

# A View from Latin America:

## *A Political and Market Perspective*

10:30 – 11:30 a.m.



**Luz Maria de la Mora**  
former Mexico Vice Minister



**Edgar Vasquez**  
former Peru Minister of Trade



# Mexico and Central America in 2024

Luz Ma de la Mora

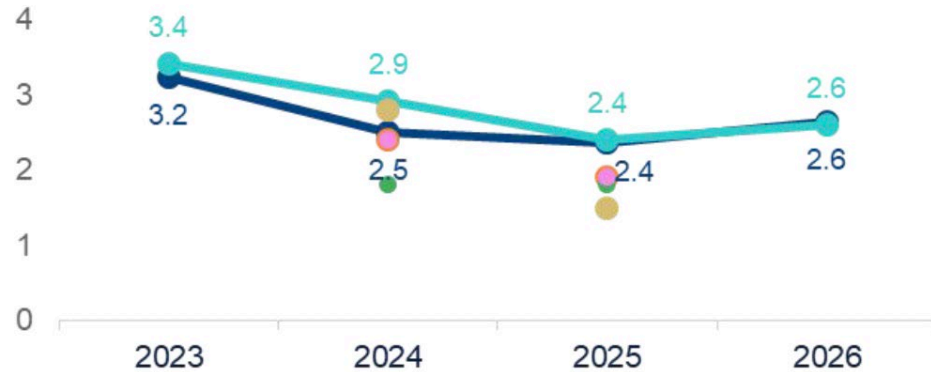




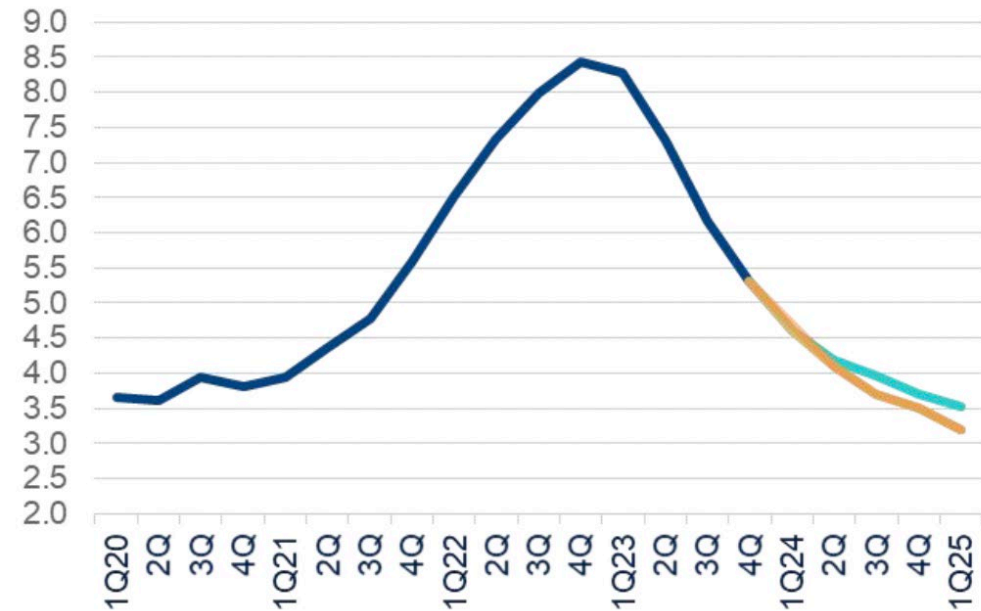
# Mexico

## The economy in 2024

- Economic growth: 3.2% in 2023; 2.5% expected in 2024



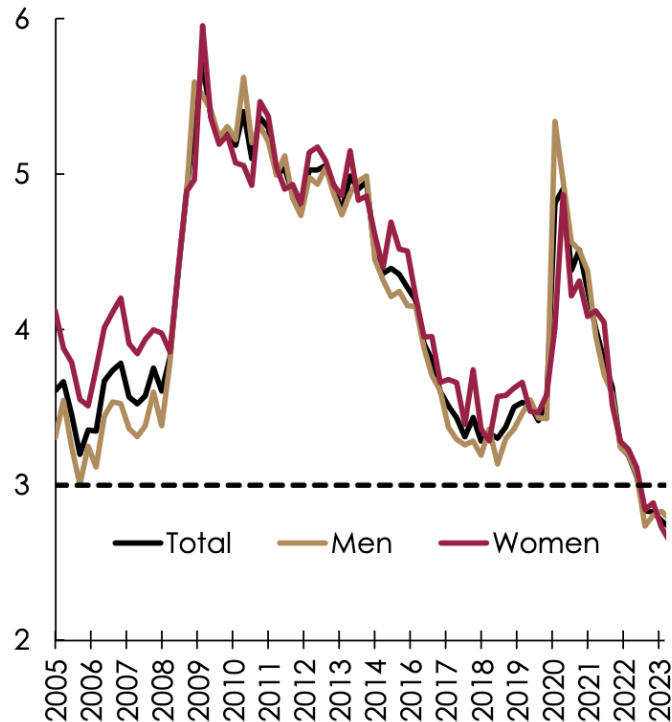
- Inflation. 8.7% in August 2022 to 4.88% in April 2024.



