



# Economy Watch

## Latin America's Long Fight with COVID-19

July 14, 2021



# Some of the critical questions and issues we will be answering today

- How rapidly is the US economy recovering and what is the outlook for the next year?
- How has Latin America coped with the COVID-19 pandemic and what is the economic outlook for the region?
- What impact has the pandemic had on Brazil & Chile and what awaits these economies?
- What is the outlook for hard and soft commodities moving forward?



# Today's Speakers



**Vivianne Blanlot**  
Board Member  
**CMPC, Antofagastata  
Minerals, Colbun, ICARE**



**Aloisio Campelo**  
Superintendent for Statistics  
**Fundação Getulio Vargas**



**Ataman Ozyildirim**  
Senior Director, Economics  
and Global Research Chair  
**The Conference Board**



**Erik Lundh (Moderator)**  
Principal Economist  
**The Conference Board**

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# US Economic Outlook

# Macro data continue to show strength across the US economy, but inflation threat lingers.

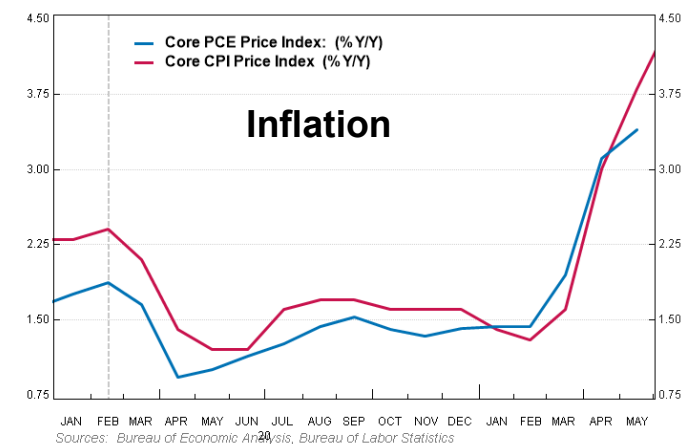
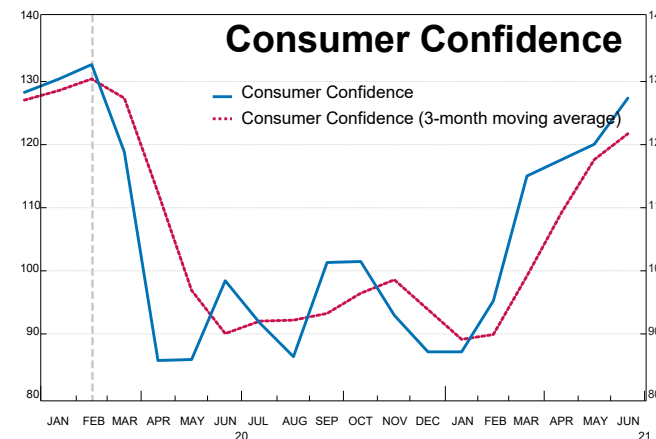
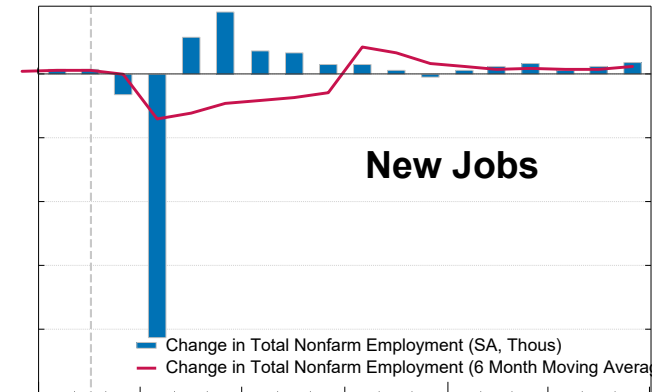
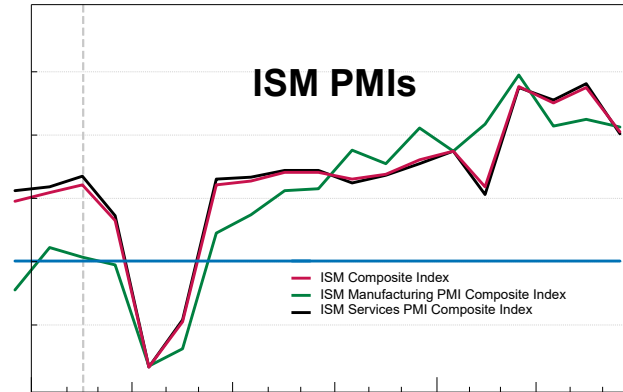
US economic recovery continues to gather momentum

- PMIs strong, factories & services
- Consumer Confidence rebounding
- Job gains continue

Price inflation should moderate in H2 2021, but threatens Fed's easy monetary policy stance

Advanced Child Tax Credits begin July. Monthly checks for families

Infrastructure package probable, but impossible to know size, scope and timing.



## US economic recovery is strengthening, but inflation risks remain

	2020				2021				2019	2020	2021	2022	2023
	I Q*	II Q*	III Q*	IV Q*	I Q*	II Q	III Q	IV Q					
Real GDP	-5.0	-31.4	33.4	4.3	6.4	9.0	7.8	4.2	2.2	-3.5	6.6	3.8	2.5
Real disposable income	2.6	48.5	-17.4	-7.6	62.0	-25.0	3.0	1.5	2.2	6.0	5.9		
Real consumer spending	-6.9	-33.2	41.0	2.3	11.4	9.9	7.7	5.1	2.4	-3.9	8.2		
Residential investment	19.0	-35.5	63.0	36.6	13.0	-4.0	5.0	7.0	-1.7	6.1	13.1		
Nonresidential investment	-6.7	-27.2	22.9	13.1	11.7	7.8	7.4	6.2	2.9	-4.0	8.7		
Inventory change (bln chn '12\$)	-80.9	-287.0	-3.7	62.1	-87.0	-52.0	50.0	40.0	48.5	-77.4	-12.3		
Total gov't spending	1.3	2.5	-4.8	-0.8	5.7	3.1	0.3	1.0	2.3	1.1	1.5		
Exports	-9.5	-64.4	59.6	22.3	-2.1	9.1	3.0	4.1	-0.1	-12.9	4.6		
Imports	-15.0	-54.1	93.0	29.9	9.5	7.1	8.1	5.1	1.1	-9.3	13.6		
Unemployment rate (%)	3.8	13.1	8.8	6.8	6.2	5.9	5.5	4.9	3.7	8.1	5.6	4.2	
PCE Inflation (%Y/Y)	1.7	0.6	1.2	1.2	1.8	3.8	3.8	4.1	1.5	1.2	3.3	2.5	1.9
Core PCE Inflation (%Y/Y)	1.8	1.0	1.4	1.4	1.6	3.3	3.4	3.6	1.7	1.4	3.0	2.3	1.7

