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FEATURED Q&A

Will Payment Card Transactions Keep Seeing Big Growth?



Payments using credit or debit cards in Brazil could grow as much as 20 percent this year, according to industry group Abecs. // File Photo: Quotelnspector.com.

Q Credit- and debit-card transactions in Brazil are expected to grow as much as 20 percent this year, according to industry group Abecs. Last year, card payments grew 8.2 percent, an increase largely driven by a government aid program to help low-income residents weather the economic effects of the pandemic. Will the trend of increasing payment card usage continue in Brazil, and will other Latin American countries see similar growth? Has the pandemic dealt a major blow to the use of cash in the region? After the pandemic ends, what factors will most influence the growth of payment card usage in the region?

A Steven Sandretto, partner at Holland & Knight LLP: "While the spike in credit- and debit-card transactions in Brazil over the past year can largely be attributed to the pandemic, the underlying driving forces for card usage, such as growth in e-commerce and the fintech revolution, should continue long after the pandemic has ended. As e-commerce continues to grow in Brazil and throughout Latin America, card transactions should continue to rise. Notably, almost a third of the Brazilian population does not have a bank account, and access to credit is limited. The fintech revolution is changing this, and as more of the population has access to bank accounts and credit and debit cards, usage should continue to rise in the foreseeable future. For example, one driving force for debit-card payments in 2020 was the government aid program to assist low-income residents affected by the pandemic. In connection with this program, state-owned bank Caixa Econômica Federal created digital accounts linked to virtual debit

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BANKING

Brazil's Bank Lending Expected to Grow 7.3%

Brazil's level of bank lending is expected to grow 7.3 percent this year, according to a survey by banking lobby organization Febraban.

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PAYMENTS

Mastercard, ACI Partnering on Real-Time Payments in Peru

Mastercard and U.K.-based ACI Worldwide said they will work with Peru's Cámara de Compensación Electrónica to expand opportunities for real-time payment services in the Andean nation.

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BANKING

Argentina's Bank Results to Take Hit: Galicia CEO

Rising inflation will take a toll on banks' results in Argentina, said Fabián Kon, the chief executive officer of Banco Galicia. Bad loans and government regulations will also affect the sector, he said.

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Kon // File Photo: LinkedIn.

BANKING NEWS

Argentina's Bank Results to Take a Hit: Banco Galicia CEO

Bank results in Argentina will take a hit this year amid increasing inflation, said Fabián Kon, the CEO of Banco Galicia, the country's largest bank by market capitalization, Bloomberg News reported Feb. 19. "If inflation is high, there is a risk that bank results will fall to very low or negative levels in real terms," Kon said in an interview, in which he also mentioned bad

“If inflation is high, there is a risk that bank results will fall to very low or negative levels in real terms.”

— Fabián Kon

loans and government regulations as factors affecting the industry's performance last year. Argentina's inflation rate was 36 percent in 2020, and Banco Galicia expects it to rise to around 40 percent this year. Rising inflation is added to other problems in a battered economy, which is in its third year of recession amid increases in debt and dwindling demand for new loans. Extensive banking regulations have also hit profit margins, Bloomberg News reported. Inflation in the South American country rose 4 percent in January, as compared to a month earlier, with rolling annual inflation at 38.5 percent, the state statistics agency Indec said this month. Indec cited rising consumer prices in food and nonalcoholic beverages, especially meat, fruits, butter and oil, Reuters reported. A recent central bank poll showed experts expecting inflation of 50 percent this year, far above the government's targets. The production ministry recently announced it was investigating firms including Danone, Procter & Gamble, Fargo and Unilever, among others, of cutting back production due to the inflation outlook. In a statement, the production ministry alleged that the firms had been "holding back

production volumes" and were not complying with a resolution to increase output to the "highest degree of their installed capacity," MercoPress reported.

