

Mexico's economy shrinks for first time in 10 years, in blow to president

Mexico's economy contracted last year for the first time in a decade, data showed on Thursday, as businesses curbed investment due to concern over the economic management of President Andres Manuel Lopez Obrador, and forecasts for 2020 are also weak.

Adjusted for seasonal swings, Latin America's no. 2 economy contracted by 0.1% in 2019 after growth of just over 2% the previous year, according to a preliminary estimate published by national statistics office INEGI.

"Today's figures essentially confirmed that Mexico was one of the world's worst-performing large emerging markets in 2019," said Capital Economics in a note. "The carryover from the weak performance in 2019 will weigh on conditions this year."

Gross domestic product (GDP) was unchanged during the fourth quarter compared to the previous three months, INEGI said.

That, at least, was slightly better than the consensus forecast in a Reuters poll for a contraction of 0.1%. A final estimate for the quarter will be published on Feb. 25.

Mexico's economy struggled during the first year in office of Lopez Obrador, a leftist who promised to root out corruption and chronic inequality when he took office in December 2018.

Lopez Obrador, who has pledged to deliver annual growth of 4%, shrugged off the GDP data as a yardstick from a "neoliberal" era whose policies had benefited a select few and said wealth was now spread more equitably.

"They don't matter that much to me, because as I say, growth may mean that there's more money in a few hands," he told a regular government news conference. "It's very important to have a better distribution of income and that the benefits reach all."

Foreign investment has held firm in Mexico under his government, but domestic businesses have been warier.

Gross fixed capital investment fell by 5.2% on the year during the first 10 months of 2019, according to figures published by INEGI this month.

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Earlier this week, Carlos Salazar, head of Mexico's powerful CCE business lobby, told a news conference that "uncertainty" had eaten into domestic investment last year.

However, the U.S. ratification of a [new North American trade agreement](#) this month and the roll-out of major infrastructure projects augured more positively for 2020, he added.

Capital Economics agreed but was still downbeat, forecasting that growth will be "much weaker than most expect" with the economy expanding just 0.5% this year.

Lopez Obrador's decision to cancel a partly built, \$13 billion new airports for Mexico City and his retreat from the prior government's liberalization of the oil and gas industry stirred concern about his economic stewardship.

The president said the airport project was tainted by corruption, but its cancellation incensed business leaders.

The last time the Mexican economy suffered an annual contraction was during the sharp recession in 2009 following the global financial crisis.

A breakdown of the latest GDP figures showed that weakness in manufacturing had fueled the downturn.

Secondary activities, which include manufacturing, slipped by 1.7% last year. Primary activities such as farming, fishing and mining rose by 1.9%, and tertiary activities, which capture services, meanwhile advanced 0.5%, the data showed.

During the July-September period, the economy stagnated quarter-on-quarter and shrank by a tenth of a percentage point in each of the three prior quarters, INEGI said.



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