



COVID-19: Business implications for Latin America

KPMG & Eurasia Group

April 6, 2020



Our conversation today

The rapid outbreak of COVID-19 (the coronavirus) presents an alarming health crisis that the world is grappling with. In addition to the human impact, there are also significant commercial impacts being felt globally. As viruses know no borders, the impacts will continue to spread, bringing distinct risks and considerations for business leaders in Latin America.



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Q&A

Introducing our speakers



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KPMG Latin America perspectives



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Latin America Outlook

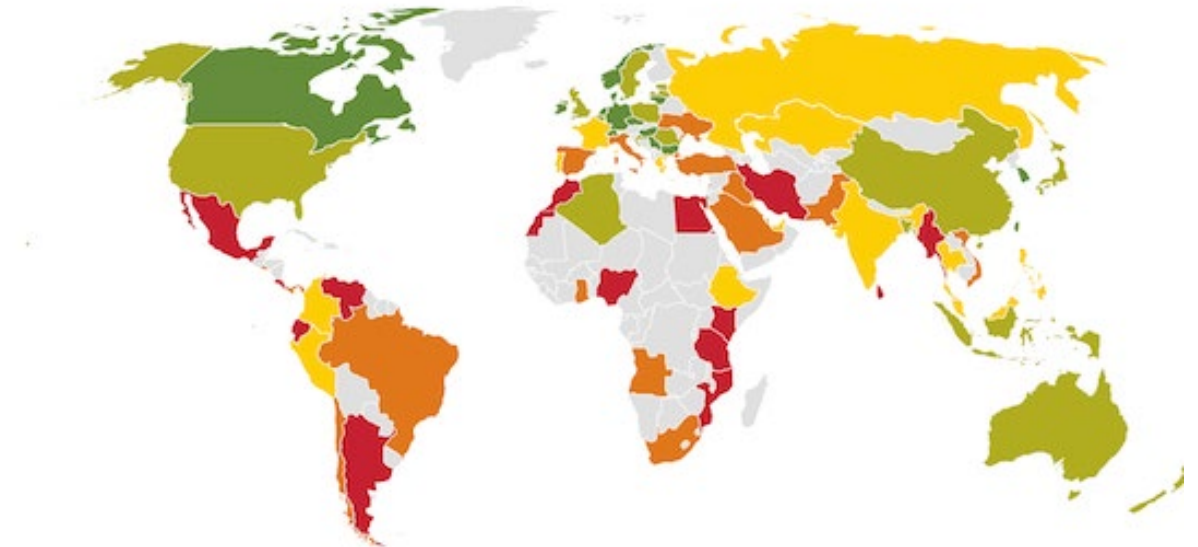
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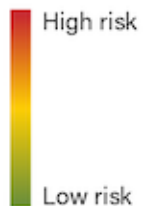
Challenging global economic outlook

- Uncertainty driving investor behavior
- Impact on global economy will depend on duration of pandemic
- Lack of coordination will remain a problem
- In US, new stimulus coming, but probably not before May, while implementation will be difficult
- As information and testing capabilities increase pressure on governments to ease restrictions will mount
- But governments will be cautious
- This suggests slowdown could be more pronounced than anticipated, and recovery slower
- Dynamics in Asia and Italy will be key, especially after positive economic signals from China
- Emerging markets much worse prepared to manage, so economic impact will be much larger there
- Return to normal will be gradual, so “higher risk” sectors will struggle more

Macroeconomic vulnerability



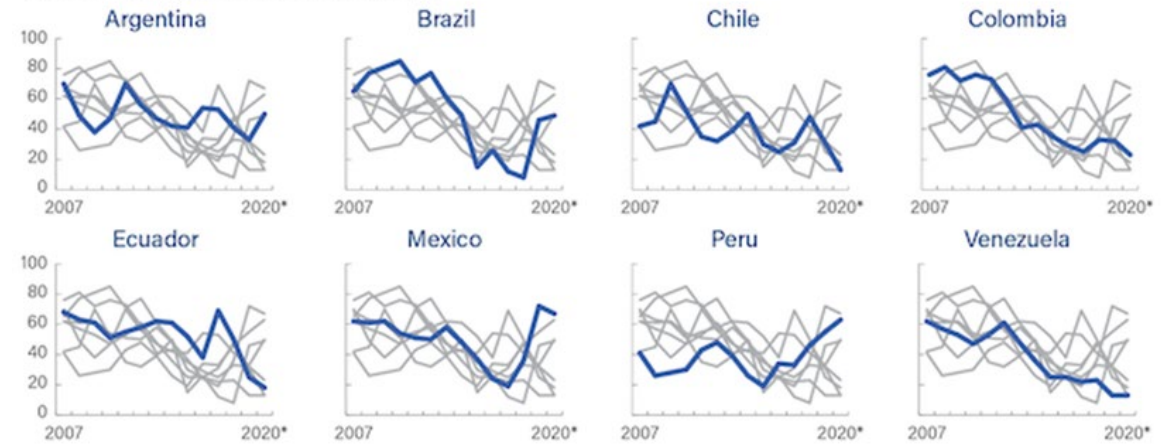
Source: Eurasia Group, World Bank, Bloomberg, World Tourism and Travel Council, Harvard Growth Lab, Lancet



