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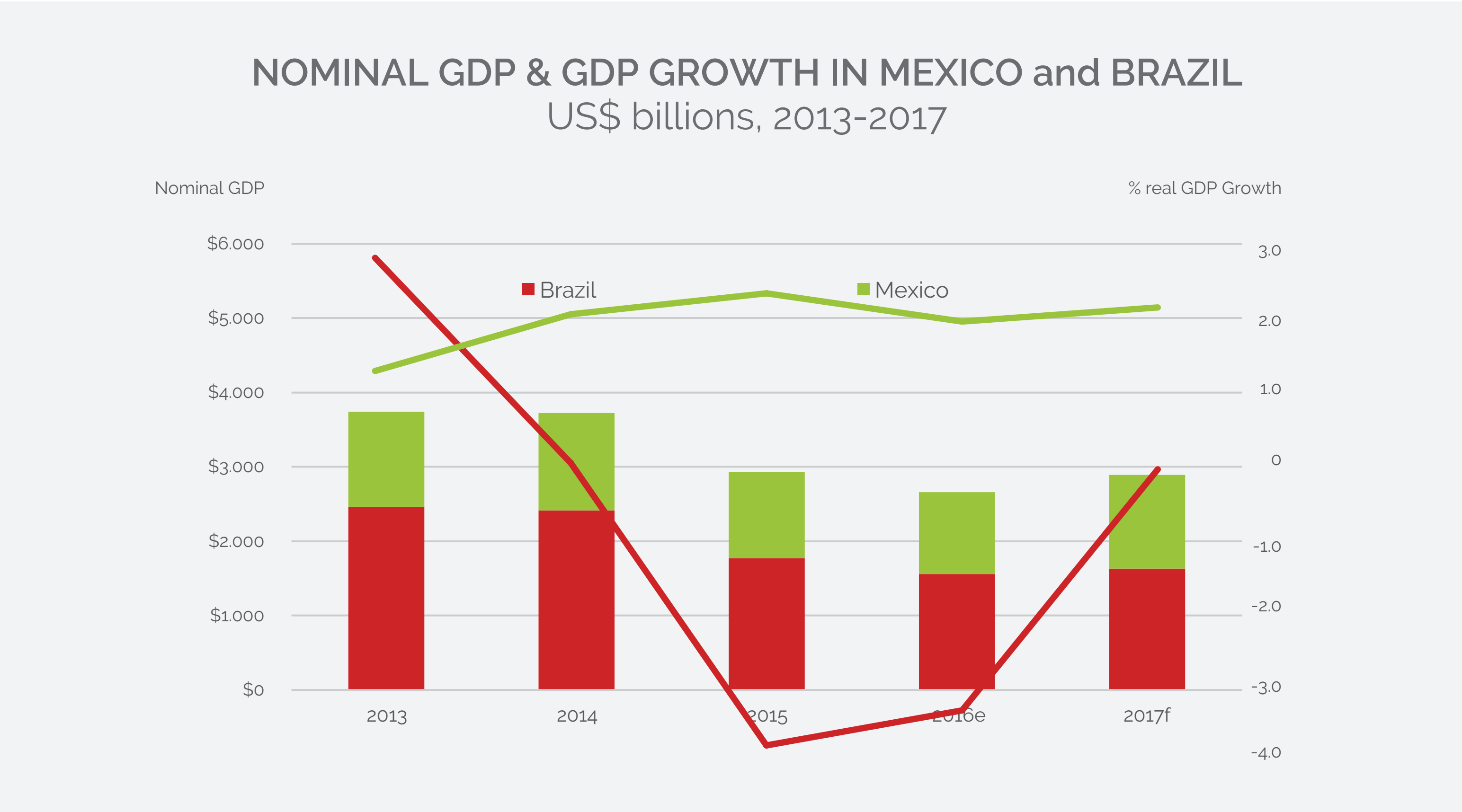
Economic Outlook 2017: **The Slow March back to Growth**

After five years of decelerating GDP growth, Latin America entered negative territory in 2015, from which it has yet to emerge. The region is expected to end 2016 slightly in the red (GDP decrease of -0.5% to -1.0% in local currency) due to the deep and prolonged contractions in both Brazil and Venezuela who account for a combined 45% of the regional economy. Global growth has been slow to stabilize and financial markets are more volatile. The continued fall in commodity prices over 2016 hit Latin American economies, currencies and public revenues hard, particularly in South America. Brazil is joined by Argentina, Ecuador and Venezuela in posting negative GDP growth for 2016 while Mexico and Central America - who are more closely tied to the U.S. economic cycles - post modest growth between 2.3% and 6.0%. Between 2015 and 2016 the region lost over US$ 1 trillion in GDP (in dollarized terms) due to currency devaluations. Countries whose economies are more closely tied to commodity prices were the most affected, such as Brazil, Colombia and Argentina. Socioeconomic progress has stalled and in some cases reversed due to dampening real wage growth from high inflation and weak economic expansion. However, other key indicators are trending positively, possibly indicating that the worst appears to be behind. Urban unemployment is at 6.5%, well below the 8.5% average of the mid-2000s. Regional performance in 2017 will likely be flat – driven primarily by a slow turnaround and recovery period in Brazil – setting the stage for modest growth in 2018.

