

Latin America as the new Emerging Economic Powerhouse

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March 19th, 2013
Santiago, Chile

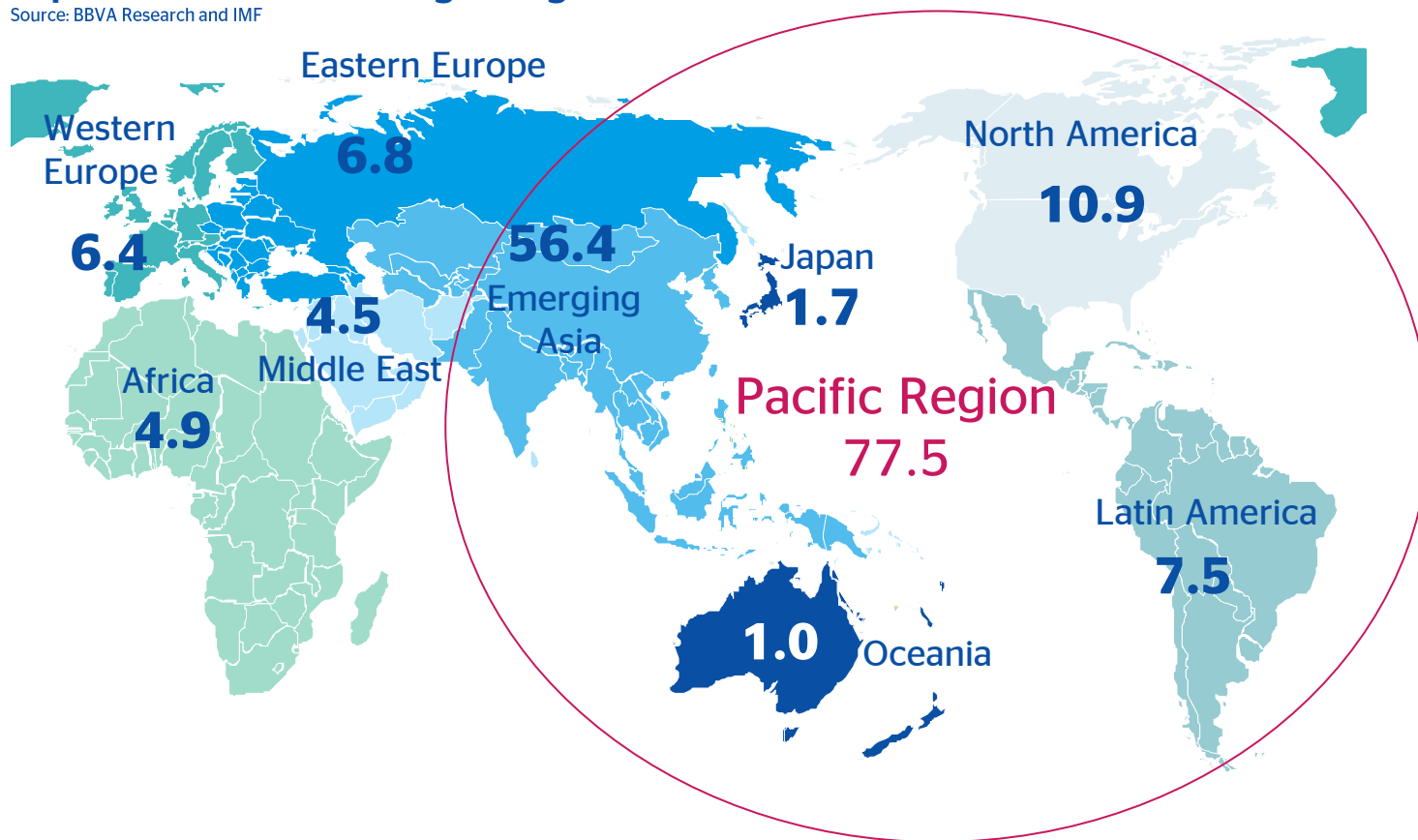
Latin America in the new global order

Implications for the Latin American consumer

Global growth led by the Pacific

Expected contribution to global growth between 2012 and 2022 (%)

