

Latin American Mega Trends

Their economic, social and political impact

By John Price, Managing Director, Americas Market Intelligence



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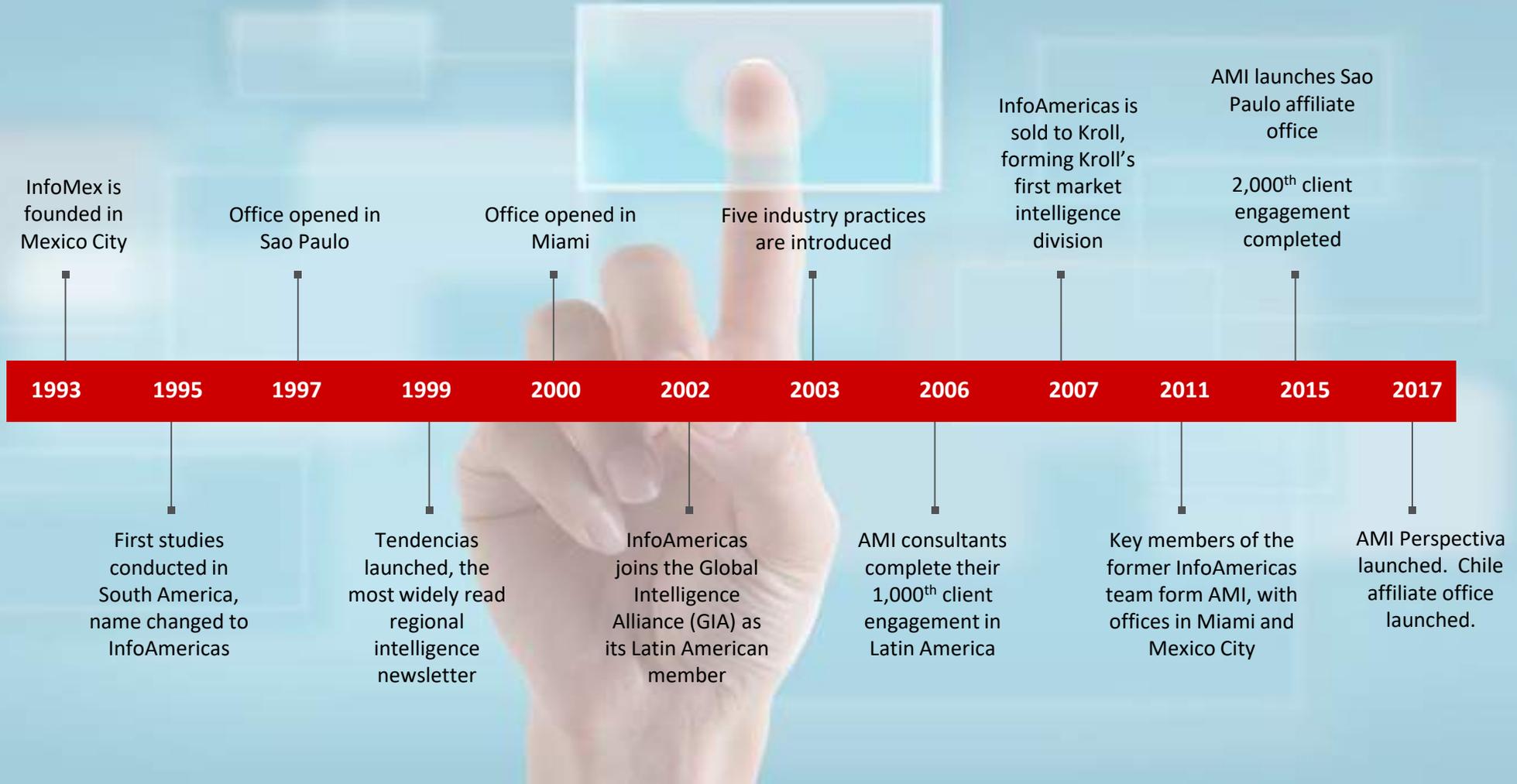
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AMI credentials



More than two decades of seeking to understand the region



How AMI services its market intelligence clients

We provide our clients with the intelligence and advice they need to make big decisions that help them grow, mitigate risk and measure performance



 **Growth**

- Opportunity Benchmarking
- Market Assessment
- Customer Research
- Investment Viability
- Partnering
- Strategic Planning

 **Risk**

- Competition
- Unethical competitors
- Political
- Reputational
- Economic

 **Performance**

- Market Share
- Best Practices
- Brand Awareness
- Customer Satisfaction

Broad industry experience, Latin American focus

We have conducted over 2,000 client engagements since 1993



PAYMENTS

- 225 projects
- Consumer & corporate cards, pre-paid cards, digital wallets, mobile payments, POS technology



CONSUMER & RETAIL

- 370 projects
- Food, beverage, snacks, appliances, beauty products, toys, entertainment



TELCO, IT, MEDIA

- 110 projects
- Telco – wireless, ISP, services, equipment; IT – ERP, computers & accessories, AMT; Media – gaming, pictures, print, TV, radio



HEALTHCARE

- 175 projects
- Medical equipment, devices, hospital services, health policy, pharmaceuticals, supplements, vaccines



NATURAL RESOURCES

- 120 projects
- Mining – exploration, equipment;
- Energy – oil & gas, alternatives, petrochemicals;
- Agriculture – commodities, fertilizers, technology



LOGISTICS

- 125 projects
- 3PL, air cargo, FTL, LTL, rail, ocean, port management, warehousing, distribution, equipment, software



AUTOMOTIVE

- 125 projects
- Cars, trucks, buses, OEM parts, aftermarket, service, finance



INDUSTRIAL

- 450 projects
- Transportation, manufacturing, chemicals, lubricants, metals, plastics, paper, packaging, safety



