



# **Mexico Economic Profile**

**Second Bimonthly Report of 2020**

Timely Macroeconomic Report  
for Decision Making

April 2020

# Economic Profile of Mexico

## 2nd Bimonthly Report of 2020

In March and April 2020, Mexico's economy collapsed. The outbreak of the Covid 19 pandemic led to general confinement and paralysis of the Mexican economy. The reaction of the 4T government has been one of disbelief, of underestimation of the phenomenon and then, in the face of the evidence, of forced acceptance of severe health and economic crisis. Overnight, economic expectations changed dramatically. Now the forecasts point to negative growth for 2020 (between -4 and -10%) and a severe loss of jobs (between 1 and 2 million). This does not seem to worry the 4T government. While most countries are implementing fiscal and monetary measures to alleviate the looming crisis, the 4T sustains that the old "neoliberal recipes" no longer apply. Instead, it aims to strengthen social programs, privilege government projects, and revitalize energy companies (PEMEX and CFE), without contracting additional debt. The results of this "new policy" are already beginning to be seen.

**Negative Economic Growth.**- In the first quarter of 2020, GDP growth of -2.4% was reported at an annual rate, which deepens the negative growth of 2019 (-0.1%). Just as 4T was poised to regain economic growth, the health and economic crisis scuttled all plans. Suddenly, the gray outlook turned black and the projected paralysis of supply and demand forces us to consider high negative growth in 2020 that could reach double digits, assuming the inaction of the government for the rest of the year.

**Inflation under control.**- In the first four months of 2020, inflation went from 2.8% to 2.2%. Given the low economic activity, it is not foreseeable that inflation will regain strength, although some price adjustments are expected. However, there is the confidence that inflation will move in low ranges and at the end of the year the institutional goal of 3% (+/- 1%) will be reached.

**Wages improve, job creation collapses.**- Historically, job creation has been insufficient; today it is even more insufficient. In March 2020, the unemployment rate contracted to 3.3%, which means that the rate continues to fluctuate in a range of 3-4%. The serious thing is that job creation collapsed: 685 thousand jobs were lost in March-April and 451 thousand in the last year. In addition, all the wage indicators have improved significantly, due to the increase in the minimum wage in January (20%) and the low inflation rate.

# Economic Profile of Mexico

## 2nd Bimonthly Report of 2020

**Discipline in Government Finance.-** In the first quarter of 2020, government revenues totaled 6.3% of GDP, expenses 6.4% of GDP, resulting in a surplus of 0.1% of GDP. These figures do not yet reflect the ongoing health and economic crisis. Due to the greater budgetary pressure, public debt jumped from 45.5% of GDP to 51.6%, reflecting the increase in debt and the decline in GDP.

**Financing to the Private Sector continues to weaken.-** After three years of sluggishness, financing to the private sector continues without giving clear signs of reactivation. In fact, in 2019-IV it reported an annual decrease of -0.6. The three financing destinations showed an equally weak dynamism: consumption (0.1%), housing (3.6%), and companies (-1.6%). This takes place in a context of declining interest rates since 2019 which is already at 6% levels in April 2020; meanwhile, the Stock Market is in very depressed levels, after two further collapses in February and March and a partial recovery in April.

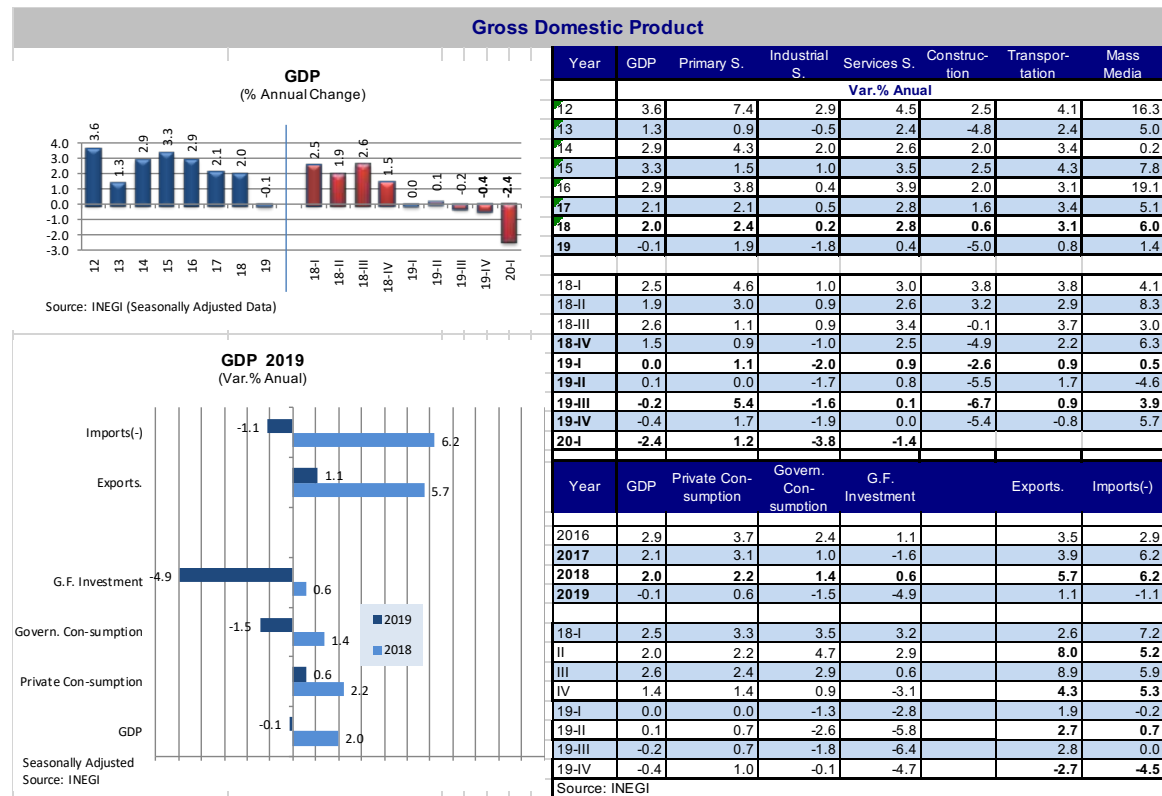
**Black International Environment.-** The US economy also collapsed as a result of the health crisis: in the first quarter of 2020, GDP contracted -4.8%, the industrial sector fell -7.5% and the unemployment rate jumped to 14.7%. In this new context, it is foreseeable that Mexican exports will slow down to a greater or lesser extent.

This economic paralysis affects not only the US, but the entire world. Hence the urgency in the United States to launch the T-MEC and to conclude the confinement as soon as possible. But right now there is more uncertainty than certainties and more threats than opportunities.

**Disappointing Economic Outlook.-** The expectations for 2020 are not very encouraging for Mexico. Private experts expect negative growth of -7.3 by 2020 and a slow recovery in 2021 (2.5%). For its part, the US would also experience a significant contraction in 2020 (-4.6%) and a more robust recovery in 2021 (3.9%).

# Economic Activity

In the first quarter of 2020, GDP reported an annual fall of -2.4% (vs -0.4% previously), reflecting the first impact of the pandemic.



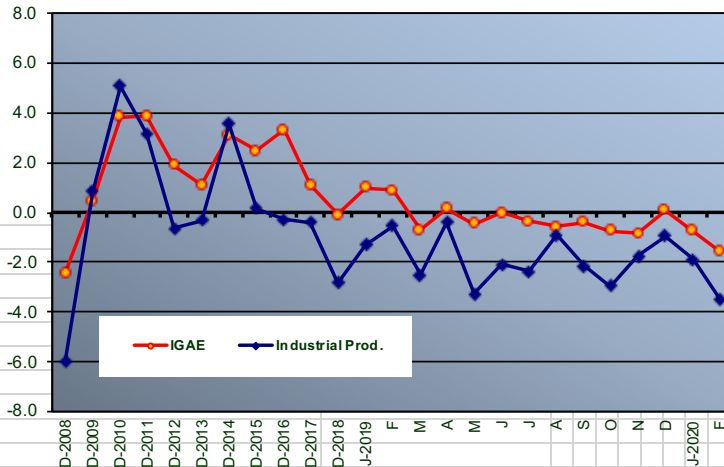
- In the first quarter of 2020, the GDP registered an annual fall of -2.4% (according to seasonally adjusted figures), as a result of the health crisis (Covid 19).
- In all sectors, the impact is negative: the industrial sector fell (-3.8%) and the services sector showed negative growth (-1.4%), while the agricultural sector reported a minuscule growth (1.2%).
- On the demand side, private consumption, the only driver of demand until 2019, also begins to show negative growth.