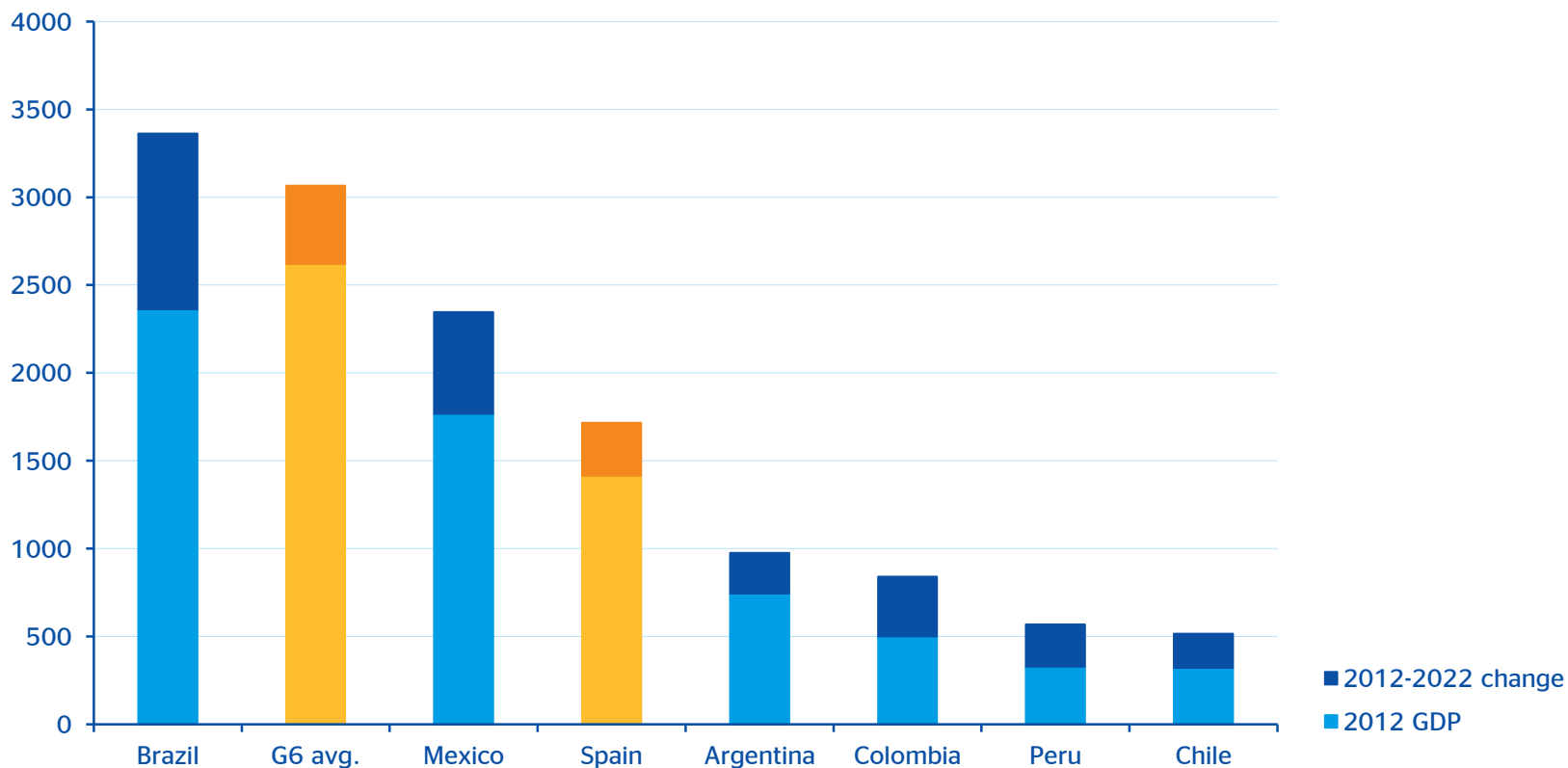
Source: BBVA Research and IMF



Very relevant players in Latin America

Current size and expected contribution to world growth in 2012-2022

Source: BBVA Research and IMF



The increasing role of Asia has been a supportive factor



Agricultural, mining and fuels imports by china
2000 4% of total world imports
2011 11% of total world imports