INSURANCE

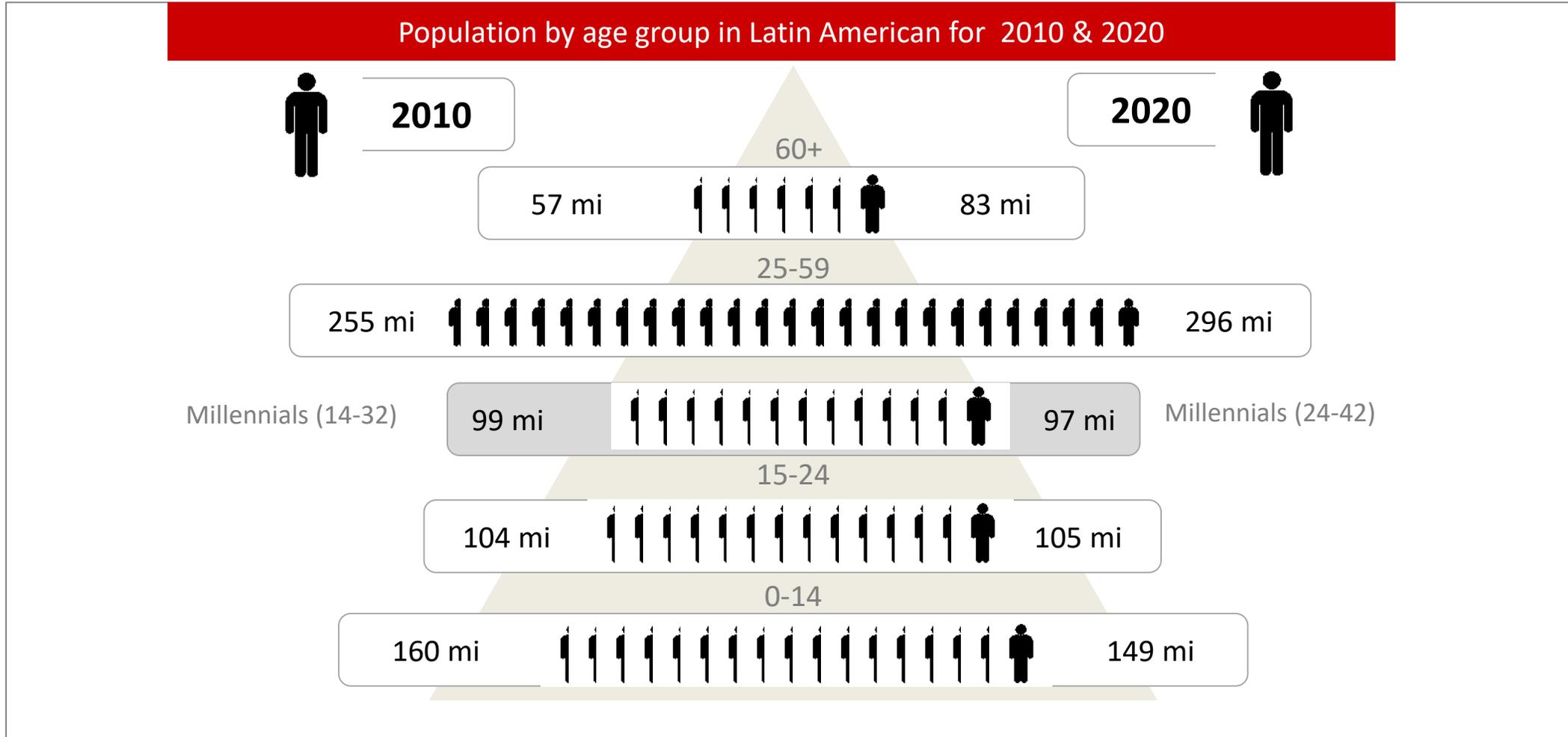
- 45 projects
- Accident & Health, E & O / Professional Liability Insurance, General Liability Insurance, Political Risks, Property Insurance, Re-insurance



Megatrend #1 – Aging Demographics

Latin America is the fastest-aging region in the world

In just a decade, the elderly outgrew the population of all young people (under 30 years of age)

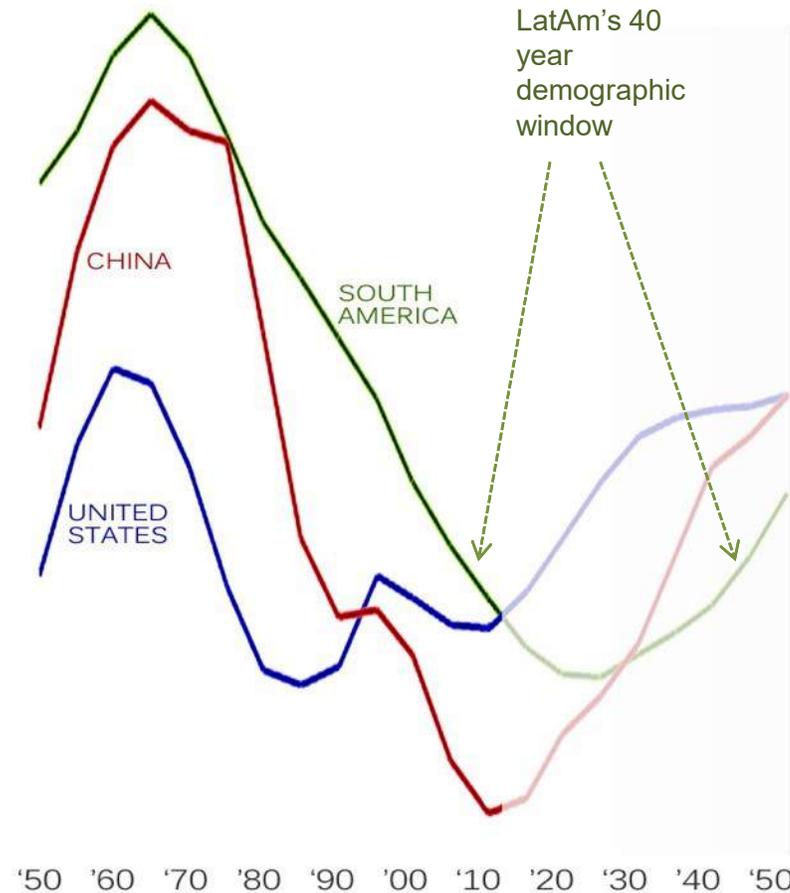


For the next 25 years, the demographic dividend will continue to benefit LAC markets

