

Analysis of Latin American Cryptocurrency Market in 2022

*Felipe Montoya Rodríguez, Graduate Student & Researcher
New York University*

Introduction

Cryptocurrency markets have been facing high doses of volatility in recent months due to several scandals and collapses in Centralized Exchanges in the developed countries, such as South Korea with Terra LUNA and the United States with the backlash of FTX. Nevertheless, there is a region in the world that keeps growing its cryptocurrency's appetite in spite of this news and is Latin America.

According to the Global Crypto Adoption Index, published by Chainalysis, LATAM is characterized by increase in user adoption, transactions made on a daily basis and citizens looking to get digital assets with better chances to store value than in their current domestic markets.

Latin America in the Crypto Market

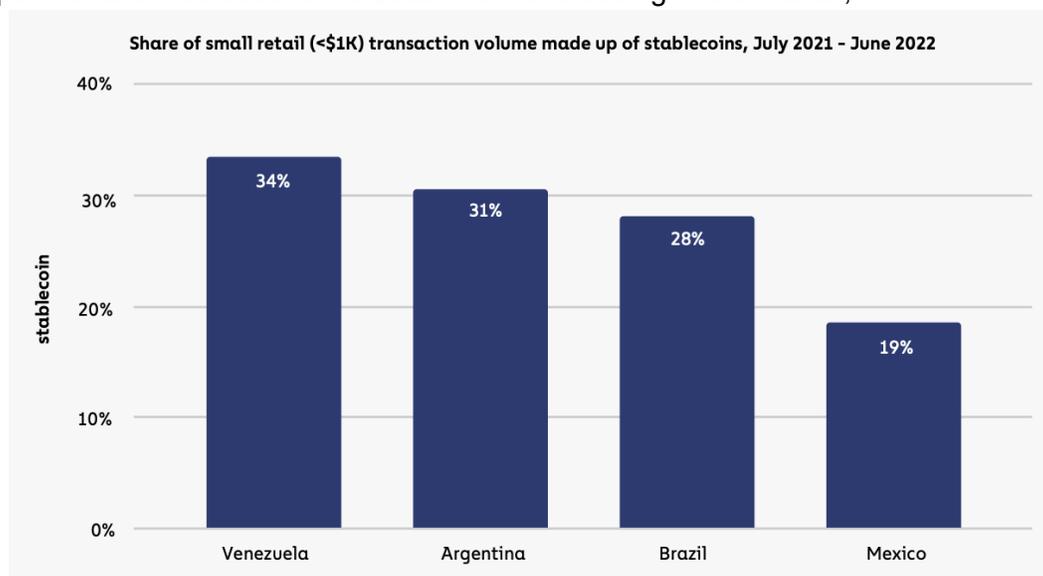
According to the study, the region concentrates heavily its use cases in: a) store of value, b) remittances and c) seeking alpha (DeFi and Play-to-Earn). In the first case we have that this year transactions using blockchain-based digital assets have surpassed more than \$562 Billion USD as of June 2022, The inflation is the major driver in the urgency of people from countries such as Argentina, Venezuela, Colombia, Peru to move swiftly to purchase dollar-pegged stablecoins (USDT, USDC, BUSD, etc.)

Inflation deterrent

Venezuela, with a Bolivar's depreciation of more than 100,000% from 2014 to 2022 and Argentina with a 3,000% depreciation in the same time lapse lead the region in users purchasing any kind of digital dollar alternative. A study led by MasterCard and Binance in the region found out that more than 51% of adults below 35 years-old in the region had somehow gotten at least one transaction in crypto. The last time inflation reached such a height across Latin America, Bitcoin had not yet been invented. While Bitcoin hasn't yet proven to be the inflation hedge many believed it would be, stablecoins – cryptocurrencies that are designed to stay pegged to the price of fiat currencies like USD – are a favorite in the most inflation-ravaged countries in the region. In fact, recent data from Mastercard suggests that more than a third of Latin American consumers already use stablecoins to make everyday purchases.