Brazil's Bank Lending Expected to Increase 7.3 Percent This Year

Brazil's level of bank lending is expected to grow 7.3 percent this year, according to a survey by banking lobby organization Febraban, Reuters reported Feb. 10. Despite the rise, loan quality is likely to deteriorate, according to the survey. The expected growth for 2021 is slightly higher than expectations in a December survey, in which banks expected loan portfolios to grow by 7 percent. The 90-day loan default ratio is expected to be approximately 3.7 percent, an improvement as compared to the December estimate of 4 percent, and higher than the 2020 level of 2.9 percent. The growth in Brazilian bank lending this year as compared to last year will be "smaller, but still robust," Candido Botelho Bracher, the then-CEO of Itaú Unibanco, told the Financial Services Advisor in a Q&A published Jan. 27. The Brazilian central bank's policies in recent years have helped to foster more efficiency in the financial services sector, with the new PIX payment system as an example of that, said Bracher. Last year, lending by Brazilian banks grew 15.4 percent, its sharpest increase since 2012, Febraban said Jan. 21, Reuters reported. Last year's growth in lending was driven by loans to companies that needed cash amid the economic crisis caused by the Covid-19 pandemic, Febraban said.

UBS Joint Venture Reaches Deal With Banco Patagonia

UBS BB Investment Bank, a joint venture between UBS Group and Banco do Brasil, has reached a new agreement with Argentina-based Banco Patagonia, Bloomberg News reported Feb. 9. The deal involves advising on mergers

NEWS BRIEFS

Mastercard, ACI Partnering on Real-Time Payments in Peru

Mastercard and ACI Worldwide, a U.K.-based digital payment software firm, on Feb. 22 said they will work with Peru's Cámara de Compensación Electrónica, or CCE, to expand opportunities for using real-time payment services in the Andean country. Martín Santa María, CCE's chief executive, said the volume of immediate transfers that the company processes each month has more than quadrupled over the past year, to more than 2.8 million in January. CCE is a private company owned by banks and supervised by the Central Bank of Peru.

A.M. Best Revises Outlook to Positive for Puerto Rico's Multinational Life

Insurance industry-focused ratings agency A.M. Best on Feb. 19 revised its outlook to positive from stable and affirmed its financial strength rating of BB+ and its long-term issuer credit rating of bbb+ for Puerto Rico-based Multinational Life Insurance Co. The credit ratings reflect the strength of the company's balance sheet, which A.M. Best said it categorizes as strong.

Shares of Argentina's Grupo Supervielle Soar on Takeover Rumors

Argentine banking and financial services firm Grupo Supervielle saw a spike of more than 50 percent in its shares on Feb. 18 as rumors of a potential takeover circulated, Reuters reported. Supervielle hit its highest level since 2018 before easing back to up by about 14 percent. "There is a rumor that it is being sold to a powerful group in Brazil, but nothing is known," an unnamed trader told Reuters. An external press official at Supervielle told Reuters it "did not have this information" and that the share price spike was being analyzed internally.

and acquisitions, as well as trading and underwriting of debt and equities, the news service reported, citing the companies. The partnership will also provide services to clients of UBS BB in Argentina, and Banco Patagonia's customers will get access to international investors, foreign corporates and global markets through the deal. "We are among the five biggest in Argentina local markets, and now we aim to become number one or two," Banco Patagonia's



Pecego // File Photo: LinkedIn.

president, João Pecego, told Bloomberg News in an interview. Banco Patagonia is Argentina's seventh-largest bank by assets, and it has 1.2 million clients, as well as operations in all of the country's provinces. The bank is controlled by Banco do Brasil, and it has experience in local credit securitizations, Pecego said. The deal could bring services to more than 42,000 medium-sized and large companies that are already Patagonia clients, he added. "We are deeply committed to our clients in Argentina and believe that, together with Banco Patagonia, we have the opportunity to become a top investment banking franchise in the country," Enrique Vivot, UBS BB's head of Southern Cone Global Banking and chairman for Argentina, said in a statement.

BNP Paribas to Stop Lending to Some Firms to Aid Amazon

BNP Paribas, France's largest lender, on Feb. 15 vowed to stop financing firms that produce or buy either beef or soybeans cultivated on land in the Amazon that was cleared or converted after 2008, Reuters reported. The French bank also said it would encourage its clients not

FEATURED Q&A / Continued from page 1

cards, resulting in a significant increase in debit-card usage, which further fueled the e-commerce trend in Brazil. Offsetting the increase in payment-card usage is the developing trend of alternative payment methods such as digital wallets and other instant payment systems such as PIX. However, such payment methods still have a low penetration in Brazil. Increasing access to the banking system and debit and credit cards, and the continued explosion in e-commerce, should continue to fuel card usage in Brazil in the coming years."