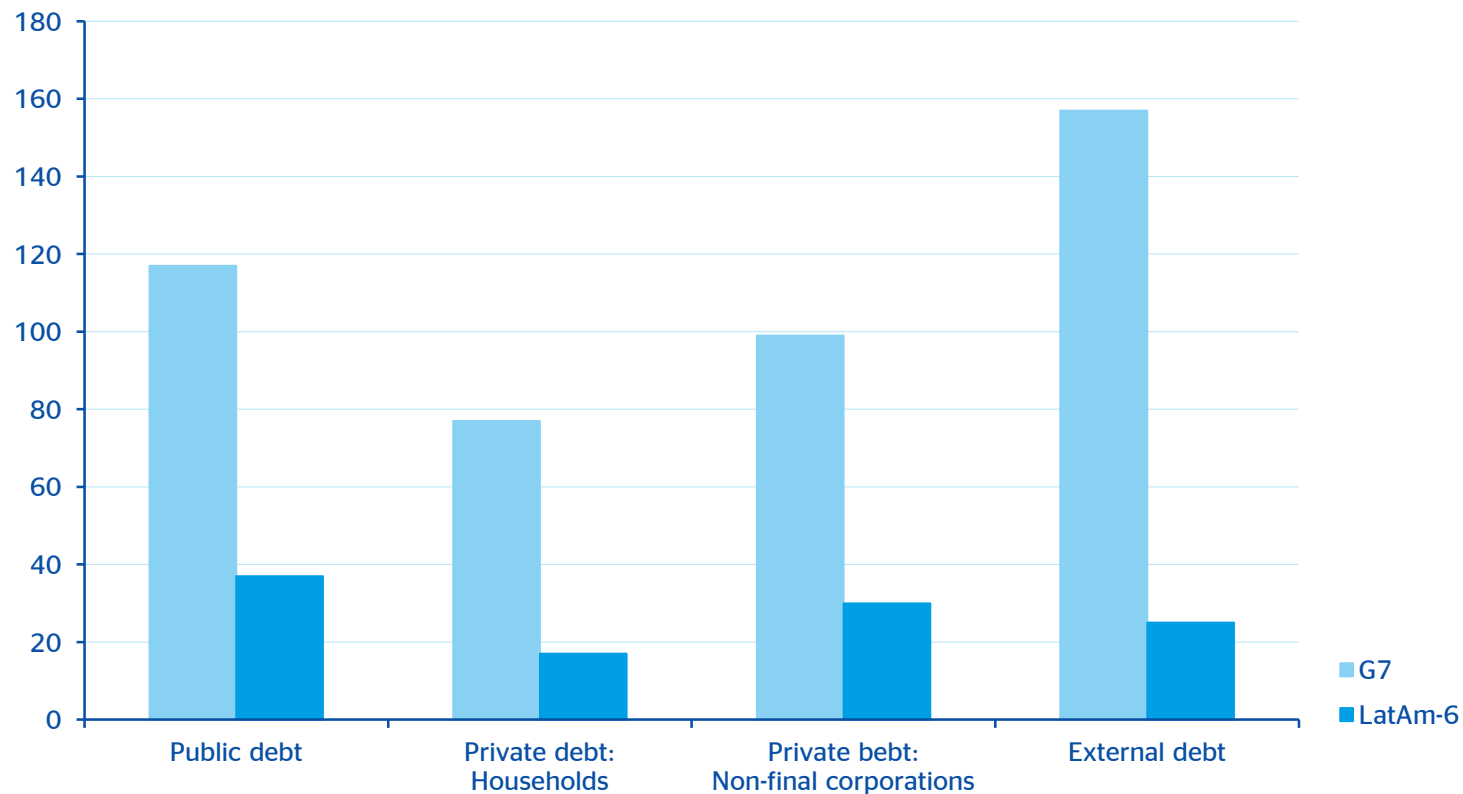
Agricultural, mining and fuels latam exports
2000 34% of total LatAm exports
2011 54% of total LatAm exports

Latam - Asia trade flows
2000 4% of total LatAm trade flows
2011 16% of total LatAm trade flows

The key factor: learning from crises

Public and private debt-to-GDP ratios (2012)

