

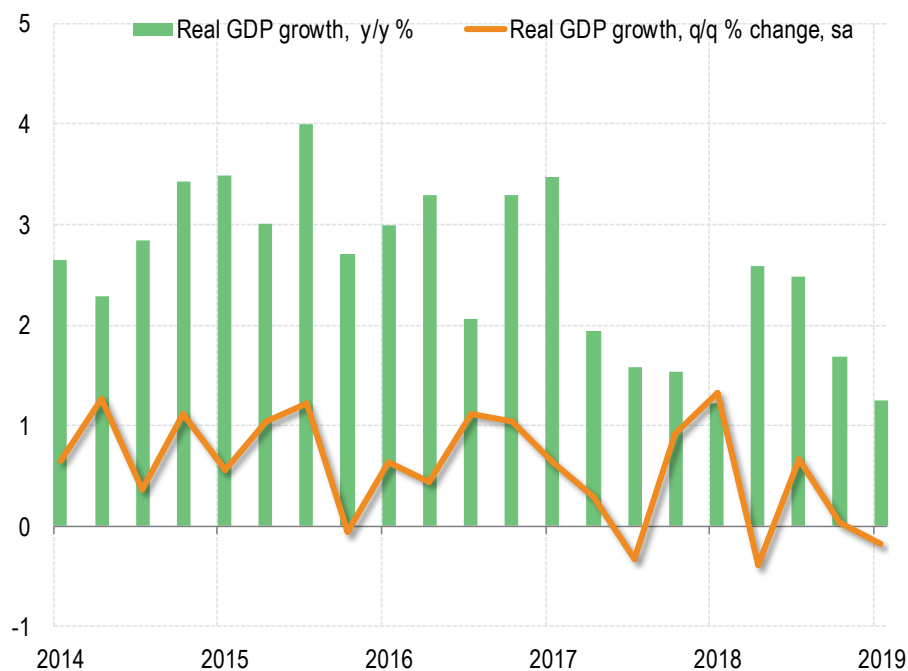


Mexico: Slowing growth

Prospects for the economic growth in Mexico are deteriorating, owing to slower economic activity in the US, a tight fiscal stance and a persistent weakness in private investment. Real GDP growth for Q1 slowed to 1.2% y/y, from 1.7% y/y in Q4 2018. For the whole year, real GDP growth should reach 1.5% (from 2.0% in 2018) and risks are tilted to the downside.

On the one hand, trade tensions with the US (following the US President's announcement to impose tariffs on Mexican imports) will have a detrimental effect on business sentiment, even if the two countries have so far reached an agreement. On the other hand, both the lack of clarity on the government's policies and the financial support to the state-owned oil company Pemex (which could heavily damage the fiscal balance over the long-term) are clouding the medium-term outlook. Early June, Fitch downgraded Mexico's and Pemex's sovereign ratings, while Moody's changed the outlook to negative (as well as Pemex and several public companies).

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Source: INEGI