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FEATURED Q&A

How Strong Is Consumer Demand in Latin America?

Bright signs for consumer demand in Latin America and the Caribbean include plans by clothing retailer H&M to grow its presence in Brazil. // File Photo: chika_milan via Adobe Stock.

Q Some global companies are betting on Latin America's consumer market despite persistent inflation and rising trade barriers. H&M recently announced plans to grow its presence in Brazil, while Mastercard and Corpay are expanding cross-border payment services in the region. What do these developments represent about the outlook for Latin America's consumer market? To what extent are investment and expansion trends reflecting confidence in middle-class purchasing power? How might shifting demographics, remittance flows and informality influence consumer demand across different income groups in the coming years?

A Sandra Beltran, vice president and senior analyst at Moody's Ratings: "Rated Latin American consumer companies are expected to outperform global profit growth even as volumes slow amid weaker U.S. demand and trade frictions. Most focus on domestic markets, limiting tariff exposure, and rely on strong brands, innovation and high-margin channels to protect profitability. Ratings for firms in Mexico, Brazil and Chile have improved, reflecting resilient fundamentals, though trade tensions and slower momentum are beginning to pressure earnings and credit metrics. Developing markets continue to offer growth opportunities. Companies such as Kellanova and Mondelez are expanding regionally, while rated Latin American firms are increasing capacity—Embotelladora Andina, for example, is adding production in Brazil, where demand has reached full capacity. As confidence weakens, consumers are trading down to more affordable products. Most companies have preserved margins through pricing and product mix strat-

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TODAY'S NEWS

POLITICAL

Six Killed in Latest U.S. Airstrike Off Coast of Venezuela

Six people were killed Tuesday in a U.S. airstrike on a boat in international waters off the coast of Venezuela, U.S. President Donald Trump said Tuesday. Trump alleged the vessel was carrying illegal drugs.

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POLITICAL

Trump Ties U.S. Aid for Argentina to Midterm Vote

U.S. President Donald Trump said Tuesday that a $20 billion U.S. aid package for Argentina depends on the outcome of the country's legislative elections this month.

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BUSINESS

Chile's Codelco Eyes More Automation After Deadly Collapse

Chile's Codelco is looking at ways to increase automation in its mines following a deadly collapse in July, CEO Máximo Pacheco said in an interview.

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Pacheco // File Photo: Máximo Pacheco via CC BY-SA 4.0.

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POLITICAL NEWS

Six Killed in Latest U.S. Strike on Boat Off Venezuela

Six people were killed Tuesday in the latest U.S. military strike on a boat allegedly carrying illegal drugs off the coast of Venezuela, U.S. President Donald Trump announced on his Truth Social platform. Defense Secretary Pete Hegseth ordered the strike in international waters, Trump said in the post. "Intelligence confirmed the vessel was trafficking narcotics, was associated with illicit narcoterrorist networks, and was transiting along a known [designated terrorist organization] route," Trump said, adding that U.S. forces were unharmed in the operation. The strike was at least the fifth such U.S. military attack on a vessel allegedly carrying drugs in the region. Including Tuesday's action, 27 people have been killed in the series of strikes, which began in early September. A black-and-white video posted to social media by both Trump and Hegseth shows a small boat that appears to be standing still in the water before it is struck by a projectile and explodes. The Trump administration has not provided any evidence to Congress to back up its assertion that any of the vessels destroyed over the past month and a half were carrying illegal drugs, two unnamed U.S. officials familiar with the matter told the Associated Press.

U.S. Aid Package for Argentina Depends on Vote: Trump

A $20 billion U.S. aid package for Argentina depends on the success of President Javier Milei's party in this month's midterm legislative elections in the South American country. U.S. President Donald Trump said Tuesday during a meeting with Milei at the White House, the Financial Times reported. "The election is coming up very soon ... I think the victory is very important," Trump said during the meeting, the newspaper reported. "If he wins, we're staying with him. And if he doesn't win, we're gone," he added. Milei himself isn't on the ballot when Argentines go to the polls on Oct. 26 to elect half the members of the Chamber of Deputies and a third of the members of the Senate. U.S. Treasury Secretary Scott Bessent announced last Thursday that the U.S. government had directly purchased Argentine pesos and finalized a $20 billion swap agreement with Argentina's central bank. [Editor's note: See related **Q&A** in the Oct. 1 issue of the Advisor.]

