

Ifo/FGV Economic Climate for Latin America

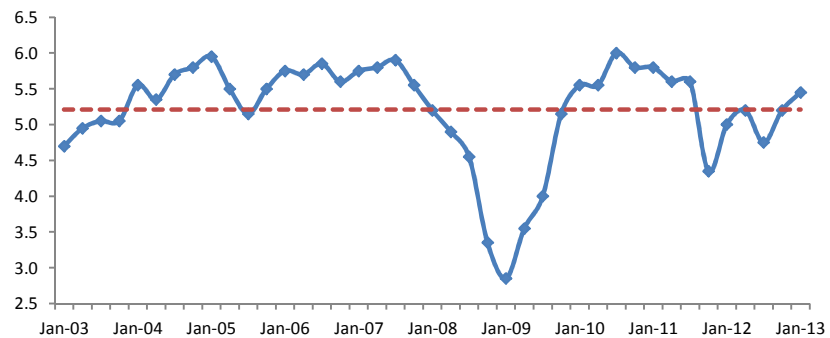
English Version

January 2013

Ifo/FGV Economic Climate Indicator for Latin America¹

The Ifo/FGV Economic Climate Index for Latin America (ECI) - developed in partnership between the Gerzq642i06J94zq642m04JPV

8;- " +
" < - +
" -

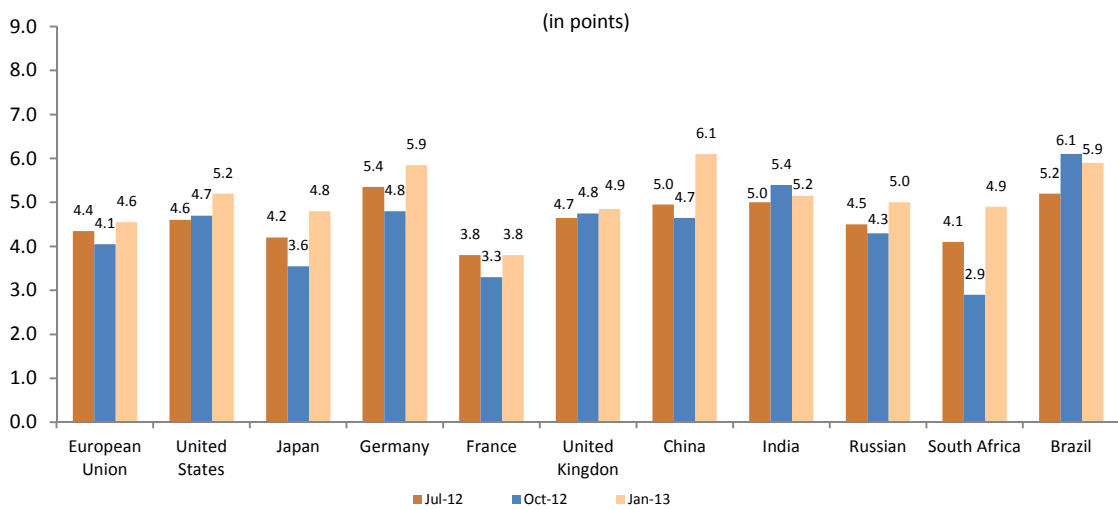
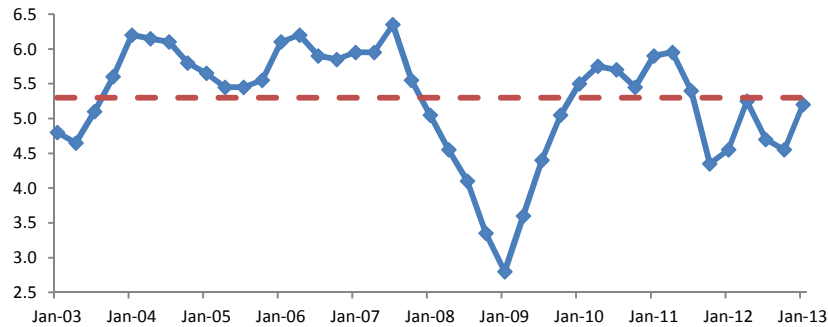


Present Situation

Expectations

- October/2012
- January/2013

¹ECI, PSI and EI range between 1 and 9 points, calculated as follows: quarterly, experts in Latin American economies respond to a questionnaire with response options of a qualitative nature (good / bad situation, should improve / worsen). To every favorable response, are assigned 9 points; to the neutral ones, 5 points; to the unfavorable, 1 point. The ECI is the arithmetic average of PSI (assessment on the present moment) and EI (expectations for coming months). For further information see the technical note at the end of this report.



The results from the 11 countries highlighted for the analysis of the Economic Survey of Latin America show improvement in the Ifo/FGV Indicator of Economic Climate in 5 countries: Chile (+0.8 points), Mexico (+0.8 points), Uruguay (+1,1 points); Peru (+1.3 points), Paraguay (+1.6 points). In all these countries, the ECI is in the zone of favorable assessment. In Paraguay the EI remained constant (7.9 points), but the PSI increased to 6.1 from 3.0 points. In Peru, both the assessment of the present situation and the expectations have improved and the country moved from the phase of decline to the boom. Identical behavior occurred in Uruguay. In all these countries, exports of commodities have important contribution to the growth of their product (above 20%), so the prospect of an increase in world trade in 2013, followed by the increase of the Chinese GDP contribute to improve the business climate.

