

# Latin America 2020 forecast and key vertical trends analysis

2019.10.24



# Webinar agenda

- Introduction
- A pause in LatAm growth
- Global trends impacting LatAm
- AMI corporate survey results
  - Q&A
- Country level analysis
  - Q&A
- AMI industry practice trends
  - Payments
  - Healthcare
  - Logistics
  - Consumer Services
- Q&A





# Introductions

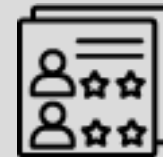
# AMI is the leading independent Market Intelligence provider in Latin America



AMI is Latin America's leading Market Intelligence and Advisory group.



AMI's founding partners are pioneers in the field of Market Intelligence in Latin America, with over a quarter century of experience in the region.



AMI has experience in over 30 Latin American and Caribbean markets.

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# A pause in top line growth in Latin America



# When will the rebound come?

LAC has lost a half decade of growth



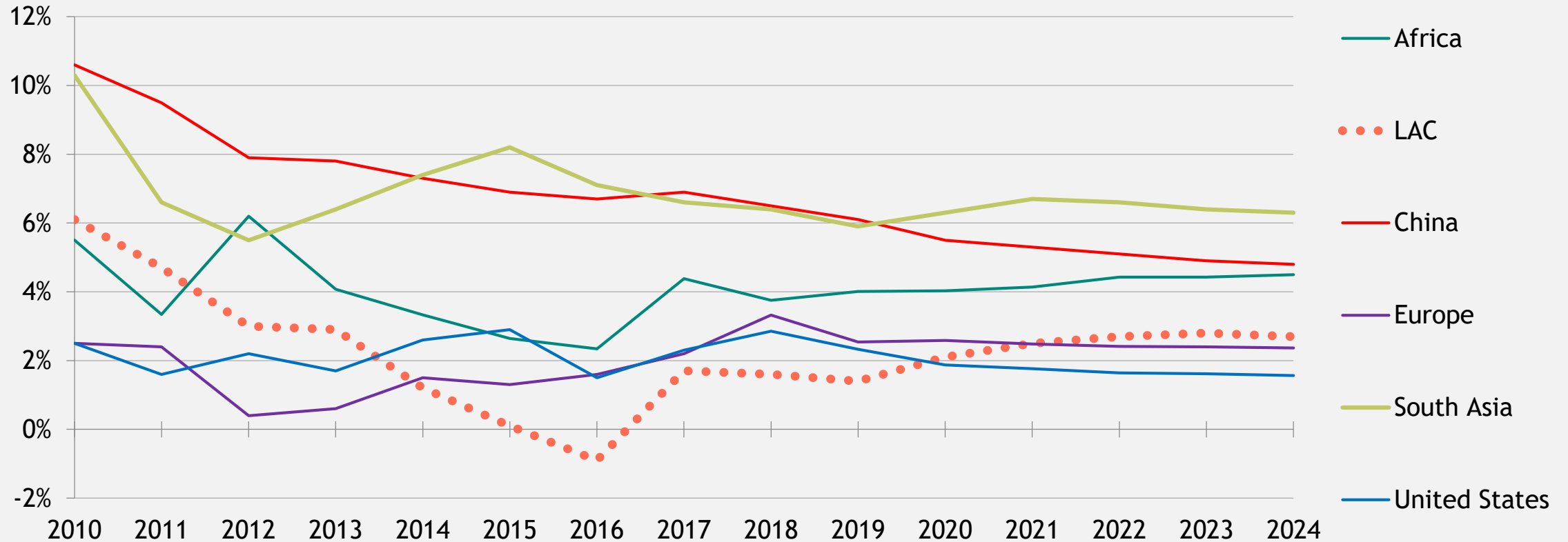
Sources: BMI, World Bank, UN, IMF



# LAC may rebound but will underperform other EMs

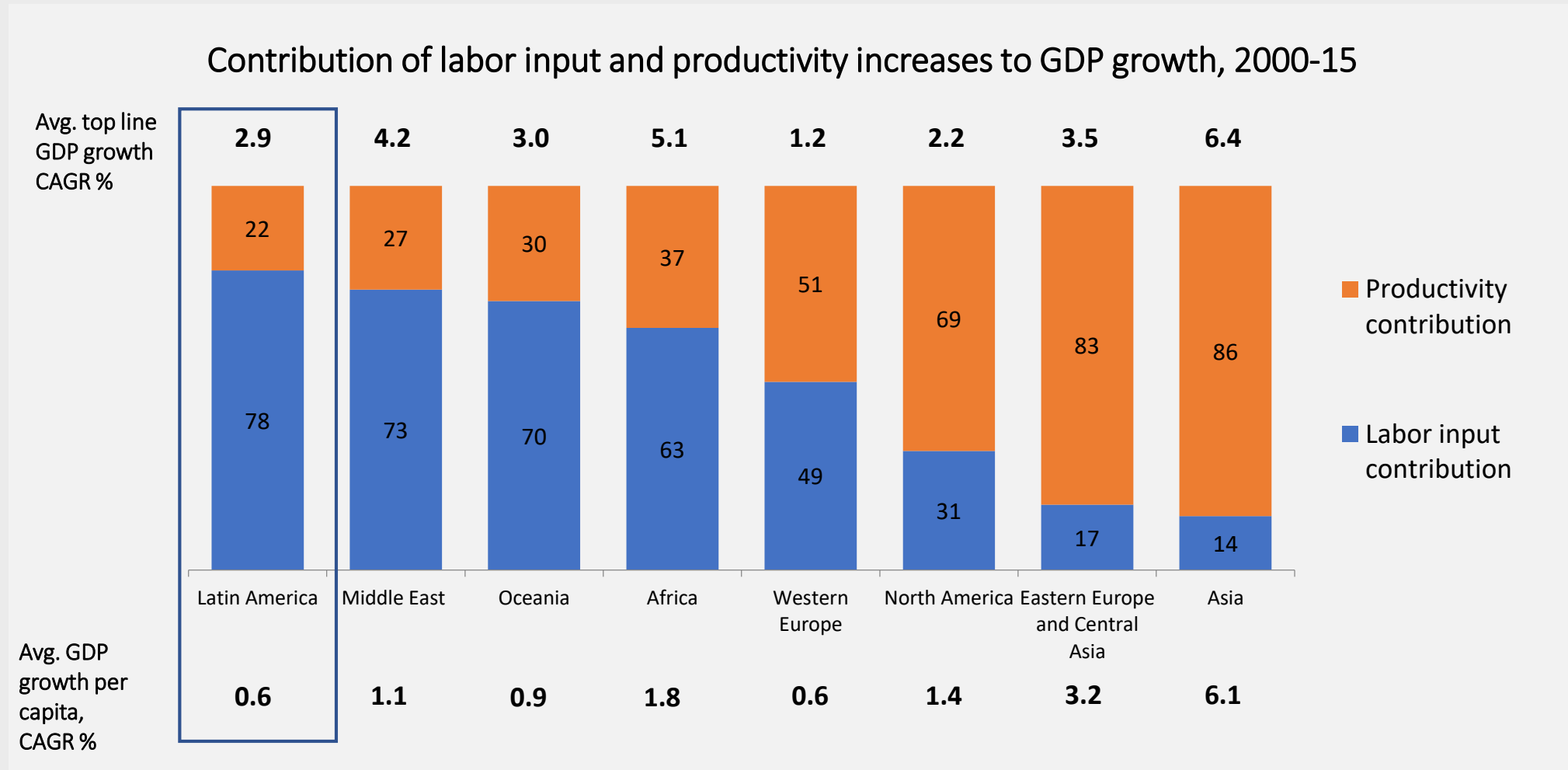
Modest commodity prices, a strong USD, and small productivity gains all weigh on LatAm's future growth

