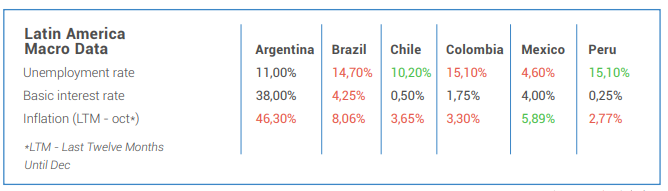
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Latin America - Market Update – Q2, 2021

**BRAZIL**

* Good news about the Brazilian economy. The country’s Gross Domestic Product advanced 1.2% in the first quarter compared to the last three months of last year and returns to the level prior to the pandemic, as disclosed by the IBGE - Brazilian Institute of Geography and Statistics. The highlight was the agricultural sector, which grew by 5.7%, well above the performance of industry (0.7%) and services (0.4%). The latter is the most important in the economy, presenting about 70% share of the Brazilian GDP. The point of concern is inflation. In the 12-month period until May, the variation is 8.06%.
* The recent appreciation of the real, now close to R$ 5 per dollar, is due to monetary expansion in the United States to stimulate the economy. Even with the appreciation of the real, the level is still high in historical terms. Thus, being the Brazilian economy relatively “cheap” in dollar terms and the country showing signs of recovery, foreign investors’ appetite increases. So much so that data from the Central Bank on direct investments in the country show an increase of 49% in the first four months of the year, totaling 21.3 billion dollars in the period. In general, the Brazilian economy gives clear signs that it is starting to get on track for the path of growth. There are still sectors that, however, remain in a very delicate situation, as is the case of tourism. In April, the sector’s turnover was R$ 8.5 billion (approx. US$ 1.7 billion), 38.3% below the pre-pandemic level.
* On the Tourism side, we have reached 15 months of pandemic, and all the surveys show: Brazilians want to travel. A recent survey by Booking.com shows that traveling has now become more important than before the pandemic for 63% of Brazilians. And Brazilians do not mind following protocols and safety measures, besides that, 70% claim that they would accept to prove that they were vaccinated in order to travel. Less visited and less crowded destinations continue to be preferred, as there are many people seeking alternative and more isolated accommodations, where the family can stay together. The great expectation now is related to trips to the United States, Europe, Argentina and Chile. In other words, the main destinations for Brazilians abroad are still closed.



* Brazil should reach high rates of vaccination in the second half of the year, and the forecast is that the process is ended between October and December. In São Paulo, all adults are expected to have received at least the first vaccine dose by September.
* Amidst the pandemic, the country is gaining a new airline, ITA, belonging to the road travel group Itapemirim. Domestic routes will connect the main capitals and touristic cities in Brazil. The first flights are scheduled for July, 1st.
* Aviation is experiencing the strength of the pandemic recovery. National airlines should arrive in December with a 100% recovered offering domestic flights. Domestic air fares, even with slower corporate travel this time, have already equaled 2019 values
* Leisure hotels already register high occupancy on holidays and special dates, showing that Brazilians want to leave home and travel. Several hotels reached 100% occupancy on Valentine’s Day. For July, the month of winter vacation, a punctual increase in domestic and international travel is expected to locations where Brazilians can travel.
* Vaccine tourism is a reality and is successful in the country. Not wanting to wait until the end of the year to vaccinate the youngest members of the family, several Brazilians have gone to Mexico, the Bahamas or the Dominican Republic to quarantine for 15 nights and later have entered the United States for vaccination. The same happened in Dubai. It is a “tourism of opportunity”, but generated good sales for travel agencies

**COLOMBIA**

* Beginning of May the Colombian government proposed a major tax reform which sparked massive protests. The government quickly withdrew the reform proposal, but protests continued as people expressed their frustration of years of poverty and inequality, exacerbated by a violent response from police.  Sadly there is a long history of violent conflict in Colombia. It dates back to the 1940s and 1950s when the country endured “La Violencia”, a decade-long conflict between liberals and conservatives that was sparked by the assassination of liberal presidential candidate, Jorge Eliécer Gaitán. This conflict devolved into a civil war between the government and newly formed left wing guerilla groups. The impact of this violence on families within Colombia is still very tangible, especially in rural areas.
* In 2016 the Colombian government brokered a peace deal with the largest guerilla group in the country, the Revolutionary Armed Forces of Colombia (FARC in Spanish). The FARC agreed to submit their weapons and cease fighting, and the government agreed to support demobilised FARC soldiers and provide economic opportunities in the rural areas. The current government is of a different political party and critics say they have been lacklustre in their commitment to the peace deal. As a result, civil conflict continues in many rural areas.

**ARGENTINA**

* The historical volatility of economic growth have impeded the country’s development. The Covid 19 pandemic and social isolation as a way to manage it aggravated the situation. Urban poverty in Argentina remains high, reaching 42% of population in the second semester of 2020, with a 10,5% of extreme poverty and 57,7% of children poverty. To deal with this situation, the country has prioritized social spending through various programs, including the Universal Child Allowance, a cash transfer program that reaches approximately 4 million children and adolescents up to age 18, 9.3% of the population.
* The impact of COVID-19 has been significant in Argentina. During 2020, the country suffered a decline in GDP of 9.9%, the largest retraction since 2002. To counteract the impacts of the crisis, the Government  implemented a package of emergency measures to protect the most vulnerable and support companies while lockdown. Domestic economy continues to show strong macroeconomic imbalances. Annual inflation, although it has decelerated in a context of falling economic activity, reached 36% in 2020, despite the existence of price controls. .
* Good news is that the Government has managed to conclude the process of restructuring all its debt in foreign currency (both local and external), significantly improving the maturity profile for the next eight years. In turn, the authorities are advancing talks with the International Monetary Fund to agree a new program for the maturities of the Stand-By loan in the next  years.
* Borders are closed to **most foreign travelers**, except native Argentines and foreigners residing in the country. Non-resident foreigners must present at the port of entry a letter of request that provides the necessary reason for the visit, dates of departure and return, the place where the foreigner will stay, and all other relevant information that is required.

**CHILE**

* Chilean health authorities said on Monday they would extend a COVID-19 emergency through September to allow the government to impose restrictions, a setback in a country that has one of the highest vaccination rates in the world. The South American nation is now embarking on vaccinating teenagers, and in May introduced green cards to confer greater freedom on the vaccinated in an attempt to encourage the wary to come forward.
* Chile is at a historic moment, facing central questions of governance, the social contract and its economic model. Despite tremendous economic progress and poverty reduction over the last few decades, the existing policy framework has been insufficient to continue fostering productivity growth and economic diversification, improve labor market outcomes, and further address deep-rooted inequality.
* The 2019-20 protests exposed the vulnerability of the socio-economic system, with protesters demanding a change in the country’s political and social direction. The stagnation of growth and productivity in the last decade has raised questions over the sustainability of the country’s growth trajectory and the type of reforms needed.
* In this context, the COVID-19 pandemic has plunged the economy into the worst recession in decades. GDP contracted 6.0 percent in 2020, although a loosening of lockdown measures allowed a partial recovery towards the end of the year. Over one million jobs were lost, affecting mostly women and workers in commerce, agriculture, and hospitality, further undermining the fragile middle class. In conjunction with the economic contraction, the fiscal deficit increased to 7.5 percent of GDP in 2020, the largest in over three decades.

**Contact for this market are Simone Mariote and Camilla Julião - based in São Paulo, Brazil**

[smariote@preferredhotels.com](mailto:smariote@preferredhotels.com) | [cjuliao@preferredhotels.com](mailto:cjuliao@preferredhotels.com)