The working age (15-60) % of the population will keep climbing (until 2025), at which point it will begin to decline

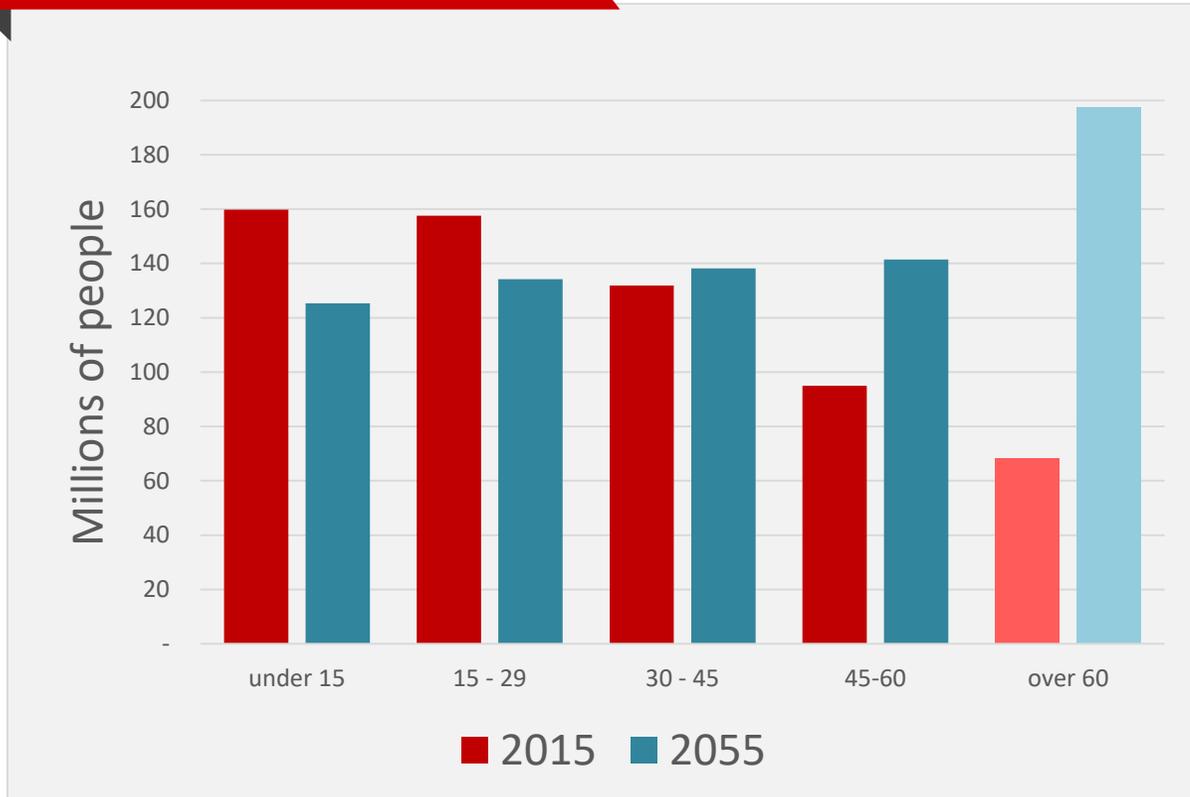
GLOBAL RANK	COUNTRY	MEDIAN AGE
33	Cuba	38.4
48	Uruguay	33.6
56	Chile	32.1
61	Argentina	30.5
71	Brazil	29.3
78	Colombia	28.0
82	Mexico	27.1
85	Peru	26.2
86	Dom Rep	26.1
86	Venezuela	26.1
87	Ecuador	25.7
94	El Salvador	24.3
95	Jamaica	24.2
103	Bolivia	22.5
114	Guatemala	20.0

Dependency Ratios



By 2040, the largest voting block will be the elderly

130 million more elderly



Source – Center for Strategic & International Studies



The impacts of an aging population

Economic impact

Social impact

Political impact

Sub-trends

		Economic impact	Social impact	Political impact
01	Older on average	10+% CAGR in healthcare Strong growth in financial services	Society must now cater to the elderly, rather than to children	More mature (conservative) voters
02	Large elderly population	Impact on housing market – empty nesters are independent	Stronger than the baby-boomer effect in the US	Political priorities shift away from education towards healthcare funding pensions
03	Short term demographic dividend (2015-2030)	Continued strong growth in consumption	Continued aspirational consumerism	Deficit driven fiscal expansion Strong investment in infrastructure
04	Long term demographic demise (2030-2050)	Chronic low growth (like Japan today)	Decline of materialism. Return of savings culture. Opening to immigration (from Africa).	Fiscal prudence. Higher taxes. Privatization of healthcare. More immigration.
05	Fewer children	Divestment in early education infrastructure	Nurturing children will be replaced by nurturing the elderly. Re-engineering of public spaces.	Tax breaks for additional children. Cuts in education, children health.

Backlash?