A **Maria Paula Bertran, associate professor of law and society at the University of São Paulo:**

"Credit card usage in Brazil faced a decline during the first half of 2020. However, it recovered fast, growing almost in a straight line by the end of the year. Other Latin American countries are unlikely to see similar growth, although increasing credit card usage is a trend worldwide. Brazil plays a unique role in the region, considering historical patterns. At least two regulatory decisions in Brazil recently provided additional incentives for using cash: the creation of the 200-real bill, which by itself carries the value of more than one-fifth of Brazil's monthly minimum wage, and legalization of transporting the equivalent of \$10,000 in cash internationally. In Brazil, the PIX technology is increasingly popular, as it is available on several devices, including simpler phones, for money transfers without fees. It

to buy or produce beef or soy farmed in the Brazilian tropical savanna known as the Cerrado, which covers 80 percent of the country's territory. About half of the Cerrado has already been cleared, and it is considered one of the world's most threatened ecosystems, according to a joint statement by four environmental NGOs in response to BNP Paribas' announcement. "Financial institutions exposed to the agricultural sector in Brazil must contribute to this fight against deforestation," BNP Paribas

may represent a challenge to the credit card market in the near future. In the recent past, aggressive credit offers, selection of clients who were unable to pay their debts and the targeting of vulnerable beneficiaries of cash

“Credit card usage in Brazil faced a decline during the first half of 2020. However, it recovered fast...”

— Maria Paula Bertran

transfer programs created a debt overhang in the lowest income population. Self-regulatory initiatives may allow the companies to recover their functional role, as they limit their tools to the best practices and, in doing so, help Latin American households to recover after the pandemic.”

A **Wally Swain, principal consultant for Latin America at Omdia:** "Payment cards will continue to grow for a number of reasons.

First, card usage has grown as people have shunned cash for health reasons. In Colombia, some banks reissued existing cards to increase the penetration of contactless technology. This habit will not go away even as vaccination programs reduce the immediate risk of Covid-19. Second, as mentioned, government subsidy programs increasingly rely on card-based distribution, if only to en-

Continued on page 6

said in a statement. Last month, the French bank and other European lenders including Switzerland's Credit Suisse and the Netherlands' ING announced they would stop financing the trade in crude oil from Ecuador to U.S. refineries, in response to advocacy campaigns to protect the Amazon rain forest. "Measures such as these are good headline-makers but marginally helpful at best," Jose Valera, partner at Mayer Brown, told the weekly Energy Advisor in a Q&A published on Feb. 12.

POLITICAL NEWS

Wife of Mexico's 'El Chapo' Arrested in United States

Emma Coronel Aispuro, the wife of imprisoned Mexican drug lord Joaquín "El Chapo" Guzmán, was arrested Feb. 22 in the United States on international drug trafficking charges, the U.S. Department of Justice announced. Coronel Aispuro, who has dual U.S. and Mexican citizenship, was arrested at Dulles International Airport in Virginia and is scheduled to appear Feb. 23 in federal court in Washington, the Justice Department said. Coronel Aispuro stands charged with a single count of conspiracy to distribute cocaine, methamphetamine, heroin and marijuana in the United States. The U.S. Department of Justice also accuses her of conspiring with others to help her husband in his July 2015 escape from Mexico's Altiplano prison. "After Guzmán was re-arrested in Mexico in January 2016, Coronel Aispuro is alleged to have engaged in planning yet another prison escape with others prior to Guzmán's extradition to the U.S. in January 2017," the Justice Department said. Guzmán had escaped twice from prison in Mexico before he was recaptured, extradited to the United States and convicted in New York on multiple charges in 2019. He is imprisoned at the ADX Florence "supermax" prison in Colorado. His 2015 escape was extensively planned. He fled through an entry under the shower of his cell, entering a mile-long lighted tunnel via a motorcycle that had been placed on rails. His wife played a key role in the escape, according to prosecutors, the Associated Press reported.

Lasso Advances to Runoff in Ecuador's Presidential Race

Conservative former banker Guillermo Lasso advanced to the second round of Ecuador's presidential race, narrowly edging out Indige-

ADVISOR Q&A

What Will Legality Mean for Refugees From Venezuela?

Q Colombian President Iván Duque announced this month that his government would grant legal status to nearly a million Venezuelan migrants living in his country. The temporary protected status will allow Venezuelans to live and work in Colombia for 10 years, as well as give them access to government services. How significant is the offering of legal status for Venezuelans in Colombia? Has the initiative drawn criticism in Colombia, and is an increase in Venezuelan migration expected as a result of the announcement? To what extent are other countries in the hemisphere, including the United States, likely to implement similar measures for Venezuelan migrants and refugees?

