



Latin America and the Caribbean (LATAM)

Expected recovery of the Latin American finished lubricant market postponed by pandemic outbreak

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With a population of around 650 million people, Latin America and the Caribbean (LATAM) is a vibrant region that contributes a little less than 10% of the global finished lubricant demand.

The region's GDP grew at an estimated rate of just below 0.5% in 2019, a modest recovery after turbulent years of economic downturn. Latest forecasts showing a growth of 1.5% for 2020 were significantly revised downward given the current scenario of the COVID-19 pandemic, and an economic contraction of about 2% in LATAM's GDP is most likely expected for 2020.

The degree of the economic impact of COVID-19 and the capacity of these regions to cope with the consequences of the pandemic will differ. And for those reasons, it is important to bear in mind the different economic structures of LATAM countries. On one hand, there are commodity-exporting South American countries, compared to more highly U.S.-reliant economies in Mexico and Central America. Meanwhile, the Caribbean economies rely on tourism and related industries. Declining crude oil prices will affect net oil-exporting countries including Mexico and Brazil and also Colombia and Ecuador.

The finished lubricant market in LATAM reached a pre-crisis level in 2019

Kline estimates the Latin American and Caribbean finished lubricants market at around 3.8 million metric tonnes in 2019, with the largest countries, including Brazil, Mexico, Argentina, and Colombia, accounting for about 70% of the finished lubricant demand in the region.

Contribution to finished lubricant demand in LATAM by Countries, 2019

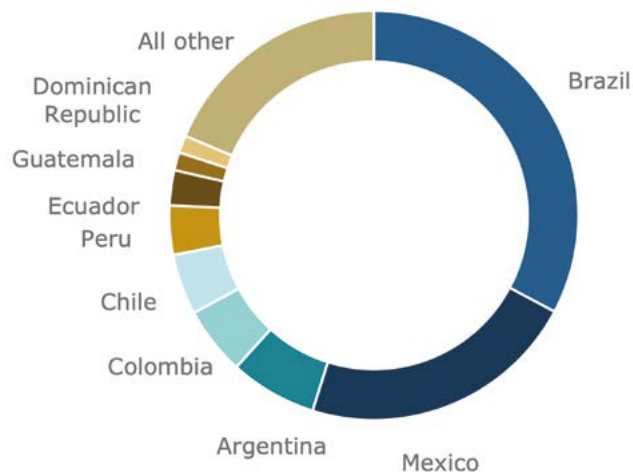


Figure 1: Finished Lubricant Demand in LATAM and the Caribbean by Country, 2019
 a- Includes Costa Rica, El Salvador, Honduras, Jamaica, Panama, Puerto Rico, and Trinidad and Tobago

The regional finished lubricant market can be characterized by quality shifts promoted by the renovation of the local vehicle parc and the modernization of the industrial sector reconfiguring to more added-value manufacturing activities. The commercial vehicle and industrial lubricant segment is dominated by extractive and related industries, such as quarrying, mining, gas and oil extraction, and refining, but also activities related to the processing of commodity products for exports, including agricultural and food processing products, as well as textile and light manufacturing. The automotive and its associated component supply industries constitute another important market outlet for lubricant consumption, particularly process oils, notably in Brazil and Mexico. The textile industry is a key GDP contributor in Central America and Mexico, with a dense network of “maquiladoras” operating in counties like Honduras, Guatemala, and El Salvador.

Within industrial engine oils, marine oils are the largest subcategory in LATAM. In some countries such as Panama and Ecuador, it is reported that some portion of the engine oils classified as marine are used in power generation.

LATAM is one of the most urbanized regions in the world, with more than half of the population living in major urban agglomerations. LATAM commercial lubricant demand is also composed of public transportation fleets, such as city buses, as it is the preferred method of transportation.

Conventional multigrade HDMO, 15Ws, continues to be the dominant grade for heavy-duty engine oils in LATAM, accounting for more than 50% of the total heavy-duty motor oil demand in the region, with sizeable consumption of monogrades.

The LATAM consumer lubricant segment is characterized by high demand for high-viscosity motor multigrades, such as 15Ws, but also 20Ws and 10Ws; together, these grades account for about 60% of the passenger car motor oil (PCMO) demand in the region. Demand for monogrades remains significant (about 20%) in a region where imports of aged vehicles from the United States are still very popular, despite the various initiatives to regulate this activity.

Lower viscosity grade PCMOs, SAE 0W-XX and SAE 5W-XX, currently account for a share of 15% of total

PCMO demand. These are expected to expand to a share of over 20% in 2024. The large motorcycle population in Brazil and Colombia are the largest markets for 2T/4T motorcycle oils.

Major lubricant multinationals remain the leading market players in LATAM, although their position is being challenged by local players successfully operating in the mid-tier and low-tier segments

A highly dynamic supplier landscape in the region has witnessed a number of mergers and acquisitions—for instance, the emergence of ICONIC (a Ipiranga / Chevron Joint Venture in Brazil). Global majors Shell and ExxonMobil, the top two suppliers of finished lubricants in LATAM and the Caribbean, servicing the region by macro distributors, are increasingly facing fierce competition from local/regional players such as Petrobras (Brazil), Comercial Roshfrans, and Raloy Lubricants (Mexico), among others.

The outlook for the LATAM finished lubricant market remains bright despite the various challenges

The emerging regional differences show that recovery and growth in the aftermath of the COVID-19 pandemic will not be uniform and will largely depend on internal political stability, financial incentives, and how successful governments will be at implementing a number of tax and pension reforms while combating the level of corruption, still high in the regions. Social inequality is another pending task that provoked a series of protests and national strikes across various countries in 2019, negatively affecting GDP figures.

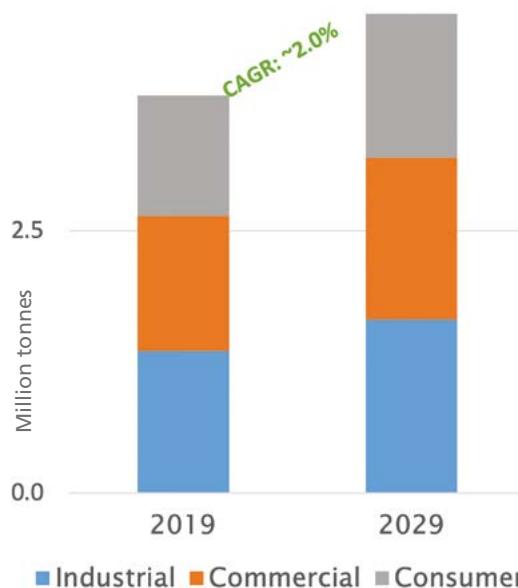


Figure 2: Forecast Lubricant Demand in LATAM and the Caribbean, 2019 to 2029

Finished lubricant demand in LATAM is forecast to reach 4.1 million metric tonnes in 2024 and 4.5 million metric tonnes in 2029, with Brazil, Mexico, Colombia, Chile, and Peru leading the way. Demand for finished lubricants in LATAM is forecast to grow at a CAGR of nearly 2.0% between 2019 to 2029, backed by the growth in automotive lubricants—notably demand for 2T/4T, HTF, and gear oils—and industrial products such as industrial engine oils, hydraulic fluids, and automotive engine oils.

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