

# DIVIDENDS

## Investment Planning eNewsletter

More Than a Vacation in Mexico

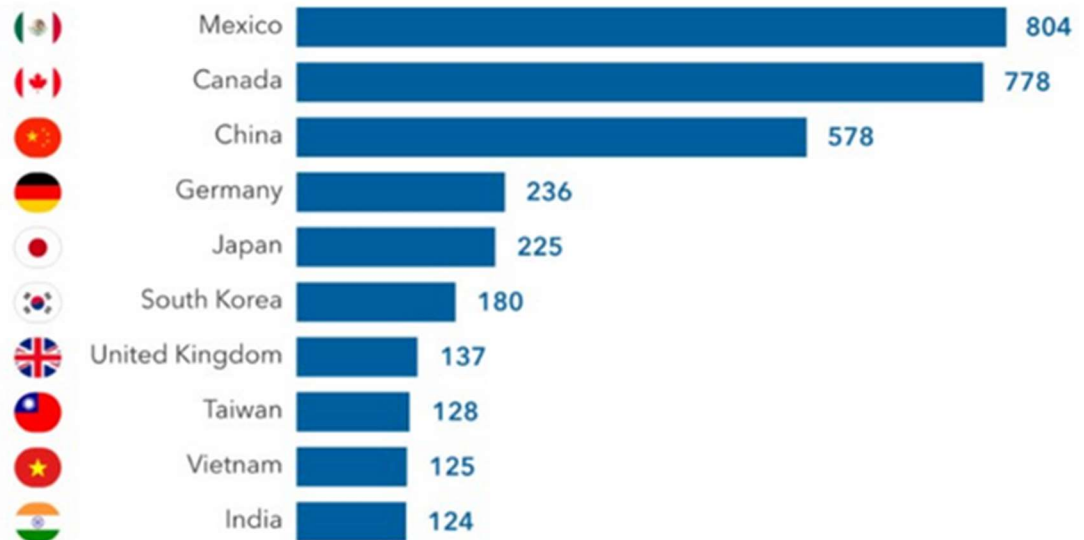
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I wish I was on or had been on vacation at my favourite Zoetry resort, in Riviera Maya, Mexico. "Dos Mango Mojito's, Por favor!" Staying close to home at this time due to commitments of staying on top of the economic situation here in North America and its impact upon your portfolio's.

Mexico is far more than a vacation spot. Mexico has been on an economic tear over the past 10 years displacing China and Canada as the biggest trading partner to the USA. Canada held this ranking until about 10 years ago and has been on a declining path ever since handing the #1 slot to Mexico in 2023.

Value of total trade across top U.S. trade partners in 2023 (USD billions)



Sources: Capital Group, U.S. Census Bureau. Includes both imports and exports. Figures are seasonally adjusted. As of December 2023.

Covid stressed all supply points for pretty much every corporation and it highlighted the over-emphasis of relying on China can cause huge delays and ridiculous shipping costs when the whole world is looking for goods. This caused North American manufacturers to "near-shore" supply lines to augment the China/India/Indonesia supply lines. The Northern border towns of Mexico have excellent infrastructure - roads/electricity as well as fast factory build times with dramatically shortened construction times, as compared to Canada.

I believe the number one reason Canada has not seen the benefit is multi-fold:

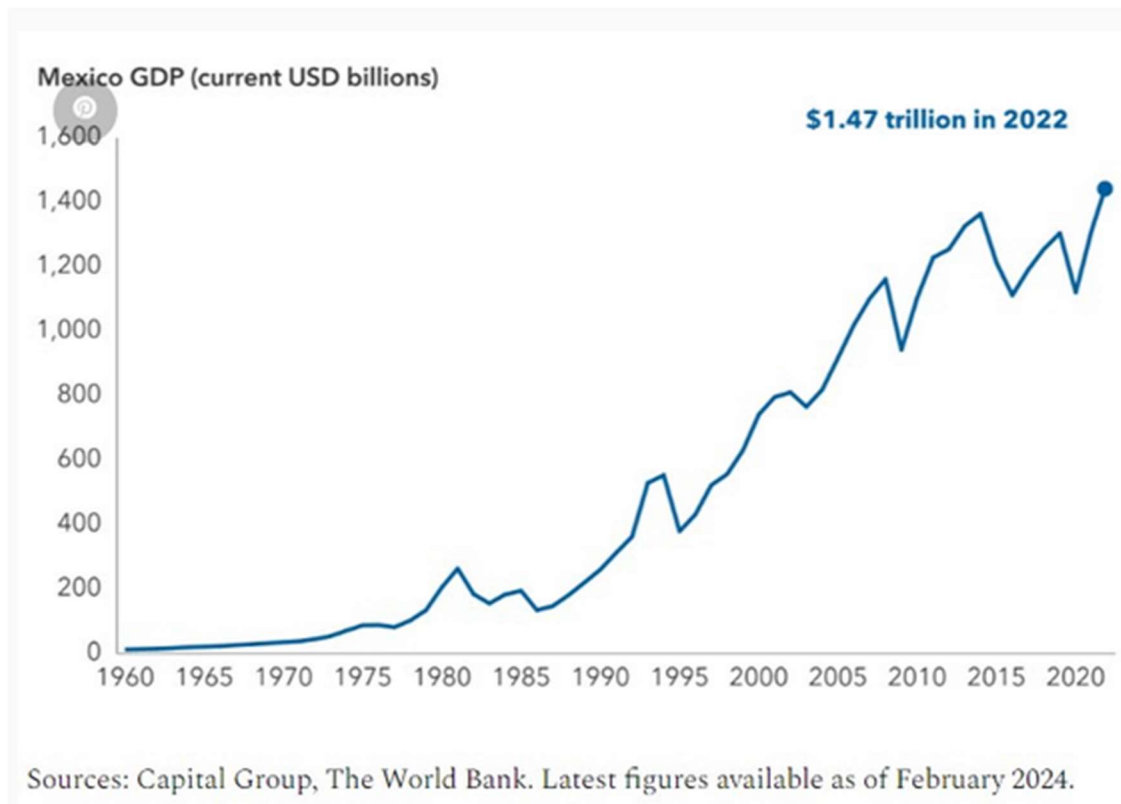
- Canada has seen a 20+ year decline in foreign investment that has ramped down further in the last 6 years
- Canada's from "Conception to Finish" build time frame is too long as compared to the USA and Mexico. Often an astounding 6 times longer!
- Higher corporate taxes as compared to USA and Mexican jurisdictions
- Highly skilled workforce in Northern Mexico
- Access to relatively inexpensive US oil and natural gas



### Tesla picks Nuevo Leon, Mexico

The next \$5 Billion Tesla plant will be breaking ground there next week. One of Tesla's top competitors, China based BYD, is planning to do the same in the same industrial park. How many car companies are there now? Ford, GM, BMW, Daimler, Toyota and Honda are already in the same region. More than 75% of the cars assembled in Mexico are exported to the USA. I don't think we have used those terms in Canada for over 15+ years to describe Automotive production here in Canada? If you know otherwise, let me know.

As can be seen from the chart above the top export items are not just vast but diverse. Carrier (Heating and Cooling) has one of the largest plants in this region of Mexico. You need to cool down your new Tesla plant in Nuevo Leon? Well Carrier is right around the corner to supply it to you.



### **Mexican GDP on a tear**

Mexican GDP, which typically has been in the 1% to 2% range has seen over the past few years a tripling. Covid assisted as companies reviewed their global supply channels. The biggest increase has come from the simple numbers of greater trade to the US from these ever-growing production facilities. As much as it hurts, Canada will not see this occur any time soon and the corporate outflow of capital will continue out of Canada.

If I had made it down to Riviera Maya this year, I would not have seen any of this. The roads down there are still just okay, and the electricity will have brown outs. Not like the North of Mexico.



Monterrey, Nuevo Leon production facilities pictured above

When you are on vacation you will not see the above in the south of Mexico. If someone showed you this picture you might think it was Arizona with the Camelback mountains in the background!

I will emphasis US orientated investments for growth for the next 10 years. I am working my way through all client portfolios around this type of allocation for our further discussion.

Happy to speak with you or your friends at 905-541-2012 or email [vwarrington@alignedcp.com](mailto:vwarrington@alignedcp.com)

Vaughn Warrington, CFP®, FMA

Investment Advisor and Certified Financial Planner

Binvested - Aligned Capital Partners Inc.

President - Binvested Management Inc.

[www.binvested.ca](http://www.binvested.ca)



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Our mailing address is:

Binvested / Aligned Capital Partners

1001 Champlain Avenue, Suite 300, Burlington, ON. L7L 5Z4