



# **Mexico Economic Profile**

**Fourth Bimester of 2020**

Timely Macroeconomic Report  
for Decision Making

August 2020

# Economic Profile of Mexico

## 4th Bimonthly Report of 2020

In the July-August bimester, the Mexican economy showed a slight relief, after the collapse experienced in the second quarter of 2020. Since June, the deconfinement has been gradual and, as a consequence, productive activity is being reactivated. But the country is still a long way from the "new normality". In fact, the pressures for openness, from within and without, have prevailed over sanitary considerations. As a result, in Mexico in the second part of the year a health crisis is combined with an economic and security crisis. Faced with this, the current government's response has been the same since it took over the administration at the end of 2018: social assistance programs, support for its favorite investment projects, and a relatively orthodox management of public finances. These three instruments do not seem sufficient to prevent the greatest decline in economic activity in the last century, the major deterioration in private investment, the general decline in welfare conditions and the worsening of poverty.

**Collapse of Economic Growth.-** In the second quarter, GDP growth of -18.7 is reported at an annual rate, which contrasts with the -2.1% of the previous quarter. Therefore, the expectations are not encouraging for the whole year: the forecasts point to a growth close to -10% for 2020 and around + 3% for 2021. According to these forecasts, the recovery would take at least 3 years. Faced with a sharp decline in supply and aggregate demand, derived from Covid 19, much more is required than a government with its arms crossed, to promote a rapid recovery.

**Inflation on the Rise.-** Since the beginning of confinement, inflation has accelerated: it went from 2.2% in April to 4.1% in August. It is essentially an inflation via costs and not via demand, which reflects the impact of the rise in the exchange rate and in the price of energy. It is expected that as economic activity normalizes, the inflation rate will return to its historical levels (2-3%) and meet the institutional goal (of 3% +/- 1%)

**Huge job losses are alleviated.-** In August, almost 100,000 jobs were recovered from the 1.1 million lost between March and July. This keeps the unemployment rate high (5.4% in July). However, there was a significant real increase in minimum wages (of 15.9%), which has somewhat offset the hardships of the working class, but has not been enough to improve the wage bill and strengthen private consumption.

# Economic Profile of Mexico

## 4th Bimonthly Report of 2020

**Strong Pressures on Government Finances.-** In 2020, January-August, government revenues totaled 15.5% of GDP, expenditures 16.8% of GDP, and this resulted in a negative balance of -1.2% of GDP. The government has done all kinds of juggling to maintain fiscal discipline (e.g. greater taxes collection efficiency, use of funds, non-tax revenue); however, the deficit tends to get out of control and the public debt has increased from 45.5 to 53.6% of GDP.

**Financing to the Private Sector continues to weaken.-** After three years of low dynamism (2017 to 2019), financing to the private sector has been promoted to alleviate the effects of the crisis. In fact, in 2020-II it reported an annual growth of 5.2%, supported by financing to companies (9.5%); in contrast, that for housing is holding up with difficulty (2.9%) and that for consumption is declining (-9.8%). This takes place in a context of frankly declining interest rates: from levels above 7% at the beginning of 2020, they fell to levels of 4.5% in August; meanwhile, the stock market is not going through good times: it moves amid ups and downs and had moderate falls in July and August.

