

Mexico Intelligence Report – 22nd January 2016

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GRUPO ATALAYA

Economic update

The International Monetary Fund revised Mexico's GDP projections for 2016 and 2017 downwards from 2.6 per cent to 2.9 per cent, respectively. As the Alicia Barcenas, Executive Secretary of the United Nations Commission for Latin America pointed out in Davos earlier this week, this is still far above the expected average growth for the region, which stands at 0.2 per cent.

Despite increased bearishness regarding the prospects of emerging markets, Mexico ranked among the top ten countries for doing business this year. The survey found that Mexico is considered to be one of the ten key countries for global business growth in the next twelve months, after Russia and Japan, respectively ranked 7th and 8th. Moreover, the survey showed that Mexico is the fourth country with the most optimistic CEOs in terms of expansion of the domestic economy over the next 12 months.

Regardless of these comparatively bullish points of view, the country has been rocked by the dollar's surge vs the peso, which this week climbed to a historic high (1/19).

Furthermore, employment in the manufacturing sector (one of the key driver of the Mexican economy) decreased by 0.1 per cent month on month in November, yet grew by 2.5 per cent year on year as did wages which increased by 1.7 per cent on an annual basis.

Energy update

PEMEX signed a memorandum of understanding with Mubadala Petroleum and Abu Dhabi National Oil Company (ADNOC) while it renewed a partnership with Saudi Aramco, aiming to exchange best practices in operations with the three companies.

The agreement with Mubadala Petroleum establishes projects in which the companies will work together and explore business opportunities in the energy sector in Mexico, with an estimated investment of over US\$4 billion, including infrastructure projects of commercial logistics systems in the area of Salina Cruz, Oaxaca, estimated at over US\$3 billion.

A new state is born

The Mexican congress recently approved the passage of new legislation by which the Federal District will now be considered Mexico's 32nd state. Perhaps the two most important changes are that the Federal District's local congress will now also be allowed to partake in approving or opposing constitutional changes, a faculty shared by all local congresses and that the head's of local boroughs will now become mayors, meaning that they will have greater autonomy in the use of funds, yet will be balanced by a council of 15 members, designed to act as a counterweight.

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