2017 Latin America Forecast

Struggling to compete in tough global environment
AMI is Latin America’s leading independent market intelligence consultancy

Our founding partners helped pioneer the field of market intelligence in Latin America

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2017 Latin America Regional Forecast
Latin America Will Return to Growth But Will Still Underperform

2017 will end Latin America’s commodity-driven recession, but future growth will not come easily.

GDP growth

- World
- Industrialized countries
- Emerging markets
- LAC

<table>
<thead>
<tr>
<th>Year</th>
<th>World</th>
<th>Industrialized countries</th>
<th>Emerging markets</th>
<th>LAC</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.0%</td>
<td>1.7%</td>
<td>3.2%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>2016</td>
<td>1.9%</td>
<td>1.2%</td>
<td>2.6%</td>
<td>-1.1%</td>
</tr>
<tr>
<td>2017</td>
<td>2.0%</td>
<td>1.8%</td>
<td>3.4%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>
The Fed’s anti-inflation mandate may be the greatest threat to Trump’s fiscal & debt stimulated growth strategy.
The Uneven Commodity Bounce

Metals up, energy flat: Winners – Chile, Peru, Brazil; Losers – Venezuela, Ecuador, Colombia, Mexico

Diverging commodity prices (indexed pricing)

- Driven by a global infrastructure spend boom
- Driven US energy output expansion
Throw’em out

Latin America’s embrace of center-right parties is a rejection of incumbents, not an embrace of pragmatism

Argentina President Macri ✔
Bolivia President Evo Morales ❌
Chile President Bachelet ❌
Peru President Kuczynski ✔
Venezuela President Maduro ❌
Ecuador President Correa ❌
Mexico President Peña Nieto ❌
The Trump Factor

America’s controversial new President will deliver growth and risk

Positive Changes

- Lower corporate taxes
  - Higher investment
  - Capital repatriation
- Less regulation
  - Expanded capital investment
  - Resource industry boost
- Infrastructure program
  - Much needed productivity boost
  - Short-mid-term stimulus

Threatening Changes

- Protectionism
  - Tax on business and consumers
  - Risks global trade war
- Building the wall & deportations
  - Will provoke populist political backlash in Mexico – end to NAFTA
- Restrict immigration & visas
  - Deprives US business of talent
  - Raises wage inflation – higher Fed
Brazil and Argentina Will Fuel Regional Growth

In both 2017 and 2018, Brazil and Argentina will combine for 70% of the region’s dollarized GDP growth.
Country Analyses
Brazil

Finding its animal instincts, now that the professionals are in charge – as long as they don’t get prosecuted

- FDI monies kept coming
- Domestic capital strike may soon end if Temer looks to survive *Lava Jato*
- Pro-reform block controls congress
- Competent managers now run the Central Bank, the Ministry of Finance, BNDES, and Petrobras
- Brazilian corporate and HH sectors more than halfway through debt restructuring process
- Strengthen trade with Mercosur, EU, perhaps Pacific Alliance
Argentina

Waiting for investors to act on their promises

- Macri admin has executed text-book neo-liberal reforms. Now they are waiting for the private sector to invest as planned.
- FDI promotion efforts focused on: Agrifood, mining, oil & gas, infrastructure, real-estate
- 2017 must be a growth story to avoid a populist set-back in mid-term elections
- Trump engineered global investment risk could delay Argentina’s growth start
- Macri has not yet tamed inflation
Mexico

Tan lejos de Dios, tan cerca de los Estados Unidos

- Trump’s war of words has paralyzed investment in Mexican export manufacturing. Re-negotiating NAFTA plus a border tax debate will further delay planned investment. FDI will drop 25-30% in 2017
- Capital flight has eroded Peso by 20% since Trump began targeting.
- Mexican voters may elect a populist on an anti-American, anti-NAFTA platform in 2018
- Mexico will try to re-align as best it can with European, Asian and hemispheric trade partners
Colombia

Resolving post-conflict challenges in Colombia may prove more difficult than negotiating with the FARC