# Economic Activity

At the beginning of 2020, the main production and demand indicators decrease at an annual rate.

## Production Indicators

Production Indicators  
(% Annual Change)



Source: Information from INEGI

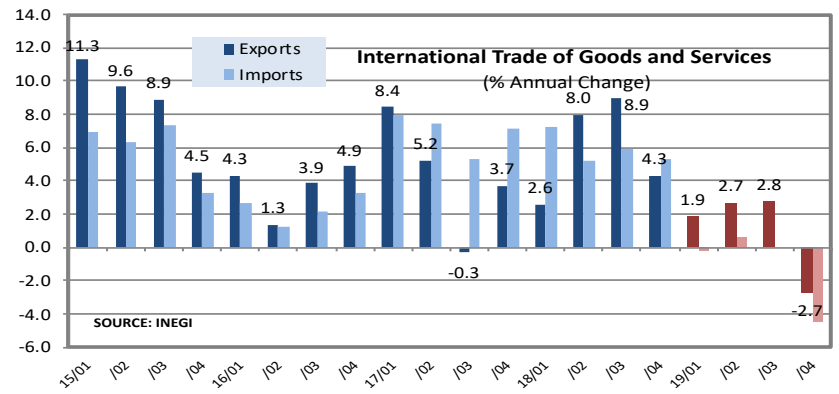
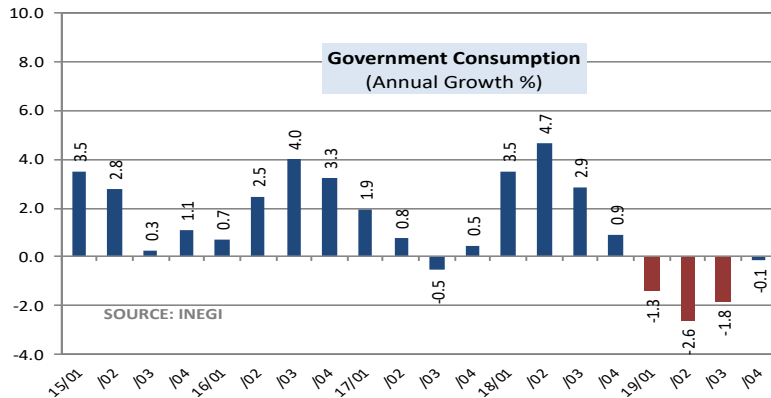
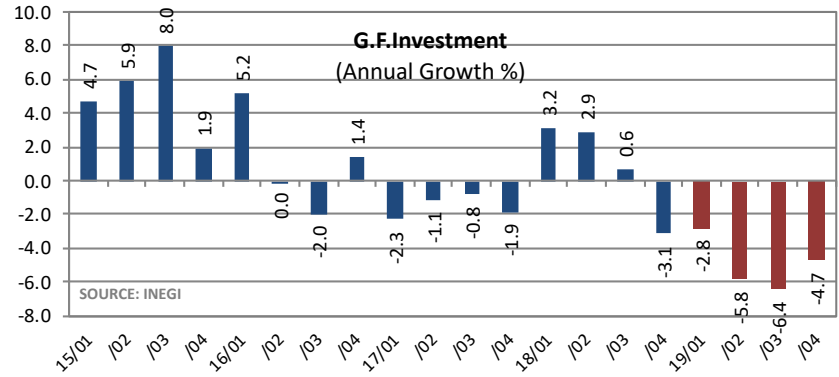
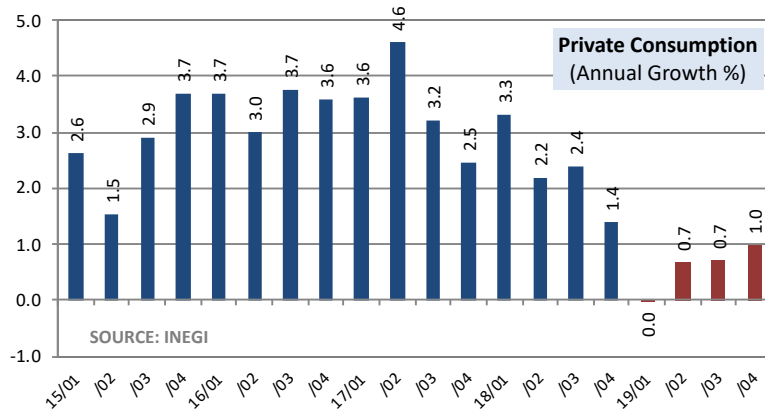
Period	IGAE (proxy of GDP)				Cons- truc-ti3n	Commerce Net Sales		Non Financial Services		Gross Fixed Invest- ment	Private Consump- tion
	TOTAL	Primary S.	Indus- trial S.	Servi- ces S.		Wholesale	Retail	Trans- porta- tion	Mass media		
D-2008	-2.4	15.7	-6.0	-1.9	-4.6	-2.6	-3.3	2.8	9.3	-0.3	-1.3
D-2009	0.5	-5.9	0.9	0.3	-8.6	-0.8	-1.0	-3.8	-5.2	-4.1	2.1
D-2010	3.8	1.8	5.1	3.8	7.6	5.0	0.4	2.3	1.4	8.9	4.2
D-2011	3.9	5.7	3.2	4.1	3.9	9.2	3.3	7.4	-2.8	6.9	3.6
D-2012	1.9	9.5	-0.6	2.9	-2.3	-4.6	-2.0	7.2	0.2	-1.0	1.9
D-2013	1.1	1.2	-0.3	1.9	-2.0	-1.1	5.1	1.5	-6.7	0.8	1.6
D-2014	3.1	4.3	3.5	2.8	6.7	5.0	2.4	6.6	-0.3	6.1	2.8
D-2015	2.5	2.0	0.2	3.8	-1.8	2.2	3.4	7.6	18.8	-0.3	2.9
D-2016	3.3	3.9	-0.3	5.1	-1.0	14.2	9.0	14.0	8.7	0.4	5.0
D-2017	1.1	1.4	-0.4	1.8	3.8	-6.4	-2.0	1.3	3.9	-0.9	0.9
D-2018	-0.1	3.3	-2.8	1.0	-6.4	0.7	-1.3	2.1	1.3	-7.9	0.6
J-2019	1.0	-1.3	-1.3	2.3	0.0	3.5	2.4	3.8	-3.2	0.8	2.3
F	0.9	5.7	-0.5	1.4	-0.9	-1.7	4.3	4.1	-3.5	-1.4	1.9
M	-0.7	1.2	-2.5	0.1	-5.5	-2.8	-1.9	1.6	1.2	-5.5	-1.2
A	0.2	-0.4	-0.4	0.5	-2.5	-0.7	4.5	1.3	-4.9	-3.3	1.0
M	-0.5	-0.9	-3.3	1.0	-9.3	-3.8	4.2	1.7	-11.0	-7.5	0.6
J	0.0	2.6	-2.1	0.7	-6.5	-0.7	3.0	0.4	-3.6	-8.0	1.5
J	-0.4	5.9	-2.4	0.2	-9.1	-1.6	2.1	1.7	-3.0	-9.3	0.7
A	-0.6	3.1	-0.9	-0.5	-3.1	-5.6	3.3	4.9	-4.1	-4.1	0.4
S	-0.4	8.2	-2.2	0.1	-7.4	-5.9	1.6	2.1	8.0	-6.6	1.0
O	-0.7	10.1	-3.0	-0.1	-8.9	-6.0	3.5	-1.1	4.4	-8.6	1.4
N	-0.8	-2.5	-1.7	-0.3	-3.1	-5.7	1.6	-1.4	4.0	-2.9	1.1
D	0.1	0.7	-1.0	0.6	-4.8	-6.6	3.6	-0.5	0.4	-3.4	0.4
J-2020	-0.8	1.8	-1.9	-0.3	-9.3	-4.9	1.7	0.0	-4.2	-9.3	0.2
F	-1.6	-8.3	-3.5	-0.3	-9.5	-7.2	-0.5	-3.3	3.6	-10.2	-0.5

Source: INEGI

- The IGAE (Global Indicator of Economic Activity), after a gradual slowdown and decline in 2019, accelerated its fall in 2020.
- In all sectors (including the primary sector), a greater or lesser decline is being observed in all production indicators.
- On the demand side, all engines (including private consumption) are shutting down and the falls in all indicators are very significant.