- **Mexican economy expands against headwinds:** In an economy driven by a robust manufacturing sector and favorable bilateral trades with the U.S., the devaluation of the



peso has only driven the competitiveness of Mexico's non-oil exports. Continued low unemployment and reform-driven consumer price reductions on key services like electricity and telecom have served to curb inflation and protect domestic demand. However the loss of government budget revenue from the collapse of global oil prices means government spending will remain flat in 2017 and 2018 in order to course for fiscal deficit reduction. Macroeconomic policy is being tightened in the wake of the U.S. presidential election and the uncertainties about future U.S. trade policy. GDP growth, although muted in 2017 and 2018 due to dampened investor and consumer confidence, is expected to continue expanding at a moderate 2.2% - 2.4%.

- **Brazil's growth engine sputters back to life:** Brazil is starting to emerge from a severe and protracted recession as inflation and fiscal indicators slowly improve under a new political regime re-invigorating both consumer and investor confidence. The region's financial powerhouse experienced the worst of the recession with a 50% currency devaluation over the past 2 years, a credit downgrade in 2015 and uncertainty surrounding the impeachment of then President Dilma Roussef in 2016. The economy registered a significant -3.8% GDP contraction in mid-2016. Brazil's unprecedented socioeconomic expansion experienced a setback with the evaporation of employment and income dynamics that had afforded the ascension of 50 million people (25% of the population) into the middle class from 2004-2014. A 2016 report by one of Brazil's largest private banks, Bradesco, found that social descencion was evermore present – between January and November 2015, ~2.6 million people left social classes A and B, and another 3.7 million people left class C due to rising unemployment. New fiscal administration under President Temer and foreign capital inflows from his privatized infrastructure development plans unveiled in the latter part of 2016 are expected to reduce inflation and stimulate growth. Forecasts for GDP growth in 2017 hover are between 0% and 0.5%, with a true return to economic and job growth in 2018. Healthcare spending as a percentage of GDP in 2017 should also increase by 0.5% with growth in private Brazilian healthcare expenditures outpacing public outlays.

- **Colombian tax reform on the table:** The economic slowdown and the fall in oil prices have reduced public revenues, which could slide further in the medium term as temporary taxes expire and peso depreciation pushes up dollar denominated debt and interest spending. The comprehensive tax reform proposed in late 2016 aims to rebuild the tax base by lowering the income tax rate while also lowering its threshold, increasing the value added tax rate on non-essential items, and introducing a dividend tax among other changes. Its approval by the legislative assembly is expected to raise revenues by 0.8% of GDP in 2017, help boost real GDP growth to 2-3% and supply funds for the expansion of health services covered by the national system set to come online in 2017. With inflation finally contained, real GDP growth is projected to pick up to 2%-3% in 2017 and 2018 spurred by stronger external demand and increased workforce formalization.

Looking ahead: Despite a sluggish recovery, regional healthcare opportunities remain lucrative

Key external factors create significant uncertainty for the region in 2017, including low global oil prices, higher interest rates, volatile exchange rates and a new administration taking office in the United States. 2017 may not see a stellar return to growth, but inflation pressures are lifting and currency values expected to stabilize, setting the foundation for purchasing power growth in 2018. Public health continues to expand coverage to a greater percentage of Latin Americans while the middle class demonstrates willingness to pay premium for private care. The regions demographic dividends in the short to medium term will stimulate household spending and lift both public and private healthcare expenditures. Healthcare companies would do well to follow the example of major players such as United Health Group in Brazil who have continued to acquire and invest in the region during the recession, taking advantage of the foreign exchange bargain and poising themselves for maximum advantage when the growth engine revs back to full steam.

About Global Health Intelligence

Global Health Intelligence provides detailed information on healthcare infrastructure in emerging markets in order to help clients understand the competitive landscape and identify opportunities for growth.

Founded on over 20 years of research expertise in emerging markets, Global Health Intelligence has developed the world's largest hospital demographics database focused on Latin America.

Find out how Global Health Intelligence can help you grow in emerging markets:

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Our Services

- **Hospital demographics**
The world's largest hospital demographics database focused on Latin America

- **Market size / share**
A unique methodology based on the analysis of import data to deliver reliable insights in a timely manner

- **Tailored research**
Refined with 20+ years Market Intelligence experience:
  - Market sizing and segmentation
  - Partner search & market due diligence
  - Competitive profiling
  - Pricing and cost analysis
  - Best practices
  - Positioning and opportunity identification

Hospital Database Characteristics

12,000 hospitals profiled

Coverage in 11 countries

Over 100 data points per hospital

Raw data exports to Excel

Integration into your CRM

Prebuilt Tableau dashboards

Available immediately!