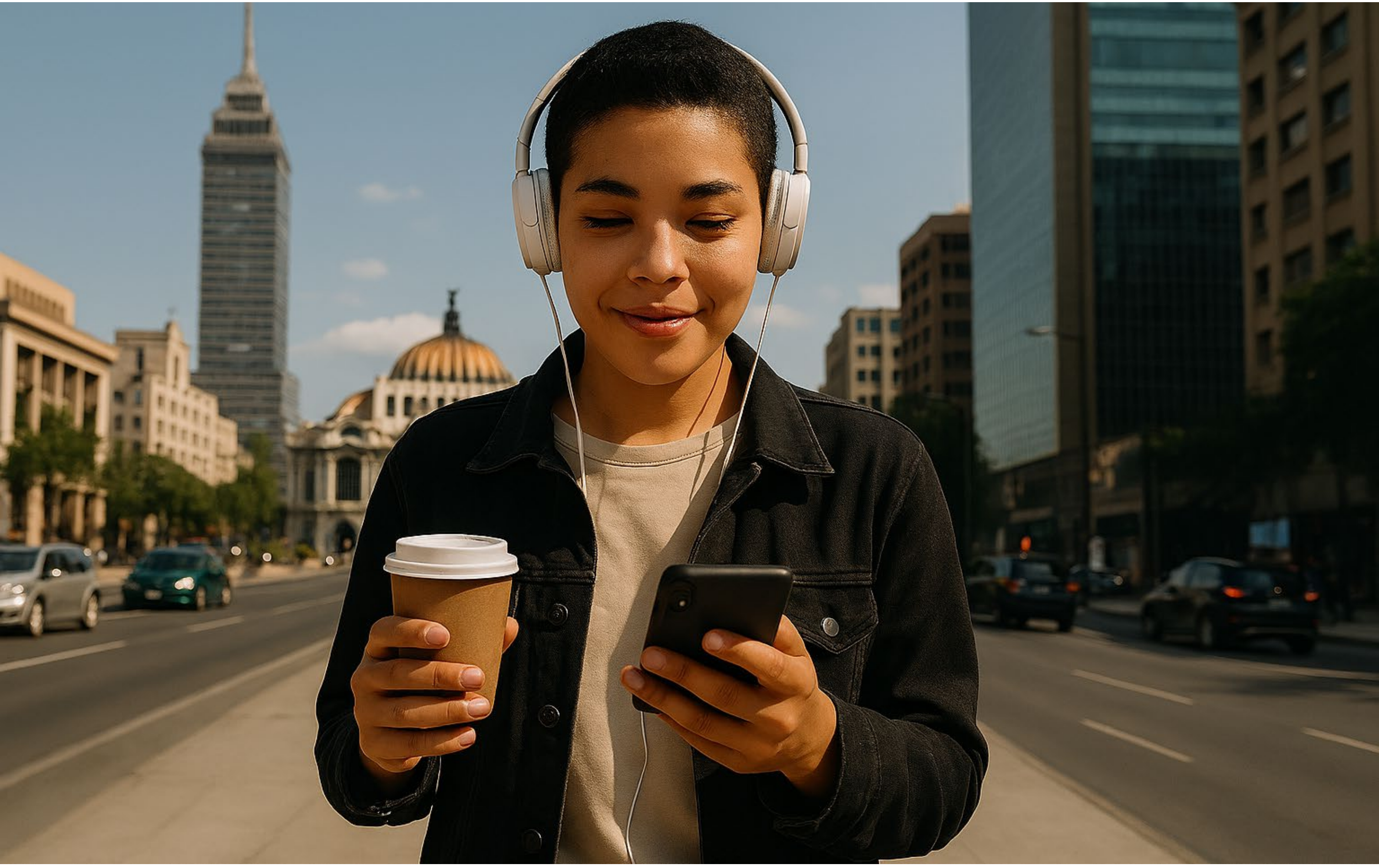

Emerging Insights II – Beyond Commodities: Surfing Latin America's Consumer Wave

Latin America stands out as one of the most dynamic yet complex investment regions. Rapidly expanding consumer demand, a growing middle class, and increasingly sophisticated domestic markets are creating fertile ground for high-potential investments. Today, the region's growth story is no longer defined by commodities alone – it is increasingly powered by consumers.