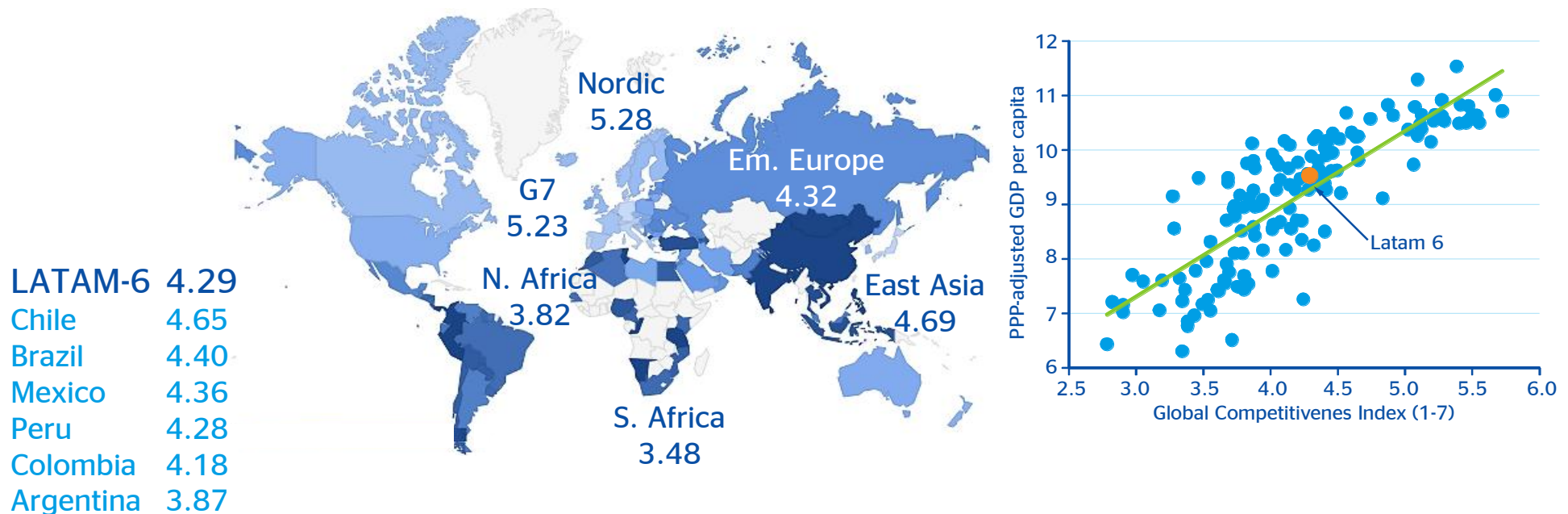
Source: BBVA Research



Further reforms to extend growth momentum

The Global Competitiveness Index 2012-2013 (score 1-7)

Source: WEF



Need to close competitiveness gap in infrastructures, innovation, business climate, regulation, education quality

Implications for the Latin American consumer

Latin America in the new global order

New environment has brought dramatic changes for consumption

Latin America

Still favorable demographics

Purchasing power gains



Higher volume of consumption

Changes in consumption patterns

Reduction of household size softens lower population growth

Development of distribution channels, product differentiation, demand for luxury products...

Developed economies

Population growth $\cong 0$

Mature markets with high income



Higher volume of consumption

Changes in consumption patterns

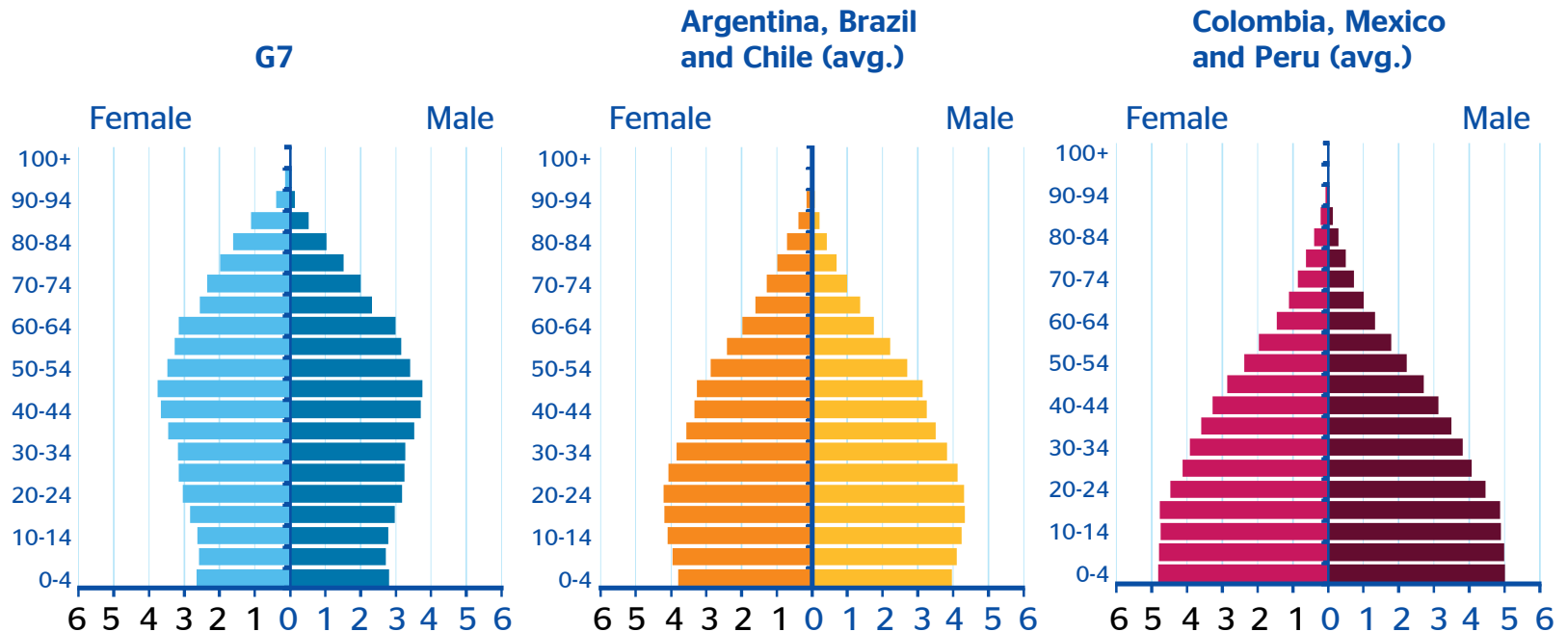
Aging increases consumption rates and generates new needs

