

Latin America versus The World: Life after the Pandemic | Industrial Supply Chains, Commodities, and the Energy sector

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Chris Rogers, Research Analyst, Quantamental Research - S&P Global Market Intelligence Panjiva

Lenny Rodriguez, Team Leader, Products Arbitrage and Latin American Oil Analytics - S&P Global Platts

Jose Perez Gorozpe (Moderator), Head of Credit Research Emerging Markets - S&P Global Ratings



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Industrial Supply Chains, Commodities, and the Energy sector

Panel Discussion



Jose Perez Gorozpe
(Moderator)
Head of Credit Research Emerging Markets
S&P Global Ratings



Chris Rogers
Research Analyst, Quantamental Research
S&P Global Market Intelligence



Lenny Rodriguez
Team Leader, Products Arbitrage and Latin American Oil Analytics
S&P Global Platts

Latin America: Brighter Panorama Prone to Setbacks

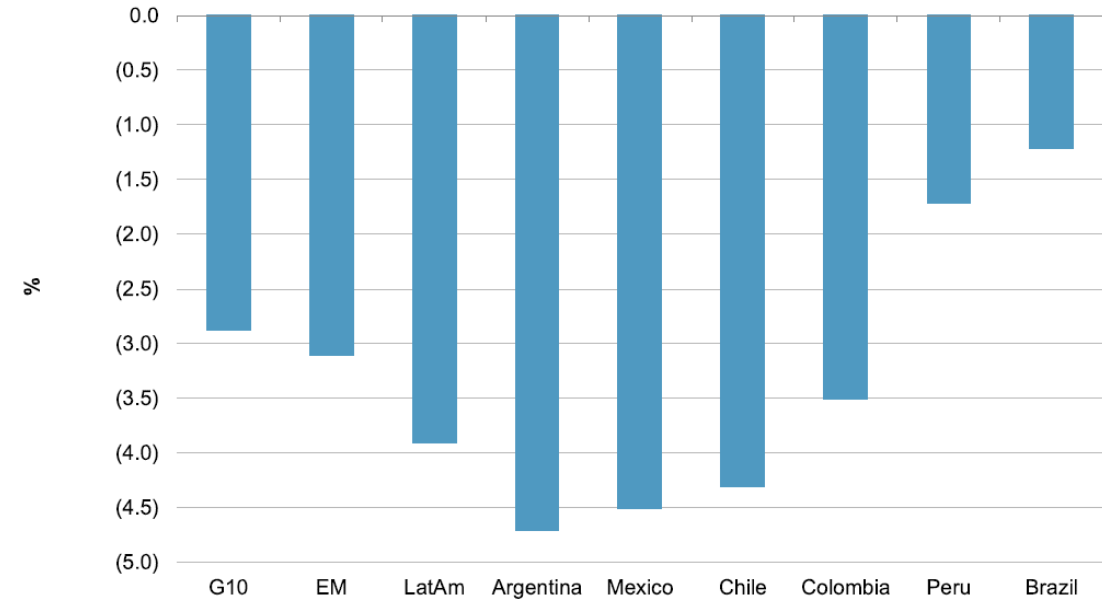
- We have raised our 2021 GDP growth forecast for the six largest Latin American, because of better-than-expected performance in fourth-quarter 2020 and an improvement in global growth prospects.
- Despite this improvement, we predict the region will be among the slowest in the emerging markets to recover from the COVID-19 downturn because of structural economic weaknesses present before the pandemic

Uneven Recovery

Real GDP %	Foreign Currency Rating (May. 17, 2021)	Expected Return to Pre COVID Level
China	A+/Stable/A-1	Q2 2020
Turkey	B+/Stable/B	Q3 2020
India	BBB-/Stable/A-3	Q1 2021
Indonesia	BBB-/Negative/A-2	Q2 2021
Russia	BBB-/Stable/A-3	Q3 2021
Poland	A-/Stable/A-2	Q3 2021
Malaysia	A-/Negative/A-2	Q4 2021
Thailand	BBB+/Stable/A-2	Q4 2021
Saudi Arabia	A-/Stable/A-2	N/A
Brazil	BB-/Stable/B	Q1 2022
Chile	A/Stable/A-1	Q2 2022
Colombia	BBB-/Negative/A-3	Q2 2022
Philippines	BBB+/Stable/A-2	Q2 2022
Mexico	BBB-/Negative/A-2	Q4 2022
South Africa	BB-/Stable/B	Q3 2023
Argentina	CCC+/Stable/C	Q3 2023

Source: S&P Global Ratings.

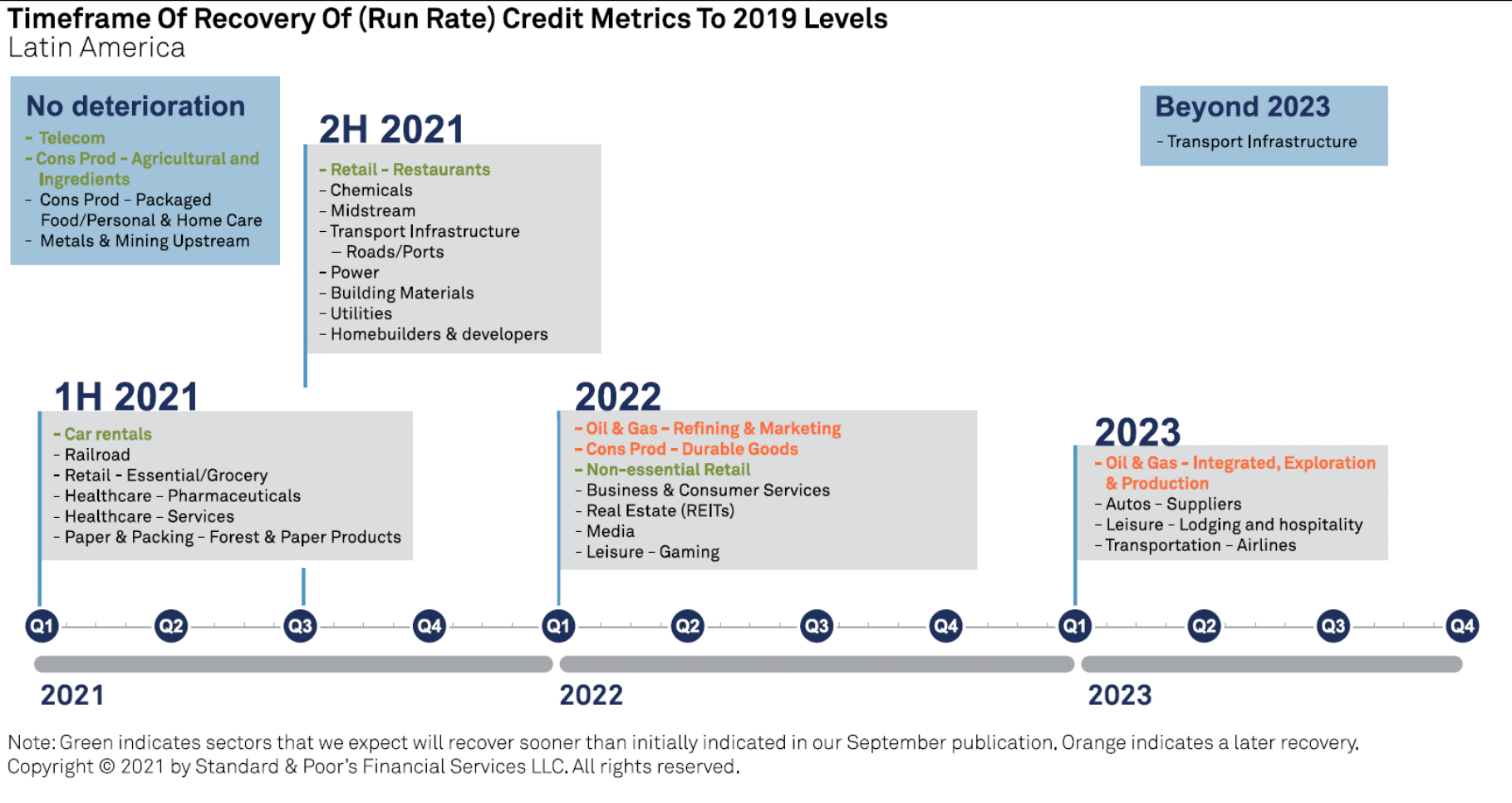
GDP In Q4 Versus Its Pre-Pandemic Level (Q4 2019)



Note: For Chile, we use Q3 2019 as a starting point, given the sizable impact of the protests on Q4 2019. We then averaged out Q4 2019 and Q1 2020 and used that as the Q1 2020 value to smoothen out the volatility. Argentina is based on our estimates, as Q4 was not available when we prepared this chart. G10, EM, and LatAm6 calculations are based on median values. EM refers to the largest emerging markets. Sources Oxford Economics and S&P Global Ratings.

