

LATIN AMERICA

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As of April 17, 2020, a total of 3,969 people have died due to the coronavirus (COVID-19) pandemic in Latin America and the Caribbean. The country with the highest number was **Brazil**, reporting 1952 deaths. It's no coincidence that Latin American and Caribbean countries with the most tests per capita – **Chile**, **Panama** and **Costa Rica** – are also those with the most known cases of COVID-19. Nevertheless, the number of tests conducted in the region is worryingly low.

Latin America and the Caribbean is being impacted via five main external channels: the decline of economic activity in its principal trading partners, China, Europe and the United States; the fall in prices for its commodities; the interruption of global and regional supply chains; the drop in demand for tourism services; and an increase in risk aversion and the worsening of global financial conditions and capital outflows from the region, with the consequent devaluation of the region's currencies.

COVID-19 effects on the Latin America and the Caribbean economy, where 30% of the population lives below the poverty line and close to 12% live in extreme poverty, will be catastrophic. The effects of negative growth and higher unemployment caused by the pandemic translate into an increase in poverty and extreme poverty. In 2020 the number of those in poverty would rise from the current figure of 186 million to 220 million, and the number of Latin American and Caribbean inhabitants who live in conditions of extreme poverty would rise from 67.5 million to 90.8 million.

Beginning April 2, the World Bank rolled out the first batch of specific Latin America and the Caribbean projects, which are part of the bank's global response to COVID-19, which in this first round amounts to \$100 million.

COVID-19 exposes Latin America's inequality; of the 20 most economically unequal countries in the world, eight are in Latin America, making it the most unequal region in the world. Three-quarters of Latin Americans are low or lower-middle income, and only 3% of Latin Americans are classified as high-income; the richest decile of Latin Americans still owns 71% of the region's wealth. Significant clusters of the virus have emerged from wealthy people returning from abroad: 17 Mexicans were infected during a Colorado ski trip and a wealthy woman from Rio de Janeiro returned from an Italian vacation with symptoms of the virus. Although she suspected she was ill, she did not alert her housekeeper, who contracted the disease and died a few days later. And a cluster of infections emerged after a wedding at a resort near Punta Cana.

Several leaders in the region have not seriously implemented policies to deal with the spread of the virus. In **Nicaragua**, President Daniel Ortega has taken virtually no policy steps. **Brazil's** Jair Bolsonaro and **Mexico's** Andrés Manuel López Obrador have been criticised for downplaying COVID-19 and refusing to take national action to stop the spread of the disease. Bolsonaro recently fired his Health Minister, with whom he had been clashing since the start of the pandemic. **Ecuador** has been hard-hit by the COVID-19 coronavirus, with authorities working to assess the staggering death toll in the largest city, Guayaquil.

Although with different speed, by now most countries in the region have taken significant public health measures to contain the spread of the virus, such as social distancing and restrictions on non-essential activities. On the economic policy front, actions have varied; sizeable packages have been announced by **Brazil**, **Chile** and **Peru**. In Mexico, López Obrador instead seems to believe that the government can save its way out of crisis. There are little to no outlays for the private sector in terms of tax relief, wage payments, loans, grants or other supports to help companies stay afloat. Standard & Poor's lowered **Mexico's** sovereign bond ratings to a notch above junk status, with a negative outlook.

Gross Domestic Product (GDP) in the Latin American and Caribbean region (excluding Venezuela) is expected to be -4.6% in 2020. A return to growth of 2.6% is expected in 2021.

To fight the spread of COVID-19, retail chains closed stores across the region. Some retailers have maintained ecommerce operations, but in some cases with fewer employees providing services. In general, COVID-19 has been accelerating ecommerce throughout Latin America. Many smaller-medium-sized retailers have had to advance their plans to offer online. The real estate sector is also playing catch-up and various Latin American countries that did not have a mature ecommerce market are adjusting. This switch will require the professionalisation of logistic spaces and new spaces, such as last-mile distribution centres.

As of mid-April, a big percentage of retail tenants hadn't paid rent this month. They had mostly negotiated some sort of relief or deferment with their landlords. The **Colombian** government has implemented a rent quarantine and requested that each real estate owner should renegotiate with its tenants instead of the government stating what needs to be done. Overall, regardless of the country or segment, retail revenue decreased greatly and there are plenty of retailers that have no revenue at all. Landlords and tenants are adapting and finding ways to survive together.



In **Mexico**, **Walmart** has provided two months relief to the tenants of the shopping centres it owns. The retailer is also paying its small business suppliers in advance.

Both retailers and mall developers are adjusting their operations, dramatically lowering costs, negotiating with their landlords and suppliers, and trying at all costs to keep their workforce as intact as possible. All retailers in Latin America and the Caribbean are already developing their restart strategies to be able to return to operations as soon as the quarantine restrictions are relaxed, but in most countries this may still take until June or well into July.

As in the rest of the world, brands in Latin America will have to make many adjustments, mainly preparing for a post-COVID-19 world, where the purchasing power of customers will be compromised and where the new rules of physical and sanitary distancing will complicate the operations of retailers. The structures of each company will have to adjust to this new reality. Many brands are already adjusting their stocks to be able to return after a full lost season.

We have yet to see what the situation will be on May 1. It will depend on whether the vacancy of the nearly 2,000 shopping centres in Latin America does not increase dramatically, but we all hope that industry players will be able to reach agreements so that this does not happen.

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