Latin America COVID-19 Weekly Update

May 11, 2020

S&P Global Ratings

Economic Research

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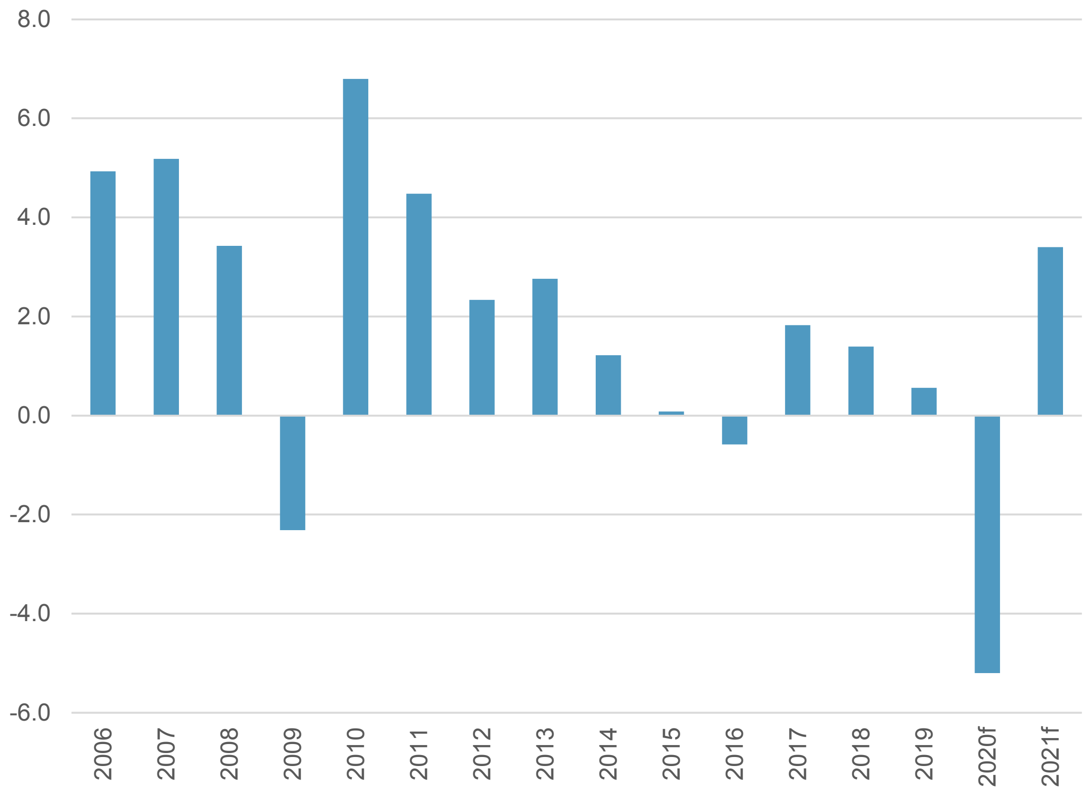
LatAm Macro Outlook| Uneven Recovery From COVID-19 Recession

LatAm, Real GDP Growth, %



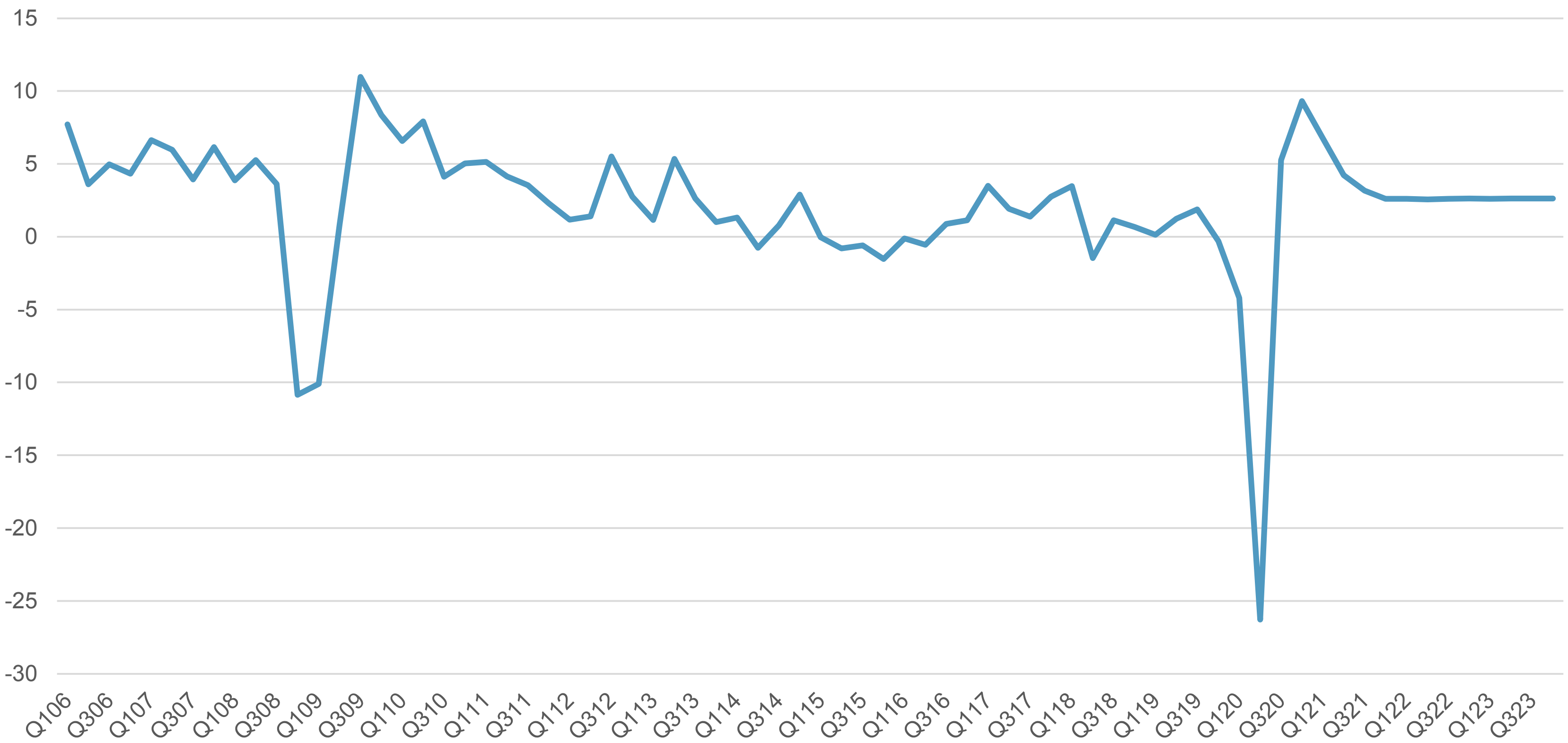
Source: Haver Analytics, S&P Global Ratings.

