

LATIN AMERICA

By Jorge Lizan

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The coronavirus landed in Latin America for the first time on February 26, when **Brazil** confirmed a case in São Paulo, Brazil. Since then, governments across the region have taken an array of uncoordinated actions to protect their citizens and contain COVID-19's spread.

COVID-19 was slow to hit Latin America but escalated sharply in March, the region may be hard-hit, with deep humanitarian, economic, and political consequences as the region is ill-equipped to tackle the pandemic. The number of known infections jumped exponentially, spreading to every country in the region. As of March 30, more than 10,000 cases are confirmed in the region, but the real extent of contagion is believed to be far greater.

As of March 30 2020 **Brazil** is the country with most known cases in the region with 4,256, followed by **Chile** with 2,139,

Ecuador with 1,924, **Mexico** with 993, **Panama** with 989, **Peru** with 852, **Argentina** with 844 and **Colombia** with 702 just to mention the countries in the top of the list.

Overall, most Latin American governments were behind the curve, waiting until cases had appeared, then swiftly taking sweeping measures. The worst reactions were the ones of populist rulers throughout the region; **Brazil's** President Jair Bolsonaro, **Mexico's** Andrés Manuel López Obrador (AMLO) and **Nicaragua's** Daniel Ortega who bluntly downplayed the impact of the virus in their countries, even encouraging their citizens to go out and mingle. At the opposite end was **El Salvador's** 38 year-old president, Nayib Bukele, who was the first to declare a ban on flights from Asia and Europe starting on January 31, weeks before his country's first positive test of COVID-19.

The region is now probably two weeks ahead of the stage when Italy and the United States began to seriously address the crisis. Most countries, including **Brazil** and **Mexico** have already imposed shelter-in-place measures on some areas in the last two weeks, as well as closing restaurants and bars, including banning flights from high-risk countries, prohibiting large public gatherings, and suspending school. With the exception of **Mexico**, most Latin American countries have shut all their air spaces, leaving some tourists stranded as a result.

All these policies may be too little too late for countries whose health systems are clearly underfunded. The per capita annual health expenditure in Latin America is \$949, a little over one-quarter that of Italy.

Unlike their European and North American peers, governments in the region haven't implemented broad stimulus packages. Some nations are unveiling financial aid packages to help stave off the economic crisis created by the coronavirus, **El Salvador** has announced a freeze on mortgage and credit card debt for those directly affected economically by the health emergency, others will suspend utility, cable, and internet payments for three months to be redistributed interest-free over two years, and others have pledge credit lines for "pymes" (small businesses) and self-employed entrepreneurs. Regardless, all incentives pale when compared with the ones in other regions or with what will be needed to maintain the economy running.

The region's currencies have been decimated over the last few weeks, credit rating agencies have downgraded sovereign debt ratings and lowered outlook of many countries, including **Mexico's**. Growth was already slow before the Coronavirus, before the first patient tested positive for the coronavirus, the regionwide GDP was projected to grow by about 1.3 percent.

Travel restrictions and social distance policies have led to decline in revenue for restaurants, retails, shopping centers. As restaurants, bars, nightclubs, cinemas, liquor stores, retail shops, bars, beauty salons, and other establishments were forced to close, revenues fell drastically to zero. Restaurants alone have seen their sales fall by 80 percent due to the coronavirus in Latin America.

With the lack of any government support, retailers have been left alone to find solutions. In the first 15 days of March 2020, overall ecommerce sales in **Brazil** increased by 40 percent compared to the first 15 days of March 2019. Retailers with strong ecommerce platforms are faring better, restaurants have resorted to delivery, but in any case, sales are just a fraction of what they used to be before the outbreak. Some retailers are shifting to produce protective medical gear and hand sanitiser, market places such as **Mercado Libre** are lowering commissions and delivery integrators such as **Rappi** have seen significant increase in demand.

Grocery stores in most Latin American countries are well stocked. Produce and general merchandise supply chains haven't been disrupted with the Coronavirus outbreak. With the exception of toilet paper, hand sanitiser and many cleaning products supermarket shelves are almost at normal levels. Supermarket chains and pharmacies have experienced a recent uptick in sales, which is predicted to stay as people hoard food and supplies for the upcoming weeks in quarantine. The concern nowadays is for grocery stores personnel which in many cases are older people with higher-risk of severe illness.



The majority of the close to 2,000 shopping centres in Latin America are closed or have very limited operations, which has prompted tenants to start conversations with their landlords as the day to pay April's rent approaches. A group of some of the major Chilean developers have suspended voluntarily the rent collection for the time being.

But the Chilean example is an exception, in the best of cases developers are negotiating case by case with their tenants; each contract is unique, individual, so finding a rule that applies to all contracts is simply impossible, impracticable. Developers at the same time are negotiating with their investors and creditors in order to delay mortgage payments as they feel the impact of the sudden stop in cash flows as many tenants come under pressure.

What is clear now is that the only way for the Latin American retail and shopping centre industry to come out strong and in good shape would be for all parties to stay open and flexible, every party will need to put a little of its part.

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