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## Mexico

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## Mexico Overview

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CONTEXT STRATEGY RESULTS

Mexico, the second largest economy in Latin America, is recovering from a brief but very deep recession, resulting mostly from its heavy reliance on oil exports and its trade with the United States.

According to [CONEVAL](#)(e) (National Council on Evaluation of Social Development Policy) the number of Mexicans living in poverty increased by 3.2 million from 2008 to 2010, following the global economic crisis. It implies that around 46.2 percent of Mexico's total population (52 million people), live in poverty, mainly in urban areas. Meanwhile, extreme poverty (those living with less than \$978 pesos (US\$76) a month in urban areas and less than \$684 pesos (US\$53) in rural areas (August 2010) ) reduced slightly from 10.6% to 10.4% (11.7 million people). The fact that extreme poverty held steady over that period is attributed to targeted social protection programs such as the Oportunidades conditional cash transfer initiative and the Seguro Popular universal [health insurance](#).

Violence has taken a high toll on Mexico, mainly from wars between rival drug cartels. More than 15,000 people were killed in 2010 in drug-related violence. There were 12,903 deaths related to presumed delinquent rivalry in the first nine months of 2011, according to statistics of the Office of the Mexican Attorney-General (PGR).

President Felipe Calderón has made public security a priority for his administration, launching aggressive operations against organized crime and drug traffickers. However, since President Calderón launched his offensive against drug cartels, violent crime has been steadily escalating. More than 47,000 people have been killed since the crackdown began. According to the federal government, the intensification of the violence is a sign of the weakening of the cartels, as the offensive has disrupted their trafficking routes and forced them to battle each other for control of the narcotics business.

On July 1, 2012, presidential elections were held in Mexico and the new president will [start](#) to exercise his post on December 1, 2012. Additionally, the country elected in the same process 128 senators and 500 congressmen, the total of both chambers.

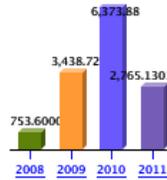
After being hit hard by the global economic crisis and the collapse of international trade in 2009, when Mexico's GDP fell by 6.1 percent, the economic activity recovered and grew 5.4 percent in 2010.

The rebound was driven by a higher external demand due to the recovery in U.S. industrial production. In the near term, a larger contribution from private consumption and investment is expected, given that the recovery of trade and industrial activity is leading to a rebound in [employment](#), credit to private sector, and consumer confidence.

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During 2011, Mexico's economic growth was moderate and reached 3.9 percent and it is expected to stay at 3.3 percent in 2012. External demand for Mexican manufactured goods is projected to persist but it will normalize compared with its sharp post-crisis rebound. Trade and current account deficits will increase as domestic demand starts to play a larger role in the economic recovery. Progress on the economic reform agenda and higher levels of [investment](#) in public infrastructure over the past few years are likely to raise potential growth. The government has based its medium-term fiscal outlook on an annual economic growth of 3.9 percent for 2013-2017.

Inflation pressures have been falling down this year after the concerns generated for higher food prices (particularly grains) at the end of 2010. By the end of 2011, consumer prices recorded a variation of around 3.8 percent, within the range of 2% to 4% that the Mexican Central Bank has determined as inflation objective in the medium term. The consensus among analysts is that the [Central Bank](#) will not hike the policy rate until the second half of 2012.

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