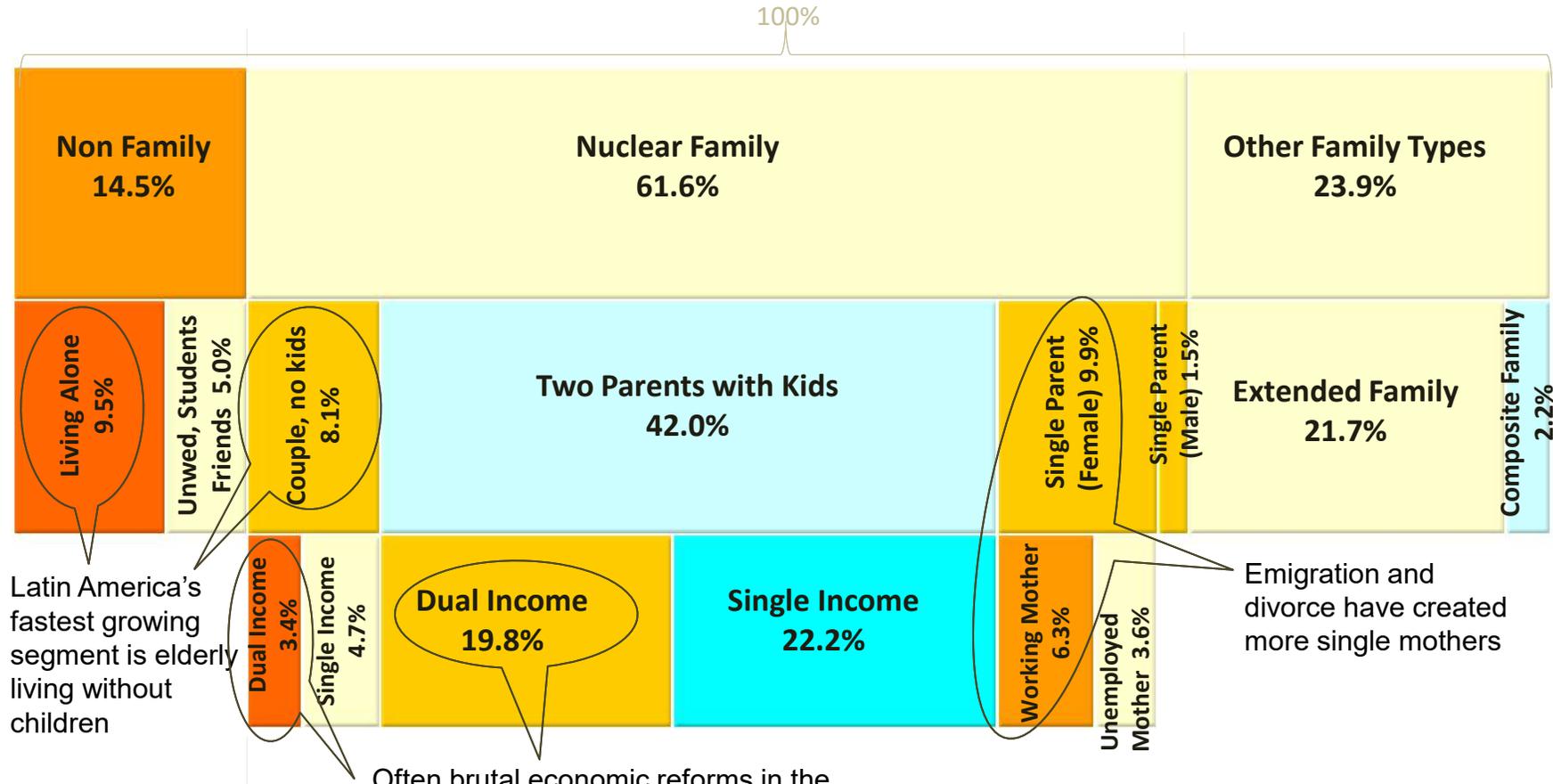
Will Latin America have its own Generation X (who resentfully funds the elderly)?

How will Mexico, a homogeneous society accept African immigrants? (Case study may be Ireland)

Megatrend #2 – Rising Individualism

The family “unit” is in decline. Segmentation is on the rise.

Non-traditional household structures are replacing the conventional household



Latin America's fastest growing segment is elderly living without children

Dual Income 3.4%

Single Income 4.7%

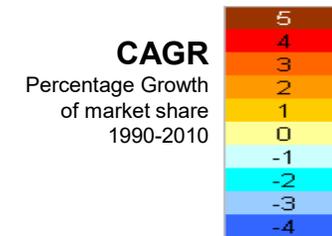
Often brutal economic reforms in the 1990's eroded the real incomes of middle and working class segments, forcing both parents to work. Modernizing ways encouraged upper and middle class women to hold onto their careers.

Working Mother 6.3%

Unemployed Mother 3.6%

Emigration and divorce have created more single mothers

Source: ECLAC



Content developed by www.americasmi.com

Consumers and voters are more empowered

The instinct to conform declines while individualism and materialism ascend

1990 household



- 5.3 people per HH
- Ages 30-40 fastest growing
- 3% car ownership
- <3% have credit cards
- Shrinking middle class
- Economic crisis
- Conform to tradition
- Fitting in (collective)
- Undemanding consumers
- Cost conscious
- Traditional media, Predictable opinions

2020 household



- 4.1 people per HH
- Age 60+ fastest growing
- 21% car ownership
- >25% have credit cards
- Expanding middle class
- Social crisis
- Seek pleasure
- Gaining power (individual)
- Very demanding customer
- Value & convenience driven
- Social media, unpredictable

The impacts of rising individualism

Economic impact

Social impact

Political impact

Sub-trends

		Economic impact	Social impact	Political impact
01	Growing non-traditional households	More homes needed, more household items (furniture, appliances, etc.)	Changing norms. Rise of political correctness	Wider spread legalization of gay marriage, light drugs, etc.
02	Declining role of church	Rising "vice" economy	Higher divorce, unmarried parents, abortion. Loss of support for most vulnerable. Emancipation of some.	Changing political platforms. Move away from social conservatism towards kinder conservatism.
03	More demanding consumer and voter	More emphasis on customer service	More social, consumer and political advocacy.	Greater transparency and accountability
04	More choices	Expanding retail economy (for 20 years)	Initial boost in materialism followed by more conscientious consumption	Rise of issue parties (think Israeli Knesset)
05	Less conformist	More diversity of product and service offerings. More outbound travelling.	Coming into the light of repressed groups	More diverse political class

Backlash?

The weight of the elderly population may lead to some backlash on social liberalization. Politics may become divided by age more than any other factor.

