition candidate, Gustavo Petro, is leading the polls, the numbers do not guarantee a first-round victory. In any case, parliamentary elections will be the first to be held on March 13. Colombia closes 2021 with a GDP growth of 9.7%, one of the highest in the region, conflicts with ELN members in the Cali area continue, and the Omicron variant makes its definitive arrival in the country.

**Argentina** continues to struggle to reach an agreement with the IMF. Such agreement is necessary for the country to be able to refinance its large debt acquired by the government, encourage domestic and foreign investment, and thus move towards a solid economic reactivation. Unemployment stands at 8.2%, and inflation is expected to increase by 50% this year. In addition, aggravated by the pandemic, poverty rates continue to worsen. However, disagreements between the political parties and trade unions prevent a consensus regarding significant reforms.

The leftist politician Gabriel Boric becomes **Chile's youngest president in history**. After winning the last elections with a 12-point margin, he will assemble his cabinet upon taking office on March 11. The public is expected to demand an ambitious social, environmental, and economic agenda. The OECD projects that Chile will be the third fastest-growing economy in the region by 2022, with a GDP growth of 3.5%. With around 92% of the population already fully vaccinated, the country is well placed to cope with the arrival of the Omicron variant.



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**The Dominican Republic's legislature** has the approval of a new Penal Code pending in order to replace the current one, which dates back to 1884. It is a difficult reform due to the conflicting positions on issues such as abortion and the protection of the LGBTBI community. The crisis with Haiti is likely to worsen, while the government expects to make progress towards the National Police reform this year. The economy is expected to grow by 5.5% this year, but inflation increased annually by 7.7%. Despite the arrival of the Omicron variant, no new restrictive measures are expected to be imposed.

**Brazilian President** Jair Bolsonaro established the Management Committee for Plans to Combat Covid-19 for Indigenous Peoples and enacted the Inter-American Convention against Racism, Racial Discrimination, and Related Intolerance. GDP growth forecast for 2022 stands at 0.22%, unemployment falls to 12.1%, and the minimum wage for this year stands at R\$ 1,212 (USD 220). In addition, 3 million new families have been included in the Auxilio Brasil program. However, inflation figures are the highest they have been since 2015, closing 2021 at 10.06%. Covid-19 cases are rising, but 67.8% of the population is already fully vaccinated.

The arrival of the Omicron variant in **Mexico** impacts all aspects of current news. President Andrés Manuel López Obrador tested positive for Covid-19 for the second time. The increase of cases among legislators and technical staff of the Chamber of Deputies has forced several institutions to return to the blended format. Likewise, several states have announced that the return to classes will be virtual or hybrid. In addition, the minimum wage increased by 22%, although inflation had also increased by 7.37%, the highest figure in recent times.

The political debate in **Paraguay** revolves around the demand for the Governor's Office of the Central Department's intervention due to the alleged mismanagement of recovery funds. The Colorado majority in Congress stopped the accusations against Governor Hugo Javier Gonzalez. On the other hand, GDP growth improved forecasts, closing 2021 with a 5% increase. In addition, the Omicron variant has made a strong entry into the country, generating concern in the Ministry of Health.



**Latin American Keys** presents a monthly report about the political, economic, and social situation of Latin America. Through this report, ATREVIA's Analysis and Research team provides companies with a first-hand perspective regarding the evolution of the political-institutional scene in the region.

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