The Mexican peso and the rest of Latin American currencies ARE GRADUALLY losing their value

Among economic uncertainty caused by the pandemic, depreciation of local currencies, and cuts in chain supplies, the dollar seems to be the only one "making a profit".

SUMMARY

At least 6 of the main markets in Latin America were affected by considerable increases on prices caused by irregularities on chain supplies, the increase on services related to energy, and the slow economic recovery after being stuck in the COVID-19 sanitary emergency for two years in a row.

OAXACA, OAX., FEBRUARY 2022

Around the world, the general increase of prices, that is to say, inflation, reached the maximum record over the last 40 years. Latin America and the Caribbean face serious problems because all over those regions people witnessed an increase of 7% on the price of products, and experts are unable to predict a favorable change in the short-time.

At least 6 of the main markets in Latin America were affected by the increase of prices, particularly caused by delays on chain supplies, the increase on products related to energy, and the slow economic recovery after being stuck in the COVID-19 sanitary emergency for two years in a row.

The increase of prices sometimes was twice more than expected so we observed an extremely negative effect because the increases affected the purchasing power of families. Therefore, they gradually buy less since salaries are not raised, at least they were not raised in Latin America.

The paradox of fake bonanza caused by raw materials in Latin America

When frontiers were closed and the circulation of raw materials caused an increase in prices, the main economies in the region believed that those profits might turn into the magic potion to combat the upcoming crisis, unfortunately, it was just the beginning of the end.

Conversely, we observed general increases among Latin American countries, each one facing different inequality gaps. In consequence, the conditions of many underprivileged families were more complicated since they had to make hard decisions because they did not have access to basic services and on top of that, they also had to work in risky contexts in order to get at least the minimum wage to make a living.

The peso is worst every single day

The Mexican peso, and the local currencies in South America depend on the stability of the dollar. For that reason, when the economy in the United States fights against uncertainty, the different currencies in Latin America have nothing to do but imitate that behavior until the pandemic stops, as affirmed by experts and analysts in the World Bank.

We are in the moment when big investors around the world are looking forward to having more control on dollars instead of regional currencies. This matter affects the demand of currencies such as the Mexican peso, and in the long-term it loses its value against the dollar.

Moreover, most Latin American countries do not have industries to manufacture the products they need, so they must import products but their prices are usually in dollars, which has a double effect on the loss of value of local currencies. A decrease on the demand of local currencies and an increase on the demand of imported products causes a double impact on inflation.

Supply chains are not so tied together

Supply chains were affected by the pandemic in every economic sector around the world, and we observed delays and failures on the delivery of goods and services. Probably difficulties were not so evident while transporting durable goods, and they fixed them by adding two days more to the date of delivery. However, the sector of food and perishable products that need special care such as refrigeration, faced an increase in shipping and connection rates, especially sea connections, making them considerably expensive for their final clients, that is to say, families around the world.

Unlike other sectors, global transportation turned this problem into an opportunity to make improvements. By the time you are reading these lines, they are improving their processes related to logistics to meet the demands, and redesigning delivery processes whose dates were completely out of control before the pandemic.

Is there anything else missing? Only the fact that economy is not growing

In October 2021, people expected growth in 2022 but unfortunately, we noticed a decrease of at least 0.6% so the current projection is only 2.4%. Despite this setback, the growth of more than 2% puts this region in a position where it might be possible to grow, even after such a dramatic fall in 2020. In 2021, the preliminary estimation predicted a growth of 6.8% in Latin America and the Caribbean, promoted by the increase in the prices of raw materials and the openness to external investors.

The challenge is big, but it is not impossible

Organizations like the World Bank, the International Monetary Fund, the United Nations, the Inter-American Development Bank, the Economic Commission for Latin America and the Caribbean, among others, agreed that combating inequality gaps in the region and the world, starting with social issues like the regeneration of the social fabric and the development of economic sustainability models, the world might recover sooner from the hard time we are going through.

In Mexico, Congregación Mariana Trinitaria has worked for almost 25 years to help people who need assistance, paying special attention to inequalities not only in the region, but also in the 17 countries which it is present. Nowadays, its Welfare Ecosystem Model helps underprivileged families to make improvements on their lives in order to decrease deprivations in their contexts through its 11 networks and the different solutions available for them.