+deleveraging
+uncertainty

Favorable demographics, but with regional differences

Population pyramids (2010)

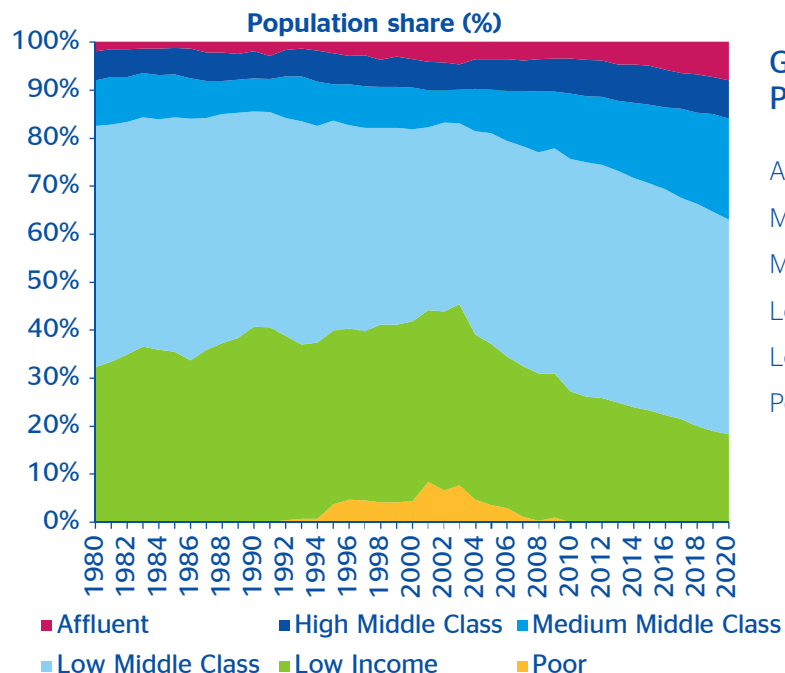
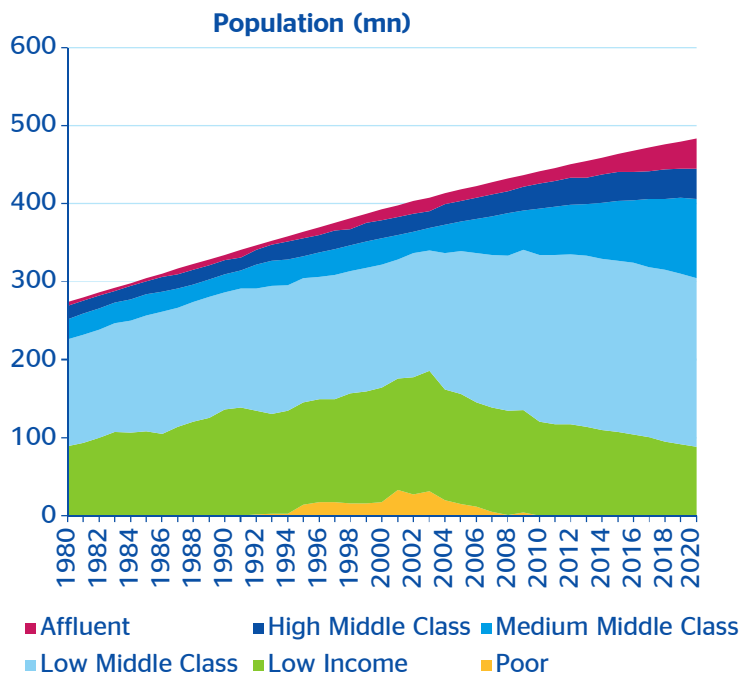
Source: BBVA Research and UN



