



Economic update

Mexico's economy grew 0.4 per cent during the first quarter of 2015 compared to the previous one and 2.5 per cent on an annual basis. The latter figure was ever so slightly higher than analysts' expectations but ultimately confirms what previous indicators suggested: 2015 will not be a stellar year for the country. However this is the highest growth rate for the first quarter of the year during President Enrique Peña Nieto's administration.

In line with this, Mexico Central Bank (Banxico) once again slashed its 2015 growth forecast from a range of 2.5 - 3.5 per cent to 2 - 3 per cent. Banxico argued that this reduction is due to slower than expected growth in the U.S. during the first quarter of 2015, which has acted as a headwind on Mexico's foreign demand. Moreover, the domestic economy has yet to show clear signs of dynamism during in recent months. To put Banxico's pessimism into context it should be noted that its 2015 forecast in the second quarter of 2014 was set at a range of 4.2 - 3.2 per cent. Banxico's move was followed soon after by the Ministry of Finance which moved its range from 3.2 - 4.2 to 2.2 - 3.2 per cent.

In terms of actual growth during the first quarter of 2015, the primary sector (agriculture) was the strongest performer growing 3 per cent quarter on quarter and 2.5 per cent annually. Services grew 0.5 per cent quarter on quarter and 2.9 per cent year on year. Finally, industry proved to be the economy's laggard as it had actually decreased 0.2 per cent quarter on quarter and grew at a modest 1.5 per cent year on year. This lack of momentum in the secondary sector is likely to be partially attributable to the abovementioned faltering growth in the U.S. and Pemex's woes to arrest declines in oil production.

This lukewarm dynamism in the secondary sector was further reflected by the most recent results of the monthly survey to the manufacturing sector carried out by the National Institute of Statistics (INEGI as known by its Spanish acronym). The amount of employed personnel in the sector barely grew at a rate of 0.4 per cent month on month in March, whilst average real wages actually decreased by 0.3 per cent during said month.

However, one silver lining is that Ministry of Economy announced that foreign direct investment during the first three months of 2015 reached \$7.5 billion USD. This is the largest amount of FDI ever received by the country during the first quarter of the year and represents a 30.1 per cent increase from the same period in 2014. The boost came mainly from AT & T's \$2 billion USD acquisition of

Iusacell and Unefon as it prepares to move into the country, following a telecommunications reform designed to increase competition in the sector.

The Mexican standoff: phone-tapping in the mid-terms

As Mexico tries to find institutional solutions to one of its most crucial and longstanding challenges, i.e. corruption, in parallel to this its political sector continues to deal with it through more informal means. Namely, by publishing the illegal phone tapping of private conversations between politicians, which presumably reveal the more sordid underbelly of Mexican politics.

These attacks and counterattacks have become a central tactic used by parties and political players in the run-up to Mexico's mid-term elections on June 7th. The amount of phone conversations leaked to the press now makes the elections resemble the hallmark scenes from Tarantino films in which all rival characters end up dead after a tense Mexican stand-off.

Both the candidates of the PRI for the governorships of the states of Sonora and Nuevo León, Claudia Pavlovich and Ivonne Alvarez, as well the candidates of the PAN for the governorships of the states of Queretaro and Baja California Sur, Francisco Dominguez and Carlos Mendoza, were targets of recordings which presume to expose either questionable deals with businessmen or the misuse of public funds. All four have denied any wrongdoing.

Perhaps more surprising was the recent leak of a recording of the Head of the Electoral Authority, Lorenzo Cordoba -a well-respected political scientist- with one of his deputies. During the conversation Cordoba made arguably discriminatory remarks in jest about an indigenous leader he'd met with. Some have suggested that the timing of the leak is not an accident and point to the Green Party as the potential culprit.

The Electoral Authority has not only issued various penalties against said party for violating electoral rules, but perhaps more importantly had shown certain openness to an initiative supported by various political parties and a large group of citizens to declare void the Green's official registration as a party given its repeated infractions.

It should be noted that phone-tappings are not new in Mexico. According to El Universal from 2000 to 2012 the Attorney General's office received 46 complaints of cases from only five out of 32 states in the country. However, only one of said resulted in a conviction. Thus phone-tappings are a reminder to the country of two of its longstanding and closely entwined challenges: corruption and impunity.