

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



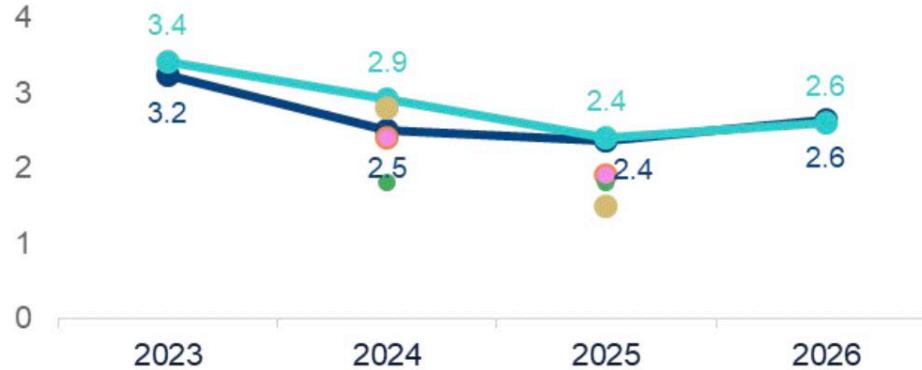
Mexico and Central America in 2024

Luz Ma de la Mora

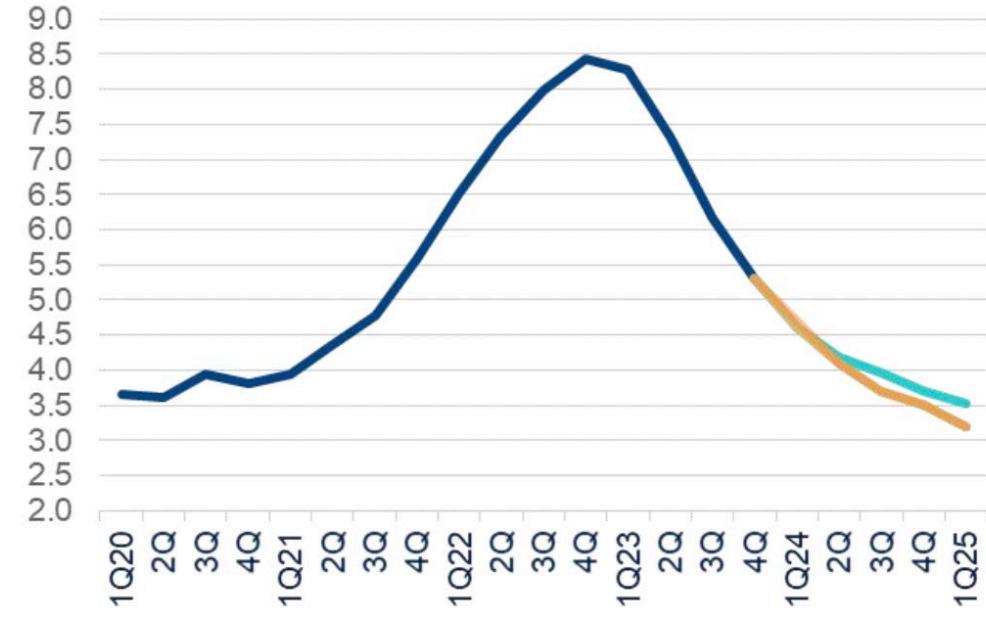


The economy in 2024

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

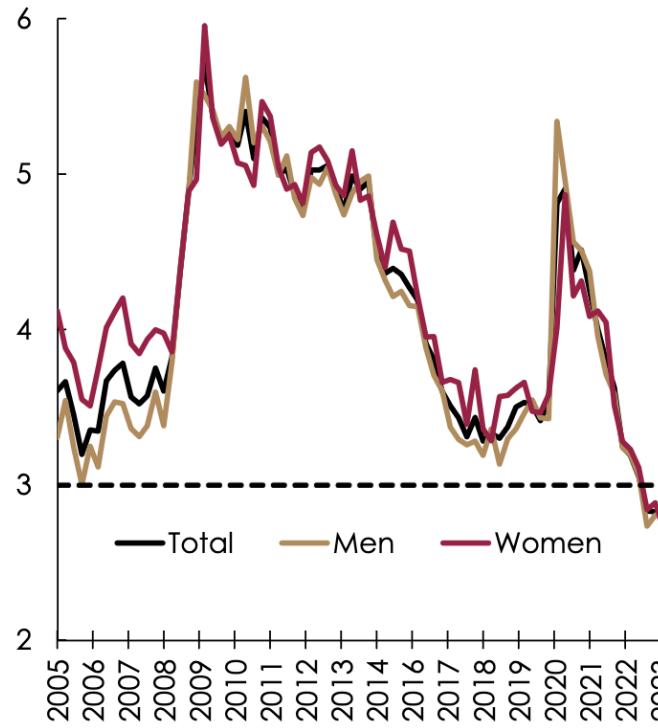


- Inflation. 8.7% in August 2022 to 4.88% in April 2024.