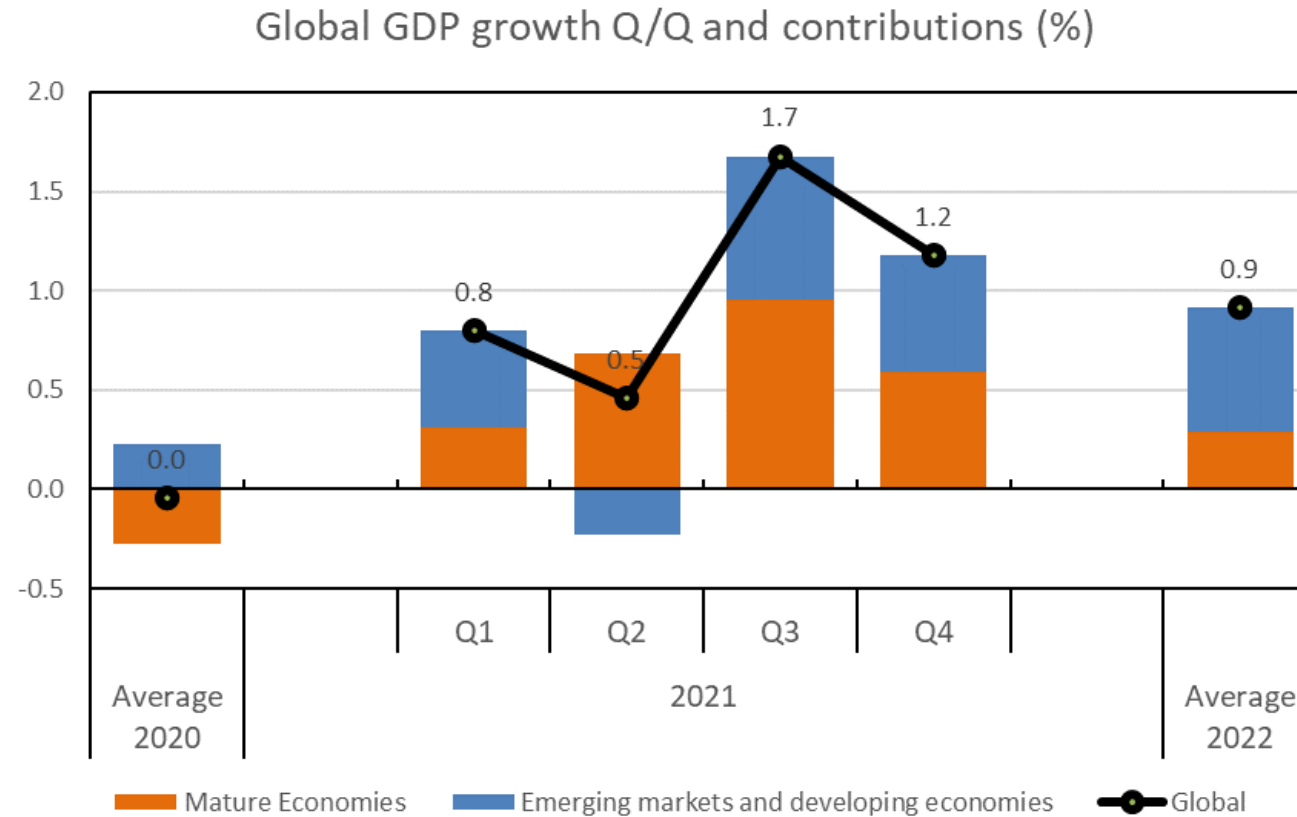
Source: The Conference Board



# Global & Latin American Economic Outlook



# Global growth to boom in the second half of this year, but risks remain



Source: The Conference Board Global Economic Outlook (July 2021)



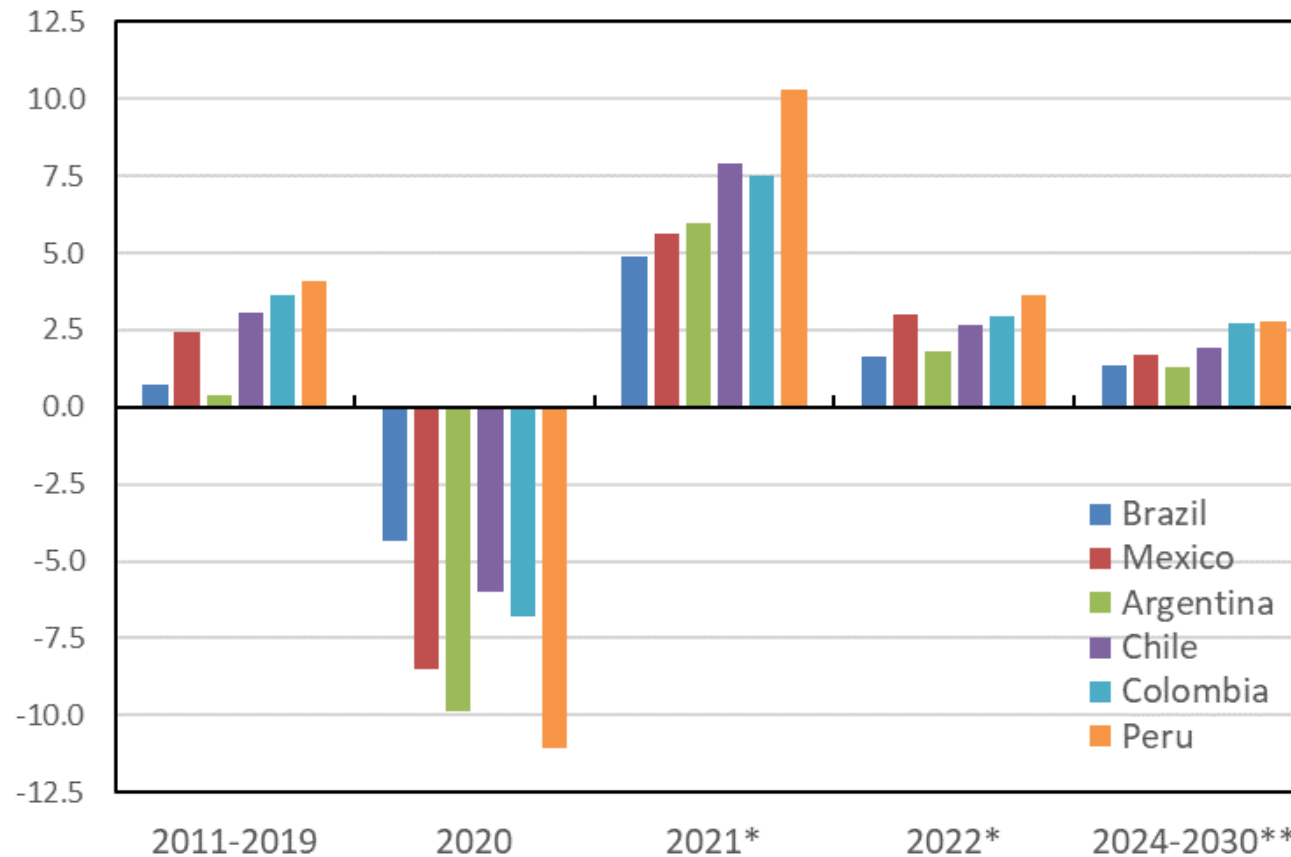
## What are the risks to the global outlook in 2021-2022?

- Covid-19 caseload is declining, but new hotspots are emerging, increasing possibility of new variants and new outbreaks.
- Pace of vaccination is increasing almost everywhere but remains at slow overall in many emerging markets and developing economies.
- Economic policies are subject to the evolution of the global pandemic and the disruptions it creates. For example, emerging markets central banks are tightening policy amid rising inflation.
- Recovery could be imbalanced and exacerbate inequalities. Mature economies will lead rotation from goods to services consumption as economies reopen and recover.