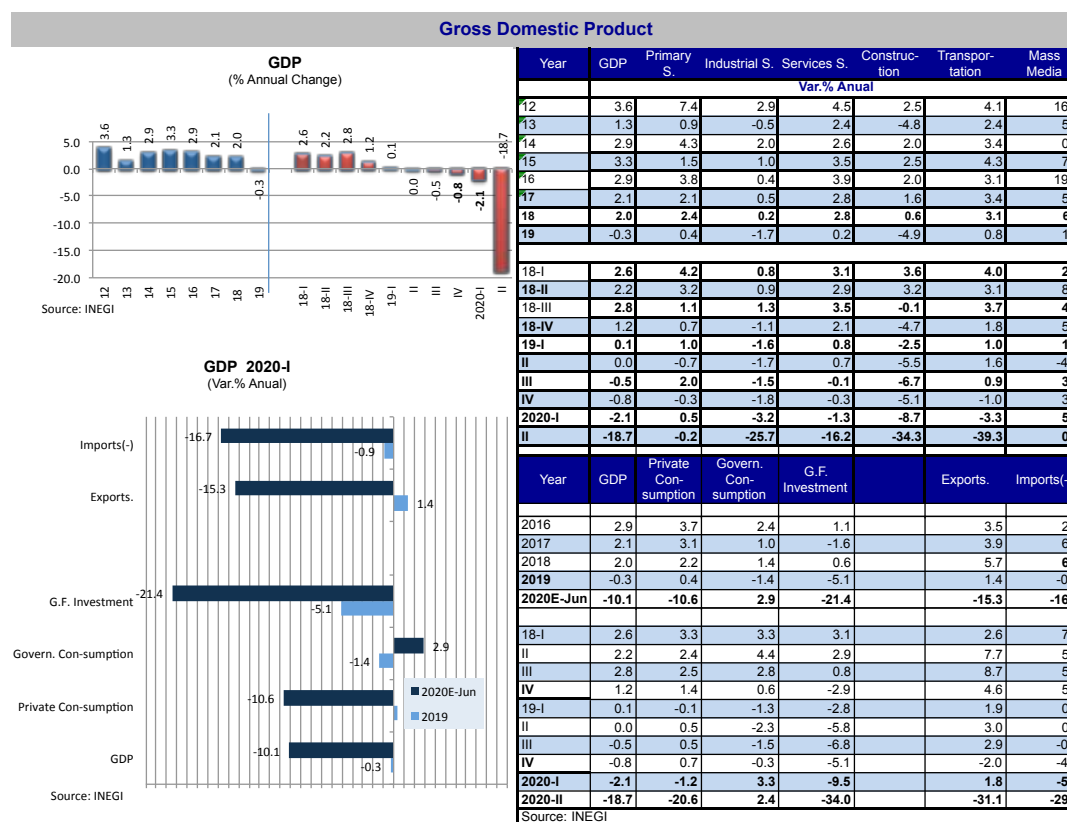
**Covid 19 collapses the world economy.-** The US economy also suffered a severe collapse due to Covid 19. The US GDP reported a decline of -31.4% at an annualized rate in 2020-II, while the industrial sector fell 43.2%. As a result, unemployment shot up in April (14.7%) and then fell to 8.4% in August. However, in the US, aggressive counter-cyclical measures have been implemented that have moderated the effect of the crisis and are helping a speedy recovery.

Still, uncertainty prevails. It seems that Trump will privilege economic growth in the face of the next elections. But it is not clear whether the health crisis can be stopped in the coming months, nor how critical issues such as the US-China trade war and the T-MEC (USMCA) will be handled.

**Uncertain Economic Outlook.-** Expectations for 2020 are not very encouraging in Mexico and the US. Growth of -10% is forecast for Mexico and one of -5.5% for the US. For 2021, a moderate recovery is expected: 3% for Mexico and around 4% for the US. Still, forecasts are continually being adjusted and uncertainty remains the sign of our days.

# Economic Activity

In 2020, second quarter, GDP decreased -18.7% at an annual rate (vs. -2.1% of 2020-I), reflecting the substantial economic decline due to the effect of the pandemic.