The Latin America region is poorly positioned to manage the Covid-19 crisis

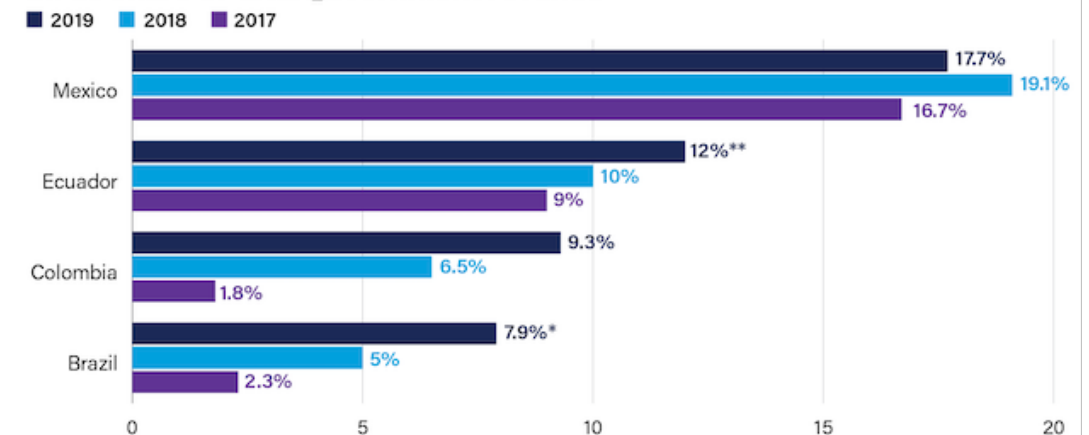
- Latin American countries along with most emerging market economies are poorly positioned to withstand the Covid-19 pandemic.
- The economic, political and economic outlook was already challenging before the pandemic
- The region was emerging from a year of sluggish growth, failed reforms and social instability
- The crisis will aggravate these trends
- Low oil prices will further complicate the outlook for producing countries
- Governments are weak and have limited fiscal resources
- More precarious health systems and higher informality than in Europe and the US will limit capacity to mitigate negative impact

Presidential approval ratings [%]



*Average to date
Source: Poliarquia, Ibope, Adimark, Cadem, CID Gallup, Cedatos, Reforma, El Financiero, Ipsos, Datanalisis

Oil as share of total government revenue



*Including 2019's transfer of rights auction
**Ecuador 2019 data available until October

Sources: National Treasury of Brazil, Brazilian Petroleum Agency (ANP), Finance Ministry of Colombia, Central Bank of Ecuador, Finance Ministry of Mexico



Latin America: Response will vary depending on country

- In the short term, the key will be how governments react to the pandemic
- Fiscal stimulus, lockdowns and, increasingly, state intervention.
- Countries that are in better economic conditions and acted more decisively will be in better shape
- So far, Peru and Chile have reacted more decisively in health and economic terms.
- Argentina, Brazil, Ecuador, and Mexico appear to be most politically and economically vulnerable in both the short and long terms.
- The Andean countries are better positioned in the short term, though fiscal constraints will limit Colombia's response.