- **Recession Is Here.** The COVID-19 outbreak, and its associated economic and financial implications, will push LatAm into a deeper downturn this year, than during the 2008-2009 GFC. We forecast Latin America's GDP to contract just over 5% in 2020. However, ex expect growth to bounce to a bit over 3% in 2021

- **Recoveries Will Vary**. We see stronger recoveries in in economies such as Chile and Peru, due where the combination of more effective viral outbreak containment policies and robust economic responses will help more rapidly repair the damage to labor market and investment dynamics. Conversely, we see a weaker recovery in places like Mexico were stimulus measures have been limited, and economic weakness preceded the COVID-19 pandemic. Brazil and Colombia fall in the middle of the pack.

LatAm Macro Outlook| The Depth Of The Downturn Will Be Nearly 3x That Of The GFC, But Length Will Be Shorter

LatAm, Real GDP Growth (q/q SAAR), %



Source: Oxford Economics, S&P Global Ratings. Note: Q120 to Q423 are S&P Global Ratings forecasts. The Latin America GDP growth aggregate represented is a PPP weighted average of Argentina, Brazil, Chile, Colombia, and Mexico.

LatAm Macro Outlook| Our GDP Forecasts

Latin America: GDP Growth And S&P Global's Forecasts

(%)	2018	2019	2020	2021	2022	2023
Argentina	(2.5)	(2.2)	(7.0)	2.6	2.5	2.4
Brazil	1.3	1.1	(4.6)	3.3	2.9	2.8
Chile	4.0	1.0	(3.9)	4.6	3.2	3.2
Colombia	2.5	3.3	(2.6)	4.1	3.4	3.3
Mexico	2.1	(0.1)	(6.7)	2.9	2.3	2.0
LatAm 5	1.5	0.6	(5.3)	3.2	2.7	2.6
Peru	4.0	2.2	(3.1)	5.5	3.8	3.7
LatAm 6	1.5	0.6	(5.2)	3.4	2.8	2.6

Note: the LatAm GDP aggregate forecasts are based on PPP GDP weights. LatAm 5 excludes Peru. Source: S&P Global Ratings.

Sovereigns and International Public Finance

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Sovereign Ratings | Assessing The Strain

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- Lots of uncertainty regarding possible damage to the global economy propelled widespread volatility in equities, credit conditions and commodity prices.

- What started as a supply chain disruption has become a demand shock resulting in large monetary and fiscal stimulus from government.

- We assume COVID-19 to be a temporary hit. We expect a most likely U shape recovery, coming in 2021.

- We are focusing on three factors to assess if a sovereign can absorb the shock while maintaining its current ratings.
  - The duration and severity of the epidemic
  - The timeliness and adequacy of the policy response
  - The underlying economic and political resilience –Pre COVID-19 Financial and Economic Health

Sovereign Ratings | Latin America And Caribbean

**Bermuda A+/A+
**Chile *A+/AA-*
**Aruba *BBB+/BBB+*
**Panama *BBB+/BBB+*
Peru *BBB+/A-*
Turks and Caicos *BBB+/BBB+*
**Curacao *BBB/BBB*
**Mexico *BBB/BBB+*
Uruguay *BBB/BBB*
**Trinidad & Tobago *BBB-/BBB*
Montserrat *BBB-/BBB-*
**Colombia *BBB-/BBB*

Outlook/CreditWatch: Stable, Positive, Negative

*** Changed since March 2020*

**Bahamas *BB/BB*
Paraguay *BB/BB*
**Bolivia *B+/B+*
**Brazil *BB-/BB-*
**Dominican Republic *BB-/BB-*
Guatemala *BB-/BB*
Honduras *BB-/BB-*
**Jamaica *B+/B+*
Costa Rica *B+/B+*
Barbados *B-/B*
El Salvador *B-/B-*
Nicaragua *B-/B-*
**Suriname *CCC+/C*
**Belize CCC*/C*
**Ecuador SD*/SD*
**Argentina *SD/SD*
Venezuela *SD/CCC-*

Source: S&P Global's Global Credit Portal.

Latin American Local and Regional Governments:

Mexico leading the number of negative outlooks after covid-19 outbreak

LRGs were already facing fiscal restrictions before covid-19 outbreak, and debt levels do not restrict their ratings overall at present.

When COVID-19 outbreak started in the different countries:

Argentine LRGs had negative outlooks on their low ratings due to own particular situations and in some cases we believe that a default is virtually inevitable. We still have ratings above Argentina (currently at SD).

Brazilian LRGs had and currently have all ratings with stable outlooks, but budgetary risks loom, while the central government is trying to pass a law to help LRGs to refinance their debts with the federal government and public banks.

Mexican LRGs faced a combined shock due to covid-19 measures and lower oil prices; both situations with the power to significantly pressure public finances in the short to medium term. We have changed the Outlook to negative on 46% of rated Mexican states, and municipalities still have a lower proportion of negative outlooks on their ratings.