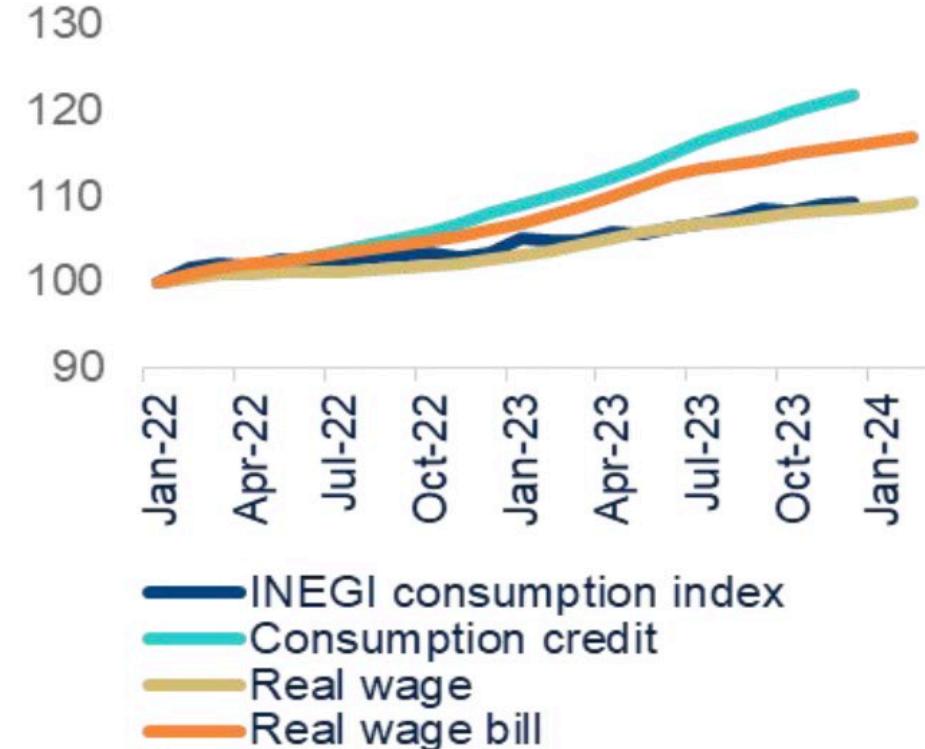
The economy in 2024

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



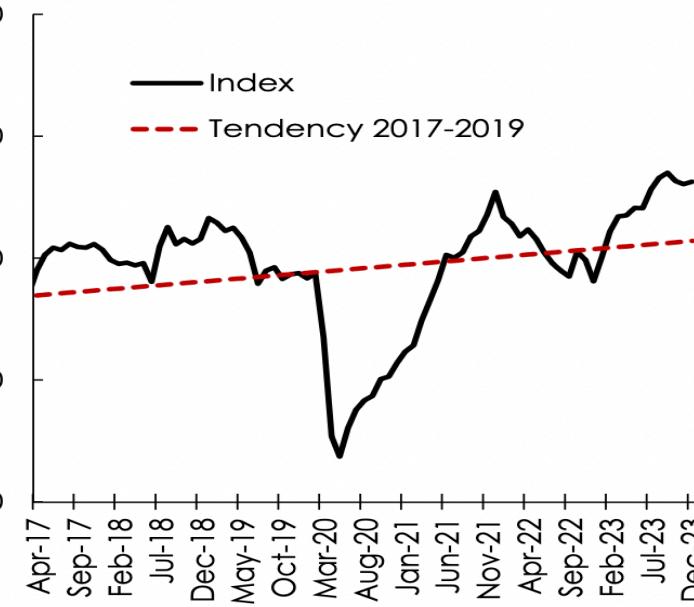
Source: INEGI and [BBVA](#).