# Further recovery expected this year and next in Latin America, longer-term outlook, however, shows more subdued growth rates

GDP growth (average annual, % change)

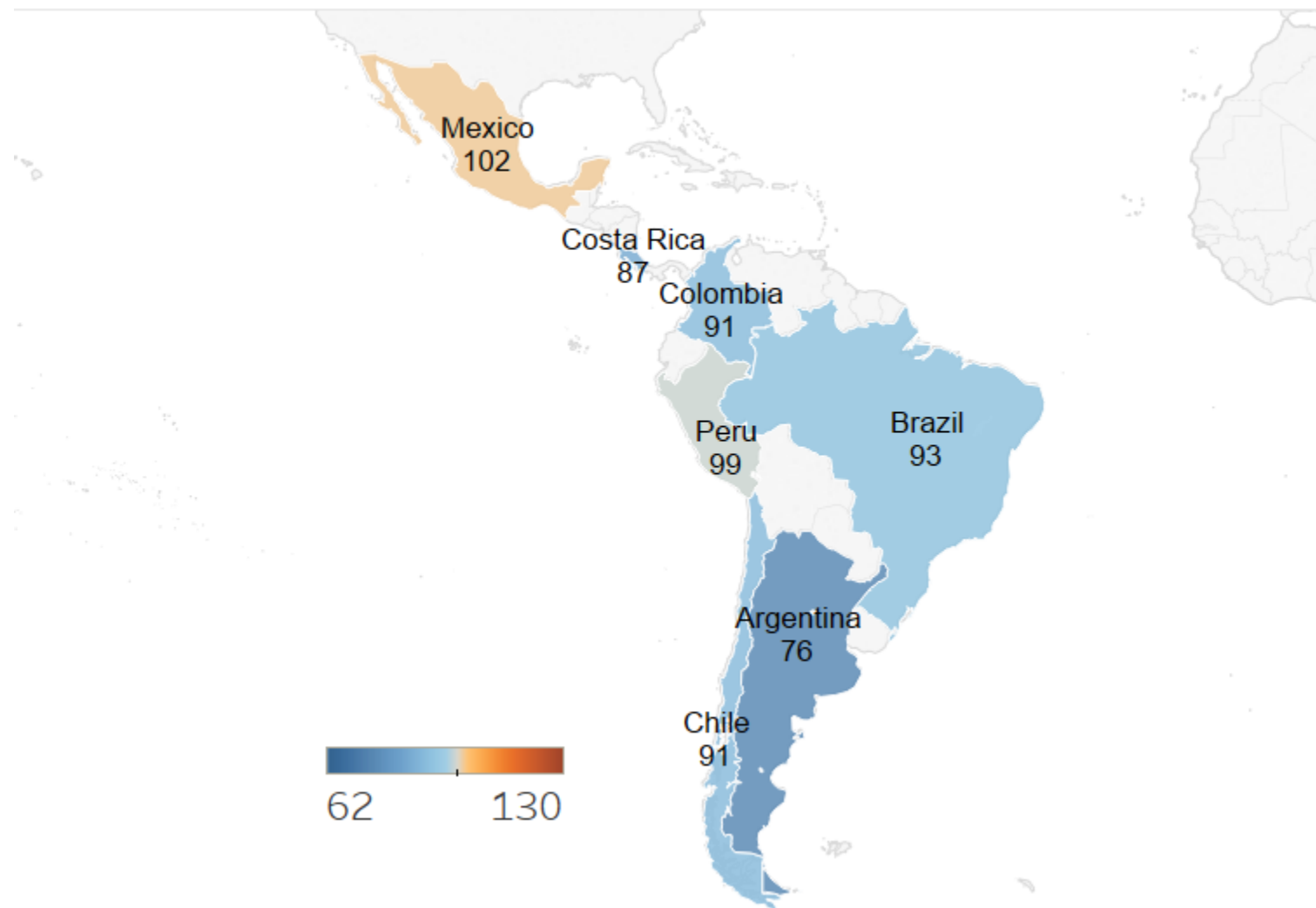


Note: \*forecast; \*\*projections

Source: The Conference Board Global Economic Outlook (July 2021)



## GLOBAL CONSUMER CONFIDENCE INDEX FOR LATIN AMERICA, 2021 Q2: 93



Note: A reading above 100 indicates that there are more optimistic consumers than pessimistic ones. A reading below 100 indicates the opposite, with more pessimistic consumers than optimistic ones.

Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q2





# Latin American consumers cut discretionary spending, and piled more money into savings and debt reduction

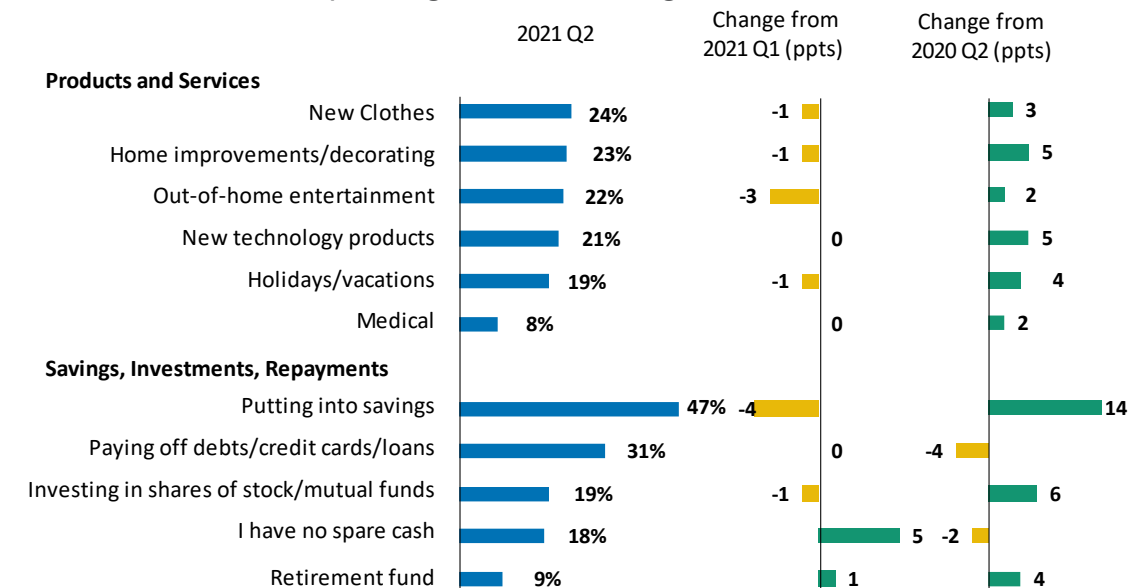
- While fewer consumers in Q2 cited **saving spare cash** as the highest priority compared with Q1, this action along with **paying off debts/credit cards/loans**, remained highly important. Additionally, popular discretionary spending categories included **new clothes, home improvements, and out of home entertainment**, although these were also down slightly.
- Even when conditions improve, Latin American households said that they would continue to economize on **gas and electricity, new clothes, and groceries**.

