

How macroeconomic trends will impact consumer spending in Latin America this year

Article

Retailers in Latin America will face a slew of macroeconomic challenges this year as rapidly changing market conditions weigh heavily on consumers' minds—and wallets.

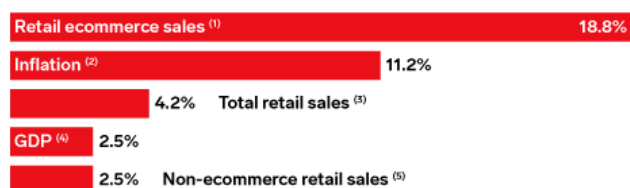
Our latest report, "**Latin America Ecommerce Forecast 2022**," explores how the ongoing geopolitical upheaval and economic uncertainty in the region will impact consumer spending in each of the three markets we forecast.

Economic headwinds, like rising inflation, and omnichannel shopping habits will set the region's sky-high ecommerce growth on a return course for earth.

- We expect digital sales growth to remain strong this year, at 18.8%, but that's significantly slower than 2020's boom. Growth rates will begin to normalize for the remainder of our forecast period.
- Still, 2022's double-digit increase in retail ecommerce sales growth will be 7.5 times faster than GDP growth and well above the rate of inflation.

2022 Forecast for Select Macroeconomic and Retail Sales Metrics in Latin America

% change vs. previous year



Note: (1) includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets; (2) average consumer prices; (3) excludes travel and event tickets; (4) constant prices; (5) excludes products or services ordered using the internet; excludes travel and event tickets
Source: International Monetary Fund (IMF), "World Economic Outlook Database: April 2022," April 2022 and eMarketer, "Latin America Retail Ecommerce Forecast," June 2022, June 3, 2022

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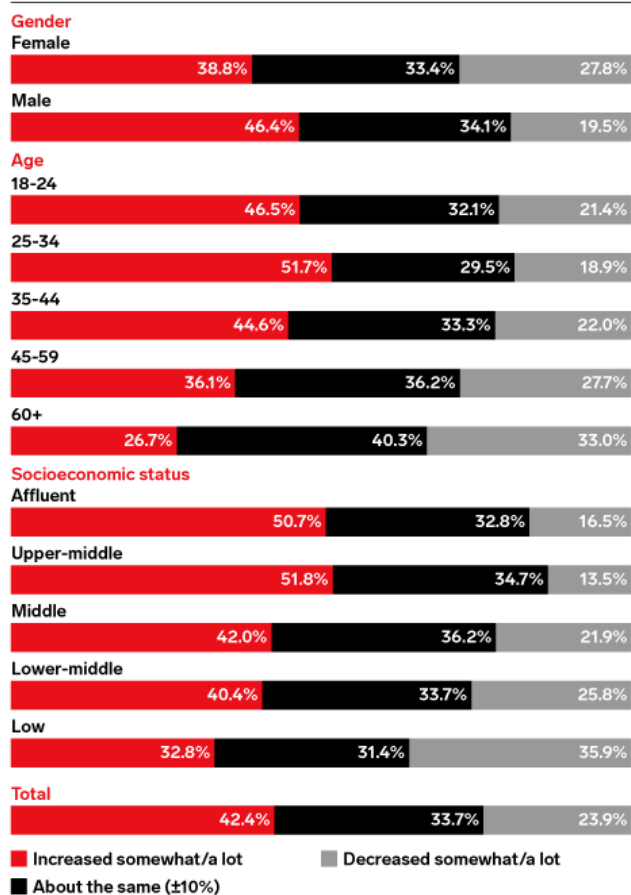
The Russia-Ukraine war is having reverberating effects in Latin America. While Russia is not a major trading partner for the whole region, the war has still disrupted international trade and exacerbated supply chain issues worldwide. These include product shortages and shipping delays, which, in turn, are driving up prices for consumers in Latin America.

Record-high inflation and unemployment are sweeping the region. Consumer prices across Latin America are increasing at some of their **fastest rates** in recent history, as Brazil experiences a 26-year high in April and Mexico struggles with rates not seen since 2001. Meanwhile, Latin America's **unemployment rate** will hit 8.6% this year, according to April 2022 data from the International Monetary Fund (IMF). That's about double the target rate for growing and healthy economies.

Household income isn't keeping up with rising costs. Nearly a quarter of digital buyers in Latin America indicated that their household income had dropped by more than 10% in the past 12 months, per our “Latin America Ecommerce Consumer Study 2022” survey, fielded in March 2022. These decreases were most prevalent among vulnerable populations, including women and those of low socioeconomic status.

Change in Their Household Income According to Digital Buyers in Latin America*, by Demographic, March 2022

% of respondents in each group



Note: n=3,457; in the past 12 months; numbers may not add up to 100% due to rounding;

*Argentina, Brazil, and Mexico

Source: Insider Intelligence, “Latin America Ecommerce Consumer Study 2022,” April 8, 2022

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The largest economies will face “stagflation,” a period of slow economic growth coupled with high levels of inflation and unemployment. Brazil and Mexico (as well as Chile) will experience stagnant GDP growth of 2% or less this year, according to IMF projections. It downgraded its **2022 GDP growth outlook** for Latin America from 3% in October 2021 to 2.5% as of April 2022.

Rising gas prices will pinch consumers' already constrained budgets. Latin America had some of the highest gas prices in the world—save oil-exporting nations such as Bolivia, Colombia, and Venezuela—during the week of August 1, 2022, per GlobalPetrolPrices.com.

A strong US dollar will drive up import prices. The currencies of all the Latin American markets we track have depreciated against the US dollar, **trading below their pre-pandemic rates** as recently as the week of June 13, 2022, according to data from OANDA, a provider of currency data and exchange rate services.

Supply chain woes and rising logistics costs are chipping away at retailers' profit margins. **These issues** are particularly acute in Chile. As of May 2022, nearly two-thirds of companies there reported that operating costs had surged by more than 20% since the start of the pandemic, per the Cámara Nacional de Comercio Servicios y Turismo.

Despite this, less than one-third of respondents had increased prices by the same percentage—indicative of their anxiety about losing customers over price hikes.

Political uncertainty and policy reforms loom for multinational and local players alike. Brazil's upcoming presidential election and proposed tax changes pose a potential headwind in Latin America's largest ecommerce market this year.

For more on retail and ecommerce in Latin America, read:

Report by Matteo Ceurvels Jul 29, 2022

Latin America Ecommerce Forecast 2022



Report by Matteo Ceurvels Jun 24, 2022

Latin America Retail Ecommerce Players Update 2022



Report by Matteo Ceurvels Apr 15, 2022

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