



# AFTER COMMODITIES

## Strategies for Diversifying the Economic Base

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# Commodity Prices and Exchange Rates

Latam Currencies have a strong correlation to CRB Index and Commodities prices are the key to understand the exchange rate movements, even at fairly high frequencies.

CRB x BRL

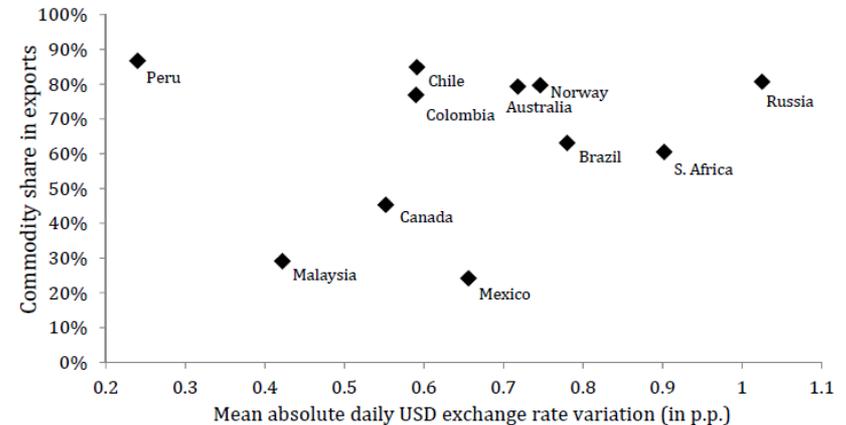


Sources: Bloomberg and Citi Research

- CRB is a Index that measures the overall direction of commodity sectors;
- It was designed to isolate and reveal the directional movement of prices in overall commodity trades.

Volatility Against USD

Fig. 3 - Commodity Share in Exports and Exchange Rate Volatility



Sources: BIS – When the walk is not random

- The mean absolute daily exchange rate tends to be larger in countries which the share of commodities total exports is larger;
- An exception is Peru, possibly due to active intervention in FX Markets.

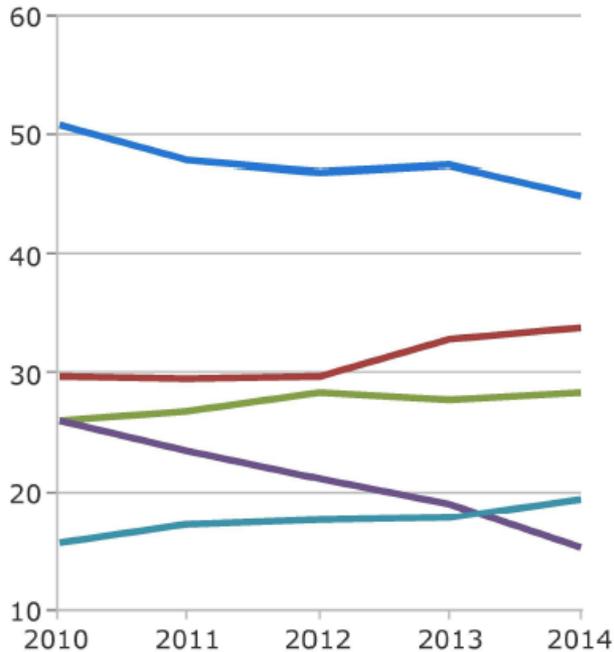
# Export Product Share – LATAM x Asia & Pacific Countries

Latam countries are essentially Raw Materials producers when Asia has become a strong supplier of manufactured goods to the planet.