Latin America: Recovery Still Elusive for Some Sectors

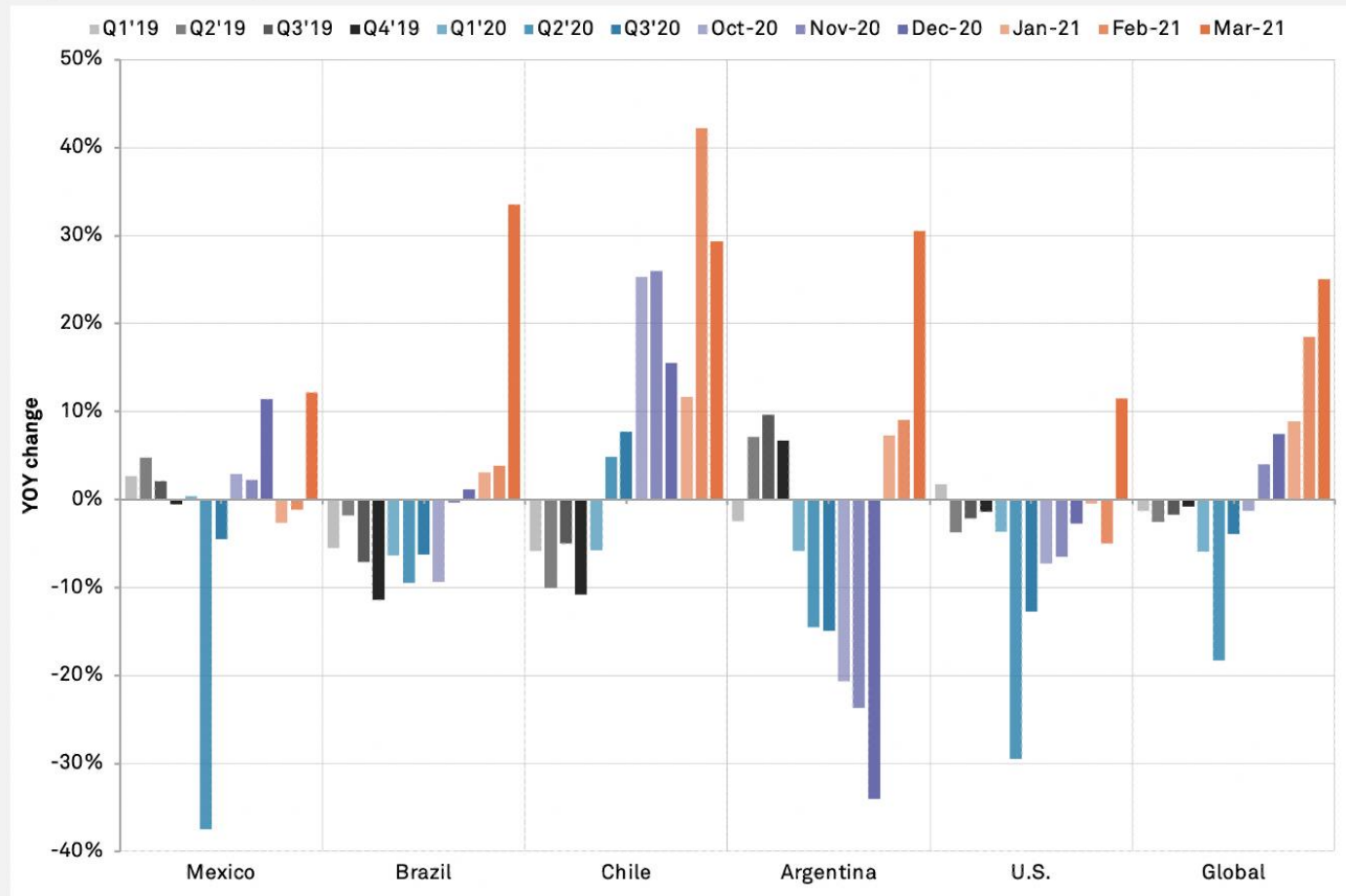
- The highest risk exposure remains for sectors that induce close and direct human interaction. We maintain our view that demand in these sectors will return to pre-pandemic levels after 2023.
- Some commodity-driven industries have outperformed our previous expectations, as prices for many sectors have bounced back from the initial demand shock related to COVID-19 in the first half of 2020.



After the fall: Global trade is recovering

The Americas rebound partly due to commodities price explosion

Global trade rebounds above pre-pandemic levels
 Exports by origin, Jan. 1, 2019 - March 31, 2021



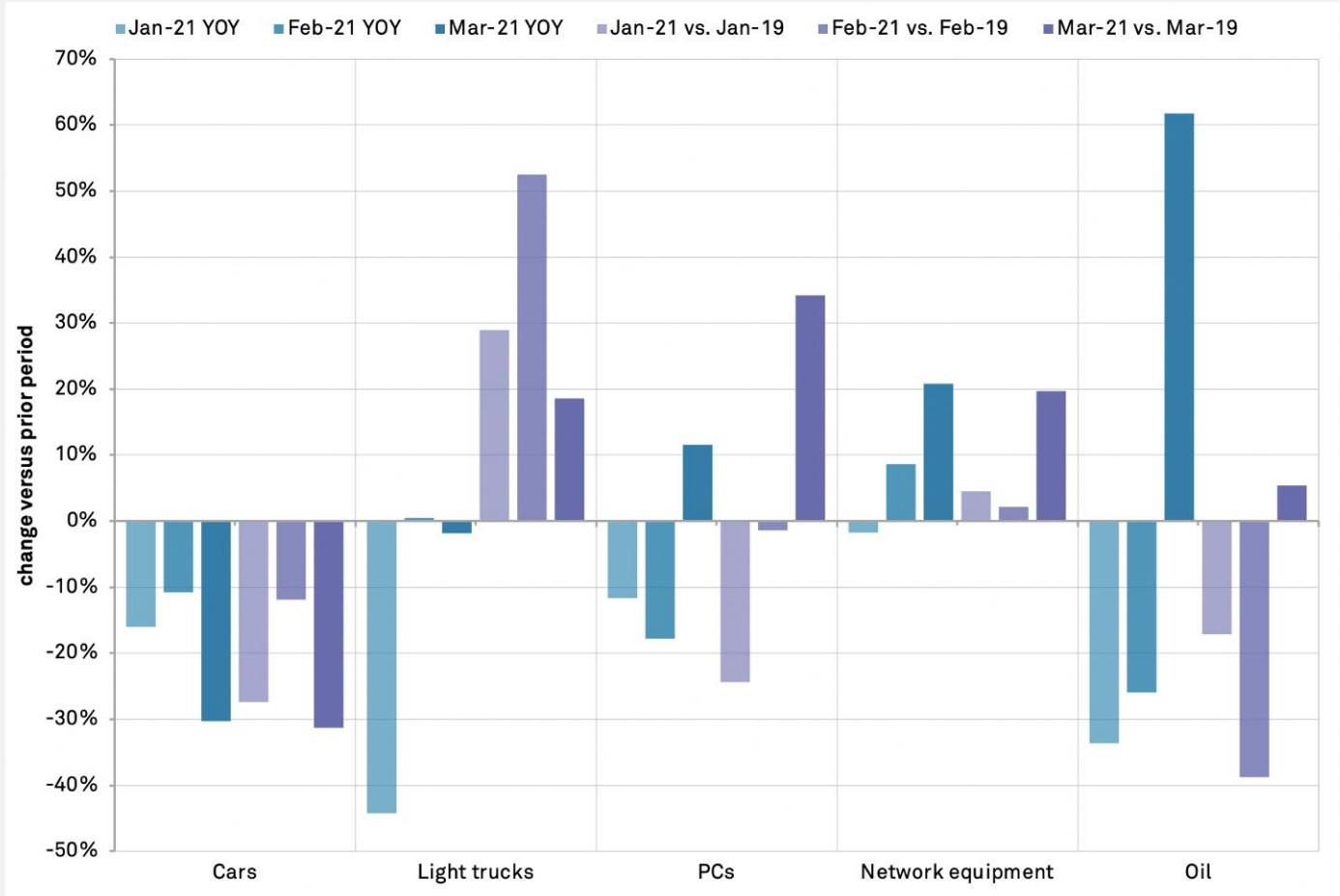
Source: S&P Global Market Intelligence Panjiva. Data as of March 31, 2021.