Bolivia, Brazil, Ecuador and Venezuela fell in their indicators of economic climate, but Bolivia and Brazil remain with favorable assessments. In Bolivia the expectations have not changed but worsened the assessment of the present situation. In Brazil, the PSI decreased to 4.6 from 4.9 and the EI, to 7.2 points from 7.3 points. The worsening in the assessment of the present situation have been associated to consumption, while in expectations it was associated with a slight worsening in the assessment of investments. The outlook for the trade balance is also of worsening, and consequently, Brazil remained in the recovery phase, not advancing to the boom phase of the business cycle.

Finally, Argentina recorded an improvement in ECI, led by expectations, but the assessment of the present situation is still poor (3.9 points). In Colombia the improvement in ECI was accompanied by a deterioration in the current assessment (in the favorable zone) and improvement in expectations (+0.8 points), although remaining in unfavorable zone.

| 1 | 1 | Peru | 6.3 | 6.4 |
|----|----|-----------|-----|-----|
| 2 | 2 | Uruguay | 6.0 | 6.0 |
| 5 | 3 | Chile | 5.6 | 6.0 |
| 3 | 4 | Brazil | 5.9 | 5.8 |
| 7 | 5 | Bolivia | 5.2 | 5.4 |
| 6 | 6 | Colombia | 5.5 | 5.2 |
| 4 | 7 | Ecuador | 5.7 | 5.2 |
| 9 | 8 | Paraguay | 4.4 | 5.1 |
| 8 | 9 | Mexico | 4.6 | 5.0 |
| 10 | 10 | Argentina | 3.9 | 4.0 |
| 11 | 11 | Venezuela | 3.7 | 2.9 |

| Latin America | 5.8 | 5.8 | 5.9 | 5.9 | 5.9 | 5.2 | 5.8 | 5.6 | 4.9 | 5.1 | 4.9 | 5.1 |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Argentina | 6.1 | 6.8 | 6.6 | 7.0 | 7.5 | 7.2 | 6.3 | 5.0 | 3.0 | 3.6 | 3.9 | 4.9 |
| Bolivia | 5.0 | 6.1 | 5.0 | 3.9 | 4.2 | 4.4 | 4.3 | 5.0 | 5.0 | 7.0 | 5.8 | 4.0 |
| Brazil | 8.4 | 7.9 | 7.7 | 7.2 | 6.8 | 5.8 | 6.3 | 5.6 | 4.5 | 4.9 | 4.6 | 6.2 |
| Chile | 6.1 | 7.5 | 8.2 | 8.6 | 8.6 | 6.7 | 7.0 | 7.6 | 6.5 | 7.7 | 8.6 | 6.9 |
| Colombia | 6.6 | 6.3 | 5.3 | 6.4 | 7.3 | 6.6 | 8.3 | 8.3 | 5.3 | 6.1 | 5.9 | 5.8 |
| Ecuador | 3.4 | 5.0 | 5.4 | 5.4 | 5.4 | 5.9 | 7.5 | 7.3 | 7.0 | 6.0 | 5.0 | 4.3 |
| Mexico | 5.3 | 4.7 | 5.3 | 5.3 | 5.0 | 4.2 | 5.2 | 5.3 | 5.2 | 5.0 | 5.0 | 4.4 |
| Paraguay | 7.0 | 7.9 | 8.5 | 7.9 | 7.7 | 6.3 | 5.0 | 2.1 | 4.2 | 3.0 | 6.1 | 4.4 |
| Peru | 8.6 | 8.1 | 8.3 | 8.0 | 7.7 | 7.6 | 7.6 | 7.7 | | | | |

| | | | | | | | | | | | | |
|---------------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| Latin America | 6.0 | 5.8 | 5.8 | 5.6 | 5.6 | 4.4 | 5.0 | 5.2 | 4.8 | 5.2 | 5.5 | 5.2 |
| Argentina | 5.6 | 5.9 | 5.8 | 6.4 | 5.9 | 5.2 | 4.7 | 3.4 | 2.6 | 4.9 | 5.2 | 4.8 |
| Bolivia | 4.6 | 5.6 | 4.2 | 3.9 | 4.6 | 4.1 | 4.3 | 5.0 | 5.4 | 6.0 | 5.4 | 4.3 |
| Brazil | 7.3 | 6.8 | 6.7 | 5.9 | 5.8 | 4.8 | 6.2 | 6.2 | 5.2 | 6.1 | 5.9 | 6.1 |

Methodological Note

The Latin America Economic Survey aims for monitoring and forecasting of economic trends, based on quarterly information supplied by economy experts in their respective countries. The survey is - simultaneously - applied with the same methodology in all countries of the region, a method that allows the construction of an agile and comprehensive picture of the economic situation in countries and economic blocs. In January 2013, were consulted 138 experts in 18 countries.

The survey generates information of both qualitative and quantitative nature. The Economic Climate Index (ECI), is the synthesis indicator, comprised of two items of qualitative nature, the Present Situation Index (PSI) and the Expectations Index (EI), which deal, respectively, with the general economic situation in the country at the moment and for the upcoming six months.

The individual responses are combined for each country without any consideration. To reach the average value of each index, 9 points are assigned to positive responses (+), 5 to indifferent responses (=) and 1 to negative responses (-). The ECI is an arithmetic mean of the two comprised indices.

The process of aggregating data for a particular group of countries or continent is made according to the relative share of foreign trade (exports + imports) in each country regarding the total in the region.

According to specific criteria of the survey, the phase of the business cycle the country is at the moment is determined by a combination of PSI and EI. When the two indices exceed the average limit of 5 points, the economy is in the "boom" phase. When both are below 5 points, there is recession. The phase of decrease occurs when the PSI is higher and EI is lower than 5 points. And the recovery phase with a higher EI and the PSI lower than 5 points.