Megatrend #3 – Migration

Inter-country migration to continue growing

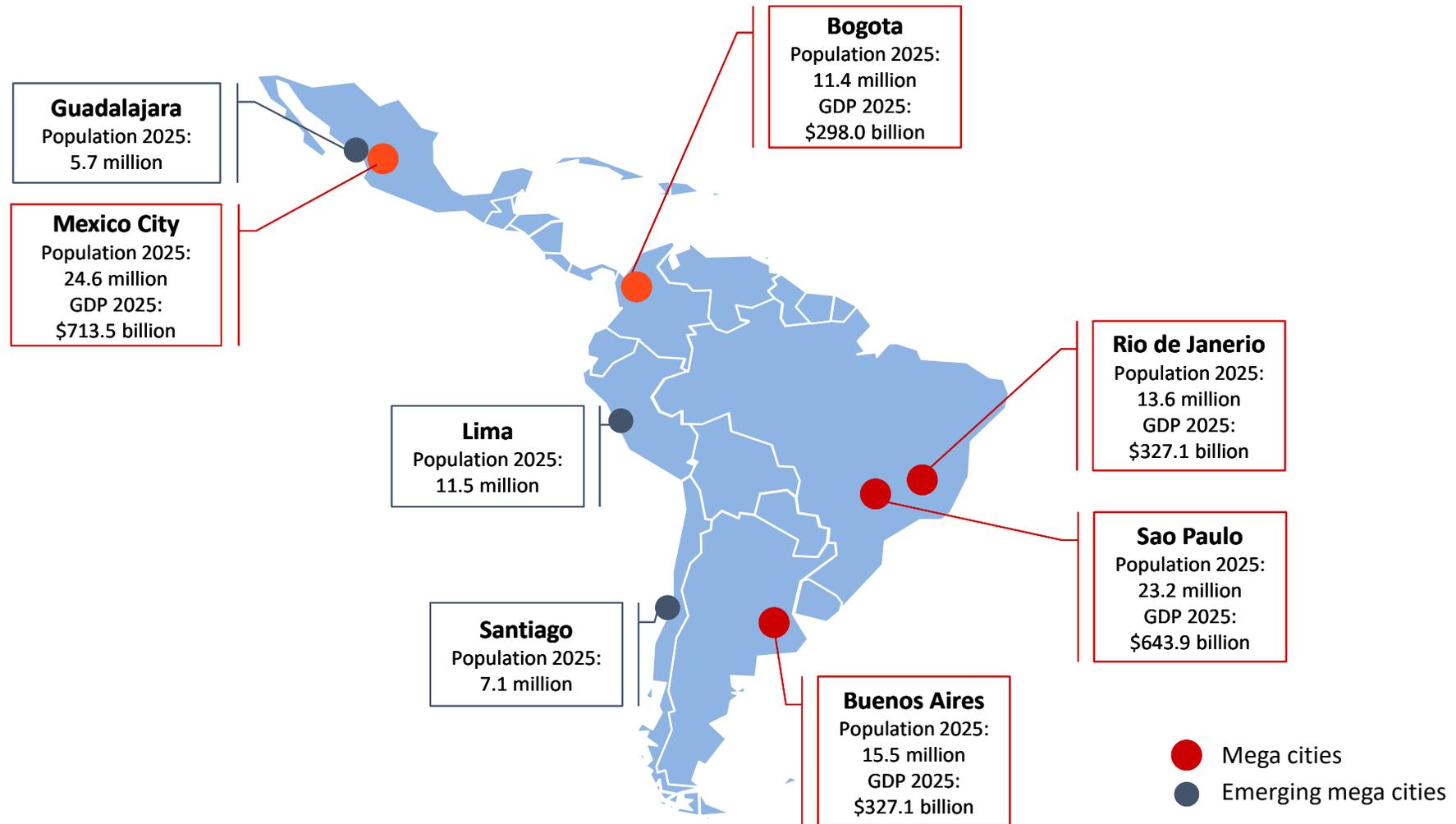
Eventual labor shortages will change migration from escaping crisis to embracing opportunity

- Millions of migrants cross borders within Latin America each year, usually from poorer countries to middle income countries in search of employment: e.g. Paraguayans and Bolivians moving to Argentina, Peruvians & Bolivians moving to Chile, Haitians moving to the Dominican Republic, Cubans to Panama and Ecuador, etc.
- Latin Americans (mostly from Mexico and Central America) continue to leave the region but in declining numbers due to stricter immigration controls in the US and Europe.
- Latin American countries attract few immigrants from outside the region.



Megacities and Emerging Megacities in Latin America

By 2025, 86% of the population (567 million people) will live in cities and towns. Latin America is already the most urbanized region in the world



The impacts of migration

		Economic impact	Social impact	Political impact
Sub-trends	01 More traffic	Productivity gains offered by urban concentration will be limited by lack of infrastructure	People and businesses will move out of mega-cities	More spending on public transit. More privatization of transit.
	02 More immigrants	Economic boost to receptor countries, drain on emigration countries.	Challenging for homogeneous cultures. A boost to heterogeneous ones (Brazil, Argentina, Chile)	May cause some backlash, resentment and nativism (e.g. elections in Chile)
	03 More balanced employment	Provides some GDP boost with a more fluid labor pool.	More people will move away from home to find work. Further erosion of family structure.	Pressure to spend on training, keep people at home. Regionalism in politics.

Backlash?

Stronger sense of regionalism in politics will test national unity
Some cultures will struggle with the economic imperative to accept more immigrants