GDP real growth



Sources: IMF

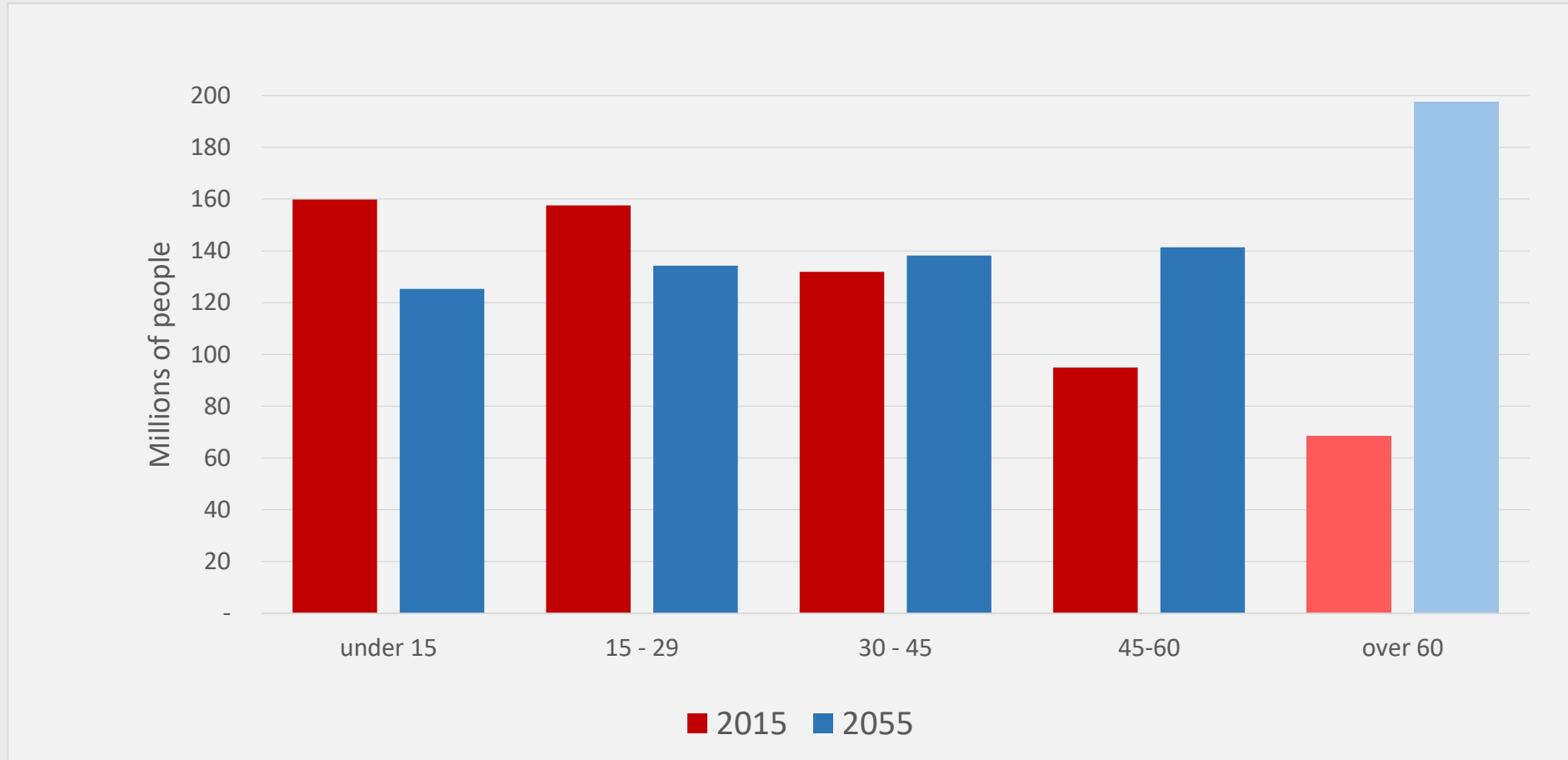
# LatAm's boom was driven by labor expansion, not productivity gains



Source - McKinsey

# Latin America has the fastest-aging population in the world

The demographic dividends will begin to diminish in 2025



Source – Center for Strategic & International Studies



# Global trends impacting LatAm

# Political hyper-transparency is hyper-disruptive

## Recent headlines in leading newspapers

- “Chile President Pinera declares emergency as capital rocked by riots”
- “Ecuador moves government out of capital as violent protests rage”
- “Why is AMLO treating tax evaders like drug dealers?”
- “Jair Bolsonaro pictured with 2<sup>nd</sup> accused in Marielle Franco murder case”
- “Democracy in Bolivia has two faces”: ambivalence as Evo Morales seeks a 4<sup>th</sup> term
- “Polls in Argentina nowhere to be found two weeks ahead of elections”
- “A Peruvian political dynasty reels as President dissolves Congress”
- “The President of Peru stages a coup”
- “President AMLO criticism sparks death threats to newspaper”
- “Why Colombia doesn’t go to the police or trust statistics”



## Worrisome trends

- Weakening institutions
- Less support for democracy
- Voters and investors want more certainty
- Collapse of traditional parties
- Return of caudillo politics
- Populist campaigning becoming populist policies

# No one really knows what happens next to the global economy



## Trump-led trade conflict

- Scheduled tariff increases will reduce global GDP by \$700bn (0.8%) - IMF Oct 2019



## Gold prices elevated

- Gold mining investment rising across LAC



## Strong US dollar hurts commodity exporters

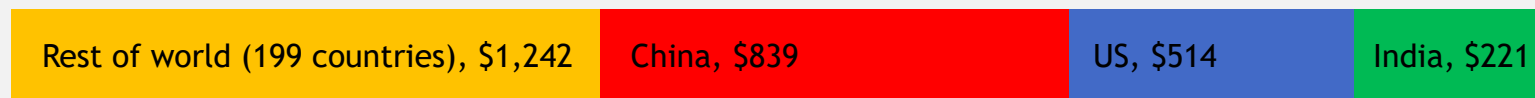
- Most South American economies thrive when the dollar weakens



## Strong US dollar helps manufacturing and service exporters


- The business case for outsourcing to Mexico and Central America is better than ever
- Caribbean tourism and service receipts at record levels

Sources of  
2020 Global  
GDP growth  
(USD bn)