- Private Consumption will keep growing



The economy in 2024: CHALLENGES

- BUSINESS CONFIDENCE



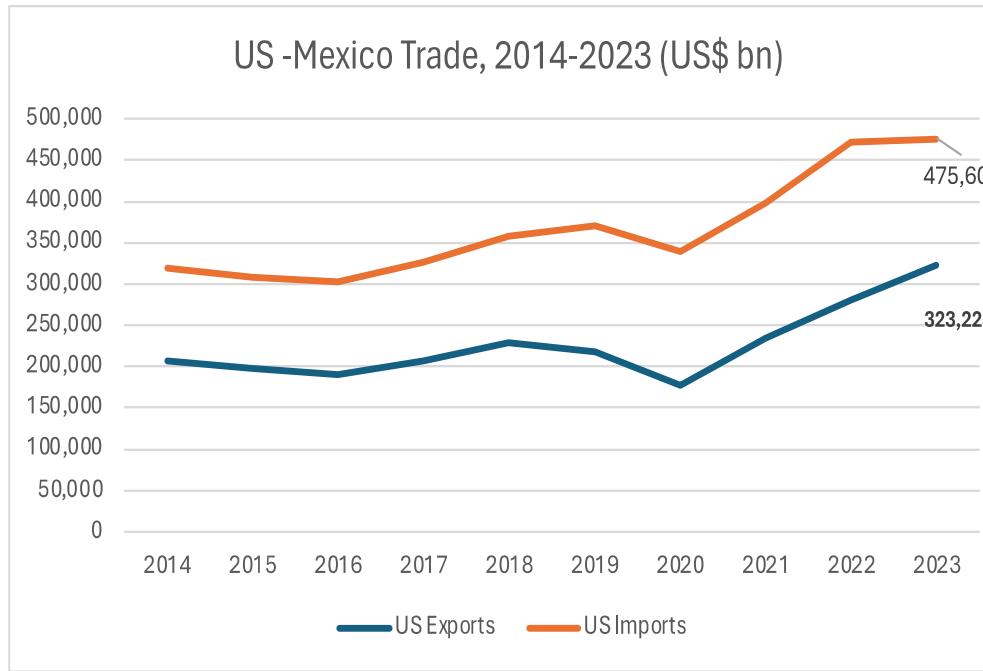
Source: [SHCP](#).

- MEXICO'S FOREIGN CURRENCY LONG-TERM DEBT

| Agency | Foreign Currency | Outlook | Last Review |
|-------------------------------|---------------------|---------|-------------|
| | Long Term | | |
| JCR | A- | Stable | 18-Aug-23 |
| R&I | BBB+ | Stable | 12-Jan-23 |
| HR Ratings | BBB+ | Stable | 28-Apr-23 |
| Moody's | Baa2 | Stable | 08-Jul-22 |
| S&P Global | BBB | Stable | 01-Feb-24 |
| MORNINGSTAR DBRS | BBB | Stable | 08-May-23 |
| KBRA KROLL BOND RATING AGENCY | BBB | Stable | 04-May-23 |
| FitchRatings | BBB- | Stable | 07-Dec-23 |

Trade

- Mexico is the US' top trading partner



- 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

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.