	2021 Q2	2021 Q1	Point change
<b>Global Consumer Confidence Index</b>	109	108	1
Latin America	93	99	-6
Argentina	76	92	-16
Brazil	93	98	-5
Chile	91	94	-3
Colombia	91	108	-17
Costa Rica	87	95	-8
Mexico	102	106	-4
Peru	99	93	6

Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q2

## Latin American Consumers' Discretionary Spending

Share of consumers spending on certain categories



Note: Percentages are the share of respondents that indicated spending their discretionary income on the shown categories. Multiple choice responses.

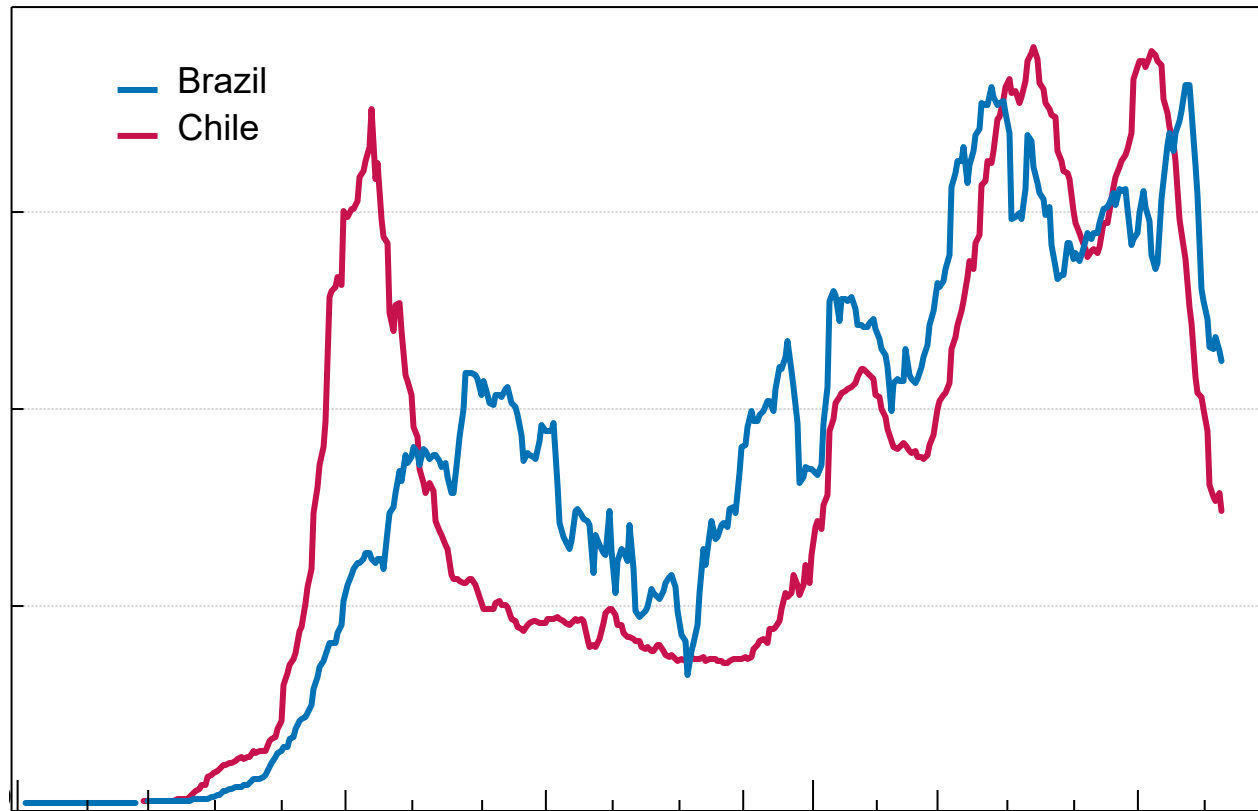
Source: The Conference Board® Global Consumer Confidence Survey, 2021 Q2



# The Economic Outlook in Brazil & Chile

## New cases of COVID-19 are now declining in Brazil & Chile following a painful start to 2021

New Cases of COVID-19 per Million Persons (Smoothed)



### Confirmed Cases of COVID-19:

#### Chile:

- Total Cases: 1.9 million
- Cases per Million: 100k
- Share of Population: 10%

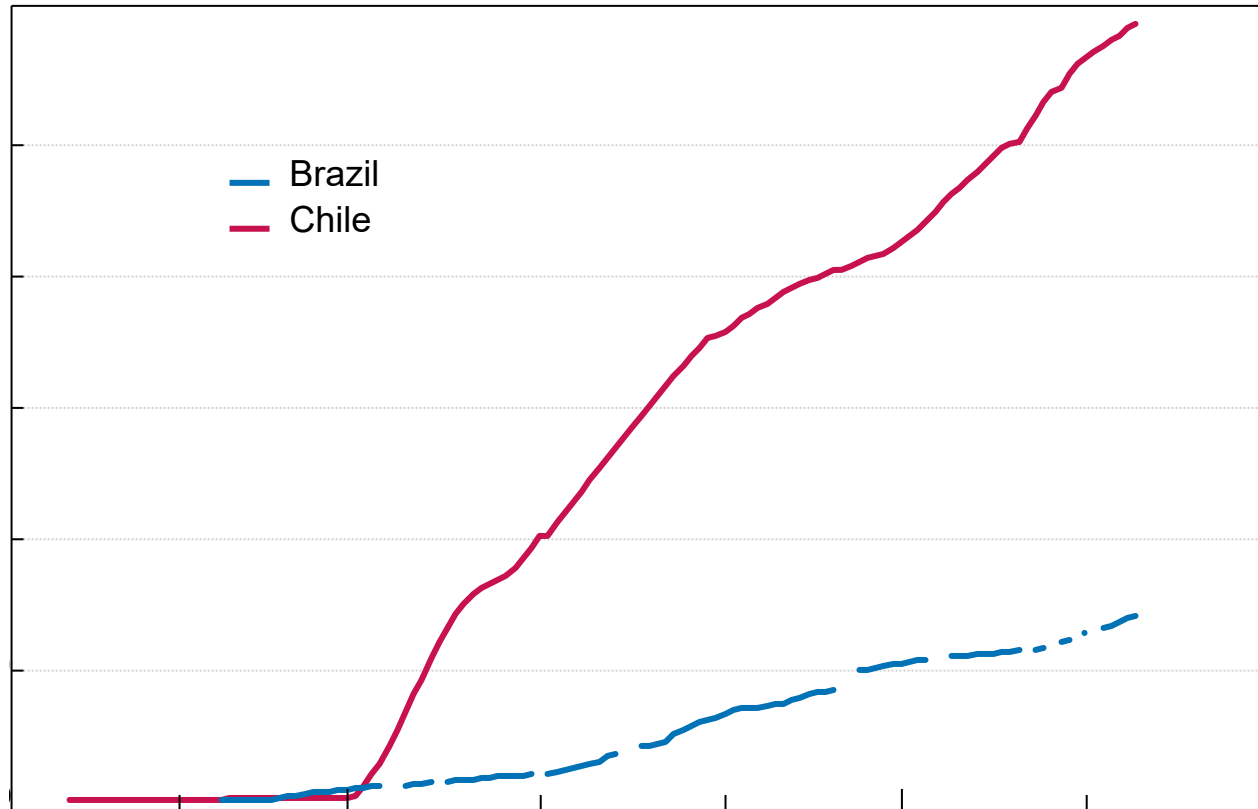
#### Brazil

- Total Cases: 19.1 million
- Cases per Million: 89,483
- Share of Population: 8.9%



