

**Swine Flu - a personal view from Ignacio Perales the  
Concordia Associate in Mexico 10<sup>th</sup> September 2009**

Dear Paul,

First of all, I think Mexico has suffered the perfect storm. Here are some facts:

- Swine Flu. Its effect on the economy of Mexico City (representing a rough 30% of the country's GDP) has been devastating. Its side effects on the tourism industry were very heavy in the beginning and now appear to have eased.
- The biggest downturn on exports in years, as per the economic situation in the USA.
- The American auto industry debacle: These were probably the biggest employers in industrial Mexico (specially in the centre and north of the country).
- Government Incompetence and Corruption. This is legendary, has not changed a bit even though we are supposed to live in a democracy, and has been evident recently on the Mexican version of the "War on Drugs" that has killed an average of 8,000 per year for the last two years. Mexico is the most violent country or society where there is no war or civil war.
- The Government does not seem to be in control of the situation: no major reforms on the fiscal system have been implemented nor any incentives for producers, farmers or small businesses.
- The discussions on the privatization or mixed ownership of the oil giant (Pemex) have been halted. As per the international oil prices, the country's oil revenues have taken a dive. No deep-sea exploration (no funds), a macabre union, lack of refining capacity and a gigantic beurocracy, have made this one of the biggest failures and centers of corruption of the country. The same could be said of the energy company, CFE (Comision Federal de Electricidad).

The World Bank and representatives of OECD inform that Mexico will be the country hardest hit by the economical situation. No growth is expected until 2011.

However – and there is always a however- these are interesting and challenging times for adjusters. As you know, when there is a downturn on the economy crime rises, manufacturing plants cut on prevention and maintenance, and there is more "incentives" for fraud. Thus, there are more complex and difficult claims to deal with.

Best regards,

Ignacio Perales