



Canning House

Mexico Intelligence Report – 20th November 2015

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GRUPO ATALAYA

Economic update

The International Monetary Fund slashed its GDP growth estimates for the Mexican economy in 2015 and 2016 by 0.05 and .30 per cent to 2.25 and 2.5%, respectively.

Not all is bad news, given that the IMF also stressed that economic activity has remained resilient despite a challenging external environment, thanks to stronger exports to the United States and robust domestic demand. Finally, the institute also said that inflation remains low despite the sharp depreciation of the peso.

Despite the lack of momentum in the Mexican economy, it has performed strongly in terms of unemployment, which reached 4.2 per cent during the third quarter of 2015, down from 5.3 per cent during the same period in 2014.

Having said that, the figure for the underemployed population is not quite as encouraging given that it reached 8.5 per cent of the economically active population.

Furthermore, industrial activity increased by 0.4 per cent month on month in September and 1.4 per cent compared to the year prior. Although activity in mining fell by 5.2 per cent due to the plunge of oil prices, manufacturing, construction and utilities grew by 2.6, 3.7 and 3.9 per cent year on year.

In fact, according to the figures published by Mexico's National Institute for Statistics and Geography (INEGI), manufacturing saw growth across the board on an annual basis in September in terms of new employees (+3 per cent), hours worked (+2.8 per cent) and salaries in the sector (+1.1 per cent).

On the monetary policy front, international reserves held at the central bank dropped by US\$939 million, totalling US\$173.15 billion in the week ended on November 13. International reserves have contracted by US\$20.09 billion in 2015, mainly due to Central Bank's attempt to stabilize the exchange rate, by way of auctioning US dollars.

A story of two elections

After a long and at times tense election process, the new dean of Mexico's National Autonomous University (UNAM) will be Dr. Enrique Graue, the former head of the university's faculty of medicine. The event is relevant given that UNAM hosts more than 300,000 students and has traditionally been a hub for political activity.

Dr. Graue turned out to be something of a dark horse as the odds favoured either Sergio Alcocer, who –whether truly or not– was portrayed in the media as the government's favourite or Rosaura Ruiz, who was perceived to be the current government's antithesis.

Contrary to the former surprising result, there is little doubt that Andres Manuel Lopez Obrador will be named as the formal leader of the new left wing and fast growing party Morena.

Although Mr. Lopez Obrador is the founder and de facto leader of Morena, the move to position him as the formal leader is a way for Mr. Lopez Obrador to be able to continue appearing across the party's publicity machine, something which falls under a legal limbo which the party's rivals will surely attempt to exploit.

It should be noted that according to a survey carried out by Mexican newspaper Reforma in August, Mr. Lopez Obrador holds a clear lead in preference polls for the 2018 presidential elections.

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