



Americas
Market
Intelligence



Latin America 2022

Economic and Consumer Trends

September 21, 2021

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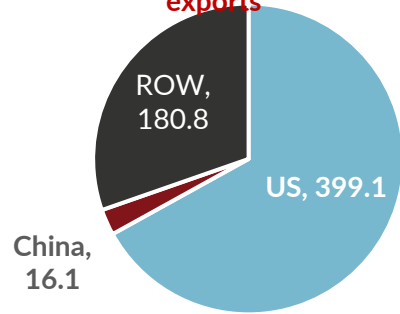


Latin America regional economic trends

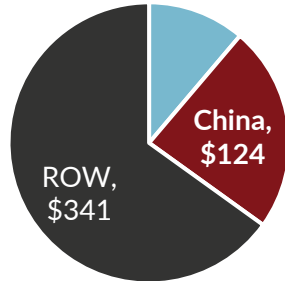
China, the US & a commodity super-cycle all bode well for LatAm

Latin America will export its way out of the COVID recession. Loose monetary policy has ignited a commodity super cycle

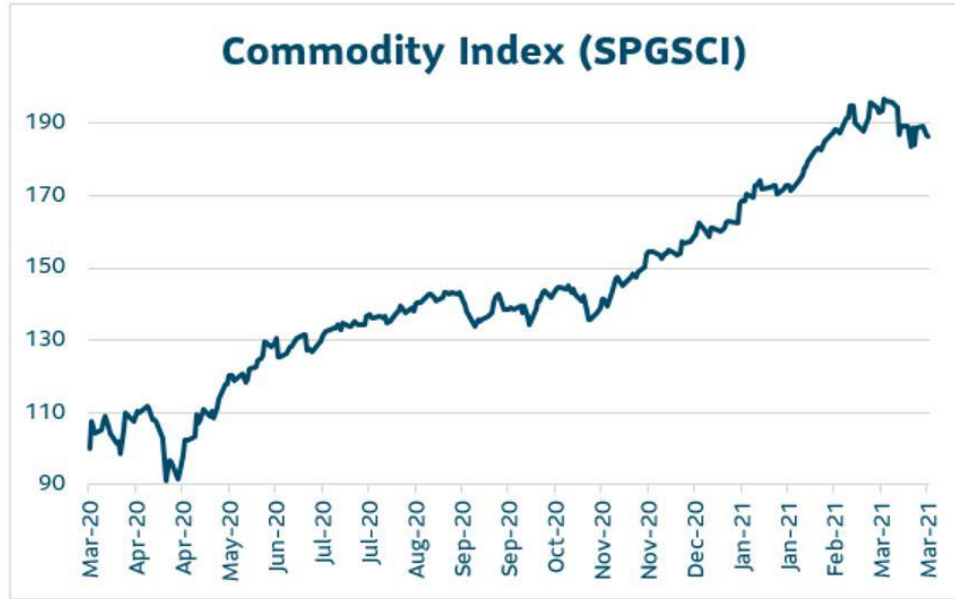
Northern LAC 2019 exports



Big 7 South America 2019 exports



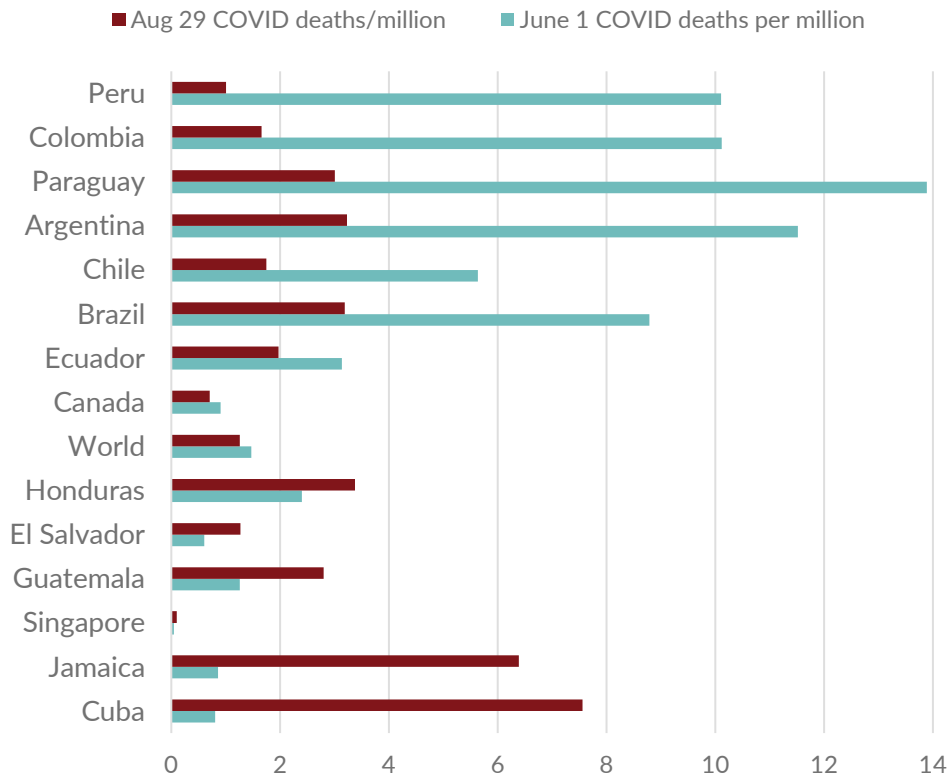
Commodity Index (SPGSCI)



Source: Bloomberg, SLC Management

