# Mexico
# Economic Profile

## 4nd Bimonthly Report of 2019

Timely Macroeconomic Report
for Decision Making

August 2019

After finishing two thirds of 2019, the economic model of the Fourth Transformation (4T) looks increasingly clear. It is not about building a vigorous economy for all Mexicans; rather, it is about improving the living conditions of the less favored groups. It is not about taking advantage of the development opportunities offered to Mexico in this 21st century, but about recovering the rectory of the State at any cost. It is not about repowering the resources, abilities and talents of Mexicans and eventually their productivity; it is about transferring resources from wealthy groups to vulnerable groups. Therefore, the priority is not to grow and generate productive jobs; the priority is to generate well-being for the base of the pyramid and multiply the number of adherents to the 4T. Under these premises and from its perspective, 4T has been relatively successful. But the losses in growth, employment, investments, and opportunities will mark the future of Mexico in the coming years.

**Null Economic Growth**.- In January-June, GDP yearly growth of 0.1% is reported (with seasonally adjusted data), which contrasts with 2% in 2018. That means that expectations are not encouraging for the near future: forecasts fell from 2% to a growth close to 0.5% for 2019 and around 1.5% for 2020. A big disappointment for the first year of 4T. The new government's expectation is that private consumption (via social assistance) will strengthen, but so far, all the engines of demand (including consumption) have tended to slow down. On the supply side, industry decreases and services weaken, accounting for a general sluggishness in the productive apparatus.

**Inflation under control.-** Despite the salary adjustment, inflation stood at 3.2% in August (in the last three years it went from 6.8% to 4.8% and then to 3.2%). The result, although encouraging, has not been surprising, given the low economic activity and fiscal and monetary discipline promoted by the government. As a result, there are not great inflationary pressures at the moment, although there is core inflation higher than the general one. As the economy picks up, new price realignment pressures are expected to emerge.

**Wages improve, job creation worsens.-** The insufficiency of jobs has worsened. The unemployment rate increased in most of the year and reached 3.7% in August, although it remains within the recent range of 3-4%. Meanwhile, job creation collapsed, from 661 thousand in 2018 to 359 thousand in August 2019. There was, however, a significant real increase in minimum wages (13%), which has been a huge relief for the working class.

**Government Finance Discipline**.- In 2019, January-June, government revenues totaled 10.9% of GDP, expenses 11.5% of GDP, and that resulted in a negative balance of 0.5% of GDP. As a result of fiscal discipline, public debt has remained stagnant: 45.3% of GDP in December 2018, similar to that recorded in 2019-II (45.2%).

**Financing to the Private Sector continues weak**.- After two years of low dynamism, financing to the private sector continues without giving clear signs of reactivation in 2019. In fact, in 2019-II it reported a growth of only 0.7% (year to year). The three financing destinations showed also a moderate dynamism: consumption (3.5%), housing (4.4%) and companies (-0.6%). This takes place in a context of very high-interest rates that have begun to decline and in August they are already at levels below 8% for CETE; meanwhile, the Stock Exchange regained ground in the first quarter, then stagnated and again receded in July-August 2019.

**International environment with lights and shadows**.- The US economy remains solid: GDP reported a 2% increase in 2019-II (vs. 3.1% previously), in contrast to a declining industrial sector (-2.3%). For its part, unemployment remains at low levels (3.6 in August) and reflects the good economic health of the United States. Such dynamism stimulates Mexican exports and helps sustain capital flows to Mexico.

Still, uncertainty prevails. While the formalization of the T-MEC is expected to energize the economy of North America, there are several clouds on the horizon: the eventual recession in the US, the US-China trade war, and the protectionist and anti-immigrant wave prevailing in the US.

In the expectation of gradual recovery in the world economy and revitalization of the trade relationship in North America in 2020, Mexico faces more opportunities than threats.

**Uncertain Economic Perspectives**.- The expectations for 2019 and 2020 are not very encouraging for Mexico. Mexican experts expect tiny growth for 2019 (0.5%) and a little more vigorous growth for 2020 (1.4%). For its part, the US would move towards slightly more moderate growth in 2019-2020 (2.4 and 1.8%). However, the eventual implementation of the T-MEC in 2020 could make a difference.

# Economic Activity

## In 2019, second quarter, GDP grew 0.1% at the annual rate (vs. 0.0% prior), which points to zero growth for 2019.

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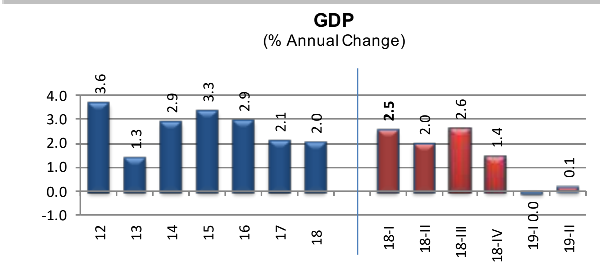
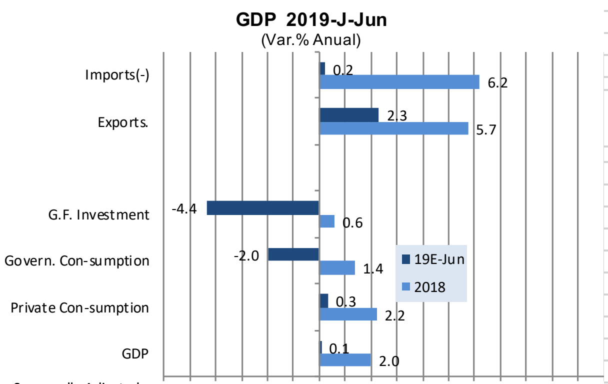
**Gross Domestic Product**




Source: INEGI (Seasonally Adjusted Data)




Seasonally Adjusted
Source: INEGI

| Year | GDP | Primary S. | Industrial S. | Services S. | Construction | Transportation | Mass Media |
|---|---|---|---|---|---|---|---|
| | Var.% Anual | | | | | | |
| 12 | 3.6 | 7.4 | 2.9 | 4.5 | 2.5 | 4.1 | 16.3 |
| 13 | 1.3 | 0.9 | -0.5 | 2.4 | -4.8 | 2.4 | 5.0 |
| 14 | 2.9 | 4.3 | 2.0 | 2.6 | 2.0 | 3.4 | 0.2 |
| 15 | 3.3 | 1.5 | 1.0 | 3.5 | 2.5 | 4.3 | 7.8 |
| 16 | 2.9 | 3.8 | 0.4 | 3.9 | 2.0 | 3.1 | 19.1 |
| 17 | 2.1 | 2.1 | 0.5 | 2.8 | 1.6 | 3.4 | 5.1 |
| **18** | **2.0** | **2.4** | **0.2** | **2.8** | **0.6** | **3.1** | **6.0** |
| 18-I | 2.5 | 4.7 | 1.0 | 3.0 | 3.7 | 3.7 | 4.2 |
| 18-II | 2.0 | 3.1 | 0.9 | 2.6 | 3.2 | 2.9 | 8.1 |
| 18-III | 2.6 | 1.1 | 1.0 | 3.4 | 0.0 | 3.8 | 2.7 |
| **18-IV** | 1.4 | 0.8 | -1.1 | 2.5 | -5.0 | 2.1 | 6.8 |
| **19-I** | **0.0** | **1.2** | **-2.0** | **0.9** | **-2.7** | **0.8** | **0.4** |
| **19-II** | 0.1 | 0.1 | -1.7 | 0.8 | -5.5 | 1.7 | -4.7 |

| Year | GDP | Private Con-sumption | Govern. Con-sumption | G.F. Investment | | Exports. | Imports(-) |
|---|---|---|---|---|---|---|---|
| 2016 | 2.9 | 3.7 | 2.4 | 1.1 | | 3.5 | 2.9 |
| **2017** | 2.1 | 3.1 | 1.0 | -1.6 | | 3.9 | 6.2 |
| **2018** | **2.0** | **2.2** | **1.4** | **0.6** | | **5.7** | **6.2** |
| **19E-Jun** | **0.1** | **0.3** | **-2.0** | **-4.4** | | **2.3** | **0.2** |
| 18-I | 2.5 | 3.3 | 3.5 | 3.2 | | 2.6 | 7.2 |
| II | 2.0 | 2.2 | 4.7 | 2.9 | | 8.0 | 5.2 |
| III | 2.6 | 2.4 | 2.9 | 0.6 | | 8.9 | 6.0 |
| IV | 1.4 | 1.4 | 0.9 | -3.1 | | 4.3 | 5.2 |
| 19-I | 0.0 | 0.0 | -1.3 | -2.9 | | 1.9 | -0.2 |
| 19-II | 0.1 | 0.7 | -2.6 | -5.8 | | 2.7 | 0.7 |

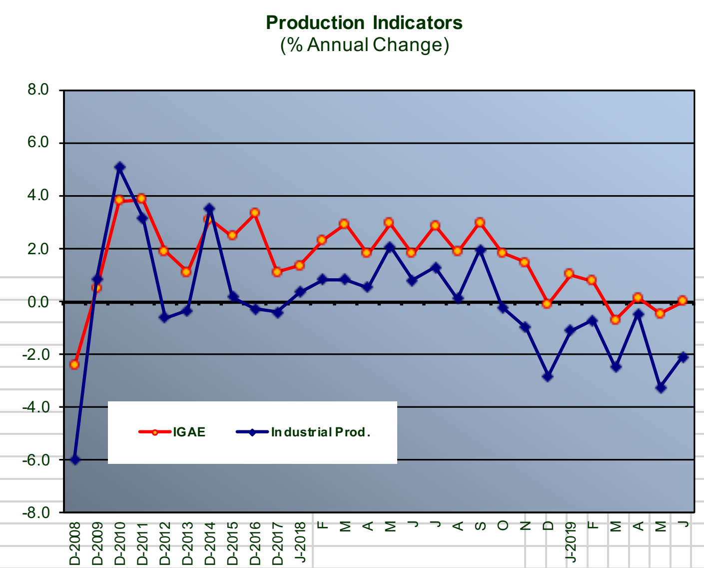
Source: INEGI

- GDP growth in the second quarter of 2019 was 0.1% (according to seasonally adjusted figures), reflecting the stagnation of productive activity in this first year of 4T, attributed mostly to internal factors.
- At the sectoral level, in 2019-II, the weakening is widespread: the industrial sector continues to fall (-1.7%) and the services sector and the primary sector grow at rates below 1%.
- On the demand side, in 2019 there is a weakening of consumption, the main driver of demand, in addition to the decline that is already observed in investment.

# Economic Activity

## The IGAE, in the April-June 2019 period, reported slightly negative growth, reaffirming the gradual deterioration in economic activity.

