



Latin America - Market Update – Q2, 2022

BRAZIL

- The unemployment rate decreased to its lowest level since Q1 2016 in the quarter and annual wage growth was robust, which should have supported private spending. The prior gains to household consumption were likely dampened as monetary conditions were tightened further and inflation remained at levels not seen in decades in April.
- GDP growth is set to slow significantly compared to 2021's rebound, as economic conditions normalize. Increased expenditure in the run-up to October's presidential elections, uncertainty over the fiscal position, a weaker real, worsening investor sentiment, and the length of the commodity price boom are key factors to watch.
- International travel is very high as Brazilians are looking to reach destinations that were not available during the pandemic. United States and Europe are the most wanted locations for travel abroad, especially NYC, Miami, California, Italy, Spain, France, England and others. Although the airlines have raised the price significantly, passengers are still willing to invest in leisure time.
- As international borders open and Covid restrictions lift, travel is back on the table in 2022. However, as with all aspects of life, the way we travel has changed over the last two years, and new travel trends have emerged. Travel agencies have stated travel plans are mostly last minute, but with longer length of stay.

ARGENTINA

- The third-largest economy in Latin America has suffered from high inflation for years and has recently begun to recover from a long recession exacerbated by the COVID-19 pandemic. The economy should continue to expand, albeit at a softer pace than last year due to a tougher base of comparison and weaker domestic demand.
- Elevated inflation and frail macro fundamentals will constrain growth. In Q2 with the significant energy deficit, the government is looking for USD 10 billion in private investment to ramp up LNG exports. Moreover, following a late April meeting with the IMF, economy minister Martin Guzman reassured investors that the government does not intend to change the goals of its USD 45 billion debt deal with the Fund.
- Although the peso devaluation is the highest ever, being quoted worth one cent of a dollar, Argentines are back travelling. There is a price sensitive feeling, and they are shopping for rates and good deals more than ever. They are looking for all-inclusive resorts in Mexico & Caribbean and shopping travel in the USA and Europe.

CHILE

- Turning to Q2, a second successive quarter-on-quarter GDP contraction is expected, as surging inflation and interest rates eat into purchasing power. Moreover, downbeat business confidence in April suggests weak investment intentions. In April, Congress rejected two pension withdrawal proposals, one of which was presented by the government. This limits the risk of local capital markets becoming depleted, but also highlights President Boric's weak parliamentary support, which will make future reforms difficult.
- GDP growth will slow notably in 2022 on a tough base effect, high inflation and interest rates, and uncertainty over the content of the new constitution weighing on investment. New Covid-19 variants, lockdowns in key export market China, potential flare-ups in social unrest, a lack of parliamentary support and the outcome of the constitutional process are factors to watch. GDP growing 2.1% in 2022, which is down 0.2 percentage points from last month's forecast.
- As part of its continuing development in Brazil, SKY Airline will have flights to Sao Paulo with Airbus A321neo aircraft starting July 3rd. The aircraft are configured with 238 seats in single class. The low-cost carrier will have a daily frequency between Santiago de Chile and Sao Paulo on the above-mentioned aircraft, according to the Cirium aeronautical intelligence platform. SKY will operate one more weekly flight, which will be carried out in the Airbus A320neo with capacity for 186 passengers.

COLOMBIA

- GDP growth will have waned in Q1 2022. The average expansion of economic activity in the first two months of the year decelerated from Q4 2021. Further, private spending will have been hit by a higher unemployment rate, which climbed to its highest level since Q2 2021, while consumer sentiment remained deeply pessimistic.
- Elevated uncertainty over the outcome of the presidential elections and subsequent policies also weighs on prospects. GDP projection to grow 4.9% in 2022, which is up 0.2 percentage points from last month's forecast. For 2023, panelists see GDP growth at 3.0%.
- After completing the formalization process, Avianca and EasyFly announced the beginning of the commercialization of their codeshare agreement. In this first phase, travelers will be able to purchase tickets through Avianca's sales channels to fly, starting June 6, on 17 regional routes operated by Easy Fly with its fleet of ATR 42 and 72-600 aircraft.

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