COUNTRY PROFILE: **UNITED MEXICAN STATES**
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Recent Political Highlights

- President Felipe de Jesus Calderon Hinojosa has been chief of state since December 2006. The president is elected by popular vote for a single six-year term with the next election due in July 2012. The Economist expects that the sharp deterioration in the economy will result in a poor performance by Government at the mid-term elections in July 2009, weakening President Calderon's mandate in the second half of his six-year term.

Recent Economic Highlights

- This trillion dollar economy (official GDP estimated at $1.143 trillion in 2008) has a population of 111 million people with the expected population growth of 1.1% for 2009.
- The Economist expects the economy to contract by 4.4% in 2009 from the previous forecast of 2.2% before recovering to 1.2% growth in 2010. Falling export revenue and increased risk aversion may cause the peso further to depreciate over one-fifth by end 2009/10. The current account deficit is expected to rise from 1.4% of GDP in 2008 to 3.5% in 2009 and 4.3% in 2010. The economy contracted 9.5% in January 2009 from a year earlier – the biggest drop in five years and is expected to contract 8.5% in the first quarter of this year. The economy nosedived in February 2009 at its fastest pace in at least fifteen years, thumped by the collapse in demand for exports and a severe fall in the service sector, indicating that the economy was in a worse recession than the one experienced in the mid-1990's financial meltdown known as the Tequila Crisis.
- Pemex, Mexico's state oil company would invest $12.2bn to build a new refinery outside Mexico City and revamp an older refinery to address the country's growing refined products deficit. This would form part of Government's efforts to stimulate the economy as the economic crisis hits. The new refinery is scheduled to begin operation in 2015 and will be built in Tula, north of the capital. Mexico has grown increasingly reliant on imports of oil in recent years despite being a major crude producer and exporter. Rapidly growing demand has outstripped domestic refining capacity. Pemex, which operates six refineries with a combined capacity of 1.54m bpd, imported 341,000 bpd of gasoline last year from 95,000 bpd imported in 2004. Fuel oil demand has been falling in Mexico as Government converts existing power plants to burn natural gas to improve air quality.
- The potentially deadly H1N1 virus is delivering a harsh blow to the Mexican economy and millions of poor workers already crushed by the global economic contagion. At the end of April 2009, Government ordered the shutdown of all nonessential activity for at least five days. The alarm overseas has rocked the country's tourism sector and the millions of workers it employs with the damage expected to affect the overall economy. The Bank of Mexico initially expected the economy to contract 4.8% this year. The Finance Ministry now estimates that the flu epidemic could erase another percentage and a half from that forecast. A potential 5.2% contraction would be devastating to a poor country in need of rapid growth. The president has introduced a stimulus package, including a temporary reduction in taxes for cruise liners in a bid to lure back shiploads of foreign visitors. Mexico confirmed 56 deaths as a result of the flu.
- The World Bank granted Mexico emergency loans totaling $205m to help cope with the swine flu crisis with an immediate disbursement of $25m to help with medicine and medical equipment and the remaining $180m to help set up operations to deal with the outbreak. The Inter-American Development Bank was to approve $3bn in loans to Mexico this year to help Government's efforts to fight the flu and effects from the global economic crisis.
- Government will provide $2.1bn (27.4bn pesos) in aid to help the economy. It will make 17.4bn pesos available in tax benefits and other assistance to businesses most affected by the outbreak including airlines, cruise ship operators, hotels and restaurants. State development banks will offer 10bn pesos in additional credits. The illness is said to cost the economy 30bn pesos or 0.3% of GDP (GDP was estimated at $1.143 trillion in 2008). Tourism, the country's third-largest source of foreign currency after oil exports and remittances from overseas, may see revenue falling 43% to $7.6bn this year due to swine flu with another 2003 contagions.
- The peso rose the most in six months after the Health Minister announced on 4th May 2009 that the swine flu outbreak has most likely peaked, bolstering optimism that the economy will begin to recover as businesses reopen. The peso climbed 4.1% to 13.2:$1 on 4th May from 13.7:$1 on 1st May. Economists project that the peso will weaken less this year than previously expected. The peso will fall to 13.65:$1 by end of 2009, compared with earlier forecasts of 14.25:$1.
- Normal business operations resumed, but the global flu triggered a trade dispute on 4th May with over 20 nations imposing bans on Mexican, US and Canadian pork. Mexican schools were to reopen on 11th May, while cruise liners have cancelled all Mexican port visits until 15th June 2009.

Latest Trade Developments

- Main export commodities: manufactured goods, oil and oil products, silver, fruits, vegetables, coffee and cotton.
- Main import commodities: metalworking machines, steel mill products, agricultural machinery, car parts for assembly, repair parts for motor vehicles, aircraft and aircraft parts.
- Major trading partners: US, Canada, Germany, Japan, China and South Korea.
- SA's exports to the Mexico totaled R2.1bn in 2007, R1.5bn in 2008 and R1.3bn in the year to February 2009.

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