# Mexico

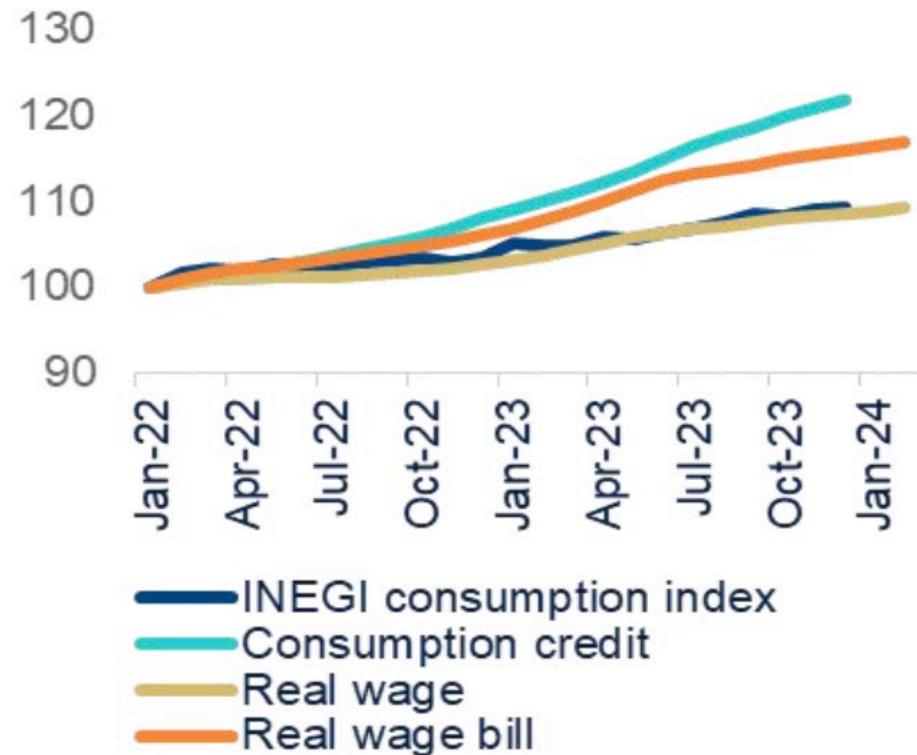
## The economy in 2024

- Unemployment rate: record low of 2.8% in March 2024



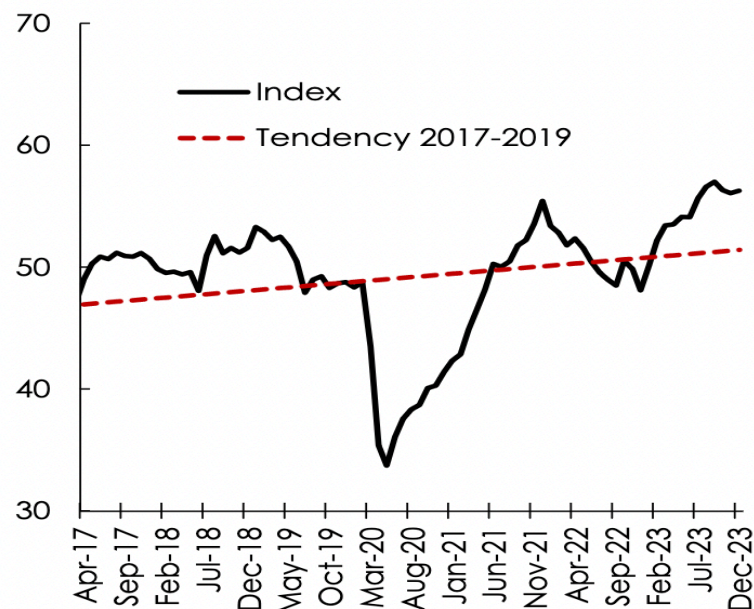
Source: INEGI and [BBVA](#).

