



*Knowledge - Performance - Integrity*



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# Overview

In the past few years Mexico has had a higher level of foreign direct investment than any other Latin American country. It has signed more free trade agreements with more countries than any other nation, and it is this economic physiology that has led to Mexico's now perpetually strong economy and free flowing investment.

The background for this success story arose in 2000 when Vincente Fox came to power. Fox made a commitment to boost the economy focusing on four key areas:

1. To enhance foreign trade investment
2. Reform fiscal policies

*“In the past few years Mexico has had a higher level of foreign direct investment than any other Latin American country”*

3. Attack corruption and crime

4. Improve infrastructure – in the form of roads, ports, telecoms and privatisation. The current president Felipe Calderon is continuing this focus.

The last decade has seen a number of improvements in the Mexican economy – a stable environment, low inflation, flexible and varied labour force, a greatly improved and strengthened banking system, successful poverty reduction programmes and liberalization of property ownership laws.



# Economic Performance

## Economic Overview

The performance of Mexico's economy has been improving over a number of years and the outlook for 2007 and the next few years is good. Undeniably there are still issues for Mexico to address, however all the signs are there for this economy to go from strength to strength.

Based on our research, EM Concepts are excited to offer carefully selected investments in Mexico and believe there is the opportunity for fantastic capital growth.

Below we have summarised some key points and indicators from our research, which help to highlight the growing and changing economy. North American Free Trade Agreement (NAFTA)

When Mexico joined the North American Free Trade Agreement (NAFTA) in 1994 its aim was for the country to become more democratic and prosperous. Joining certainly placed the country as a major player in the world economy. Foreign investment doubled, inflation was at 30 year low and as a result, the influx of foreign capital put the Mexican stock market in a global 7th place GDP.

Over the last six years Mexico's GDP has on average grown at around 3.6% per year and shows no signs of slowing up; Mexico's GDP grew by 5.5% in the first half of 2006.

## Foreign Investment

Foreign investment into Mexico increased by 16.5% in the first half of 2006 compared with the same period in 2005. Exports have and continue to boom, accounting for 28% of GDP today compared to just 10% in 1990. At the end of 2006 the economy expanded by around 4.6%, mainly due to increased consumer spending and the growing demand for Mexican products abroad.

## Government Initiatives

The government is continually working to combat public debt and inflation and can now

be credited with low inflation and the development of a stable economic environment.

A government-led housing scheme that has allowed more than 2 million Mexicans to become homeowners since 2000 has been a major influence in the huge growth of the construction sector.

## Finance

Mexico's banking sector is becoming more competitive and is one of the most developed in Latin America. In recent years foreign banks have increasingly entered the market, and most of the banks are now foreign-owned. The government has taken steps to increase transparency and efficiency, and recently updated the bankruptcy laws.

## Property

With this commitment to economic growth through sustainable development, laws have been relaxed relating to foreign freehold ownership of land and property. Previously foreign buyers were prohibited from owning property within 50kms of the coastline or 100kms of a border.



# Continued....

## Tourism

Already, between 300,000 and 500,000 Canadians and Americans stay for more than four months every year and nowadays, the country is seeing baby boomers from not just its neighbours but from Europe as well, settling in their twilight years.

Tourism in Mexico accounts for 8.3% of GDP and 9% of jobs. This makes it the country's third biggest currency generating activity. The World Tourism Organization (WTO) states that Mexico currently ranks eighth in the number of international visitors and tenth in international tourism revenues.

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According to the WTO, Mexico has seen a shift from short trips just over the US-Mexican border to longer trips to the interior and more cruise business growing 5% and 32% respectively, as a result of tourist's reaction to a stricter Department of Homeland Security.

## Reasons for Investing

- Growing GDP
- 16,000 companies have been drawn there since NAFTA
- Increased jobs and increased local purchasing power
- Stable property market
- Stable Government
- Wide market for re-sale
- Low property Taxes compared to US and Canada
- amounting to just a few hundred dollars per annum
- Exempt from taxes if you live there for 6 months
- Good quality of life/low cost of living
- Direct and reasonable flights from Europe and the US
- 8th most visited country in the world
- US no 1 tourist destination
- Good weather all year round
- Efficient and modern banking
- Good for both growth and rental
- Rich Cultural history
- Hotel occupancy averaging 83%



# Disclaimer

## Investment risk

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