Latin America may be closer to herd immunity than any region of the world

Previous infection is 6-7 times more effective than the best vaccines at preventing re-infection, even with the Delta variant



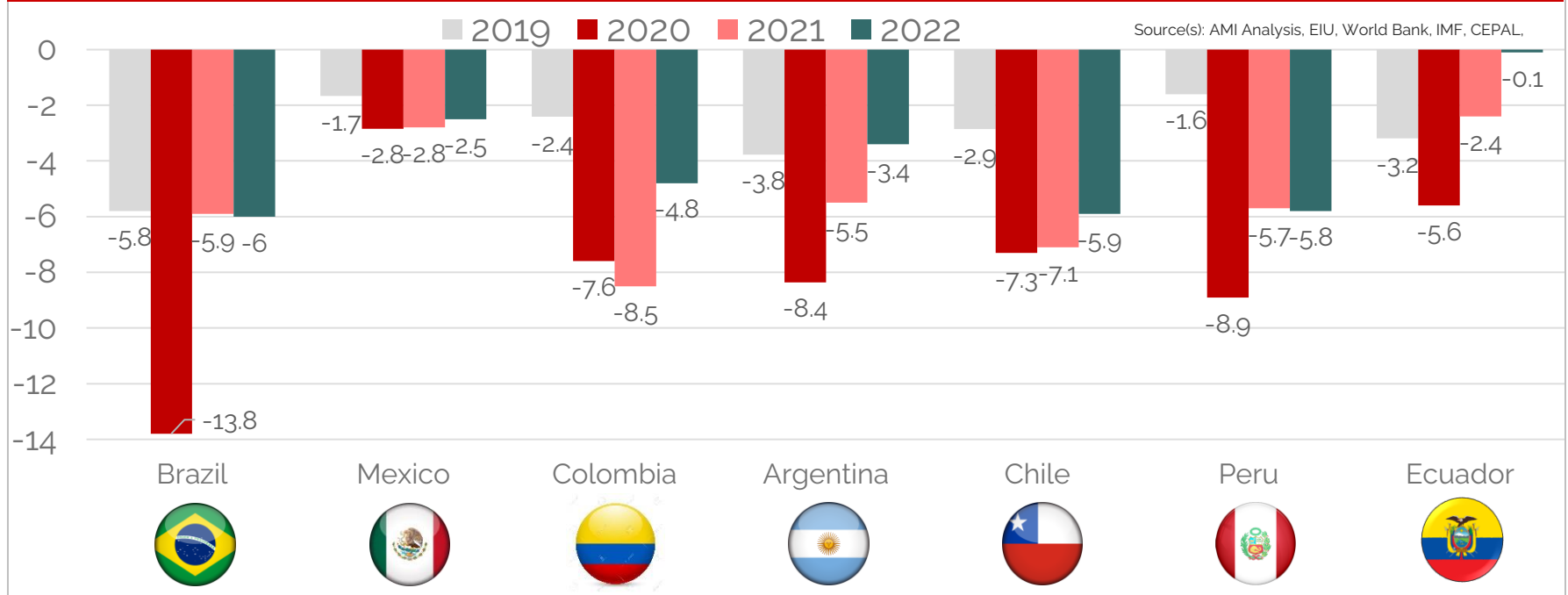
	3-month death rate change	Aug 29 % of pop vaccinated	Aug 29 total deaths/million
Peru	-90%	28%	6195
Colombia	-84%	35%	2514
Paraguay	-78%	28%	2260
Argentina	-72%	47%	2503
Chile	-69%	75%	1971
Brazil	-64%	46%	2767
Ecuador	-37%	52%	1887
Canada	-22%	71%	726
World	-14%	34%	580
Honduras	41%	19%	921
El Salvador	108%	47%	448
Guatemala	122%	13%	716
Singapore	503%	78%	10
Jamaica	640%	9%	515
Cuba	833%	60%	466