- Private Consumption will keep growing











## The economy in 2024: CHALLENGES

### • BUSINESS CONFIDENCE

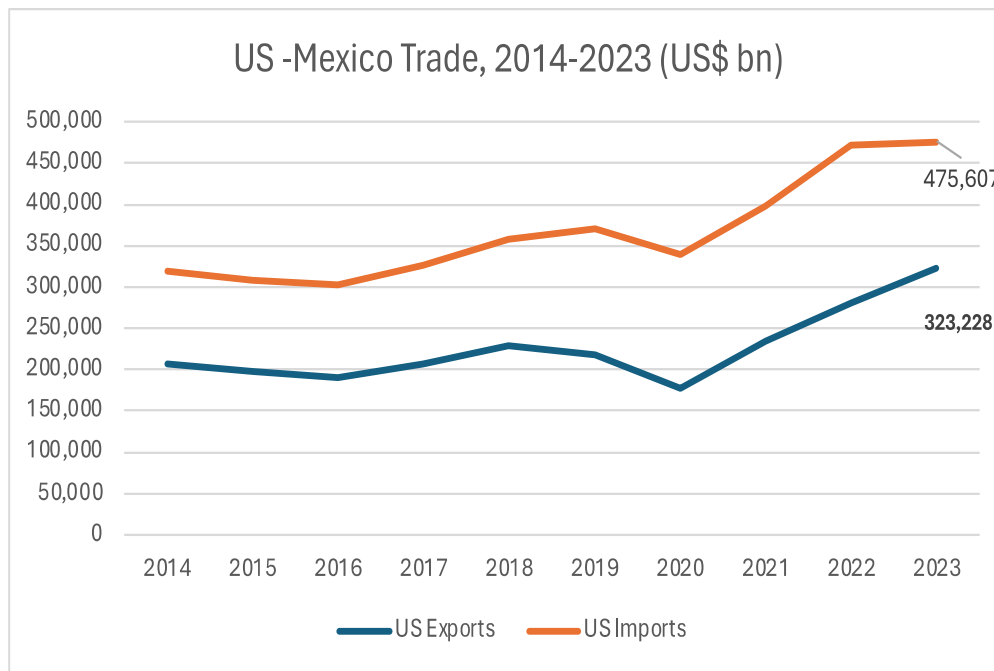


Source: [SHCP](#).

### • MEXICO'S FOREIGN CURRENCY LONG-TERM DEBT

Agency	Foreign Currency	Outlook	Last Review
	Long Term		
	A-	Stable	18-Aug-23
	BBB+	Stable	12-Jan-23
	BBB+	Stable	28-Apr-23
	Baa2	Stable	08-Jul-22
	BBB	Stable	01-Feb-24
	BBB	Stable	08-May-23
	BBB	Stable	04-May-23
	BBB-	Stable	07-Dec-23

- Mexico is the US' top trading partner



Source: IMF Trade.

- Mexico is the US' second-largest agricultural export market, with ag exports reaching US\$28.64 billion.

Top 10 agriculture exports to Mexico in 2023					
	Commodity	Total Value (million USD)	Total Volume (Thousand Metric Tons)	10-Year Average Value (million USD)	10-Year Growth
1	Corn	\$5,380	18,610	\$3,320	139%
2	Soybeans	\$2,780	4,760	\$2,090	53%
3	Pork & Pork Products	\$2,350	1,100	\$1,550	51%
4	Dairy Products	\$2,320	721	\$1,620	42%
5	Poultry Meat & Prods. (excl. eggs)	\$1,260	878	\$1,100	-1%
6	Beef & Beef Products	\$1,190	211	\$1,040	2%
7	Wheat	\$1,080	3,090	\$918	26%
8	Sugar	\$921	1,520	\$655	46%
9	Food Preparations	\$908	171	\$635	79%
10	Fresh Fruit	\$823	548	\$629	41%

Source: FAS. USDA. <https://fas.usda.gov/regions/mexico>



### USMCA

- Disputes under Chapter 31.
  - GMO Corn – panel (in progress)
  - Energy - consultation stage
  - Autos – panel issued final decision in Jan. 2023
- Disputes under Chapter 31. Annex 31-A. 22 cases under the RLRM
- 2026 review

### Mexico's Trade Policy and negotiations

- Limited ambition and protectionist measures
- UK accession to CPTPP
- Mexico – EU FTA modernization
- Mexico – EFTA FTA modernization
- Pacific Alliance – Singapore FTA

# Mexico



## The 2024 Election

### National election June 2, 2024

- Two women running for president



Xóchitl Gálvez: opposition.

Claudia Scheinbaum: MORENA

- October 1, 2024, inauguration of the new government.

### Main Challenges

- Security
- Rule of law
- Fiscal discipline/reform
- Future of PEMEX
- Health services
- US relations: immigration and drug trafficking