Middle class boom in Latin America

Population in Latin America by income range

Source: BBVA Research



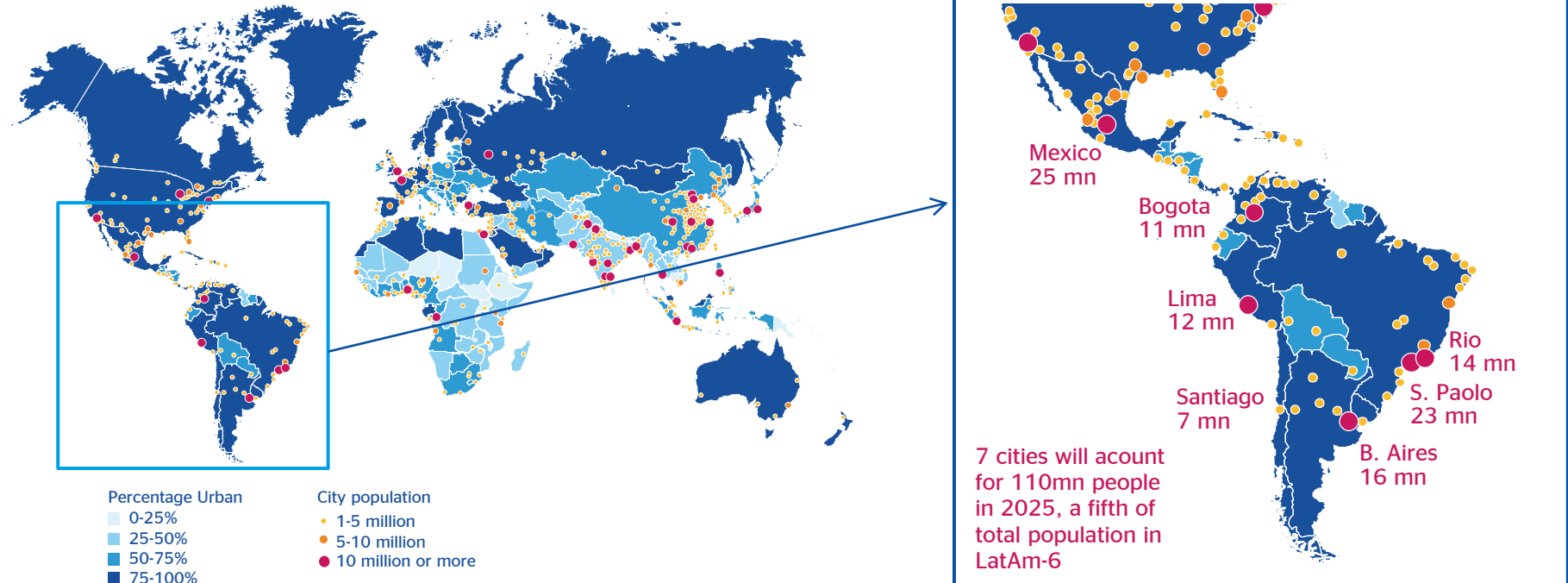
GDP per capita in 2012 PPP-adjusted USD:

Affluent >40,000 USD
Middle class: High (25,000-40,000 USD)
Medium (15,000-25,000 USD)
Low (5,000-15,000 USD)
Low income 1,000-5,000
Poor <1,000 USD