Sources: CDC, ECDC, Bloomberg, WHO

The fiscal costs of fighting COVID are alarming

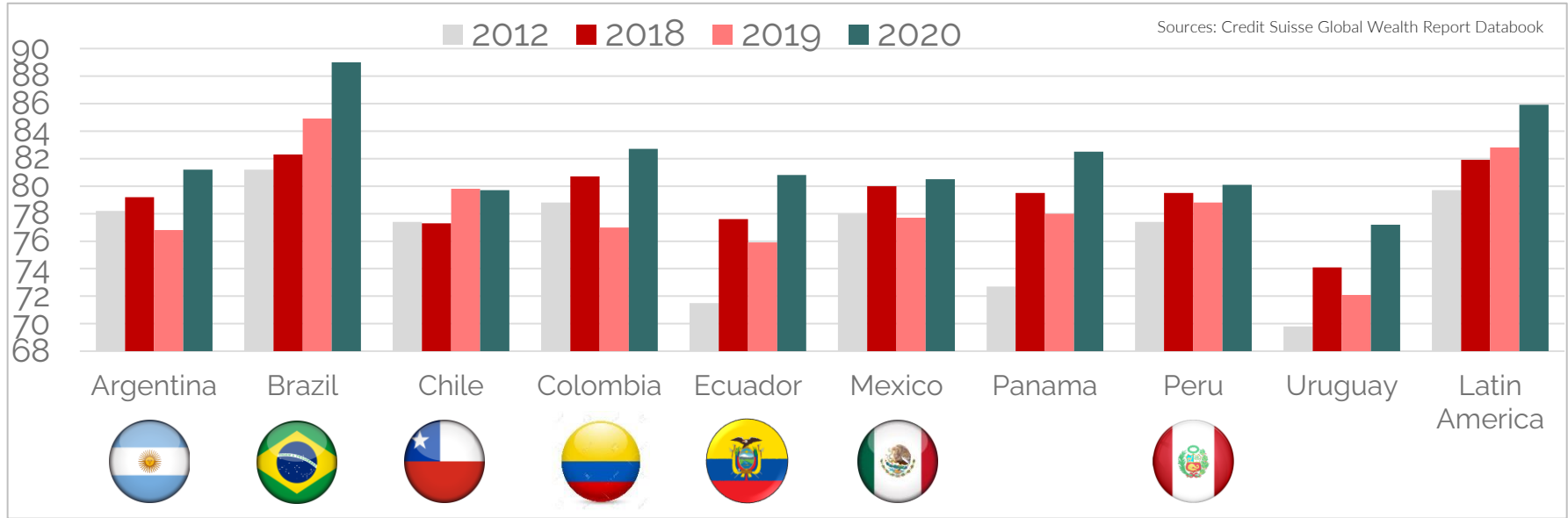
Dramatic policy adjustments will be required to avoid sovereign debt downgrades (cut spending and/or raise taxes)