### Production Indicators




Source: Information from INEGI

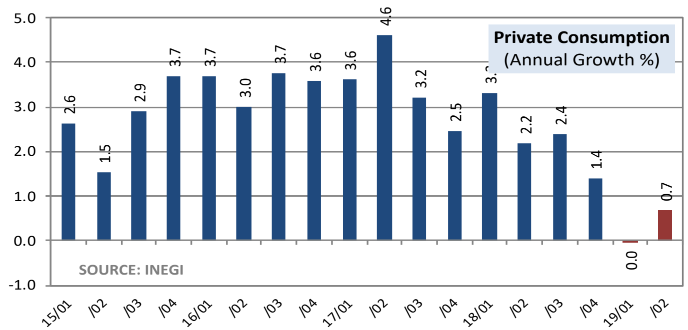
| Period | IGAE (proxy of GDP) TOTAL | Primary S. | Industrial S. | Services S. | Construction | Commerce Net Sales Wholesale | Retail | Non Financial Services Total | Transportation | Mass media | Gross Fixed Investment | Private Consumption |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **D-2008** | -2.4 | 15.7 | -6.0 | -1.9 | -4.6 | -2.6 | -3.3 | 3.6 | 2.8 | 9.3 | -0.3 | -1.3 |
| D-2009 | 0.5 | -5.9 | 0.9 | 0.3 | -8.6 | -0.8 | -1.0 | -7.0 | -3.8 | -5.2 | -4.1 | 2.1 |
| D-2010 | 3.8 | 1.8 | 5.1 | 3.8 | 7.6 | 5.0 | 0.4 | 6.4 | 2.3 | 1.4 | 8.9 | 4.2 |
| D-2011 | 3.9 | 5.7 | 3.2 | 4.1 | 3.9 | 9.2 | 3.3 | 5.6 | 7.4 | -2.8 | 6.9 | 3.6 |
| D-2012 | 1.9 | 9.5 | -0.6 | 2.9 | -2.3 | -4.6 | -2.0 | 10.4 | 7.2 | 0.2 | -1.0 | 1.9 |
| D-2013 | 1.1 | 1.2 | -0.3 | 1.9 | -2.0 | -1.1 | 5.1 | -0.4 | 1.5 | -6.7 | 0.8 | 1.6 |
| D-2014 | 3.1 | 4.3 | 3.5 | 2.8 | 6.7 | 5.0 | 2.4 | 2.5 | 6.6 | -0.3 | 6.1 | 2.8 |
| D-2015 | 2.5 | 2.0 | 0.2 | 3.8 | -1.8 | 2.2 | 3.4 | 6.1 | 7.6 | 18.8 | -0.3 | 2.9 |
| D-2016 | 3.3 | 3.9 | -0.3 | 5.1 | -1.0 | 14.2 | 9.0 | 8.5 | 14.0 | 8.7 | 0.4 | 5.0 |
| **D-2017** | 1.1 | 1.4 | -0.4 | 1.8 | 3.8 | -6.4 | -2.0 | 3.3 | 1.3 | 3.9 | -0.9 | 0.9 |
| J-2018 | 1.4 | 0.2 | 0.4 | 1.9 | 3.4 | 3.3 | 2.2 | 0.5 | -1.8 | 1.6 | 1.5 | 1.6 |
| F | 2.3 | 9.4 | 0.8 | 2.8 | 3.6 | 6.8 | 1.8 | -0.6 | 0.5 | -0.3 | 4.0 | 1.9 |
| M | 2.9 | 6.2 | 0.8 | 3.8 | 2.1 | 6.0 | 7.7 | -0.5 | 2.1 | -2.2 | 2.4 | 4.3 |
| A | 1.8 | 4.6 | 0.5 | 2.4 | 4.1 | 1.4 | -2.2 | 1.2 | 3.2 | -0.4 | 5.2 | 2.0 |
| M | 3.0 | 9.5 | 2.1 | 3.0 | 5.8 | 5.4 | 1.8 | 4.5 | 4.0 | 10.3 | 3.3 | 2.6 |
| J | 1.8 | -4.0 | 0.8 | 2.7 | 1.7 | 1.5 | 1.5 | 2.7 | 5.9 | 2.9 | 2.6 | 2.1 |
| J | 2.9 | 1.4 | 1.3 | 3.7 | 3.8 | 3.0 | 4.3 | 3.0 | 4.3 | 2.5 | 4.0 | 2.8 |
| A | 1.9 | 2.1 | 0.1 | 2.7 | -2.2 | 2.0 | 5.1 | 4.2 | 2.6 | 5.1 | -1.7 | 2.5 |
| S | 3.0 | -0.4 | 1.9 | 3.5 | -1.7 | 4.6 | 4.9 | 2.1 | 4.0 | -4.4 | 0.0 | 2.8 |
| O | 1.8 | -4.4 | -0.2 | 3.1 | -1.6 | 3.3 | 0.6 | 3.2 | 5.7 | 1.5 | 1.5 | 1.4 |
| N | 1.5 | 2.7 | -1.0 | 2.6 | -5.9 | 0.2 | 3.6 | 0.8 | 3.6 | -4.1 | -3.7 | 2.1 |
| **D** | -0.1 | 3.3 | -2.8 | 1.0 | -6.4 | 0.7 | -1.3 | 0.9 | 2.1 | 1.3 | -7.9 | 0.6 |
| **J-2019** | 1.0 | -1.9 | -1.1 | 2.3 | 0.4 | 3.9 | 2.4 | 0.7 | 3.9 | -3.6 | 1.0 | 2.3 |
| **F** | 0.8 | 5.3 | -0.7 | 1.3 | -1.2 | -1.9 | 4.2 | 0.7 | 3.9 | -3.7 | -1.4 | 1.9 |
| **M** | -0.7 | 1.4 | -2.5 | 0.1 | -5.5 | -3.0 | -1.9 | 2.3 | 1.5 | 1.2 | -5.5 | -1.2 |
| **A** | 0.2 | -0.3 | -0.5 | 0.5 | -2.5 | -0.8 | 4.5 | -2.6 | 1.2 | -4.9 | -3.3 | 0.9 |
| **M** | -0.5 | -0.9 | -3.2 | 0.9 | -9.3 | -3.8 | 4.2 | -1.9 | 1.7 | -10.9 | -7.5 | 0.6 |
| **J** | 0.0 | 2.5 | -2.1 | 0.7 | -6.5 | -0.7 | 3.0 | -0.5 | 0.3 | -3.6 | -8.0 | 1.5 |

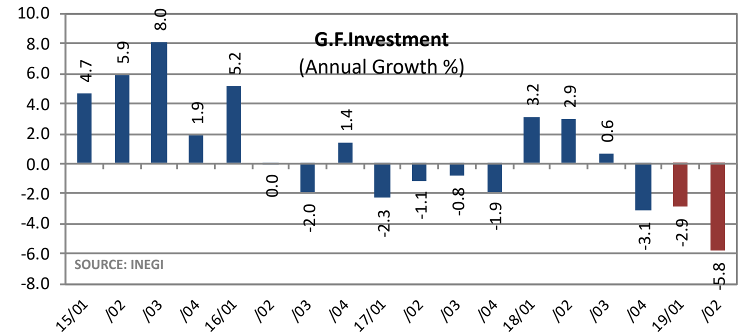
Source: INEGI

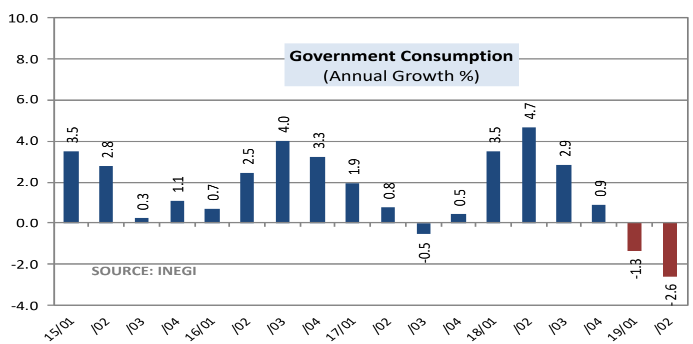
- The IGAE (Global Economic Activity Indicator) since the end of 2018 showed a clear deceleration and in 2019 it was in negative growth.
- The agricultural sector (the most volatile sector) is the one that has shown the greatest strength, while services weaken and industrial production contracts.
- On the demand side, the weakening of private consumption, the main driver of demand, and the decline in investment is reaffirmed.

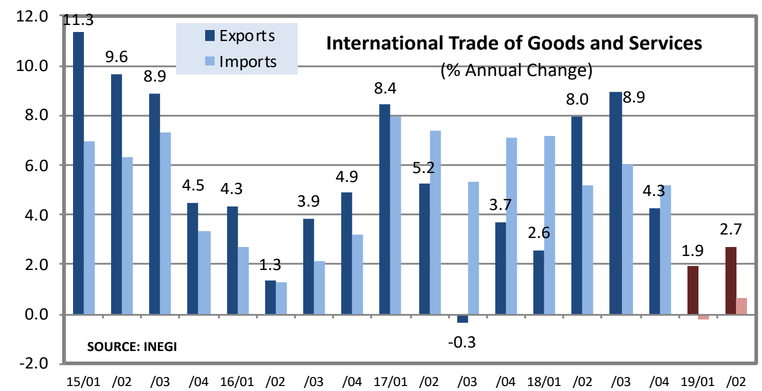
# Economic Activity

## In January-June 2019, a weakening of private consumption, a reactivation of exports and a decline in investment and government spending are observed.