A Mauricio Claver-Carone, president of the Inter-American Development Bank: "We applaud Colombia's generous move to offer temporary protective status to 1.7 million Venezuelan migrants. This is a very important step in the region's approach to receiving migrants. So far, the region has opened its doors to many of the more than 5.4 million people who have fled Venezuela over the past four years. Colombia's decision showcases how many of the countries in the region are facing this growing crisis.

nous activist Yaku Pérez for the second-place spot following the Feb. 7 first round of the country's presidential election, the National Electoral Council announced Feb. 21, the Associated Press reported. Andrés Arauz, the protégé of former President Rafael Correa, was the top vote-getter in the election, but the result for second place was too close to call for two weeks, making it unclear who would face Arauz in the April 11 runoff. But the electoral council

For example, Peru also began a process to formalize migrants. Colombia's move is not just the right thing to do from a humanitarian perspective. It also makes economic sense. We know that once migrants are integrated into host communities and brought into the formal economy, they become taxpaying members of society, benefiting everyone. Estimates from the International Monetary Fund and others indicate that Venezuelan migrants could help boost GDP by between 0.22 percent and 0.28 percent in Colombia but also in Chile and Ecuador. The IDB supports some of these processes and will continue to do so as part of our migration agenda. In fact, we have operations in Colombia, Ecuador, Belize and Costa Rica, and we are pursuing projects in Chile, Panama and Uruguay. In addition, we are discussing options with Peru, Guyana and others. We stand ready to support other countries if they choose to follow in Colombia's footsteps. To date, we have invested more than \$80 million of our own resources and donor funds to help governments with migration."

EDITOR'S NOTE: More commentary on this topic appears in the Feb. 23 issue of the Latin America Advisor.

announced its final tally, saying that Arauz had won 32.72 percent of the vote, while Lasso won 19.74 percent and Pérez came in third with 19.38 percent. Just 32,600 votes separated Lasso and Pérez, the council said. "Democracy has triumphed," Lasso said in a tweet. However, Pérez blasted the results as fraudulent, saying the council "may declare fraudulent electoral results, but the true results are in the hearts of Ecuadoreans who supported a new political

NEWS BRIEFS

France Reportedly Has No Plans to Ratify Mercosur Trade Deal

France has no plans at the moment to ratify a free trade deal struck in 2019 between the European Union and the Mercosur trade alliance, Reuters reported on Feb. 22, citing an unnamed official at the French presidential palace. "The conditions for us to give it a re-think are numerous and drastic and for the moment have no chance of being met by the countries in question," the official said. France has expressed concern over agricultural imports from South America as well as climate change. Mercosur's members are Argentina, Brazil, Paraguay and Uruguay.

U.S., Canada, Mexico Land Borders to Remain Closed Through March 21

The United States, Canada and Mexico have agreed to keep their land borders closed for nonessential travel through March 21, the U.S. Department of Homeland Security said Feb. 19 in a tweet. That date marks one full year since the three countries closed their land borders, not including trade and essential travel, to curb the spread of Covid-19.

Biden Administration Allows in Asylum Seekers in Trump Policy Reversal

The administration of U.S. President Joe Biden on Feb. 19 released into the United States a group of 25 asylum seekers who had been waiting in Mexico for their cases in the United States, unwinding one of his predecessor's signature immigration policies, the Associated Press reported. Some 25,000 asylum seekers were subject to the Trump administration's "remain in Mexico" policy, which forced migrants to await their U.S. court hearings in Mexico, the wire service reported.

project that reflects the dreams of a dignified and honest Ecuador." Pérez had requested a recount in 17 of the country's 24 provinces, alleging manipulation of data in the vote count, Reuters reported. However, the electoral council denied the request before it announced the final results, saying Pérez had not presented sufficient proof of the allegation. Some experts say Pérez would have a better chance at defeating Arauz in the second than Lasso would. Pérez would be more likely to capture support from Lasso voters than Lasso would be from Pérez voters "because of their rejection of 'correísmo' than the other way around because of Lasso's perceived co-responsibility for Ecuador's weak economy, which actually goes back to Correa's structural economic policy mistakes," Ramiro Crespo, president of Analytica Securities in Quito, told the daily Latin America Advisor in a Feb. 9 [Q&A](#).