## Brazil's vaccination campaign has struggled while Chile's has been among the best in the world

People Fully Vaccinated for COVID-19 (per hundred person)



### Share of Population Vaccinated:

#### Chile:

- One Dose: 68.9%  
(82% of gov't target)
- Fully Vaccinated: 58.6%  
(74% of gov't target)

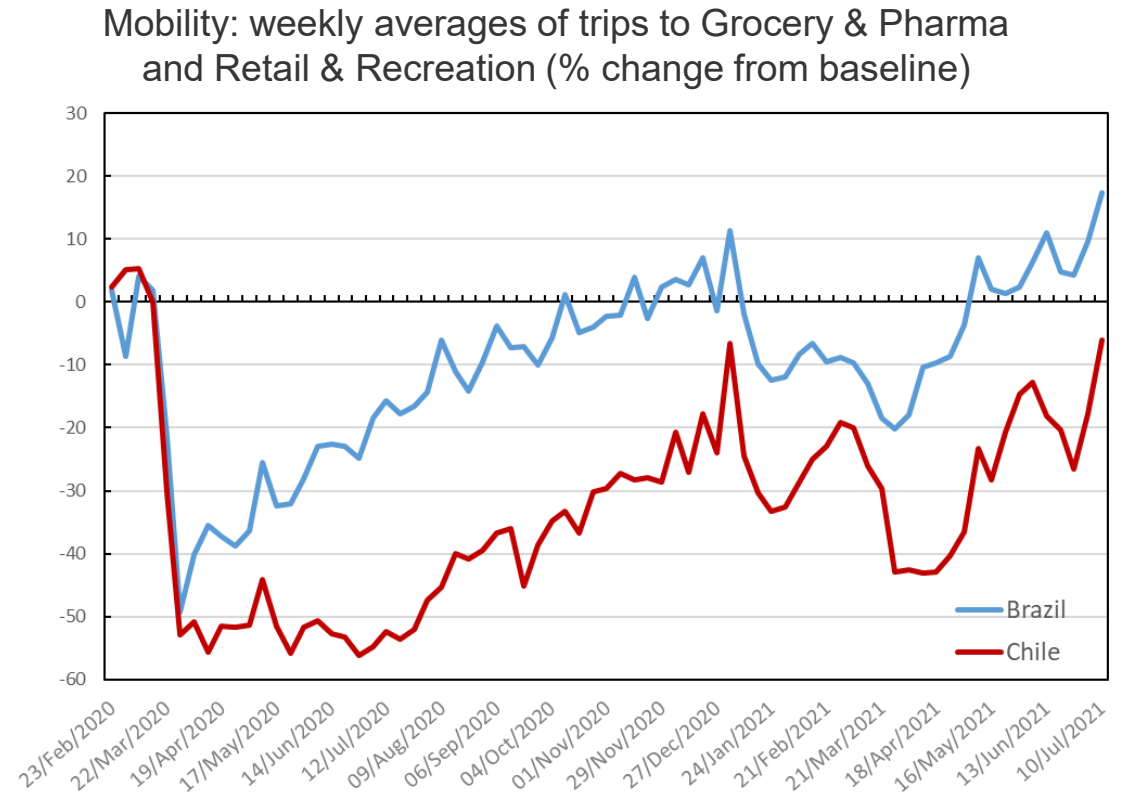
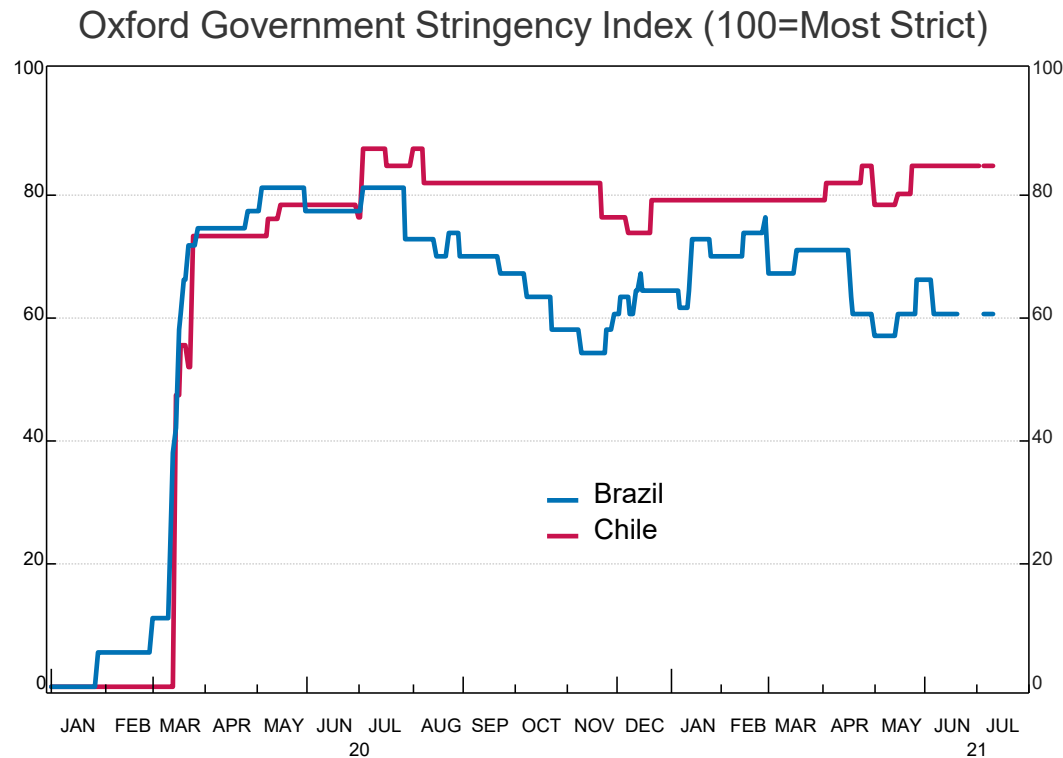
#### Brazil

- One Dose: 40.4%
- Fully Vaccinated: 14.2%





## Chile and Brazil both implemented social distancing policies to combat COVID-19, but what kind of economic support was implemented?