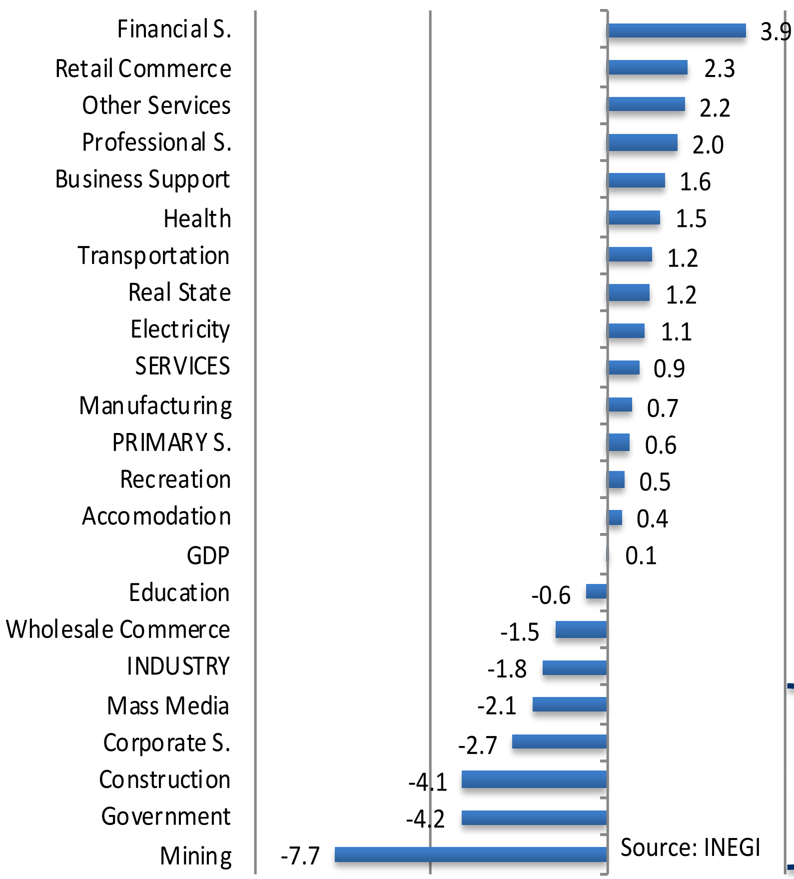

- Private consumption, with the greatest weight in demand (2/3 of GDP), showed a small growth in January-June (less than 1%). Very bad signal, considering that it is the main engine of demand.
- The investment, which was beginning to recover, reported a strong yearly contraction during that period.
- Exports of goods and services present a growing dynamism; not so the imports that are practically stagnant, in line with the domestic market.

**Update: September 15, 2019**

# Economic Activity

## In 2019, January-June, the economy is based on some services and the agricultural sector, while the industry, especially the oil and construction industry, remains weak.

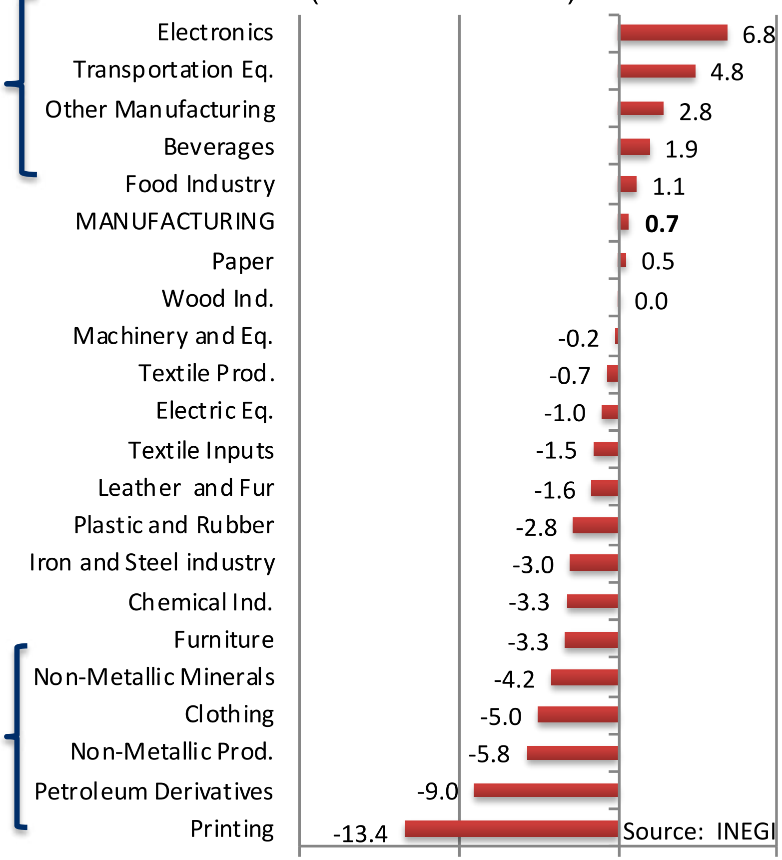
**GDP 2019-II/***
(% Annual Growth)




The most dynamic

The least dynamic

**MANUFACTURING 2019-II/***
(% Annual Growth)




**Update: September 15, 2019**

# Prices

## In August 2019, inflation stood at 3.2% (within the institutional goal), a moderate rate based on low economic activity and fiscal and monetary discipline.

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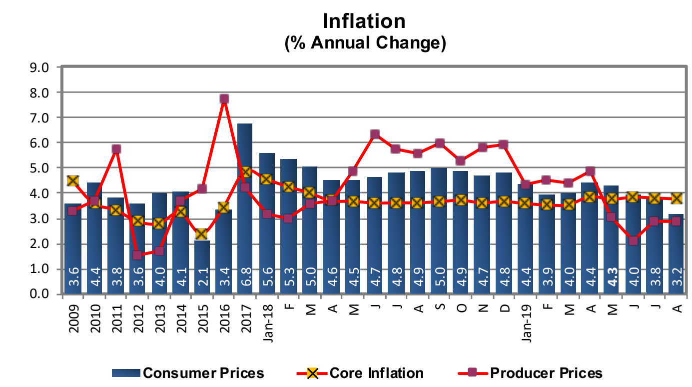
**Prices**




Source: Information from INEGI

| | Consumer Prices (INPC) | | Core Inflation | Producer Prices (INPP)/* |
|---|---|---|---|---|
| | Annual (m/m) | Annual Avge | Annual (m/m) | Annual (m/m) |
| 2009 | 3.6 | 5.3 | 4.5 | 3.3 |
| 2010 | 4.4 | 4.2 | 3.6 | 3.7 |
| 2011 | 3.8 | 3.4 | 3.4 | 5.7 |
| 2012 | 3.6 | 4.1 | 2.9 | 1.5 |
| 2013 | 4.0 | 3.8 | 2.8 | 1.7 |
| 2014 | 4.1 | 4.0 | 3.2 | 3.7 |
| 2015 | 2.1 | 2.1 | 2.4 | 4.2 |
| **2016** | **3.4** | **2.8** | **3.4** | **7.7** |
| 2017 | 6.8 | 6.0 | 4.9 | 4.2 |
| **2018** | 4.8 | 4.9 | 3.7 | 5.9 |
| | Annual (m/m) | Monthly | Annual (m/m) | Annual (m/m) |
| Jan-18 | 5.6 | 0.5 | 4.6 | 3.2 |
| F | 5.3 | 0.3 | 4.3 | 3.0 |
| M | 5.0 | 0.3 | 4.0 | 3.6 |
| A | 4.6 | -0.3 | 3.7 | 3.7 |
| M | 4.5 | -0.2 | 3.7 | 4.9 |
| J | 4.7 | 0.4 | 3.6 | 6.3 |
| J | 4.8 | 0.5 | 3.6 | 5.8 |
| A | 4.9 | 0.6 | 3.6 | 5.6 |
| S | 5.0 | 0.4 | 3.7 | 6.0 |
| O | 4.9 | 0.5 | 3.7 | 5.3 |
| N | 4.7 | 0.9 | 3.6 | 5.8 |
| D | 4.8 | 0.7 | 3.7 | 5.9 |
| Jan-19 | 4.4 | 0.1 | 3.6 | 4.4 |
| F | 3.9 | 0.0 | 3.5 | 4.5 |
| M | **4.0** | **0.4** | **3.6** | **4.4** |
| A | **4.4** | **0.5** | **3.9** | **4.8** |
| M | **4.3** | **-0.3** | **3.8** | **3.1** |
| J | **4.0** | **0.1** | **3.9** | **2.1** |
| J | 3.8 | 0.4 | 3.8 | 2.9 |
| A | 3.2 | 0.0 | 3.8 | 2.9 |

Source: INEGI

- Inflation went from 4.8% in 2018 to 3.2% in August 2019, which implies a contraction of almost 1.6% in the last eight months.
- In this way, the institutional goal of the Bank of Mexico (3% +/- 1%) will most likely be met by the end of the year.
- The convergence of the main price indicators is indicative that inflationary pressures are easing. The only concern is core inflation which is higher than headline inflation.

# Laboral Sector

## In 2019, the unemployment rate has maintained an upward trend and reached 3.7% in August. Meanwhile, annual job creation shows a clear downward trend: it closed August at 359 thousand jobs.

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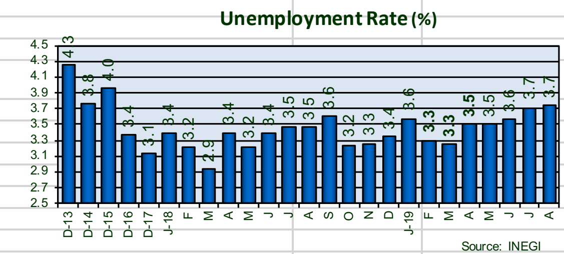
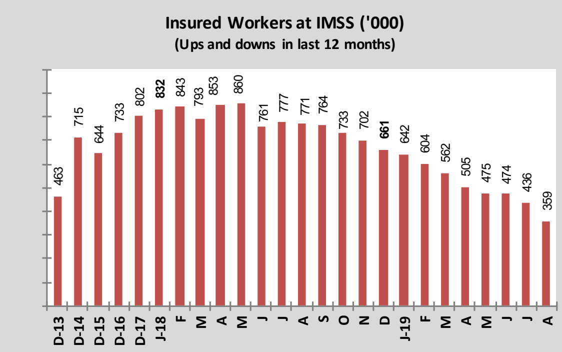
**Employment and Wages**