Negative bias on our Latam LRG ratings in 2020

Latin American LRGs | Increasing Budgetary Risks As Other Regions

LRGs Key Risk Trends As Of March 31, 2020

	Liquidity	Budgetary performance and budgetary flexibility	Debt burden and contingent liabilities	Institutional, political, and/or sovereign factors
Americas				
Argentine LRGs	Increasing	Increasing	Neutral	Increasing
Brazilian LRGs	Increasing	Increasing	Neutral	Neutral
Canadian Provinces	Neutral	Increasing	Neutral	Neutral
Mexican LRGs	Neutral	Increasing	Neutral	Increasing
AsiaPacific				
Australian LRGs	Neutral	Increasing	Neutral	Increasing
Chinese LRGs	Neutral	Increasing	Neutral	Neutral
Indian LRGs	Neutral	Increasing	Neutral	Neutral
Japanese LRGs	Neutral	Neutral	Neutral	Neutral
New Zealand LRGs	Neutral	Increasing	Neutral	Neutral
Europe				
French LRGs	Neutral	Neutral	Neutral	Neutral
German LRGs	Neutral	Neutral	Neutral	Neutral
Italian LRGs	Neutral	Increasing	Neutral	Increasing
Russian LRGs	Neutral	Increasing	Neutral	Neutral
Spanish LRGs	Neutral	Increasing	Neutral	Neutral
Swedish LRGs	Neutral	Increasing	Increasing	Neutral
Swiss Cantons	Neutral	Neutral	Increasing	Neutral

Risk trend	Decreasing	Neutral	Increasing

Corporates

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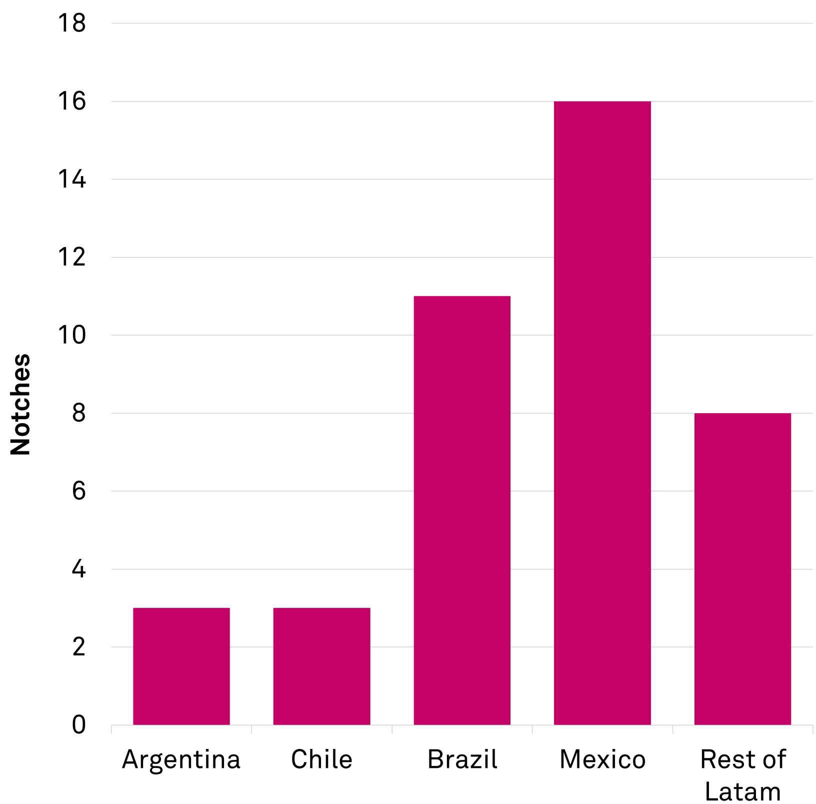
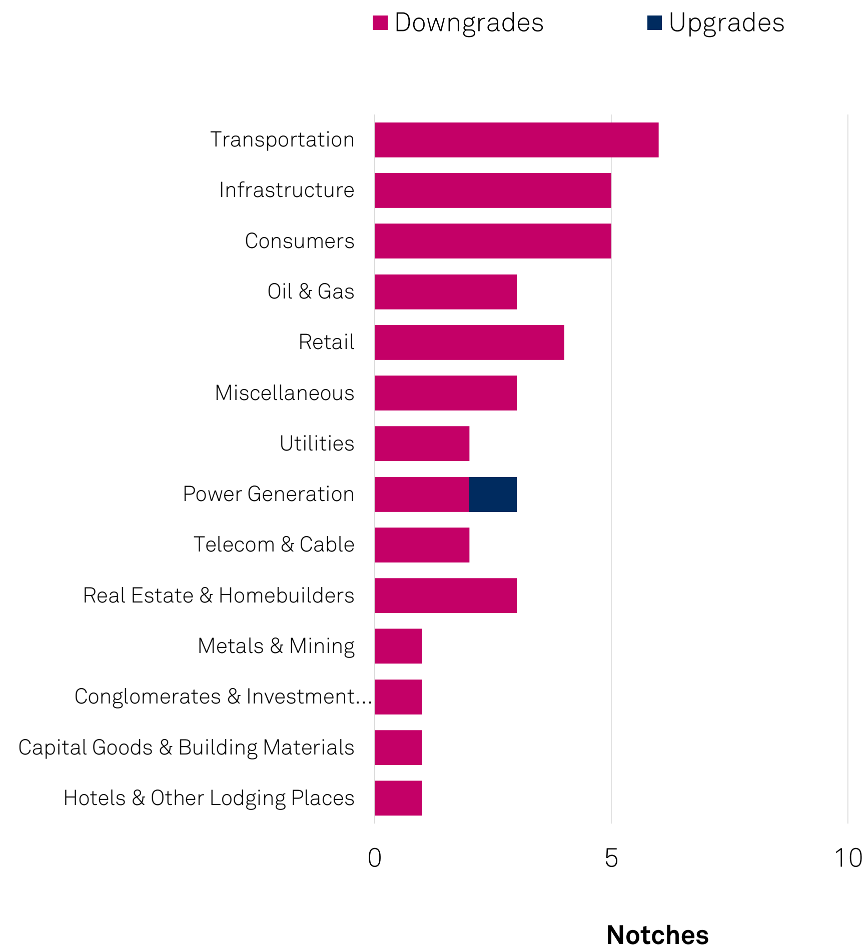
Corporates & Infrastructure | 41 Downgrades Since The Outbreak