Megatrend #4 – Technology Disruption

Every industry will be disrupted

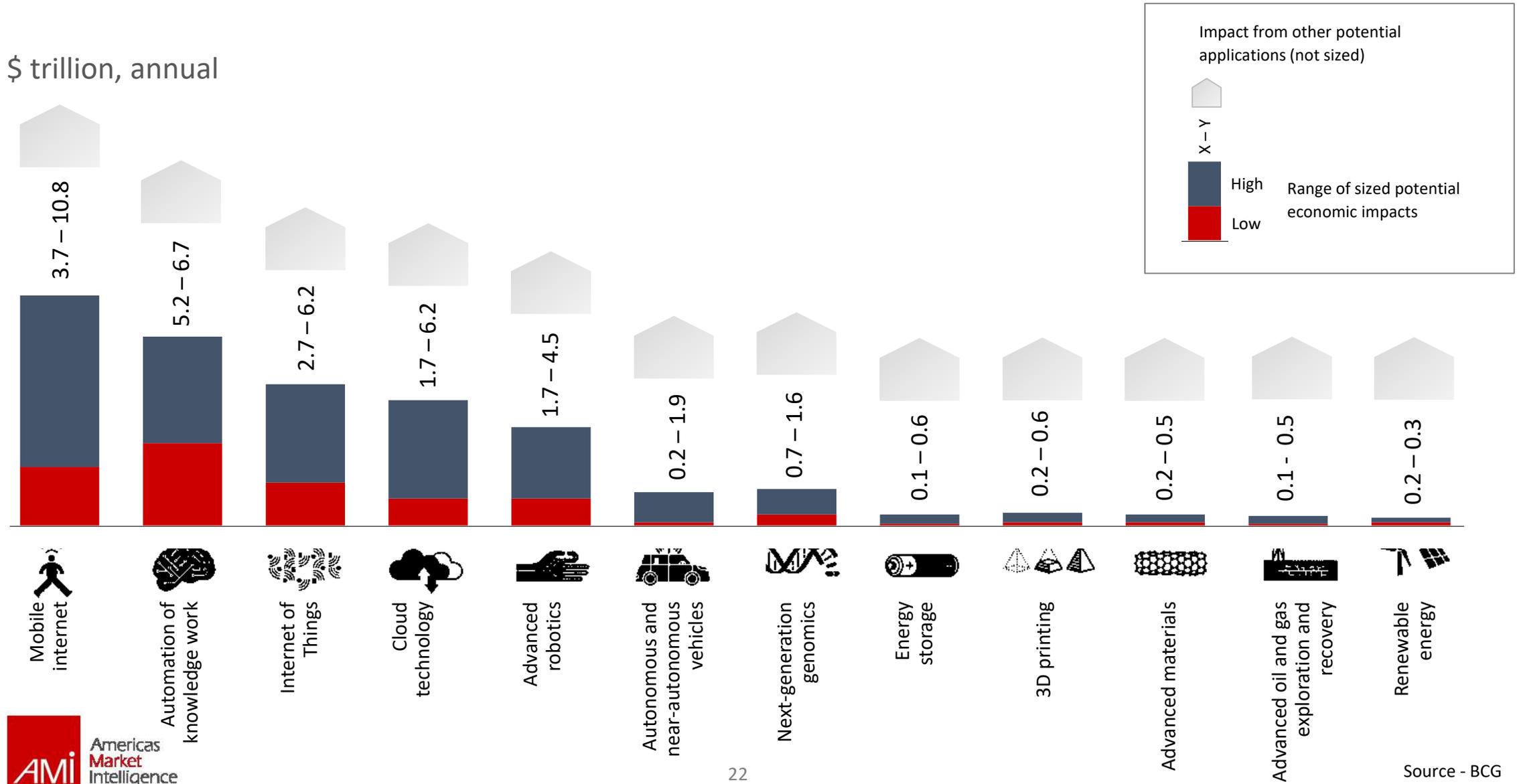


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The source of information in this Mind Map comes from http://www.mckinsey.com/insights/business_technology/disruptive_technologies