Fiscal deficits as a % of GDP



COVID lockdowns sent 40 million into poverty, inviting political populism

Latin America's informal workforce (60% of total) were forced out of work, accelerating a trend of worsening income distribution
26 million formal jobs were lost in LatAm during the pandemic lockdowns



Sources: Credit Suisse Global Wealth Report Databook

Peronists to strengthen legislative position in 2022 elections

Lula likely to win the Presidency in 2022

Left leaning constitutional assembly in 04/21. Possible populist Pres in 12/21

Likely to elect first populist President in a century (Gustavo Petro) in 2022

Ecuadorians voted for change in 2021 with President Lasso and the Pachakutik party

Mexicans doubled down on Morena (populist) party in 2021 mid-terms

No major elections until 2024

Peru elected a leftist President in mid-2021

No major elections until 2024

A rising tide in 2021-2022 does not all ships lift

All Latin American economies fell dramatically in 2020. The rebound story is more uneven.



Factor	Metric	CHI	PER	DR	MEX	BRA	URU	PAN	COL	ARG	ECU	VEN
Herd immunization speed	Estimated date	Sep	Dec	Feb '22	Feb '22	Dec	Sep	Nov	May '22	Dec	Dec	Q3 '22
Central bank policy	2021 real interest rates	Neg	Neg	Neg	Pos	Pos	Pos	Neg	Neg	Neg	Pos	Neg
Fiscal health	Public debt/GDP 2021	Low	Low	Med	Low	High	High	Med-high	Med-high	Very high	Med	Very high
Export growth	2020-22 % growth	High	Med	Med	Med	High	Neg	Neg	Neg	Flat	Flat	Neg
Investor sentiment	FDI/GDP (2020-22)	Med	Low	Med	Med	Med-High	Med	Low	Low-Med	Low	Low-Med	Low-Med
GDP per capita growth	USD (2019 – 2023)	Increase	Increase	Flat	Increase	Decline	Decline	Decline	Decline	Decline	Decline	Decline

Overall score



Good
Ugly

Latin America 2022 consumer sector SWOT analysis



Strengths

- Commodity super-cycle
- Negative interest rates
- LatAm is region closest to herd immunity
- Massive online migration



Opportunities

- Continued online channel growth
- Value brands (volume) for 80% of market
- Organic and niche brands for 5% affluent
- Acquisitions (distressed & divestment)

Weaknesses

- Worsened distribution of income
- Ascending populist politics
- Weak positioning of multi-Latinas
- Fiscal crisis looming




