

Capital flows to Latin America and the Caribbean

A slowdown in 2022



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Highlights

- Against a backdrop of tightening global financing conditions and higher global borrowing costs, Latin American and Caribbean (LAC) issuers placed a total of US\$ 58.5 billion of bonds in international markets from January to October 2022, a decline of almost 60% from the US\$ 138 billion placed in the same period in 2021.
- The largest slowdown in debt issuances was observed in the corporate sector, with overall corporate bond issuance declining 65%. Sovereign issuances declined 46% and accounted for over half of total international debt issuance from the region in the period.
- The region's top three issuers, corporate and sovereign combined, were Mexico, Chile, and Brazil, in that order, which together accounted for 64% of the total regional issuance. Mexico was the top issuer, accounting for 28% of all issuances in the period, followed by Chile (19%) and Brazil (17%).
- Mexico and Chile were also the region's top two sovereign issuers. Together they accounted for more than half of all sovereign debt issuances from the region. Brazil's issuances were all from the corporate sector.
- The region issued US\$ 20 billion in international green, social, sustainability and sustainability-linked (GSSS) bonds, down 52% from the same period in 2021 but less than the fall for total overall issuance. GSSS issuance represented a 34.5% share of the total amount issued as a result, a substantial increase from the 31% share a year ago.
- Sustainability bonds have been the most used ESG debt instruments by LAC issuers in 2022. They account for 54% of the region's total international GSSS issuance in the period (US\$ 11 billion), with the Governments of Chile and Mexico issuing 46% (US\$ 5 billion) and 25% (US\$ 2.8 billion) of the total, respectively.
- Sustainability-linked bonds (SLBs) were the second most used ESG debt instrument, representing 31% (US\$ 6.3 billion) of the total. There have been two sovereign SLBs issued this year so far. The first was issued by the Government of Chile in March, the first sovereign SLB in the world, and the second by the Government of Uruguay in October.

- LAC bond spreads widened 115 basis points in the first ten months of 2022. As measured by the global emerging market bond index (EMBIG), LAC bond spreads stood at 514 basis points at the end of October 2022, 142 basis points higher than pre-pandemic levels.
- Latin American equity prices have remained resilient this year despite markets' ups and downs. The MSCI Latin American index gained 6% from January to October 2022, outperforming the emerging market and the G7 indices, which lost 31% and 21%, respectively. While returns have been mixed across countries and quarters, Chile and Brazil's performances have contributed to Latin America's overall gains.
- Supported by lower funding needs and greater reliance on local markets, sovereign credit quality in the region showed signs of improvement in the first half of 2022. The slight improvement has disappeared in the second half of the year, however, and credit quality in the region is now trending downwards.

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