# Central America



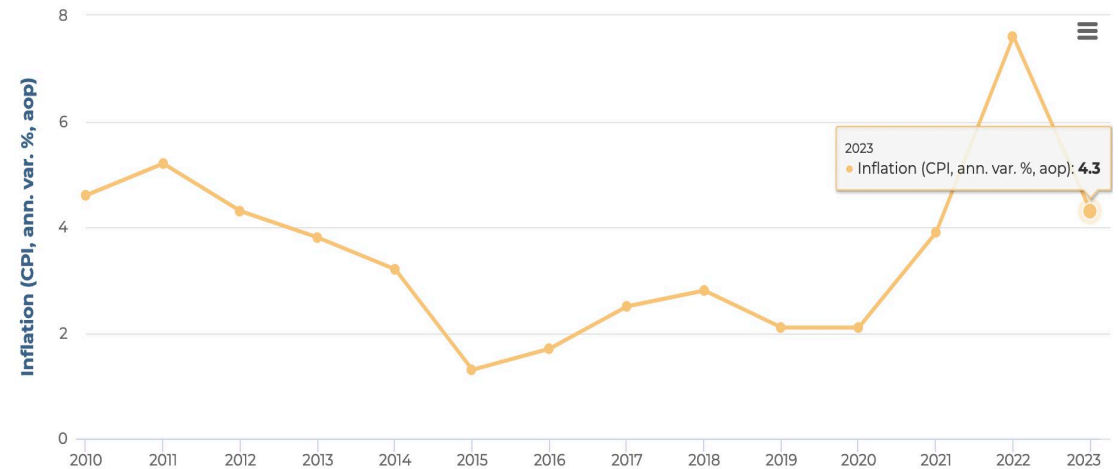
## The economy in 2024

### Growth

Country	2024 f	2025 f
Costa Rica	3.9	3.6
Guatemala	3.5	3.5
Honduras	3.2	3.4
El Salvador	2.3	2.3
Nicaragua	3.2	3.5
Panama	4.6	5.3

- Except for El Salvador, all countries will outperform global GDP growth of **2.9% in 2024** and **3.0% in 2025**.

### • Inflation



- In 2023 it reached **4.3%** and in 2024 it will continue to come down.
- Lower than the world's 6.8% in 2023.

# Central America



## The economy in 2024

### Remittances

- Represent 25% of GDP.
- Permanent increase in remittances.
- **US\$42 bn in 2023** from US\$19bn in 2017.
- Guatemala alone is expected to receive US\$19.5 billion in 2024.

### MONTHLY REMITTANCES IN MILLIONS

2021 JANUARY - 2024 FEBRUARY

#### TOTAL REMITTANCES

**\$107.383,7** REMITTANCES TO EL SALVADOR, GUATEMALA AND HONDURAS

#### VARIATION

JANUARY - FEBRUARY 2024 AND JANUARY - FEBRUARY 2023



EL SALVADOR

**1,3 %**



GUATEMALA

**8,2 %**



HONDURAS

**1,3 %**



Source: [UN Immigration](#).

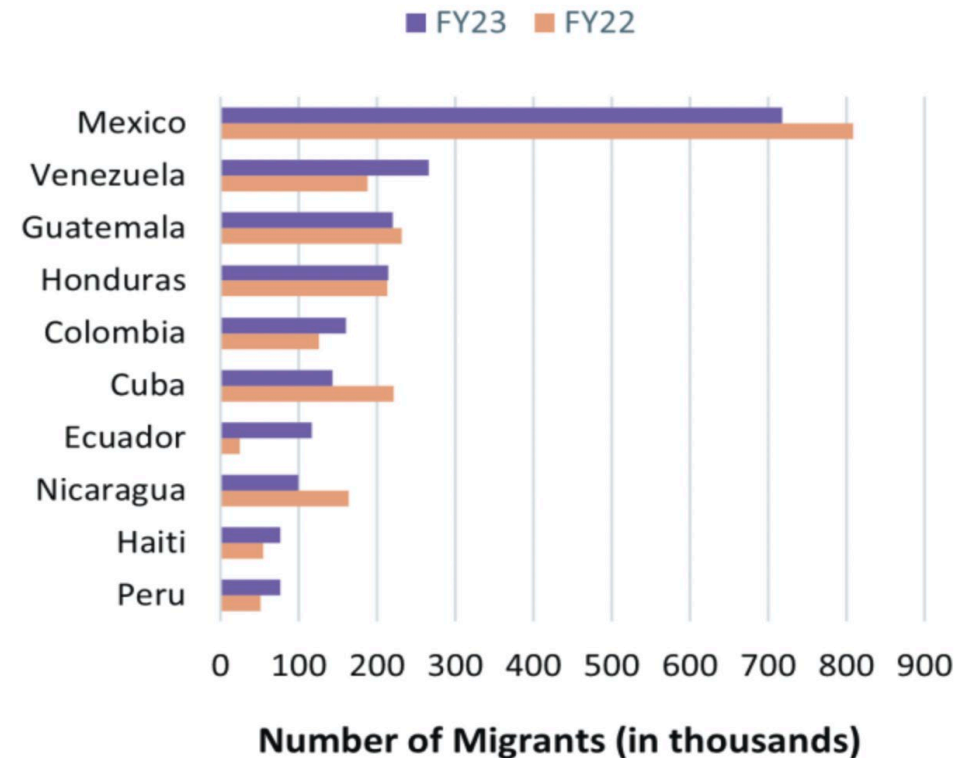
# Central America

## Migration



### Immigration from Central America into the US

- Driven by lack of economic opportunities, absence of rule of law, violence and corruption, particularly in the Northern Triangle countries.
- Between **October 2019 and March 2023**, nationals of El Salvador, Guatemala, Honduras, and Nicaragua accounted for nearly **one-third** of 5.8 million migrant encounters at the US-Mexico border.
- **3.8 million** Central American immigrants already reside in the US (8% of immigrants).