Source: Panjiva

After the fall: What got turned around the fastest? Evidence from Mexico

Oil leads, autos lag export recovery

Mexican exports by product, Jan. 1, 2019 - March 31, 2021



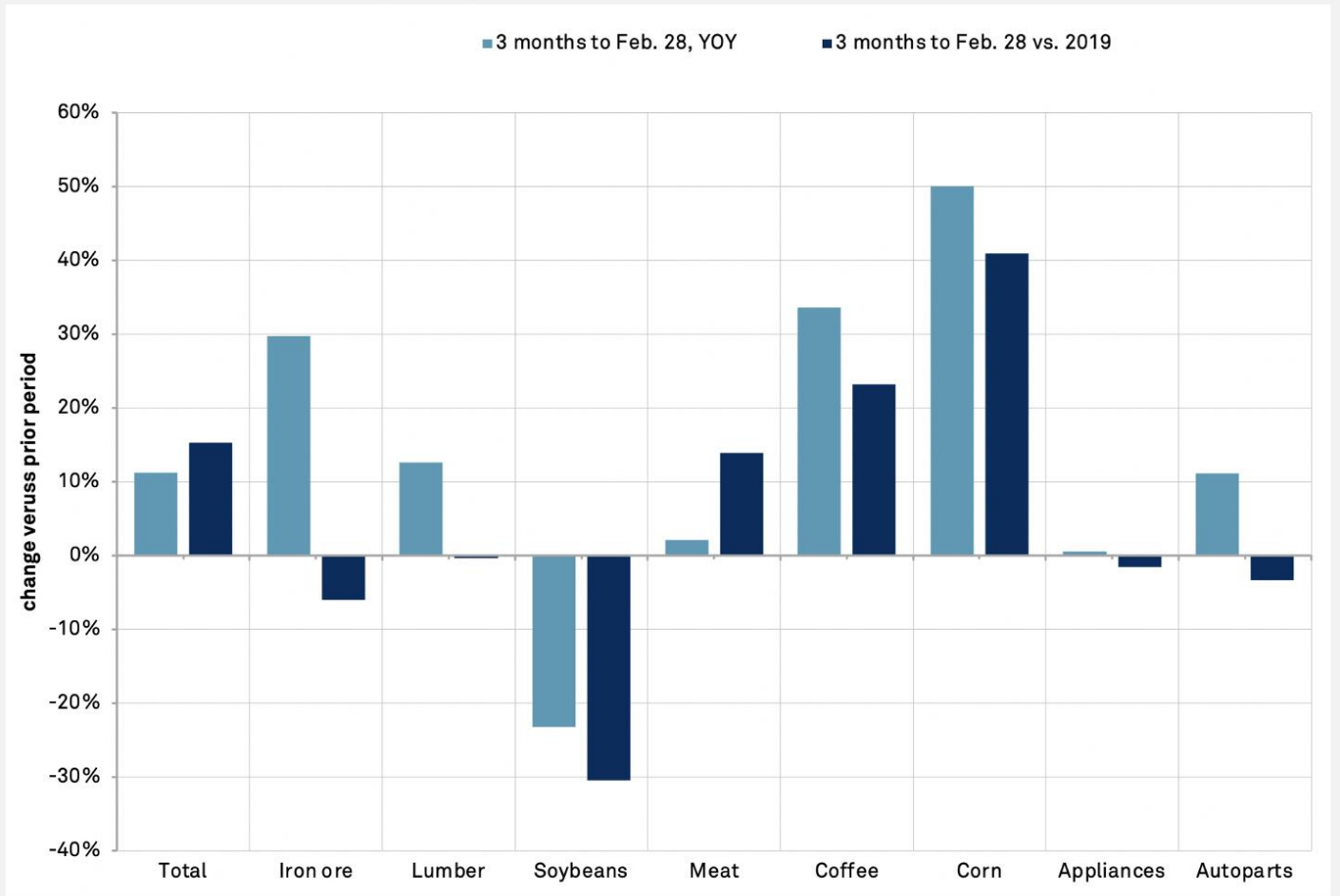
Source: S&P Global Market Intelligence Panjiva. Data as of March 31, 2021.