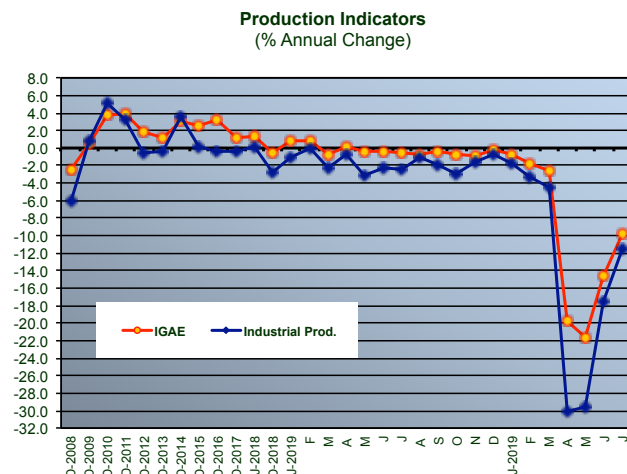


- The dramatic decline in economic activity in the second quarter of 2020, of -18.7, largely reflects the impact of the pandemic and the inaction of the authorities in the face of the collapse of productive activities and the loss of jobs.
- At the sectoral level, in 2020-II, the collapse is generalized: the industrial sector contracted -25.7%, the services sector fell -16.2% and the agricultural sector, the least affected, had a decline of -0.2%.
- In addition, the engines of demand were turned off in the second quarter, highlighting the decline in consumption (-20.6%), investment (-34%) and exports (-31.1%).

# Economic Activity

The IGAE appears to have bottomed out in April and May and is seeing a slight recovery in June and July.

