

Positive economic developments in Mexico

In 2011, Mexico's economic growth exceeded expectations. In November of last year, a group of economists was surveyed by the Central Bank of Mexico about their estimations and the actual growth. The average estimation was a growth in gross domestic product of 3.87% in 2011 compared to 3.72% in the previous survey.



"This improvement in growth expectations has to do with the third quarter GDP data, which surprised almost everyone in a positive way," said Adolfo Albo, chief economist for BBVA Mexico. The economy grew with 4.5% in the period from July to September compared to same period in 2010, due to the strong domestic demand and a large increase in Mexico's agricultural production that could compensate developments in the somewhat slowed industrial sectors."

Mexico's economy continues to grow and for the year 2012 the Central Bank expects an increase of 3.5%, which is above the global average rate. Euromonitor predicts even a growth of almost 4% over the next three years. Inflation is expected to be limited in 2012. The United States remains the main market for Mexican companies, it is therefore positive that the confidence of the American consumer grew by the end of the last quarter of 2011. The benefits of the NAFTA free trade agreement with the U.S. and Canada remain evident and foreign companies can save through local production or by assembling at low cost, to let their products enter the market the U.S. market without paying import tariffs.



Annual % change

Source: Euromonitor (January, 2012)

The expectations of the International Monetary Fund are until 2016 favorably. The GDP will increase further, also comparing to the U.S. (see chart previous page). Besides they also the national investment will grow to over 25% of the GDP in 2016.

These positive developments offer new opportunities for Dutch businesses in various sectors. The most promising sectors are:

- The government invests the coming years in the **agricultural sector**, in order to improve the countryside and to make food production more competitive for international markets. This provides new opportunities for suppliers of greenhouses, and companies active in agricultural logistics, food and agro-integrated supply chain management.
- The **chemical industry** counts with more than 400 plants in Mexico with a continuous cycle of investment to improve production and reduce environmental impact.
- The **construction sector** will be the largest in Latin America in 2012 (after Brazil) .
- Mexico is among the top ten oil producers in the world but also offers great potential for **renewable energy**.
- The **insurance and banking sector** received 25% of the total foreign investments. The availability of credit for the rapidly growing middle class creates a boom in consumer spending, housing construction, etc.
- The ever-growing need for **water management** provides many opportunities for foreign companies active in water treatment and consultancy
- **Tourism** remains a very important sector for Mexico, it's the main holiday destination in Latin America. The sector is growing steadily for years and currently there are over 10,400 hotels in the country.
- The current government aims to increase by 20% freight transport by rail. Also, the **ports and transport infrastructure** in the Pacific (west coast) are growing because they offer a good alternative to U.S. importers whose own ports are already saturated.
- Mexico has a **large automotive industry**. After oil it's the most important industrial sector in the country. Mexico has more than 1,000 companies active in the production of auto parts (70% of which are subsidiaries of foreign companies). The sector is the 11th largest in the world.

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