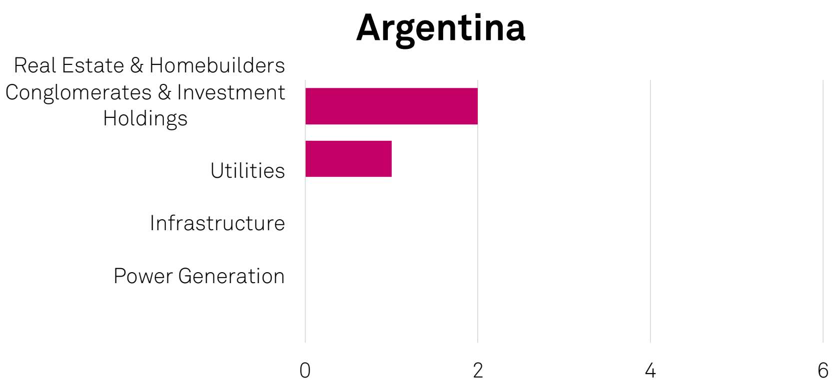


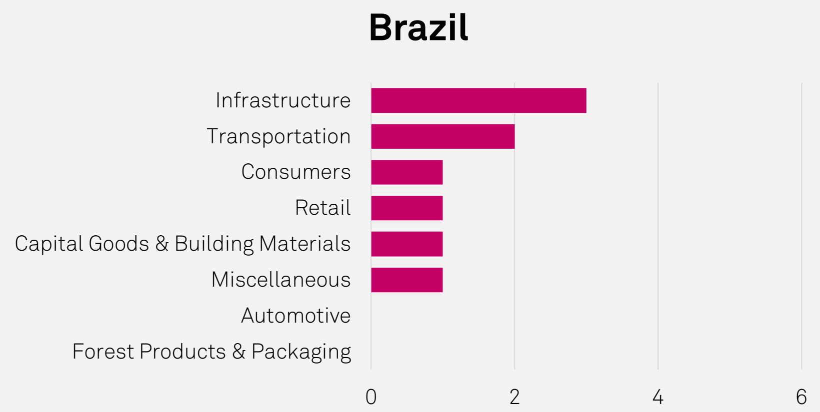


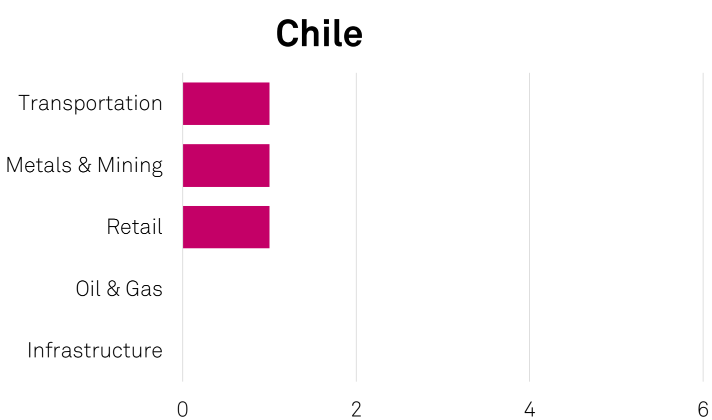
S&P Global Ratings

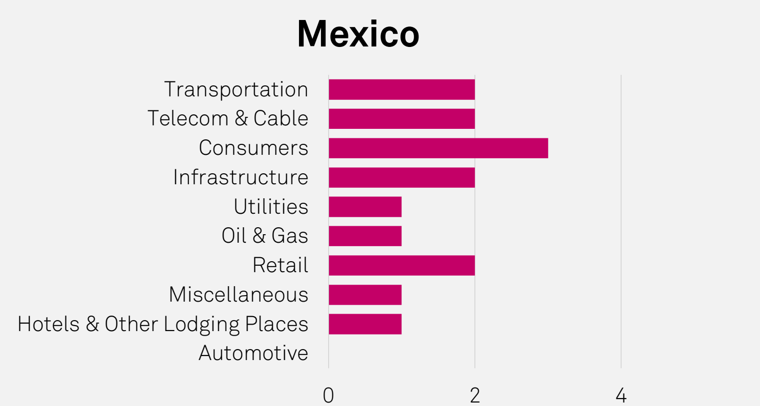
Source: S&P Global Ratings since Feb-27 to April 8, 2020

Corporates & Infrastructure | Brazil & Mexico Concentrated The Bulk Of The Actions









Source: S&P Global Ratings since Feb-27 to April 8, 2020

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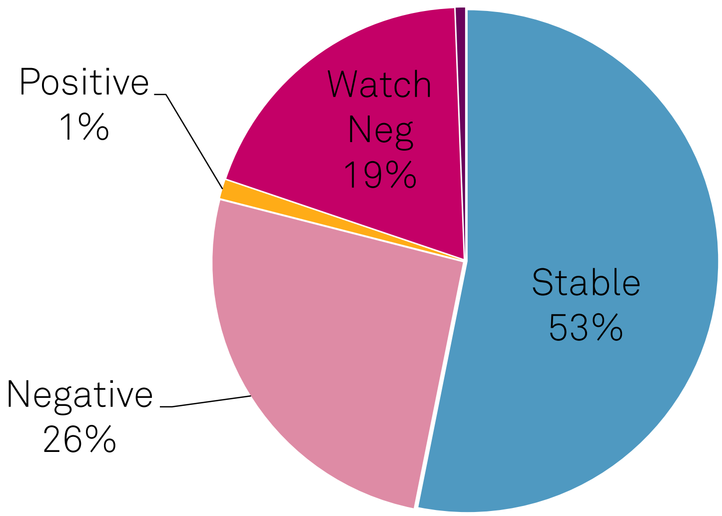
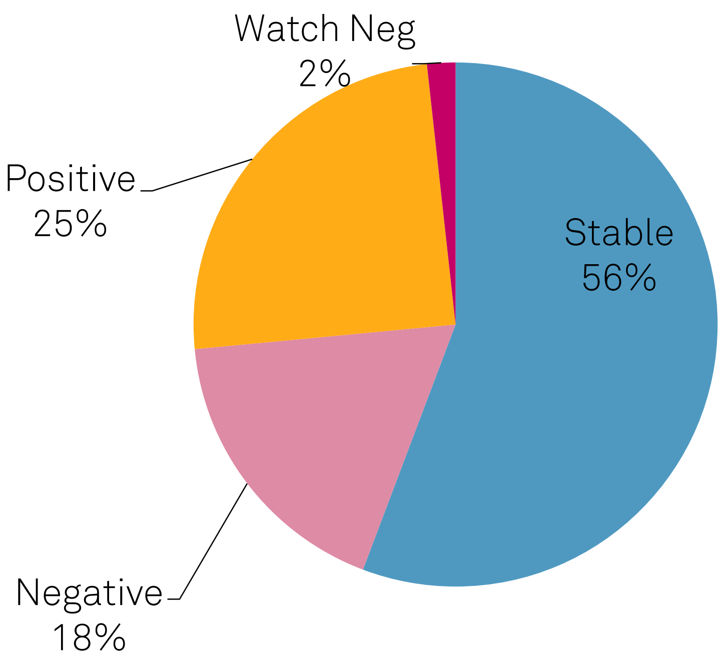
Corporates & Infrastructure | Downgrade Potential Remains High In Corporate LatAm

