



TRADE LINKS LAZOS COMERCIALES

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After experiencing the effect of the global economic crisis, the most recent figures show that Mexico is in the recovery phase. Even if some indicators have not reached the levels previous to the crisis, the dynamism observed in the Mexican economy during the first quarter of the year, outlines an encouraging panorama.

Although in October 2009 the financial analysts already estimated an average **economic growth** for Mexico of 3.2% for 2010, these analysts have been upgrading their forecast to an average growth of 4.6%, which is corroborated with the most recent reckon of the International Monetary Fund that envisage an economic growth for Mexico of 4.2% in 2010.

Industrial production in Mexico registers a significant recovery since December 2009, showing positive annual rates (after 20 months of contractions), due to the great dynamism in the external demand.

Within the industrial production, it can be highlighted the manufacturing activity with an annual increase of 8.8% in February, standing out the automotive production that registered annual growth rates of 102% in January, 56% in February and 85.1% in March. In this way, during the first quarter of 2010 the production of vehicles accumulated an annual expansion of 79%, the largest increase for this period since the start of this indicator in 1988.

In the **external trade** field, Mexico's recovery began since the second half of 2009, and in March 2010 reached 51.7 billion dollars, the highest trade figure ever for the same month.

The exports of goods grew at an annual rate of 39% in March, which constitutes the fifth consecutive month with a positive annual growth (after 13 months with negative annual rates), and it is the largest increase for a similar month since 1987.



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Economic Recovery in México

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On the other hand, Mexican purchases from abroad increased at an annual rate of 38.6% in the third month of 2010. This rate is the fourth consecutive positive annual growth (after 13 months of decreases). In fact, since 1992 the month of March has never registered a growth of such magnitude.

This macroeconomic recovery starts to reflect in an increase of the formal **employment**, which reached an annual growth of 1.2% last February, being the first positive value since October 2008. Also, this variation is the largest since 1996 for a similar month.

In the first quarter of 2010, 290 thousand jobs were created, which is the second more important gain since 2000 for the same period, only surpassed by the one registered in 2006 when the employment grew by more than 303 thousand positions for that first quarter.

Among the **financial indicators**, it is worth highlighting that Mexico's country risk index has decreased significantly, to a level slightly above the 130 basis points (bp), which compares favorably with Argentina and Brazil that stands at 638 bp and 178 bp respectively.

The **international reserves** of the Mexican Central Bank reached a historical maximum of more than 97 billion dollars, which together with the renovation of the 48 billion dollars Flexible Credit Line granted as a precautionary instrument by the International Monetary Fund, it fosters the trust of the international community in the Mexican economy.

On April 15th the main indicator of the Mexican **stock exchange** (IPC) reported a historical new maximum, accumulating a gain of almost 60% in the last twelve months.

In the **exchange rate** market, the Mexican peso has strengthened significantly with respect to the American

dollar. On April 26th the rate was of 12.16 pesos per U.S. dollar, 3.20 pesos below its pick registered in March of 2009.

This financial stability is mainly due to the effective discipline in the Mexican **public finances**. Indeed, in the last 16 years, Mexico has maintained a practically null deficit (equivalent to an average of 0.4% of the GDP), which put the country in a better position to face the effects of the economic turmoil, while keeping a very manageable deficit of 2.3% of the GDP on 2009.

In a same context, the **public debt** registered a slight growth in 2009, but remained in a very moderate level of 29.5% of the GDP (internal 20% and external 9.5%). Its responsible management has allowed Mexico to be recognized as a solvent country in its financial obligations, and to preserve the investment grade from the international rating agencies.

Final Remarks

In spite of the magnitude of the external and internal shocks faced by the Mexican economy during 2009, the structural robustness of the economy and the strength of the public finances were factors that played in favor of the maintenance of the financial stability.

It is in this context that the Mexican economy is showing clear signs of recovery since the first quarter of 2010, whose engine is for the time being the external sector, taking advantage of the rebound of the U.S. market. This growing external demand is impelling other sectors and the job creation. The upsurge of the employment will increase the capacity of the domestic demand, which will strengthen the acceleration of lagging sectors.

