

## **Mexico Raises Forecast for Direct Investment 11% to \$20 Billion for 2011**

Minister Bruno Ferrari, speaks about the outlook for foreign investment into the country and the nation's economic growth. Ferrari, who talked with Bloomberg's Peter J. Brennan at a Mexican trade fair in Los Angeles on Aug. 19, also discussed global automakers' plans for new automobile manufacturing facilities in his country, the global economy, and Mexico trade relations with the U.S. (Source: Bloomberg)

Mexico may receive as much as \$20 billion in foreign direct investment this year, 11 percent more than a prior forecast, as the second-biggest Latin American economy's low wages and proximity to the U.S. draw producers.

"Companies are looking for the best place to invest," Economy Minister Bruno Ferrari said in an Aug. 19 interview in Los Angeles. "It's obvious that Mexico has been that place for North America."

Mexico has manufacturing costs 25 percent lower than the U.S., is producing more engineers than other countries and is signing free trade pacts with nations like Colombia, Ferrari said. The expected \$20 billion compares to \$18 billion estimated earlier this year by Finance Minister Ernesto Cordero.

Mexican economists have also boosted their forecast for FDI, as the foreign investment is known, in the most recent central bank survey Aug. 1, saying the that country may get \$19.7 billion this year compared with \$19.5 billion in July.

In the past year, Mexico has attracted auto manufacturers like Volkswagen AG (VOW), Nissan Motor Co., Mazda Motor Co. and General Motors Co. (GM) to announce investments in the country of more than \$400 million each.

Honda Motor Co., Japan's third-largest automaker, said on Aug. 12 it plans to build an \$800 million factory in the central Mexican city of Celaya.

"We're expecting to have more of those announcements before the year's end," Ferrari said, declining to identify the auto manufacturers that may open factories in Mexico.

### **Automotive Investments**

The auto industry, including the production of auto parts, generated \$64.9 billion in exports last year, according to a report by Citigroup Inc.'s Banamex unit. This surpasses the \$41.7 billion received from crude and oil derivatives, the \$21.3 billion from remittances and the \$11.9 billion from tourism, Banamex data show.

Including portfolio investments, Mexico will get more than \$40 billion this year, Deputy Finance Minister Gerardo Rodriguez said Aug. 10.

Mexican peso bonds are posting the biggest rally in Latin America on speculation slowing economic growth will keep inflation near a five-year low and prompt the central bank to cut interest rates.

The yield on Mexico's benchmark notes due in 2024 sank 95 basis points, or 0.95 percentage point, in the past month to a record 6.03 percent Aug. 18, according to data compiled by Bloomberg. Yields on similar-maturity Colombian peso bonds slid 41 basis points, while those on Brazil's benchmark local securities maturing in 2021 dropped 77 basis points.

"We have been managing our finances in a very responsible way," said Ferrari, who has been the head of the Economy Ministry since July 2010.

## **Slower Growth**

Mexico's IPC index fell 0.3 percent to 33,136.89 on Aug. 19 and has lost 14 percent so far this year.

Latin America and Caribbean countries received \$159 billion in FDI last year, according to the World Investment Report 2011 by the United Nations Conference on Trade and Development.

Remittances have grown about 4 percent to 5 percent in the first five months this year and the government expects at least a similar amount to last year's \$21.2 billion, Ferrari said.

Mexico's economy grew 3.3 percent in the second quarter from a year earlier, the slowest pace since the last three months of 2009, as agriculture and mining contracted.

Growth eased from 4.6 percent in the first quarter, the national statistics agency said Aug. 19 on its website. The median estimate of 19 economists surveyed by Bloomberg was for the economy to expand 3.6 percent.

Ferrari said the government still expects growth this year between 4 percent and 5 percent, slowing to between 3 percent and 4.5 percent in 2012.

The 26 consulting economic firms surveyed by the central bank cut their 2011 growth forecast for second consecutive month. The analysts now expect the economy to expand 4.24 percent compare with 4.31 percent in the July 1 monthly survey.

Source: *Bloomberg*  
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