ECONOMIC NEWS

Brazil Wants Global Pledge to Quadruple Sustainable Fuels

Brazil's government plans to push for a global pledge to quadruple low- and zero-carbon fuel production at the COP30 United Nations climate summit next month in Belém, Brazilian foreign ministry officials announced Tuesday, Bloomberg News reported. Brazil, India and Japan have agreed to a draft declaration, which will be discussed at COP30, calling for nations to increase their sustainable fuel production by a factor of four by 2035 relative to 2024 levels, João Marcos Paes Leme, director of the energy department at Brazil's Ministry of Foreign Affairs, said Tuesday at a press conference in Brasília. The declaration calls on countries to take "comprehensive" efforts to boost low-carbon fuel production, but will likely stop short of firm, uniform commitments, Bloomberg News reported. The draft declaration is likely to categorize a broad variety of fuels as "sustainable," including green and blue hydrogen, as well as liquid and gaseous biofuels, Agence France-Presse reported. "Many of these technologies are technically viable, but they are not yet produced at sufficient scale," Paes Leme said Tuesday. Brazil was the second-largest producer of biofuels in the world last year, driven by the country's high output of corn, soy and sugarcane, according to the Energy Institute Statistical Review of World Energy.

NEWS BRIEFS

Peru's New President Swears in Cabinet Members

Peru's new president, José Jerí, on Tuesday swore in several of his cabinet members, Reuters reported. Jerí swore in Ernesto Álvarez, who previously headed Peru's Constitutional Court, as his prime minister and cabinet chief. He also tapped Denisse Miralles as economy minister; she previously served as a deputy to that position. Jerí selected veteran diplomat Hugo de Zela, a former ambassador to the United States, as foreign minister.

Colombian Pipeline Firm Eyes New LNG Facility Amid Natural Gas Deficit

Transportadora de Gas Internacional (TGI), Colombia's leading pipeline operator, has asked state-run Ecopetrol to cooperate on a new prospective liquefied natural gas terminal in the Caribbean, TGI's CEO told Bloomberg News on Tuesday. The floating storage and regasification unit would be operational by 2027, at which point Colombia's dependency on imported natural gas is set to have widened to more than 20 percent of total demand, Bloomberg News reported. Colombia's domestic natural gas production has stagnated in recent years.

Central Puerto to Supply Power to OpenAI-Backed Data Center in Argentina

Argentine power utility Central Puerto on Tuesday signed a preliminary deal to supply electricity to the Stargate Argentina data center, a $25 billion project that is being partially developed by U.S.-based tech giant OpenAI, Bloomberg News reported. The terms of the power offtake agreement are private; a source close to the matter told the news service that Central Puerto will likely use a hydroelectric dam to supply power to the proposed data center.

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BUSINESS NEWS

Chile's Codelco Eyes More Automation After Deadly Collapse

Chilean state-owned copper producer Codelco is looking at ways it can carry out tasks with fewer workers in its mines, a move that follows a deadly collapse at one of the company's mines, Bloomberg News reported Tuesday. Codelco has been discussing ways to incorporate more automation following a July 31 explosion and partial collapse that killed six people and disrupted operations, the company's chairman, Máximo Pacheco, told the news service in an interview. The incident was Chile's deadliest mining accident in decades. It coincided with disruptions at other copper mining operations in Indonesia and the Democratic Republic of the Congo, putting pressure on global supplies of the metal at the same time that data centers and the energy transition are increasing demand for copper, Bloomberg News reported. Increasing automation can also help Codelco to curb costs, which have been increasing amid deteriorating quality of ore that requires miners to extract more rock in order to produce copper, the news service reported. Pacheco told Bloomberg News that Codelco plans to "deepen and accelerate" the process of automation. "We're already working on it—the goal is to remove people from the front line and replace that work with remote-controlled and automated systems," he said. Pacheco told Reuters last week that Codelco's copper losses are likely to be 45 percent more than the company previously estimated. Codelco now believes that the accident at El Teniente and the partial shutdown of the mine that followed will lower the company's output by 48,000 metric tons this year, Reuters reported. Workers are generally supportive of fewer workers being placed in mines and jobs becoming more remote as it has become more difficult to predict and prevent rock blasts, which occur when accumulated energy is suddenly released, Jorge Bustamante, the leader of the union of El Teniente workers, told Bloomberg News.