# Economic Activity

In the last quarter of 2019, the only driver of demand has been a very weakened private consumption; meanwhile, other components of demand decrease.



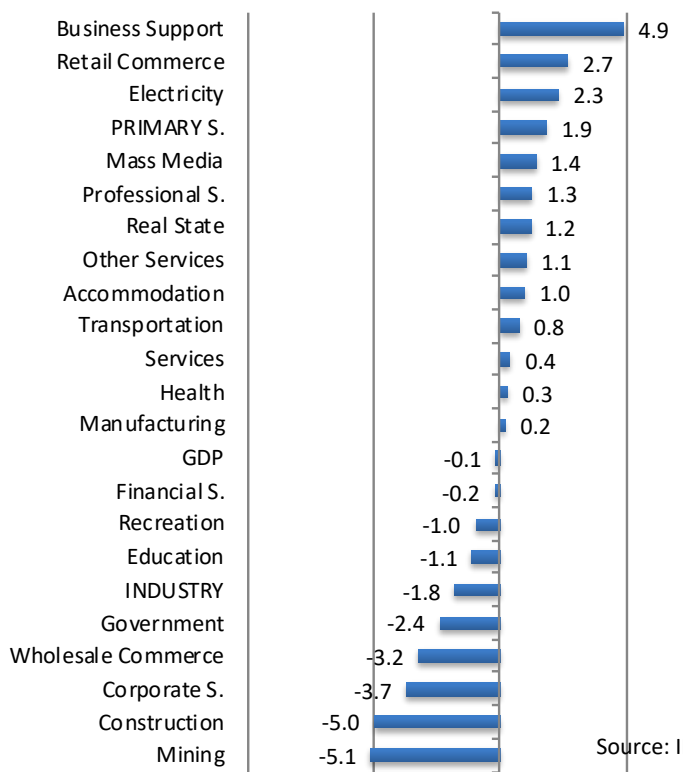
- Private consumption, with the greatest weight in demand (2/3 of GDP), showed minuscule growth in 2019 (less than 1%). Very bad sign, considering that it is the main driver of demand.
- The investment, which was beginning to recover, reported a strong annual contraction during this period.
- Exports of goods and services showed an increasing dynamism during 2019, but in the last quarter they declined; on the other hand, imports are practically stagnant, in line with the domestic market.

# Economic Activity

In 2019, the economy is sustained by some services and the agricultural sector, while industry, especially oil and construction, remains weak.



**GDP 2019**  
(% Annual Growth)

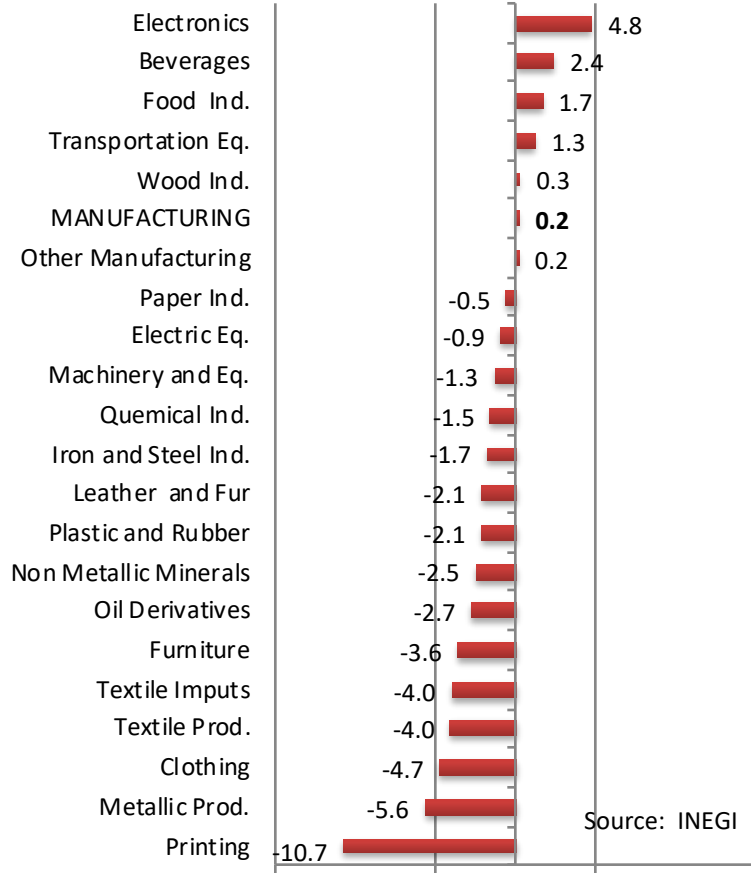


The most dynamic

The least dynamic

Source: INEGI

**MANUFACTURING 2019**  
(% Annual Growth)

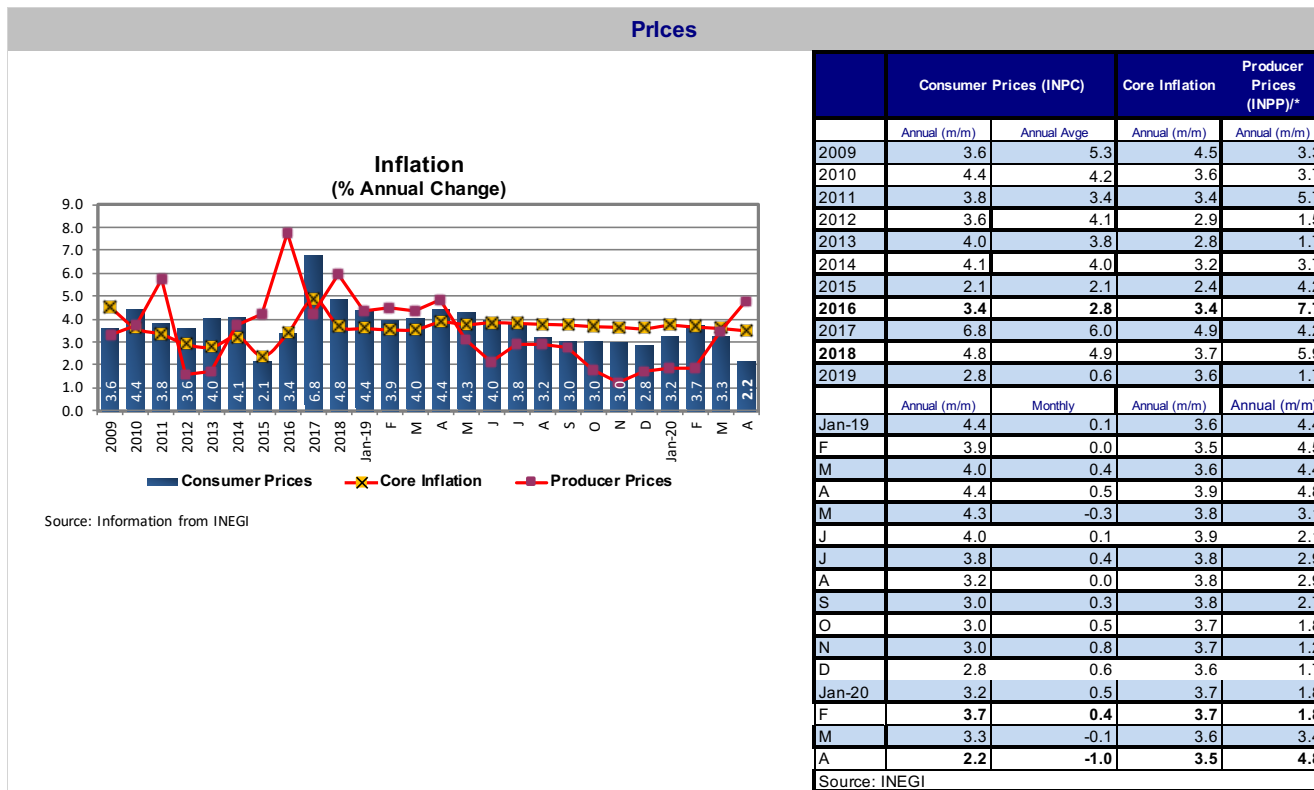


Source: INEGI

Note: Average growth of 2019 (I, II and III Quaters)

