



Mexico Intelligence Report – 9th October 2015

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GRUPO ATALAYA

Economic update

The International Monetary Fund reduced its economic growth forecast for Mexico in 2015 to 2.3 per cent, down 0.1 points down from its estimate in July.

The private sector and consumers in Mexico seem to share this bearish mood as the business confidence index grew by 0.18 points month on month in September. Moreover in terms of the index's components, both the construction and retail sectors future expectations for the economy decreased by 8.2 points compared to September 2014, whereas that for manufacturing decreased by 5.7 points year on year.

Furthermore, the consumers' confidence index decreased by 0.0.4 per cent month on month in September, settling at 37.11 points a new low for 2015. Although consumers expectations for the economy grew by 5.7 per cent compared to the previous month they're still 7.8 points below September of 2014.

Yet it is interesting to note that the Mexican Association for Automotive Distributors announced car sales reached 111,330 units in September which is not only represents a 24 per cent increase year on year, but a new historic record for said month.

One important driver behind the new surge in car sales in Mexico is the increase in the provision of credit, which financed the purchase of 522,749 units in the period from January to August, a 25.6 per cent increase from the same period in 2014.

The strong performance in car sales has been mirrored in production and exports, which throughout the 2015 have grown by 6.5 and 6.7 per cent year on year.

Moreover the National Association for Retailers reported that sales for September grew by 11.4 per cent year on year.

Security update

Mexico's struggle with criminality and violence continues to be a sticky problem as shown by figures in the most recent edition of the National Survey on Victimization and Perception of Public Security produced by the National Institute for Statistics and Geography.

Close to 28 per cent of the population was victim of a crime in 2014, which remains virtually the same compared to the year prior at 4 percentage points higher than 2010.

Worryingly extortion continues to be second most common type of crime, accounting for 23.6 per cent of the total amount. This points to continued institutional weakness in terms of rule of law and security institutions, which although a significant challenge at the federal level are even more serious concerns at the local level of government in various states.

Perhaps the most telling statistic regarding the lack of trust in security and justice institutions is that a whopping 92.8 per cent of all crimes were not denounced to the authorities.

The survey estimates that the cost of crime -both in terms of financial losses and expenditure on preventive measures- reached 227 billion pesos, which amounts to 1.27 per cent of Mexico's GDP.

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