Source: Information from STPS

| Period | Workers insured at IMSS ('000) | | | | Employment (Annual Change %) | | | Wage indicators (Annual Change %) | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Unemployment Rate(%) | Total | Abs.Change Last 12m | Abs.Change Last Month | Construction | Manufacturing | Financial Service | Minimum Wage | IMSS Wage/* | Contractual Wage |
| D-12 | 4.5 | 16 062 | 712 | -232.0 | -3.0 | 2.9 | 2.8 | 4.6 | 4.0 | 4.5 |
| D-13 | 4.3 | 16 525 | 463 | -247.9 | -3.3 | 1.4 | -0.4 | 3.9 | 4.0 | 4.4 |
| D-14 | 3.8 | 17 240 | 715 | -235.5 | 1.1 | 3.4 | -0.2 | 3.9 | 4.6 | 4.1 |
| D-15 | 4.0 | 17 884 | 644 | -303.7 | -1.7 | 2.6 | 2.7 | 4.3 | 4.1 | 4.4 |
| D-16 | 3.4 | 18 617 | 733 | -319.2 | -0.4 | 3.1 | 3.3 | 4.2 | 3.9 | 4.6 |
| D-17 | 3.1 | 19 418 | 802 | -337.5 | 7.1 | 8.1 | 9.1 | 10.1 | 11.1 | 12.1 |
| J-18 | 3.4 | 19 532 | 832 | 114 | 2.7 | 3.4 | 1.2 | 10.4 | 5.1 | 5.2 |
| F | 3.2 | 19 696 | 843 | 164 | -0.2 | 3.1 | 0.7 | 10.4 | 5.4 | 5.3 |
| M | 2.9 | 19 787 | 793 | 91 | -1.1 | 2.4 | 1.3 | 10.4 | 5.9 | 4.9 |
| A | 3.4 | 19 874 | 853 | 87 | 1.2 | 2.9 | 1.9 | 10.4 | 5.8 | 5.6 |
| M | 3.2 | 19 908 | 860 | 34 | 0.4 | 3.1 | -0.2 | 10.4 | 5.4 | 5.4 |
| J | 3.4 | 19 895 | 761 | -13 | 1.4 | 2.8 | -0.6 | 10.4 | 5.8 | 4.6 |
| J | 3.5 | 19 949 | 777 | 55 | 2.5 | 2.4 | -0.8 | 10.4 | 5.9 | 5.6 |
| A | 3.5 | 20 063 | 771 | 114 | -0.6 | 2.1 | -0.5 | 10.4 | 5.9 | 5.4 |
| S | 3.6 | 20 193 | 764 | 130 | -1.5 | 2.4 | -0.5 | 10.4 | 5.8 | 5.2 |
| O | 3.2 | 20 356 | 733 | 163 | -4.3 | 2.4 | -0.5 | 10.4 | 5.8 | 3.9 |
| N | 3.3 | 20 458 | 702 | 102 | -5.0 | 2.2 | 0.2 | 10.4 | 5.9 | 5.1 |
| D | 3.4 | 20 079 | 661 | -379 | -4.5 | 2.3 | -0.9 | 10.4 | 5.4 | 5.9 |
| J-19 | 3.6 | 20 174 | 642 | 95 | -3.5 | 2.5 | -1.1 | 16.2 | 6.9 | 7.1 |
| F | 3.3 | 20 300 | 604 | 126 | -2.0 | 2.3 | -0.9 | 16.2 | 6.9 | 7.2 |
| M | 3.3 | 20 349 | 562 | 49 | -4.5 | 2.1 | -1.2 | 16.2 | 6.7 | 6.6 |
| A | 3.5 | 20 379 | 505 | 30 | -4.7 | 1.5 | -0.5 | 16.2 | 7.0 | 5.3 |
| M | 3.5 | 20 383 | 475 | 4 | -4.8 | 1.4 | 2.0 | 16.2 | 6.7 | 6.1 |
| J | 3.6 | 20 369 | 474 | -14 | -5.4 | 1.1 | 0.6 | 16.2 | 6.6 | 7.0 |
| J | 3.7 | 20 385 | 436 | 17 | | | | 16.2 | 6.5 | 5.5/** |
| A | 3.7 | 20 422 | 359 | 37 | | | | 16.2 | 6.6 | 4.9/** |

Source: INEGI, STPS. /* From workers /** Only Federal Jurisdiction /*** Minimum Wage=102.2 pesos/day

- The unemployment rate reported a rise in January-August 2019 from 3.4% to 3.7%. A rate, however, that remains within the range of 3-4%, which has prevailed in the recent past.
- On the other hand, job creation showed an accelerated decline during the year, from 661 thousand in 2018 to 359 thousand jobs in August, practically half of those generated in the previous year.
- Real gain in the three main wage indicators: 13% in the minimum, 3.4% in the IMSS salary and 1.7% in the contractual salary. This is largely attributed to the extraordinary adjustments in the minimum wage promoted by 4T.

Update: September 15, 2019

# Public Finance

## In 2019, January-June, government revenues totaled 10.9% of GDP and expenses 11.5% of GDP, resulting in a deficit of 0.5% of GDP.

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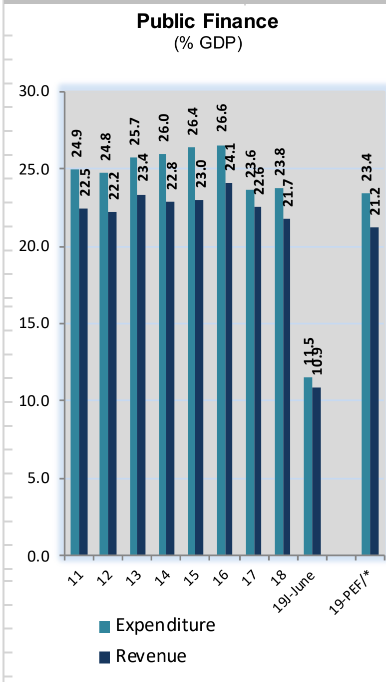
### Public Finance




Source: SHCP
/* Information from PEF 2019

| Period | Public Sector Revenues (MX Pesos Billions) | | | | | | Net Expenditure (MX Pesos Billions) | | | | | Public Balance |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | TOTAL | Oil | Non oil | Taxes | Non Taxes | Gov. Enterprise | TOTAL | Prog. | Current | Capital | No Prog. | |
| 11 | 3 269.6 | 1 100.3 | 2 169.4 | 1 436.9 | 176.9 | 555.6 | 3 629.8 | 2 859.8 | 2 155.5 | 704.3 | 770.0 | - 355.5 |
| 12 | 3 514.5 | 1 183.9 | 2 330.6 | 1 517.0 | 214.8 | 598.9 | 3 920.3 | 3 102.2 | 2 360.7 | 741.5 | 818.1 | - 403.2 |
| 13 | 3 803.7 | 1 261.0 | 2 542.6 | 1 644.5 | 280.0 | 618.2 | 4 182.2 | 3 321.1 | 2 442.3 | 878.7 | 861.1 | - 375.3 |
| 14 | 3 983.4 | 1 213.3 | 2 770.1 | 1 815.5 | 299.8 | 654.7 | 4 530.6 | 3 580.3 | 2 682.9 | 897.4 | 950.3 | - 545.0 |
| 15 | 4 267.0 | 843.4 | 3 423.6 | 2 361.2 | 404.4 | 657.9 | 4 892.9 | 3 826.6 | 2 890.6 | 936.0 | 1 066.3 | - 637.7 |
| 16 | 4 840.9 | 789.6 | 4 051.3 | 2 716.0 | 542.1 | 793.2 | 5 343.8 | 4 160.4 | 2 978.1 | 1 182.3 | 1 183.4 | - 503.7 |
| 17 | 4 947.2 | 827.3 | 4 119.9 | 2 854.8 | 545.4 | 719.7 | 5 177.6 | 3 852.3 | 3 059.5 | 792.8 | 1 325.3 | - 238.5 |
| **18** | **5 113.1** | 978.6 | **4 134.5** | **3 062.3** | **267.6** | **804.6** | 5,592.2 | 4 067.7 | 3,344.5 | 723.2 | 1,524.4 | -495.0 |
| **19J-June** | **2 622.5** | **412.6** | **2 209.9** | **1 694.1** | **114.3** | **401.5** | **2 774.4** | **1 924.4** | **1 608.8** | **315.6** | **850.1** | **- 119.9** |
| **19-PEF/*** | 5 299.2 | 1 045.0 | 4 254.2 | 3 311.4 | 120.3 | 822.5 | 5 838.1 | 4 147.5 | 3 431.9 | 715.6 | 1 690.6 | - 538.9 |
| | **% GDP** | | | | | | | | | | | |
| 11 | 22.5 | 7.6 | 14.9 | 9.9 | 1.2 | 3.8 | 24.9 | 19.7 | 14.8 | 4.8 | 5.3 | - 2.4 |
| 12 | 22.2 | 7.5 | 14.7 | 9.6 | 1.4 | 3.8 | 24.8 | 19.6 | 14.9 | 4.7 | 5.2 | - 2.5 |
| 13 | 23.4 | 7.7 | 15.6 | 10.1 | 1.7 | 3.8 | 25.7 | 20.4 | 15.0 | 5.4 | 5.3 | - 2.3 |
| **14** | 22.8 | 7.0 | 15.9 | 10.4 | 1.7 | 3.8 | 26.0 | 20.5 | 15.4 | 5.1 | 5.4 | - 3.1 |
| **15** | 23.0 | 4.6 | 18.5 | 12.7 | 2.2 | 3.5 | 26.4 | 20.6 | 15.6 | 5.0 | 5.8 | - 3.4 |
| **16** | **24.1** | **3.9** | **20.1** | **13.5** | **2.7** | **3.9** | **26.6** | **20.7** | **14.8** | **5.9** | **5.9** | **- 2.5** |
| **17** | 22.6 | 3.8 | 18.8 | 13.0 | 2.5 | 3.3 | 23.6 | 17.6 | 14.0 | 3.6 | 6.0 | - 1.1 |
| **18** | 21.7 | 4.2 | 17.6 | 13.0 | 1.1 | 3.4 | 23.8 | 17.3 | 14.2 | 3.1 | 6.5 | - 2.1 |
| **19J-June** | 10.9 | 1.7 | 9.2 | 7.0 | 0.5 | 1.7 | 11.5 | 8.0 | 6.7 | 1.3 | 3.5 | - 0.5 |
| **19-PEF/*** | **21.2** | **4.2** | **17.1** | **13.3** | **0.5** | **3.3** | **23.4** | **16.6** | **13.8** | **2.9** | **6.8** | **- 2.2** |
| | **January-June (Mx Pesos Billions)** | | | | | | | | | | | |
| **18J-June** | **2 502.0** | 475.7 | 2 026.3 | 1 558.1 | 103.6 | 364.6 | 2 789.2 | 1 956.7 | 1 629.8 | 326.9 | 832.5 | - 206.7 |
| **19J-June** | **2 622.5** | **412.6** | **2 209.9** | **1 694.1** | **114.3** | **401.5** | **2 774.4** | **1 924.4** | **1 608.8** | **315.6** | **850.1** | **- 119.9** |
| **Change% Nom.** | 4.8 | - 13.3 | 9.1 | 8.7 | 10.3 | 10.1 | - 0.5 | - 1.7 | - 1.3 | - 3.5 | 2.1 | n.s. |
| **Change% Real** | 0.6 | - 16.7 | 4.7 | 4.4 | 5.9 | 5.7 | - 4.5 | - 5.6 | - 5.2 | - 7.3 | - 2.0 | n.s. |

**Source:** SHCP /* PEF 2019 (Federal Budget 2019)

- The results of public finances in 2019-J-June indicate that revenues are evolving as expected, while expenses show some lag, attributed in part to the learning curve.
- On the revenues side, the decline in oil revenues (-16.7%) is highlighted, which is offset by an increase in tax revenues (4.4%); on the spending side, there is a large lag in programmable spending (-5.6%) and a minor decline in non-programmable spending (-2%).
- A fiscal deficit of 0.5% of GDP is reported in the balance sheet, consistent with the expected fiscal deficit targets of the 4T. Despite spending pressures, 4T reaffirms its commitment to fiscal discipline.