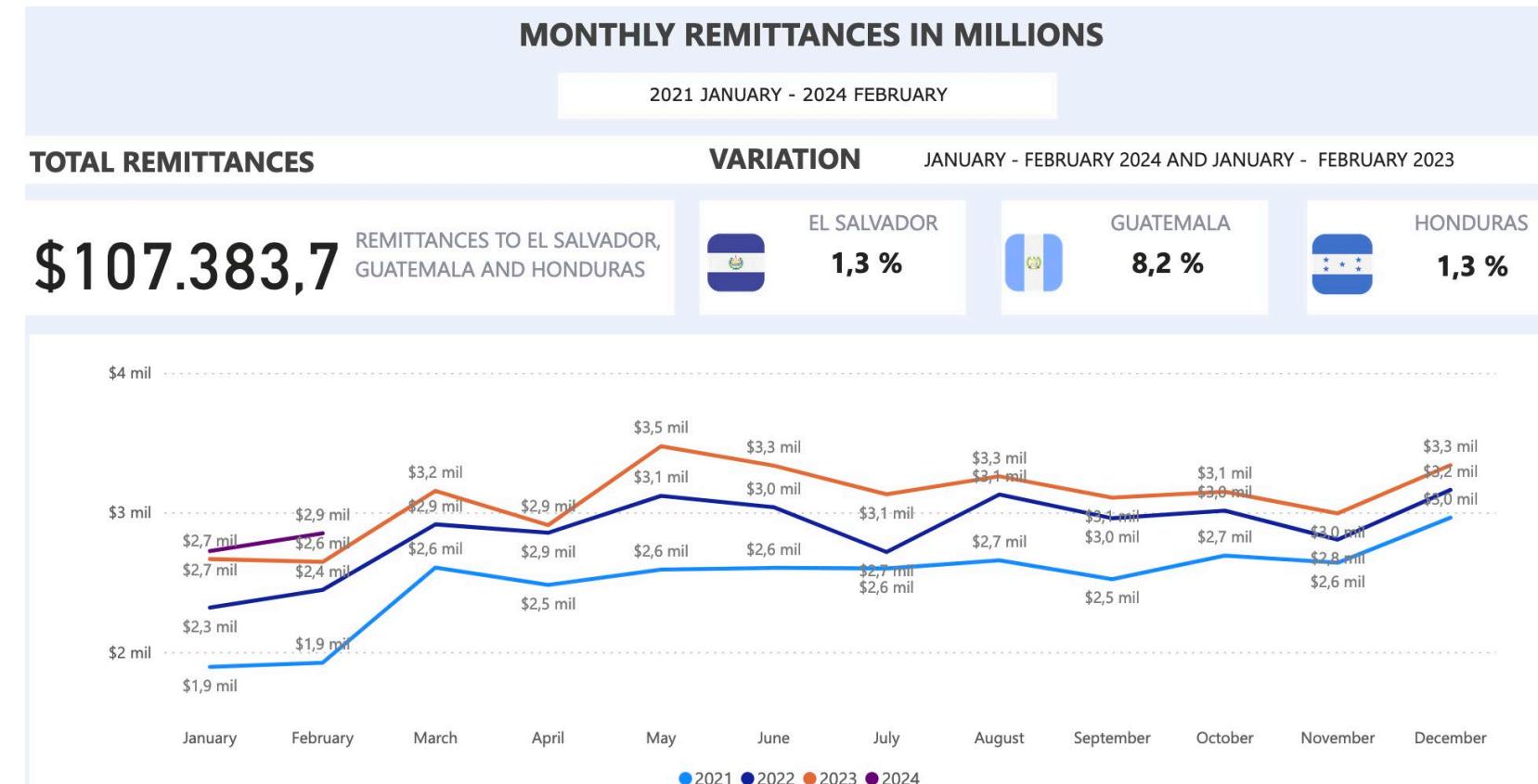
Central America



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.



Source: [UN Immigration](#).

