



Canning House

Mexico Intelligence Report – 29th April 2016

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GRUPO ATALAYA

Economic update

The Mexican economy slowed down in February, according to the monthly economic indicator (IGAE) published by Mexico’s National Institute for Statistics and Geography. The IGAE grew by 0.2 per cent month on month –compared to 0.6 per cent growth in January- and made a 2.8 per cent gain year on year, which is still below the 2.9 per cent increase it made in January.

The main drag on the economy continues to be mining, which decreased by 1.7 per cent month on month and grew by 0.8 per cent year on year due to the woes of the oil and gas industry.

On the other hand, Mexico’s domestic market and new-found engine of growth boosted growth by 0.5 per cent month on month and by 3.9 per cent year on year. Moreover, manufacturing posted mediocre figures of growth, as it decreased by 0.1 per cent month on month and grew by 0.8 per cent year on year.

On a positive note, Mexico’s trade deficit made a small gain in March, which registered it’s first surplus in a year of 155 million USD. Thus, the trade deficit for the first quarter of the year ended at slightly over 4 billion USD. The surplus was a result of record high exports of 31.56 billion USD, which offset the 5.6 per cent month on month increase in imports, amounting to a total of 31.47 billion USD.

Interestingly, the main driver of Mexico’s exports were agricultural products, which grew by 12.1 per cent year on year throughout the first quarter of the year, thus offsetting decreases across the all other exports.

Furthermore, cheaper energy and food prices drove Mexico’s annual inflation to mark its lowest April ever, with consumer prices falling 0.34% month on month to a 2.6% year on year figure in the first half of the month.

Moreover, unemployment in March decreased slightly on an annual basis, from 4.3 per cent to 4.2 per cent.

Political update

President Enrique Peña Nieto sent a new legislative initiative to the Mexican senate, which seeks to decriminalize the possession of up to 28 grams of marijuana. The move follows Mr. Peña Nieto’s attendance of the United Nation’s General Assembly Special Session on drugs, in which he urged world leaders to move from the current paradigm of prohibition to one of prevention.

Although the idea of bolder decriminalization of marijuana has been gaining momentum for some time in Mexico, it’s important to note that even if the initiative proves to be successful, it’s impact on violence levels in the country is likely to be marginal at best.

Although drug trafficking is certainly an important driver of violence in Mexico, it’s fundamental structural cause is that of weak law enforcement and justice procurement institutions.

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