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egies, though at some cost to volume. In this environment, only those with scale and efficiency will sustain profitability, spurring further consolidation. Retail trends also reflect changing preferences. Private-label products and discount or cash-and-carry formats are expanding rapidly. Labor markets remain tight, with unemployment below historical averages in Mexico and Brazil. Real wage growth—particularly in Mexico, where minimum wages have surged—has supported household income and consumer sentiment despite persistent inflation. Consumer lending is also accelerating: Mexican banks expanded lending by 18 percent annually from 2022 to 2025, twice the prior decade's pace, supported by robust employment and rising wages. However, Latin America's large informal sector limits banks' reach and constrains financial inclusion. Only about 45 percent of Mexicans have access to bank credit, and weak collateral enforcement raises charge-off rates. Fintechs and neobanks are targeting underserved groups, but structural barriers persist. Informality also keeps many consumers dependent on cash and informal retail, reducing the impact of formal-sector expansion. Remittances remain a key income source in Mexico and Central America. Although growth has slowed, volumes are still high; any drop could weigh heavily on low-income consumers, pressuring demand for essentials and discretionary goods alike."

Christina Huguet, director of consumer and retail at Eurasia Group: "Global companies expanding in Latin America are doing so with open eyes. H&M's growth in Brazil and Mastercard's push into cross-border payments both show a steady confidence in the region's long-term potential, even as inflation and uneven policy environments continue to test consumers. In the retail sector, consumer brands are seeing a mixed picture. Demand has held up better than expected, but shoppers are definitely more cautious. People are stretching their budgets, trading down in some categories and looking for value, but they're still spending on the brands they know and trust. Companies like Coca-Cola, Nestlé and Unilever continue to report growth across Latin America, though much of it comes from pricing rather than big jumps in volume. Retailers also tell us that consumers are thinking more carefully about what goes into their baskets and cutting back on extras. At the same time, there are a few steady supports. Remittances continue to boost household spending, especially in Mexico and Central America, and digital payments are helping more informal consumers stay active in the market. A young, urban population is also keeping everyday consumption relatively stable. It is also important to keep in mind that most of the world is having a hard time. Consumer confidence in Europe remains weak, inflation is still sticky in parts of Asia and the U.S. outlook feels increasingly uncertain. In that global context, Latin America's steady demand looks relatively resilient. Companies are making decisions with that relative lens, and they are not betting on a major spending boom but on steady, long-term returns. The focus is on building share, deepening local ties and positioning early for when real income growth picks up again."

José Coballasi and Julyana Yokota, managing directors at S&P Global Ratings: "The economic outlook in Latin America is challenging. We expect GDP growth in the region to average just over 2 percent in the coming years, lower than most other emerging markets. Although it's slowing down, consumer credit in Brazil is expected to grow 8 percent to 10 percent in 2025 and 2026, driven by increased competition and low unemployment levels. Additionally, high policy rates are affecting borrowers' payment capacity, and some retailers, such as those in Mexico, are experiencing weak domestic demand due to stagnant formal employment, moderate real wage growth and high inflation. Investment

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and expansion trends, such as H&M's plans to grow its presence in Brazil and Mastercard and Corpay's expansion of cross-border payment services, suggest that companies are betting on Latin America's consumer market despite the current challenges. This reflects a degree of confidence in the continued growth of the middle-class, particularly in countries like Brazil where public and private consumer credit programs are being launched. Shifting demographics, remittance flows and informality may influence consumer demand across different income groups in the coming years. For example, remittances are particularly important to several countries in Central America and, to a lesser extent, Mexico. Therefore, a decline could affect consumer demand in these countries. However, e-commerce represents an important opportunity in the region, as penetration continues to lag behind developed and even other emerging economies."

Laura Alfaro, chief economist and economic counselor at the Inter-American Development Bank: "Despite the elevated uncertainty that has characterized 2025, the region continues to record steady growth and robust labor market outcomes. Latin America and the Caribbean is projected to grow by 2 to 2.1 percent this year and next year, broadly in line with historical averages. In Brazil, expected growth is close to 2 to 2.5 percent, around potential. The post-pandemic recovery has led to low unemployment rates in many countries across the region. In Brazil, for example, unemployment is at 5.6 percent, a relatively low rate for the country achieved without substantial increases in informality. For the median inflation-targeting economy, inflation and inflation expectations are anchored, reflecting the swift monetary policy response to past inflation surges. In Brazil, even though inflation is above target, it seems to be slowing down and converging. Over the long term, demographic change poses significant challenges, but it is a slow-moving process dominated by macro trends in the short term. Overall, these trends are consistent with private companies' interest in the region."

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>
> **— Laura Alfaro**

The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta.

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Gene Kuleta
Editor

Jack Quinn
Reporter

Yael Sternberg
Reporter

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Rebecca Bill Chavez, Ph.D., President & CEO
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Upcoming Event

Economic Effects of Venezuelan Migrants Across Latin America and the Caribbean

October 24, 2025 | 12:00 p.m. ET

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