## Production Indicators



Source: Information from INEGI

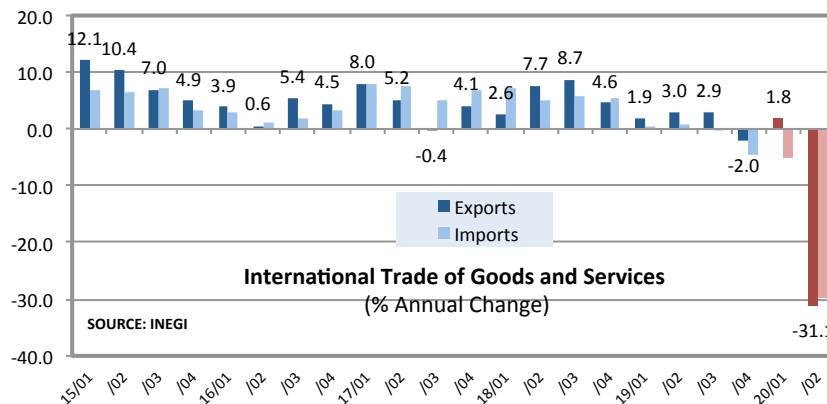
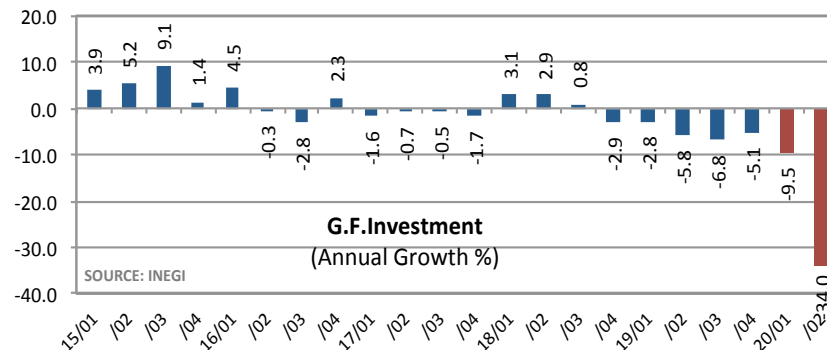
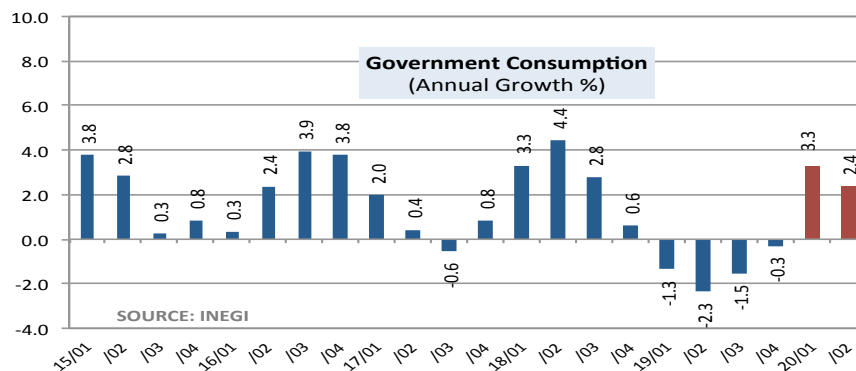
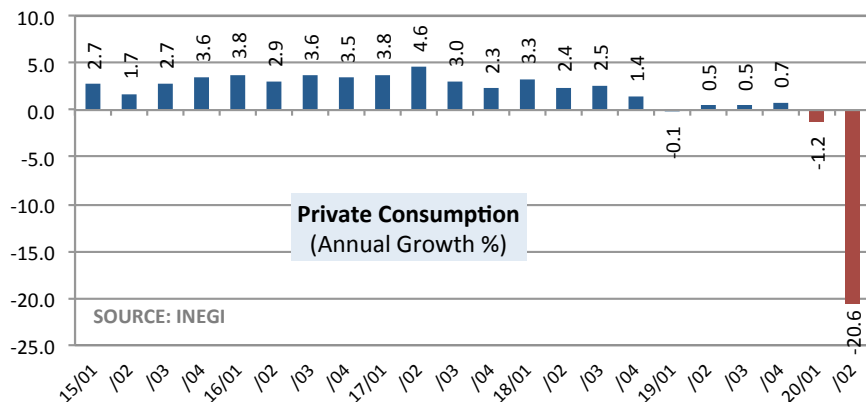
Period	IGAE (proxy of GDP)				Construcción	Commerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Services S.		Wholesale	Retail	Total	Transportation	Mass media		
D-2008	-2.4	15.7	-6.0	-1.9	-4.6	-2.6	-3.3	3.6	2.8	9.3	-0.3	-1.3
D-2009	0.5	-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	1.3	0.3	0.1	1.9	-1.9	-0.8	-0.4	0.7	-2.0	2.0	3.7	3.1
D-2018	-0.5	3.5	-2.8	0.5	-9.0	-2.0	0.0	0.9	2.1	1.2	-6.8	0.4
J-2019	0.9	-1.4	-1.0	2.0	-0.2	0.6	0.8	0.8	3.8	-3.5	0.7	1.9
F	0.8	5.8	0.0	1.1	-0.9	-0.5	2.6	0.7	3.6	-3.3	-1.3	1.6
M	-0.8	0.3	-2.3	0.0	-5.0	-3.2	0.8	2.7	1.7	1.1	-5.2	-1.0
A	0.1	-0.9	-0.8	0.5	-2.7	-2.0	2.4	-2.4	1.7	-4.9	-3.1	1.0
M	-0.4	-1.7	-3.1	0.9	-8.9	-3.7	2.5	-1.8	1.9	-11.3	-7.2	0.3
J	-0.4	1.2	-2.2	0.3	-6.6	-3.1	1.8	-0.5	0.6	-3.5	-8.0	1.2
J	-0.6	2.2	-2.4	0.1	-9.3	-2.3	1.8	-0.8	1.4	-2.8	-9.6	0.5
A	-0.6	-0.8	-1.0	-0.5	-2.6	-2.2	2.6	-1.3	4.7	-4.0	-4.1	0.2
S	-0.5	5.3	-1.9	0.0	-7.5	-3.2	2.4	2.4	2.2	8.0	-7.5	0.7
O	-0.7	9.9	-2.9	-0.1	-9.2	-6.2	0.4	1.0	-1.1	4.4	-9.0	1.2
N	-1.0	-5.1	-1.6	-0.5	-3.4	-3.1	1.9	1.3	-1.6	4.0	-3.3	0.8
D	-0.3	-1.6	-0.7	0.2	-4.3	-0.8	3.3	0.9	-0.4	0.5	-3.5	0.1
J-2019	-0.8	2.9	-1.8	-0.4	-8.8	-1.6	2.5	-2.4	0.0	-4.5	-8.5	-0.2
F	-1.7	-6.9	-3.3	-0.5	-9.6	-2.2	-0.3	-2.2	-4.1	3.8	-10.6	-0.7
M	-2.5	7.6	-4.4	-2.1	-7.0	-2.6	-1.1	-7.5	-10.9	2.5	-11.1	-2.8
A	-19.7	1.6	-30.1	-15.9	-40.2	-20.5	-23.7	-26.2	-39.8	-13.6	-38.2	-22.2
M	-21.6	2.8	-29.6	-19.0	-36.3	-23.7	-23.4	-29.5	-43.0	-10.9	-38.7	-23.5
J	-14.6	-1.6	-17.5	-13.8	-25.9	-15.4	-17.2	-29.3	-39.8	-15.8	-25.2	-19.6
J	-9.8	10.6	-11.6	-10.0	-23.7	-11.2	-12.7	-25.7	-39.5	-17.5		

