



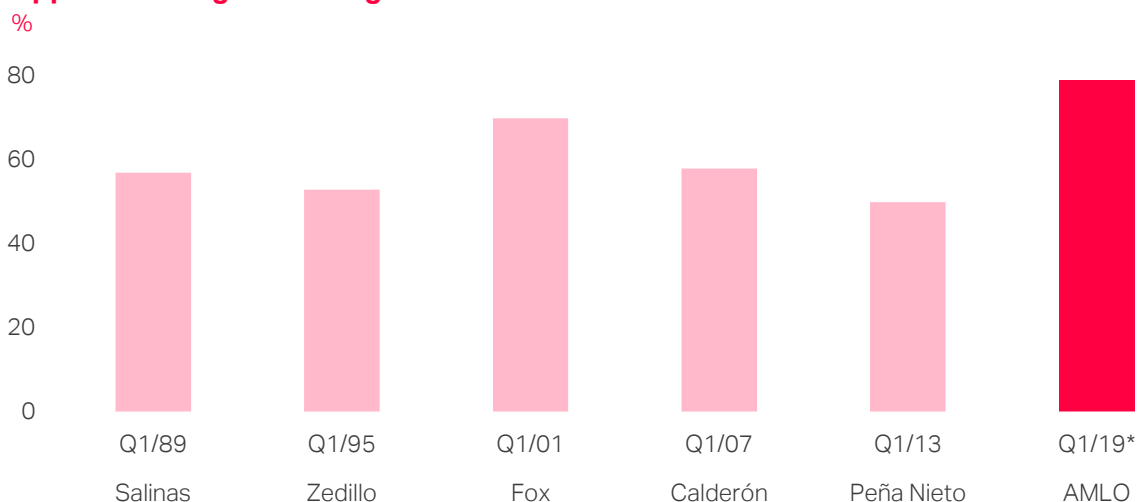
LatAm

# MEXICO: HIGHS AND LOWS AT AMLO'S 100-DAY MARK

Grace Fan

- At the 100-day mark, the government's approval rating and consumer confidence levels have sizzled to record highs in recent history, while inflation is ebbing
- Yet the latest economic indicators remain weak, with poor results in the auto sector and formal job creation in Feb, after investment plunged in Dec
- Labour productivity also edged down in Q4/18, as worker unrest continues to simmer – notably at the country's largest retailer, Walmart's Mexico unit
- A new Senate bill, drafted with industry input, to trim select bank fees may soon move ahead, as will a Lower House bill to lower the bar for national referendums
- While the government beat its Jan fiscal target, Pemex remains the big worry ahead; a new aid package will likely be palliative if energy reform is not continued

Approval rating of AMLO government vs other administrations



\*Average of eight polls taken between 21 Feb and 7 Mar.  
Sources: Local polls.

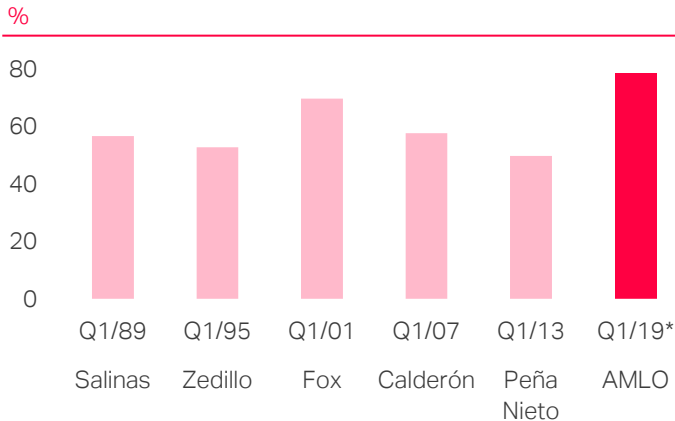
## Politics

Top issues	Comment	Expected market impact
<b>AMLO crosses 100-day threshold (10 March) with soaring approval ratings</b>	An average four out of five polled (79%) in the latest polls said they approved of President Andrés Manuel López Obrador's (AMLO) government – the highest rating in 30 years.	Neutral, but this boosts his political capital (see Chart 1 below) and <a href="#">2021 midterm electoral goals</a> .
<b>Bank representatives strike deal with Senate majority leader Ricardo Monreal to cut fees on low-income accounts</b>	In the draft bill, banks would lift fees on key services for low-income accounts totalling an estimated MXN18,750 or less; they would also streamline the 5,000+ registered bank fees and sharply increase fee transparency.	Mildly positive if this bill passes, as <a href="#">Monreal's original proposal</a> would have eliminated up to 13 key fees on all accounts
<b>Lower House to vote on referendum bill</b>	The bill to lower the bar for more nationwide referendums may be voted on this Thursday.	Negative if it passes, as expected