Source: [Every CRS Report](#).

### Risks for the region

- **Climate change:** El Niño causes droughts that affect climate-sensitive sectors (**agriculture and fishing**).
  - **Panama Canal's** water supply, unprecedented drought (surcharges and weight limits on ships).
- **Oil prices** surge could affect economies that are dependent on imports.
- High global **interest rates** have impacted the cost of debt. (Costa Rica 63.9%, Panama 62.1%, El Salvador 54%, Honduras 52.3%, Nicaragua 45.2%, Guatemala 29.3%)
- **Political instability**, and corruption tied to the organized crime, money laundering and drug trafficking continue to be enormous challenges.

### El Niño effects in 2023 and 2024



Source: [Futuro Verde](#)



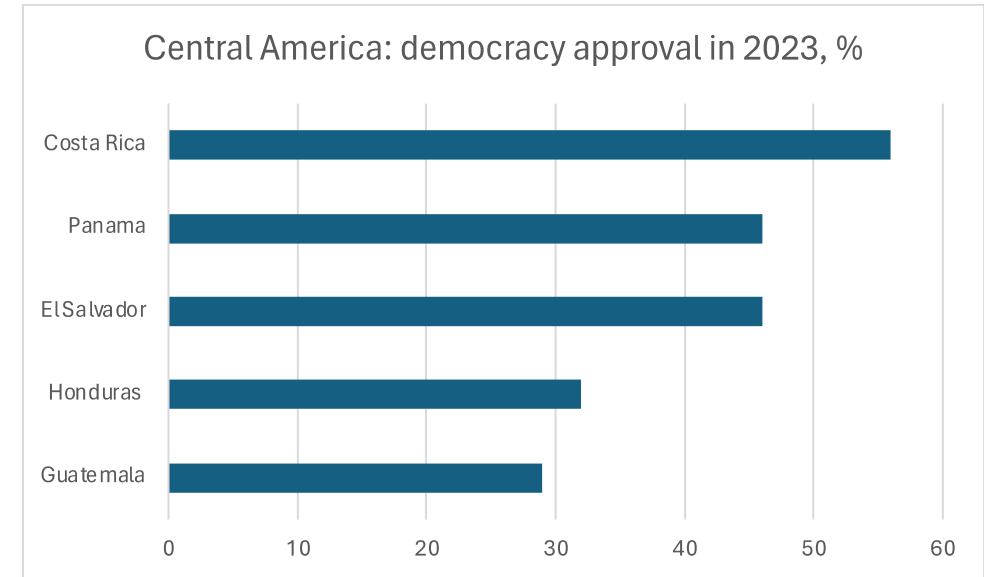
# Central America

## Politics in 2024



### Outlook

- **Democracy** has low levels of acceptance
- **El Salvador**, President Nayib Bukele was comfortably reelected in February 2024.
- **Panama**: the incumbent Party is expected to lose in the May elections due to the unpopularity of President Cortizo.
- Exposure to geopolitical conflict is low and makes the region attractive to foreign investors.
- CAM offers a more stable scenario, particularly when compared to the rest of the world.



Source: [Statista](#).



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# South America: A vision for the future

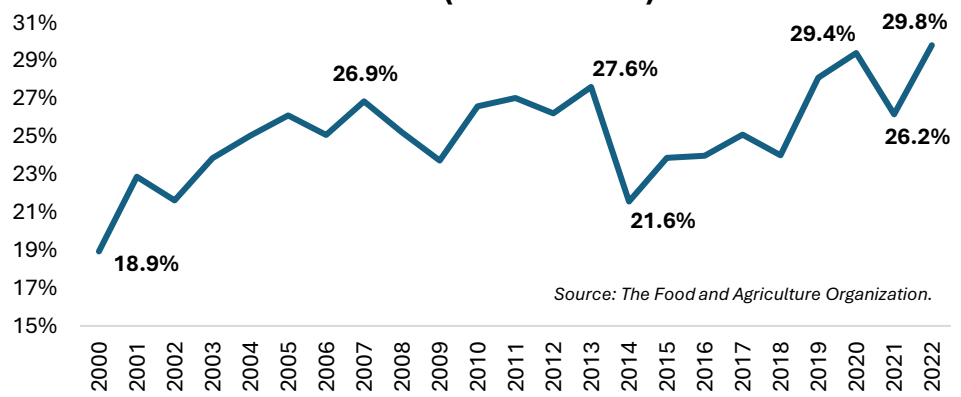
Edgar Vasquez (Director, CIEN-ADEX)





# A high-potential region

**Top 20 Food Commodities: South America's Exports vs World Imports (2000 – 2022)**



Source: The Food and Agriculture Organization.