# Commodities (and major LatAm currencies) continue to weaken

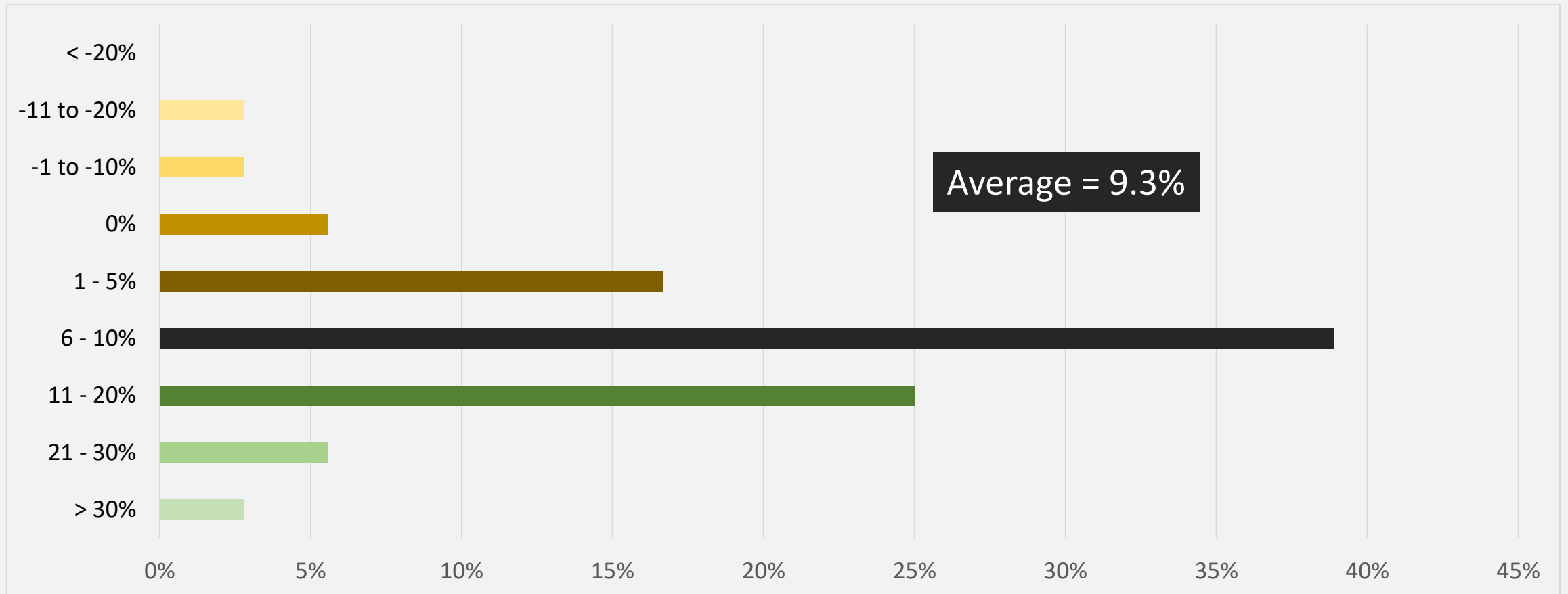




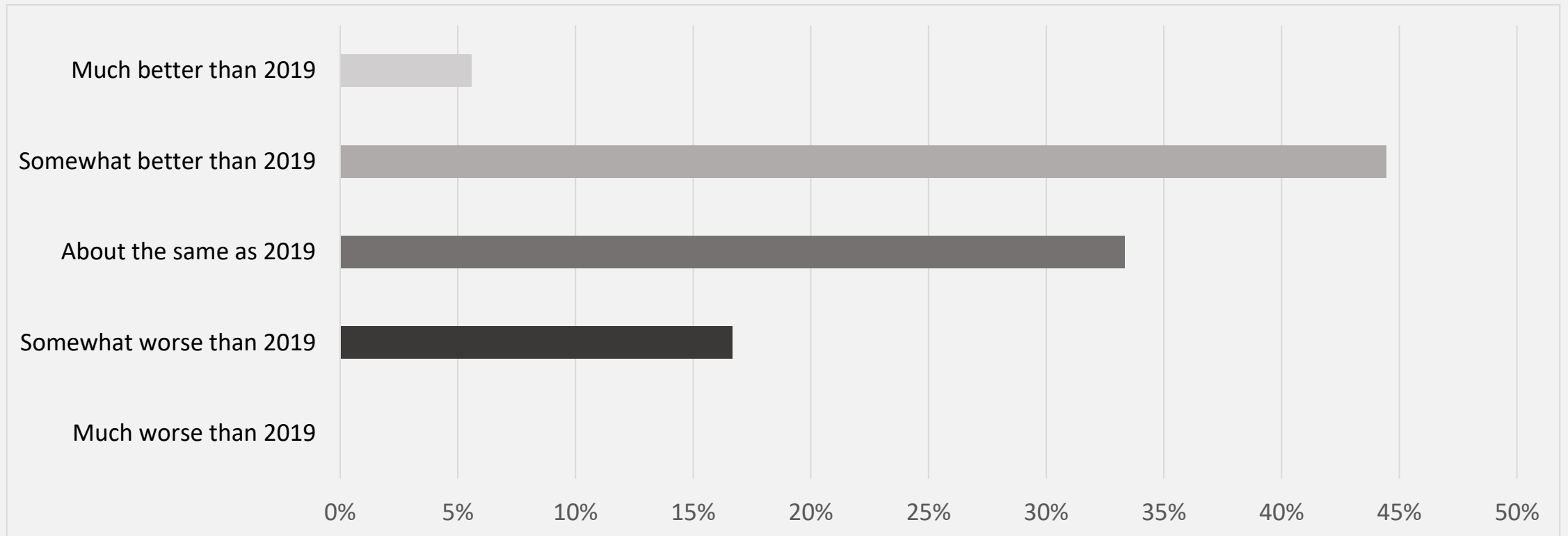
**AMI survey  
of LatAm  
divisional  
presidents  
September 2019**