Source: Panjiva

After the fall: What got turned around the fastest? Evidence from Brazil

Care needed with apparent Brazilian rebound

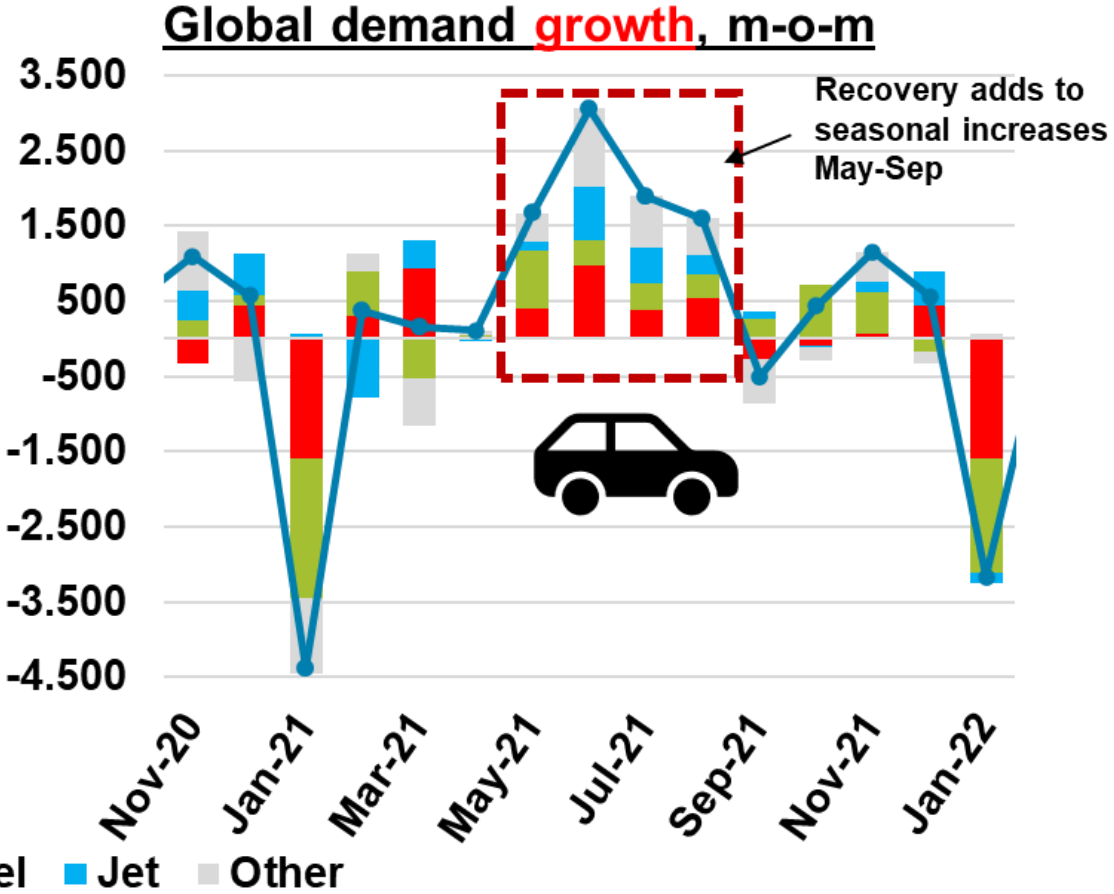
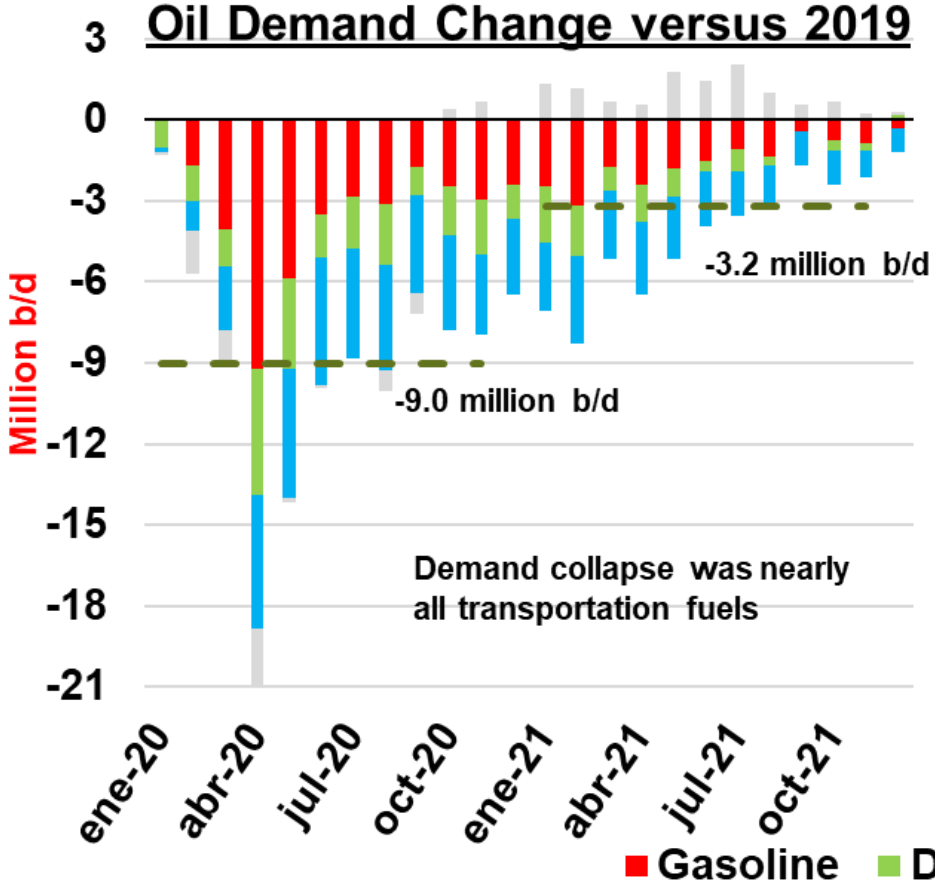
Brazilian exports by product, Dec. 1, 2020 - Feb. 28, 2021



Source: Panjiva

Source: S&P Global Market Intelligence Panjiva. Data as of February 28, 2021.

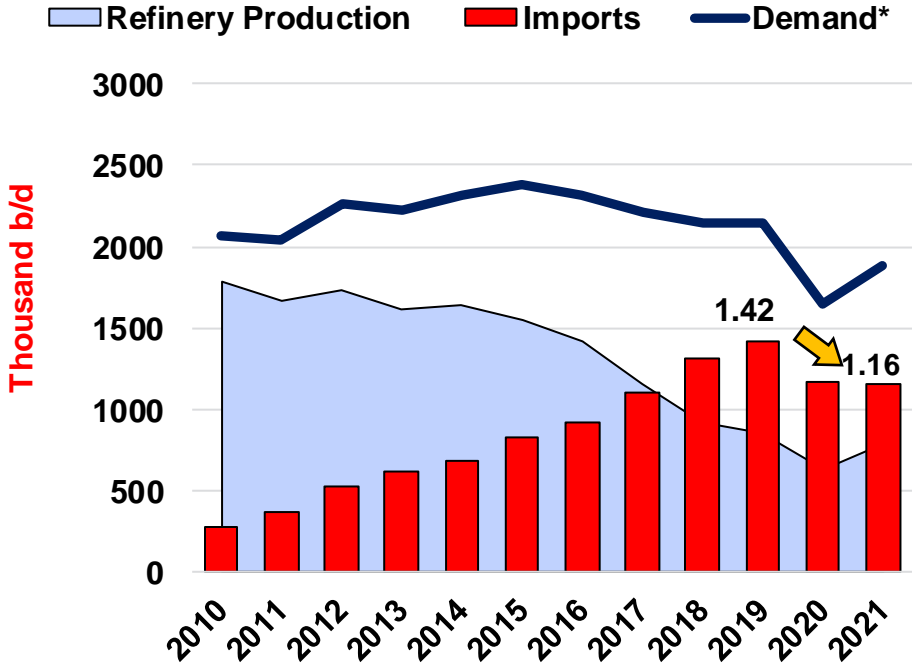
Global oil demand growth to surge cumulative 8.2 million b/d May-August after underperforming in the early months of 2021



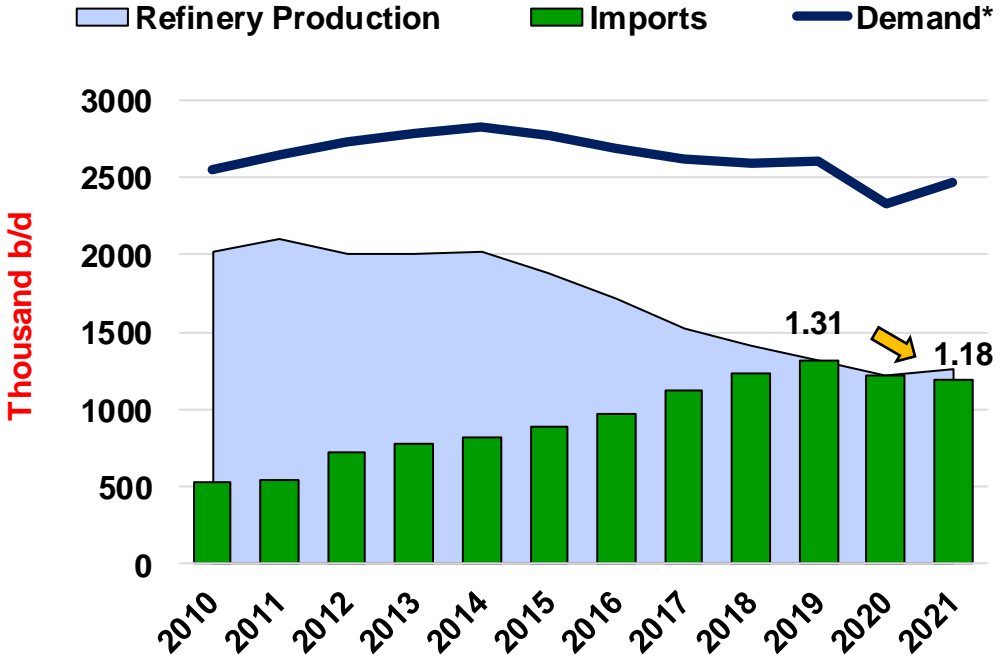
Source: S&P Global Platts Analytics.