Exports from ASIA & Pacific to LATAM

## Export Product Share (%)

Source: WITS - Country Profile

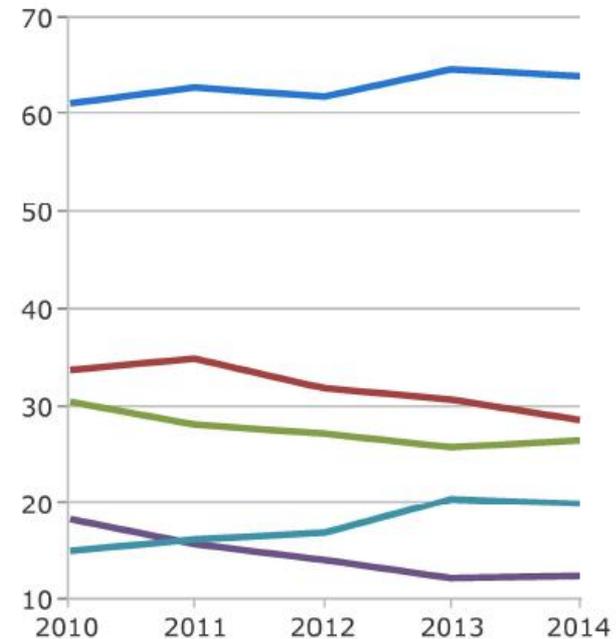


■ Capital goods    ■ Mach and Elec  
■ Consumer goods    ■ Transportation  
■ Intermediate...

Exports from LATAM to ASIA & Pacific

## Export Product Share (%)

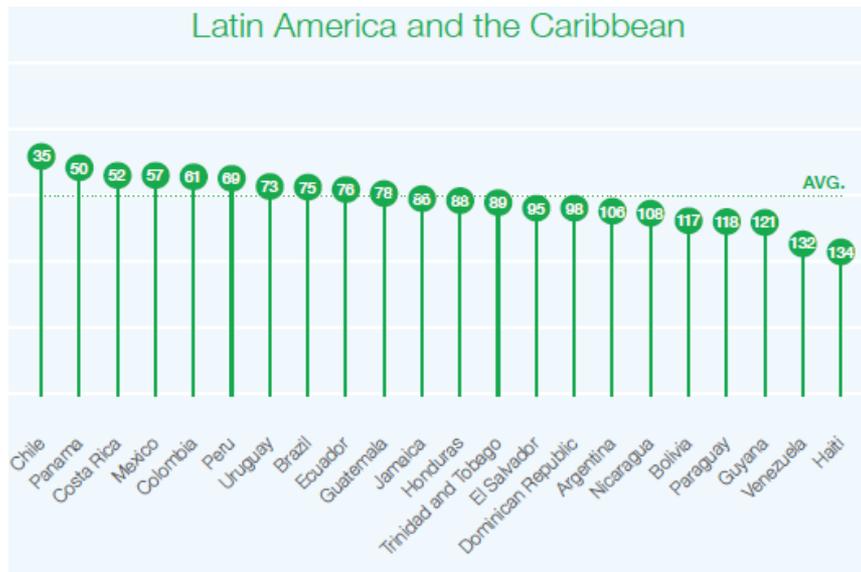
Source: WITS - Country Profile



■ Raw materials    ■ Minerals  
■ Intermediate...    ■ Metals  
■ Vegetable

# Global Competitiveness Reports – Where Are We Today?

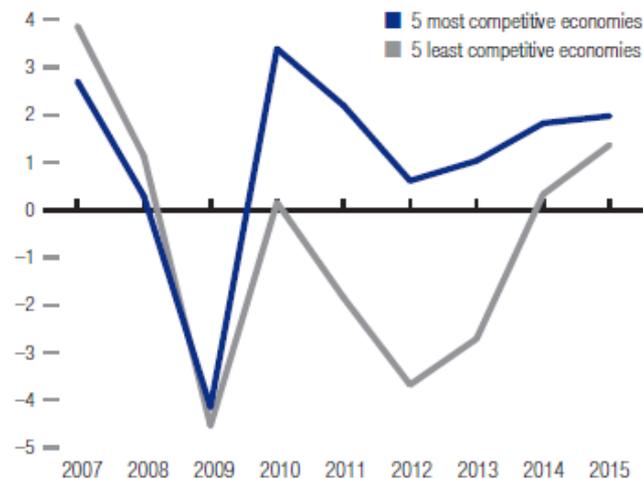
Latam must build resilience against external economic shocks and invest in Infrastructure, skills and innovation – areas in which the region performs relatively poor.



Sources: WEF

- In Latin America, Chile is the most competitive country (35°) followed by Panama (50°);
- While Colombia is facing a better situation on the last years (increased 5 positions to 61°) Brazil has felt 18 positions to 75°.

AVERAGE of GDP Increase (%)



Sources: World Economic Forum; IMF 2015c.

- Competitiveness (understood as higher productivity) is a key driver of growth and resilience;
- During the crisis, the more competitive Economies systematically outperformed the least ones in terms of economic growth (they either withstood the crisis better or recover more quickly) .