**Update: September 15, 2019**

# Public Debt

## Government debt remains stagnant since 2016: in 2018 it closed at 45.3% of GDP, a level very similar to that recorded in 2019-II (45.2% of GDP).

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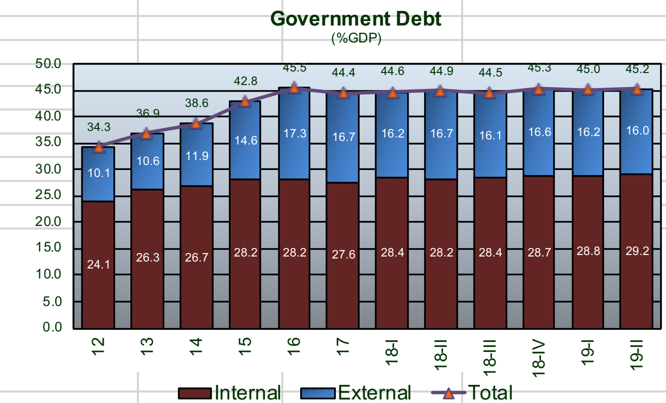
### Government Debt




Source: SHCP

| Period | Net Government Debt/* (Billions) Internal MX$ | External $USD | Total MX$ |
|---|---|---|---|
| 14 | 4,810.0 | 145.3 | 6,948.3 |
| 15 | 5,379.9 | 161.6 | 8,160.6 |
| 16 | 6,009.4 | 177.7 | 9,693.2 |
| 17-I | 5,774.2 | 180.7 | 9,173.4 |
| 17-II | 5,949.8 | 187.3 | 9,302.3 |
| 17-III | 5,922.8 | 191.8 | 9,400.6 |
| 17-IV | 6,283.1 | 192.3 | 10,089.0 |
| 18-I | 6,409.1 | 199.1 | 10,058.8 |
| 18-II | 6,606.1 | 195.8 | 10,532.8 |
| 18-III | 6,619.8 | 198.3 | 10,366.9 |
| 18-IV | 6,867.6 | 201.3 | 10,829.9 |
| 19-I | 6,941.0 | 202.2 | 10,846.9 |
| 19-II | 7,080.5 | 202.9 | 10,965.2 |
| %GDP | | | |
| 12 | 24.1 | 10.1 | 34.3 |
| 13 | 26.3 | 10.6 | 36.9 |
| 14 | 26.7 | 11.9 | 38.6 |
| 15 | 28.2 | 14.6 | 42.8 |
| 16 | 28.2 | 17.3 | 45.5 |
| 17 | 27.6 | 16.7 | 44.4 |
| 18-I | 28.4 | 16.2 | 44.6 |
| 18-II | 28.2 | 16.7 | 44.9 |
| 18-III | 28.4 | 16.1 | 44.5 |
| 18-IV | 28.7 | 16.6 | 45.3 |
| 19-I | 28.8 | 16.2 | 45.0 |
| 19-II | 29.2 | 16.0 | 45.2 |

/* Accounting adjustment since 2009
Source: SHCP

- In the global comparison, Mexico's public debt is relatively moderate: it does not exceed 50% of GDP and therefore the country is not among the most indebted countries.
- The 4T has made the promise of not growing the government debt and so far it has been fulfilled: in the last year the debt has been maintained around 45% of GDP and the purpose is to keep it under control.
- To achieve this goal, it is essential to keep, as until now, the fiscal deficit under control and, additionally, keep the exchange rate within manageable ranges, which has been met in 2019.

**Update: September 15, 2019**

# Financing to Private Sector

## In 2019, the second quarter, financing to the private sector reported a yearly growth of only 0.7%, while interest rates are declining and CETE is already below 8% in August.

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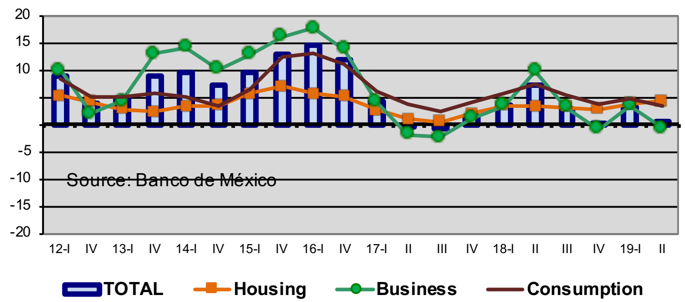
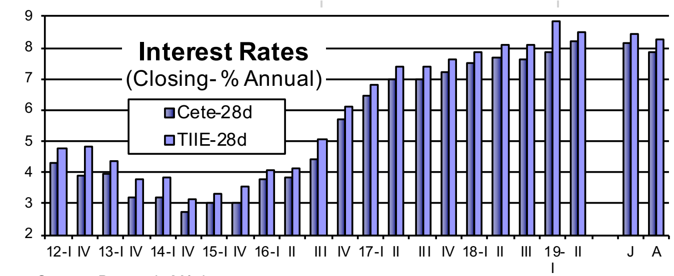
### Financial Indicators

**Financing to Private Sector**
(% Annual Real Growth)




Source: Banco de México

| Period | Financing to Private Sector (% Annual Real Growth) | | | | | | | Interest Rates (% Annual) | | Stock Market | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | TOTAL | | By Source | | For Destination | | | | | IPC | % |
| | Billion MX$ | % Annual Real Growth | External | Internal | Consumption | Housing | Business | CETES-28d | TIIE-28d | ('000) | Growth |
| 12-I | 4,663 | 9.0 | 11.0 | 8.5 | 8.5 | 5.3 | 9.9 | 4.28 | 4.77 | 39.5 | 6.6 |
| IV | 5,055 | 3.9 | - 0.1 | 5.1 | 5.1 | 4.2 | 2.7 | 3.91 | 4.85 | 43.7 | 6.9 |
| 13-I | 5,071 | 4.9 | 4.1 | 5.1 | 5.1 | 2.9 | 4.3 | 3.95 | 4.35 | 44.1 | 0.8 |
| IV | 5,713 | 9.0 | 20.9 | 5.7 | 5.7 | 2.3 | 13.0 | 3.18 | 3.80 | 42.7 | 6.3 |
| 14-I | 5,790 | 9.6 | 27.2 | 5.0 | 5.0 | 3.3 | 14.1 | 3.19 | 3.82 | 40.5 | -5.3 |
| IV | 6,385 | 7.3 | 19.4 | 3.3 | 3.3 | 3.5 | 10.1 | 2.74 | 3.12 | 43.1 | -4.1 |
| 15-I | 6,537 | 9.5 | 18.8 | 6.6 | 6.6 | 5.7 | 12.7 | 3.05 | 3.31 | 43.7 | -1.1 |
| IV | 7,375 | 12.9 | 14.2 | 12.5 | 12.5 | 6.9 | 16.1 | 3.05 | 3.55 | 43.0 | -2.3 |
| 16-I | 7,680 | 14.4 | 17.8 | 13.2 | 13.2 | 5.6 | 17.6 | 3.76 | 4.07 | 45.9 | 6.8 |
| II | 8,015 | 15.7 | 18.6 | 14.7 | 14.7 | 7.0 | 18.6 | 3.86 | 4.11 | 46.0 | 0.2 |
| III | 8,319 | 12.8 | 13.0 | 12.7 | 12.7 | 7.0 | 14.2 | 4.41 | 5.07 | 45.2 | -1.6 |
| IV | 8,607 | 11.9 | 14.5 | 11.0 | 11.0 | 5.1 | 13.8 | 5.69 | 6.11 | 45.6 | 0.9 |
| **17-I** | 8,489 | 4.3 | -0.6 | 6.1 | 6.1 | 2.6 | 4.2 | 6.43 | 6.84 | 48.5 | 6.4 |
| II | 8,579 | -0.1 | -10.3 | 3.9 | 3.9 | 1.1 | -1.8 | 6.96 | 7.37 | 49.9 | 2.7 |
| III | 8,871 | -0.8 | -9.5 | 2.5 | 2.5 | 0.5 | -2.4 | 7.00 | 7.37 | 48.6 | -2.5 |
| IV | 9,330 | 1.7 | -4.7 | 4.2 | 4.2 | 2.0 | 1.1 | 7.22 | 7.63 | 49.4 | 1.6 |
| 18-I | 9,269 | 3.7 | -2.4 | 5.8 | 5.8 | 3.6 | 3.5 | 7.49 | 7.85 | 46.1 | -6.5 |
| II | 9,653 | 7.4 | 7.6 | 7.3 | 7.3 | 3.4 | 9.9 | 7.70 | 8.10 | 47.7 | 3.3 |
| III | 9,608 | 3.0 | -4.0 | 5.4 | 5.4 | 3.1 | 3.2 | 7.65 | 8.12 | 49.5 | 3.9 |
| 19-I | 9,977 | 3.2 | -2.0 | 4.9 | 4.9 | 3.8 | 3.6 | 7.85 | 8.85 | 43.3 | 3.9 |
| II | 10,133 | 0.7 | -7.5 | 3.5 | 3.5 | 4.4 | -0.6 | 8.18 | 8.49 | 43.2 | - 0.3 |
| | | | | | | | | | | | |
| J | | | | | | | | 8.15 | 8.47 | 40.9 | -5.3 |
| A | | | | | | | | 7.87 | 8.26 | 42.6 | 4.3 |

Source: Banco de México

- In 2019, as in previous years, the growth of financing to the private sector has been moderate: in the second quarter of 2019, it grew only 0.7% year to year, below 3.2% in the previous quarter.
- According to the destinations, the growths are also moderate; consumption (3.5%), housing (4.4%) and companies (-0.6%). The latter is worrying given the low economic dynamism.
- Interest rates, after reaching levels above 8.5%, have started to fall and the CETE is already at levels below 8% in August. Meanwhile, the Stock Exchange regained ground in the first quarter to stagnate in the second quarter and then decline again in July-August.

# International Commerce

## In 2019, the foreign trade of goods experienced a clear slowdown in the first part of the year, especially in import flows.