Private Equity (PE) activity mirrors this shift, with consumer-driven opportunities now taking center stage. Navigating Latin America, however, requires discernment: regulatory frameworks, political cycles, and market maturity vary widely across countries, and the quality of local fund managers is uneven. Success depends on deep local networks, disciplined fund selection, and the ability to identify sustainable, high-performing strategies.

With over 60 years of investment experience and access to a global network of 15+ local offices through its parent company DEG Invest, DEG Impact combines local insight and global expertise to seize private equity opportunities across Latin America, Africa, and Asia.

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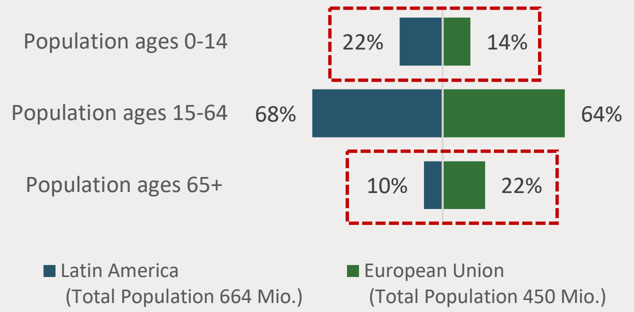
Webinar: Unlocking Growth: Insights on Private Equity in Africa – 04 Nov 2025, 11:00–12:00 CET

October 2025

Macro Trends: A New Growth Frontier

Population distribution European Union & Latin America in 2024, in %



Source: World Bank

As developed markets face slower growth and tighter valuations, Latin America offers what has become increasingly rare: youthful demographics, a strong labor recovery, and opportunities for real value creation beyond multiple expansion.

With a median age of just 34 - almost a decade younger than in Europe - Latin America is experiencing a demographic dividend. While the share of working-age individuals (15–64 years) is similar to Europe's, its structure is far younger: large cohorts are entering the labor market, strengthening productivity and fueling the rise of a digitally savvy middle class that is reshaping domestic demand. In Europe, by contrast, the working-age population skews older, with the 65+ share set to rise further.

Labor markets have rebounded sharply since the pandemic, with major economies posting unemployment rates below 10%. By 2024, rates were at historic lows: 2.7% in Mexico, 1.7% in Argentina, and 6.4% in Peru, while Brazil has improved markedly from double-digit levels in 2021. At the same time, easing inflation is no longer eroding purchasing power, allowing domestic demand to remain a key driver of regional growth.

Growth prospects vary across countries: Argentina is expected to post 5.5% growth in 2025, while export-oriented economies such as Mexico and Brazil face short-term headwinds from U.S. tariffs and global trade frictions. However, the consumer sector is less exposed to such external shocks, as it is largely driven by domestic demand.

Foreign direct investments into Latin America reached USD 164bn in 2024, concentrated in Brazil and Mexico (nearly 60%), with a growing share directed toward digital infrastructure and consumer-focused services. These investments accelerate internet and online banking penetration, reshaping consumer behavior, and creating attractive opportunities for private equity strategies that adapt proven digital consumer models from developed markets to local contexts.

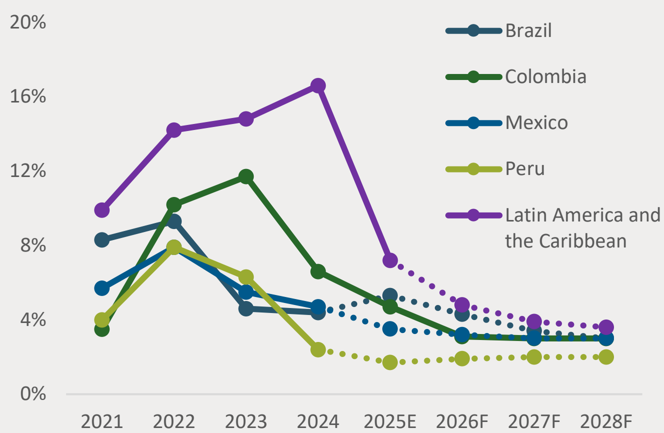
These macro tailwinds - demographics, labor recovery, and digital infrastructure – together with expected reform-oriented and more market-friendly policies are setting the stage for a transformation in consumer behavior.