# What is the anticipated growth rate (in USD) for your LatAm division in 2019?



# How do you expect your LatAm division to perform (in USD) in 2020 versus 2019?



# In which (up to three) markets are you expecting the most upside / downside risk in 2020?

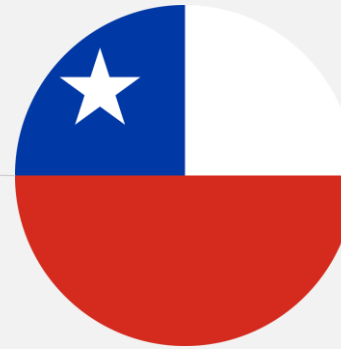
Positive growth



Brazil



Colombia



Chile



Mexico



Peru

Negative growth

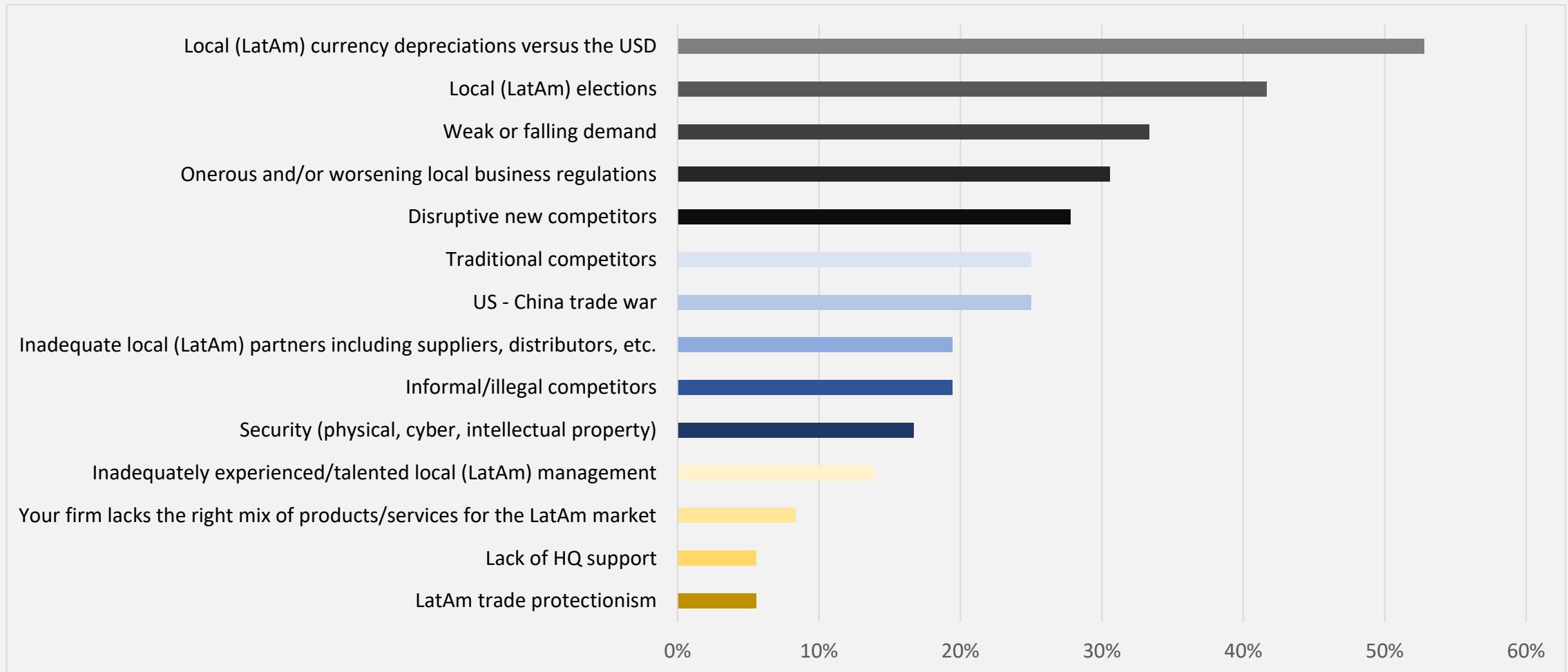


Argentina




Mexico

# Which do you consider to be the top risks to your LatAm business in 2020? (pick up to five)



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**Questions/Answers**



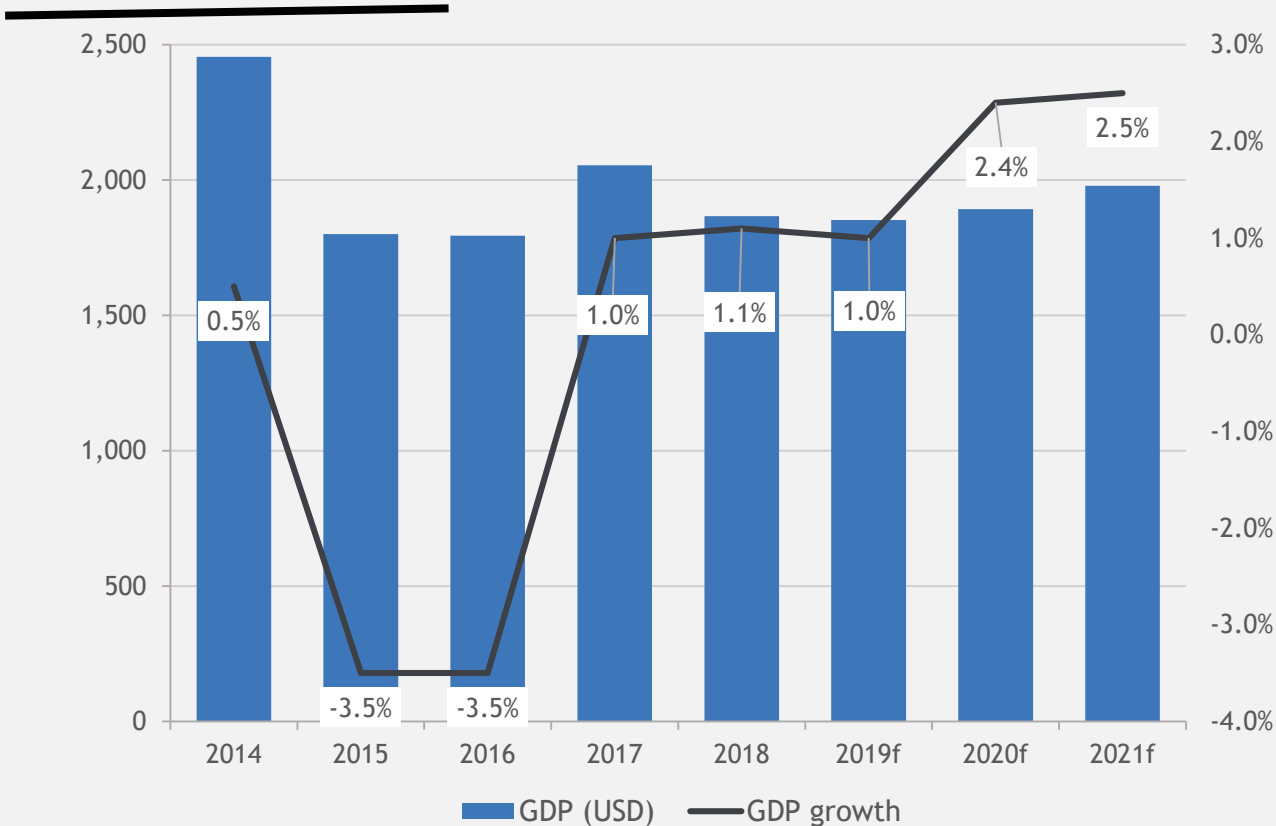
Country-level  
analysis

# Brazil: pinch your nose and enjoy the animal spirits



The likeness to Trump is uncanny – ridiculed & hated by some, adored by others – including investors

## GDP (US\$ bn) and Growth



Sources: BMI, AMI

## Upside & downside risks

- ✓ Pension reforms keep capital parked in Brazil
- ✓ Tax reform (simplification) achieved in 2020
- ✓ In-flow of capital strengthens currency and prevents need to raise interest rates
- ✓ Privatizations spur investment in infrastructure
- ✓ Mining & energy investment to soar
- Chinese & US trade war continues, hurting demand for industrial metals
- EU-Mercosur free trade derailed by Austria, France & Ireland over Brazil's ambivalence to Amazon fires



President Jair Bolsonaro (left) and Super Minister Paulo Guedes

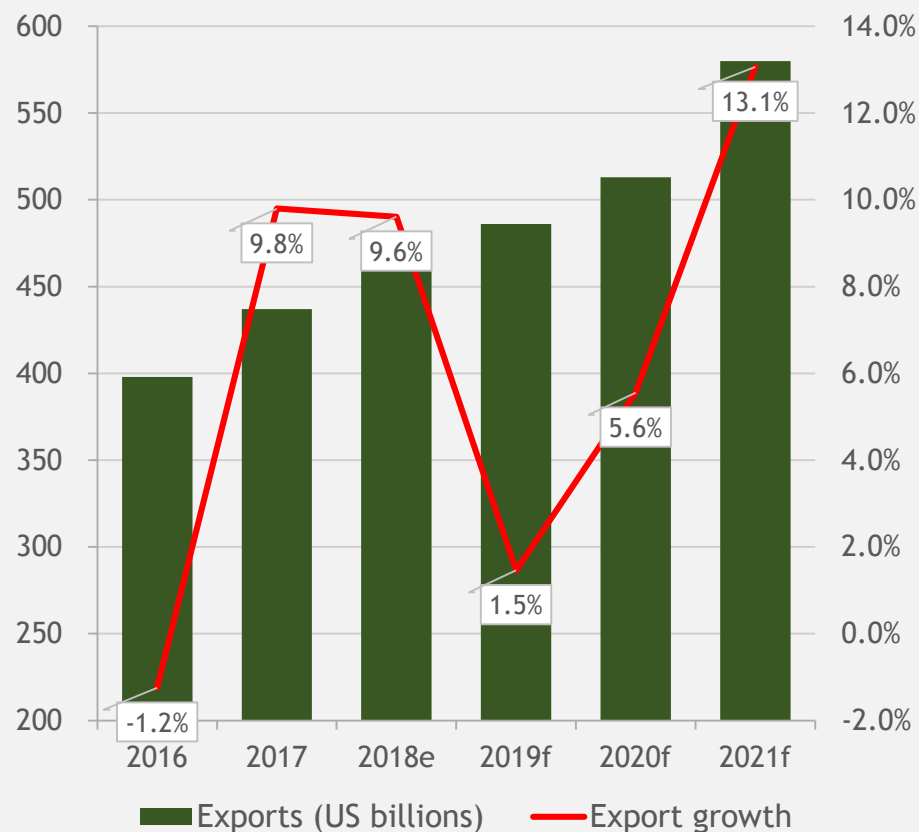
Can they make Brazil great again?