**South America: The Amazon Forest's home**

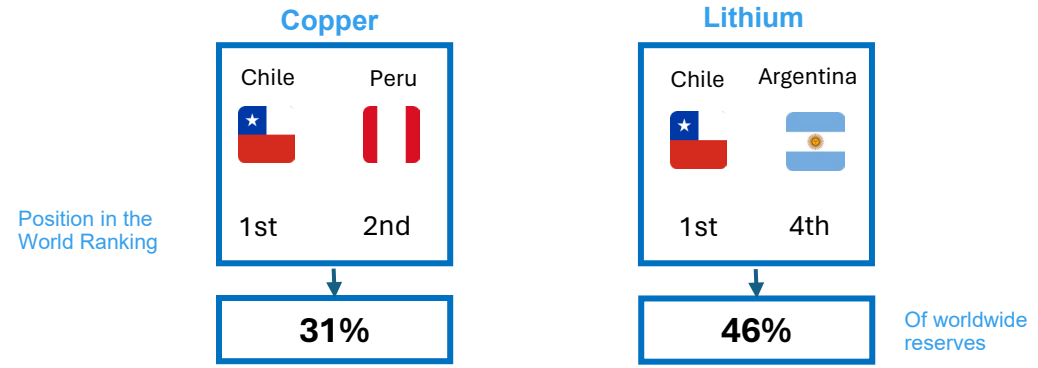


No region is identical to the Amazon in terms of size and biodiversity.

**Amazon: 6.9 million km<sup>2</sup>**  
(2x India's surface area)

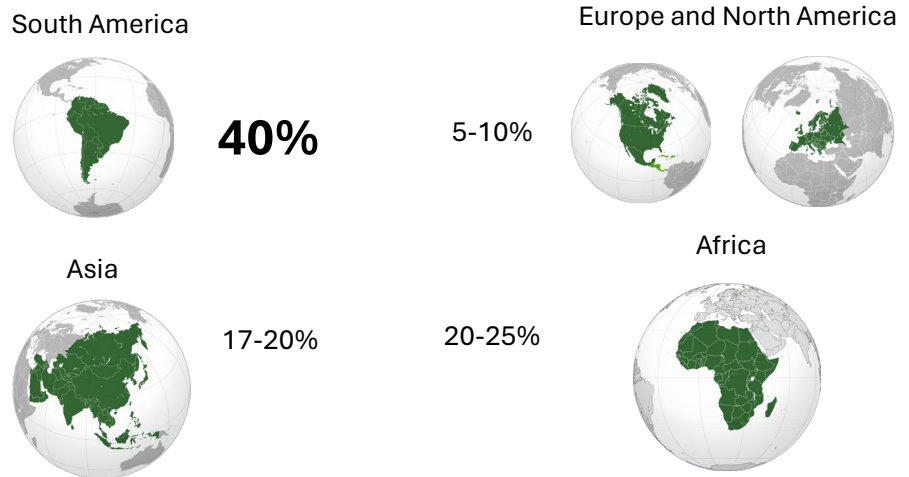
Image for illustrative purposes only.

**Copper - Lithium Reserves, 2023**  
(Thousand Metric Tons)



Source: US Geological Survey

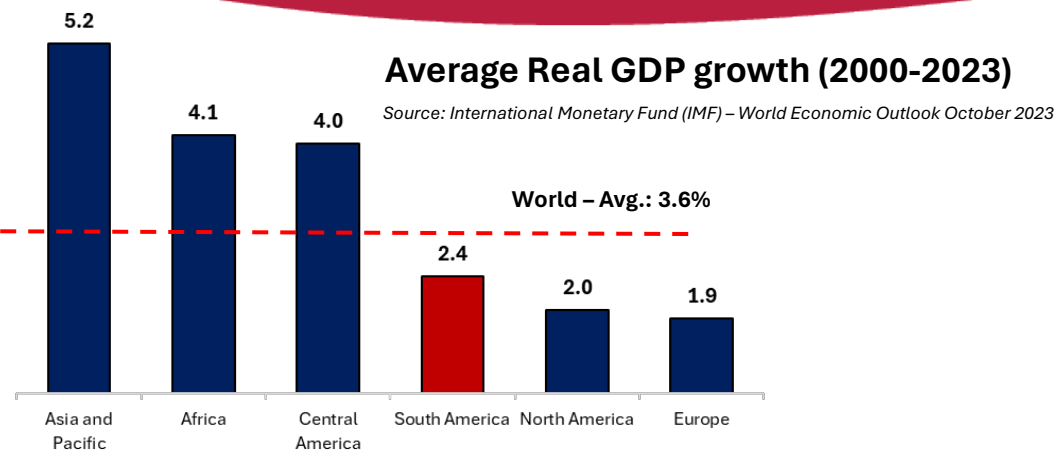
**Share of biodiversity in the world, by geographical area**