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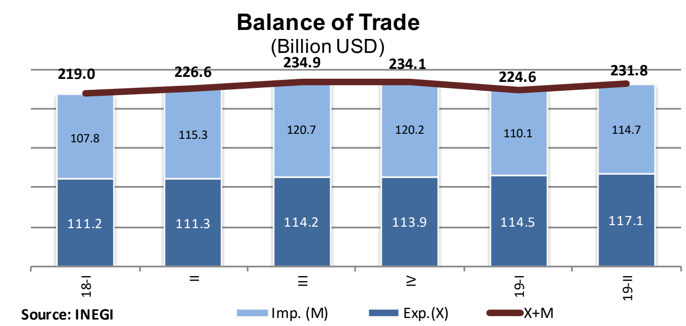
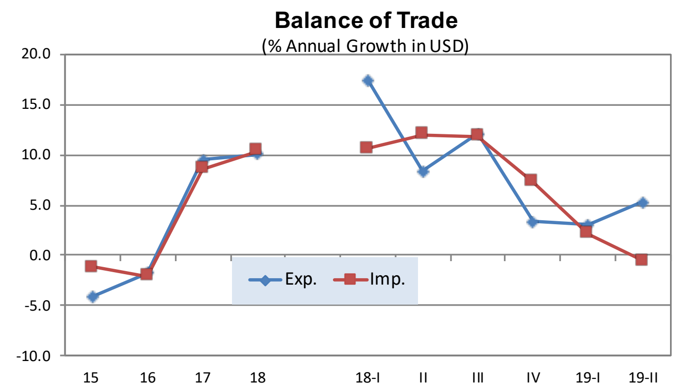
### International Trade



Source: INEGI



Source: INEGI

| Period | Balance of Trade (Billion USD) Exp.(X) | Imp. (M) | X+M | % Annual Change Exp. | Imp. | X+M | Balance (Billion USD) | Remittances Billion USD | % Annual Change |
|---|---|---|---|---|---|---|---|---|---|
| 15 | 380.8 | 395.2 | 776.0 | -4.1 | -1.2 | -2.6 | -14.5 | 24.6 | 4.1 |
| 16 | 373.9 | 387.1 | 761.0 | -1.8 | -2.1 | -1.9 | -13.1 | 27.0 | 9.8 |
| **17** | **409.4** | **420.4** | **829.8** | **9.5** | **8.6** | **9.0** | **-11.0** | **28.8** | **6.7** |
| **18** | **450.5** | **464.0** | **914.5** | **10.0** | **10.4** | **10.2** | **-13.6** | **33.2** | **15.4** |
| 18-I | 105.2 | 107.0 | 212.3 | 11.1 | 9.8 | 10.4 | -1.8 | 7.0 | 5.9 |
| 18-II | 113.8 | 116.6 | 230.5 | 10.9 | 13.3 | 12.1 | -2.8 | 9.0 | 22.5 |
| 18-III | 114.1 | 119.7 | 233.8 | 12.0 | 11.0 | 11.5 | -5.7 | 8.4 | 15.2 |
| 18-IV | 118.0 | 122.4 | 240.4 | 7.1 | 9.3 | 8.2 | -4.4 | 8.8 | 16.9 |
| 19-I | 114.5 | 110.1 | 224.6 | 3.0 | 2.1 | 2.6 | 4.4 | 7.7 | 9.1 |
| 19-II | 117.1 | 114.7 | 231.8 | 5.3 | -0.6 | 2.3 | 2.4 | 9.2 | 3.3 |
| **J-18** | 30.7 | 35.1 | 65.9 | 12.5 | 14.1 | 13.3 | -4.4 | 2.2 | 7.5 |
| **F** | 35.1 | 34.1 | 69.2 | 11.9 | 11.6 | 11.8 | 0.9 | 2.2 | 6.9 |
| **M** | 39.4 | 37.7 | 77.2 | 9.4 | 4.5 | 7.0 | 1.7 | 2.6 | 3.9 |
| **A** | 37.2 | 37.5 | 74.7 | 17.1 | 21.4 | 19.2 | -0.3 | 2.7 | 17.8 |
| **M** | 39.2 | 40.8 | 79.9 | 10.5 | 11.5 | 11.0 | -1.6 | 3.1 | 19.8 |
| **J** | 37.5 | 38.4 | 75.9 | 5.3 | 8.0 | 6.6 | -0.9 | 3.1 | 29.9 |
| **J** | 36.7 | 39.6 | 76.3 | 14.2 | 17.6 | 15.9 | -2.9 | 2.9 | 15.1 |
| A | 39.5 | 42.1 | 81.7 | 10.5 | 9.4 | 9.9 | -2.6 | 2.9 | 15.2 |
| S | 37.8 | 38.0 | 75.8 | 11.9 | 6.4 | 9.1 | -0.2 | 2.7 | 15.3 |
| O | 41.4 | 44.3 | 85.6 | 12.6 | 13.7 | 13.2 | -2.9 | 2.9 | 11.3 |
| N | 38.5 | 40.9 | 79.5 | 2.8 | 10.4 | 6.6 | -2.4 | 2.9 | 28.9 |
| D | 38.1 | 37.2 | 75.3 | 5.9 | 3.4 | 4.6 | 0.9 | 2.9 | 12.3 |
| **J-19** | 38.6 | 36.0 | 74.6 | 7.4 | 7.1 | 7.3 | 2.5 | 2.4 | 8.9 |
| **F** | 38.4 | 35.4 | 73.8 | 3.6 | 2.7 | 3.1 | 3.1 | 2.4 | 8.2 |
| **M** | 37.5 | 38.7 | 76.2 | -1.6 | -2.6 | -2.1 | -1.2 | 2.9 | 10.0 |
| **A** | 38.5 | 37.2 | 75.7 | 3.2 | 1.1 | 2.2 | 1.3 | 2.9 | 5.3 |
| **M** | 40.2 | 40.2 | 80.4 | 8.9 | 2.0 | 5.4 | -0.1 | 3.2 | 3.5 |
| **J** | 38.4 | 37.3 | 75.7 | 3.7 | -4.8 | -0.6 | 1.2 | 3.2 | 1.4 |
| **J** | 38.8 | 38.7 | 77.5 | 4.8 | -1.2 | 1.7 | 0.1 | 3.3 | 13.7 |

Source: INEGI

- Since the end of 2018, international merchandise trade began to slow down and in mid-2019 negative growth rates are already observed, despite the boom in the US economy.
- Unlike other similar episodes in the past, the lower dynamism is observed in imports, proof that the domestic market is depressed.
- On the other hand, remittances continue to show significant growth and everything points to a record level of remittance income this year.

**Update: September 15, 2019**

# External Sector

## In 2019, January-June, the balance of payments reflects a current account deficit of -4.2 USD Bn and a surplus in the financial account of 9.2 Bn, which includes a Foreign Direct Investment of 14.2 Bn.

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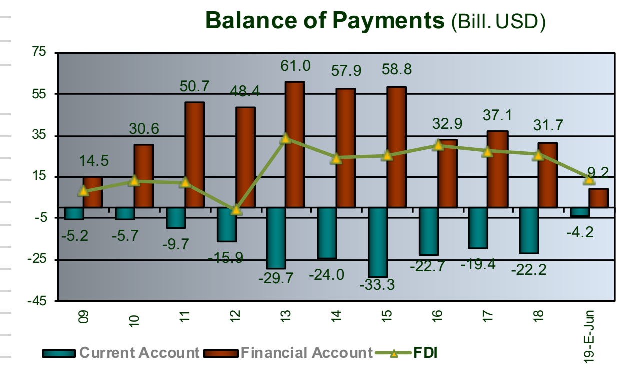
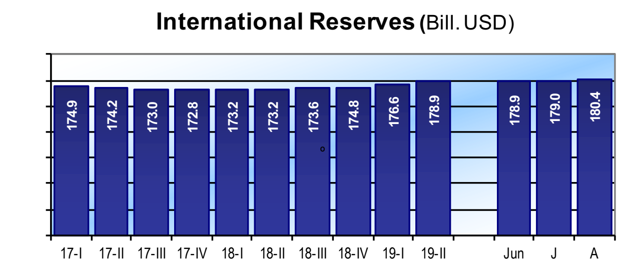
**International Transactions**



Source: Banco de México



Source: Banco de México

| Period | Balance of Trade (Bill.USD) | Exports (Bill.USD) | Imports (Bill.USD) | Current Account (Billion USD) | Current Account (%GDP) | Financial Account (Bill.USD) | Foreign Direct Investment | Reserves Int. Change (Bill USD) | Stock of Int. Reserves (Bill.USD) |
|---|---|---|---|---|---|---|---|---|---|
| 09 | -4.7 | 229.7 | 234.4 | -5.2 | -0.7 | 14.5 | 8.3 | 5.4 | 90.8 |
| 10 | -3.1 | 298.4 | 301.5 | -5.7 | -0.3 | 30.6 | 13.0 | 22.8 | 113.6 |
| 11 | 3.3 | 349.4 | 350.8 | -9.7 | -1.0 | 50.7 | 12.1 | 28.9 | 142.5 |
| 12 | 2.1 | 370.9 | 370.8 | -15.9 | -1.2 | 48.4 | -0.9 | 21.0 | 163.5 |
| 13 | -1.0 | 380.2 | 381.2 | -29.7 | -2.4 | 61.0 | 33.8 | 13.0 | 176.5 |
| 14 | -0.1 | 397.7 | 400.0 | -24.0 | -1.9 | 57.9 | 24.4 | 16.7 | 193.2 |
| 15 | -14.5 | 380.8 | 395.2 | -33.3 | -2.5 | 58.8 | 25.2 | -16.5 | 176.7 |
| 16 | -16.2 | 370.0 | 386.2 | -22.7 | -2.2 | 32.9 | 30.2 | -0.2 | 176.5 |
| 17 | -11.0 | 409.4 | 420.4 | -19.4 | -1.6 | 37.1 | 27.4 | -3.7 | 172.8 |
| **18** | **-7.2** | **336.6** | **343.8** | **-22.2** | **-1.8** | **31.7** | **25.8** | **0.8** | **173.6** |
| **19-E-Jun** | **6.9** | **231.7** | **224.8** | **-4.2** | **-1.0** | **9.2** | **14.2** | **5.3** | **178.9** |
| | | | | | | | | | |
| 17-I | -2.8 | 94.7 | 97.5 | -10.7 | -3.8 | 0.6 | 11.5 | -1.6 | 174.9 |
| 17-II | -0.3 | 102.7 | 103.0 | -1.8 | -0.4 | 6.6 | 5.5 | -0.7 | 174.2 |
| 17-III | -6.0 | 101.9 | 107.9 | -5.0 | -1.8 | 9.1 | 7.4 | -1.2 | 173.0 |
| 17-IV | -1.8 | 110.2 | 112.0 | -1.9 | -0.8 | 12.6 | 3.6 | -0.2 | 172.8 |
| 18-I | 3.3 | 111.2 | 107.8 | -10.4 | -3.0 | 8.7 | 10.4 | 0.4 | 173.2 |
| 18-II | -4.1 | 111.3 | 115.3 | -3.2 | -1.1 | 5.2 | 7.1 | 0.0 | 173.2 |
| 18-III | -6.5 | 114.2 | 120.7 | -5.8 | -1.6 | 9.0 | 2.4 | 0.4 | 173.6 |
| 18-IV | -6.3 | 113.9 | 120.2 | -2.8 | -1.0 | 8.7 | 5.9 | 1.2 | 174.8 |
| **19-I** | 4.4 | 114.5 | 110.1 | -8.7 | **-1.8** | 9.2 | 9.8 | 1.8 | 176.6 |
| 19-II | 2.4 | 117.1 | 114.7 | 4.5 | 1.1 | 0.0 | 4.5 | 2.3 | 178.9 |
| | | | | | | | | | |
| **Jun** | | | | | | | | **4.1** | **178.9** |
| **J** | | | | | | | | 0.1 | 179.0 |
| **A** | | | | | | | | **1.4** | **180.4** |

