Assets of foreign bank agencies here cut by a third, $6.7 billion

By Frank Norton

Economic contagion in South American capital markets has cut demand for financial services in Miami, bankers and analysts said during this week’s technology conference, fel@tech, at the Hotel Inter-Continental Miami. The specter of further infection in that region, they said, may force some local players to revise products and competitive strategies to match darkening global market conditions.

“Trade finance is down. There’s less lending going on. And it’s becoming difficult to convince private banking clients to change their asset classes. People just want to get their funding in position,” said Thorsten Ruebel, vice president and senior economist with Dresdner Bank in Miami.

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“This has diminished the need for new products and services,” said Pat Roth, executive director of the Florida International Bankers Association, which sponsored the three-day conference on technology.

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While falling consumption in Argentina and Brazil decreases the region’s ability to buy US exports, the growing perception of risk in that region is also growing away at lines of credit for future trade finance, Dr. Roussakis said.

Exports to Brazil, Florida’s largest trading partner, dropped about $550 million to $1.9 billion in the second quarter compared to the same period a year ago. Also, during the same period, exports to Argentina plummeted to $144 million from nearly half a billion, according to data published by Enterprise Florida, the state’s economic development agency. Argentina is now 17th among Florida’s top 50 export destinations.

But despite grim forecasts of continued problems, many organizations are still optimistic about the long term outlook.

Mr. Picos said South Florida banks must develop new services based on the shifting production factors caused by the steady devaluation of the Argentine peso and more recently the Brazilian real, which could open new doors for servicing certain sectors.

Banks, he said, will have to shift their client profile toward more labor-intensive service and agricultural industries that could benefit from cheaper currencies.

“Devaluation lowers labor costs and export prices for these industries,” Mr. Picos said, and that could create opportunities for further leveraging.

“I think we’re seeing the Latin American glass half empty, but South Florida institutions experienced in these market sectors may be able to address these needs very creatively,” he said.

Dr. Roussakis said banks may find import financing opportunities for new-arriving agricultural products.

He also said bankers may want to look into beer production in Latin America since that industry is less sensitive to economic cycles.

“Every country has a dominant brewer that controls as much as 70% of each market,” Dr. Roussakis said. “People may want to drink more to forget about the problems.”

South Americans now use funds to survive, says Robert Brookes.

Consumption slip, credit crunch batter region, says E.N. Roussakis.