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Good morning.

I would like to welcome each and every one of you, along with our special guests the Minister of Foreign Affairs and Cooperation and the Chairman of the Santander Foundation, to this 19th edition of the Latibex Forum. Thank you for coming today.

I would like to begin by briefly summarising a few matters I believe are both interesting and indicative of the situation currently prevailing in the region. Of course, as we know, the countries comprising Latin America are very diverse, forming a rich mosaic both in terms of structure and economic behaviour.

Data for this past year is quite positive:

- We are once again in a growth phase. After five years of a gradual slowdown and a serious contraction in 2015 and 2016, the region is again on the path of expansion. The international agencies concur that GDP will grow at least 1.1% in 2017, and between 1.6% and 1.9% in the coming year. Recovery is underway, and this is good news.
- Markets have responded well to this recovery. In general, the belief is that Latin American countries have known how to adapt to the intense reduction in commodities prices, which led to a strong depreciation in their currencies in the past two years, among other effects.
- Stock markets reflected this return to growth quite positively. After a very intense rise in 2016 as a reaction to plunging prices in 2015, in 2017 the Latibex TOP index gained 10%. In the same period, the Latibex Brazil index also performed well, climbing 7%.
- Spanish companies listed on our Exchange continue to maintain a strong presence in the region, in line with the expanding globalisation of their businesses. Revenues from abroad have continued to rise over the past

years. When taking into account invoicing contributed by subsidiaries in Latin America, nearly 40% of revenues are generated in this region.

- Moreover, in recent years, Latin American companies have increased their presence in Spain. This two-way flow is a good example of the very business collaboration this Forum aims to promote.
- We have also seen positive trends in how Latin American companies have maximised opportunities in international bond markets. Between 2009 and 2016, Latin American bond issues in international markets jumped from 20 billion dollars to 90 billion dollars, while outstanding issues stood at 716 billion dollars, more than double. Of this figure, 267 billion dollars relates to non-financial companies.
- Domestic fixed income markets have also performed well, increasing their issuance capacity. According to the Federación Iberoamericana de Bolsas, new domestic corporate bond issues stood at 29 billion dollars in 2016, up 75% on the 2015 figure. In just the first half of 2017, the issues in the four main markets alone exceeded 22 billion dollars.
- Latin America has also experienced a strong leap in relation to human development. According to UN latest review, Latin America leads the Human Development Index among comparable regions. Despite inequality being a great unresolved issue, in the last decade, middle-class has increased from 21% to 35% of total population, while the percentage of population in poverty situation has diminished from 42% to 20%.

A reading of the situation is therefore, optimistic. However, certain risks still prevail and there is still room to improve certain aspects:

- Whether growth in the region will be sustainable in the long term is unclear. The IMF forecasts per capita GDP growth of 1.7% for the coming periods, almost the same as seen in the past 25 years.

- Weak productivity indicators are a key factor behind this insufficient growth. Beyond external impacts, such as the strong movements in commodities prices and the drop in external demand due to the latest global crisis, structural reforms are sorely needed in Latin America. It is not enough to just accumulate more physical and human capital. If we want to successfully stimulate productivity, deep structural reforms must be carried out.
- An increase in geopolitical risks or an intense slowdown in China could also affect the region. In general, internal risks are related to the political arena, and are increased by the national elections slated for several countries in the region.
- In many of the editions of this Forum, we have spoken about the need for better-run governments, an eradication of corruption and a way to ensure stability of the legal framework.
- This would also contribute to improving the business climate and to efficiently allocate priorities on the construction of physical and technological infrastructures.
- Intense efforts on the integration of the region from both a financial and a commercial standpoint would imply obvious benefits. Regional trade accounts for barely 15% of exports of Latin American countries, compared to 55% in the case of emerging Asian economies. This is a key factor for development of the region. The most interesting aspect of this challenge, from the standpoint of securities markets, is that better financial integration in the region would greatly support commercial integration.

We have quite a way to go in this respect.

While a more integrated financial market would help build a more open and more productive region, this requires a legal framework that supports cross-border financial activity. Such an integration also requires harmonisation of accounting

standards, investment regulations and market supervision and, in general, a closer collaboration between markets and regulators.

Overall, the region's markets are biased toward fixed income. This is a necessary step, but there are at least two more steps to take: these markets must be opened to smaller companies, and this must be done with greater funding through share capital.

However, corporate funding through capital increases has recently improved in the region. Capital flows contributed to companies through the stock markets of Brazil, Mexico, Chile and Peru amounted to 15.6 billion dollars in 2016, up 54% on the prior year.

Against this backdrop, we wish to emphasise the different initiatives in place to offer companies better access to securities markets, in line with their needs. In Latin America, certain specialised SME markets have been created in recent years. These are valuable initiatives, not only because of their specific results, which unfortunately still fall short compared to the size of the problem, but chiefly because they demonstrate that these companies can indeed secure funding other than through bank loans.

BME commitment to meet the funding needs of all companies is well known. Our efforts have culminated in the launch of two specialised markets. The fixed income MARF opened a new funding option for 37 companies that had never before issued bonds. During its first four years, this market saw over 50 issues, for more than 6.7 billion euros. In terms of capital funding, since its creation the MAB has provided financing to 82 new companies, many of which have a strong presence in Latin America.

As you know, one of the aims of the Latibex Forum is to effectively help investors secure financial and economic information on the region and, in particular, on the region's companies. Our European investors must have the best possible knowledge on Latin American securities.

We have two intense days ahead of us, full of meetings and debates to delve into the business reality in Latin America. A total of 40 companies from Brazil, Mexico, Chile and Spain are here to meet with investors and brokers in 10 different panels and in hundreds of individual meetings.

In addition to panels on booming sectors such as consumer, banking, energy and real estate, we will have the chance to discuss the challenges posed by new technologies, as well as the achievements of Latin American entrepreneurs. We will also have the opportunity to consult the top experts on macroeconomics in the region and to hear the investment strategies being carried out by the main fund managers.

In closing, I would like to express my sincere gratitude for the work of our sponsors, headed by Santander and Deloitte, who make this Forum possible each year.

Thank you for your loyalty in attending this encounter.