



Latin America - Market Update – Q2 2023

BRAZIL

- Brazil's GDP expanded 4% year-on-year in Q1 2023, accelerating from a 1.9% advance in the previous period and above forecasts of 3%. The service sector grew 2.9% and all service activities showed growth. On the expenditure side, consumer spending by households increased by 3.5%, supported by real wage growth, increased credit availability, and lower inflation; government consumption went up by 1.2% and gross fixed capital formation edged up by 0.8%. For 2023, the Finance Ministry expects 1.9% growth, amid better-than-anticipated agricultural output and a stronger services sector due to government measures that increased disposable income.
- The Brazilian Real continued to strengthen to below 4.8 per USD in July, approaching high levels not seen since May last year, benefiting from a softer dollar and an improving economic outlook. The annual inflation in Brazil slowed to 3.16% in June, the lowest since September 2020, staying now below the central bank's 3.25% target for this year, and supporting expectations the authorities will start cutting interest rates as soon as next month. In its June meeting, the central bank said that an August cut was possible if the positive inflation scenario continued. Meanwhile, the economic growth is set to remain robust, with the central bank expecting a 2% expansion this year, higher than the 1.2% seen in March. At the same time, several reforms set by President Lula including in consumption taxes have been raising confidence on the government and the country's economy. So far this year, the Brazilian real has gained almost 10%.
- The US has issued 104,200 visas to Brazilians in May, which represents an increase of 22.9% compared to April and the second highest volume historically. Most visas were issued under the B1/B2 type, which is the Tourism and Business visa. This data is from a survey carried out by the AG Immigration law firm based on information from the US government. Brazil was the third country that received most visas in May, with Mexico (279,000) and India (133,000) leading the list. In Brazil, the Embassy and consulates have hired more employees and expanded public service, including on Saturdays, to meet this demand. However, the average waiting time to obtain it is now 324 days (about 10 and a half months), according to the latest estimates. Although still quite high, the average dropped significantly compared to the 508 days (about 1 and a half years) registered in June.
- Last May, ILTM Latin America brought together 1,100 people at the Ibirapuera Bienal for the 12th and largest edition of the event. Over 350 exhibitors from 50 countries met travel agents from 50 cities; brands and agents held 18,500 meetings. Simon Mayle, the event's Director, celebrated this year's success: "We have a much greater diversity of agents coming from cities in Brazil and Latin America who are participating in the ILTM for the first time. Their presence confirms what we have been saying about growth in the luxury market throughout the region", he stated. ILTM Latin America returns to the Ibirapuera Bienal between May 7th and 10th, 2024.

- South African Airways is back in Brazil after an unprecedented crisis that interrupted the company's operations, which resumed in September 2021. Sao Paulo is the chosen city for the company's first intercontinental route, with four weekly flights, starting on October 31st: Sao Paulo-Johannesburg and Sao Paulo-Cape Town. The connection to Cape Town is unprecedented and promises to serve even better travelers from Brazil who want to explore the South African territory.

ARGENTINA

- Inflation fell in June in all countries that reported data amid soft external price pressures and easing demand at home. Inflation should ebb further by end-2023 in most countries, though inflation in Argentina and Venezuela will be in triple figures due to currency weakness. Additional FX depreciation, sociopolitical unrest, and the evolution of the El Niño weather pattern.
- In 2021, a total of 301,794 Argentines traveled to the United States, resulting in a 52.6% growth. The projection for 2022 is to equal pre-pandemic numbers. When the economy stabilizes, travel and tourism to the United States will increase. The number of travelers varies depending on the season. Peak travel times tend to be during the summer (December-February) and winter school holidays (July). Some also choose to travel during the week of September 21, as many children receive a spring holiday. The top destinations visited by Argentines are Florida (particularly Miami and Orlando), New York, California, and Washington, D.C. The U.S. gateways are Atlanta, Dallas, Houston, Miami, and New York City.
- Iberia Airlines has brought their modern Airbus A350 for the Madrid-Buenos Aires route. This strategy is to bring 28 additional seats on the route and increase the awareness and quality to this important route. The airline only has 4 units available, and the goal is to increase the presence in the region, as Spain is a particularly important destination for Argentinians. Approximately 80% of the passengers do stay in Spain when flying with Iberia, the remaining use the hub to connect to other European countries.

CHILE

- Economic activity was down year from March to June. More positively, consumer price inflation fell back into single digits in Q2 for the first time in over a year, providing some relief to households' budgets. In late June, the U.S. Senate approved a tax treaty with Chile that will avoid double taxation. The treaty should come into force in the coming months and could boost U.S. investment in Chile—particularly in the lithium sector.
- Inflation came in at 7.6% in June, down from May's 8.7%. June's figure represented the lowest inflation rate since December 2021. That said, inflation was still more than double the Central Bank's 3.0% target. Inflation should fall further later this year amid a tougher base effect, but will remain above the Bank's target, nonetheless.
- Jet Smart, the low-cost airline that flights from South America to the Caribbean, has been registering an elevated level of occupancy since the beginning of the year and recently was nominated with Airline Strategy Award. The airline started their operations in 2017 as a start up with 17 aircrafts flying from Chile to Argentina and now, they have 47 aircrafts

and have reached 20 million passengers. The goal is to have 100 million travelers with 100 units by 2028.

COLOMBIA

- After growing more than expected in Q1, the economy is projected to have slowed year on year and contracted quarter on quarter in Q2. In other news, the government's labor reform was left dead in the water after Congress refused to give its backing before adjourning for a month on 20 June. The government's health and pension reforms remain on the table but will need to be significantly diluted to stand a chance of being passed by Congress.
- Inflation eased to 12.4% in May from 12.8% in April. Inflation should continue to ease from May's figure ahead as domestic demand cools and the base effect toughens. That said, inflation is seen lingering well above the Central Bank's 2.0–4.0% target even at the end of this year. Key factors to monitor include commodity prices, fiscal stimulus, and the strength of the peso.
- The travel spend in Colombia has been increasing, but specially because of corporate travel, registering 27% increase for small corporations and 48% for large corporations. United States is the number 1 destination outbound, but Spain and Germany are registering a high demand for the spring and summer travel. Also, it is expected a recovery of travel to the Caribbean and Mexico.
- Aviatur, the giant Colombian tour operator has launched their Middle Eastern and Exotic Travel directory. They have partnered with several local tour operators in Egypt, Dubai, and Morocco to provide an exclusive service and reduce cost on these routes. The idea is to send 1000 new guests to their destinations by the end of 2022.

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