# Prices

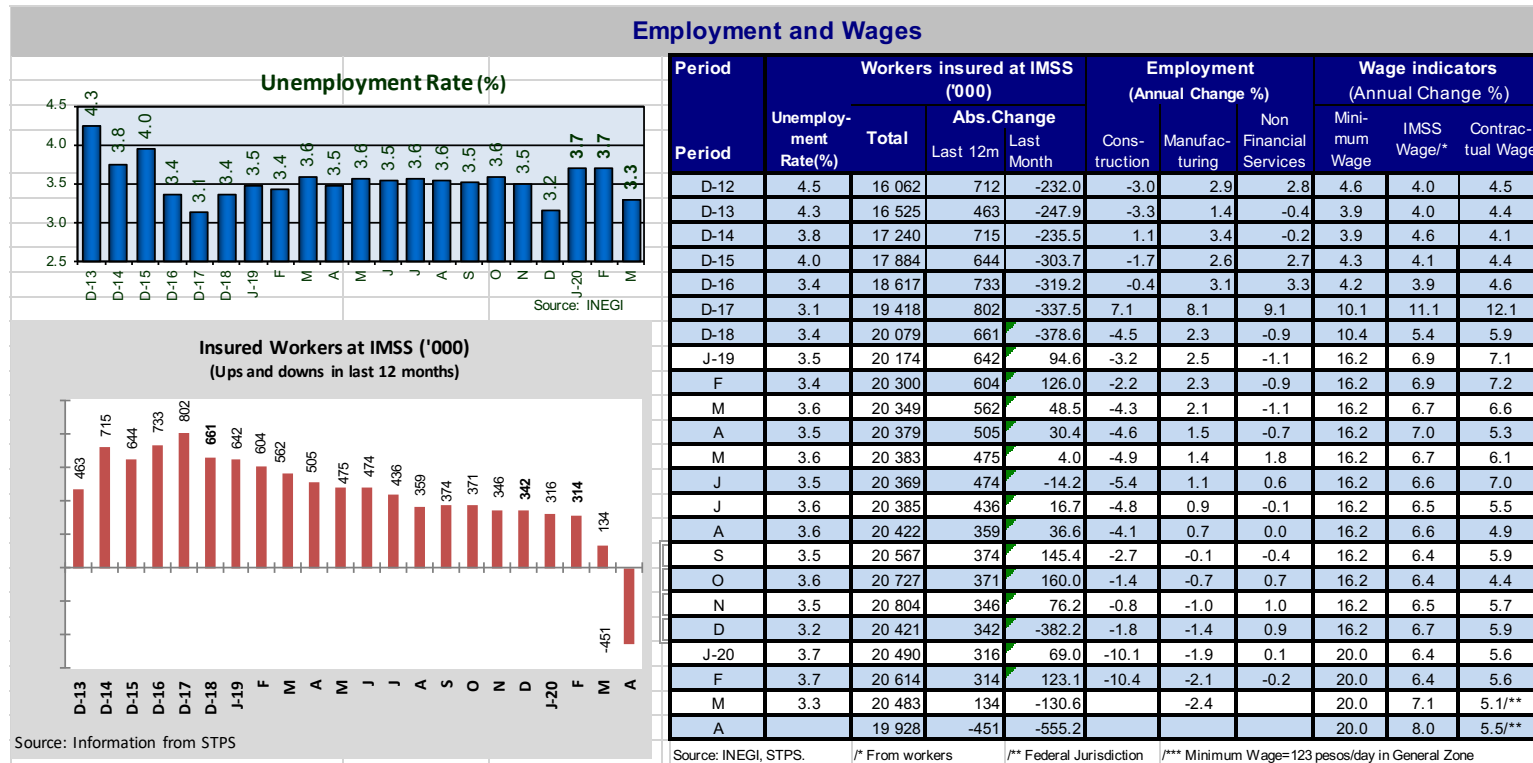
In April 2020, inflation contracted to 2.2%, a very low rate, in line with the weakening of economic activity.



- Inflation went from 2.8% at the end of 2019 to 2.2% in April 2020, with an intermediate bubble. Given the economic paralysis, an overflow of inflation in the near future is ruled out, although some impact of the health crisis on prices will be inevitable.
- Still, there is the confidence that the institutional goal of Banco de México (3% +/- 1%) will be achieved.
- At present, it is clear that inflation is far from being a priority for the 4T government.

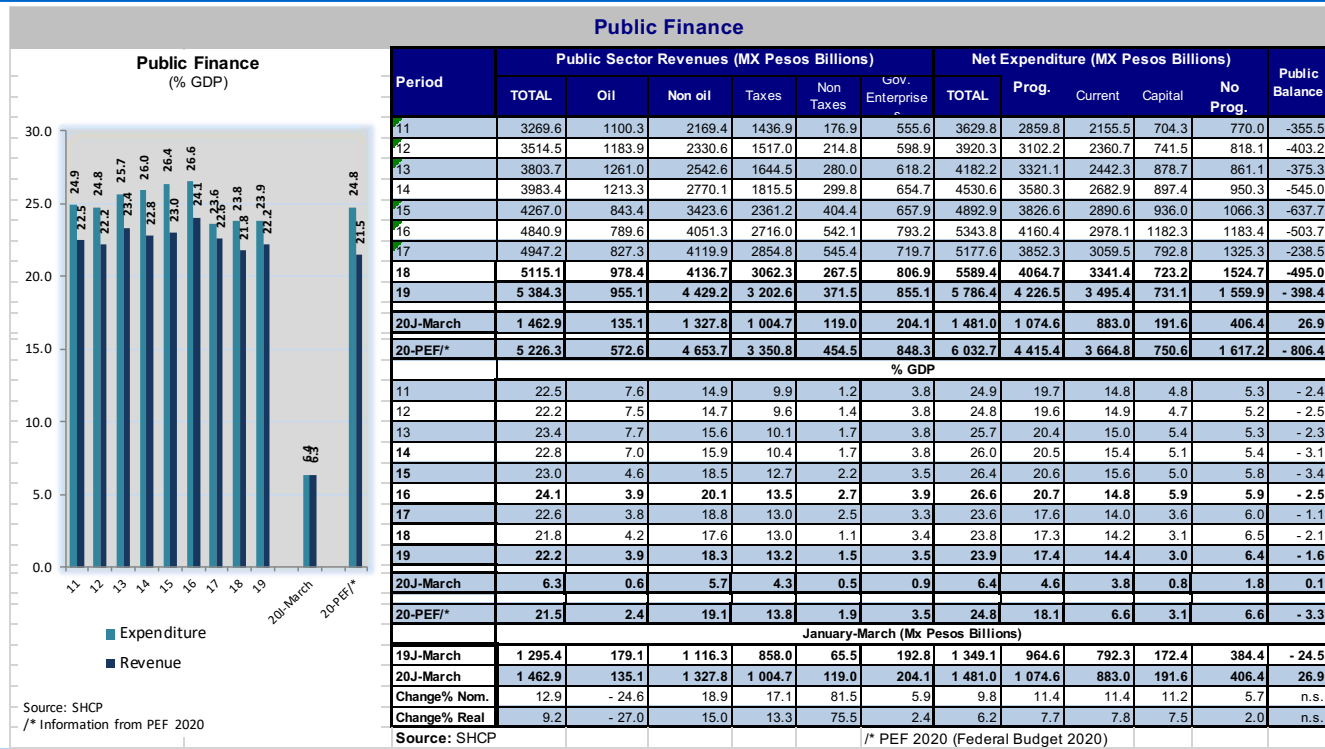


In March and April 2020, 685 thousand formal jobs were lost; thus, the annual job creation for the last 12 months was negative: -451 thousand.



