

Country Insight Snapshot

Mexico

January 2022





Overall Country Risk Rating: DB4b

Last change: May 2020



Moderate risk: Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.

Rating Outlook: Stable

WorldWatch Headline

The aggressive pursuit of policies and practices to curb foreign investors' participation in key sectors is a significant disincentive to crucial inward investment.

Recent Changes

- Curbs on foreign investors disincentivise capital inflows.
- At DB4b, the rating outlook stays on 'stable'. However fresh waves of Covid-19 infections and weaker US growth are key risks to the near-term economic momentum.
- Recent labour and tax laws which restrict outsourcing of labour mean that employers will have to directly hire some workers who were previously subcontracted.
- The government's closure of Monterra Energy fuel storage terminal owned by US company KKR in September, following other closures, is feared to be a precursor to expropriation in order to benefit state-owned Pemex gas stations.

Events to Watch

- Supply disruption and higher food and energy prices are unlikely to ease before early-2022, keeping inflation above the official target rate of 3% in Q1 2022.
- The central bank is gradually tightening to anchor inflation expectations; in November the bank hiked its policy rate for a fourth straight meeting, taking the rate to 5.0%.
- President Andres Manuel Lopez Obrador is expected to press on with reform of the energy sector to prioritise state enterprise (CFE) over private companies.

Call to Action

- Closely monitor how privately-run gas storage terminal closures are handled by the government as a gauge of curbs on private-sector participation in key sectors.
- Monitor the national vaccination campaign's progress which will influence the pace of normalisation for business and social activity.
- Note that the pace of the manufacturing sector's recovery is closely tied to America's economic performance.



Country Insight Headlines

Credit Environment

Score: DB3d



Last change: January 2022 (DB3c→DB3d)

Rating Outlook: Stable

Risks and Opportunities

- An additional hike in the central bank's policy rate at its February meeting aimed at anchoring inflation expectations will drive up borrowing costs.
- The non-seasonally adjusted unemployment rate dropped to 4.3% in September from 4.7% in January, but remains above the pre-pandemic level of 3.5% (December 2019).
- The commercial banks' NPL ratio dropped to 2.2% in September 2021, just below the average of 2.25% in 2020.
- However, the rise in less-regulated non-bank lending is a key risk to the banking system: non-bank lending surpassed bank lending for mortgages and business financing in Q2 2021.

Trade Terms

Description	
Minimum Terms	LC
Recommended Terms	SD
Usual Terms	30-90 days

Source: Dun & Bradstreet

Note: OA: Open Account; SD: Sight Draft (Documentary Collection); LC: Letter of Credit; CLC: Confirmed Letter of Credit; CiA: Cash in Advance.

Export Credit Cover

Agency	Cover
US Eximbank	Full cover available
Eksport Kredit Fonden	Full cover available, conditions apply
ECGD	Full cover available
Euler Hermes AG	Full cover available, conditions apply

Source: Export Credit Agencies

Call to Action

- Expect inflation to remain above the official target rate of 3% in 2022
- Factor in higher financing costs when business planning, as the central bank maintains a tightening stance.
- Ensure new clients or vendors are **onboarded** via a comprehensive process.



Supply Environment

Score: DB4d

Last change: N/A→DB4d



Rating Outlook: Deteriorating

Risks and Opportunities

- The outlook for business continuity is ‘deteriorating’, as the latest Covid-19 surges resulted in 13 of 32 states in the Orange and Yellow levels of classification in the Federal Traffic Light Monitoring system.
- No states were in the lowest and highest risk categories at time of writing.
- Mexico is one of the most hazard-prone countries, vulnerable to earthquakes and storms.
- The global semiconductor shortage appears to have begun to ease but it could be several months before full resumption of auto plants' and related-industries' operations.

Call to Action

- Assess the impact of booster jabs in developed countries on Mexico’s inoculation rate.
- Monitor the impact of bottlenecks in global supply chains on sectors reliant on inputs sourced from abroad; investigate alternative suppliers to improve supply-chain resilience.
- Factor in Mexico’s vulnerability to natural hazards when engaging in contingency planning and risk mitigation.
- Careful [procurement and supplier management](#) could help mitigate supply-chain vulnerabilities and risks.