## Economics

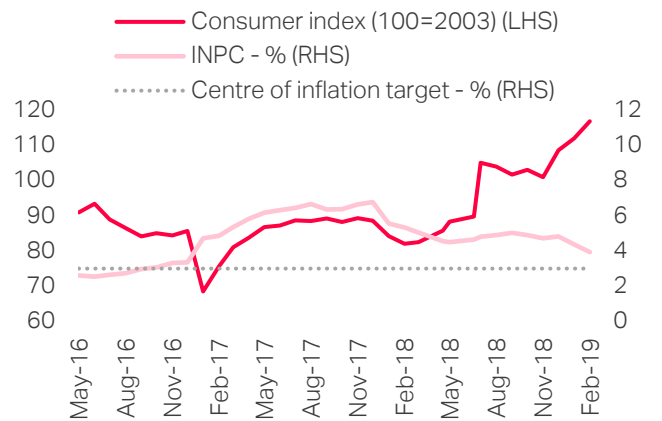
Top issues	Comment	Expected market impact
<b>Consumer confidence hits record high in Feb, as CPI falls 0.03% mom to an annual 3.94%</b>	Confidence rose for the third consecutive month, up 2.3pp mom/sa and 13.8pp yoy/sa (Chart 2) to hit a high unseen since 2001, while the monthly CPI was the lowest for the month of February in 17 years.	Positive for the odds of a future rate cut, but high rates will cap durable goods sales
<b>Auto sector disappoints in Feb</b>	Auto output, exports and new car sales by volume fell 5%, 0.06% and 5.5% yoy respectively (Chart 3).	Negative for industrial output in Q1
<b>Formal job creation plunges 23% yoy in Feb, while retail sales slip</b>	The 125,982 jobs created was the lowest for the month in 5 years, even as retail association ANTAD said same-store sales rose 3.3% yoy (vs 2.5% yoy in Jan) in nominal terms, but fell 0.2% yoy in real terms.	Neutral to negative, as it confirms the ongoing economic slowdown
<b>Jan primary surplus beats fiscal target, but falling net revenues on Pemex woes are a warning sign</b>	The surplus totalled MXN15.9 bn, -58% yoy in real terms, yet higher than the estimated Jan primary deficit of MXN614 mn. Still, net revenues fell 7.5% yoy in real terms and 5.2% below the target, hurt largely by Pemex's crude output, which fell in Jan to 1.62 mn bbl/d, -15% yoy, a low of three decades.	Positive for the government's Q1 fiscal results (Chart 4), but Pemex remains the weak link to watch
<b>Finance Ministry vows more aid for Pemex soon, as AMLO affirms new USD8 bn refinery will be built</b>	The big question is where the funds to help Pemex will come from: AMLO on Tues asserted that the new refinery is advancing, with USD2.5 bn to be invested this year, rebutting Deputy Finance Minister Arturo Herrera, who told the FT it would be delayed.	Negative if the <a href="#">fiscal aid stays palliative</a> , positive if energy reform is reinstated; more details may come on 18 Mar
<b>Investment plummets in Dec, but edges up in 2018 at +0.6% yoy</b>	Gross fixed investment decreased in Dec by 0.7% mom/sa and 6.4% yoy/sa in real terms (Chart 5) – the worst monthly yoy result since Sept 2013 and a warning sign for 2019.	Negative, as AMLO has failed to launch policies to entice more private sector investment
<b>Possible strike looms for Walmart's Mexico unit, as labour unrest continues</b>	Although Mexico's largest retailer posted better-than-expected sales in Feb, up to one-third of its workers have reportedly threatened to go on strike on 20 Mar if their current demands of a 20% salary hike and a 4% bonus on sales revenues are not met.	Negative if it occurs, as <a href="#">unrest may grow</a> ; in Q4, productivity already fell 0.2% qoq/sa and 1% yoy/sa (Chart 6)