Threats

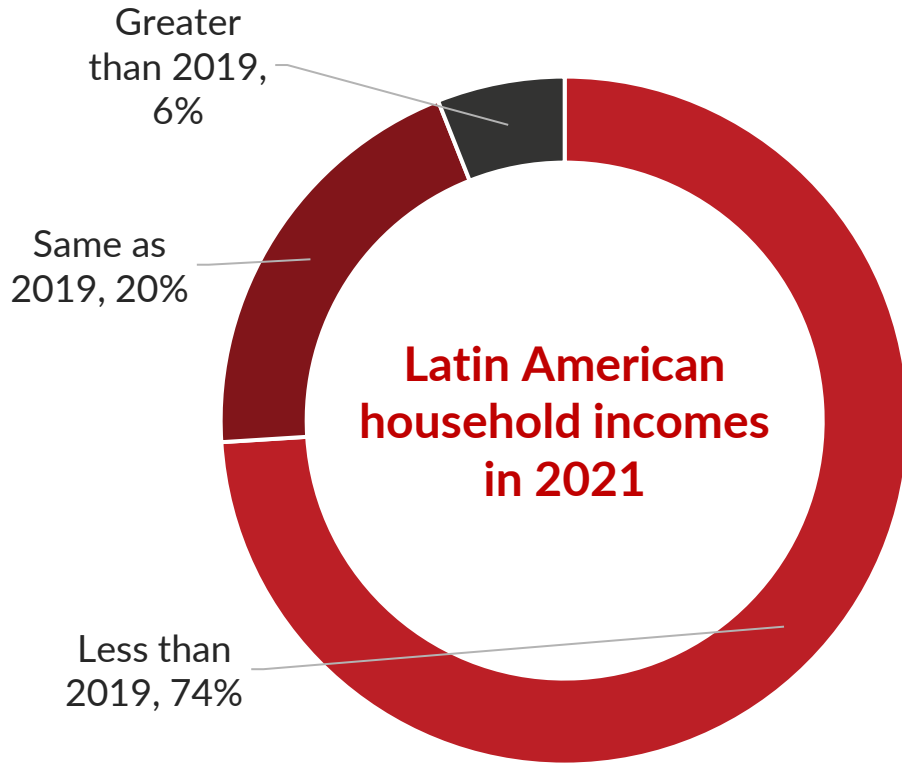
- Consumer price-sensitivity & localization
- Int'l tourism will remain soft till 2023
- Higher taxes on successful sectors
- Rising security risks



Latin America Consumer trends

A woman with curly hair, wearing a white face mask, a pink top, and a white jacket, is walking through a shopping mall. She is carrying several shopping bags, including a large brown paper bag and a red bag. The background shows a brightly lit mall with various shops and displays.

The mass market is still hurting



Source – AMI analysis based upon multiple surveys

- Consumers are more price sensitive
- Less consumption of non-essentials
- Migration towards value brands and sizing formats
- Growth of new wholesaler grocery websites that focus on price discounting
- Willing to try new brands in order to save costs
- Consumers switched from imported products (expensive because of currency depreciations) to domestic products. Also, consumers tend to re-discover local recipes in times of crisis.

