

FORO2018
LATIBEX



EUROLATAM
BUSINESS
MEETING

OPENING SPEECH
by **Antonio J. ZOIDO**
BME Chairman

15 November 2018



Good morning.

Honourable Minister of Finance and Competitiveness, Chairman of IAG, Chairman of Deloitte, Chief Executive Officer of Banco Santander, ladies and gentlemen,

Many thanks to you all for attending today's inauguration of the twentieth Latibex Forum.

20 years ago Spain's finance market was limbering up to welcome the Euro. The Spanish Stock Market was experiencing one of its best years, both in terms of price gains and new investment flows through capital increases. These increases were necessary to fund corporate expansion both at home and abroad. Throughout the nineties, economic relations between Spain and Latin America enjoyed an unprecedented boom. A surge in investment and commercial activity that is still in place twenty years on.

It was at this point that the Spanish stock market became part of this international vision and undertook a project that began with an initial Forum to bring together Latin American businesses and European investors trading in euros. These were the beginnings of Latibex.

Since then the Latibex Forum has been an active witness of an unstoppable internationalisation process. It set its sights on building bridges between businesses and investors, boosting European savers' knowledge of the region, and ushering in an environment to enable companies and investors from both continents to meet.

The Latibex Forum represents a long-term commitment which has been undertaken by BME in very diverse economic scenarios, with the support of more than 300 companies and 1,000 investors, responding time and again to the calls to its encounters.

All these travelling companions who have shared and continue to share the initiative deserve recognition and our sincere gratitude. I particularly wish to thank Deloitte for the confidence it showed in the project from the very start, as the main and uninterrupted sponsor of this Forum.

Let us take a look at some of the major achievements over the last two decades in terms of social and economic development in the region:

- **GDP has doubled** to over 6,000 trillion US dollars.
- **Foreign direct investment has tripled.** 41% of the total is accounted for by Europe, and one third of it is Spanish. Spain is Europe's largest investor in Latin America, and the world's second largest investor in the region, but it is now becoming a favourite target among Latin American investors also.
- **The region's trade with the rest of the world has also tripled within the space of two decades.**
- **The middle classes have come increasingly to the fore.** 80 million people have left poverty behind in the last 20 years, even though 25% of the population is still trapped by it.
- **Wider access to education has produced a greater sense of critical awareness among the population** and, consequently, more stringent demands on public institutions.

On several occasions at this forum we have dwelt on the phenomenon of the "multilatinas": local businesses which have extended their activity to several countries in the region to attain true multinational status:

- **This trend has also been observed in SMEs,** which are increasingly global, and in recent years they are actually global from the very outset.
- **Growth driven by cooperation between large and small businesses,** in open-innovation environments favouring sectoral diversification to gradually shed Latin America's predominant character as a producer of commodities and basic manufactured items.

- **More responsible and sustainable growth**, as borne out by the gradual addition of local companies to sustainability-friendly stock exchange indexes.

All this cannot conceal the challenges that Latin America still faces.

The increase in growth has been less than expected and is lower than the average during the noughties.

Productivity is still low, showing a 70% gap with respect to OECD countries.

Exports have been sluggish in relative terms, in contrast to Asian markets.

Regional integration is insufficient, and some enormous challenges remain in terms of infrastructure, logistics, education and health if social inequalities are to be reduced.

We must focus on the present. Growth is modest, lower than expected, and according to different forecasts it should finish 2018 at between 1% and 2% of GDP. And, as usual, prospects are heterogeneous in different countries. Crisis in Argentina, uncertainty in Brazil, and considerable resilience in the Pacific Alliance, especially Mexico. The good news is that, after a five-year slowdown and two years of recession, the recovery is under way.

The structural challenges that must be taken up require major investment by both the private sector and the public sector. Securities markets can help fund this essential development.

Corporate expansion capacities multiply when businesses have access to new funds, especially in the long term and particularly in terms of access to capital finance. Countries with large liquid securities markets can offer businesses a decisive growth lever.

The development of stock exchanges as a financial tool is a basic necessity for the region's financial systems, also pointing out the possibility of creating markets specifically devised for smaller businesses.

Two of these markets are now being consolidated in Spain, and they are managed by BME. First there is the Mercado Alternativo Bursátil or MAB, BME's SME market, which has channelled 2.4 billion euros in capital to over 100 companies. Then we have the Mercado Alternativo de Renta Fija - MARF, BME's Fixed Income market, for professional investors, with a wide range of companies of all sizes that have launched issues worth 12 billion euros.

Fortunately, we have witnessed an increase in corporate funding on Latin America's stock markets over the last decade. Specifically five major exchanges, in Brazil, Mexico, Colombia, Peru and Chile have channelled 140 billion US dollars in capital funds within the last 7 years.

However, there is still much work to be done to help balance out sources of finance for Latin American businesses. This is a major challenge which can only be undertaken from a collaborative perspective.

Since its very beginnings, Latibex has been proactive in this challenge of developing securities markets. Setting out the reality of Latin America's economies and businesses for scrutiny by investors in euros was the most intense task during this 20-year period. It is still significant that enormous direct investment in the region by other European countries in addition to Spain is not matched by any major investment by the managers of investment and pension funds. Portfolios handled by European managers are traditionally underweighted in Latin American securities.

The main reason for this is that professional European investors are still largely unaware of Latin American securities. Despite this, forty companies from ten different countries have been listed on Latibex, helping them to move closer to European investors, availing themselves of the forums and other informative activities, and setting a price in euros on a daily basis.

In this way a major group of investors had the opportunity to build up a reasonably diversified portfolio for the region. And it must be said that overall they have had a good run. Since the Latibex All-Share index was set up it has more than doubled its price, specifically by 143%.

Latibex is not BME's only project in Latin America. Over the last few years BME has implemented several technological platforms in Latin American exchanges. Among the most recent ones it is worth mentioning the market data and order management and trading systems for the Colombian stock exchange. And in Mexico, BME's financial information services for the Mexican stock exchange have been complemented with a joint initiative to boost the generation, distribution and commercialisation of market data on Latin American exchanges. To these projects can be added numerous IT services provided to financial institutions in Mexico, Colombia, Costa Rica or Chile, to mention just a few countries.

I have no wish to finish without mentioning that this year the Forum programme intends to take stock of these two decades in some very different aspects. Beginning with a panoramic view of the region's macroeconomics; we will also share the analyses and recommendations of some of the most successful fund managers. We will address technology as the key factor of transformation in Latin America, and examine specific examples of small companies which are going global on the strength of their expansion in the region. We will have specific panels focusing on Brazil and Mexico. We will also take a look at funding structures to drive growth through capital markets.

It only remains for me to express my thanks to the sponsors and to all of you, the true protagonists of these twenty Latibex Forums, for your participation and your friendship.

Thank you very much.