Unemployment rate per year, in %

	Brazil	Colombia	Mexico	Peru
2021	13.2	13.8	4.1	10.7
2022	9.3	11.2	3.3	7.8
2023	8	10.2	2.8	6.8
2024	6.9	10.2	2.7	6.4
2025E	7.2	10	3.8	6.5
2026F	7.3	9.8	3.8	6.5
2027F	7.4	9.6	3.7	6.5

Source: ILOSTAT

Inflation rate per year, in %



Source: IMF

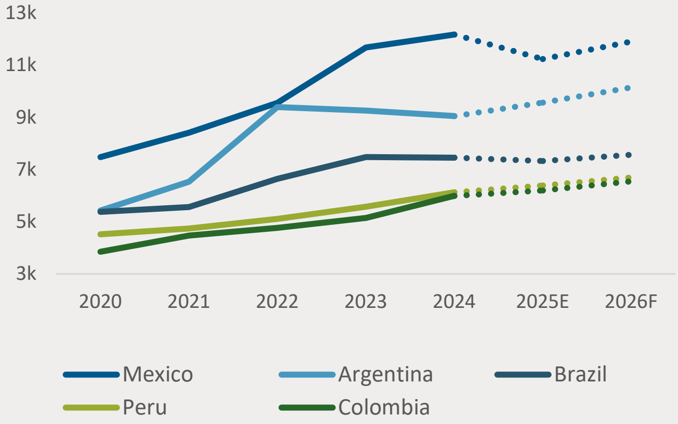
Sources: IMF, World Economic Outlook, UNCTAD, World Bank, UNDESA, DEG Impact

Consumer Momentum: Rising Incomes and Digital Transformation

Disposable incomes have steadily increased across major Latin American economies since 2020, expanding the consumer base and unlocking new market potential. Mexico leads the region, while Brazil, Argentina, and Colombia also show strong income growth. Structural inequality remains a factor, with higher-income households driving discretionary spending, and lower-income groups benefiting from essential goods and digital services.

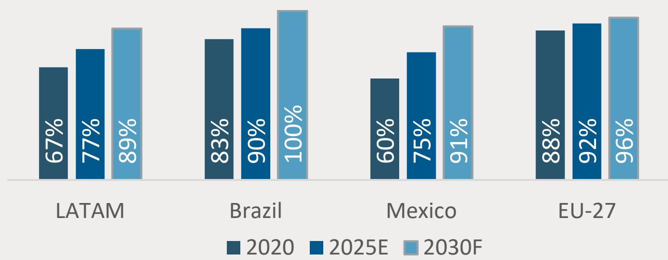
Consumer confidence in Latin America has remained relatively stable compared to other regions, with Mexico showing a particularly strong and sustained recovery. Although the region was hit harder by COVID-19 due to limited fiscal capacity and a large informal workforce, it has since rebounded as employment and remittances strengthened. Despite some divergence across countries, Latin America has weathered global inflationary and energy price shocks better than many developed economies, supporting steady domestic consumption.