Eating at home has changed consumption habits

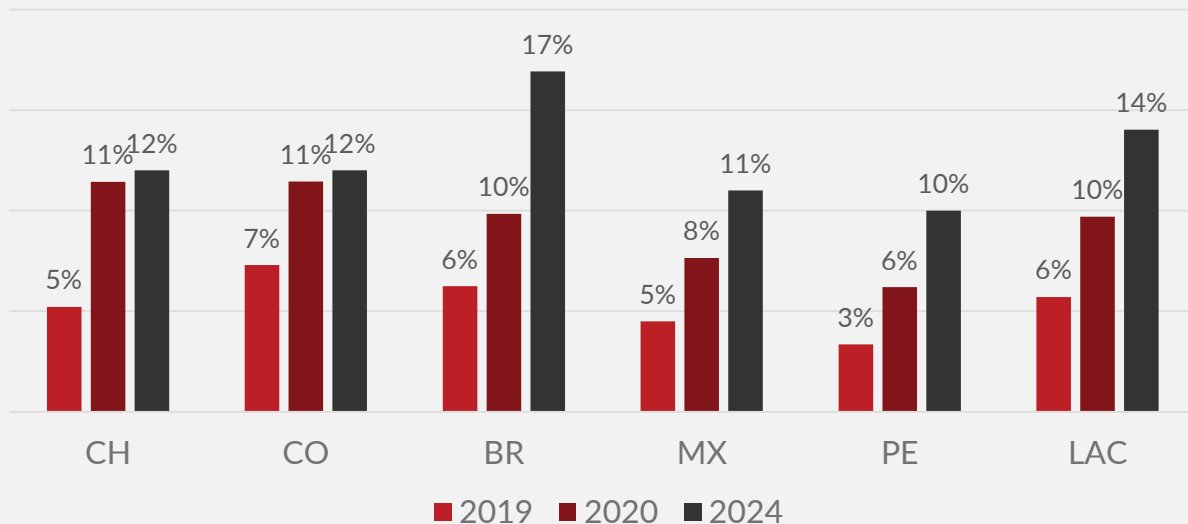


- 98.4% of those cooking at home have their health top-of-mind
 - Huge increase in the purchase of organic foods
 - 36% consciously increased their consumption of fruits and vegetables
 - 28% consciously decreased their consumption of sugar
 - 23% consciously avoided the use of foods with additives and preservatives
 - 18% consciously reduced their consumption of meat.
- Huge increase in the use of online recipes
- 5.7% avg annual growth in gluten free products forecasted 2021-2026

Sources – AMI, Mordor, El Gourmet

COVID shifted retail from the physical to digital, permanently

E-commerce as a % of total retail



Growth in online groceries is here to stay

Booming supermarket sales coupled with the acceleration of eCommerce



91% of Brazilian adults made at least one online purchase in 2020.



96% growth in weekly online shoppers from 2020 - 2021



3% of the global share of the online 2025 FMCG* market will be in Brazil, up from 0.1% in 2019



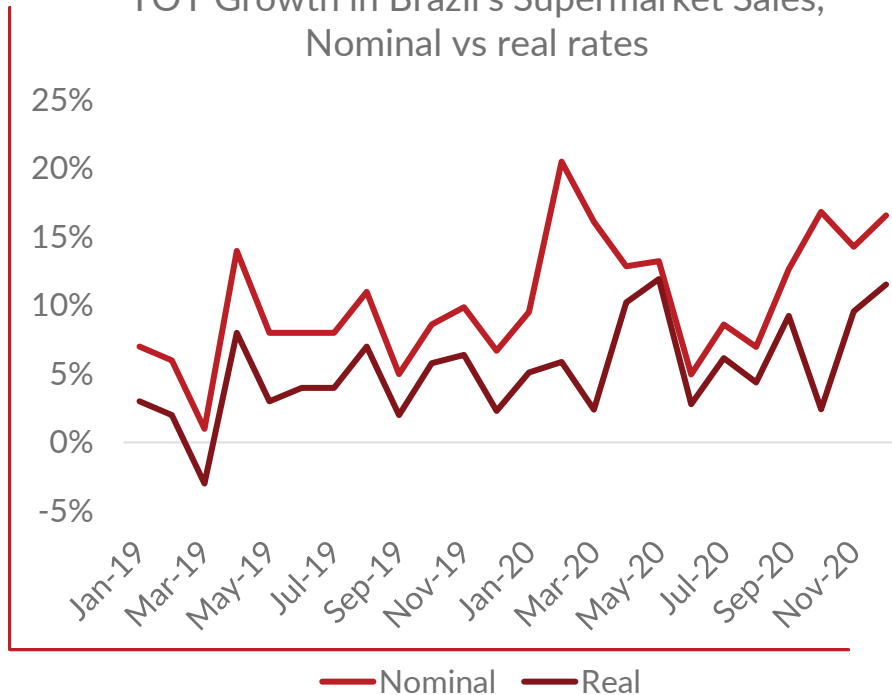
9.6 USD BN in Brazilian online food & beverage sales by 2023.