April 8

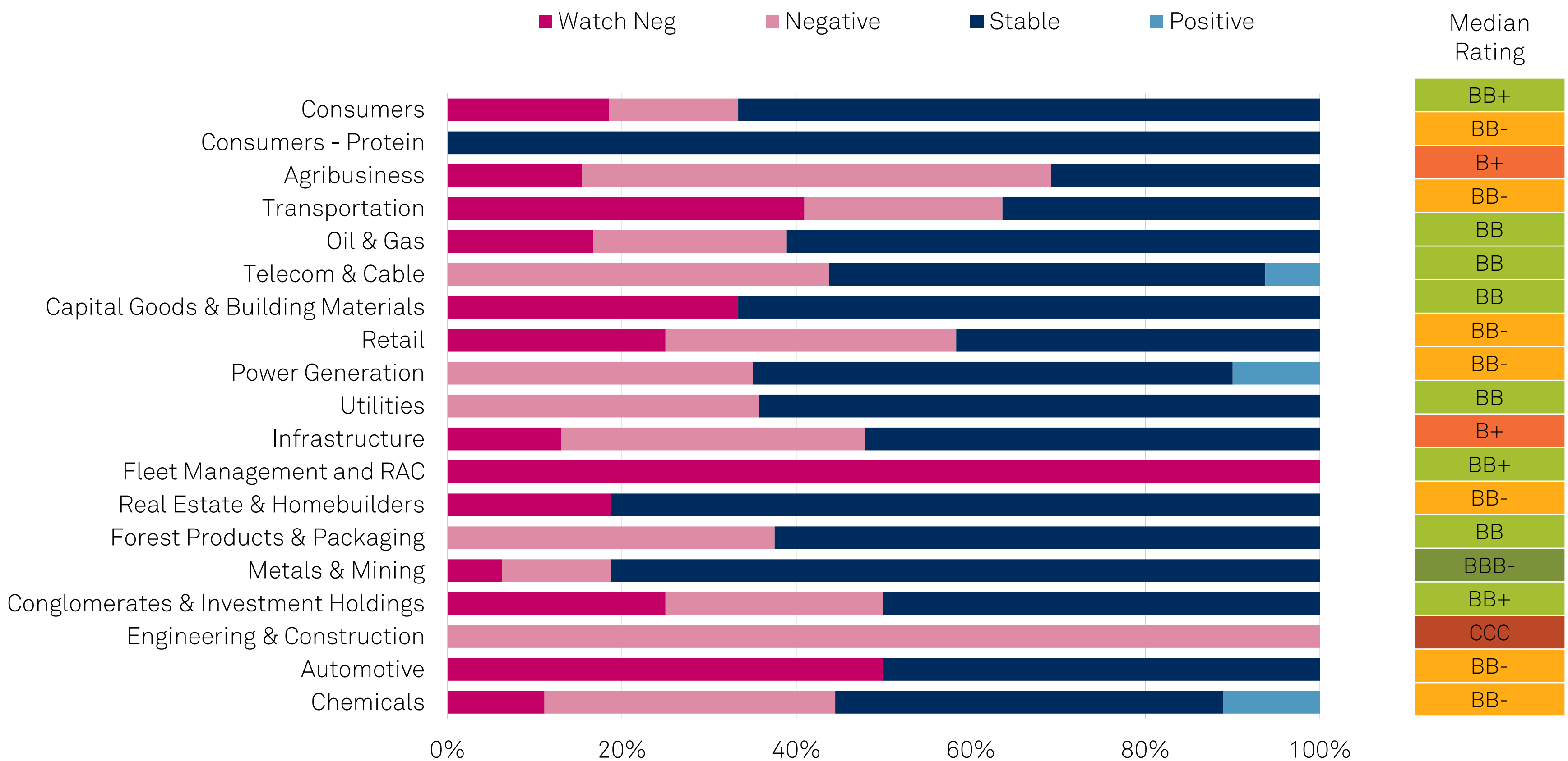


Feb 27



Source: S&P Global Ratings as of Feb-27 and April 8, 2020

Corporates & Infrastructure | Downgrade Potential Remains High In Corporate LatAm



Source: S&P Global Ratings as of April 8, 2020

Infrastructure

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Infrastructure| Brazilian Toll Roads

- We affirmed the ratings of 16 toll road concessions in Brazil, as they have financial flexibility to absorb the traffic decline in 2020
- We estimate an average 15% traffic decline in 2020, including a harsher impact in the second quarter (55% light vehicles and 15-20% heavy vehicles) and slow recovery path from July 2020
- Companies have taken measures to preserve liquidity, such as (i) postpone scheduled investments, whenever possible, (ii) optimization of operational cost and maintenance capex , and (iii) dividend postponement

Traffic Assumptions

(%)	2020			2021		
Vehicles	**Heavy**	**Light**	**Total**	**Heavy**	**Light**	**Total**
AB Concessões	(10)-(15)	(15)-(20)	(10)-(15)	(2,5)-(5,0)	0-5	0-(2,5)
Arteris	(10)-(15)	(20)-(25)	(10)-(15)	2,5-5,0	2,5-5,0	2,5-5,0
CCR	(8)-(13)	(15)-(20)	(10)-(15)	5-10	5-10	5-10
EcoRodovias	(5)-(10)	(15)-(20)	(10)-(15)	5-10	5-10	5-10

Financial Metrics

		AB Concessões	Arteris	CCR	EcoRodovias
2020	FFO/Dívida (%)	25-30	10-15	10-15	7-12
	Dívida/EBITDA (x)	2,0-2,5	5,0-5,5	3,5-4,0	4,5-5,0
2021	FFO/Dívida (%)	40-45	10-15	15-20	10-15
	Dívida/EBITDA (x)	1,5-2,0	4,5-5,0	3,0-3,5	3,5-4,0
Liquidity		Less than Adequate	Adequate	Adequate	Less than Adequate

Source: S&P Global Ratings

Infrastructure

Recent ratings activity

- 5 downgrades follow the downward revision of our Transfer & Convertibility (T&C) assessment on Argentina to 'CCC+' from 'B-‘:
  - AES Argentina Generacion S.A;
  - CAPEX S.A.;
  - Transportadora de Gas del Sur S.A.;
  - Pampa Energia S.A.;
  - YPF Energia Electrica S.A.