- The unemployment rate stood at 3.3% in March, a rate that remains within the 3-4% range, which has prevailed in the recent past.
- However, annual job creation collapsed in March and April. In the last two months, 685 thousand jobs were lost and in the last year finishing in April, 451 thousand jobs were lost. This as an effect of the fall in economic activity and the health crisis.
- Meanwhile, the wages had a real improvement: 17.8% in the minimum, 6.8% in the IMSS salary, and 3.3% in the contractual salary. This is largely attributed to extraordinary adjustments in the minimum wage (20%).

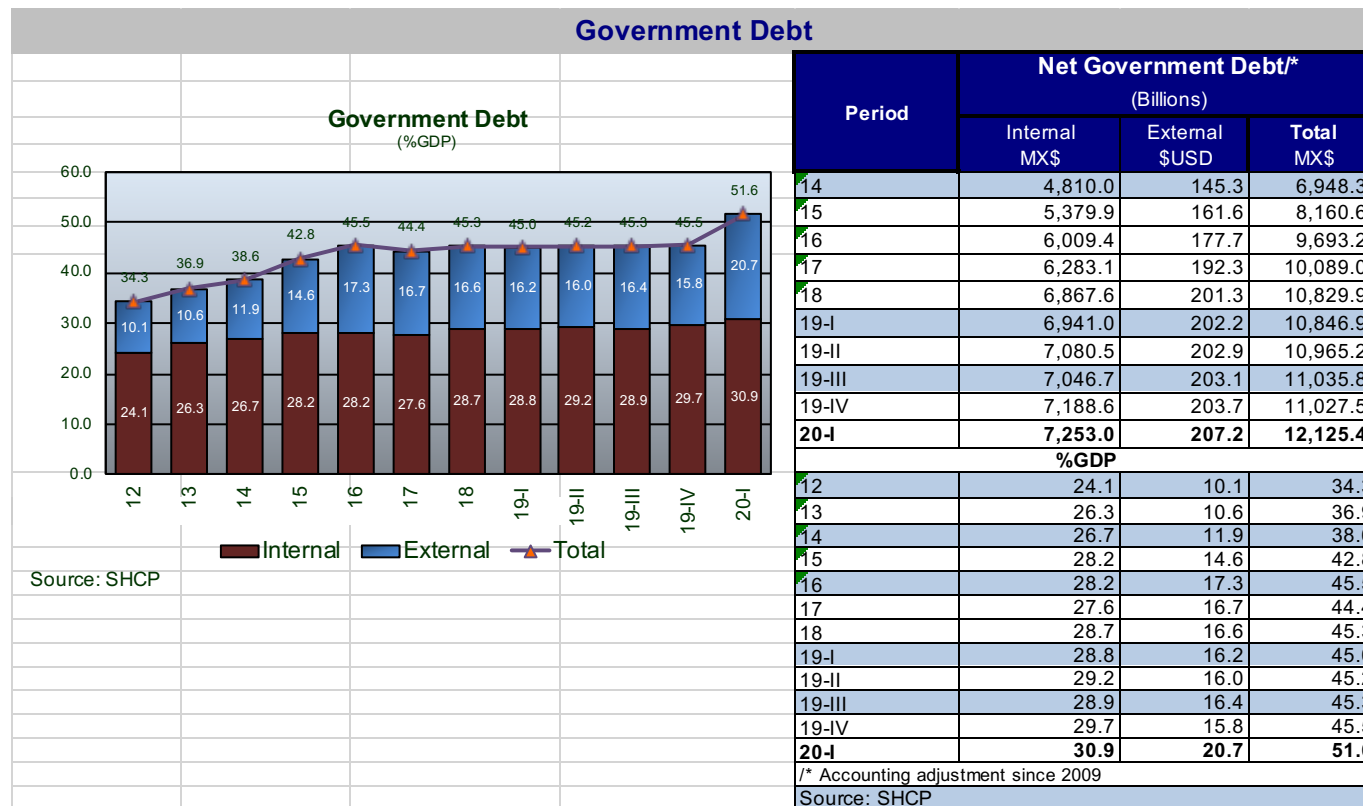
In the first quarter of 2020, government revenues totaled 6.3% of GDP and expenditures 6.4% of GDP, resulting in a surplus of 0.1% of GDP.



- Despite the health crisis, the flows of public finances in the first quarter of 2020 had significant growth at an annual rate: 9.2% in revenues and 6.2% in spending.
- On the income side, the drop in oil revenues (-27%) stands out, which was offset by the increase in tax revenues (13.3%). On the expenditure side, the increase in current spending (7.8%) and capital (7.5%) stands out.
- As a result, a small surplus of 0.1% of GDP is reported.
- All in all, the health crisis is generating strong pressures for higher revenue and lesser spending in order to avoid higher public deficits and debt.

# Public Debt

Government debt, after three years of stagnation, jumped from 45.5% to 51.6% of GDP.

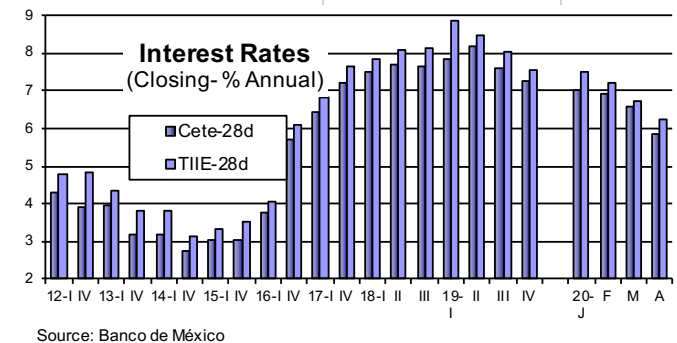
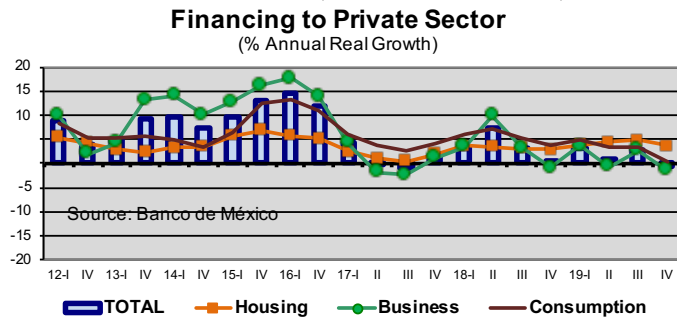


- In the global comparison, Mexico's public debt is relatively moderate: in 2020 it surpassed slightly 50% of GDP and therefore the country is not among the most indebted countries.
- The 4T has made a promise not to grow government debt and until 2019 the promise was accomplished. In 2020, there is an increase in government debt of 6 points of GDP, derived from higher debt pressures and lower economic growth.
- Faced with the health and economic crisis, it will be difficult to maintain discipline in public accounts.

# Financing to Private Sector

The decline in interest rates accelerated in 2020 and they were already below 6% in April. The purpose is to encourage financing to the private sector (with negative growth of -0.6 at the end of 2019)

## Financial Indicators



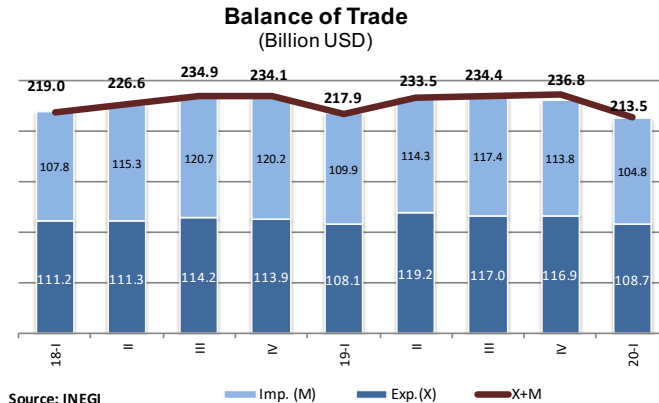
Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates (% Annual)		Stock Market	
	TOTAL		By Source		For Destination			CETES-28d	TIIE-28d	IPC ('000)	% Growth
	Billion MX\$	% Annual Real Growth	External	Internal	Consumption	Housing	Business				
12-I	4,663	9.0	11.0	8.5	8.5	5.3	9.9	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
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
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
III	10,219	2.9	1.6	3.4	3.4	4.8	2.6	7.61	8.04	43.0	-0.3
IV	10,054	-0.6	-3.0	0.1	0.1	3.6	-1.6	7.25	7.56	43.5	1.2
20-J								7.04	7.50	44.1	1.3
F								6.91	7.20	41.3	-6.3
M								6.59	6.74	34.6	-16.4
A								5.84	6.26	36.5	5.5

- In 2019, as in previous years, the growth of financing to the private sector has been moderate: in the fourth quarter of 2019, it decreased -0.6%, showing one of the worst performances in the last decade.
- As of the fourth quarter, the three financing destinations show a moderate or negative dynamism: consumption (0.1%), housing (3.6%), and companies (-1.6%). The latter is worrying given the low economic dynamism.
- Interest rates have been receding more rapidly in 2020 and are already close to 6% in April. Meanwhile, the Stock Market collapsed again in March (-16.4%) and recovered part of the lost ground in April (5.5%).