Disposable Income per Capita in USD, 2020-2026



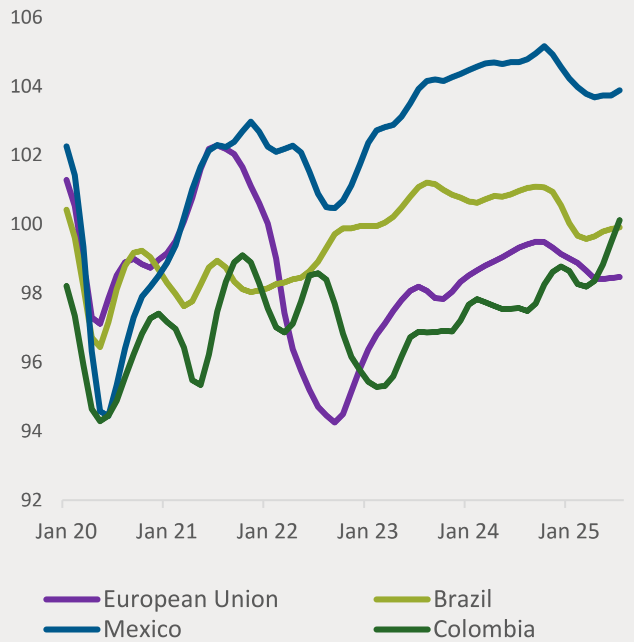
Source: World Inequality Database

Internet Access at Home



Source: ITU

Consumer Sentiment Index, 2020-2025



Source: OECD

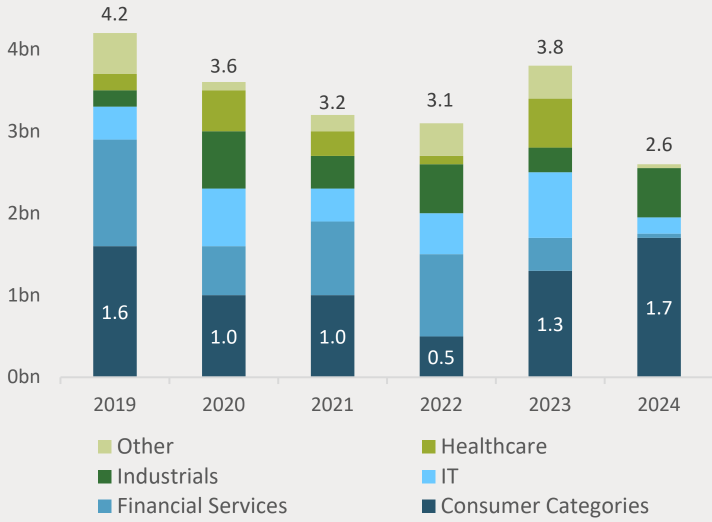
Urban middle-class households are driving demand for modern retail, digital services, and convenience-focused consumption, reinforcing market resilience. Digitization is advancing rapidly: internet penetration rose from 67% in 2020 to over 77% by 2025, with Mexico improving significantly and Brazil reaching levels comparable with developed economies.

Digital transformation is reshaping consumer behavior: Online shopping, mobile commerce, and digital payment solutions—such as Brazil's Pix system—broaden financial inclusion, streamline spending, and increase SME participation in the digital economy. Thus, e-commerce has become an attractive consumer segment and creates scalable opportunities for tech-enabled, consumption-driven investments.

Sources: OECD, World Bank, Eurostat, IMF, International Telecommunication Union (ITU), DEG Impact

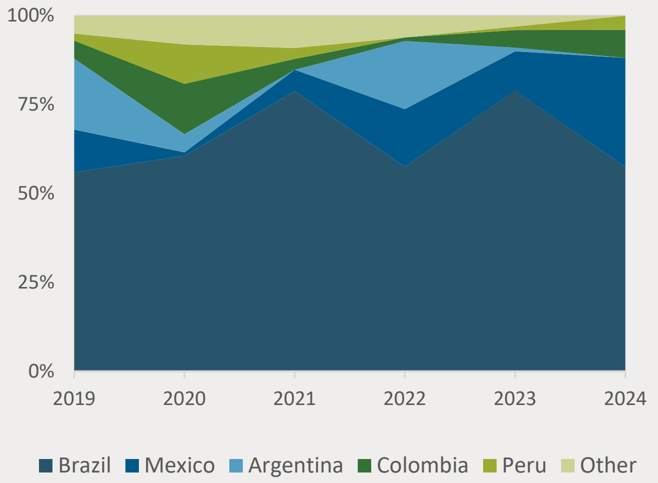
Private Equity Outlook: Capturing the Consumer Wave

