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Latin ties both benefit, drag on Miami economy

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“When Latin America sneezes, half of Miami catches cold and the other half gets rich selling Kleenex and Aspirin.” The COVID crisis will prove again that Miami’s resilient economy benefits both from the region’s successes as well as its failures.

The COVID pandemic has struck Latin America harder, in lives and treasure, than any region in the world. As of December 9th, 2020, Peru had lost 0.11% of its population (36,455 lives) to COVID, the 2nd highest mortality rate in the world and 20% higher than the US, according to the World Health Organization. Peru’s economy, after months of strict lockdowns, will fall 14% in 2020 versus a decline of 4.4% in the U.S., as calculated by BBVA bank. Latin America will lose 1/5th of its dollar measured GDP this year, the biggest one-year decline since WWII.

Given Miami’s ties to the region, one might expect our economy to greatly suffer from Latin America’s woes but the real impact is mixed – evidence of Miami’s economic diversification advantages.

In logistics, which employs close to 80,000 South Floridians, as reported by the Federal Bureau of Labor Statistics, exports to Latin America will drop 23% in 2020. However, the pandemic has boosted e-commerce sales across Latin America, and a portion of that traffic runs through South Florida’s burgeoning fulfillment centers serving global e-commerce leaders like Amazon, e-bay and Shopify. In the months ahead, Miami hubs for FedEx, DHL and UPS will help coordinate the regional delivery of millions of vaccines, most of which require specialized cold chain logistics.

The boom in e-commerce is even more pronounced in the area of digitalized content such as entertainment and education where Latin American demand supports a thriving industry in the greater Miami area. According to LAMAC (Latin American Media Advertising Council), this year Latin Americans are watching 13% more analogue TV and 40% more digital content, much of which is produced in South Florida. The U.S. exports each year close to \$90 billion of digitized intellectual property (content) each year, with LAMAC estimating 5% of that goes to Latin America, the world’s highest per user buyers of Netflix. Add in all of the telecommunications services provided to Latin America via Miami’s NAP of the Americas, the 5th largest data center

in the U.S., and one begins to fathom the outsized role of Miami in servicing Latin America's burgeoning digital economy, driven by 650 million consumers using over 400 million smart phones, according to GSMA, the mobile network operators' association.

Commercial real estate in South Florida, like elsewhere, has collapsed--down almost 50% in the first half of 2020, according to Coldwell Banker, but demand for luxury homes jumped 55% and luxury condos expanded 13% in Q3 of 2020, fueled by a COVID exodus of affluent from New York to Buenos Aires, as calculated by the World Property Journal.

Miami's banking and finance sector also reflects a mixture of positive and negative LatAm contagion. Miami is the 2nd most important trade finance hub (after New York City) in the U.S. But plummeting Latin American imports, down over 20% versus 2019, have reduced Miami trade finance volumes by a similar rate. Conversely, Miami-based private bankers, most of whom service Latin American clients, will enjoy a record year. The economic downturn and currency depreciations across Latin America's largest economies have prompted yet another exodus of savings from the region. When you add in onerous new regulations, justified by COVID, under populist regimes in Argentina and Mexico, and the tide of capital flight rises further.

The decision made to keep Miami's airport open and receiving flights from across Latin America has been essential to servicing the "safe haven" needs of affluent Latin Americans who brought themselves and their savings to Miami during COVID. MIA has been the conduit of servicing Latin America's booming e-commerce trade with cargo flights bringing Asian, American and European made goods to Latin American markets.

COVID has tested the resilience and competitiveness of cities across the U.S. The diversification of Miami's economy away from its historic tourism focus has proven a godsend in 2020. The human, digital, logistical and financial linkages built between Miami and Latin America have been especially valuable in 2020, helping to generate high paying jobs in the city, as our hotels, stadiums, and concert halls have emptied.

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