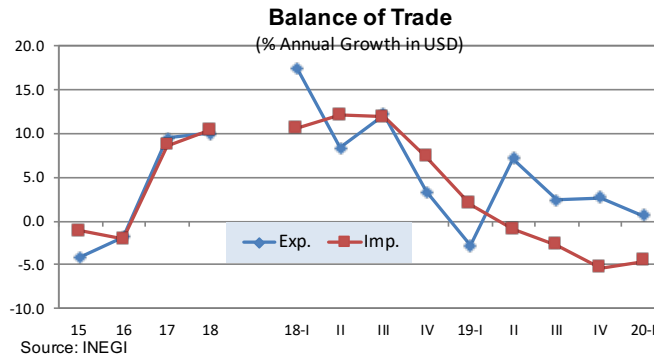
# International Trade

In the first quarter of 2020, foreign trade in goods registered negative growth (-2%) at an annual rate but is the growth in imports (-4.6%) even more negative.

## International Trade



Source: INEGI



Source: INEGI

Period	Balance of Trade (Billion USD)			% Annual Change			Balance (Billion USD)	Remittances	
	Exp.(X)	Imp. (M)	X+M	Exp.	Imp.	X+M		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
19	461.1	455.3	922.6	2.4	-1.9	0.9	5.8	35.7	7.6
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	108.1	109.9	217.9	-2.8	1.9	-0.5	-1.8	7.7	9.1
19-II	119.2	114.3	233.5	7.2	-0.9	3.0	5.0	9.2	3.3
19-III	117.0	117.4	234.4	2.4	-2.7	-0.2	-0.5	9.7	14.9
19-IV	116.9	113.8	236.8	2.6	-5.4	1.2	3.1	9.1	3.7
20-I	108.7	104.8	213.5	0.6	-4.6	-2.0	3.9	9.3	21.1
J-19	32.6	37.3	69.9	-9.1	10.8	0.5	-4.6	2.4	8.9
F	36.4	35.1	71.5	-1.9	1.8	-0.1	1.3	2.4	8.2
M	39.0	37.5	76.5	2.3	-5.5	-1.7	1.5	2.9	10.0
A	39.4	38.1	77.5	5.7	3.5	4.6	1.4	2.9	5.3
M	41.8	40.8	82.6	13.4	3.5	8.3	1.0	3.2	3.5
J	37.9	35.4	73.3	2.4	-9.5	-3.7	2.6	3.2	1.4
J	39.3	40.4	79.7	6.2	3.2	4.6	-1.1	3.3	13.7
A	40.4	39.7	80.1	6.3	-4.5	0.7	0.8	3.4	17.5
S	37.2	37.3	74.6	-4.9	-6.7	-5.8	-0.1	3.1	13.4
O	40.7	41.5	82.2	7.2	-2.2	2.2	-0.7	3.1	6.3
N	37.5	36.7	74.2	-0.7	-9.6	-5.3	0.8	2.9	-0.4
D	38.7	35.6	74.3	1.5	-4.3	-1.4	3.1	3.1	5.3
J-20	33.7	36.1	69.7	3.2	-3.2	-0.2	-2.4	2.6	6.9
F	36.6	33.7	70.4	0.6	-3.8	-1.6	2.9	2.7	13.3
M	38.4	35.0	73.4	-1.6	-6.7	-4.1	3.4	4.0	39.3

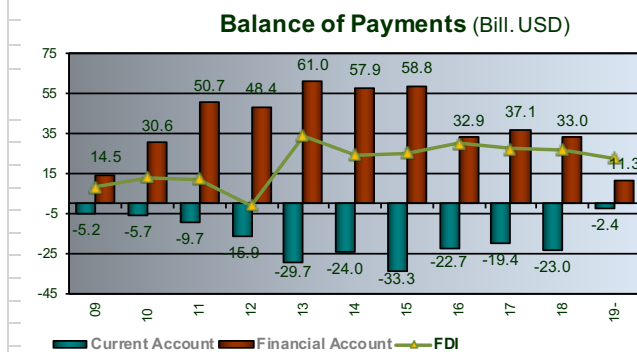
Source: INEGI

- The international merchandise trade began to slow down since 2018, stagnated in 2019, and in 2020 it is shaping up to a clear decline driven by the health and economic crisis.
- Unlike similar episodes in the past, the less dynamism is observed in imports, proof that the domestic market is depressed.
- For their part, remittances continue to show very significant growth. In fact, in the midst of the pandemic, the record of remittances in March (4 MMD) with a growth of 39% at the annual rate was surprising.

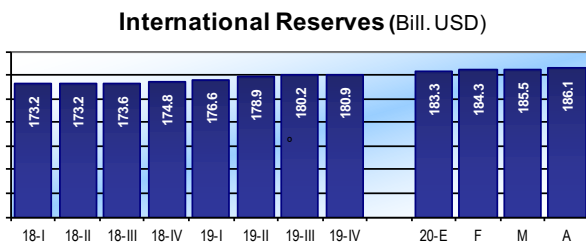
# External Sector

In 2020, international reserves continue to accumulate: they went from 180.9 to 186.1 Bn, reflecting a relatively healthy balance of payments.

## International Transactions



Source: Banco de México



Source: Banco de México

Period	Balance of Trade (Bill. USD)	Exports (Bill. USD)	Imports (Bill. USD)	Current Account		Financial Account (Bill. USD)	Foreign Direct Investment	Reserves Int. Change (Bill. USD)	Stock of Int. Reserves (Bill. USD)
				(Billion USD)	(%GDP)				
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	-23.0	-1.9	33.0	27.0	0.8	173.6
19-	2.7	344.2	341.5	-2.4	-0.2	11.3	22.7	7.3	180.9
18-I	3.3	111.2	107.8	-10.9	-10.9	8.9	10.6	0.4	173.2
18-II	-4.1	111.3	115.3	-3.4	-10.9	5.4	7.3	0.0	173.2
18-III	-6.5	114.2	120.7	-5.9	-10.9	9.2	2.7	0.4	173.6
18-IV	-6.3	113.9	120.2	-2.8	-10.9	9.4	6.5	1.2	174.8
19-I	-1.8	108.1	109.9	-10.1	-3.0	10.3	10.9	1.8	176.6
19-II	5.0	119.2	114.3	4.4	1.4	0.1	4.7	2.3	178.9
19-III	-0.5	117.0	117.4	0.8	0.4	-1.0	3.9	1.3	180.2
19-IV	3.1	116.9	113.8	2.5	1.0	1.9	3.2	0.7	180.9
20-E								2.5	183.3
F								0.9	184.3
M								1.3	185.5
A								0.6	186.1

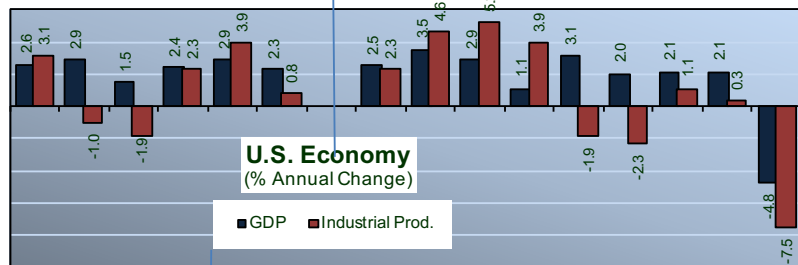
SOURCE: Banco de México

- In 2019, the current account deficit (-2.4 Bn) is unusually small and typical of crisis episodes. This is overcompensated with the positive balance in the financial account (11.3 Bn), whose main component is Foreign Direct Investment-FDI (22.7 Bn).
- In 2020, international reserves continue to strengthen: they went from 180.9 Bn at the end of 2019 to 186.1 Bn as of April 2020; an advance of 5 Bn in this period.
- However, concern persists about the decline in investor confidence and the potential brake on capital inflows, because of the current health and economic crisis.