# Mexico: a tale of two economies



The USMCA will further boost the export economy. AMLO's policies will continue to demoralize investors

## Exports are booming



## ~~Death by a thousand 50 cuts~~

1. Cancellation of the Texcoco airport
2. Slashing central bank salaries to push out hawks and legislation to weaken Banxico.
3. Decision to spend \$6-14bn on refineries
4. Finance minister Carlos Urzúa quits in disgust over the appointments of unqualified cronies and ideologues.
5. Cancellation of energy production and exploration bids.
6. Recreate a “super-union” organization under Napoleón Gómez Urrutia.
7. Attacking the integrity and autonomy of the CRE (Energy Regulatory Commission)
8. Openly criticizing ratings agencies who question management of Pemex.
9. New legislation to go after tax evaders with same authority applied against organized crime.
10. Consumer protection laws eliminate several fees that banks can no longer charge their customers.

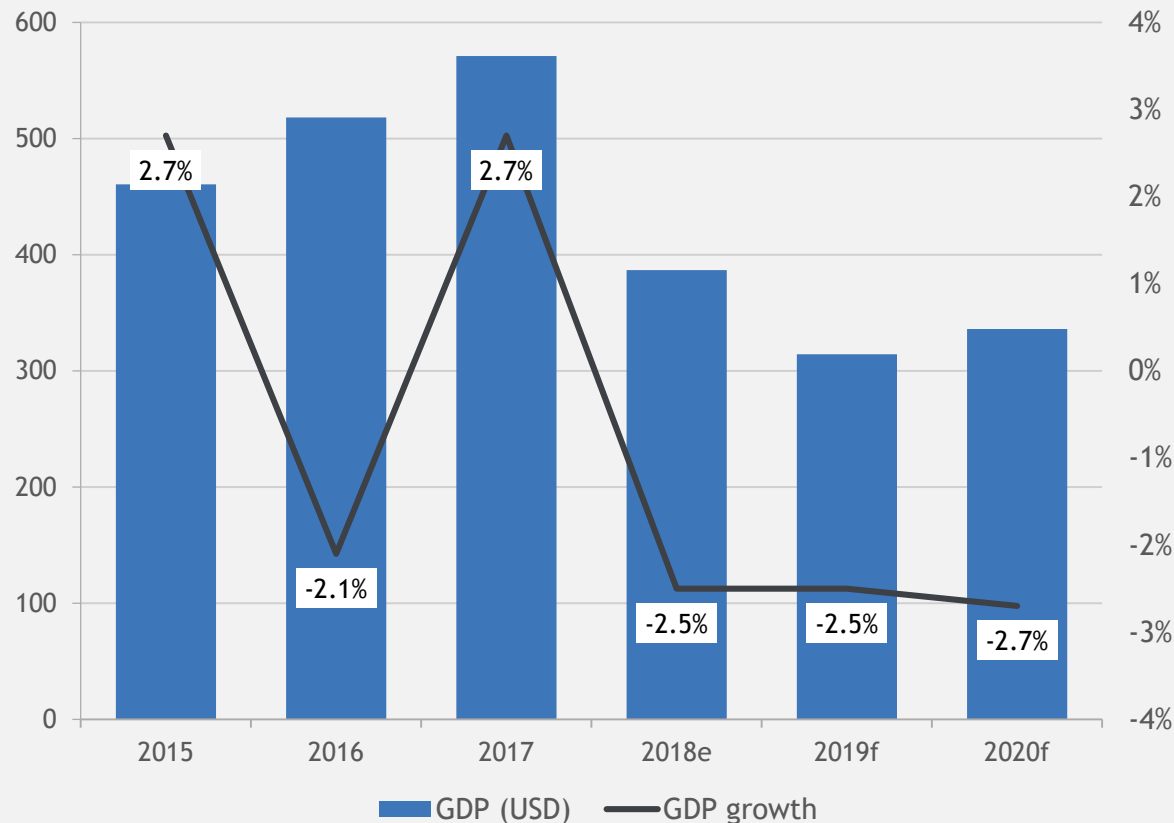
Sources: BMI, AMI



# Argentina: Just when we thought it couldn't get any worse...



## GDP (US\$ bn) and Growth



## Upside & downside risks

- ✓ Regardless of political choices in October elections, investments to continue in energy and mining
- IMF refuses to extend more credit, currency controls fail to stem capital flight, leading to default
- Peronists win October elections, further eroding investor confidence, accelerating timetable of default
- Peronists refuse to sign EU-Mercosur agreement



2019 GDP per capita

Argentina - \$7,018

Peru - \$7,272

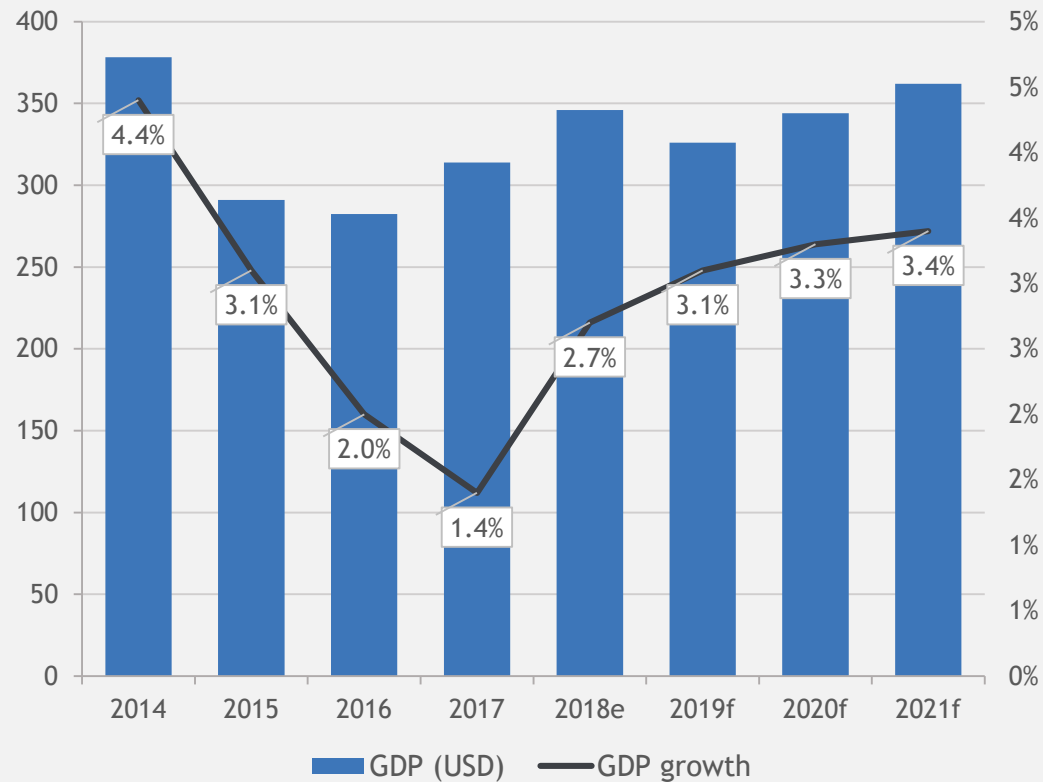
Sources: BMI, AMI

# Colombia: Ivan Duque sounds good, but can he govern?



Duque looks and sounds like a competent technocrat but his ability to legislate is doubted