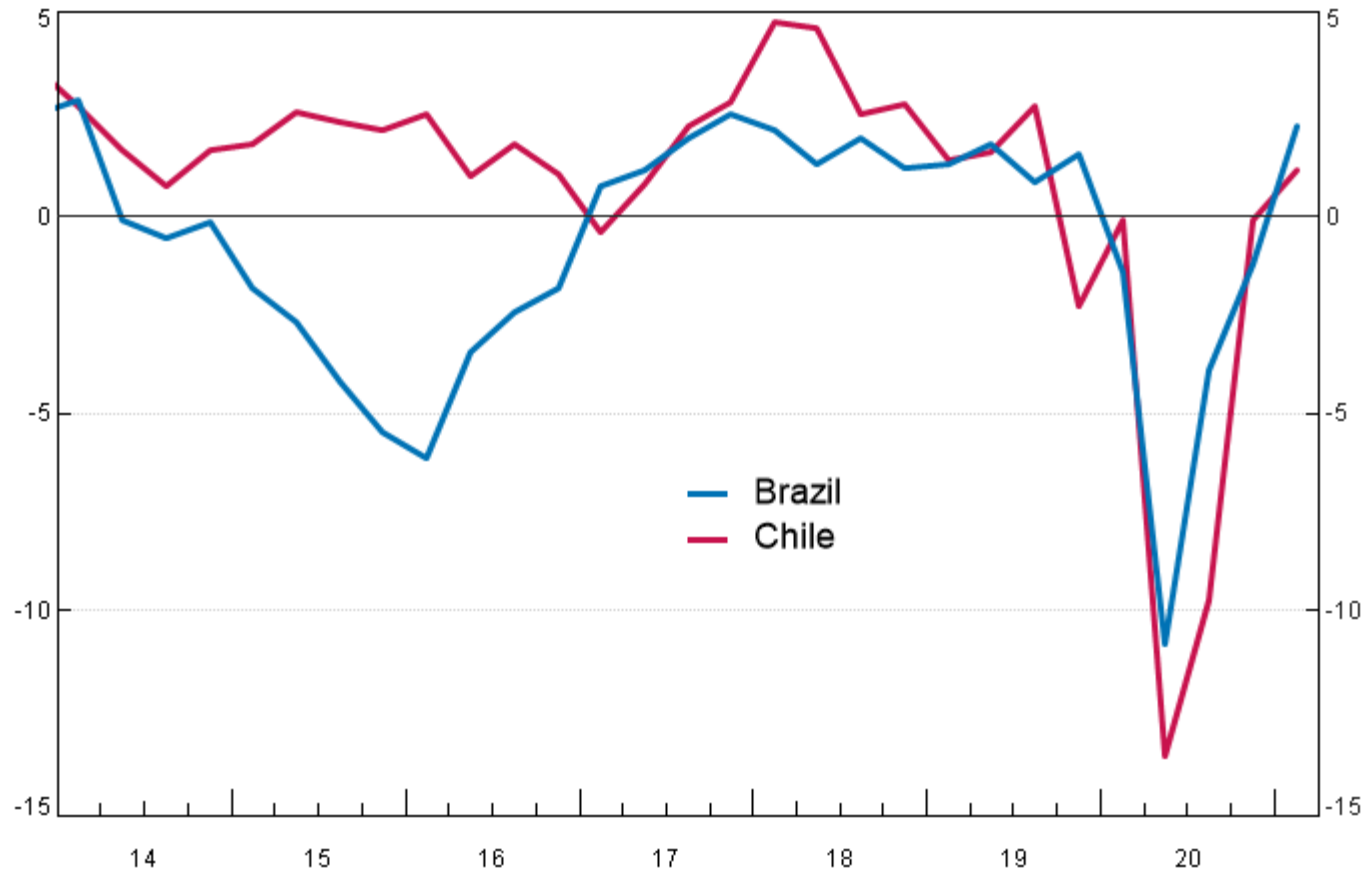


Source: Google mobility reports retrieved through Haver analytics; calculations by The Conference Board



Following several years of steady economic growth, COVID-19 sent both Chile & Brazil into painful recessions

Quarterly Real GDP Growth (%y/y)