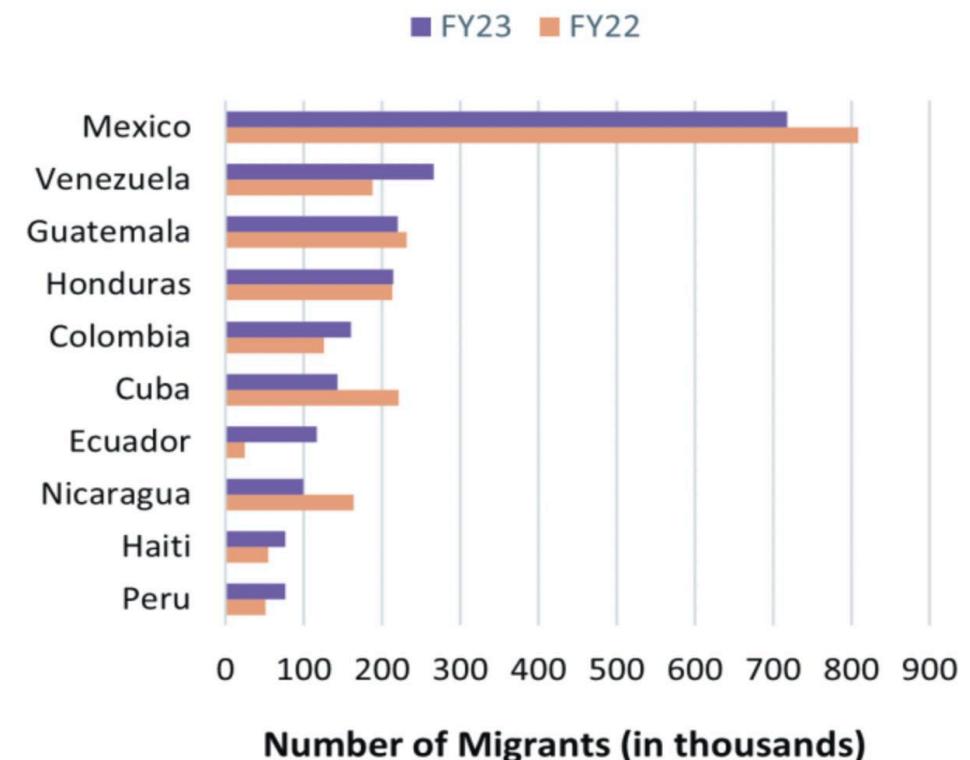
Central America



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](#).

Central America



Risks

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](#)

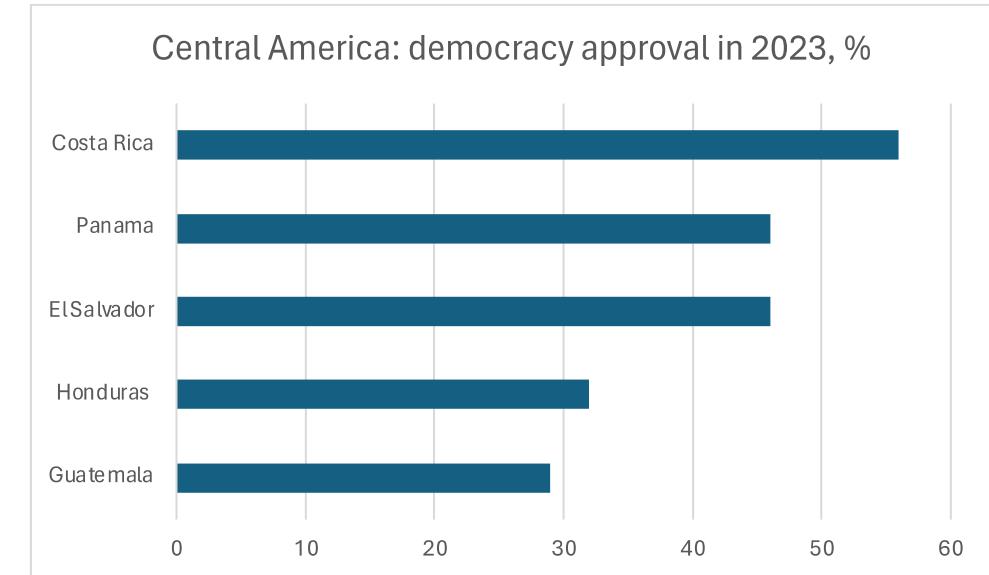
Central America

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](#).



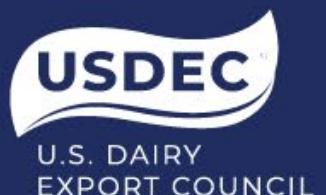
U.S. Dairy Export Council
2107 Wilson Blvd. Suite 600
Arlington, VA 22201-3061 USA

usdec.org
Telephone: (703) 528-3049
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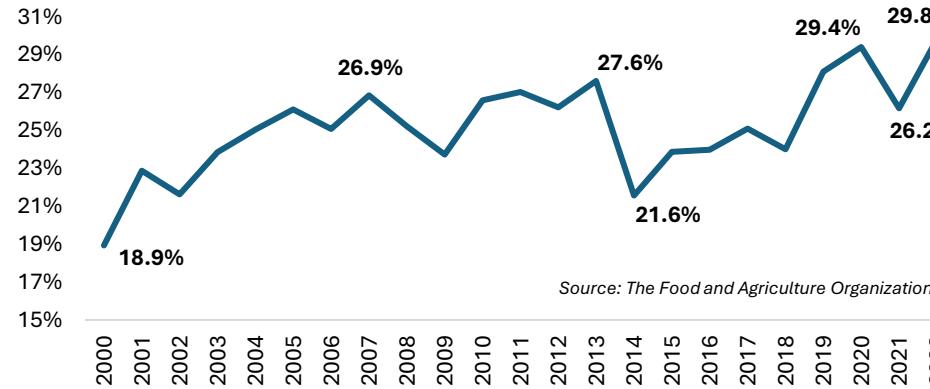
South America: A vision for the future

