

# Corporate Finance



GC publishes an interesting conversation between our partner [José Ignacio Rivero Andere](#) (“JIRA”) and counsel [Alberto Bustamante Celis](#) (“ABC”) about what is on and coming up for Mexico and its Finances.

## Social and Political Overview

**JIRA:** Alberto, It has been four years since the mandate of President [Andrés Manuel López Obrador](#) (AMLO) began. Both national and international investors, as well as Mexico’s biggest business partners, remain deeply and increasingly concerned about AMLO’s internal and international policies, as well as on the upholding of the rule of law in Mexico.

Despite this, AMLO’s project will probably remain in power. Mexico is due to have elections in 2024 and polls consistently signal an important preference of voters for MORENA (Movimiento De Regeneración Nacional, AMLO’s political party). Moreover, the opposition has been unable to build solid leaderships that provide a viable adversary to AMLO’s presidential candidate. This in turn makes it very likely for MORENA [to continue ruling Mexico for at least eight more years](#), until 2030. In this context we all better learn to work together and find middle ground to unite and advance the country.

**ABC:** To your point José Ignacio, if the opposition remains together, and sustains or increases its position in congress and as long as Mexico’s people (with ideas different to those of AMLO’s) continue to effectively and publicly manifest, [MORENA](#) should negotiate and moderate its so far hardline positions.

The latest example of the results that an effective opposition can have, is in the reform to the Mexican electoral laws proposed by AMLO, aimed at ending the independence of electoral authorities by giving the government control over the electoral system. This triggered a massive protest that gathered hundreds of thousands of people (in Mexico City alone) and [made the opposition unite](#) and confirm that all its members in congress will vote against it with a good chance of stopping its approval.

**JIRA:** Fully agreed.

# The good side of it

**JIRA:** There are some aspects that should give comfort to investors:

Firstly, the fact that AMLO has been extremely respectful of macroeconomic variables. This has given -and continues to give- **stability to the country in its economy and strength to its currency.**

the current state of Mexico's commercial balance, with exports **significantly growing** in the context of a still disturbed supply chain and an escalating conflict between the east and west that is changing a well established trade market.

Similarly, is worth considering Mexico becoming the **US main commercial partner** in use of its free trade agreement in the context of the circumstances described above.

Lastly, the shifting from low risk to mid-to-high risk investors in the country, which inevitably has generated **economic activity.**

**ABC:** Right José Ignacio, a good example is the **agro-food industry**, which has seen an increase of 14.9%, in comparison to the same 9-month period in 2021 with exports showing a surplus over imports in approximately USD \$5.2 billion .

The circumstances you mention have generated **fair activity in the Banking and Finance sector**, with the demand for capitals to attend the needs of the commercial activity being generated as result.

## Banking and Finance

**JIRA:** Certainly Alberto. Worth noting that with a huge sector of Mexico's population still without access to banking services, the banking and finance industry, including lending, remains an attractive niche for investors to find attractive returns. The players in this industry are seeking to reach the sector by means of technological solutions substituting the more traditional, brick-and-mortar model; this has grown at such fast pace that it appears that not so long into the future substantially all the industry will move into the technology space.

Mexico has recently seen significant activity in this regard. Often you now see **transactions being made remotely**, together with larger efforts (from the government and the private sector) to obtain financial inclusion.

**ABC:** By year end 2021, there were over 500 Fintech startups, with **lending being the activity holding the biggest market share** among them (21%) followed by payments and remittances (18%) . Alongside startups, we have seen consolidated foreign players pushing for the acquisition of struggling Mexican financial institutions.

<sup>1</sup>According to Forbes.

<sup>2</sup>According to Fintech Radar Mexico.

# In a Nutshell

**JIRA:** Though the current social and political situation in Mexico in the context of a potential global recession may be cause for alarm for some, once you look more deeply, [the future is brighter than it seems](#). I'm positive that Mexico's immense natural resources; the globally known resilience of its people; its privileged geographic location; the current geopolitical world context; and the fact that power players must start to find middle ground to move the country forward, will continue to create activity and develop the country.

**ABC:** Fully agree. Mexico is big and [will face its current challenges as it has done since its origins](#).



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