Sources: IBGE, BCC

### Annual Real GDP Growth (%y/y):

#### Chile:

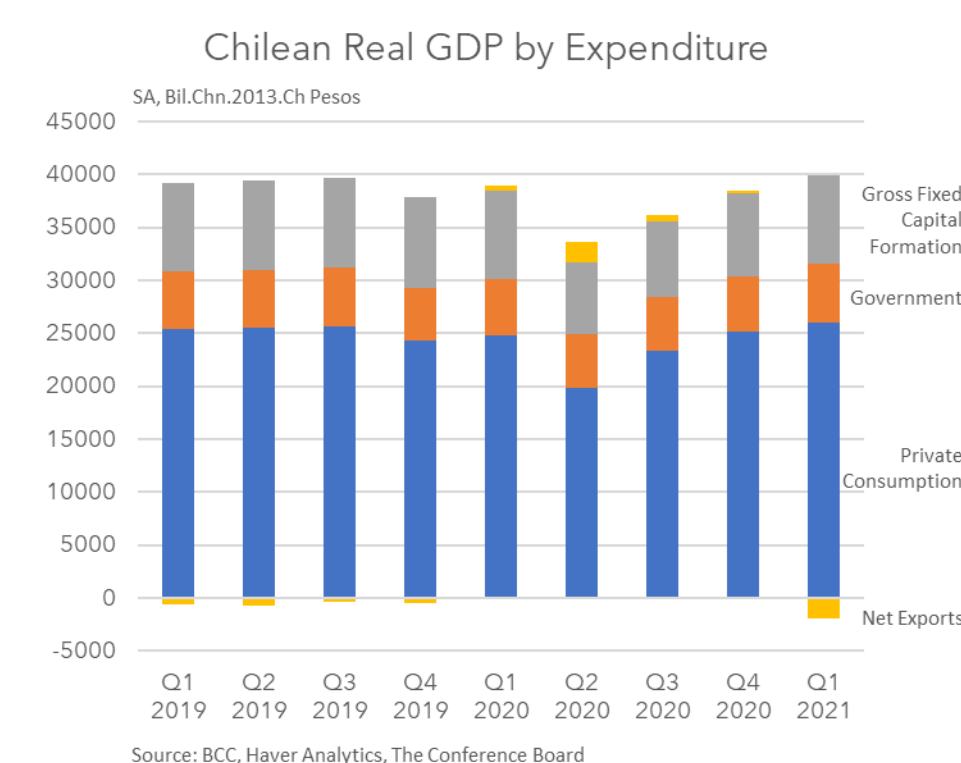
- 2018: 3.7%
- 2019: 0.9%
- 2020: -5.8%

#### Brazil

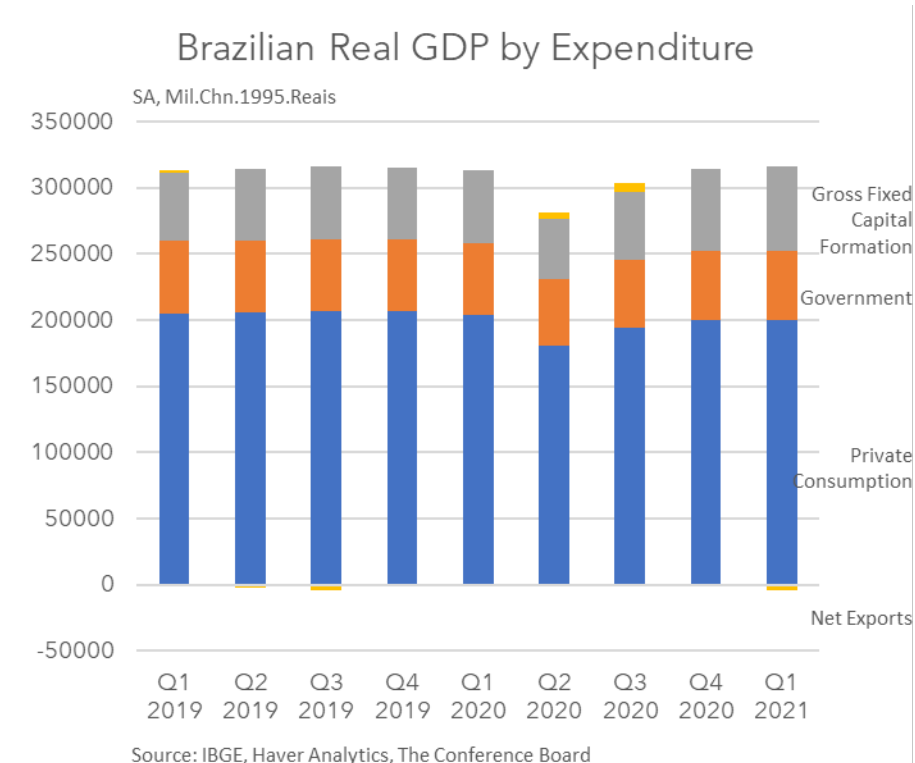
- 2018: 1.8%
- 2019: 1.4%
- 2020: -4.1%



## Impact of COVID-19 on key economic drivers – consumption, government spending, investment, and trade



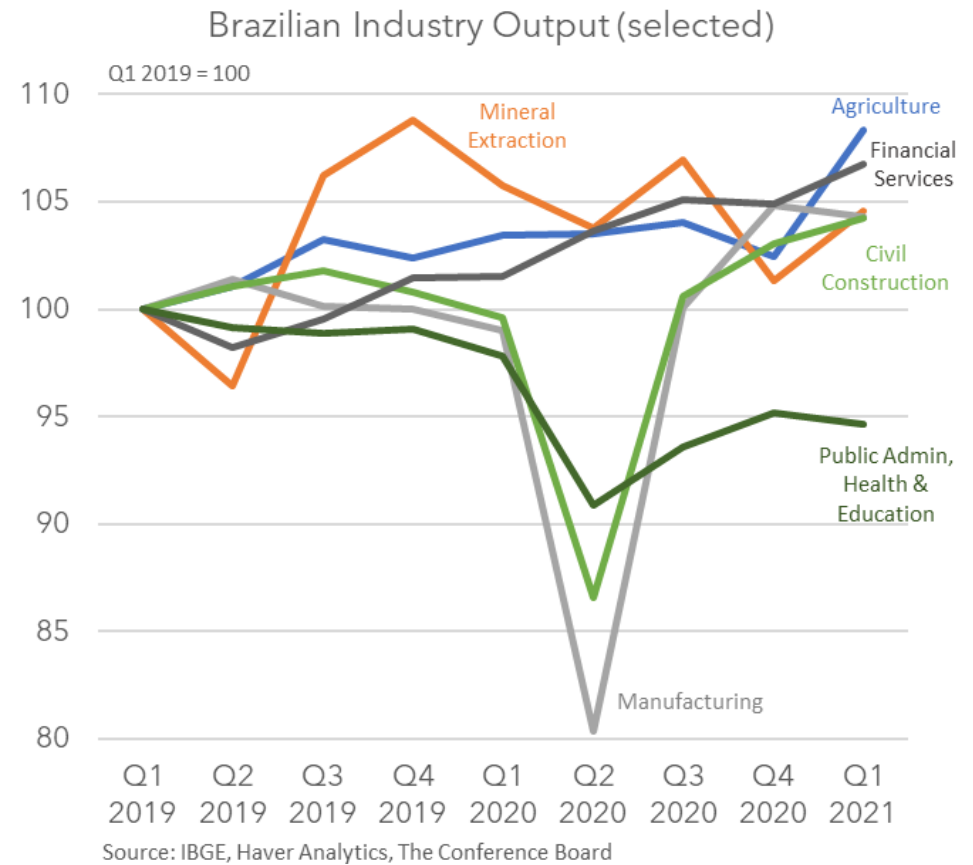
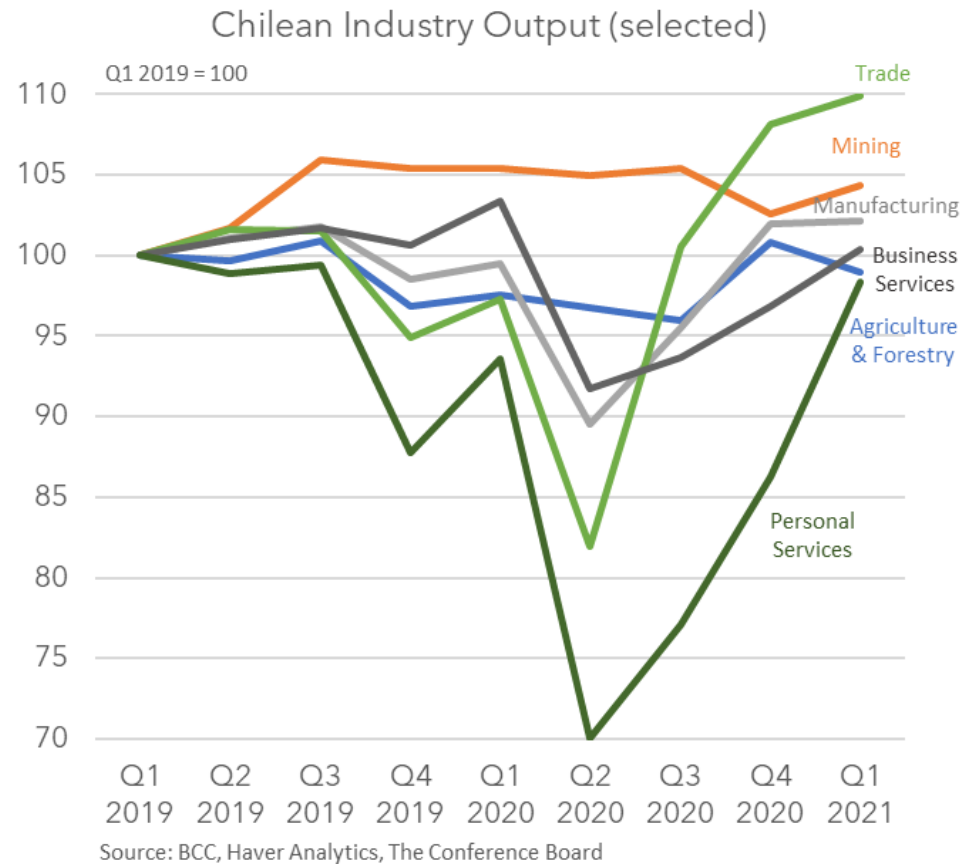
2019 GDP: USD 282 billion  
2019 Exports ~29% of GDP



