

3

Country Risk

6

Sector Barometer

8

Sectors

PANORAMA

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LATIN AMERICA - ACTIVITY IN THE REGION STILL DECELERATING

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Growth in Latin America has been slowing down since 2011, and was estimated at 1.2 % in 2014 . This lacklustre result, caused by weak domestic

fundamentals, were exacerbated by cyclical factors such as the decline of commodity prices - and particularly the plunge in oil prices experienced since the second half of 2014. 2015 will see the continuation of this downwards trend, with regional growth expected to weaken for the fifth year in a row.

The lower pace of activity was not the case for all countries in Latin America. Mexico was an exception. Activity in Mexico picked up in 2014, growing by + 2.1% compared with + 1.4 % in 2013. The country is, however, greatly hindered by problems connected with its weak rule of law and high levels of violence, due to widespread drug cartels. All other major Latam

economies decelerated in 2014. Colombia observed only a slight decrease in its growth rhythm in 2014, at +4.6 %, down from 4.9 % in 2013. The first quarter of 2015 has already shown a stronger deterioration, with quarter on quarter growth at +2.8 %, following +3.5 % for 4Q 2014. Brazil's economy has been facing a confidence crisis associated with corruption scandals (Petrobras) and an exhausted counter-cyclical model (based on household consumption and credit supply through public banks). Meanwhile activity in Chile was negatively affected by lower copper prices and the tax reforms promoted by President Michelle Bachelet, which caused a decrease in confidence indexes. In Peru, growth dropped from 5.8 % in 2013 to 2.4 % in 2014, influenced by the back-drop of lower mineral prices and delays in mining projects.

In this edition, we will focus on Argentina, Colombia and Ecuador. Argentina will hold presi-

dential elections in October and should record a recession in 2015. Colombia continued to show strong performance in 2014, but has been losing momentum due to the direct and indirect effects of lower oil prices. In Ecuador, the economy remains heavily affected by the low level of oil prices. Oil proceeds are an important source of revenues for the government and the country's growth is strongly reliant on public expenses. Coface included Ecuador's country risk assessment on its watch list in late March (currently a B, see details in table 1). The second part of our updated Latin America sector barometer reveals the financial performance of companies in different industries, highlighting where risk has increased and where it has remained stable. No segments have reported improvements. The third part of this report focuses on sensitive industries in Colombia and Argentina.

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