- Air Traffic deterioration impact caused downgrades:
  - Aeropuerto Internacional de Tocumen S.A.: BBB-/Negative

- Issuances:
  - Exchange: ACI's New Notes (Series 2020) Rated Preliminary 'B-‘, Rating On Existing Notes (Series 2015) Placed On Watch Developing
  - New issuance: Empresa de Transporte de Pasajeros Metro’s Proposed Senior Unsecured Notes For Up To $1.5 Billion Rated 'A+‘

Financial Institutions

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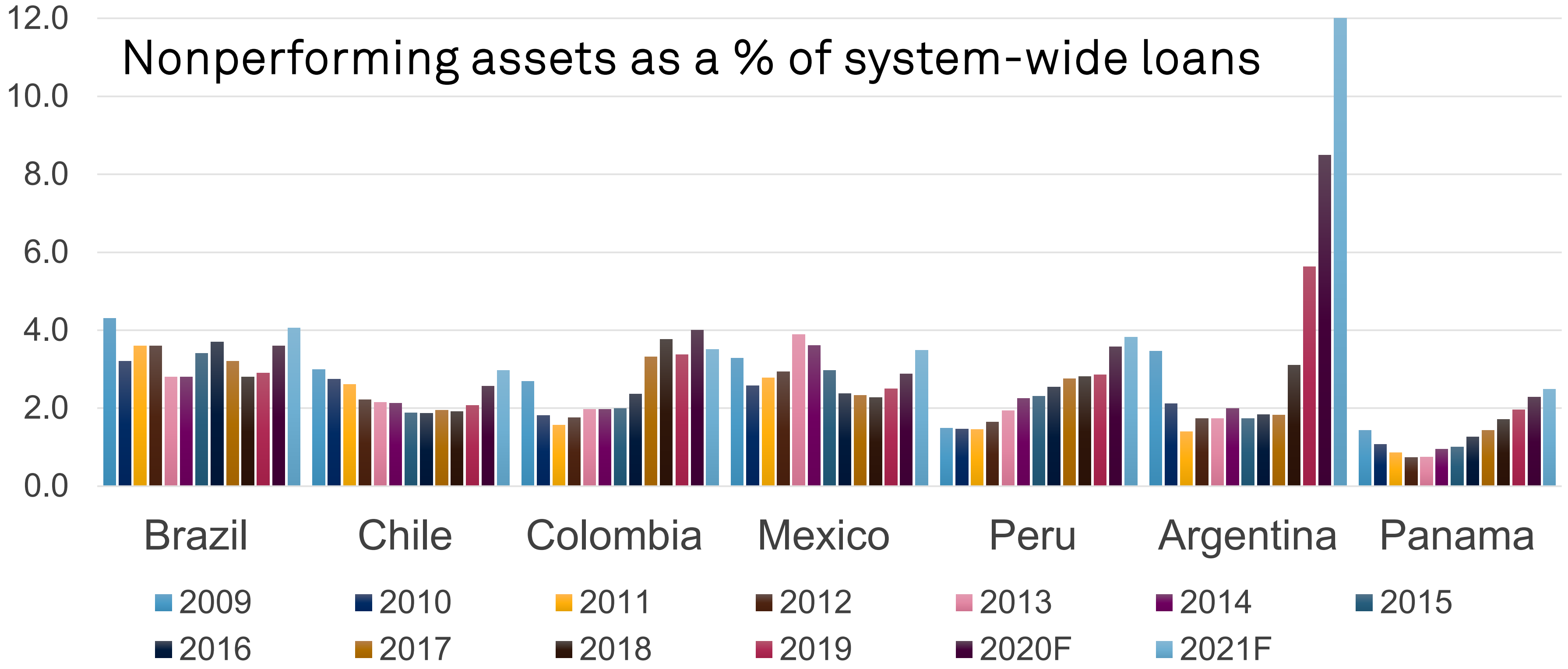
Financial Institutions | Asset Quality Will Deteriorate But Full Recognition Will Delay

We expect a shock on asset quality indicators especially from small-to mid-size enterprises (SMEs) and self-employed workers; but the full impact will be delayed due to regulatory measures.



Source: S&P Global Ratings

Data as of: End April 2020

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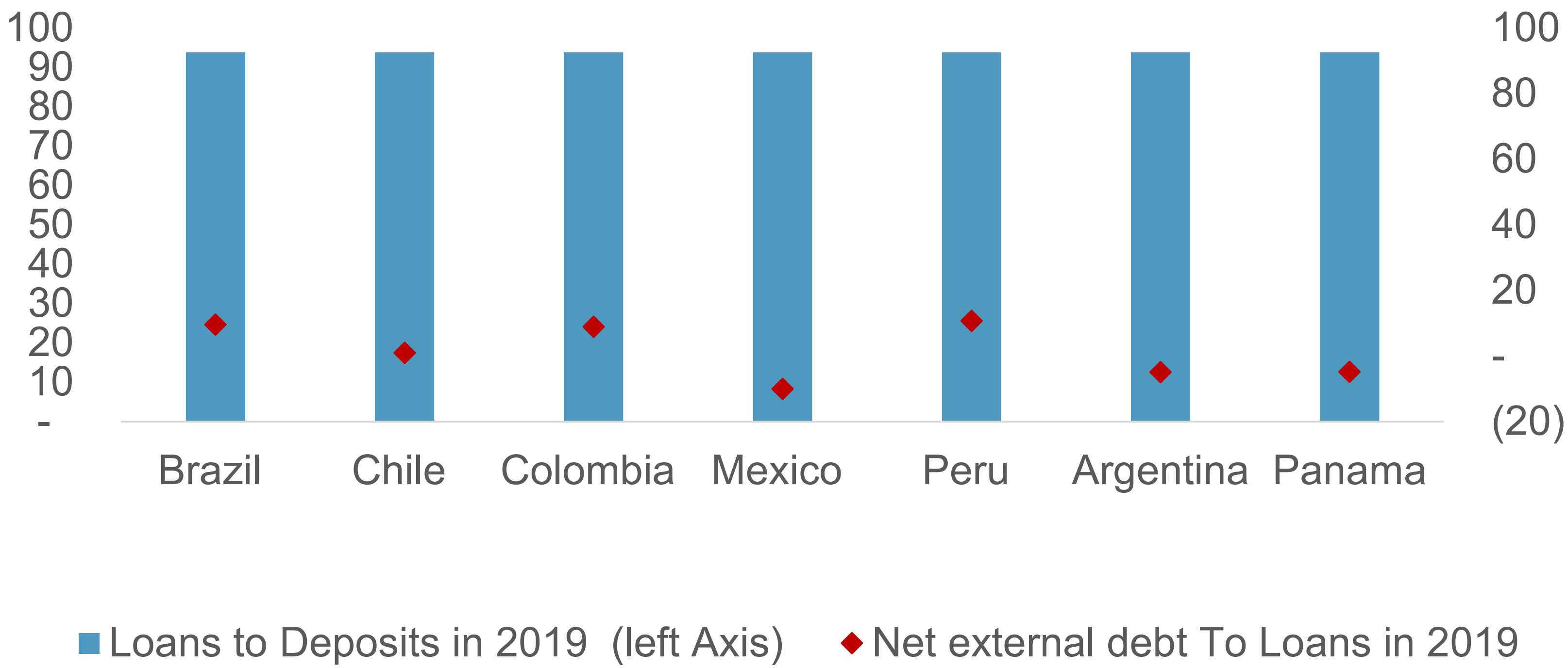
Financial Institutions | Deposit Funding and Low External Dependence