## GDP (US\$ bn) and Growth



Sources: BMI, AMI

## Upside & downside risks

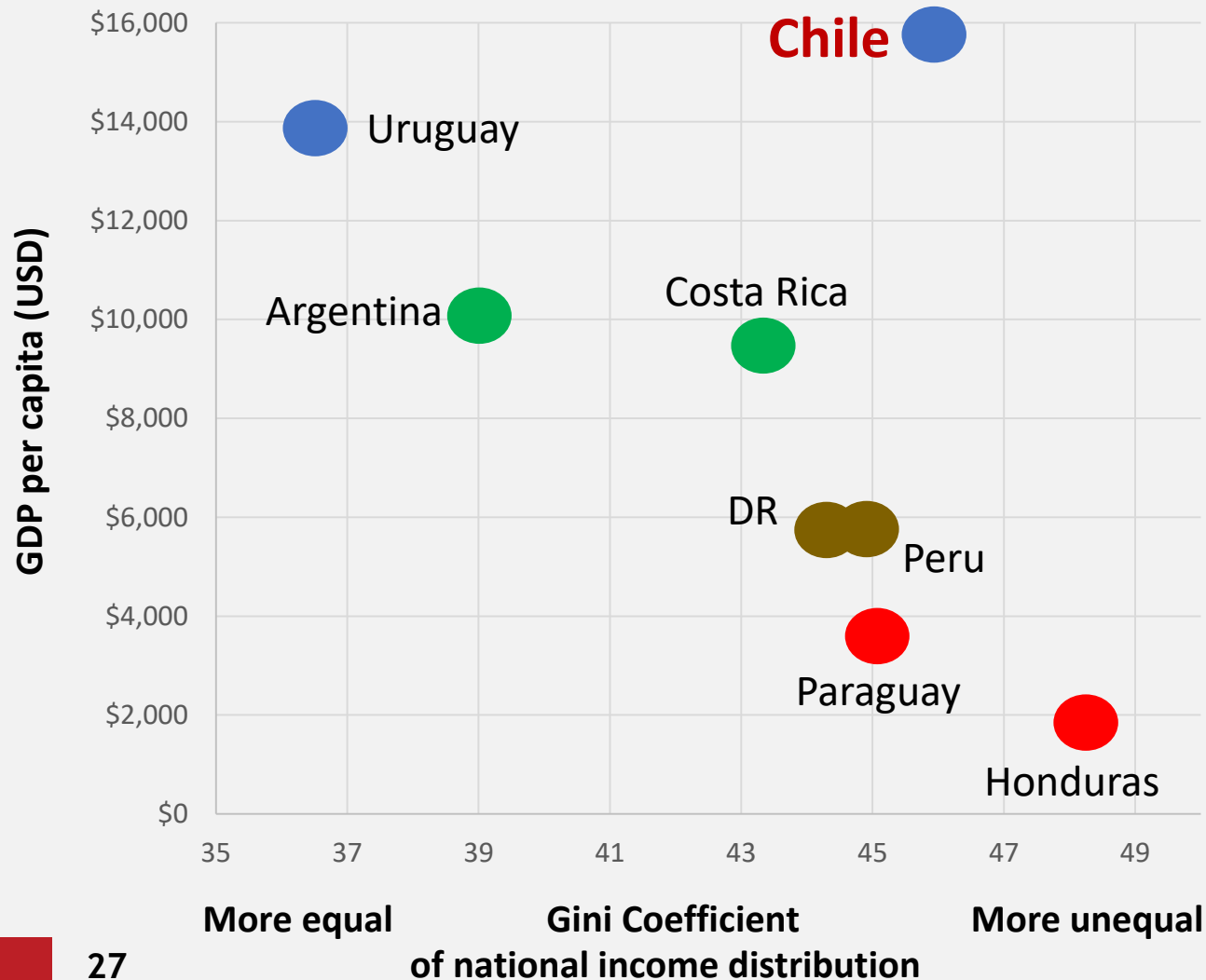
- ✓ Investor appetite for infrastructure projects and the retail economy returns
- ✓ Re-industrialization of Colombia spurs job creation
- Mid-term elections further weaken Duque and the central government
- Odebrecht investigation blows up and weakens government
- Venezuelan immigration grows into refugee crisis (another 3-4 million refugees)
- Oil prices remain low, hurting the peso and growth
- Income inequality keeps leftist messaging relevant



# Chile: 2<sup>nd</sup> world income, 3<sup>rd</sup> world inequality



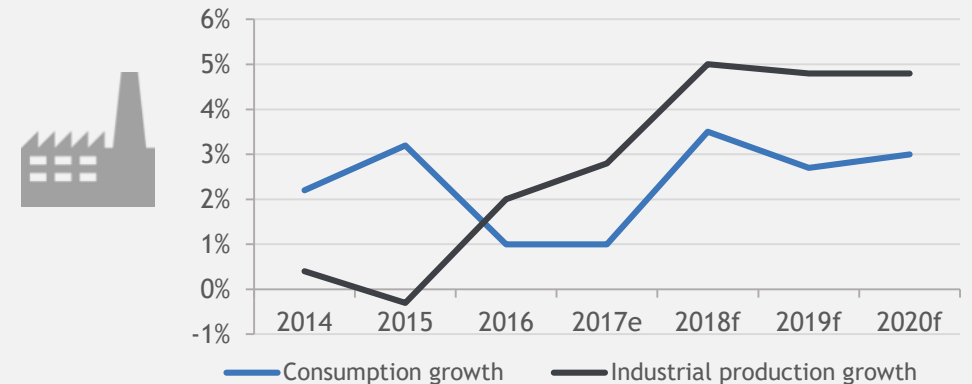
Chile's latent economic divide is putting to test its leader's policy resolve



## Upside and downside risks

- ✓ Reform agenda can move forward, particularly tax and pension reforms
- China-US trade war continues to hurt copper demand
- Reform agenda is delayed by protests and political fallout