Amid the macroeconomic stability, young adults are eager to acquire dollars out of their hyper-regulated financial systems and are using decentralized OTC, Peer2Peer methods to get USDT, USDC, BUSD and even euro-pegged stablecoins embedded in blockchain networks. The transactions in blockchain have many advantages: there is no limit or restriction, in Argentina the restriction in the official exchange system is no more than 200 USD a month per citizen,

Venezuelan government has ended their exchange restrictions recently but it is constantly barring different dollar vendors in the economy, According to Kiki del Valle, Mastercad's executive vice president of market development for Latin America and the Caribbean: "Argentina makes a great test case to come into the region because of the rate of adoption of consumers, but also because of geopolitical and macroeconomic situations we're seeing in the market,"



Source: The 2022 Geography of Cryptocurrency Report. Chainalysis.

VanEck's Matthew Sigel's estimates regarding Latin American countries and their adoption of bitcoin are not far from reality. This, taking into account that in many of these nations there is clear evidence of the growth of adoption, both of BTC and its ecosystem in general.

As reported by CriptoNoticias, Argentina and Venezuela, due to the economic crises that identify them, are two of the Latin American countries where the emerging market has a clear presence, especially in what has to do with retail trade.

Outside these two countries, it has become known that in Paraguay and Panama there is a whole community of cryptocurrency users. In the former, legislative progress has even been made to legalize the market, and the latter has been the center of thematic conferences on the ecosystem, which is becoming increasingly popular among Panamanians.

A huge influx of global players and Latin American players are entering the LAC region. More than 31% of Argentina's small retail-sized crypto transaction volume comes from the sale of stablecoins, compared to just 26% of Brazil's and 18% of Mexico's, according to Chainalysis.

Remittances

Hence, another important tool is the use of people in the region as a seamless and rapid tool for abroad remittances, mostly from the US and Europe to Mexico and other countries in the region, remittances in between the north american trade partners has been historically high and

correlated, but in 2021 reached new all time highs, totalling 51.6 Billion USD of money sent to immigrants in US to their families in Mexico, according to Coindesk, Bitso Processed \$1B in Crypto Remittances Between Mexico and the US so far in 2022, which is a 4% of the current market, Bitso, the biggest cryptocurrency centralized exchange in the spanish-speaking countries, hopes to capture 10% of global money transfers to the Latin American country by 2023, up from 4% earlier this year. But the company is not alone in the market, giants such as Circle (USDC issuers) and Bitfinex (USDT stakeholder) have landed the market this year to offering their services in the region, Circle established alliances with local allies and Bitfinex issued a Mexican peso-pegged stablecoin (MXNT) to make easier the remittances swap in between american and mexican currencies.

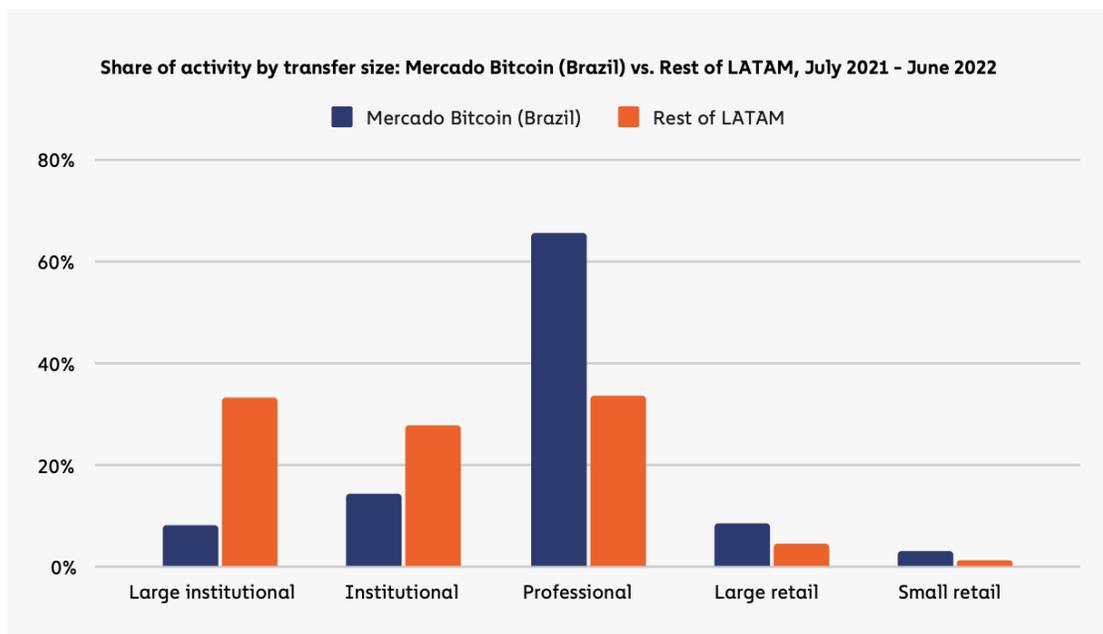
In Mexico, many financial institutions are also located far away from rural areas, and this makes it hard for the locals to access financial services. Crypto remittance solutions are beginning to close this gap by enabling citizens in such areas to access their money without having to travel long distances. Moreover, they are able to serve the unbanked. As things stand, over 50% of Mexicans lack a bank account. This makes crypto remittance solutions convenient for citizens in this demographic, as all that's needed to receive funds is a crypto wallet address.