Major banks can cope with a temporary disruption in capital markets because deposits provide the bulk of their funding and due to the absence of significant debt maturities in 2020.



Source: S&P Global Ratings

Data as of: End April 2020

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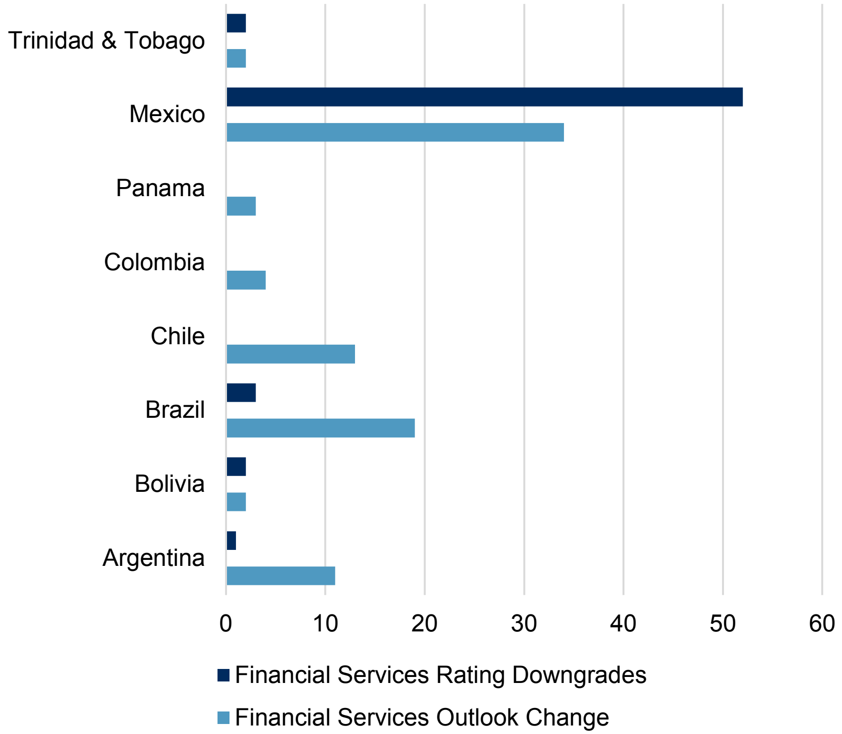
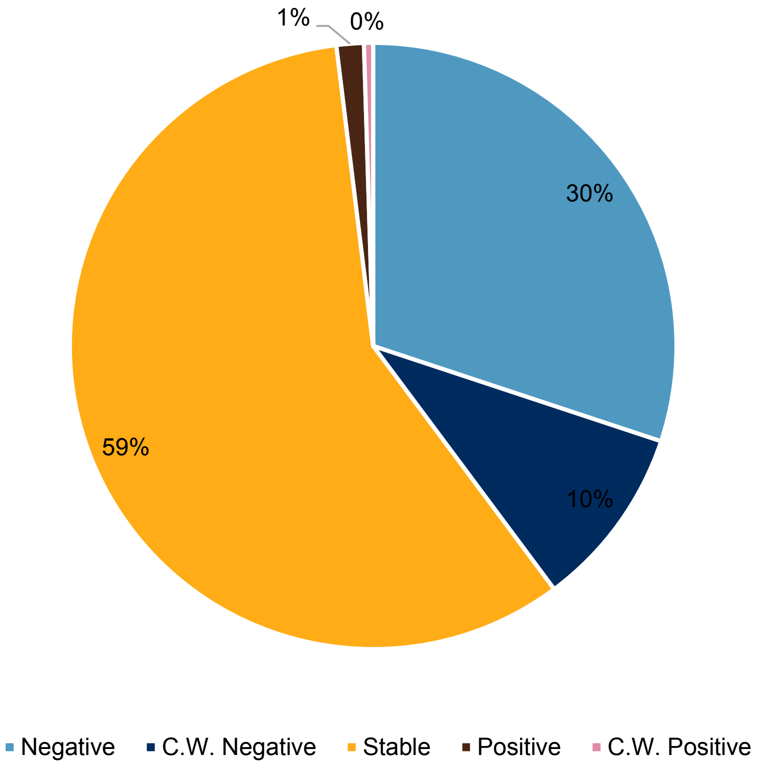
Financial Institutions | Rating Actions Since The Beginning Of COVID-19 Outbreak In The Region