Market Environment

Score: DB3d



Last change: November 2021 (DB4c→DB3d)

Rating Outlook: Stable

Risks and Opportunities

- Record inflation, which rose to 5.7% in December, continues to erode consumer's purchasing power. Average inflation for 2022 will remain above the central bank's target of 2.0-4.0%.
- The record surge in Covid-19 infections because of Omicron remain a substantial near-term risk to market potential particularly for services.
- Record high remittances (which reached USD50.5bn between January and November 2021) are supporting household consumption, despite persistent price pressures.
- The main categories of imported goods are electrical machinery and equipment, vehicles, mineral fuels (including oil), and plastics and plastic articles.

Call to Action

- Continue to heed official guidance regarding trade and travel precautions and monitor the Federal Traffic Light monitoring system.
- Keep abreast of the US's economic performance given the deep linkages with the Mexican economy.
- Assess the effect of the United States-Mexico-Canada Agreement on both trade and foreign investment decisions, in particular the resolution of business disputes.
- Take account of reports by logistics companies that Mexico is one of the top countries in the world for risk of cargo theft.



Political Environment

Score: DB5a

Last change: N/A→DB5a



Rating Outlook: Stable

Risks and Opportunities

- President Lopez Obrador has proven to be quite resilient vis-à-vis public perception of his job performance, despite increasing concerns by business regarding his policies.
- The implementation of nationalist and populist policies weighs on the commercial environment as preferential treatment is given to public enterprises over private companies.
- In Transparency International's *Corruption Perceptions Index 2020*, Mexico ranks an unimpressive 124th/180, albeit up six places.

Call to Action

- Note that the government is struggling to control criminal activity, particularly the entrenched and pervasive drugs trade, despite its pledges to do so.
- Expect unorthodox policies to be adopted by the government in its bid to address socioeconomic issues, as promised by the president during his 2018 campaign.



User Guide

User Guide

Please click [here](#) to visit our online user guide.

Other Dun & Bradstreet Products and Services

Sales

Email: countryinsight@dnb.com
Telephone
UK: +44 20 7149 5000
US: +1 800 234 3867
Rest of World
contact your local office
or call +44 20 7149 5000

Publisher

Dun & Bradstreet
The Point
37 North Wharf Road
London W2 1AF
United Kingdom
Tel: +44 20 7149 5000
Email: countryinsight@dnb.com

Dun & Bradstreet, a leading global provider of business decisioning data and analytics, enables companies around the world to improve their business performance. Dun & Bradstreet's Data Cloud fuels solutions and delivers insights that empower customers to accelerate revenue, lower cost, mitigate risk, and transform their businesses. Since 1841, companies of every size have relied on Dun & Bradstreet to help them manage risk and reveal opportunity. Visit www.dnb.com for details.

For further information on Country Insight Group products and services please visit:

UK: <https://www.dnb.co.uk/products/finance-credit-risk/country-insight-for-global-risk-management.html>

US: <https://www.dnb.com/products/finance-credit-risk/country-insight-for-global-risk-management.html>

Canada: <https://www.dnb.com/ca-en/products/finance-credit-risk/country-insight-for-global-risk-management.html>

Hong Kong: <https://www.dnb.com.hk/Country-Insights/page.htm>

Legal and Copyright Notices

While the editors endeavour to ensure the accuracy of all information and data contained in this Country Insight Report, neither they nor Dun & Bradstreet Limited accept responsibility for any loss or damage (whether direct or indirect) whatsoever to the customer or any third party resulting or arising therefrom.

© All rights reserved. No part of this publication may be reproduced or used in any form or by any means graphic, electronic or mechanical, including photocopying, recording, taping, or information storage and retrieval systems without permission of the publisher.

Disclaimer

Whilst Dun & Bradstreet attempts to ensure that the information provided in our country reports is as accurate and complete as possible, the quantity of detailed information used and the fact that some of the information (which cannot always be verified or validated) is supplied by third parties and sources not controlled by Dun & Bradstreet means that we cannot always guarantee the accuracy, completeness or originality of the information in some reports, and we are therefore not responsible for any errors or omissions in those reports. The recipients of these reports are responsible for determining whether the information contained therein is sufficient for use and shall use their own skill and judgement when choosing to rely upon the reports.