- Fulfilling the peace requires fiscal measures that Colombia cannot afford
- A re-emerging US energy superpower directly threatens Colombia’s terms of trade and currency strength
- Two years with a weak Peso has helped re-industrialize portions of Colombia’s economy
- Fulfilling FDI potential requires continued streamlining of bureaucracy and the tax code

Colombian foreign exchange rate, USD to Peso
Chile

Chile’s middle class has become the most demanding electorate in Latin America

• Copper looks to extend recovery in 2017 thanks to global infrastructure expansion (US, India, South-east Asia) – US and Asian construction to grow at 7+% in 2017 & 2018

• Mining investment will dominate FDI plans in 2017 versus other sectors that are more fickle in an election year.

• Chilean voter angst is unique from much of Latin America. 2017 will likely be a contentious election, again dividing the electorate (old versus young, right vs left)

• Alejandro Guillier may defeat Piñera, adding some investor risk

Copper price, USD/lb

2012 2013 2014 2015 2016 2017f
If Kuczynski can learn to share the spoils with Keiko, Peru can fulfill its growth potential

- PPK’s rocky starts reveals both his naivety and the bitter electoral resentment of Keiko Fujimori
- The “Kambio” party will have to share power with congress or face more confrontations
- Infrastructure boom should boost base metal prices and mining investment
- Bold infrastructure plans will attract new FDI growth
- Chinese investment will lead new FDI monies

![FDI flows, USD billions](image)
Central America

The sub-region will for the fourth year running lead Latin American growth

- Cheap energy prices provide a huge TT boost
- American protectionist angst has thus far evaded Central America
- Remittance strength remains strong
- Internal migration from countryside to city is driving a demographic growth spurt
- Near-shoring of Asian dominated light assembly favors Central America
- Growth dynamism attracting FDI from Mexico, Colombia, and other parts of LAC
- Social instability remains a long term weakness
Growth opportunities

Most markets are in early cycle stages, favoring investment over export strategies for foreign businesses.

<table>
<thead>
<tr>
<th>FDI</th>
<th>Imports</th>
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<tbody>
<tr>
<td>• Infrastructure &amp; real-estate</td>
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<tr>
<td>• Industrial sector</td>
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<tr>
<td>• Consumer services</td>
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<tr>
<td>• Mining, agrifood</td>
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<tr>
<td>• Natural gas</td>
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<tr>
<td>• Infrastructure</td>
<td></td>
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<tr>
<td>• Real-estate</td>
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<tr>
<td>• Energy sectors</td>
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<td>• Tourism</td>
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<tr>
<td>• Domestic e-commerce</td>
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<td>• Infrastructure</td>
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<td>• Manufacturing</td>
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<td>• Tourism</td>
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<td>• Agrifood</td>
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</table>

| Medical equipment  |
| Luxury goods  |
| Industrial equipment  |
| E-commerce  |
| Consumer goods  |
| Medical equipment  |
| Professional services  |
| Hospitality  |
| Power equipment  |
| Telecom equipment  |
| Luxury goods  |
| Industrial equipment  |
| Hospitality sector  |
| Consumer goods  |
| Industrial equipment  |
| Mining equipment  |
| Construction  |
| Consumer goods  |
| Professional services  |
| Outbound tourism  |
| Hospitality sector  |
| Professional services  |
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We completed more than 2,000 client engagements throughout Latin America for market research, competitive Intelligence, opportunity benchmarking and more in a wide range of sectors, including:

- **Payments** (credit/debit cards, virtual wallets, e-commerce, m-commerce etc.)
- **Logistics** (freight forwarding, pricing studies, market forecasts, etc.)
- **Healthcare** (market sizing, competitive analysis, health trends, etc.)
- **Mining** (risk analysis and assessment, competitive intelligence, forecasts, etc.)
- **Industrial** (market sizing, intelligence for investors, brand awareness, etc.)
- **Consumer** (shopping tendencies, demand, market analysis)
- **Auto** (market intelligence, brand awareness, competitive analyses)

Contact us at [info@americasmi.com](mailto:info@americasmi.com) to find out more about how we can solve your strategic data challenges.