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Regional Insight Report

Latin America

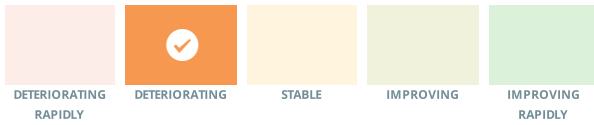
October 2022

SAMPLE



REGIONAL INSIGHT

Current Trend Indicator:



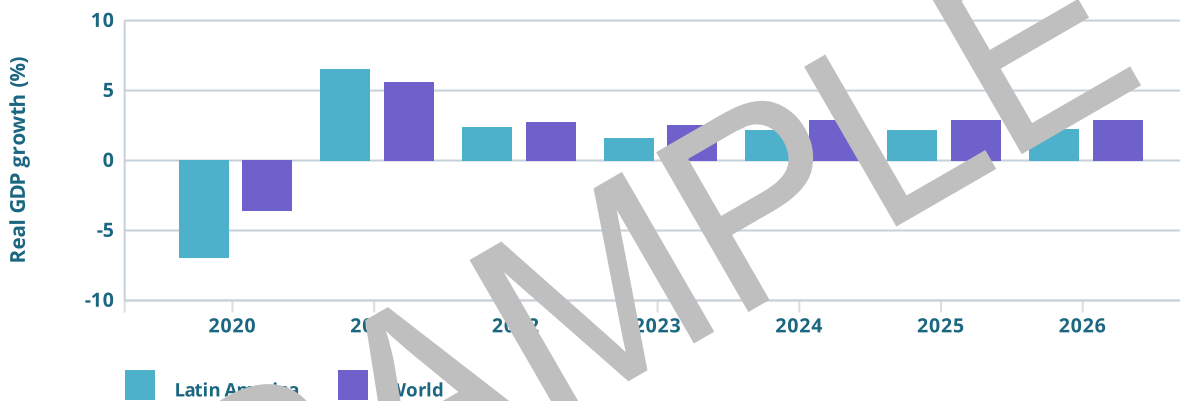
- Current Trend is **DETERIORATING**
- Last Change: March 2022 (Stable → Deteriorating)

Recent Developments

- More downbeat growth forecasts for 2022 and 2023 for the region's largest trade and investment partners - the US, China and Western Europe.
- Global fuel and food prices have begun to ease from the highs triggered by the Ukraine war, but regional inflation forecasts for 2022 and 2023 remain far above pre-pandemic levels.
- Elevated commodity prices and recovering tourist arrivals boost foreign exchange earnings.
- Central banks in the region, which took the global lead in monetary tightening, maintain their hawkish positions to re-anchor inflation expectations.

REGIONAL OUTLOOK

Regional Growth Forecast



Source: Haver Analytics/Dun & Bradstreet

Risks and Opportunities

- With the US Fed expected to reach its peak Fed Funds Rate in Q4, faster than previously expected, USD-denominated debt servicing costs will rise.
- Weaker growth in the US and softening labour market will hit remittances; moreover, with above-target inflation and rising interest rates, private consumption will likely be depressed.
- The slowdown in the US and likely recessions in Western Europe will also cool demand for non-commodity exports and result in lower-than-previously-forecast tourist arrivals.
- As the regional slowdown extends into 2023, the probability of delayed payments and defaults grows, particularly for small businesses.
- The risk of social unrest will remain high, particularly where fiscal support is absent or inadequate to mitigate inflation; pro-environment demonstrations and protests against crime and corruption are also expected.

Call to Action

- Monitor political developments and take measures to mitigate the impact of protests on operations.
- Hedge against FX risks, where possible, as regional currencies face depreciation pressures.
- Note that the ongoing Russia-Ukraine conflict, though a boon for net exporters of crude oil, industrial metals, and agricultural commodities, will keep prices elevated for net importers.
- Strengthen cybersecurity defences in light of heightened risks of attack.