Latin American gasoline & diesel imports will pick up in 2021 but will lag 2019 levels

Latin American Gasoline Market

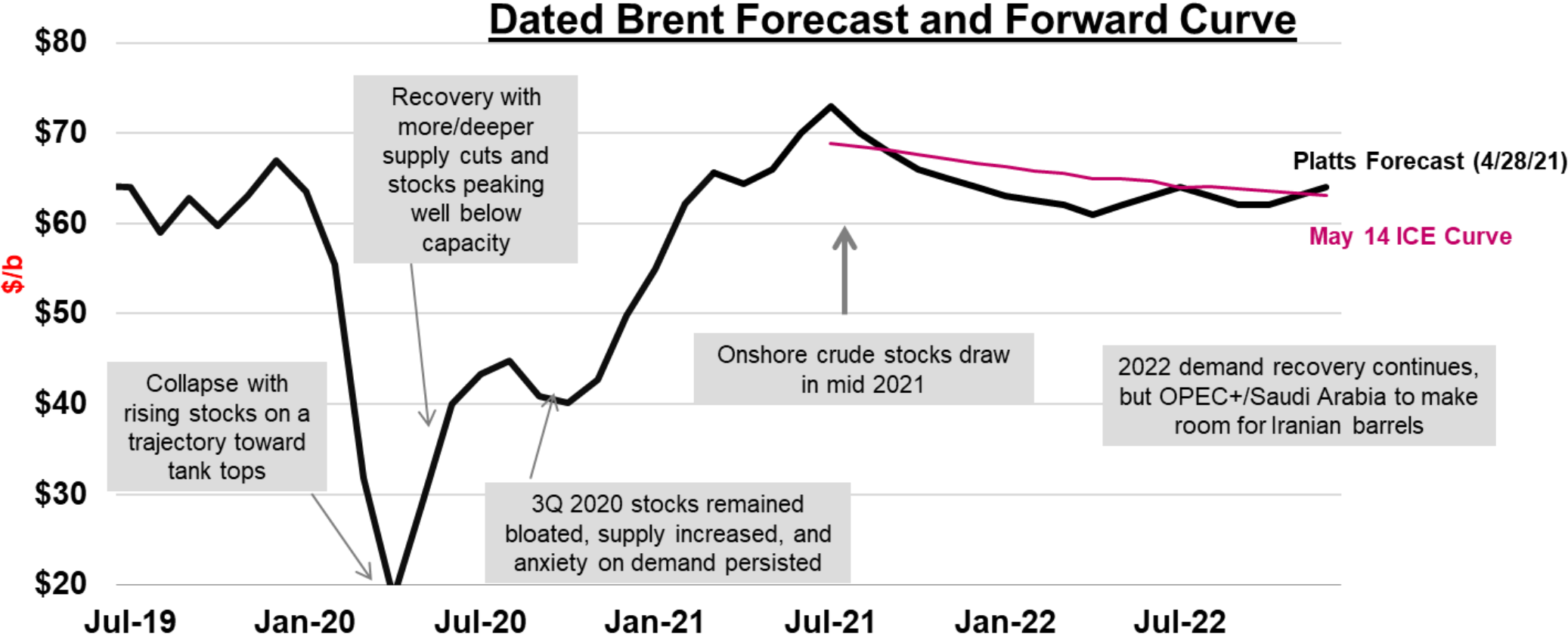


Latin American Diesel Market



Source: S&P Global Platts Analytics.

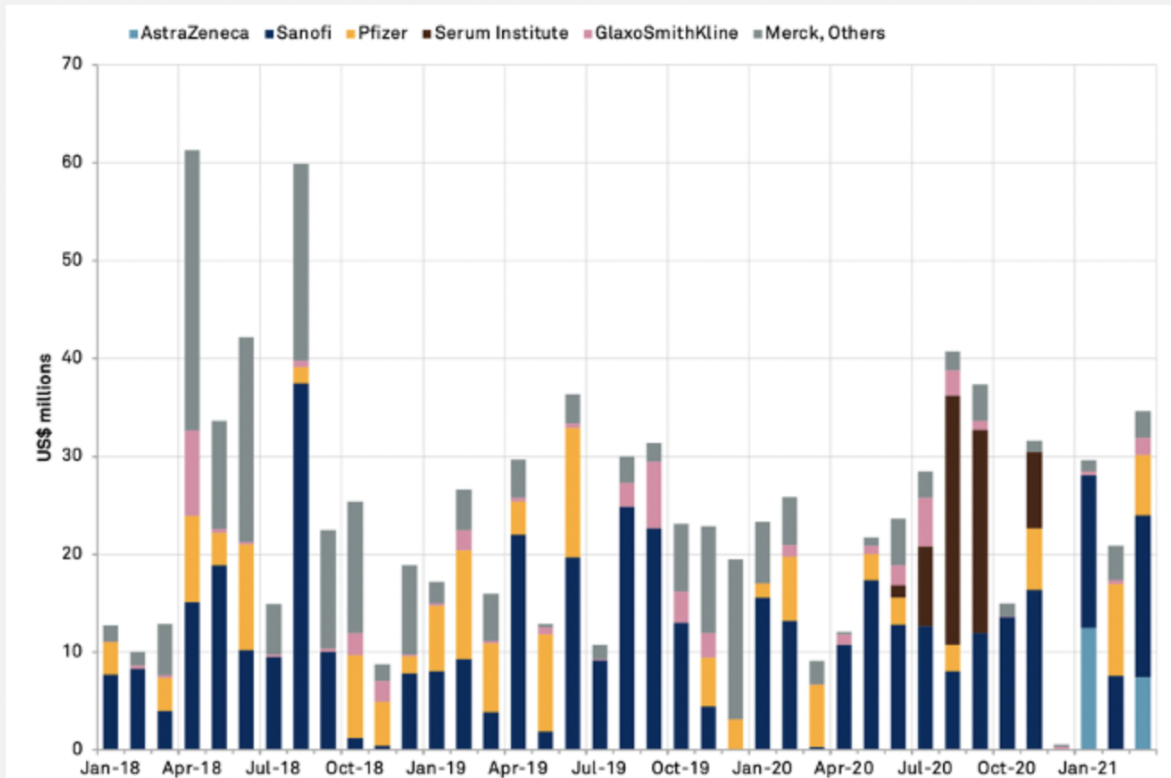
The fundamentals are pointing toward strength this summer before supply catches up in the fourth quarter



Looking ahead: Medical protectionism

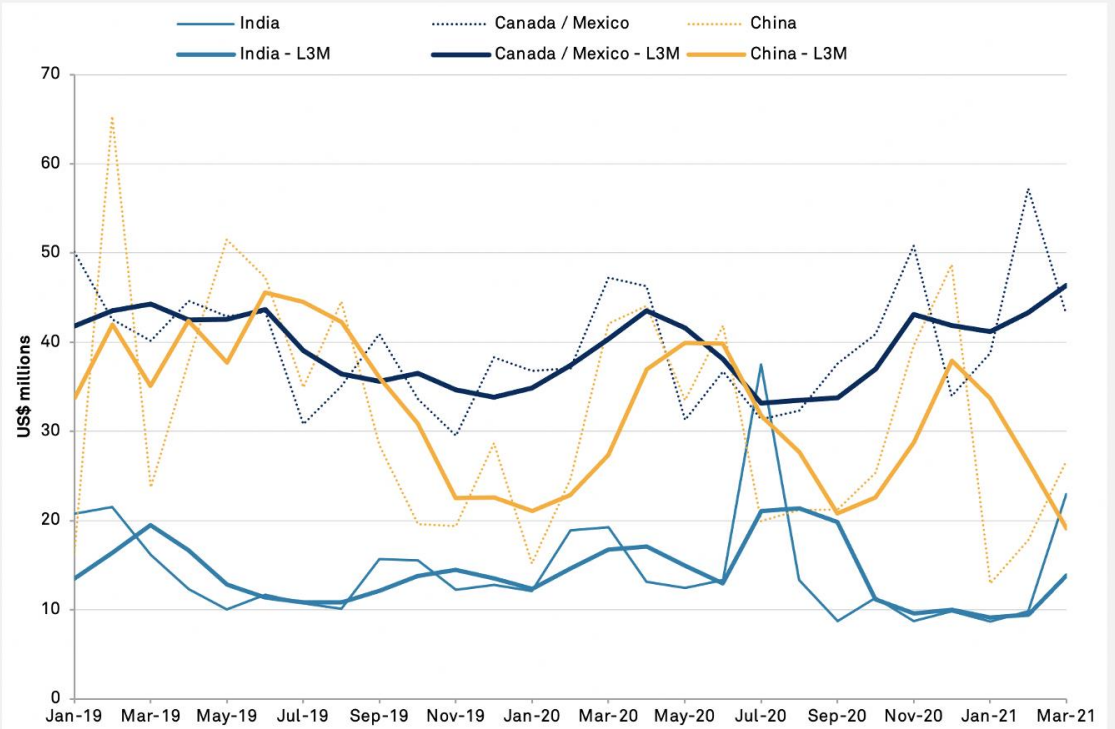
Biden holds many of the keys

Sanofi still leads Mexican vaccine supplies
 Mexican imports of vaccines, Jan. 1, 2018 - March 31, 2021



Source: Panjiva
 Source: S&P Global Market Intelligence Panjiva.
 Data as of March 31, 2021.