Source: INEGI

- The IGAE (Global Indicator of Economic Activity), after a moderate decline in the first quarter, collapsed in the second quarter (-18.6%), which outlines what will be one of the largest recessions in Mexico in the last century. It improves slightly in June and July.
- In the second quarter, the biggest decline was registered in the industrial sector, followed by the services sector and finally by the agricultural sector.
- On the demand side, in the second quarter there were very significant falls in investment, over 30%, and declines of over 20% in consumption.

# Economic Activity

By the second quarter of 2020, the main engines of demand -consumption and investment- were turned off.



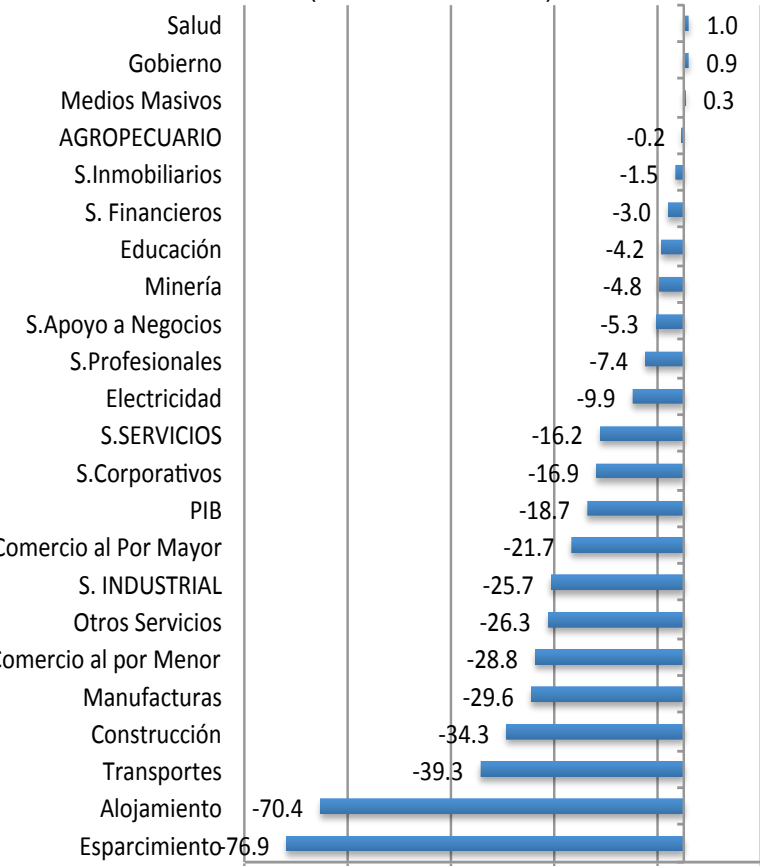
- Private consumption, with the greatest weight in demand (2/3 of GDP), showed in the second quarter, an annual decline of -20.6%, the highest in decades; not so the public consumption that reported positive growth.
- Investment, which was already declining throughout 2019, contracted -30.4% in the second quarter of 2020.
- Exports of goods and services also had a collapse in the second quarter of more than 30%.

# Economic Activity

In 2020, second quarter, the economy collapses in all branches, except for some of them.