For more information visit: <http://www.shcp.gob.mx>

| Mexico's Total Trade in February (billion US\$) | | | |
|--|------|------|------|
| | 2009 | 2010 | % |
| Total | 32.7 | 42.0 | 28.4 |
| Exports | 16.1 | 21.1 | 31.2 |
| Exports (excluding oil) | 14.4 | 22.6 | 56.9 |
| Imports | 16.6 | 20.9 | 25.7 |

Source: Banco de México

| Mexico's Trade with EU and EFTA | | | |
|---------------------------------|---------|---------|------|
| January –February | 2009 | 2010 | % |
| Exports to the EU | 1,674.0 | 1,930.7 | 15.3 |
| Imports from the EU | 4,286.5 | 4,499.9 | 5.0 |
| Exports to the EFTA | 102.8 | 175.3 | 70.5 |
| Imports from the EFTA | 185.3 | 252.6 | 36.3 |

Source: Banco de México

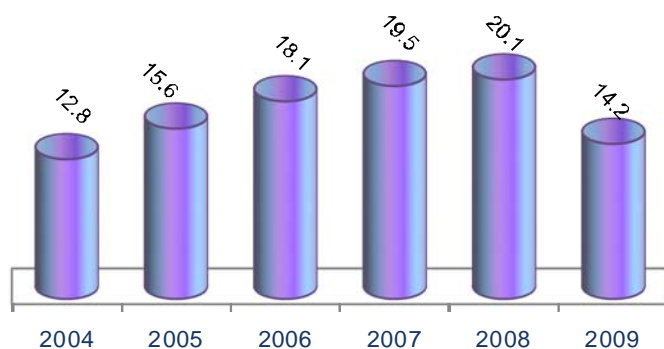
5 Years of the Mexico – Japan Free Trade Agreement

On April 1st 2010, the Mexico – Japan Economic Partnership Agreement (EPA) celebrated its fifth anniversary. This Agreement includes all the elements of an ambitious Free Trade Agreement (FTA) and at the same time contains provisions related to bilateral cooperation oriented specifically to strengthen the economic relationship between the two nations.

After five years of implementation, the EPA has boosted trade, investment and cooperation relationship between the two partners. This Agreement constitutes the cornerstone of the Mexican strategy in the Asian Continent, as a fundamental part of its international trade policy.

Since 2004, the year before the EPA became effective, bilateral trade has increased by 11 per cent; Mexican exports grew 29 per cent and imports 8 per cent. In 2009, bilateral trade reached US\$14.1 billion, with Mexican exports totaling US\$2.7 billion and imports from Japan summing US\$11.3 billion.

**Total trade
México - Japan
(Billion US dollars)**



Indeed, the EPA has allowed an increase of Mexican exports to the Asian country, in sectors such as: machinery, electric equipment and its parts (mainly electronic products), agriculture, mining, optic instruments, medical-surgical and automotive and auto parts.

Regarding imports from Japan, they are mainly inputs and capital goods, focusing on the sectors of industrial machinery, information technology equipment and its parts, certain specialized steel and automotive. Most of the imported products from Japan are incorporated into the productive process and then re-exported, taking advantage of the huge network of FTAs that Mexico has established with the most attractive markets in the world.

Additionally, the Mexico-Japan EPA has granted legal certainty to the Japanese companies to expand its production in Mexico. Up to 2009, the investment stock from Japan reached more than 2 billion dollars, without considering those carried out through the Japanese subsidiaries set up in United States and Europe (according to estimates from the Japanese External Trade Organization – JETRO – the Japanese investment in Mexico could be underestimated in a ratio of up to 4 to 1).

The investment from Japan in Mexico is allocated mainly in the manufacturing industries of metallic products, machinery and equipment, particularly in the automotive industry; as well as to the production and/or assembling of electronic devices for radio, television, communications and medical.

In reference to bilateral cooperation, in these five years several actions have been taken in the fields of trade and investment promotion. Important trade missions and seminars were held in order to promote investment into Mexico in strategic sectors such as automotive and auto parts, aerospace and renewable energies.