Source: Nations Unies

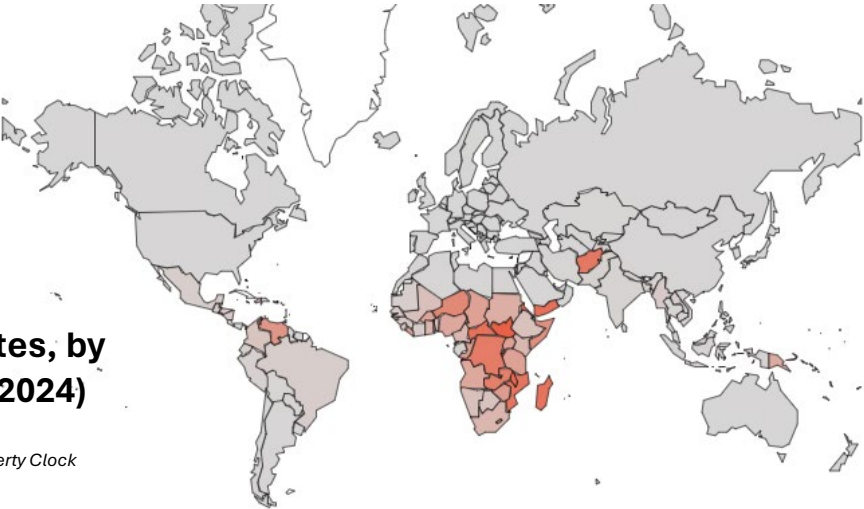


# Regional Performance



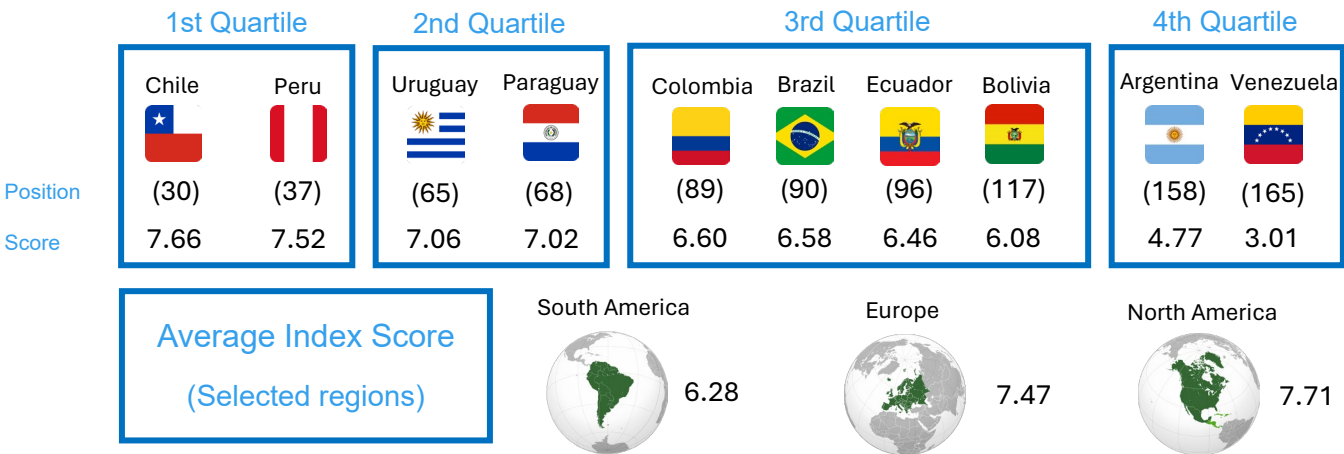
### Poverty rates, by country (2024)

Source: World Poverty Clock



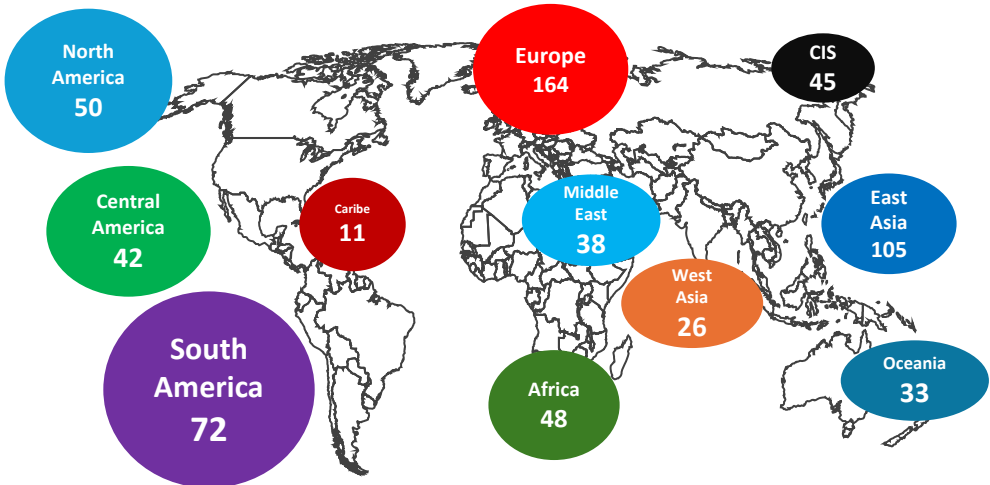
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### Index of Economic Freedom (2023 Annual Report)