Number Of Downgrades and Outlook Revision



Outlook Distribution As Of May 8



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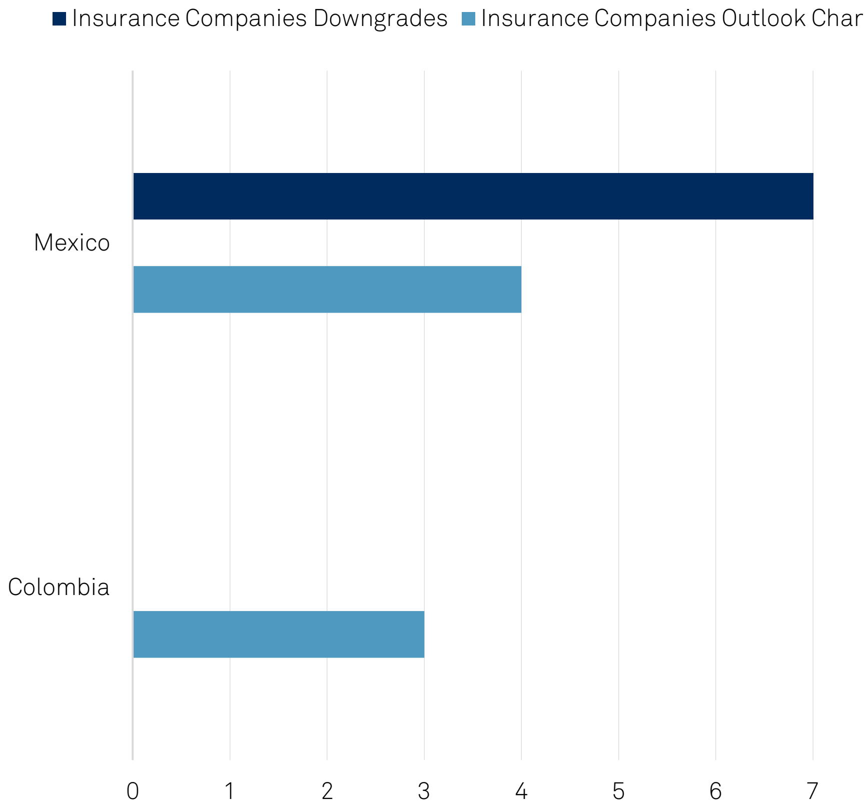
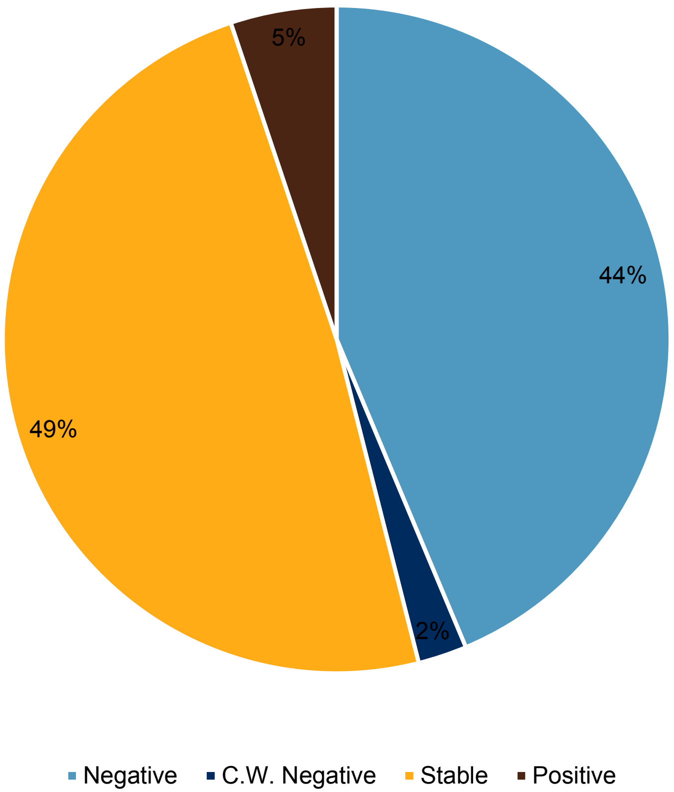
Insurance | Rating Actions Since The Beginning Of COVID-19 Outbreak In The Region

Number Of Downgrades And Outlook Revision



Insurance Outlooks as of May 8



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Structured Finance

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Structured Finance | Major Risks In Latin America Securitization

1. Transactions with low levels of liquidity reserves
2. Government or servicer relief programs
3. Closed stores of servicers using a buy-here/pay-here collection process
4. Closing of stores in shopping malls backing rated CMBS transactions
5. Impact of potential obligor, counterparty, and sovereign downgrades
6. Effect of social distancing on the cash flow for transactions linked to transportation
7. Persistent deterioration of collateral performance
8. Increased concentration in transactions supported by trade receivables.

Source: S&P Global Ratings

Structured Finance | COVID-19 Related Rating Activity

Structured Finance Rating Actions Through May 1, 2020(i)						
Action	**ABS consumer**	**CMBS**	**Future flow**	**Receivables**	**Repack**	**Total**
Downgrade	--	--	1	--	--	1
Negative CreditWatch placement	18	2	--	14	3	37
Withdrawal	1	--	--	--	--	1
Negative outlook(iv)	--	--	--	--	--	--
Total(v)	19	2	1	14	3	39

(i)Based on an aggregate count of rating actions listed in our public press releases. We will be updating this summary table on a weekly basis, which may be subject to revisions from time to time. For the most up-to-date version, please refer to the most recent publication. (ii)Generally includes all public rating actions related to the COVID-19 impact and/or the decline in oil prices. (iii)Includes seven SPUR ratings. (iv)Generally limited to covered bonds. (v)Generally includes all public rating actions related to the COVID-19 impact. ABS--Asset-backed securities. CLO--Collateralized loan obligation. CMBS--Commercial mortgage-backed securities. TOB--Tender option bond. VRDO--Variable rate demand obligation. SPUR--S&P Global Ratings underlying rating.

Related Research

- Concessionárias de rodovias brasileiras podem absorver o impacto negativo no tráfego pela COVID-19; Ratings de 16 empresas reafirmados, May 8, 2020
- Nine Argentine Corporations Downgraded To 'CCC+' On Higher Transfer And Convertibility Risks, Outlook Still Negative, May 08, 2020
- COVID-19: Coronavirus- And Oil Price-Related Public Rating Actions On Corporations, Sovereigns, And Project Finance To Date, May 7, 2020
- Infrastructure Outlook, May 6, 2020

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