Edgar Vasquez (Director, CIEN-ADEX)



A high-potential region

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

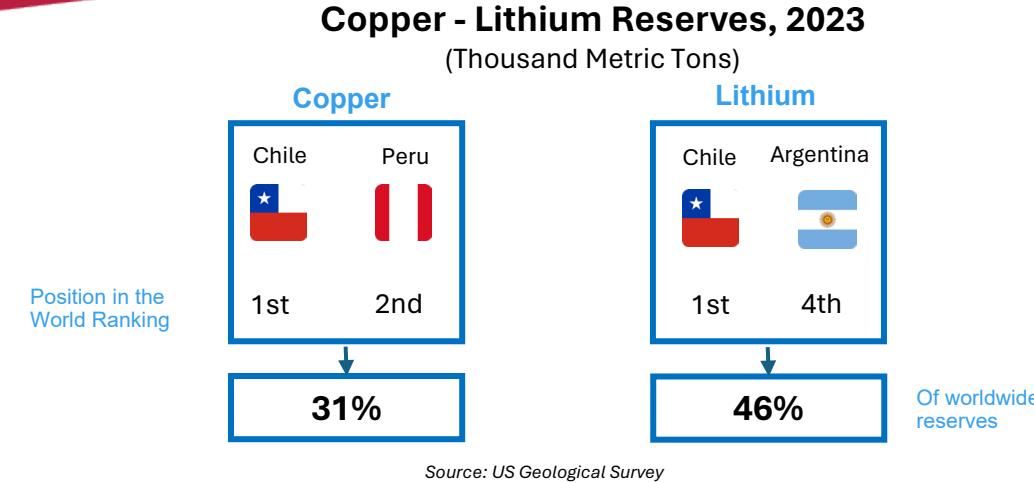


South America: The Amazon Forest's home



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

Amazon: 6.9 million km²
(2x India's surface area)