PE-Investments in Latin America by Industry (in USDb), 2019-2024



Source: LAVCA

Share of PE-Investment in Latin America by Country (in USDb), 2019-2024



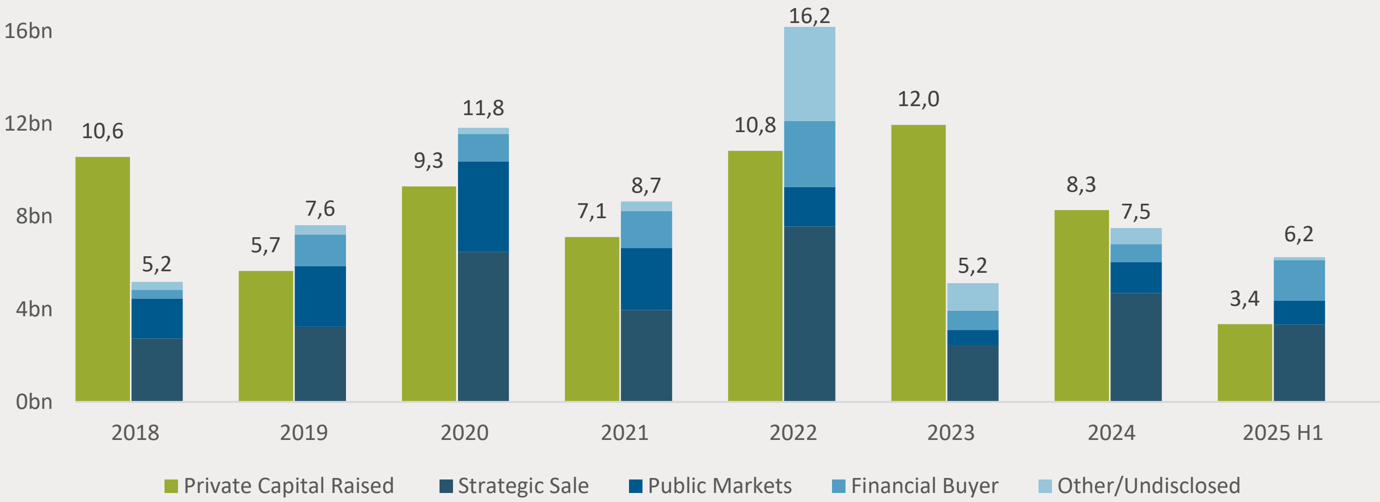
Source: LAVCA

Macroeconomic tailwinds, resulting trends shaping consumer behavior and domestic demand position Latin America's consumer market at the center of PE activity. In 2024, consumer-focused deals accounted for approximately 65% of total PE investment, with notable deals in restaurants (Little Caesars), food & beverage (Oakberry), and education (Inspira). Geographically, private capital remains concentrated in Mexico and Brazil, which captured over 85% of regional PE inflows through early 2025.

After 2022, Latin America's private markets fundraising ecosystem has contracted. Particularly PE reflected the global fundraising slowdown which is caused by LPs liquidity constraints, and decade-low distribution rates of 11%. In H1 2025 Latin American GPs raised USD 3.4bn of which PE managers captured 22%, slightly below the seven-year average of ~30% of total private Capital raised. Capital flew primarily to the most seasoned managers, presenting considerable challenges for other GPs.

Private Market exit activity rebounded in 2024, totaling USD 7.4bn, and H1 2025 continued this trend with USD 6.2bn executed. Unlike global trends favoring continuation vehicles or secondary sales, strategic sales to global and regional corporates dominate in Latin America, accounting for over 50% of exits in 2025.

Fundraising (Green Bars) & Exit Activity (Blue Bars) in Latin America (in USDb), 2019-2025H1



Source: LAVCA

Sources: LAVCA, Preqin, Bain, DEG Impact

Questions or further information needed? We'd be glad to hear from you!

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