Estimated potential economic impact of technologies

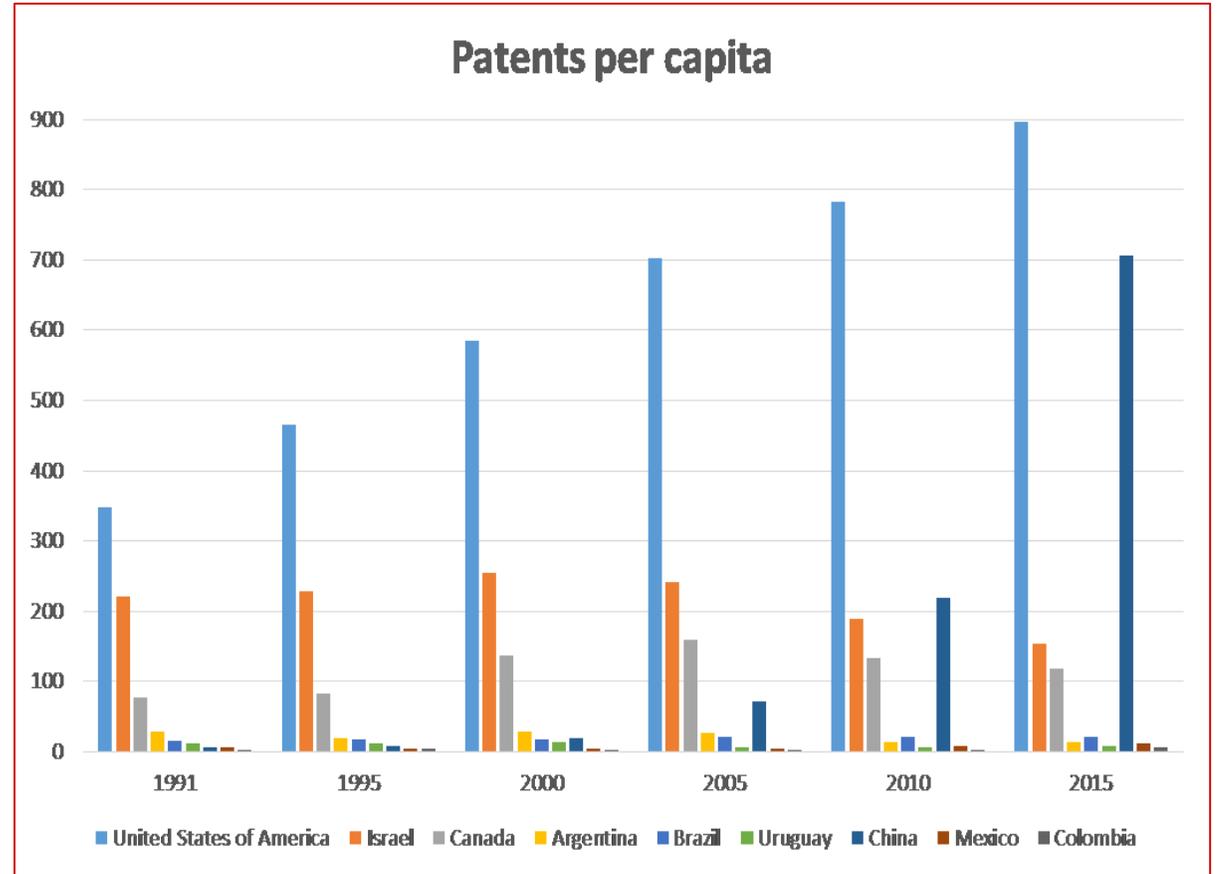
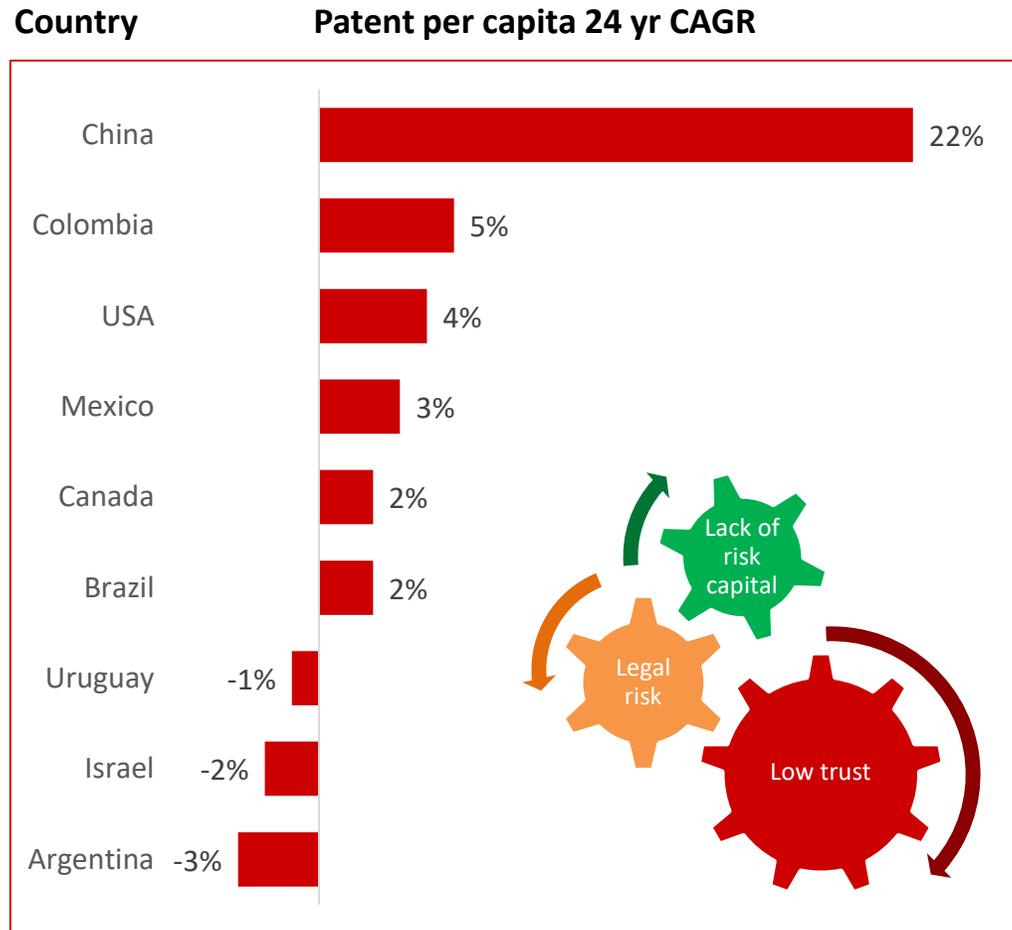
Global impact of different disruptive technologies rolling out across the globe over the next decade



Latin America has a dismal track record of creating commercially viable technology

China publishes 50 times more patents PER CAPITA than Latin America

Some US universities publish more patents on their own than all patents published across Latin America



The impacts of technology disruption

Economic impact

Social impact

Political impact

Sub-trends

		Economic impact	Social impact	Political impact
01	Efficiency gains	Wealth creation	Job losses in low skill labor	Pressure to provide training
02	Deflation	Tends to help middle classes more than working classes	Tends to worsen income polarization	Pressure on government to curb spending, which tends to outpace private sector inflation
03	Technology import	Will boost productivity and consumption, especially among middle – upper classes	Will abandon many national pastimes and adopt foreign customs	Will cause trade deficits
04	Unemployment	Move even further towards service economy – larger service underclass	Strong resentment of low skilled workers put out of work by machines	Potential backlash – Donald Trump / Bernie Sanders style
05	Technology divide	Greater economic divide	Begin reversing recent income distribution gains	Pressure to make technology more accessible

Backlash?

Automation, relying on imported technologies, will generate far more net unemployment in Latin America than it has in US and Europe. Anticipate a political backlash

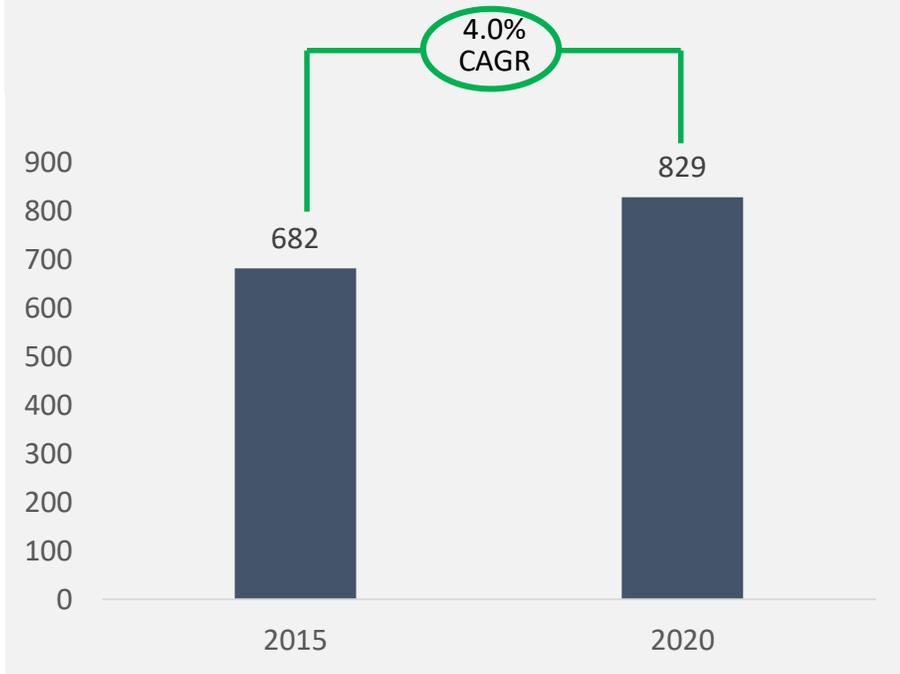
Megatrend #5 – Connectivity & Social Media

Smartphones are now in the hands of the entire middle class

Privacy is dying. Transparency (including the spotlight on political misdeeds) is ascending.