Share of biodiversity in the world, by geographical area

South America



40%

Europe and North America



5-10%

Asia



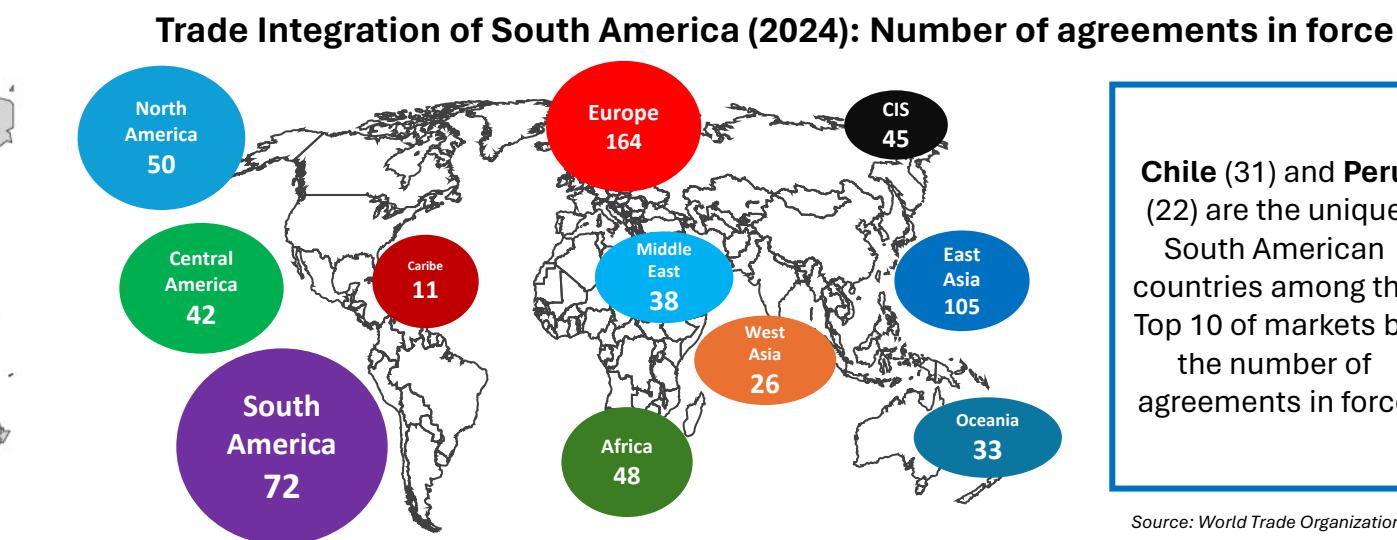
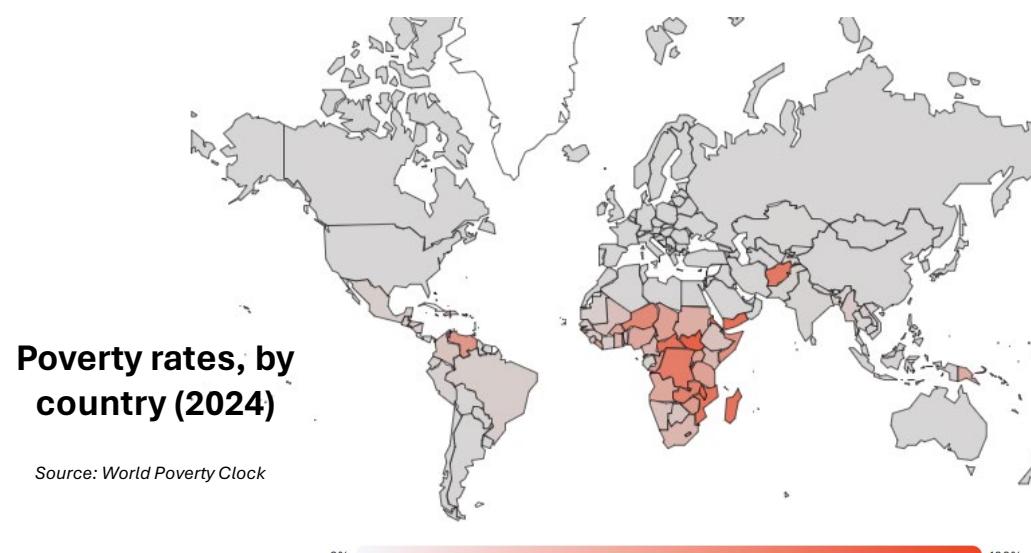
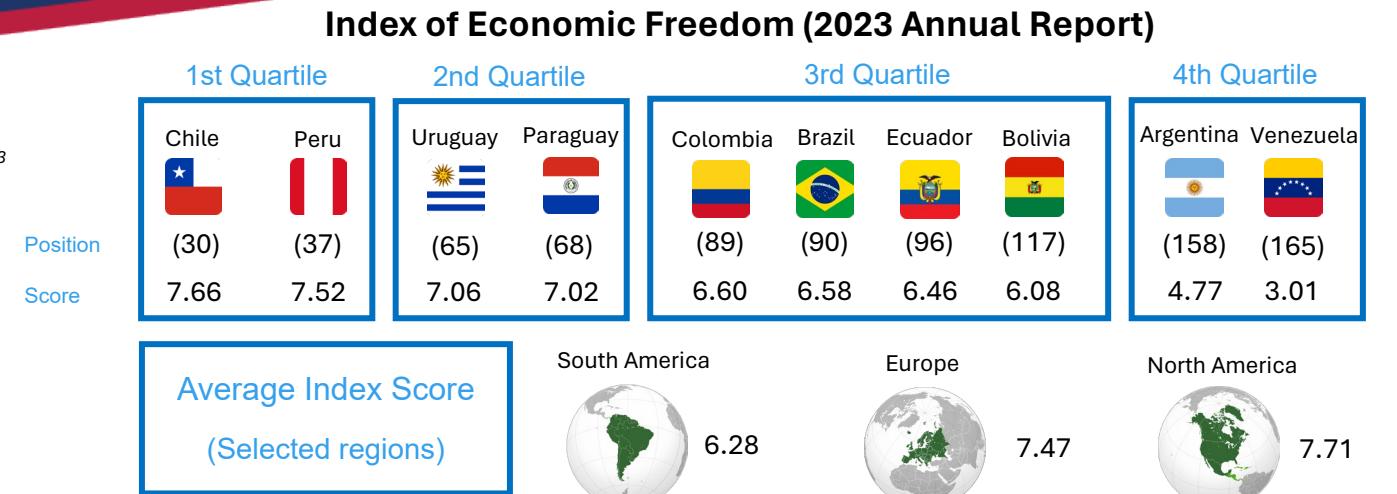
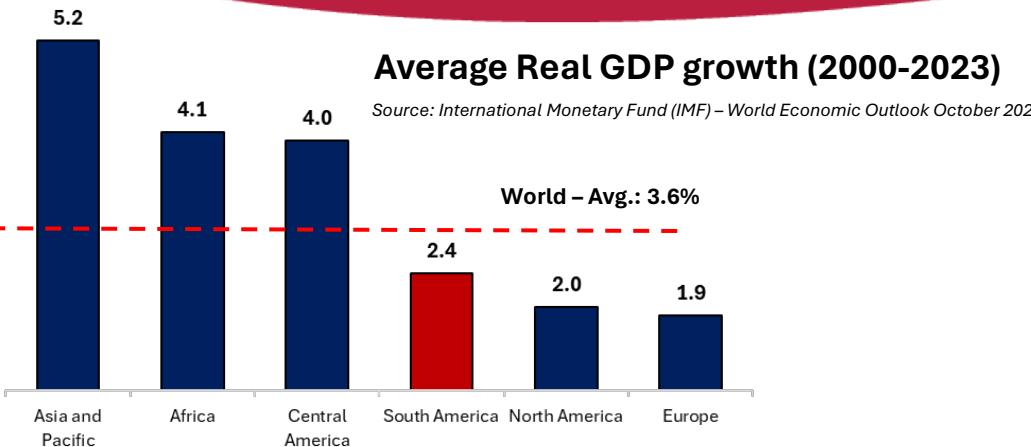
17-20%