Source: Fraser Institute – Economic Freedom of the World: 2023 Annual Report

### Trade Integration of South America (2024): Number of agreements in force



**Chile (31) and Peru (22)** are the unique South American countries among the Top 10 of markets by the number of agreements in force


Source: World Trade Organization

# Barriers for development

Low-quality connectivity

Transportation

Digital

				<u>Others</u>	
	<u>South America</u>			North America	5.0
<b>Roads Quality Index</b> (Regional average)	<b>3.6</b>	<		EU	4.8
				Asia	4.4
				China	230.39
<b>Average of Internet Broadband Speed</b> (Megabytes per sec.)	<b>103.56</b>	<		United States	215.72
				France	200.99

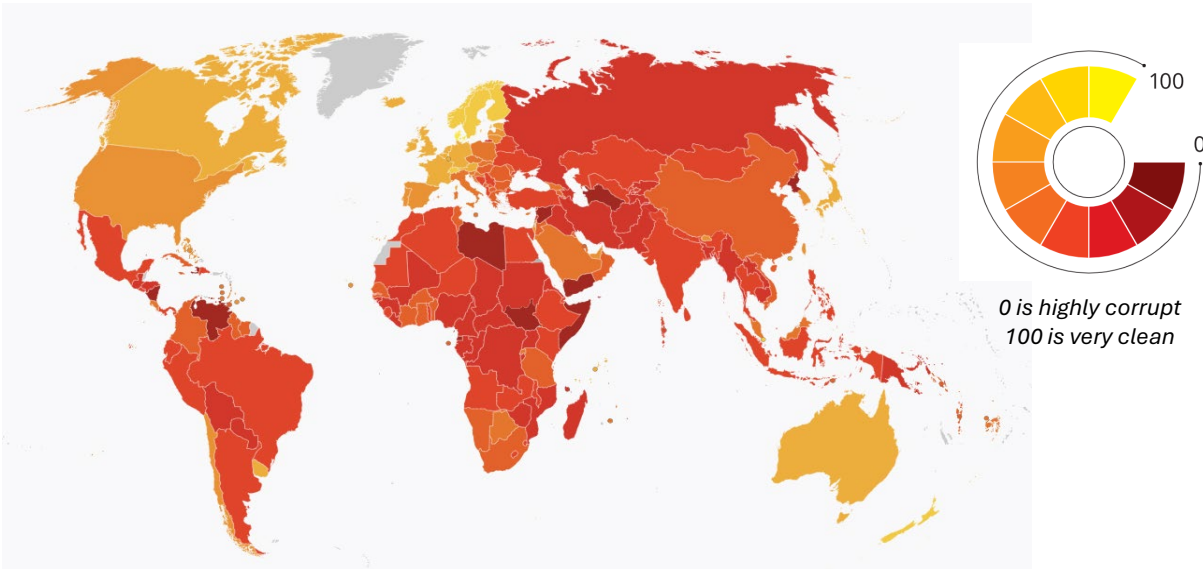
South America: Some social problems that require regional cooperation

Insecurity

Drug Trafficking and Illegal Trade

Migration / Lack of opportunities

Corruption Perceptions Index (2023)




































Source: Transparency.org (2023)

# Political risks

## The Democracy Index by The Economist 2023

Country	Index	Regime type
 Uruguay	8.66	 Full democracy
 Chile	7.98	 Flawed democracy
 Brazil	6.68	 Flawed democracy
 Argentina	6.62	 Flawed democracy
 Colombia	6.55	 Flawed democracy
 Paraguay	6.00	 Flawed democracy
 Peru	5.81	 Hybrid regime
 Ecuador	5.41	 Hybrid regime
 Bolivia	4.20	 Hybrid regime
 Venezuela	2.31	 Authoritarian

## Risk level of changes in the constitution and laws that affect:

	Argentina	Bolivia	Brazil	Chile	Colombia	Ecuador	Paraguay	Peru	Uruguay	Venezuela
<b>Democracy</b>										
<b>Trade</b>										
<b>Foreign investments</b>										
	 Low risk	 Middle risk	 High risk							

# THANK YOU