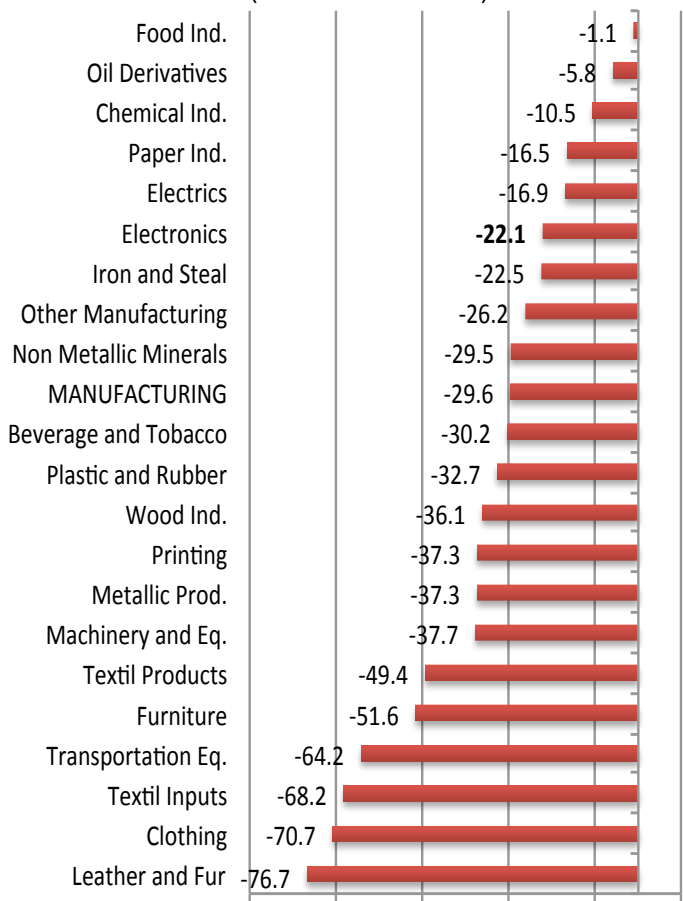
**GDP 2020-II**  
(% Annual Growth)



The most dynamic

The least dynamic

**MANUFACTURING 2020-II**  
(% Annual Growth)



Source: INEGI (Seasonally Adjusted Data)

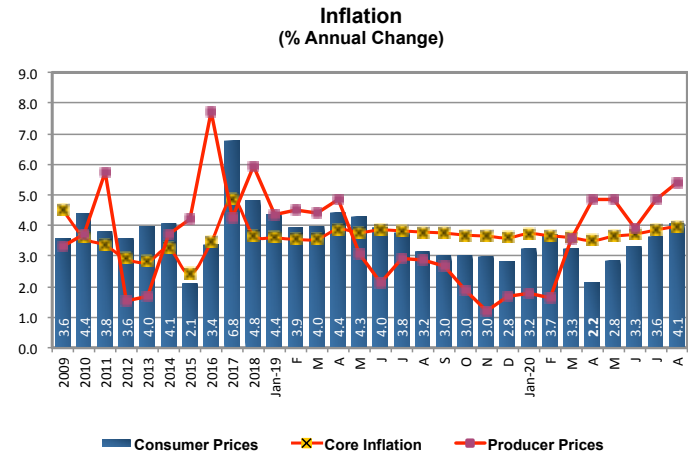
Source: INEGI

# Prices

In August 2020, inflation stood at 4.1%, higher than the previous 3.6%, reflecting core inflation and increases in producer prices.



## Prices



Source: Information from INEGI

	Consumer Prices (INPC)		Core Inflation	Producer Prices (INPP)*
	Annual (m/m)	Annual Ave	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-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	0.1	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
S	3.0	0.3	3.8	2.7
O	3.0	0.5	3.7	1.9
N	3.0	0.8	3.7	1.2
D	2.8	0.6	3.6	1.7
Jan-20	3.2	0.5	3.7	1.8
F	3.7	0.4	3.7	1.6
M	3.3	-0.1	3.6	3.6
A	2.2	-1.0	3.5	4.8
M	2.8	0.4	3.6	4.8
J	3.3	0.6	3.7	3.9
J	3.6	0.7	3.9	4.8
A	4.1	0.4	4.0	5.4

