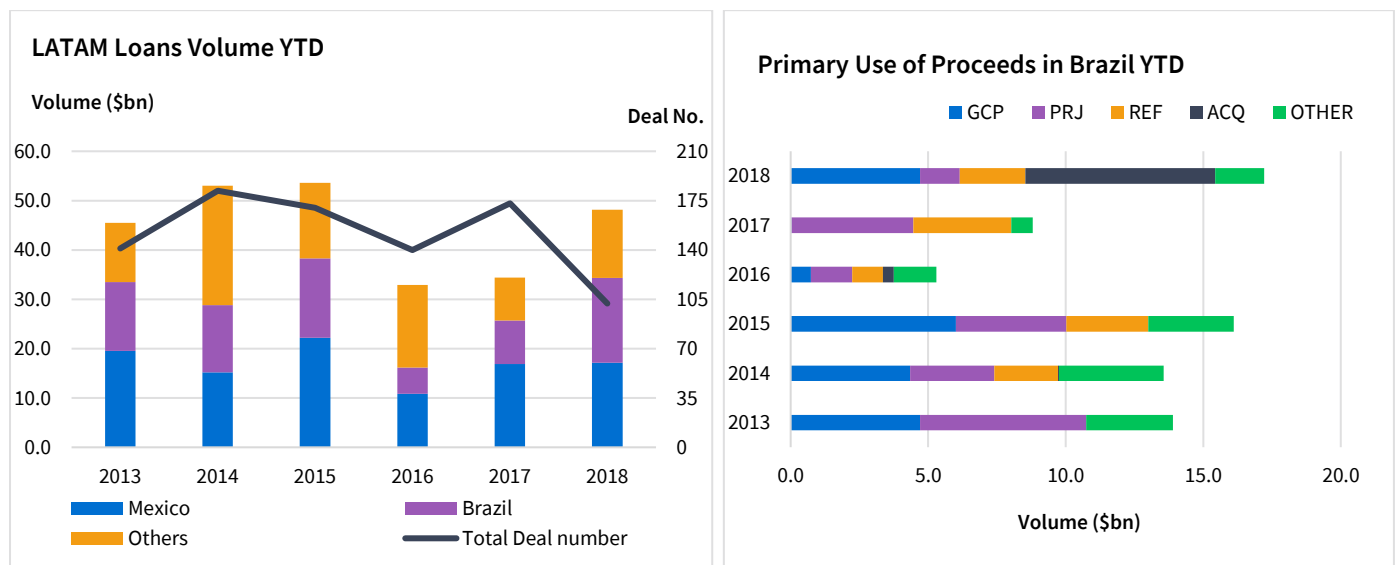


Illusion in the LATAM Loans Market

Larger deals mask fall in activity amidst political instability in the region.

Loans Volume recovering

Last month, Jair Bolsonaro was elected as the next president of Brazil, marking a far-right political shift in the country. Bolsonaro's victory adds to the ongoing political instability that has dominated Latin America throughout the years. Despite this challenging environment, since 2016, loan volume in Latin America has increased steadily, recovering from a sharp drop between 2015 and 2016. Yet, 2018 YTD saw a free fall in deal activity by 41%, the lowest since 2012, which has been cushioned by loan volume increasing by 40% from \$34.4bn via 173 deals to \$48.2bn via 102 deals.



Brazil dominates region's loans issuance

LATAM's volume increase has been due to two of the so-called "big five economies" of Latin America, being Brazil, Argentina, Colombia, Mexico, and Chile. Both Mexico and Brazil have accounted for more than half of the LATAM loans market share by 33.2% and 29.1% respectively for the past 10 years. This YTD, Brazil tops loans issuance, accounting for approximately 39.9% of the region's market share. Brazil's bigger share, is mainly down to two jumbo deals signed this year – a \$6.9bn deal to support the acquisition of Fibria Celulose SA by Suzano Papel e Celulose SA and a \$4.4bn Petrobras deal. These deals which accounted for 65.1% of Brazil's total loan volume in 2018 YTD, have masked a drastic fall in deal activity by 77%.

Declining Project Finance Financing in Brazil

So far this year, 34.0% of Brazilian deals have been launched for refinancing and debt repayment purposes, whilst the jumbo M&A deals have hiked new acquisition deal's share to 40.1%. It is worth noting that new project finance deals have seen a stark YTD fall in activity and volume by 88% and 67% respectively. While the Bolsonaro administration has promised more privatization in the market, which could be good news for PPP projects, the political and economic climate under this administration could prove challenging for deal making.

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