



## Mexico Intelligence Report – 6th May 2016

## Mexico Intelligence Report – 6th May 2016

This briefing was produced for Canning House and published on 6th May 2016 by:



**GRUPO ATALAYA**

### Economic update

Mexico's economy had its highest year on year growth since 2012 during the first quarter of the current year. GDP grew by 2.9 per cent compared to the first quarter of 2015 and 0.8 per cent quarter on quarter.

Broken down by sector, services had the strongest performance, growing at an annual rate of 3.7 per cent. Agriculture increased by 3.0 per cent year on year, and industry by 2.2 per cent. Whereas services were supported by a tight labour market (the unemployment rate marked its lowest March in eight years), dynamic lending activity and low inflation (2.6% YOY as at March), industry's recovery was mainly boosted by construction's revival.

However, the Mexican economy has yet to accelerate as shown by the economic indicators published by the country's National Institute for Statistics and Geography (INEGI). Whereas the coinciding indicator –which attempts to measure the overall state of the economy- marked its first month on month increase, growing by 0.01 units to 99.9 in February, yet continues to be below its long-term trend; the leading indicator, which tries to anticipate the coincident index's dynamism, decreased by 0.03 points, ending at 99.4.

Furthermore, according to the latest poll of market expectations carried out by Mexico's Central Bank (Banxico), analysts increased their 2016 GDP estimate from 2.40 to 2.41 per cent. Despite this, they expect the Mexican economy to grow 2.8 per cent in 2017, compared to 2.96 per cent expected in March's survey. As for annual inflation, economists expect the headline inflation to end the year at 3.19 and 3.35% in 2016 and 2017, versus 3.30 and 3.41% in the previous survey.

On a positive note, Mexico's gross fixed investment bounced back to an eight month-high, growing by 5.2 per cent year on year. In terms of investment type, equipment and machinery saw the largest annual increase –by 6.4 per cent- whereas construction grew at a slower pace, namely, 2.5 per cent, albeit it's strongest growth in ten months.

### Political update

As Mexico approaches this year's local elections in which 12 states will renew their governorships and 13 of them their local congresses and mayors, the case of Veracruz offers an interesting case study for the dynamics that are likely to shape the 2018 presidential election.

The current governor of the state, Javier Duarte of the PRI, has been battered by a litany of corruption scandals, in addition to high levels of violence due to organised crime. He currently has the highest disapproval rating of any governor and many of his fellow party members have publicly detracted him.

This backdrop should have made things simple for the governorship contender of the second largest political force in the state, the PAN, Miguel Angel Yunes Linares, a former PRI member and seasoned politician. However this hasn't been the case. The mudslinging regarding their own corruption scandals between Mr. Yunes Linares and his PRI rival (and cousin) Hector Yunes Landa has been so fierce that both are now technically tied in preference polls at 20 per cent and quickly losing ground to Cuitláhuac García, the candidate of Morena, the new born party founded by two-times presidential contender and former mayor of Mexico City Andres Manuel Lopez Obrador.

Despite not having held any type of public office since his term as mayor ended in 2006, Mr. Lopez Obrador has thrived in the political arena thanks to consistently sticking to an anticorruption and anti-establishment narrative. He most certainly will make a third attempt to run for president in 2018 and holds first place in most preference polls.

Mr. García's ascent is relevant not only because Veracruz has 5.7 million voters making it the third most important political battleground in the country; but also because it signals the Mexican electorate's exasperation with the political establishment's persistent problem with corruption.

With one month to go before the election and given that Mr. García is known by 40 per cent of electorate, compared to 80 per cent in the case of Mr. Yunes Linares and Mr. Yunes Landa, he still has much room to eat away at the Yunes' lead. Whether he makes past the finishing line or not, the Veracruz election confirms that corruption will be the dominant theme in 2018.

### Member Menu

[Membership Details](#)

### Pages

- ▶ [Home](#)
- ▶ [About](#)
- ▶ [Corporate Membership](#)
- ▶ [Upcoming events](#)
- ▶ [Reports and analysis](#)
- ▶ [Education](#)
- ▶ [News](#)
- ▶ [Contact us](#)

### Events

- ▶ [Canning House Lecture 2016: Her Excellency Michelle Bachelet](#)
- ▶ [12/05/2016](#)
- ▶ [Panama Papers: With the Ambassador of Panama, HE Daniel Fábrega](#)
- ▶ [17/05/2016](#)
- ▶ [London](#)
- ▶ [View More Events](#)

### From Twitter

Our Brazilian Portuguese Classes are now open for registration for Spring/Summer. Book now to avoid disappointment!  
[canninghouse.org/events/brazil...](#)

2 days ago

TOMORROW: Panel discussion on #drugspolicy in #LatinAmerica - 'After the war on #drugs' Tickets: [canninghouse.org/events/after-t...@lseideas](#)

3 days 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](mailto:enquiries@canninghouse.org)  
**Web:** [www.canninghouse.org](http://www.canninghouse.org)  
**Company number:** 383775.  
**Registered Charity No:** 314210