339% increase in online food and beverage purchases in May 2019 - 2020

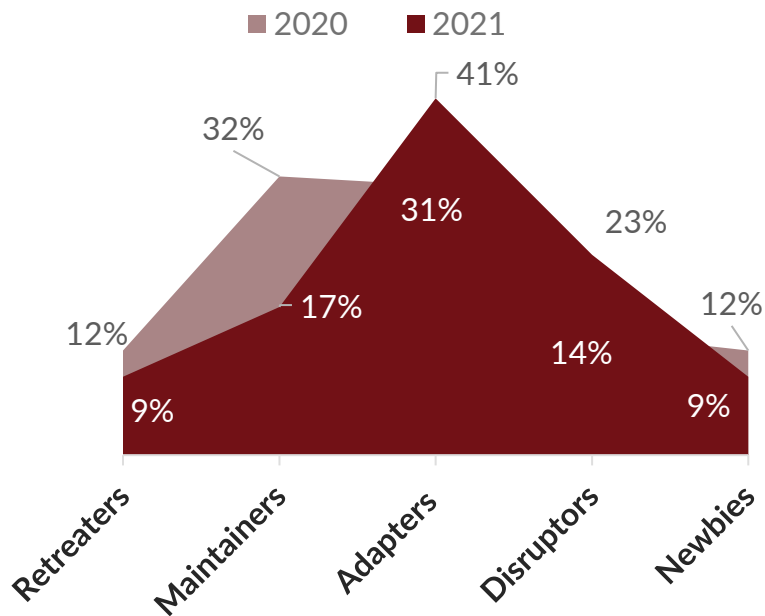
* Fast moving consumer goods

YOY Growth in Brazil's Supermarket Sales, Nominal vs real rates



'Newbies' continued to migrate online for the first time in 2021

% of consumers by online shopper segment
All respondents



Respondents by market



Brazil



Mexico

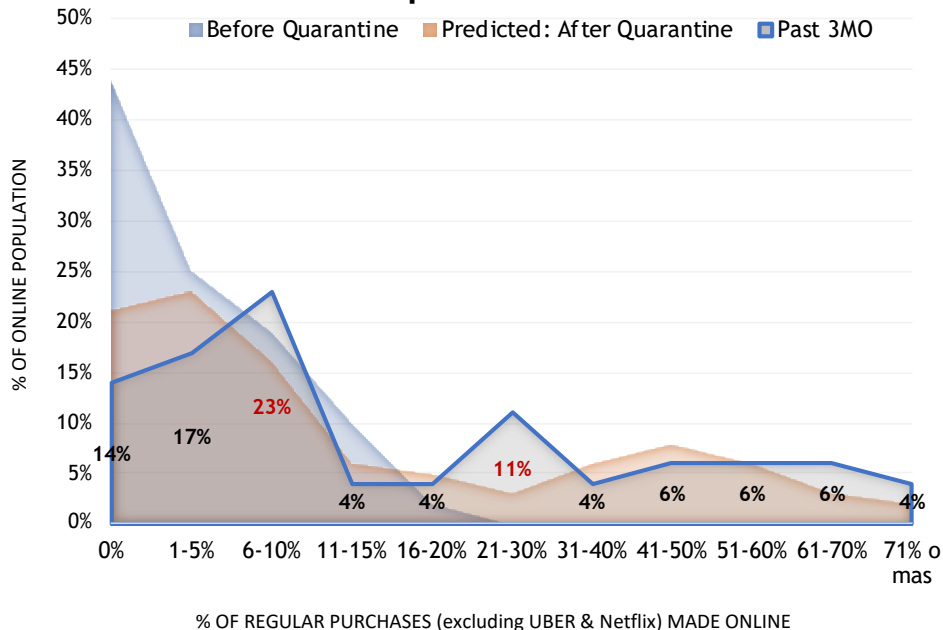


Colombia

	Brazil		Mexico		Colombia	
	2020	2021	2020	2021	2020	2021
Retreaters - reducing	9	10	11	8	21	10
Maintainers - unchanged	38	19	28	15	24	17
Adapters - slightly more	33	40	32	43	23	40
Disruptors - much more	18	27	11	20	11	17
Newbies - 1 st purchase	3	4	17	14	21	18