Supplies of APIs to India improving, still low
 US exports of active pharmaceutical ingredients
 Jan. 1, 2019 - March 31, 2021



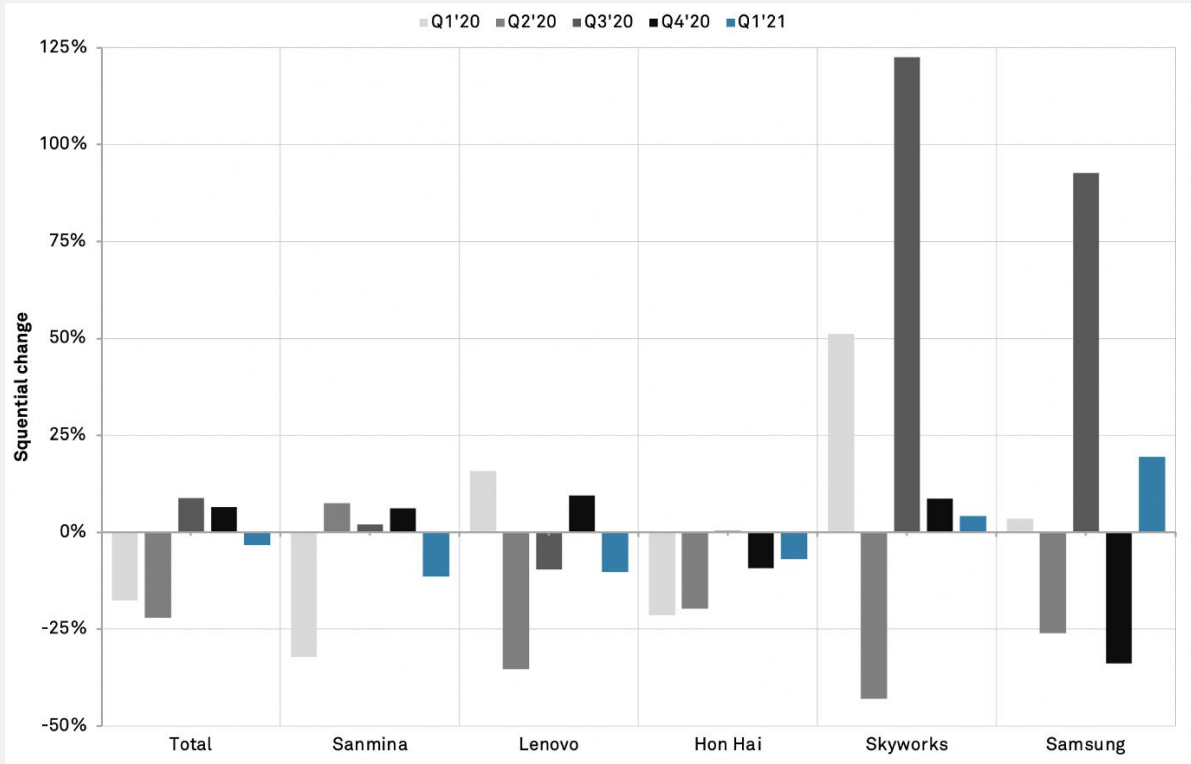
Data shown on a monthly and three-month average basis.
 Source: Panjiva

Looking ahead: Everyone loves localization

Build back better policies bring competition from Europe and U.S.

Chip recovery shortlived, Mexican buyers deprioritized

Mexican imports of semiconductors and circuits, Jan. 1, 2020 - March 31, 2021

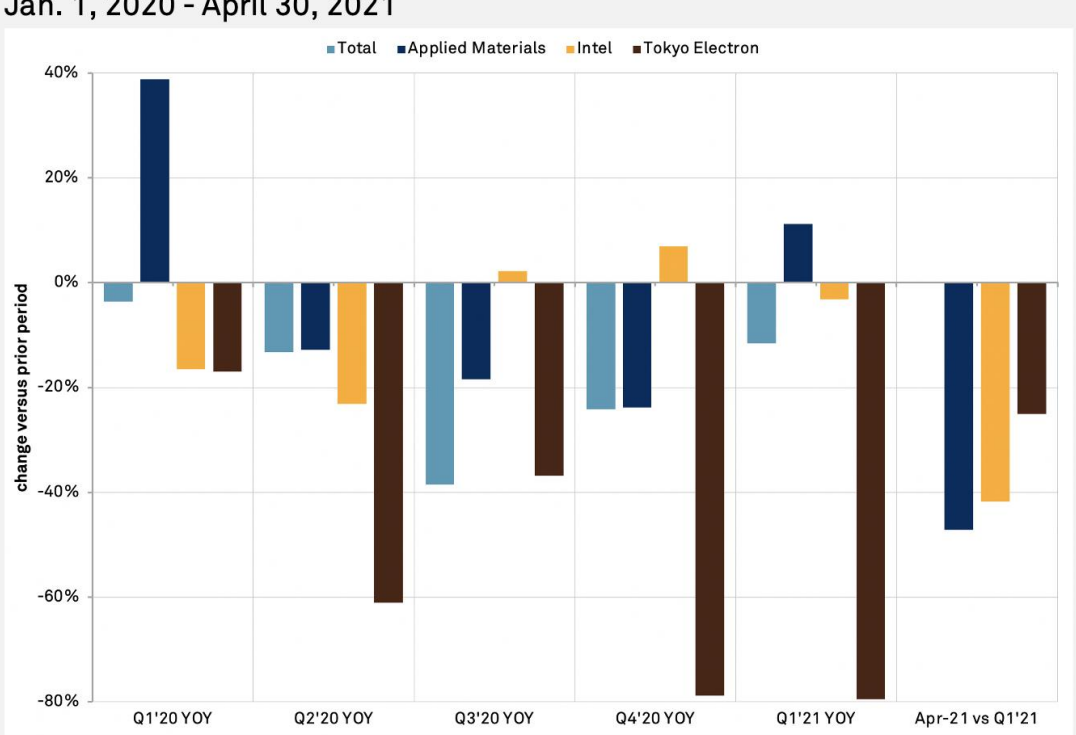


Source: Panjiva

Source: S&P Global Market Intelligence Panjiva. Data as of March 31, 2021.

Downturn in chip equipment imports has continued in 2021

US seaborne imports of semiconductor manufacturing equipment Jan. 1, 2020 - April 30, 2021