## Consumption & industrial growth



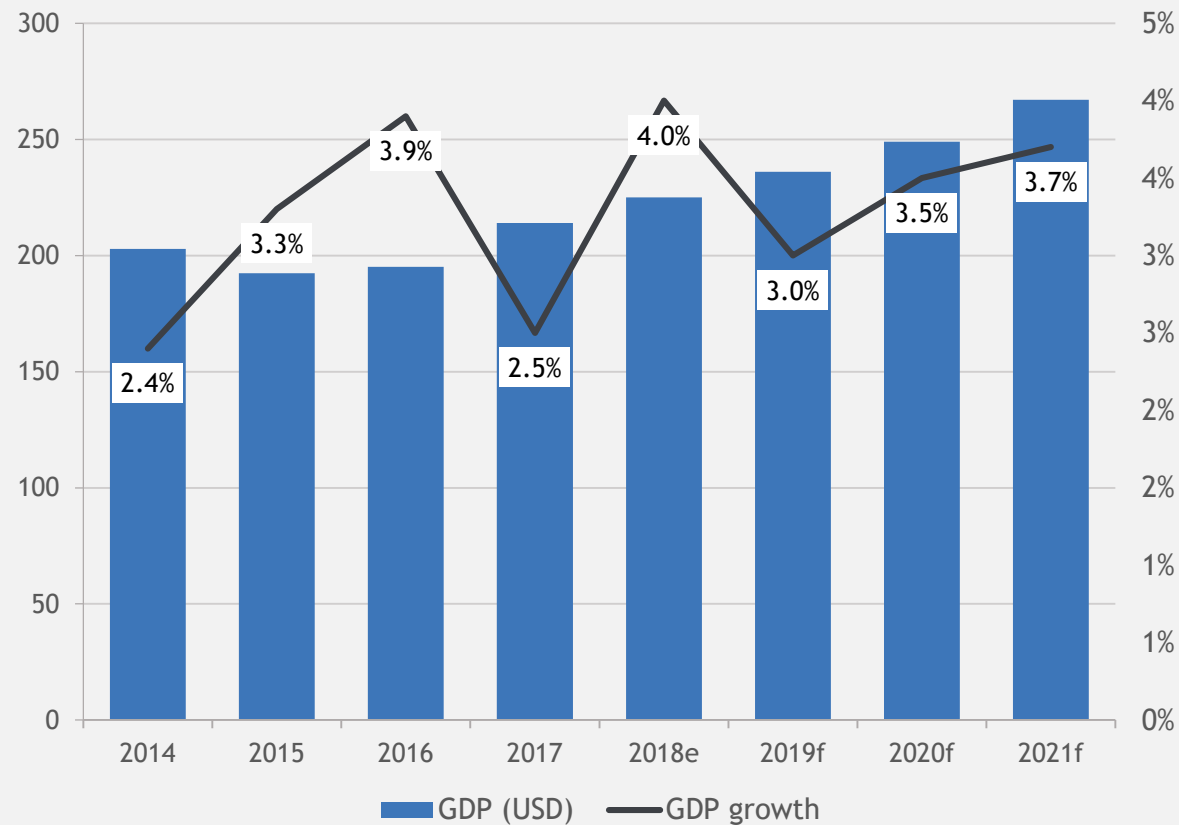
Sources: WEF, BMI, AMI

# Peru: Strong growth in spite of political tumult

Mining investment remains strong but many exporters are worried over the US-China trade dispute



## GDP (US\$ bn) and Growth



## Upside & downside risks

- ✓ High precious metal prices spur additional investment and royalties
- US-China trade dispute lowers demand for copper and other industrial metals
- Political tumult slows and complicates infrastructure spending and spooks foreign investors
- A political vacuum in Lima encourages local community opposition



Sources: BMI, AMI

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**Questions/Answers**



Q

Y

Industry  
practice  
outlooks

# Healthcare Trends 2020

Presented by:  
Guillaume Corpart





# Five key facts about healthcare in Latin America

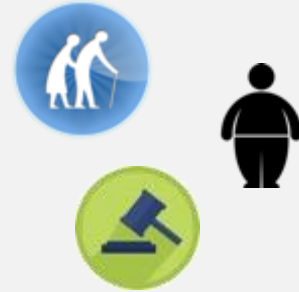
## INFRASTRUCTURE

- Home to 24% of the world's hospitals
- Average hospital size 45 beds (vs 160 in US)

- It is a question of **access ... to quality care in a timely manner.**

## MEGATRENDS

Ageing population  
Obesity epidemic  
Lack of efficiency



*Improved efficiencies*

## BUDGETS

Tightening government budgets



## Efficiency gains may appear...

- Public systems working with one another (e.g.: Mexico)
- Public + private systems working toward a common objective (e.g.: Mexico vs. Brazil)
- Common metrics must be used and measured (e.g.: procedure codes Colombia ICD-9 vs Brazil TISS/TUSS)
- Technical staff
- Supply chain






# Three innovative approaches to client targeting

## Case studies from clients in the medical equipment and device field

### I. Pre-Launch Decisions


No market data for innovative products.  
Decision-making is almost impossible.



Use of statistical modeling on similar equipment types.  
Multi-linear regression.  
Decide countries in which to launch first.  
Identify potential clients in each country.

### II. Size & Sell


Market data is unreliable, inconsistent, asymmetrical and estimated, at best.  
Planning is difficult.



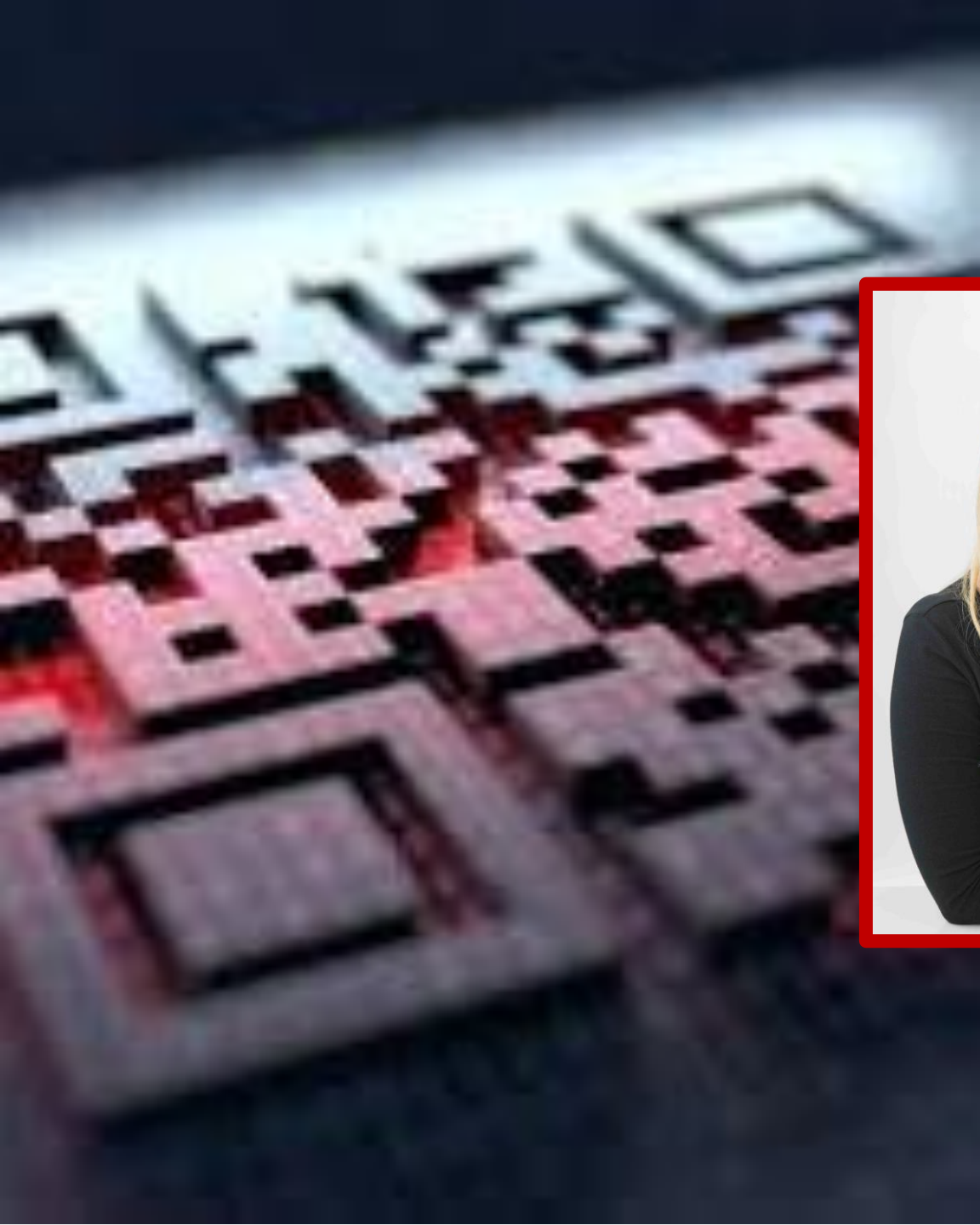
Get verified data.  
Adjust it to your needs, if necessary.  
Conduct sales modeling.  
Incorporate AI elements if needed.