2019 GDP: USD 1,877 billion  
2019 Exports ~13% of GDP



## Impact of COVID-19 on key industries in Brazil and Chile



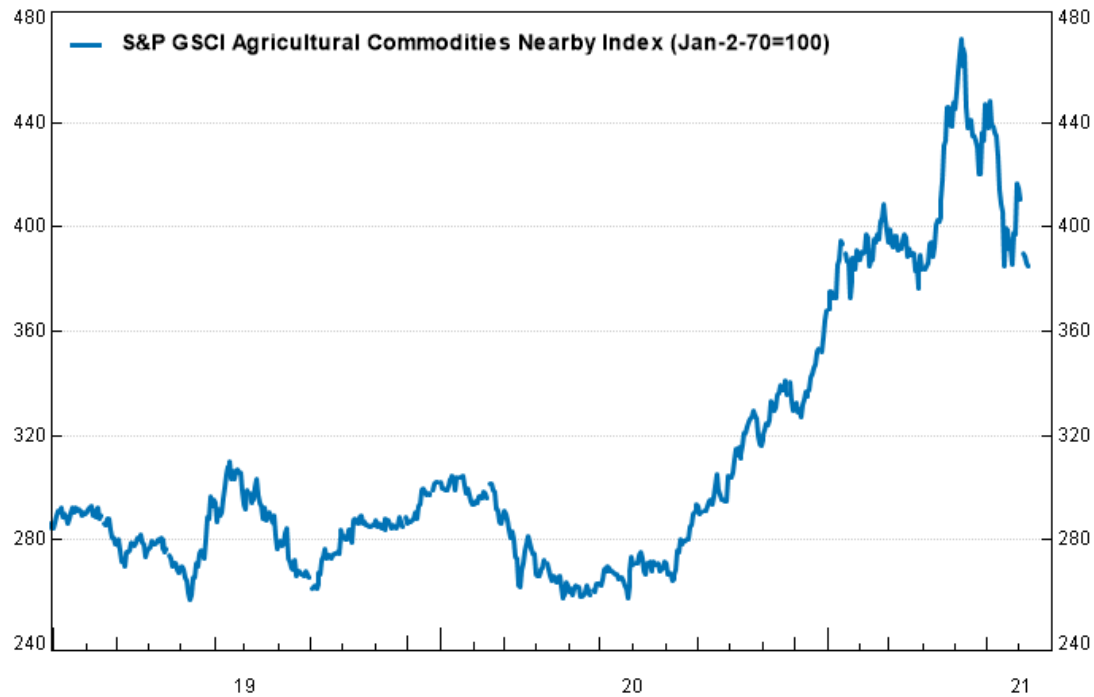


# Audience Poll Question



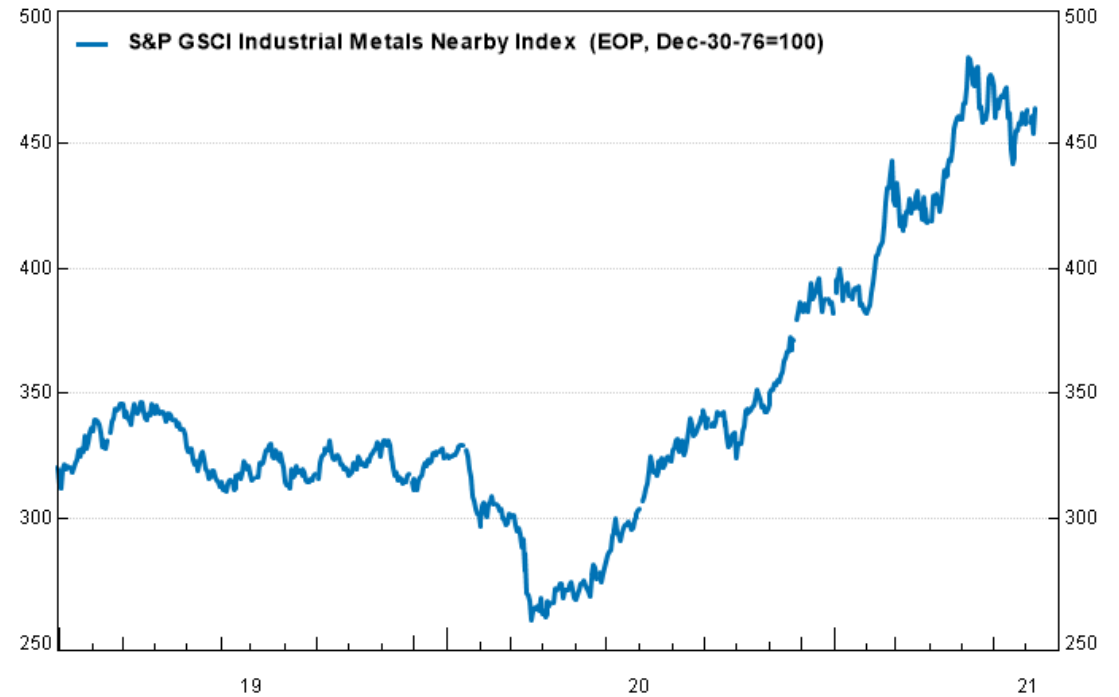
## Why have prices for both soft and hard commodities jumped above pre-pandemic levels over the last year?

Agricultural Commodity Prices (1/2/70=100)



Source: Standard & Poor's

Industrial Metals Prices (12/30/1976=100)



Source: Standard & Poor's



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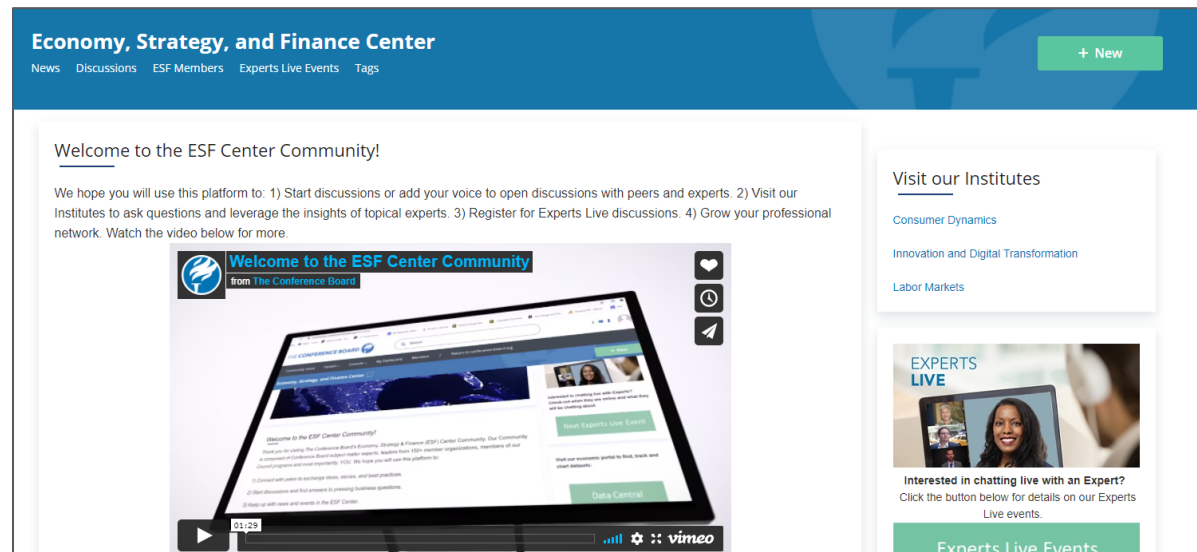
Click [here](#) to complete our survey

The survey is conducted in partnership between The Conference Board, the Chartered Institute of Procurement & Supply (CIPS) and The Conference Board of Canada.



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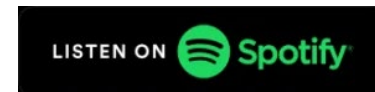


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