Urban agglomerations to increase economic role

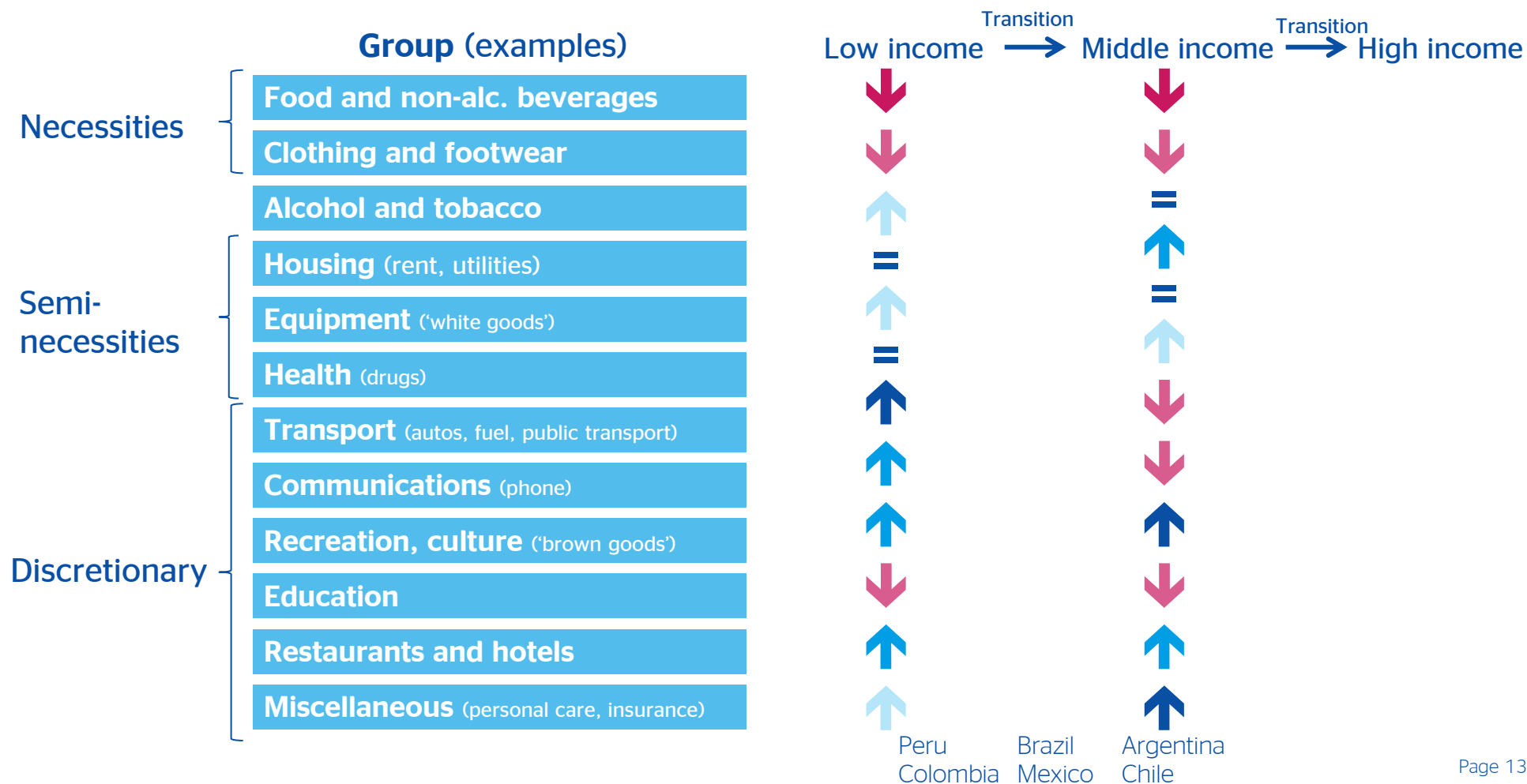
Urbanization levels in 2025

Source: UN



Challenges: infrastructures, basic services, housing, public transport, traffic congestion, pollution

Changes in consumption patterns



Key messages

- Growth is focused now in the Pacific area, led by Asia but with a significant contribution of Latin America
- Latin America presents today lower vulnerabilities due to reforms implemented after severe crises
- Reforms are now paying off in terms of sustained high growth and increasing purchasing power of the population
- Despite a global aging process, demographics are still favourable for Latin American countries
- In addition to a predominant urban condition, consumers in Latin America are today wealthier and therefore pushing for changes in expenditure patterns
- However, there is no room for complacency and success brings challenges that policies should tackle on time