

Mexico Business Forecast Report Q2 2014

<https://marketpublishers.com/r/M3560268E35EN.html>

Date: January 2014

Pages: 51

Price: US\$ 1,195.00 (Single User License)

ID: M3560268E35EN

Abstracts

Core Views

We remain optimistic about Mexico's long-term growth outlook on the back of a booming manufacturing sector, an increasingly strong private consumer and favourable demographics.

The passage of energy sector reform will bolster sentiment towards Mexican assets and contribute to stronger real GDP growth in the coming years.

Major Forecast Changes

We have upgraded our 10-year average real GDP growth from 3.8% to 4.1% following the passage of energy sector reform, which we expect will garner significant foreign investment in the coming years. We have revised our 2014 average exchange rate forecast from MXN12.65/US\$ to MXN12.55/US\$, as the peso was stronger than initially expected in 2013, when it averaged MXN12.76/US\$. We have revised our 2014 current account deficit forecast from 1.0% of GDP to 0.7% of GDP, owing to a strong export outlook, particularly regarding the manufacturing sector.

We have revised our 2014 fiscal deficit forecast from 2.6% of GDP to 3.1% of GDP following the announcement of additional government spending this year.

Key Risks To Outlook

A further deterioration in the construction sector poses significant downside risk to our 2014 real GDP growth forecast. We expect the sector to recover after it contracted for several consecutive quarters since late 2012. However, homebuilders remain in a critical state financially, which could lead to an additional deterioration of the sector.

A deteriorating security environment also poses downside risk to our growth outlook. Growing violence, particularly in the state of Michoacán, could spread to other regions of the country and drive investor pessimism. Under such scenario, the exchange rate would be under pressure, which would weigh on household spending.

Contents

Executive Summary
Core Views
Major Forecast Changes
Key Risks To Outlook

CHAPTER 1: POLITICAL OUTLOOK

SWOT Analysis

BMI Political Risk Ratings

Domestic Politics

Energy Liberalisation Means A Bumpy Road For Peña Nieto

The recent approval of an energy sector liberalisation bill in Mexico, while monumental for the economy's long-term growth prospects, will create an extremely challenging political environment for President Enrique Peña Nieto throughout the rest of his term. Popular perceptions towards energy sector reform remain highly divisive, and we expect social and political tensions to increase over the coming months.

Table: Political Overview

Long-Term Political Outlook

Strengthening, But Challenges Remain

The next decade looks set to be challenging for Mexico owing to a weak security situation, high levels of income inequality and endemic corruption. That said, our core view remains that the country will end the decade in a better position than where it is starting, with potential for some economic reform and a modest improvement in the country's security situation, which will strengthen Mexico's political risk profile.

CHAPTER 2: ECONOMIC OUTLOOK

SWOT Analysis

BMI Economic Risk Ratings

Economic Activity

Favourable Domestic And External Dynamics To Drive Stronger Growth

We forecast Mexican real GDP growth to accelerate from 1.5% in 2013 to 3.5% in 2014 amid an acceleration in household spending growth and an improvement in investment, bolstered by a successful reform drive in 2013. In addition, exports will also pick up this year as US demand for manufacturing exports strengthens.

Table: GDP BY EXPENDITURE, REAL GROWTH %

Fiscal Policy

Wider Budget Deficit In 2014 As Spending Picks Up

We forecast Mexico's government budget deficit to widen from 2.5% of GDP in 2013 to 3.1% of GDP in 2014. Greater fiscal expenditure, following significant spending delays, will be the main driver of a wider budget shortfall in 2014. Fiscal reform will have a positive longterm impact on revenue growth, though it will not be enough to offset greater spending.

Table: FISCAL POLICY

Balance Of Payments

Manufacturing Pickup To Drive Narrower Current Account Shortfall

We forecast Mexico's current account deficit to narrow to 0.7% of GDP in 2014 from 1.5% of GDP in 2013, driven by stronger manufactured goods exports. In addition, an expected increase in foreign investment amid an acceleration in economic growth and the recent liberalisation of the energy sector will bolster the financial account.

Table: CURRENT ACCOUNT

Monetary Policy

Above-Target Inflation To Prompt Tightening In H214

We expect Banco de México to commence a monetary tightening cycle in 2014 as consumer price inflation heads above target and economic activity accelerates. We forecast a 25 basis points (bps) rate hike to 3.75% by end-2014 and 50bps in additional hikes to 4.25% in 2015.

Table: MONETARY POLICY

4 www.businessmonitor.com Business Monitor International Ltd

MEXICO Q2 2014

Exchange Rate Policy

MXN: Appreciation Over A Multi-Month Period

Table: EXCHANGE RATE

Regional Sovereign Risk Ratings

Credit Deterioration Has Largely Run Its Course

The deterioration in the credit profile of Latin American and Caribbean sovereigns seen over the course of 2013 has largely come as far as it will go after a substantial re-pricing of credit risk in the region

Table: Latin America Sovereign Risk Ratings – Evolution Of Ability To Pay

Table: Latin America Sovereign Risk Ratings – Evolution Of Willingness To Pay

CHAPTER 3: 10-YEAR FORECAST

The Mexican Economy To 2023

Stronger Growth Ahead Following The Passage Of Key Reforms

Mexico's booming manufacturing sector, increasingly strong private consumer and

favourable demographics suggest that the country is well placed to see solid economic expansion in coming years, such that we forecast robust 4.1% average real GDP growth over the coming decade. We expect Mexico's oil sector to become an increasingly important driver of growth following energy sector liberalisation in December 2013.

Table: Long-Term Macroeconomic Forecasts

CHAPTER 4: BUSINESS ENVIRONMENT

SWOT Analysis

BMI Business Environment Risk Ratings

Business Environment Outlook

Institutions

Table: BMI Business And Operation Risk Ratings

Infrastructure

Table: BMI Legal Framework Rating

Table: LABOUR FORCE QUALITY

Market Orientation

Table: TRADE AND INVESTMENT RATINGS

Table : Top Export Destinations (US\$mn)

Operational Risk

CHAPTER 5: KEY SECTORS

Autos

Table: Autos Sales By Segment, 2010-2017

Food & Drink

Table: Food Consumption Indicators, 2010-2017

Table: Hot Drinks Value Sales, 2010-2017

Table: Mass Grocery Retail Sales By Format, 2010-2017

Other Key Sectors

Table: Oil & Gas Sector Key Indicators

Table: Pharma Sector Key Indicators

Table: Infrastructure Sector Key Indicators

Table: Defence & Security Sector Key Indicators

Table: Telecoms Sector Key Indicators

Table: Freight Key Indicators

CHAPTER 6: BMI GLOBAL ASSUMPTIONS

Global Outlook

Momentum To Continue In H114

Table: Global Assumptions

Table: Developed States, Real GDP Growth, %

Table: BMI VERSUS BLOOMBERG CONSENSUS REAL GDP GROWTH
FORECASTS, %

Table: Emerging Markets, Real GDP Growth, %

I would like to order

Product name: Mexico Business Forecast Report Q2 2014

Product link: <https://marketpublishers.com/r/M3560268E35EN.html>

Price: US\$ 1,195.00 (Single User License / Electronic Delivery)

If you want to order Corporate License or Hard Copy, please, contact our Customer Service:

info@marketpublishers.com

Payment

To pay by Credit Card (Visa, MasterCard, American Express, PayPal), please, click button on product page <https://marketpublishers.com/r/M3560268E35EN.html>