**Chart 1: Approval rating of AMLO government vs other administrations**



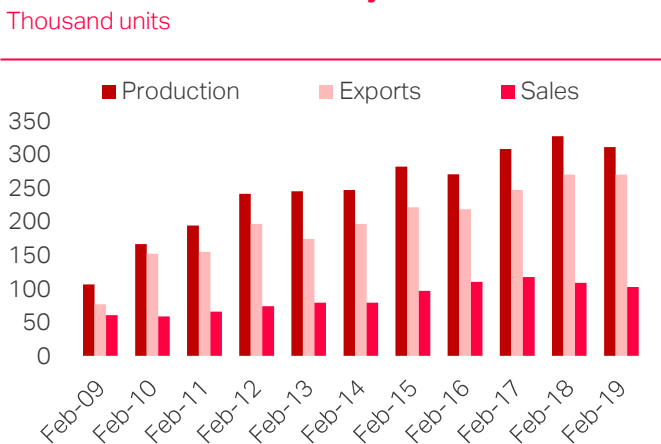
\*Average of eight polls taken between 21 Feb – 7 Mar.  
Sources: Local polls.

**Chart 2: Consumer confidence vs CPI (INPC)**



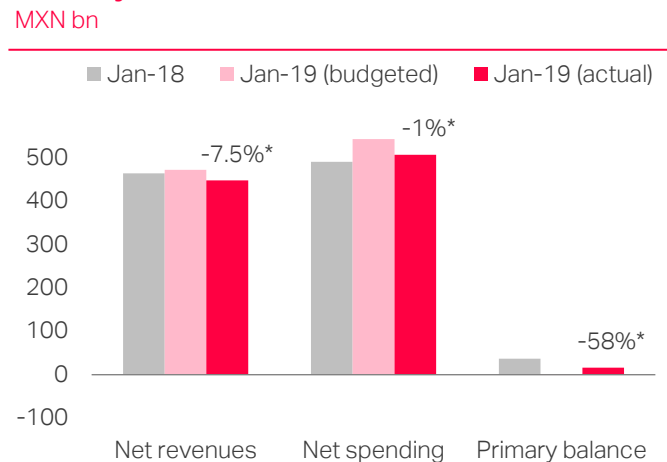
Sources: INEGI, Banxico.

**Chart 3: Auto output, exports and domestic sales in February**



Sources: AMIA, INEGI.

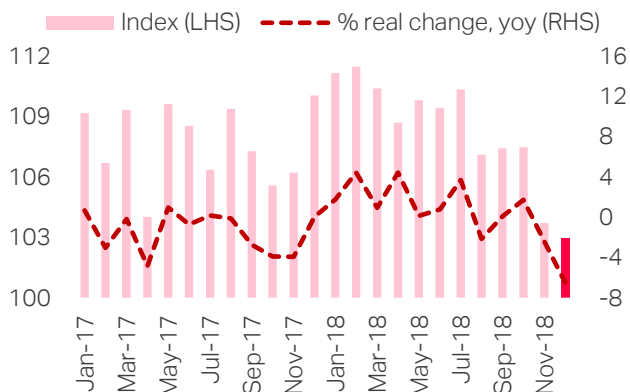
**Chart 4: Federal fiscal results in January**



\*% real change, yoy, from Jan 2018.  
Source: Finance Ministry.

**Chart 5: Gross fixed investment**

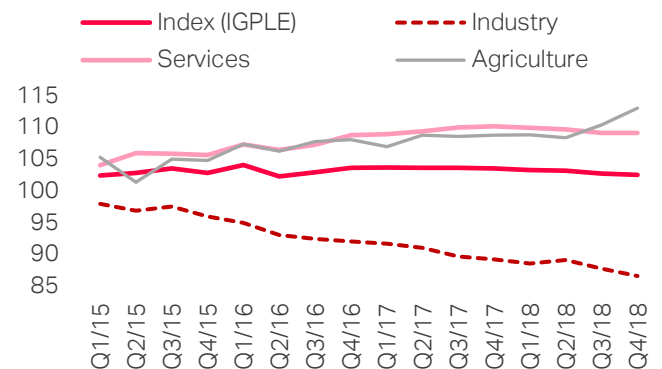
Index: 100 = 2013/sa (LHS) / % (RHS)



Source: INEGI.

**Chart 6: Labour productivity**

Index: 100 = 2013/sa



Source: INEGI.

## Authors



**Grace Fan**  
Senior Director, Latin  
America Research