### III. Eliminate the blind spot

Always looking at the same accounts.  
Limited sales team.  
Not considering full market potential.



Get verified data.  
Compare and contrast to internal sales (CRM).  
Identify untapped opportunities.  
Deliver qualified leads to the sales team.



# Payments Trends 2020

Presented by:  
Lindsay Lehr



# LAC has become digitized – well, sort of...



67% average smartphone penetration



36 million people use ride hailing apps



260 million MercadoPago users



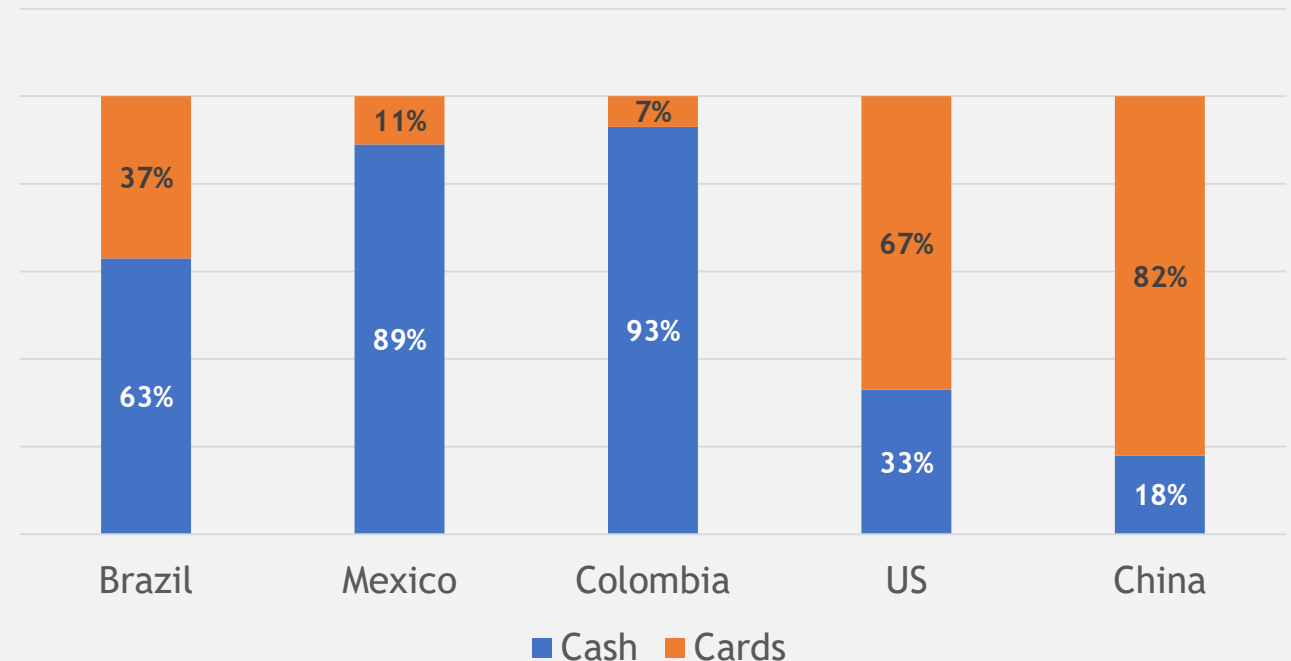
15 million Rappi users



10 million Nubank customers

## But somehow, cash still reigns

2018 split of retail spend, cash vs. cards



**\$1.5 trillion in cash retail spend**



# Six mega-trends in Payments



Payment cards to payment credentials



Terminal-less acceptance



Acquiring & acceptance revolution



Race for the superapp



Bank accounts becoming a payment method



Fees trending toward 0

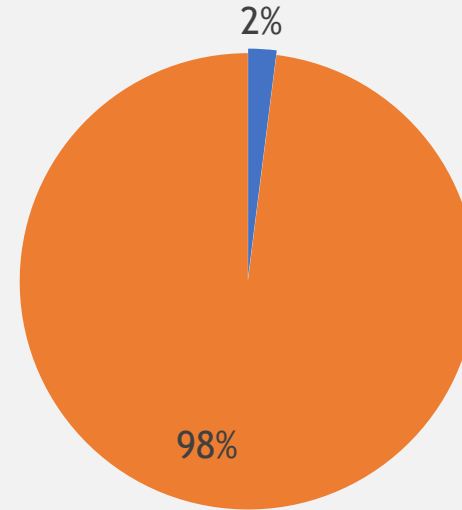


# Going plastic-less and terminal-less



Estimated number of merchants accepting QR codes  
 MercadoPago: 500,000  
 Rappi: 20,000

2019 total card transactions, LAC



■ QR codes ■ POS terminal



Wallet to wallet transactions are equal to 2% of card transactions

Sources: BCRA, MercadoPago 2019 Financial report, interviews, AMI analysis

# Logistics Trends 2020

Presented by:  
Diego Rodríguez





# Five noteworthy trends impacting LatAm logistics



Evolving logistics marketplaces



Reduction of environmental impact



Logistics regulations



IT and Digitization



Tsunami of cross border e-commerce packages



# Consumer Services Outlook 2020

Presented by:  
Ricardo Álvarez





# Trend #1: Serving a segment of ONE

## 20<sup>th</sup> Century Market Segmentation

### DEMOGRAPHIC SEGMENTATION



- People with Internet access
- Age group of 25 to 50 years, as 45% of online buyers belong to the 35-49 age group
- Focusing on a younger audience

### SITUATIONAL SEGMENTATION



- Convenience as a major reason for online purchases
- Interest in new categories
- New lucrative deals every day, every hour
- Low pricing as a major factor for purchasing online

### PSYCHOGRAPHIC SEGMENTATION



- Customers segmented by loyalty
- Customers who like innovations and changes to the website
- Those who value customer care first
- People who click on recommended and suggested products the most

### GEOGRAPHIC SEGMENTATION



- International appeal
- Digital sales over 'real-world' sales
- Focuses on developed areas
- For rural areas - smartphone use crucial

## 21<sup>st</sup> Century Market Segmentation



Internet client  
communication



Digital  
products



# Companies effectively marketing to the segment of ONE



Amazon, the “everyone” store

Rappi wants to hyper-personalize



Customization of every pair

Customer data mining & AI driven individual marketing campaigns



# Trend #2: Copycats – the 2<sup>nd</sup> wave of disruptors leading growth



## Imported disruptors (1995 onwards)

Ebay  
Expedia  
Uber  
Craigslist  
Airbnb  
Netflix  
Coursera  
PayPal



## Copycats (2000 onwards)

Mercadolibre  
Despegar  
Easytaxi, Cabify, 99taxis  
OLX  
Rappi  
CargoX  
Properati



## Originales (2020 onwards)

Satellogic  
BovControl

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**Questions/Answers**

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