Source: Banco de México

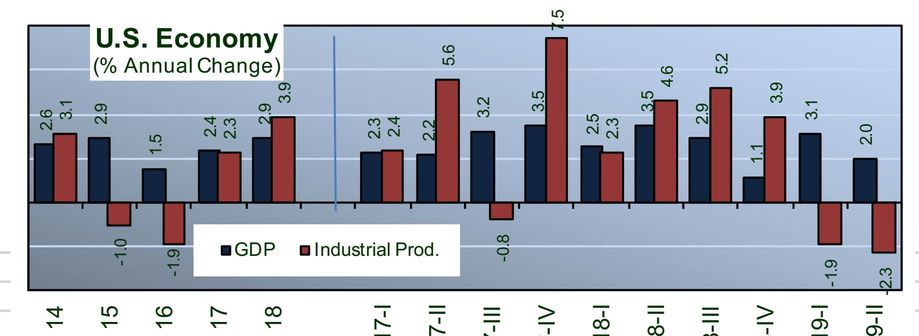
- In 2019-J-June, the current account deficit (-4.2 Bn) is unusually small and is offset by the positive balance in the financial account (by 9.2 Bn), whose main component is Foreign Direct Investment (14.2 Bn).
- Throughout 2019, international reserves report a gradual increase, going from 174.8 to 180.4 Bn in August, an advance of 5.6 Bn during this year.
- Concerns persist over declining investor confidence and the potential brake on capital inflows.

**Update: September 15, 2019**

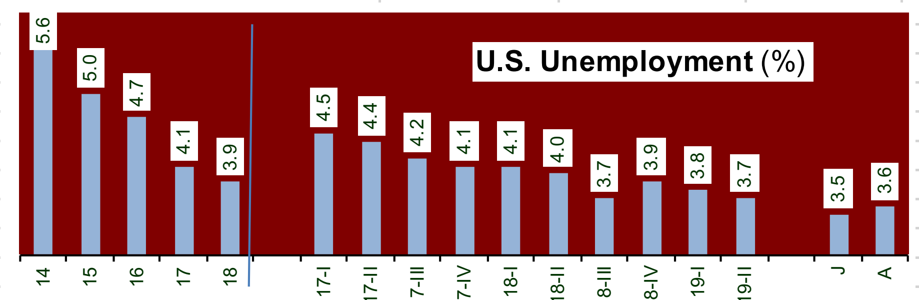
# International Economy

## In 2019, the second quarter, the US economy grew 2% (vs. 3.1% previously), while the industrial sector continues to decline (-2.3%); meanwhile, unemployment remains at low levels: 3.6% in August.

### U.S. Economy




Source: BEA




Source: DOL

| Period | GDP/* | Industrial Prod. | | Manufacturing | | Unemployment Rate | Inflation |
|---|---|---|---|---|---|---|---|
| | % Annual Change of Quarter | | % Annual Change | % Annual Change of Quarter | % Annual Change | % | % Annual Change |
| 14 | 2.6 | 3.1 | | 1.2 | | 5.6 | 0.8 |
| 15 | 2.9 | -1.0 | | -0.7 | | 5.0 | 0.7 |
| 16 | 1.5 | -1.9 | | -0.5 | | 4.7 | 2.1 |
| 17 | 2.4 | 2.3 | | 2.0 | | 4.1 | 2.1 |
| 18 | 2.9 | 3.9 | | 2.3 | | 3.9 | 1.9 |
| | | | | | | | |
| 17-I | 2.3 | 2.4 | 0.7 | 3.0 | 0.5 | 4.5 | 2.4 |
| **17-II** | **2.2** | **5.6** | **2.1** | **3.4** | **1.5** | **4.4** | **1.6** |
| **17-III** | **3.2** | **-0.8** | **1.7** | **-1.6** | **1.1** | **4.2** | **2.2** |
| **17-IV** | **3.5** | **7.5** | **2.5** | **5.3** | **1.0** | **4.1** | **2.1** |
| 18-I | 2.5 | 2.3 | 2.0 | 1.6 | 0.4 | 4.1 | 2.4 |
| **18-II** | **3.5** | **4.6** | **2.1** | **2.0** | **0.3** | **4.0** | **2.9** |
| **18-III** | **2.9** | **5.2** | **3.6** | **3.6** | **1.6** | **3.7** | **2.3** |
| **18-IV** | **1.1** | **3.9** | **4.0** | **1.5** | **2.2** | **3.9** | **1.9** |
| **19-I** | **3.1** | **-1.9** | **3.7** | **-1.8** | **2.2** | **3.8** | **1.9** |
| **19-II** | **2.0** | **-2.3** | **1.9** | **-3.3** | **0.9** | **3.7** | **1.6** |
| | | | | | | | |
| **J** | | **-4.3** | **0.4** | **-8.7** | **-0.7** | **3.5** | **1.7** |
| **A** | | **-10.4** | **-0.6** | **-7.7** | **-1.0** | **3.6** | **1.8** |

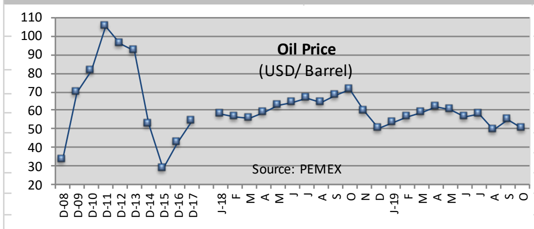
Source: U.S. Bureau of Economic Analysis (BEA); The Federal Reserve System (FRS); Department of Labor (DOL)

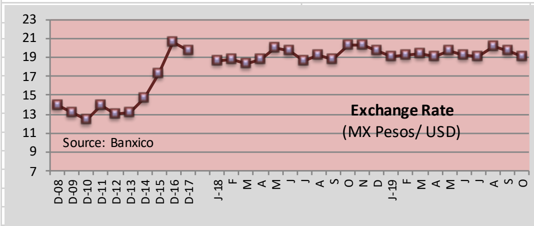
- The US economy reported vigorous growth in 2019-II (2%), although lower than the previous quarter (3.1%); for its part, the industrial sector fell (-2.3%). However, unemployment remains low (3.6% in August). The lower dynamism in the industrial sector and the expectation of an eventual recession in the near future could affect the US and the Mexican economy as well.
- By 2020, greater growth in the world economy is expected but an economic slowdown in the US. However, the eventual launch of the T-MEC can make a difference and revitalize the North American economy..

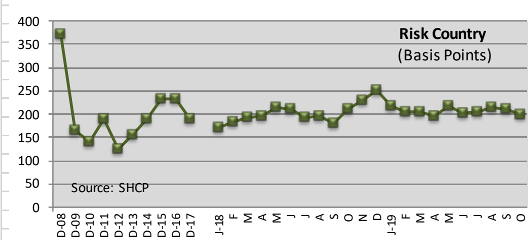
Update: September 15, 2019

# Key Prices

## In 2019, January-August, the exchange rate and country risk showed relative stability; for its part, the price of crude oil improved temporarily (≈20%) in the first quarter and then returned to levels of 50 DPB.




**Key Prices**

| Period | MX Oil Price (USD/ Barrel) | MX Crude Oil: Production (Barrels ('000)/Day) | MX Crude Oil: Exports (Barrels ('000)/Day) | MX Crude Oil: Exports (Million USD) | Exchange Rate: $MX/Dll | Exchange Rate: $MX/Euro | Risk Country (Basis Point): Mexico | Risk Country (Basis Point): Brasil | Risk Country (Basis Point): Argentina |
|---|---|---|---|---|---|---|---|---|---|
| D-08 | 33.3 | 2,717 | 1,328 | 1,369 | 14.0 | 19.6 | 372 | 437 | 1,817 |
| D-09 | 69.8 | 2,593 | 1,288 | 2,787 | 13.2 | 19.0 | 166 | 197 | 663 |
| D-10 | 81.5 | 2,574 | 1,501 | 3,790 | 12.4 | 16.6 | 140 | 180 | 486 |
| D-11 | 104.9 | 2,557 | 1,282 | 4,170 | 13.9 | 18.0 | 188 | 208 | 927 |
| D-12 | 95.7 | 2,564 | 1,174 | 3,484 | 13.0 | 17.1 | 126 | 148 | 1,002 |
| D-13 | 91.8 | 2,517 | 1,308 | 3,722 | 13.1 | 18.0 | 156 | 226 | 809 |
| D-14 | 52.4 | 2,353 | 1,237 | 2,008 | 14.7 | 17.9 | 188 | 264 | 726 |
| D-15 | 28.7 | 2,275 | 1,008 | 896 | 17.2 | 19.0 | 232 | 523 | 438 |
| D-16 | 42.8 | 2,035 | 1,115 | 1,478 | 20.6 | 21.8 | 232 | 328 | 455 |
| D-17 | 54.1 | 1,873 | 1,401 | 2,351 | 19.7 | 23.6 | 188 | 241 | 350 |
| | | | | | | | | | |
| J-18 | 57.7 | 1,909 | 1,107 | 1,980 | 18.6 | 23.2 | 172 | 229 | 376 |
| F | 56.6 | 1,876 | 1,451 | 1,199 | 18.8 | 23.0 | 184 | 240 | 412 |
| M | 55.6 | 1,846 | 1,176 | 2,090 | 18.3 | 22.6 | 191 | 248 | 420 |
| A | 59.0 | 1,868 | 1,266 | 2,240 | 18.8 | 22.7 | 194 | 249 | 419 |
| M | 62.7 | 1,850 | 1,222 | 2,376 | 20.0 | 23.3 | 214 | 309 | 515 |
| J | 64.6 | 1,828 | 1,110 | 2,151 | 19.7 | 22.9 | 211 | 332 | 610 |
| J | 66.3 | 1,823 | 1,156 | 2,377 | 18.5 | 21.9 | 193 | 273 | 571 |
| A | 63.9 | 1,798 | 1,181 | 2,341 | 19.2 | 22.4 | 197 | 248 | 609 |
| S | 68.4 | 1,808 | 1,206 | 2,470 | 18.7 | 21.7 | 180 | 293 | 623 |
| O | 71.3 | 1,747 | 1,027 | 2,269 | 20.3 | 23.1 | 211 | 248 | 609 |
| N | 59.8 | 1,697 | 1,135 | 2,035 | 20.3 | 23.1 | 228 | 270 | 706 |
| D | 50.5 | 1,710 | 1,198 | 1,876 | 19.7 | 22.5 | 251 | 276 | 814 |
| **J-19** | **53.8** | **1,623** | **1,071** | **1,786** | 19.0 | 21.9 | 218 | 240 | 676 |
| F | 56.8 | 1,701 | 1,475 | 2,347 | 19.3 | 21.9 | 204 | 235 | 697 |
| M | **59.0** | **1,691** | **1,150** | **2,103** | 19.4 | 21.8 | 206 | 253 | 774 |
| A | 61.9 | 1,675 | 1,023 | 1,899 | 19.0 | 21.3 | 195 | 252 | 950 |
| M | **60.3** | **1,663** | **1,205** | **2,252** | 19.6 | 21.9 | 218 | 274 | 985 |
| J | 56.9 | 1,671 | 995 | 1,697 | 19.2 | 21.9 | 202 | 239 | 835 |
| J | **57.8** | **1,671** | **1,079** | **1,932** | 19.1 | 21.2 | 204 | 212 | 781 |
| A | 49.5 | - | - | - | 20.1 | 22.2 | 215 | 248 | 2,532 |
| S | **55.1** | **1,705** | **995** | **1,644** | 19.6 | 21.6 | 210 | 247 | 2,143 |
| O | 50.0 | - | - | - | 19.1 | 21.4 | 199 | 240 | 2,238 |

