



## MercadoLibre – having a good crisis

by Andrew Thompson

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### What happened?

Twenty-year old e-commerce platform MercadoLibre, first launched in Argentina but now operating in 18 Latin American countries has been booming during the coronavirus crisis, with second quarter revenues surging 61% to US\$878.4mn while net income rose to US\$55.9mn.

### The details

The COVID-19 crisis has been terrible for some companies but pretty good for others. Just like elsewhere in the world, the region's sectors hardest hit by lockdowns and social distancing have included transport, hotels, restaurants, entertainment, and airlines. On the other hand, demand for e-commerce, MercadoLibre's specialism, has gone through the roof as millions of Latin Americans have been stuck at home relying on door-to-door deliveries. During the second quarter – the most intense lockdown period – unique active users on MercadoLibre's websites almost doubled to 51.5mn people. The company says the pandemic generated "significant changes in consumer behaviour" and a big increase in online shopping and payments.

MercadoLibre, which employs over 10,000 staff, has also taken some key steps to enhance the business. New warehouses are being built in Mexico. Most of its office staff are now working from home, while major efforts have been made to keep the physical delivery operation working smoothly. The company has signed agreements with local Burger King, Starbucks, and McDonald's franchises to share staff, call centre, and logistics expertise.



One interesting effect of the crisis has been to re-arrange the ranking of Latin America's most valuable companies. As share prices fluctuate, on certain days this month MercadoLibre has been the highest-value company in all of Latin America, with a market capitalisation of over US\$60bn, pushing narrowly ahead of a much more traditional operation, the Brazilian mining giant Vale (around US\$59bn). Third place has been taken by another conventional heavyweight, Brazil's state-owned but stock-exchange listed oil company, Petrobras (US\$45bn). Then come Brazil's Banco Itaú, Walmart's Mexican subsidiary, and Mexico-based telecoms company América Móvil.

## What does it mean?

How the post pandemic shake-up of Latin American economies will play out is hard to predict, but it will almost certainly involve the appearance of a new wave of technology based start-ups.

### About the Author

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As well as being a Canning House Associate Fellow, Andrew is a former foreign correspondent (Buenos Aires, Mexico City, Rio de Janeiro) and a broadcaster for the BBC's Latin American Service. Working through La Rambla Research Ltd., he writes about economics, political risk, and business in Latin America.



**These stories are also available on Andrew's blog site, [La Rambla Research](#).**