



Mexico Intelligence Report – 6th November 2015

Mexico Intelligence Report – 6th November 2015

This briefing was produced for Canning House and published on 6th November 2015 by:



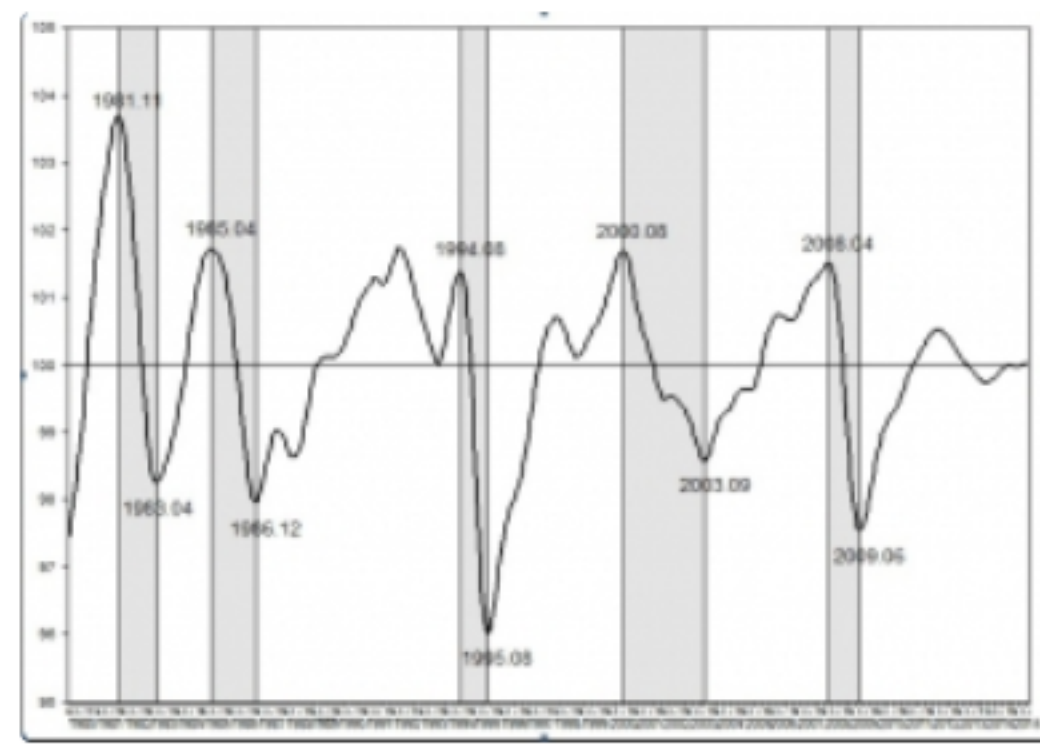
GRUPO ATALAYA

Economic update

Mexico's Central Bank increased its GDP growth estimate for 2015 from 2.1 to 2.15 per cent and shortened the range of its GDP growth estimate for 2015, from 1.7 – 2.5 per cent to 1.9 – 2.4 per cent. As the year comes to an end, the Mexican economy is yet to gain momentum yet shows signs of strength, particularly in domestic consumption.

In this sense, the National Institute of Statistics and Geography (INEGI) published the most August figures of the coinciding indicator, which attempts to measure the overall state of the economy. The indicator increased by 0.02 points and is back on its long-term trend (see image 1).

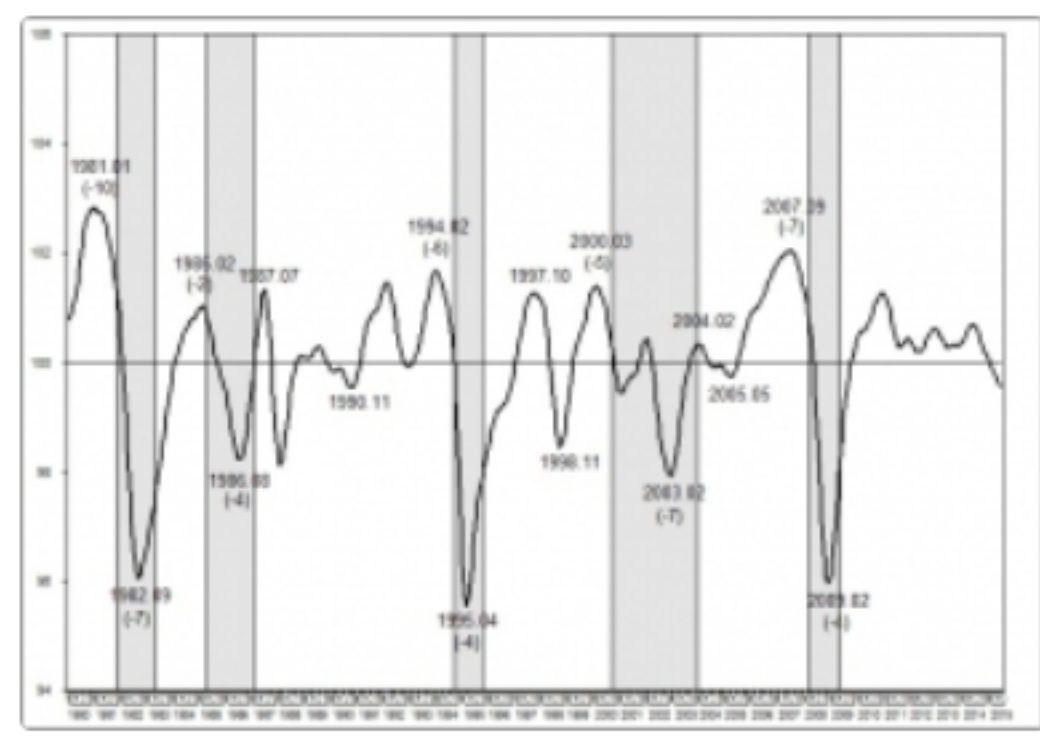
Image 1: Coinciding indicator for August



