



México

Mexico

December 2017

Economic Outlook

- Lowest growth in 4 years.** GDP growth in the third quarter stands at 1.5%, its lowest value since 2013. For the first time in two years, the variation of GDP in Mexico registers a negative rate of 0.3 decimals, if taking into account seasonally adjusted values. There has been a slowdown in the three productive sectors. Primary activities only increase 0.9%, while secondary activities decrease by 0.7%, with mining being the sector who suffers the greatest decline, collapsing more than ten points. Only, and insufficiently, tertiary activities maintain a moderate growth tone, standing at 2.4%, where financial and insurance services continue to lead the tide.
- Reconstruction.** To the aspects, both inside and outside, that contribute to the fragility of a true consolidation of the exit from crisis, are united, in the specific case of Mexico, the negative influence that the last natural disasters have had, with the consequent associated economic losses and the pernicious impact on the national economy. The reconstruction of the affected areas must be one of the cardinal points on which to act urgently, so that the steep fall in domestic consumption is not further strengthened, which, together with the increasingly high prices, can negatively affect not only to the variables that compose the GDP, but to the citizens who see their purchasing power diminished more and more.

Forecast Scenario

- Uncertain expectations.** The uncertainties generated by the renegotiation of the North American Free Trade Agreement (NAFTA), are retracting a greater dynamism to the Mexican economy, and its delay in time, with forecasts of being able to close at the end of 2018, do not contribute to drive away the instability that this situation generates, mainly from the investments point of view. In addition, the current manifest inability to control the inflationary spiral contributes to enhance the uncertainty that hangs over the future of the main economic variables in Mexico.
- Spiral of instability.** Relatively recently, the growth achieved in GDP, together with the incorporation of structural economic corrective measures, helped to contain to a large extent the external swings. The imbalances and the change of trend in a large number of economic indicators do not augur a future of stability, so its necessary to compensate the two pillars on which GDP growth has historically been based, such as oil revenues and the pull the demand of products supposes, mainly manufacturers, from the United States.

Also in the news...

- Mexico is (2015) in position 36 out of a total of 43 countries in the International Competitiveness Index (ICI), which is carried out by the Mexican Institute for Competitiveness (IMCO), balancing the result in ten sub-indices, in one of the which it reaches the lowest values, in what refers to the Rule of Law.
- The last Secretary of Finance and Public Credit, José Antonio Meade, has announced his intention to run for the presidency of the Republic for P.R.I.
- José Antonio González Anaya has been appointed as Secretary of Finance and Public Credit and Alejandro Díaz de León Carrillo as the new Governor of the Bank of Mexico, replacing Agustín Cartens, who will occupy the General Management of the Bank for International Settlements (BIS).
- The Ministry of Finance has stopped publishing the maximum prices for gasoline and diesel since December 1, but will maintain the stimulus to the IEPS of these fuels during 2018 to avoid abrupt increases in prices.

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Main Economic Indicators

REAL ECONOMY	Latest Data		Previous	Annual Trend ⁽¹⁾
GDP (% Growth)	III.17	1.5	1.9	Negative
I. Global Economic Activity	Sep.17	0.5	2.3	Negative
Urban Commercial Sales	Sep.17	-0.2	-0.3	Negative
Manufacturing Industry	Sep.17	2.8	3.7	Positive
Employed in Manufacturing	Sep.17	3.6	3.9	Positive
Consumer Prices	Oct.17	6.37	6.35	Negative
Trade Balance (Mill \$)	Oct.17	-2,066.0	-1,886.4	Negative
Public Debt / GDP (%)	III.17	44.5	43.8	Positive
Unemployment Rate (ENOE)	Oct.17	3.50	3.60	Negative

Annual change rates except for trade balance, public debt and unemployment rate.

(1) According to the changes observed over the last twelve months.

Financial Data	Latest Data	Growth in		
		3 months	1 year	
Stock Exchange (IPC)	1.Dec.17	47.265	-7,47%	5,30%
Exchange Rate Peso/\$ (observed)	1.Dec.17	18,64	4,80%	-10,16%
Cetes Rate (91 days)	1.Dec.17	7,16	7,10 ^(*)	5,89 ^(*)
Sovereign Spread (EMBI)	1.Dec.17	180	181 ^(*)	254 ^(*)

(*) Value from 3 months and 1 year ago respectively

Forecast Scenario

	2016	2017	2018
Gross Domestic Product (% Growth)	2.3	2.1	2.1
Inflation (% end period)	3.4	6.1	3.8
Trade Balance (Thou.Mill. \$USA)	-13.1	-9.5	-10.6
Current Account Balance (Thou.Mill. \$USA)	-30.2	-24.3	-26.1
Public Sector Balance (% of GDP)	-2.6	-2.1	-2.2
Exchange Rate Peso/\$ (year-end)	20.60	18.29	18.79

Mexico: General information

Official Name: United State of Mexico

Area: 1,964,375 Km².

Population: 122.3 million (2016)

Type of State: Federal republic

President: Enrique Peña Nieto (Revolucionario Institucional-PRI Party)

Finance Minister: José Antonio Meade Kuribreña

Secretary of Economy:

Ildelfonso Guajardo Villarreal

Bank of Mexico President:

Alejandro Díaz de León Carrillo

Currency: Peso

Exchange Rate System: Flexible

Credit Rating: S&P/Moody's: BBB+/A3

Nominal GDP: 1,064 Thou.Mill.\$ (2016)

GDP/h ppa: 18.865 USD (2016)

Life Expectancy (years): 75.2 (2016)

Years of Schooling (average): 9.1 (2015)

RISK EVALUATION: MEDIUM - HIGH

Exchange Rate Instability: MEDIUM

The exchange rate stability is the dominant trend in the Mexican currency market, fluctuating in values that are rebounding minimally, but far from the levels of depreciation reached during some moments in recent months. It is one of the factors that are helping to maintain balance in some fundamental macroeconomic variables.

Sovereign Risk: MEDIUM

The trend shown by the country risk indicator in recent weeks, despite the volatility of the markets and the difficulties maintained by the Mexican economy, is clearly positive, with continuous decreases in the differential with the US bond, decreasing in a third during the last year.

Public Sector Finance: MEDIUM

One of the positive aspects of the economy, where revenues have been greater than the estimated 1.8%, and expenses have decreased in the same period by 6.4% (both referred in interannual real terms of the third quarter), generating a primary surplus 7 times higher than the previous year.

Socio-political Risk: MEDIUM-HIGH

The number of murders soars in 2017, being the October the month with the highest number since records are recorded, with 2,764 violent deaths, almost double the same month in 2014. To this situation is added the impunity of the murderers, with a high percentage of murders that are never clarified. Insecurity and impunity weigh down social, political and economic development.

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