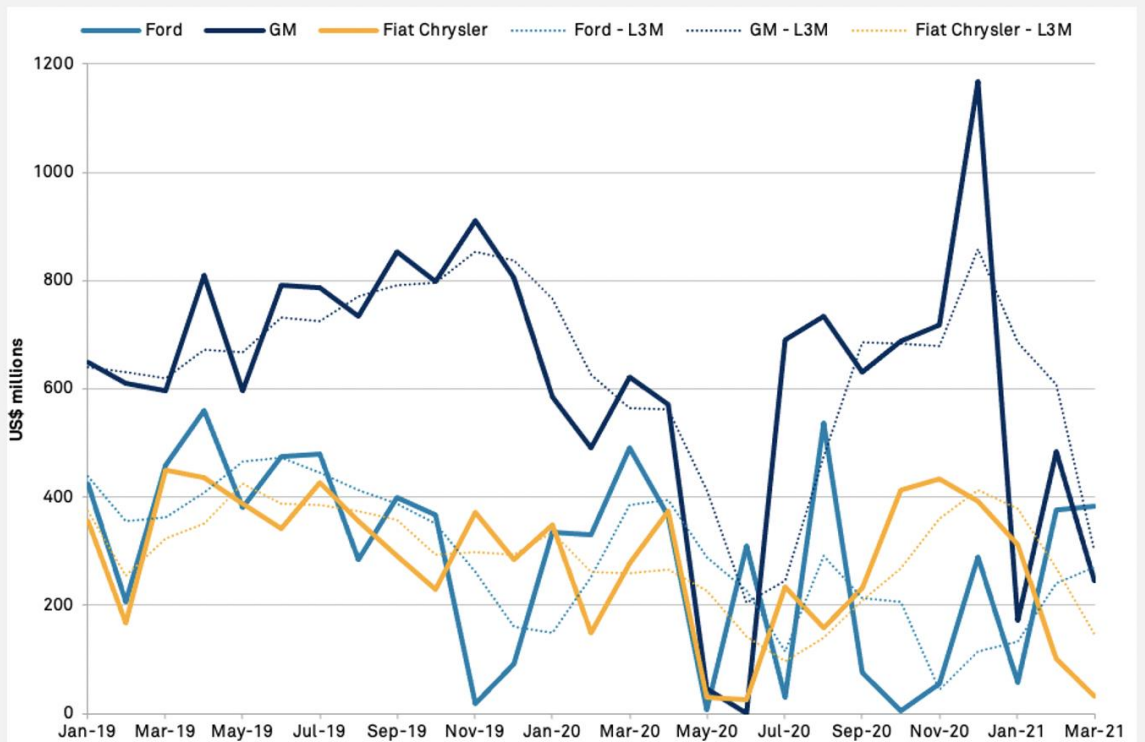
Data shown on a sequential, days-adjusted basis

Source: Panjiva

Looking ahead: Autos emblematic of all that is good and bad recovering demand, supply chain constraints, rising costs

Shipments at pandemic lows in March

Mexican exports of autos, Jan. 1, 2019 - March 31, 2021

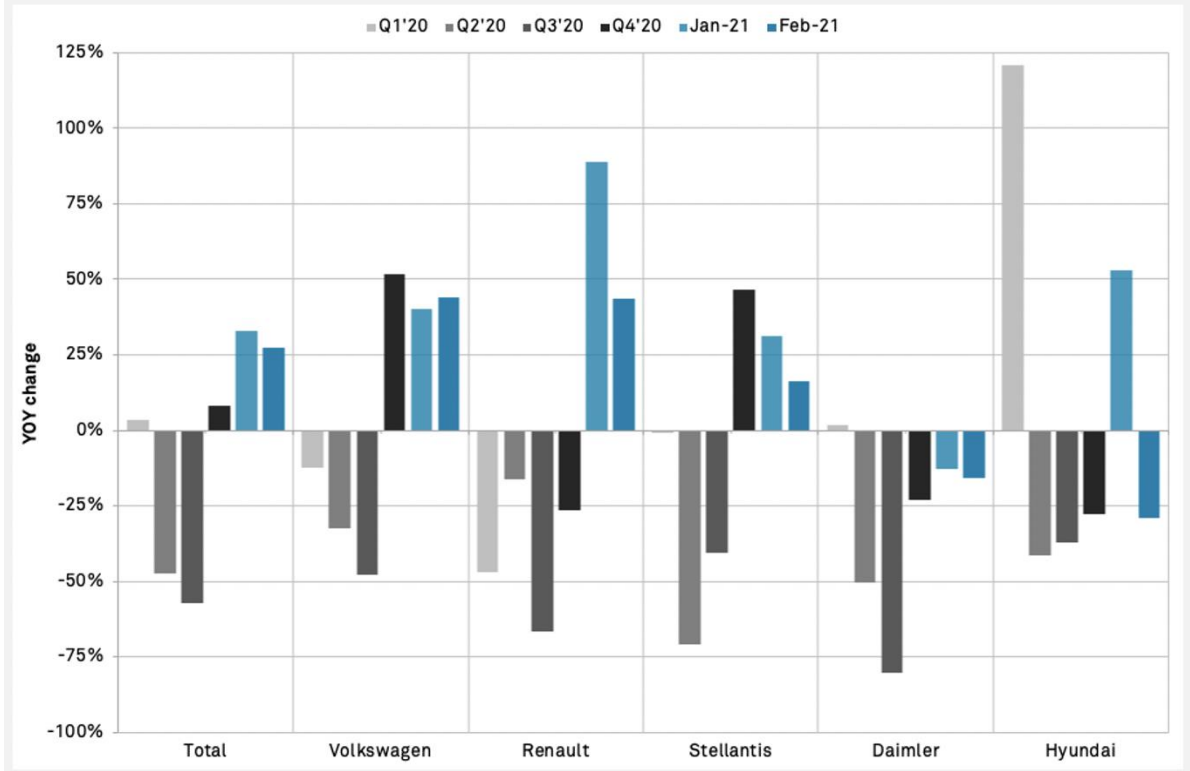


Data shown on a monthly and three-month average basis.
Source: Panjiva

Source: S&P Global Market Intelligence Panjiva.
Data as of March 31, 2021.

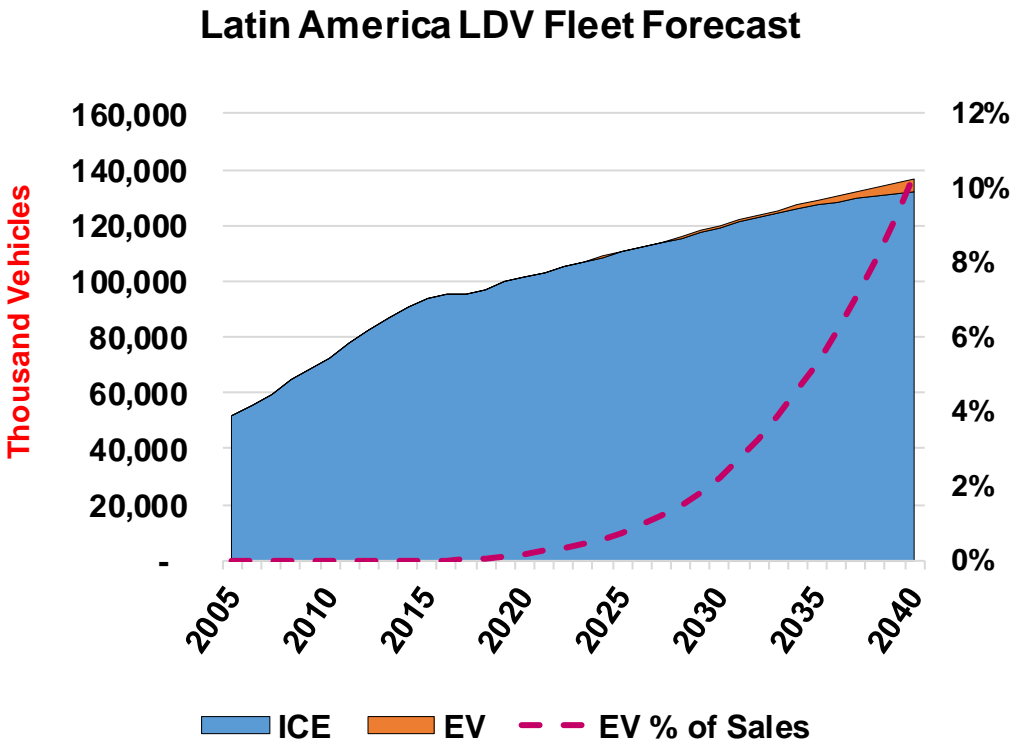
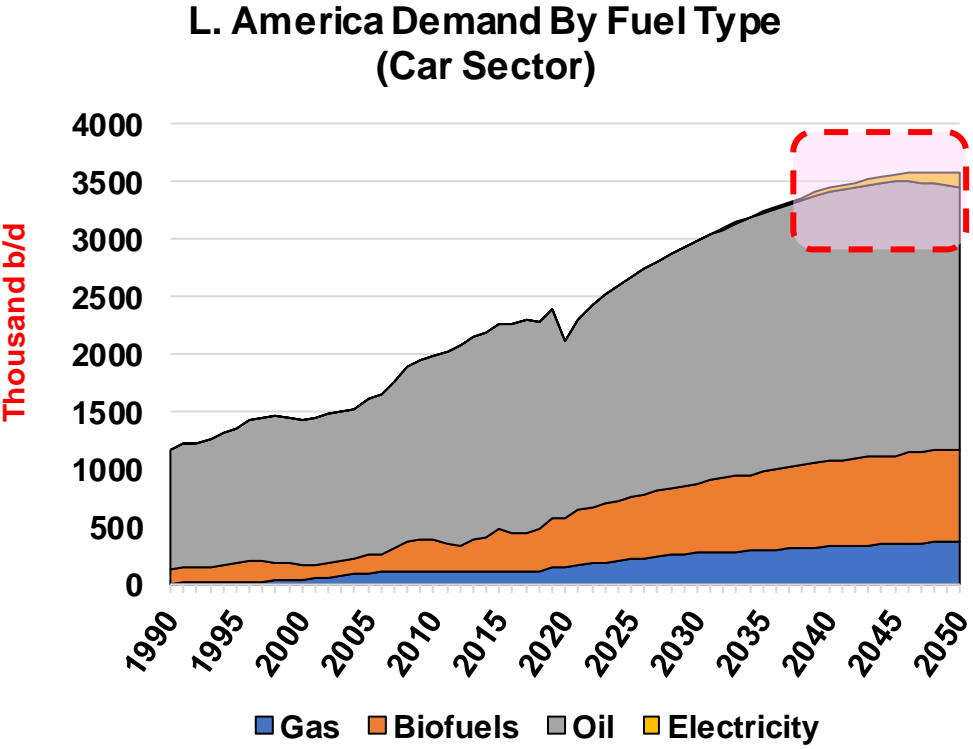
Most automakers maintain Brazilian parts shipments