El Salvador Bitcoin fever

El Salvador's government-backed payment app Chivo processed \$52 million in Bitcoin remittances from January to May this year; but the government is famous to become the first country worldwide to declared legally Bitcoin as a legal tender and by advocate the "Bitcoin City" as an initiative to become the pacific country a cryptocurrency Mecca. This week El Salvador Government confirmed it will issue \$1 billion in bonds on Blockstream's Liquid Network, a federated Bitcoin sidechain, according to a statement sent to Bitcoin Magazine. The proceedings of the bonds will be split between a \$500 million direct allocation in bitcoin and an investment of the same amount in building out energy and bitcoin mining infrastructure in the region. The move seeks to attract capital and investors to the Central American country.

The biggest market

Brazil ranks seventh in the world in cryptocurrency adoption, according to the Geography of Cryptocurrencies report, published by intelligence firm Chainalysis on October 20. Compared to last year, the country jumped seven places in the ranking. The biggest cryptocurrency use cases in Brazil are: speculation, store of value, and international remittances, still according to Chainalysis data. Cointelegraph Brazil spoke with experts to learn how the growth in adoption affects Brazilian investors.



Source: The 2022 Geography of Cryptocurrency Report. Chainalysis.

In 2022, the monthly volume traded by individuals and companies was R\$ 11.3 billion (2 Billion USD). In Brazil, the most recent survey shows that the most traded cryptocurrency was bitcoin. In the period, 2 million transactions were carried out by the Federal Monetary authority (Receita Federal). Next comes ethereum, which had 991,200 trades in September. Brazil has more than 2 million citizens who are holders of any kind of digital assets (Bitcoin, Ethereum or other Altcoins).

Latin American citizens are best-fitted for adopting decentralized means of exchange in goods, not only because of their rigid financial systems, their liquidity scarcity and macroeconomic uncertainties. A Mastercard study revealed that 86% of Latin Americans surveyed are willing to use alternative payment methods such as cryptocurrencies, QR codes, and biometrics, in contrast to the 77% of Americans and 74% of Europeans that indicated the same.

Conclusion

At the end, it is important to highlight the community building efforts that has been present in the region to strengthen groups of developers, users, and crypto enthusiasts across different countries in LATAM. Argentina was pioneer in the scene with the launch of LABITCONF, the first conference of cryptocurrency in the region and one of the first globally, and this year we have the privilege to have Ethereum DevCon in Bogota with the presence of leading figures in the ecosystem such as Vitalik, CZ, Sergei Nazarov, etc. In addition, el Salvador launched last year the global Bitcoin Conference and is planning to become Bitcoin City as a recurrent place in libertarian tourism, Today the ecosystem is more consolidated in several countries and is rare to find apathy for the blockchain technology.

Cryptocurrencies can have many use cases, depending on the market conditions. The specific economic circumstances in Latin American countries illustrate how cryptocurrencies can solve

complex issues. The use of crypto for remittance payments is a handy way to enable Latin Americans to support their families. Another excellent use case for crypto in Latin America is using it as a hedge against inflation. With stablecoin investments, users get to protect their funds from unexpected market fluctuations.

Given that crypto proves so helpful to Latin American users, it's no wonder that the adoption of Bitcoin in South America is rapidly on the rise. It remains to see how the popularity of crypto will impact crypto services and traditional financial institutions in Latin America. One thing is certain. Users are demanding more exposure to crypto assets.

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