Source: INEGI

However, the forward-looking indicator, which attempts to anticipate movement in the coinciding indicator, decreased by .09 points (see image 2).

Image 2: forward-looking indicator



Source: INEGI

In line with these results, fixed investment in August decreased by 0.5 per cent month on month and grew by 3 per cent compared to August 2014. In contrast to construction sector, which saw investment go down by 0.7 per cent month on month and unchanged compared to the year prior, investment in machinery grew by 0.1 per cent month on month and by 8.5 per cent year on year.

Furthermore, the business confidence indicator in October grew by 1.88 points compared to September, yet was 8.5 points lower compared to October 2014.

Yet on a more positive note, one that has remained a constant throughout the year, domestic consumption continued showing signs of strength. The indicator for domestic consumption published by INEGI grew in August by 0.8 per cent month on month and by 4.3 per cent year on year.

Interestingly and despite the pesos troubles with the dollar during the past months, the consumption of imported goods grew by 7.5 per cent year on year, considerably higher than consumption of domestic goods, which grew by 3.8 per cent compared to August 2014.

Moreover, domestic car sales once again impressed, as they grew by 18.9 per cent in October year on year and are expected to reach 1.3 million units throughout 2015, which would be the highest figure in history.

Supreme Court decision on marijuana: hold the champagne

As it was to be expected, the decision of Mexico's Supreme Court of Justice to uphold the appeal made against the government by an association, which seeks to be able to produce and consume marijuana for personal use caused shockwaves across the country and in international media.

Yet a few words of caution are in order. Firstly, although the ruling is certainly crucial it doesn't entail that marijuana has been legalised in Mexico. For now, the ruling applies only to the four members that comprise the abovementioned association. Despite this point, in the future others may be able to invoke the principles by which the Court made the ruling to fight similar cases. Thus, the decision forces congress to write legislation that adapts to this new circumstance.

Even if marijuana were to be fully legalized in Mexico, this would not be, even remotely, a sufficient measure to curb violence in the country. Firstly, although the exact figures for domestic drug consumption vary widely, whatever revenues they might represent for the cartels is small change compared to those accrued in the U.S.

Likewise, although losing the marijuana in Mexico and the U.S. (assuming the latter was to fully legalize the drug as well) business would undoubtedly have an impact on the cartels' finances, they would still have enormous cash flows from harder and more expensive drugs.

However, the most crucial point is that although drugs are certainly a central factor that exacerbates violence in the country, they are not a structural cause. The root cause of violence in Mexico is found in its pending challenges in strengthening institutions concerned with security and the rule of law.

The Supreme Court's decision is undeniably momentous. But whilst the legalization of marijuana in Mexico has much to travel, the country's plight with impunity has even more mileage still.

Member Menu

[Membership Details](#)

Pages

- ▶ Home
- ▶ About
- ▶ Corporate Membership
- ▶ Upcoming events
- ▶ Reports and analysis
- ▶ Education
- ▶ News
- ▶ Contact us

Events

- ▶ Argentina - Elections and reflections with UK Ambassador, John Freeman
- ▶ 18/11/2015
- ▶ London
- ▶ Sport as a Power for Good in the International Community
- ▶ 23/11/2015
- ▶ London
- ▶ View More Events

From Twitter

Tickets still available for tomorrow's (5th Nov) launch of @Jimmy_Burns' biography of #PopeFrancis. More info here [canninghouse.org/events/francis...](#)

2 weeks ago

5th Nov - less than a week to go til @Jimmy_Burns launch of biography of #PopeFrancis. Get your tickets here [canninghouse.org/events/francis... #Pope](#)

2 weeks ago



Contact Us

Registered address:
Canning House
14/15 Belgrave Square
London SW1X 8PS
England

Phone: +44 (0)20 7811 5600
Fax: +44 (0)20 7811 5623
Email: enquiries@canninghouse.org
Web: www.canninghouse.org
Company number: 383775
Registered Charity No: 314210