Brazilian imports of auto components, Jan. 1, 2019 - Feb. 28, 2021



Source: Panjiva

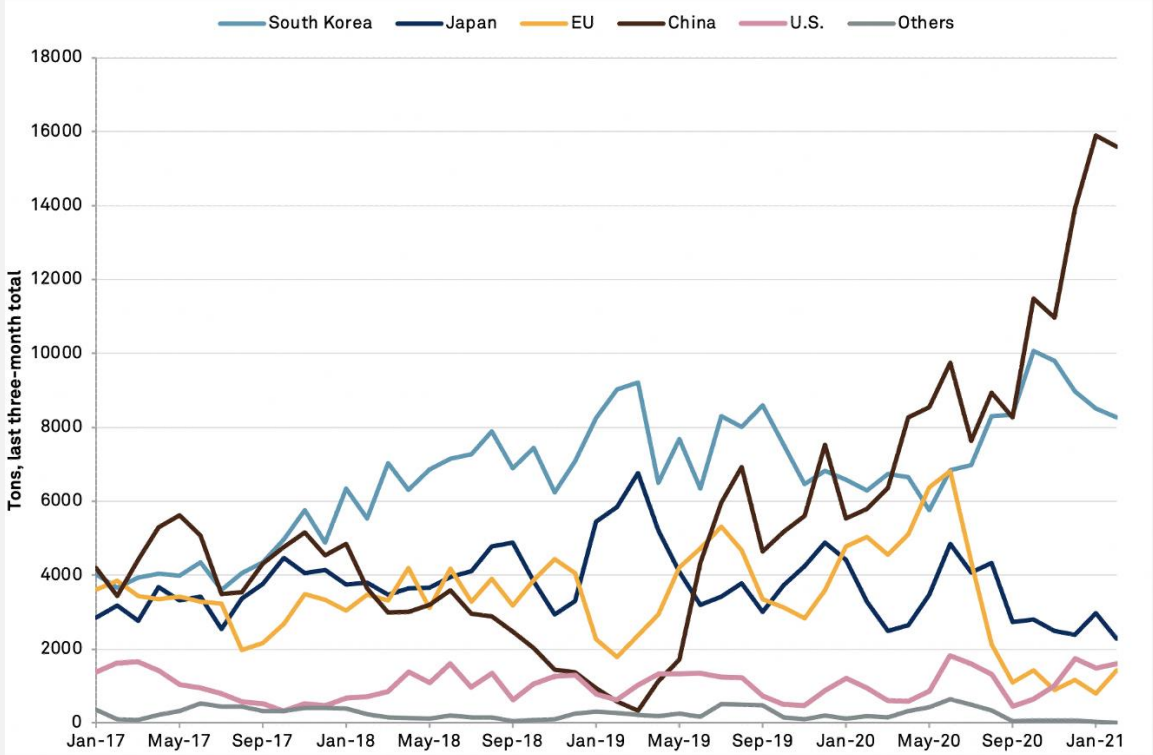
Long term EV penetration is expected to be limited in Latin America (lack of economic incentives); flex cars support biofuels growth



Electrification: The importance of being more than a miner

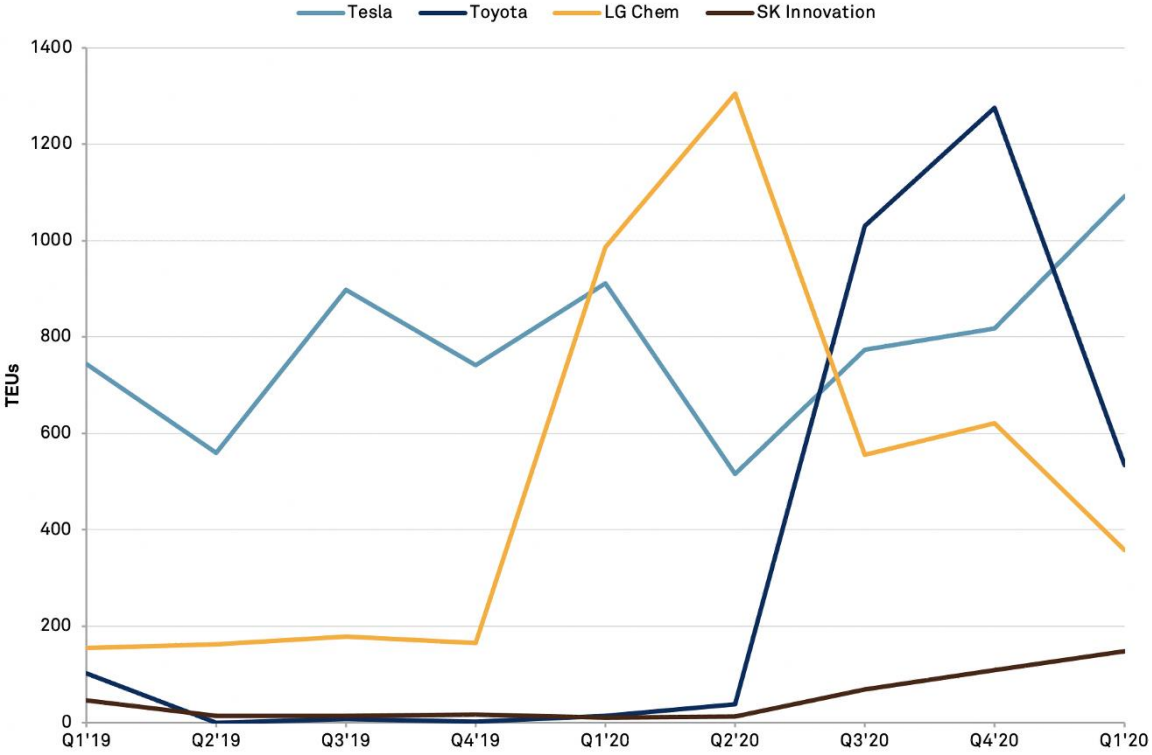
Chile's lithium opportunity; Mexico's USMCA (dis) advantage

China dominates lithium purchases, US left behind
Chilean exports of lithium, Jan. 1, 2017 - Feb. 28, 2021



Data shown on a three-month total basis.
Source: Panjiva

Volatile shipments underlines need for domestic production
US seaborne imports of lithium-ion batteries, Jan. 1, 2019 - March 31, 2021



Data shown on a three-month total basis.
Source: Panjiva

Source: S&P Global Market Intelligence Panjiva.
Data as of March 31, 2021.

Disclosure

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