U.N. Rapporteur Calls on Countries to Lift Venezuela Sanctions

Sanctions that the United States, the European Union and other countries have imposed on Venezuela have been "devastating" to the South American country, United Nations Rapporteur Alena Douhan said Feb. 12. "The devastating effect of sanctions imposed is multiplied by extra-territoriality and over-compliance adversely affecting public and private sectors, Venezuela citizens, non-governmental organizations, third country nationals and companies," Douhan said in a statement, in which she called for sanctions to be dropped. The sanctions "have sparked economic, humanitarian and development crises, devastating the entire population, especially those living in extreme poverty, women, medical workers, individuals with life-threatening diseases and indigenous peoples," the United Nations said following a two-week visit to Venezuela by Douhan. She added that "humanitarian exemptions are lengthy, costly, ineffective and inefficient." During her visit to Venezuela, Douhan said she sought to meet with "the widest range of people" in order to hear their insights and learn

about their experiences. She met with government officials, opposition leaders, members of nongovernmental organizations, victims of human rights violations, "as well as ordinary people," Douhan said. Douhan is planning to issue a full report on her mission in September. [Editor's note: See the Advisor's recent [interview](#) with former Venezuelan ambassador Vanessa Neumann.]

ECONOMIC NEWS

IDB, Executives Launch Partnership for Region's Recovery

The Inter-American Development Bank and a coalition of 40 global corporate executives on Feb. 16 launched a partnership aimed at driving Latin America and the Caribbean's economic recovery, the IDB said in a statement. The plan will focus on empowering women, accelerating digitalization and strengthening regional value chains. Business leaders, including from Amazon, AT&T, Citibank, Copa, Google, Itaú Latam, MetLife, Telefónica, Visa, Walmart and several others, signed a "partnership declaration" and pledged to work with the development bank to mobilize resources in these three areas, the IDB said. "Today's gathering with leaders from 40 of the world's most innovative global and regional companies, and the signing of this historic Partnership Declaration, enshrined our shared vision and an action plan for future investment, growth and prosperity in our countries," said IDB President Mauricio Claver-Carone. Earlier, Claver-Carone said the development bank would have to cut lending by at least 25 percent this year, as compared to the previous year, unless members approve a proposed \$80 billion capital increase, Bloomberg News reported. The IDB loaned a record \$21.6 billion last year as countries struggled to manage the Covid-19 pandemic and its economic fallout. Claver-Carone said lending would need to return to between \$12 billion to \$16 billion starting this year, unless additional resources are approved.

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courage the use of formal financial services and put more citizens within the observation of taxations systems. Third, users have come to understand the convenience of using payment cards. We also see significant growth in various fintech applications—such as quick loans—that count on cards for their implementation. The challenge will be growing penetration outside major cities where Covid-19 is less of a threat, point-of-sale infrastructure and connectivity are weaker, and cash is still king. That is where we see fintech and government programs being the main driver. People in rural areas will use cards more when the only way they can get things they need is by using them.”

A **Paulo Roberto Feldmann, professor of economics at the University of São Paulo:** “The Brazilian market of payments changed in late 2020 when the Brazilian central bank launched the PIX system, an online, real-time system totally oriented to be used through smartphones. So now you don’t need to have cards to make payments. The decrease in the use of debit cards has not yet been felt, but there will be an important drop this year related to this type of card.

By 2030, PIX and debit-cards payments are forecast to have the same share of the payment market, with around 22 percent each. Today in Brazil, there are approximately 125

“**This year, the growth in the use of payment cards will certainly be much lower than last year’s 8.2 percent.**”

— Paulo Roberto Feldmann

million debit cards and 135 million credit cards. Cards plus PIX today are estimated to have two-thirds of the payments market for families in Brazil. This year, the growth in the use of payment cards will certainly be much lower than last year’s 8.2 percent. The big change is not related to the pandemic but rather to the PIX system, at least in Brazil. In other parts of Latin America, you can expect higher growth in the usage of cards, but not in cash, due to the growth of e-commerce.”

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at gkuleta@thedialogue.org.

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Advisor Video

Venezuela’s Political Situation

A Latin America Advisor interview with Vanessa Neumann, former Juan Guaidó-appointed Venezuelan ambassador to the United Kingdom

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