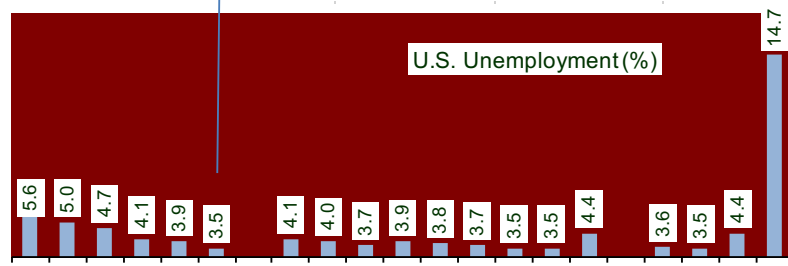
# International Economy

In the first quarter of 2020, the US economy decreased -4.8 (vs. 2.1% in the fourth quarter 2019), and the industrial sector contracted -7.5%; as a result, the unemployment rate rose to 14.7% in April.

## U.S. Economy



Source: BEA



Source: DOL

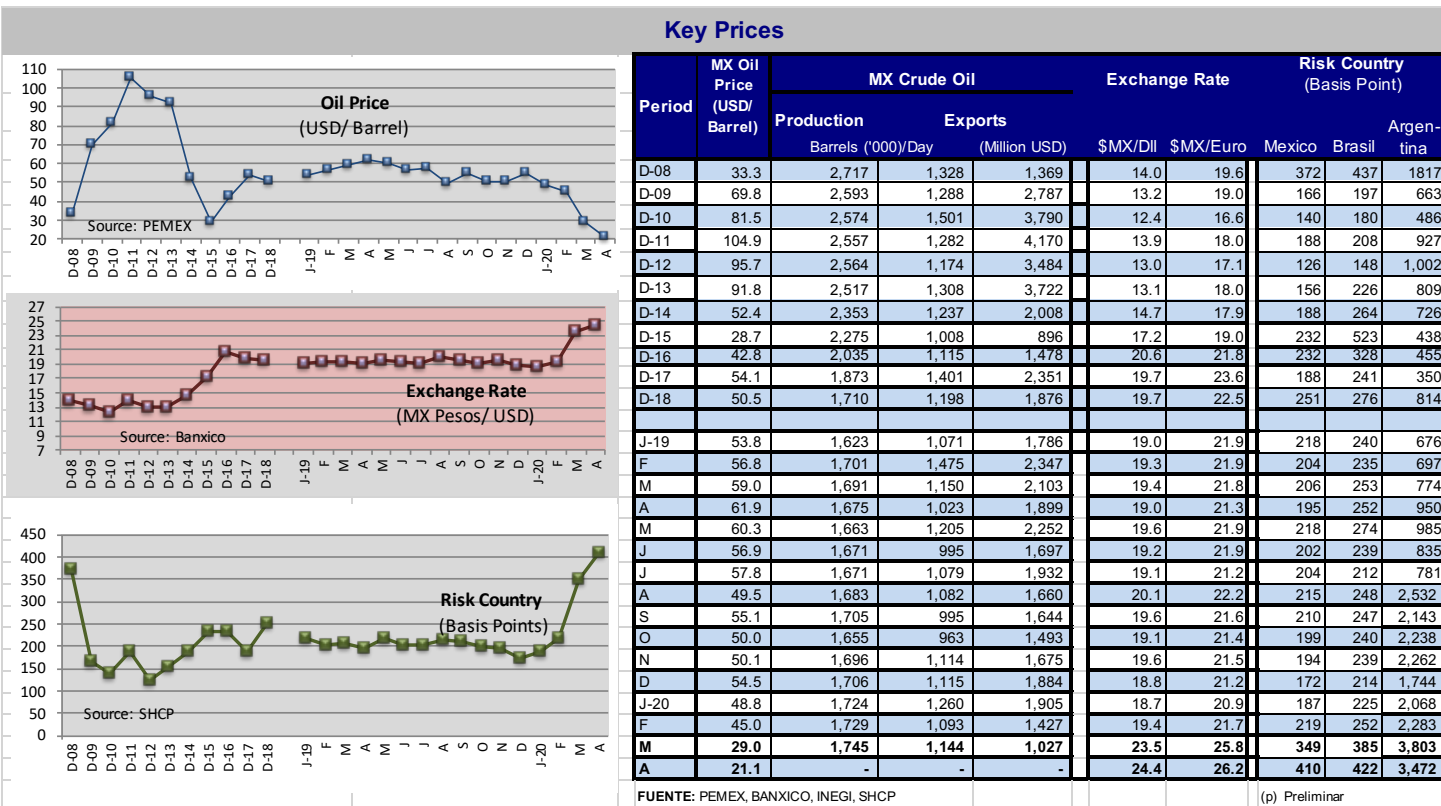
Period	GDP/*	Industrial Prod.		Manufacturing		Unemployment Rate	Inflation
		% Annual Change of Quarter	% Annual Change	% Annual Change of Quarter	% Annual Change		
14	2.6	3.1		1.2		5.6	0.8
15	2.9	-1.0		-0.7		5.0	0.7
16	1.5	-1.9		-0.5		4.7	2.1
17	2.4	2.3		2.0		4.1	2.1
18	2.9	3.9		2.3		3.9	1.9
19	2.3	0.8		-0.2		3.5	2.3
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
19-III	2.1	1.1	0.8	0.7	0.0	3.5	1.7
19-IV	2.1	0.3	-0.5	-0.5	-1.0	3.5	2.3
20-I	-4.8	-7.5	-2.1	-7.1	-2.6	4.4	1.5
20-J		-5.3	-0.9	-2.3	-0.9	3.6	2.5
F		5.6	0.0	0.0	-0.4	3.5	2.3
M		-48.5	-5.5	-54.2	-12.0	4.4	1.5
A						14.7	0.3

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

- In the first quarter of 2020, the US economy reported a dramatic decline (-4.8%), which was even more severe in the industrial sector (-7.5%). Consequently, unemployment soared in April to 14.7%. This is a reflection of the US economic and health crisis.
- Expectations for the US economy have changed dramatically. For 2020, a drop in economic activity is foreseeable, due to the supply and demand shock generated by the pandemic. A relatively rapid recovery is anticipated for 2021, although there are wide margins of uncertainty.
- The good news is that the launch of the T-MEC could take place in 2020 and that could mitigate the negative impact of the health and economic crisis.

# Key Prices

In March and April, key prices changed radically: the price of crude oil collapsed (21 dpb), while the exchange rate (24 ppd) and the country risk (410 bp) increased dramatically.



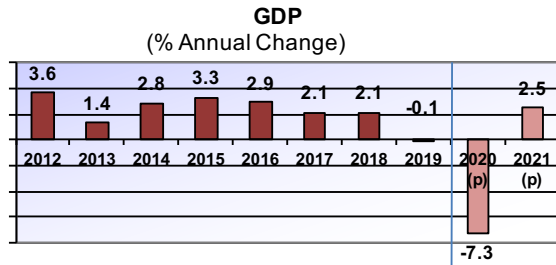
- The price of crude oil, in the first months of 2020, registered a drop of around 60% and fell to 21 dpb levels in April.
- The exchange rate, meanwhile, has resisted the gale. However, it had an adjustment close to 25% in the first months of the year to settle at 24 ppd in April.
- But the biggest surprise is the country risk, which was practically doubled in the first four months of the year, going from 172 basis points in December 2019 to 410 in April 2020.