Response capacity, Latin America

	Lowest risk	Lower risk	Medium risk	Higher risk	Highest risk
Country	Political	Economic	Health	Overall*	
Argentina	3	2	4	3	
Brazil	3	3	4	3	
Chile	2	4	4	3	
Colombia	2	3	3	3	
Costa Rica	2	2	3	2	
Ecuador	1	1	3	2	
El Salvador	3	1	3	2	
Mexico	4	3	4	4	
Peru	2	3	3	3	
Venezuela	1	1	1	1	

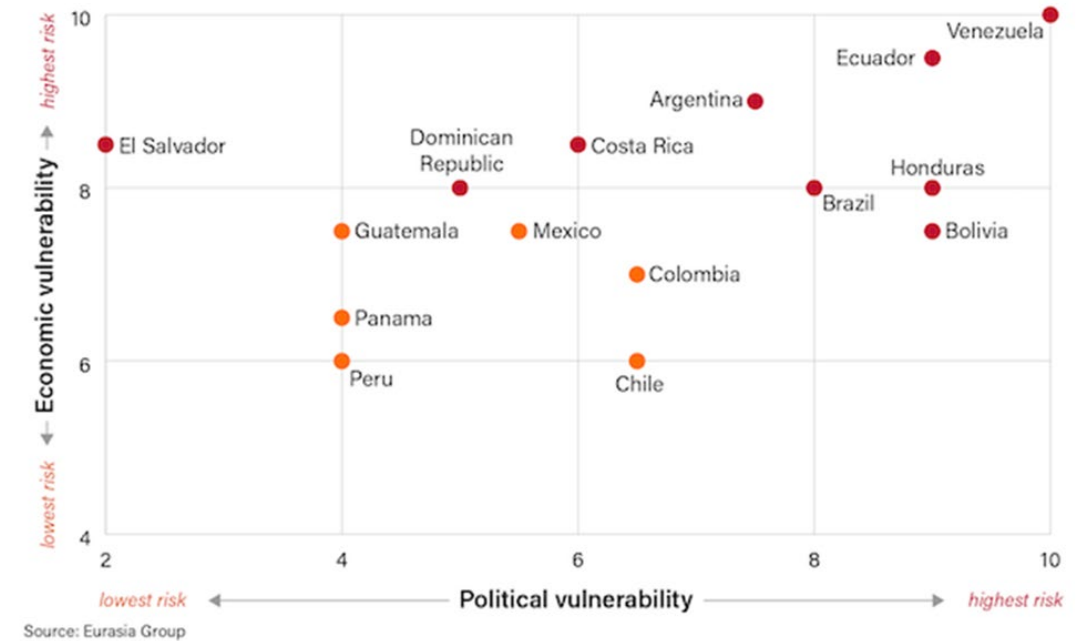
*The overall capacity score is a blended average of the three capacity scores (health, political, economic), rounded to the nearest whole number.
Source: Eurasia Group, Global Health Security Index



Latin America: Country outlooks

- **Argentina:** The Alberto Fernandez administration reacted decisively to stem the spread of the virus, but has limited resources to mitigate the impact of the crisis, so default and growing price/fx controls likely
- **Brazil:** Governors acted decisively, officials working on substantial stimulus package, but President Jair Bolsonaro could undermine these efforts
- **Chile:** Good response, but structural discontent will continue to pose risks
- **Colombia:** Low oil prices will limit capacity to respond to crisis
- **Ecuador:** High risk on instability, paying external debt will be difficult
- **Mexico:** Centralization of decision making in the hands of Lopez Obrador will hinder health and economic efforts
- **Peru:** Vizcarra's decisive actions will strengthen his political position
- **Venezuela:** Still no change in the horizon, but crisis could spark broader discontent

Country capacity response to Healthcare Crisis



Challenging long-term outlook for Latin America

- Outlook will depend on depth and duration of pandemic
- Sustaining these efforts will be difficult, increasing risks of social unrest and economic dislocation.
- Social discontent is likely to rise
- State intervention will probably increase
- For companies, expect discussion over credit lines and aid.
- Governments will become increasingly concerned over employment and social instability.
- “Herd immunity” may become de facto solution, with serious political ramifications
- Elections over the next two years could be highly contentious

Latin America elections (2020-2022)



KPMG China perspective



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Questions & answers

Submit your question in the “Ask A Question” box in your media player



Final thoughts



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Thank you

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[Embedding Resilience: A guide to the business implications of COVID-19](#)

[Liderando en tiempos de disrupción: COVID-19. Claves para que las empresas gestionen y minimicen los impactos del coronavirus](#)

[Incorporando resiliência - um guia sobre o impacto do surto de coronavirus \(Covid-19\) nos negócios](#)

