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Latin America - Market Update – Q4, 2021

**BRAZIL**

* In September, 314,000 formal jobs were created in Brazil, and it accumulates a balance of 2.5 million in the year. The service sector stood out in the month, with the creation of 143,500 jobs, followed by Industry (76,000), Retail (61,000) and Construction (24,500).
* The Services sector showed growth of 11.4% in September when compared to the same period in 2020. While segments related to communication and technology surpass the volume of 2019, services provided to families, with accommodation and food, are still 16% below the pre-pandemic level.
* The Resumption of Travel is a reality in Brazilian Tourism, and leisure will benefit enormously from Brazilians’ desire to travel. However, domestic travel will be even stronger, but most borders are already open to travelers from Brazil (except for Italy and some countries that still don’t recognize all the vaccines authorized by the World Health Organization).
* International travel is having a slow start and a greater effort will be necessary to make Brazilians to take their desired trip (yes, the desire to travel abroad is stronger than ever), despite the health requirements, the dollar’s high value compared to the real and the economic or health uncertainties still permeate Brazilian’s minds.
* Elevated inflation throughout the quarter—amid supply disruptions, spiking food prices and ever-high energy costs as the worst drought in nearly a century hinders hydroelectric capacity—has precipitated a sharp tightening of interest rates, likely further impacting domestic demand
* New tax rule implemented a fixed fee of 25% tax over international remittance. This will strongly affect the OTAs. But it gives hotels’ and corporations to grow business direct with local payment upon check-out.

**ARGENTINA**

* Argentina, Uruguay and Chile reopened borders on November, 2021. Tourists need to present vaccination card or a negative test taken 48 hours before.
* The economy rebounded in sequential terms in Q3 last year, supported by the easing of restrictions, but annual growth eased on a fading base effect. Underlying momentum have softened in Q4.
* Activity dropped month-on-month in October, while stubbornly high inflation in October–December and declining consumer sentiment in the quarter likely restrained consumer spending. Meanwhile, clouds are gathering over the economy in the first stretch of the new year: Covid-19 cases have soared to record numbers amid the spread of the Omicron variant, while the government authorized an increase in prices for electricity and natural gas in a bid to reduce the fiscal deficit. Meanwhile, the sovereign bond market is seeing some turbulence as the country struggles to reach an agreement with the IMF for the repayment of its USD 45 billion debt, due to differences over the path to reducing the deficit.
* American Airlines resumed 100% of its flights into Argentina in Q4, 2021.

**CHILE**

* New President elected in Chile. After many years a young student leader has won against the Conservative government that was in place for the past decades. He is proposing large tax rises and public spending increases, although his weak parliamentary base—particularly in the Senate, where right-of-center parties will hold half the seats—likely limit the scope for radical reform. Shortly after his victory, the constituent assembly tasked with redacting a new constitution also elected a new president: The nine voting rounds necessary to agree on a candidate highlight the arduous task the assembly has ahead.
* Chile will start administering a fourth Covid vaccine dose to people with weakened immune systems in the first week of January.
* After a strong Q3, the economy likely lost steam in Q4 amid higher inflation and interest rates. However, available data still points to a robust outturn, aided by ongoing fiscal support measures.
* Economic activity growth was solid in October and November, while unemployment tumbled through November and consumer confidence surged to a multi-year high in December.

**COLOMBIA**

* During Q4 conditions continue to improve, but at a slower pace. In October, economic activity expanded at the softest pace in eight months in annual terms, and manufacturing output growth also moderated from the prior month.
* Manufacturing business conditions improved at a slightly slower pace in Q4 compared to Q3. More positively, the unemployment rate dropped to a near two-year low in November, boding well for consumption. On 17 December, the World Bank approved a USD 300 million loan to strengthen the country’s resilience to climate change and health emergencies. In other news, effective from 1 January, the government increased the minimum wage by 10%—the largest rise in decades. The populist measure—announced five months before the presidential elections—could have implications for inflation, monetary policy and the pace of job creation.

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