**Source:** PEMEX, BANXICO, INEGI, SHCP

(p) Preliminar

- The price of crude oil, after its collapse in the last quarter of 2018 (which took it from levels of 70 to 50 DPB), recovered ground in the first quarter of 2019 and then fell back to levels of 50 DPB in August.
- Despite the prevailing uncertainty, the evolution of the exchange rate that has fluctuated around 19-20 PPD has been surprising.
- After its shot at the end of 2018, the country risk gradually returned to its historical levels (200-220 basis points) and reached 215 basis points in August.

**Update: September 15, 2019**

# Mexico's Macroeconomic Framework

## Growth expectations for 2019-2020 have gradually fallen (0.5 and 1.4% for the biennium), as have inflation expectations (3.3 and 3.5% for both years).

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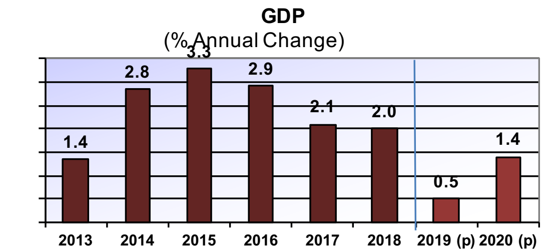
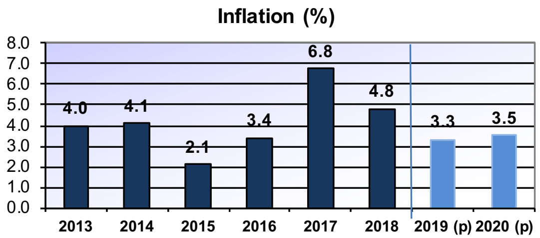
### Macroeconomic Framework




Source: INEGI, EEEE-SP




Source: SHCP, INEGI, EEEE-SP

| | Historical Figures | | | | | | CGPE/* | | EEESP/** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 (p) | 2020 (p) | 2019 (p) | 2020 (p) |
| GDP | | | | | | | | | | |
| % Annual Growth | 1.4 | 2.8 | 3.3 | 2.9 | 2.1 | 2.0 | 1.6 | 1.9 | 0.5 | 1.4 |
| GDP Current (MX Billions) | 16,277 | 17,471 | 18,537 | 20,100 | 21,785 | 23,399 | 24,700 | 25,975 | 24221 | 25295 |
| GDP Deflator | 1.5 | 4.4 | 2.7 | 5.4 | 6.8 | 5.3 | 3.9 | 3.2 | 3.0 | 3.0 |
| Inflation | | | | | | | | | | |
| Dec/ Dec | 4.0 | 4.1 | 2.1 | 3.4 | 6.8 | 4.8 | 3.4 | 3.0 | 3.3 | 3.5 |
| Exchange Rate | | | | | | | | | | |
| Average | 12.9 | | 16.0 | 18.7 | 18.9 | | 19.9 | 20.1 | | |
| Closing | | 14.7 | 17.2 | 20.6 | 19.7 | 19.7 | 19.5 | 20.0 | 19.9 | 20.4 |
| Interest Rate (Cete 28d) | | | | | | | | | | |
| Average | 3.7 | | 3.0 | 4.3 | 6.9 | 7.8 | 8.0 | 7.6 | | |
| Closing | 3.5 | 2.7 | 3.1 | 5.7 | 7.2 | 8.2 | 8.0 | 7.8 | 7.6 | 7.1 |
| Current Account | | | | | | | | | | |
| Billions USD | -22.3 | -26.6 | -32.4 | -33.1 | -22.7 | -22.2 | -22.7 | -25.5 | -16.5 | -20.4 |
| % GDP | -1.7 | -2.1 | -2.8 | -3.4 | -1.6 | -1.9 | -1.8 | -2.0 | -1.4 | -1.6 |
| Public Balance | | | | | | | | | | |
| % GDP | -2.3 | -3.1 | -3.4 | -2.5 | -1.1 | -2.1 | -2.0 | -1.6 | -2.2 | -2.3 |
| USA | | | | | | | | | | |
| GDP (%Annual Growth) | 1.9 | 2.4 | 2.4 | 1.6 | 2.3 | 2.9 | 2.4 | 1.9 | 2.4 | 1.8 |
| MX Crude Oil | | | | | | | | | | |
| Avg. Price (USD/ Barrel) | 98.6 | 86.0 | 43.7 | 35.4 | 46.3 | 61.4 | 57.0 | 55.0 | | |
| Exports ('000 barrels/day) | 1,189 | 1,142 | 1,282 | 1,195 | 1,175 | 1,186 | 1,008 | 1,085 | | |
| Production ('000 barrels/day | 2,522 | 2,429 | 2,290 | 2,154 | 1,944 | 1,813 | 1,793 | 1,916 | | |

/* SHCP: CGPE-(Criterios Generales de Política Económica 2019).- Basis Document for Macroeconomic Policy (p) Projected

/** Banxico: Encuesta de Expectivas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (August 2019)

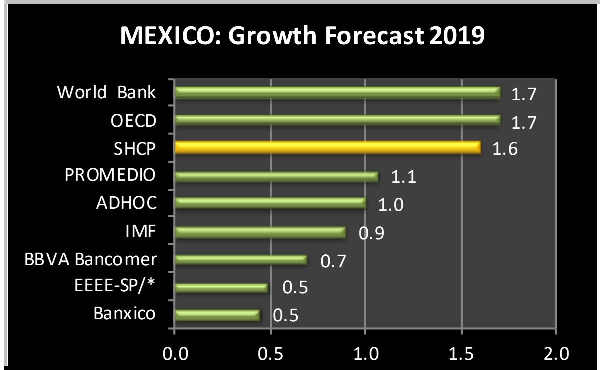
- For 2019-2020, private experts forecast more moderate economic growth than before: 0.5% and 1.4% respectively.
- For those same years, an inflation rate lower than previously projected is estimated: 3.3 and 3.5% for the biennium.
- According to forecasts, the fundamental balance sheets will remain under relative control: the fiscal deficit around 2% (-2.2 and -2.3%) and the current account deficit around 1-2% (-1.4 and 1.6% of GDP). ) for both years.
- According to his forecasts, the US economy is losing strength; therefore, moderate growth is expected in 2019 (2.4%) and 2020 (1.8%), in line with the forecasts for a slowdown.

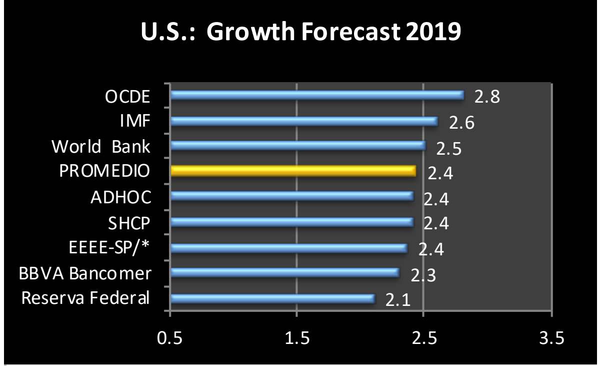
Update: September 15, 2019

# Growth Forecasts

## According to specialized agencies, the expected growth for 2019 is 1.1% for Mexico and 2.4% for the USA. For 2020 the forecast is 1.8% and 1.9% for Mexico and the US respectively.

### Growth Forecasts 2019-2020




| MEXICO Growth Forecast | 2019 | 2020 |
|---|---|---|
| EEEE-SP/* | 0.5 | 1.4 |
| SHCP | 1.6 | 1.9 |
| Banxico | 0.5 | 2.0 |
| IMF | 0.9 | 1.9 |
| BBVA Bancomer | 0.7 | 1.8 |
| OECD | 1.7 | 2.0 |
| World Bank | 1.7 | 2.0 |
| ADHOC | 1.0 | 1.5 |
| Average | 1.1 | 1.8 |

| U.S. Growth Forecast | 2019 | 2020 |
|---|---|---|
| EEEE-SP/* | 2.4 | 1.8 |
| SHCP | 2.4 | 1.9 |
| Reserva Federal | 2.1 | 2.0 |
| IMF | 2.6 | 1.9 |
| BBVA Bancomer | 2.3 | 1.8 |
| OECD | 2.8 | 2.3 |
| World Bank | 2.5 | 1.7 |
| ADHOC | 2.4 | 2.0 |
| Average | 2.4 | 1.9 |

/* Survey of Mexican Experts (August 2019)

**Source: Organizations, as indicated**

- For Mexico, the forecasts of eight specialized organizations fluctuate between 0.5% and 1.7% in 2019, with an average of 1.1%. By 2020, the average forecast is 1.8%.
- For the US, the forecasts of eight specialized organizations fluctuate between 2.1 and 2.8% for 2019, with an average of 2.4%. For 2020, the average forecast is 1.9%.
- As observed, both economies advance in parallel, but the US economy is emerging as more dynamic in this biennium.

**Update: September 15, 2019**

| | |
|---|---|
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