On Small and Medium Enterprises (SMEs), Mexico has worked closely with the Japan International Cooperation Agency (JICA) in the planning and development of an integral program for the training of SMEs consultants. This is done through the establishment of a National System for Certification and Training of Consultants.

For more information visit:

<http://www.mexicotradeandinvestment.com/>

Mexico's Economic Indicators

| |
|---|
| Inflation rate: 0.71% (March 2010); 4.97 % (2010, annual) |
| Industrial Production: 4.4% (Feb. 2010 / Feb. 2009) Manufacturing: 8.8%; Construction: -4.7%, Mining: 2.3% |
| Global Index of Economic Activity: 3.4% (Feb. 2010 / Feb. 2009) |
| Consumer Confidence Index: 81.8 pts. (March 2010) 2.4 percentage points (March 2010 - March 2009) |
| Open unemployment rate: 4.8% (March 2010) |

Source: INEGI

Mexico's Financial Indicators

| |
|---|
| Foreign exchange rate: 12.16 peso/dollar (April 26,2010) |
| International reserves: \$97,328 million dollars (April 23,2010) |
| Mexican stock market index (IPC): 33,772 (April 26,2010) |
| Interest rate treasury bonds CETES 28 days: 4.46% (April 22,2010) |

Source: Banco de Mexico

Mexico Official Journal

- **01/03/2010** Mexican Official Standard NOM-251-SSA1-2009, hygiene guidelines for food, beverages or food supplements.
- **03/03/2010** Clarification to the Agreement notifying the 2010 import quota applying duty-free tariff-rate for powder milk originating from the World Trade Organization's country-members, published on February 15, 2010. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule is 1901.90.05.
- **08/03/2010** Final resolution regarding the validity of the countervailing quotas applied to "bond paper" originating from the USA regardless the exporting country. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule is 4802.56.01.
- **11/03/2010** Fourth resolution modifying the general rules and practices on foreign trade for the year 2009 and its annexes 1,4,22 and 25.
- **16/03/2010** Resolution regarding the beginning of the countervailing quota applied to imports of flat hot rolled products originating from Russia and Ukraine, regardless the exporting country. The tariff classification of this merchandise, according to the Mexican Custom Tariff Schedule is 7208.10.99, 7208.26.01, 7208.27.01, 7208.38.01 and 7208.39.01.
- **26/03/2010** Nineteenth modification to the Agreement through which the Ministry of the Economy has issued general rules and practices on foreign trade.
- **26/03/2010** Agreement modifying certain provisions which notifies the toy's import quota.

EU Official Journal

- **10/03/2010 L060** Commission Regulation (EU) No 196/2010 of 9 March 2010 amending Annex I to Regulation (EC) No 689/2008 of the European Parliament and of the Council concerning the export and import of dangerous chemicals
- **29/03/2010 L073** Commission Regulation (EU) No 206/2010 of 12 March 2010 laying down lists of third countries, territories or parts thereof authorized for the introduction into the European Union of certain animals and fresh meat and the veterinary certification requirements
- **23/03/2010 L076** Commission Regulation (EU) No 215/2010 of 5 March 2010 amending Annex I to Regulation (EC) No 798/2008 laying down a list of third countries, territories, zones or compartments from which poultry and poultry products may be imported into and transit through the Community and the veterinary certification requirements
- **26/03/2010 L080** Commission Regulation (EU) No 254/2010 of 10 March 2010 approving a control programme for Salmonella in poultry in certain third countries in accordance with Regulation (EC) No 2160/2003 of the European Parliament and of the Council and amending Annex I to Regulation (EC) No 798/2008 as regards the Salmonella control status of certain third countries
- **31/03/2010 L084** Implementing Regulation of the Council (EU) No 270/2010 of 29 March 2010 amending Regulation (EC) No 452/2007 imposing a definitive anti-dumping duty on imports of ironing boards originating, inter alia, in the People's Republic of China

Mexico-EU Trade Links is a monthly informational newsletter published by the Mexican Mission to the EU, Representative office of the Ministry of the Economy. Av. Franklin Roosevelt 94, 1050, Brussels, Belgium.

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