

Not so fast – Speedy Gonzales!!!

Speedy Gonzales is an animated cartoon, which is “The Fastest Mouse in all Mexico” and has an exaggerated Mexican accent.

Mexico is one of the largest economies and markets in Latin America – in fact, it is the largest market amongst Spanish speaking countries south of the USA (they speak Portuguese in Brazil, the largest market in the Region). This is just one of the reasons why we pay particular attention to the Mexican economy, the other reasons being their proximity to the USA (physical and commercially via NAFTA), their decreasing labor costs that are giving China and other South East Asian countries stiff competition and the fact that the Mexican Peso is one of the most traded currencies found in the developing nations sample.

A New President

The June 2, 2024, presidential elections results captured headlines across the world. Claudia Sheinbaum candidate of the MORENA party won a decisive victory over the opposition. Sheinbaum was expected to win, but the surprise was that MORENA and its coalition partners from other political parties also won a supermajority in the Chamber of Deputies and a majority in the Senate. The new Mexican president policies are likely to be a continuation of the former president, BUT here we highlight some of the measures that could make it different or more positive.

- AMLO’s expansion of social programs has notably contributed to reducing poverty and inequality. Mexico’s poverty has declined almost 8% during his tenure and the minimum wage has practically double in real terms; this is not viable in the long term unless there is a comprehensive tax reform which is Sheinbaum’s challenge during her term.
- The new administration needs to work on reforms: telecommunications, energy, financial services, housing policies and fiscal policies, to name a few. These reforms, once agreed upon and passed, should shape the course of the Mexican economy for the next five years. We will be watching.
- The Mexican Congress will begin analyzing these reforms in October, so white smoke is not likely before the end of 2024 when the budget for 2025 should already be in place.
- Real estate developers and industrial facilities builders are aware of the demand-supply gap that exists. Competition should follow to attract new tenants – individual, families, manufacturers and warehouses alike, ultimately benefitting the consumer. Several industrial/multinational companies have already set up shop in Mexico. Many have expressed their plans of adding to their Mexico operations in order to serve the local market and larger regional market as well.

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Government agencies and quasi-government agencies are rolling out pilot programs to better match financing options, homeowners, interest rates and builders

- The segments of the population that do not have access to financial services are still high when compared to similar economies in the Region and other regions. Deployment of new products and services (for the low income to the ultra high net worth) are in the works. These innovations should add to the ways in which consumption finance, money transfers and savings are viewed and funneled back into the economy.
- They need to think of new strategies to deal with the continuous expansion of the territorial, armed, and economic power of organized crime, whose networks continue to grow and evolve throughout the country.

Finally, any better-than-expected recovery in the US economy should have a positive spillover effect in the Mexican economy – exports to the US should increase, tourism to Mexico should increase, the inflow of FDI (foreign direct investments) should rebound creating a stronger Mexican peso and adding to the multiplying effect of money.

Each country is the other's top trading partner, and, sharing the world's busiest border in trade terms, both governments will have to navigate trade agreements which will benefit both interests.

The road won't be easy partnering with like-minded conservative allies in Mexico is essential to understanding the new Mexican president and holding her administration accountable.

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