Mobile phone connections*, million

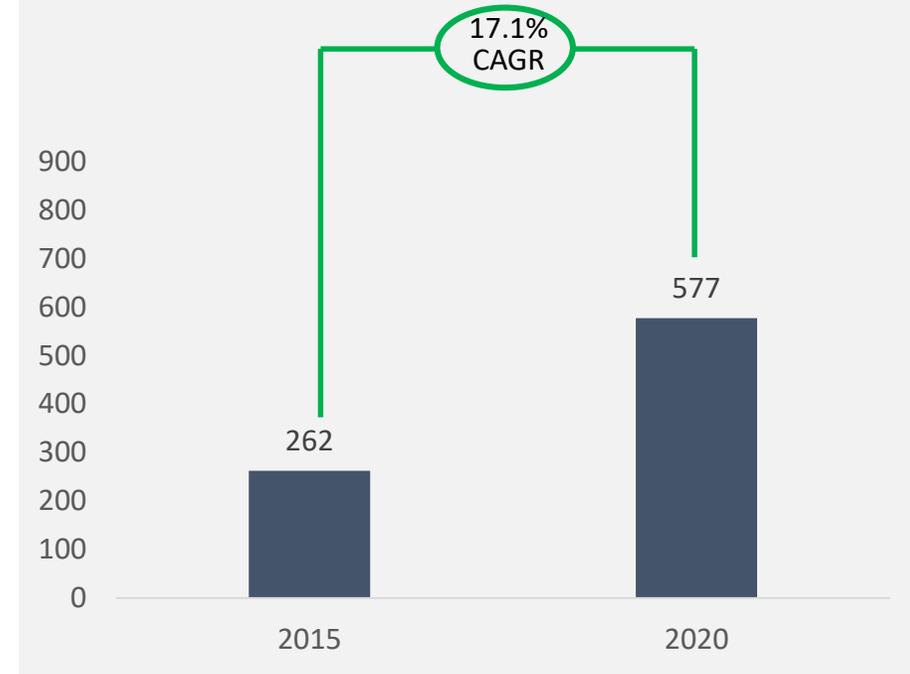


Note: Excluding M2M

Source: GSMA



Smartphone subscribers



Latin Americans are avid consumers of technology

 <p>Brazil (#2), Mexico (#6), and Argentina (#8) are among the highest ranked markets worldwide for total hours per week spent on the internet</p>	 <p>Brazil (#2), Argentina (#3) and Mexico (#4) are among the highest users of Social Media worldwide</p>
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<h2>10%</h2> <p>Cloud computing will grow at over 10+% per year through 2021, making LatAm one of the fastest growing regions in the world.</p>	<p>5.5% Latin America is the fastest growing IT spend region in the world currently with a CAGR of 5.5% through 2021</p>				
<h2>\$27B</h2> <p>value projected for Latin America's 3D/4D technology market by 2021, 19.21% CAGR</p>	<h2>\$4.37B</h2> <p>Value of LatAm data center services market revenue by 2021—52% increase over 2015</p>	<h2>17.5%</h2> <p>Capnography equipment market set to grow with CAGR of 17.5% in LatAm through 2021</p>	<h2>40%</h2> <p>Growth of wearable sensors market in LatAm set per year between now and 2020</p>	<h2>25%</h2> <p>Growth projected for LatAm telehealth market</p>	
<h2>245</h2> <p>million smartphone users are forecast in LatAm by 2019</p>	<h2>36%</h2> <p>projected growth in tablet users in Latin America by 2020 versus 2015</p>	<h2>121%</h2> <p>Growth of 4G connections in LatAm in 2016</p>	<h2>35%</h2> <p>Growth of mobile money accounts in LatAm in 2016</p>	<h2>450</h2> <p>mobile Internet subscribers in LatAm by 2020</p>	<h2>36%</h2> <p>Brazil and Mexico are both ranked in the top 15 world e-commerce markets</p>

The impacts of connectivity

Economic impact

Social impact

Political impact

Sub-trends

		Economic impact	Social impact	Political impact
01	Instantly informed	Significant productivity gain. Downfall of traditional media	Plugged in, tuned out. Greater social consciousness, less human contact.	Endless political scandal. Further erosion of confidence in political institutions.
02	Greater transparency	Less waste	New approach to messaging by people, business, and government	Strong pressure to alter political behavior and different approach to public relations
03	Virtual clustering	Different grouping of economic segments away from geographic to thematic	Further decline of geographic neighborhoods and family structure	Political alignment around issues, not geography
04	Less human contact	To be determined	To be determined	Different approach to messaging – less face-to-face politicking
05	Even the playing field	Productivity gains are more even	Break down of social classes – think dating sites	More inclusive democracy

Backlash?

Consumers, especially older ones will lead an anti-technology backlash in targeted ways (holidays off the grid)
Conservative political movement may find a cause against technology and connectivity

About AMI

01

AMI is Latin America's leading independent market intelligence consultancy



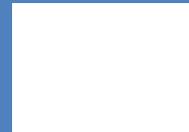
02

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



03

Our consultants have advised a third of the region's 100 largest strategic investors over a span of two decades



04

AMI consultants have conducted over 2,000 client engagements in Latin America since 1993



05

Our holistic approach to market intelligence is unique. We combine market research, competitive intelligence, political analysis and economic forecasting in our studies. Few others do the same in Latin America



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