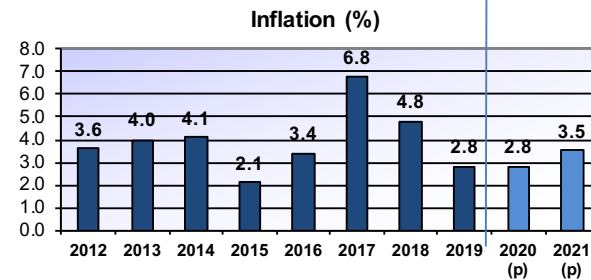
# Mexico's Macroeconomic Framework

Growth expectations for Mexico go from bad to worse: -7.3 for 2020 and +2.1 for 2021.

## Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical									CGPE/*	EEESP/**	
	2012	2013	2014	2015	2016	2017	2018	2019	2020 (p)		2021 (p)	
<b>GDP</b>												
% Annual Growth	3.6	1.4	2.8	3.3	2.9	2.1	2.1	-0.1		-2.0	-7.3	2.5
GDP Current (MX Billions)	15,818	16,277	17,471	18,537	20,100	21,912	23,492	24,239		24,609	23151	24447
GDP Deflator	4.1	1.5	4.4	2.7	5.4	6.7	5.0	3.3		3.6	3.0	3.0
<b>Inflation</b>												
Dec/ Dec	3.6	4.0	4.1	2.1	3.4	6.8	4.8	2.8		3.0	2.8	3.5
<b>Exchange Rate</b>												
Average	13.2	12.9		16.0	18.7	18.9				19.9		
Closing			14.7	17.2	20.6	19.7	19.7	18.8		20.0	23.4	23.0
<b>Interest Rate (Cete 28d)</b>												
Average	4.3	3.7		3.0	4.3	6.9	7.8			7.4		
Closing	4.2	3.5	2.7	3.1	5.7	7.2	8.2	7.3		7.1	5.0	5.2
<b>Current Account</b>												
Billions USD	-9.2	-22.3	-26.6	-32.4	-33.1	-22.7	-22.2	-2.4		-8.9	-4.3	-9.3
% GDP	-0.8	-1.7	-2.1	-2.8	-3.4	-1.6	-1.9	-0.2		-0.7	-0.4	-0.9
<b>Public Balance</b>												
% GDP	-2.5	-2.3	-3.1	-3.4	-2.5	-1.1	-2.1	-1.6		-3.3	-4.2	-3.5
<b>USA</b>												
GDP (%Annual Growth)	2.8	1.9	2.4	2.4	1.6	2.3	2.9	2.3		-2.0	-4.6	3.9
<b>MX Crude Oil</b>												
Avg. Price (USD/ Barrel)	101.7	98.6	86.0	43.7	35.4	46.3	61.4	55.5		49.0		
Exports ('000 barrels/day)	1,256	1,189	1,142	1,282	1,195	1,175	1,186	1105,6		1,134		
Production ('000 barrels/day)	2,548	2,522	2,429	2,290	2,154	1,944	1,813	1,678		1,951		

/\* CGPE-(Criterios Generales de Política Económica 2019).- Basis Document for Macroeconomic Policy

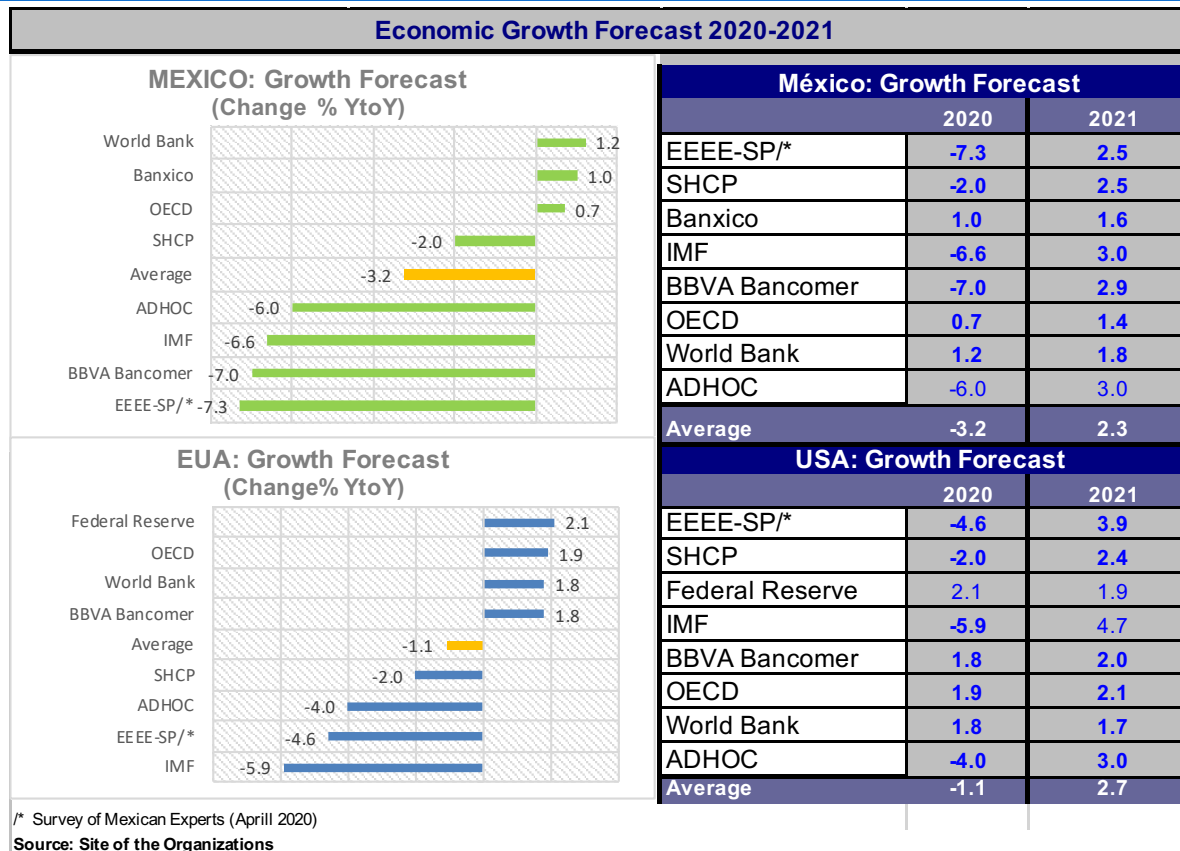
\*\* Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (April 2020)

(p) Projected

- For 2020-2021 private experts now foresee a bleak outlook in terms of growth: -7.3% by 2020 and + 2.1% by 2021.
- For those same years, a moderate inflation rate is estimated: 2.8% and 3.5% for both years.
- According to forecasts, the fundamental balance sheets undergo appreciable adjustments: the fiscal deficit rises to 4.2% and 3.5% and the current account deficit falls to levels below 1% (-0.4 and -0.9% of GDP) for both years .
- According to their forecasts, the US economy is also collapsing: -4.6% drop in GDP and 3.9% recovery by 2021.

# Growth Forecasts

According to specialized agencies, growth forecasts for 2020 have been adjusted drastically downward: -3.2 for Mexico (with a minimum of -7.3%) and -1.1 for the US (with a minimum of -5.9%).



- For Mexico, the forecasts of eight specialized organizations fluctuate between + 1.2% and -7.3% in 2020, with an average of -3.2%. For 2021, the average forecast is 2.3%.
- For the United States, the forecasts of eight specialized organizations fluctuate between 2.3 and -5.9% for 2020, with an average of -1.1%. For 2021, the average forecast is 2.7%.
- As can be seen, both economies are heading for an economic crisis in 2020, although there are wide margins of uncertainty for the immediate future.

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## Contact us

*We are at your service:*

*ADHOC Consultores Asociados, S.C.  
Av. Paseo de las Palmas No.555-601  
Lomas de Chapultepec  
Del. Miguel Hidalgo  
C.P. 11000, México, D.F.*

*Phone numbers: 52-55-5202-3484  
52-55-5202-3687*

*E-Mail:*

*[aaron.dychter@adhocconsultores.com.mx](mailto:aaron.dychter@adhocconsultores.com.mx)  
[ocorzo@adhocconsultores.com.mx](mailto:ocorzo@adhocconsultores.com.mx)  
[clopez@adhocconsultores.com.mx](mailto:clopez@adhocconsultores.com.mx)*

*Website: [www.adhocconsultores.com.mx](http://www.adhocconsultores.com.mx)*