Africa



20-25%

Regional Performance



Barriers for development

Low-quality connectivity

Transportation

Digital

South America: Some social problems that require regional cooperation

Insecurity

Drug Trafficking and Illegal Trade

Migration / Lack of opportunities

Roads Quality Index
(Regional average)

3.6

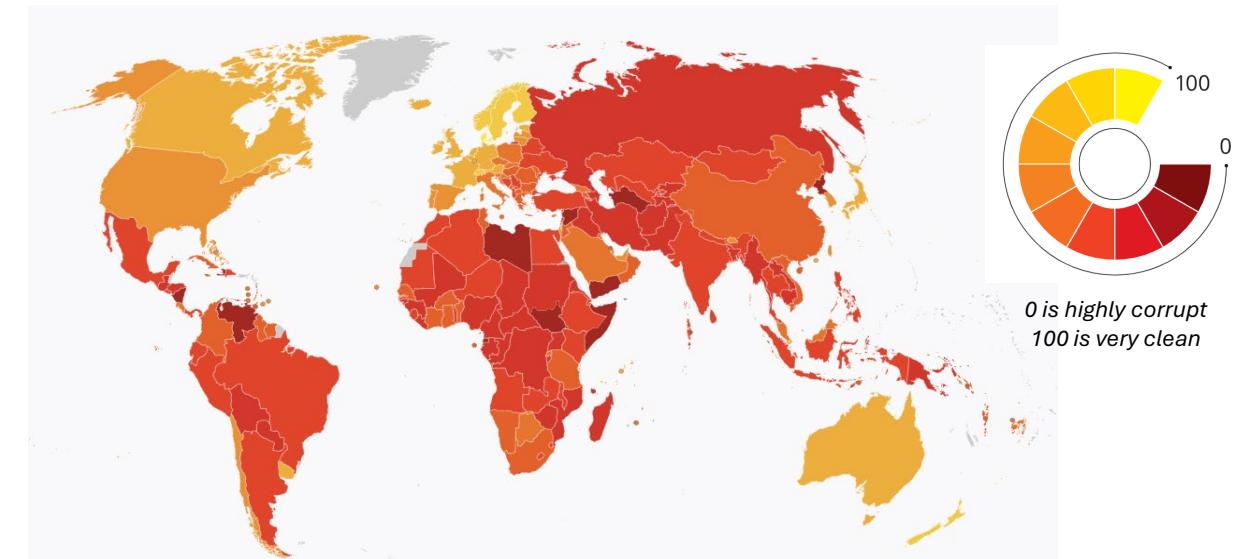


Average of Internet
Broadband Speed
(Megabytes per sec.)

103.56



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:



Democracy



Trade



Foreign investments



▼ Low risk ■ Middle risk ▲ High risk

THANK YOU