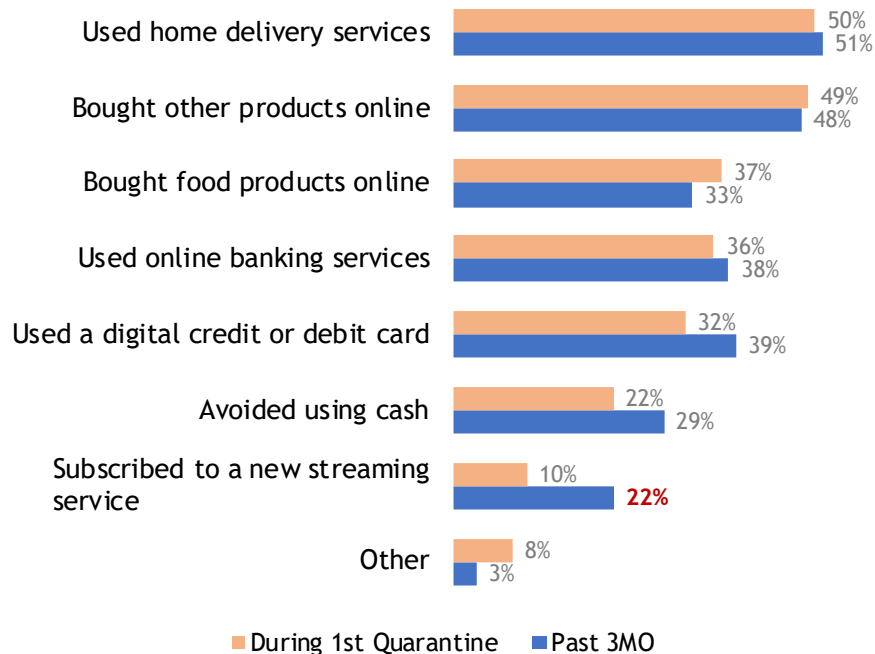
A closer look at Newbies

Newbies - online share of regular purchases



Base: 241 / 85 Newbies

Newbies - first time purchases



Conclusion: everything has changed – start over

Research conclusions

- COVID lockdowns concentrated wealth, the middle classes suffered
- The ability to work from home + connectivity = income differentiation
- Quarantines oblige or inspire consumers to re-assess their careers, their relationships, their priorities, themselves
- Consumers are frustrated and worried but remain resolute
- The e-commerce 'bump' from COVID is now a permanent shift
- Our priorities as people and as consumers have changed. 'Aspirational' messaging may back-fire



Implications for marketers

- Throw out your pre-COVID market research and assumptions. Start over because everything has changed
- Customer segmentation should include emotional metrics, not simply demographics
- Channels have changed and so should your channel partners and priorities
- Product niche opportunities have emerged that require speed to exploit.
- Follow the new local champions for best-in-class examples
- Companies must prioritize online marketing and sales efforts – and do so in a thoughtfully segmented fashion



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John Price

Managing Director

- 29 years LAC experience
- Led over 1,000 consulting engagements in LAC since 1993
- Renowned LAC thought leader
 - Hundreds of published articles related to LAC business environment
 - Co-author of "Can Latin America Compete", published by Palgrave (2007)
- Fluent in English & Spanish.
- Advisor to dozens of Fortune Global 1000 companies
- jprice@americasmi.com

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(Market research)



COMPETITOR
(Competitive intelligence)



CONTEXT
(Risk analysis)



- Decide where to cut costs
- Decide in which products, channels and markets to invest
- Develop a market entry strategy
- Decide whether to and how to acquire a company
- Find, evaluate and choose a local business partner
- Adapt a product or service to the local market
- Decide upon which markets to focus marketing spend
- Build a new strategic plan and local management buy-in
- Defend a company's market share
- Disrupt the competition and win share
- Improve brand awareness and conversion
- Identify and mitigate multiple risks
- Understand the reputational risk of a partner or project
- Measure and improve customer satisfaction



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