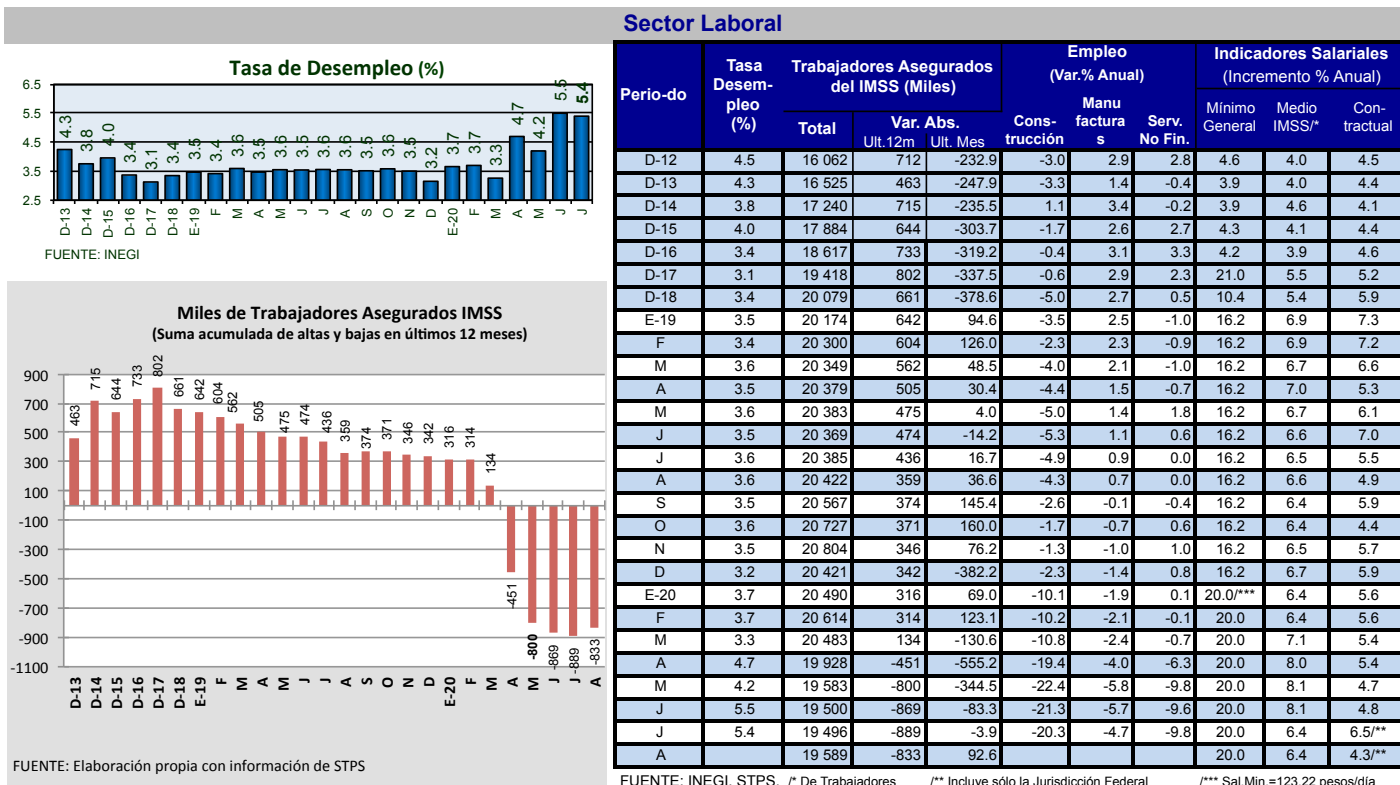
Source: INEGI

- After a recent past of moderate inflation, in the second and third quarters inflation increased and reached 4.1% in August, a rate in line with core inflation and with the rise in producer prices in times of pandemic.
- Although the institutional goal (3% +/- 1%) has been exceeded, the expectation is that the inflation rate will close 2020 within the goal.
- However, inflationary pressures persist, they come more from the cost side (especially the exchange rate and energy) than from the demand side.



# Laboral Sector

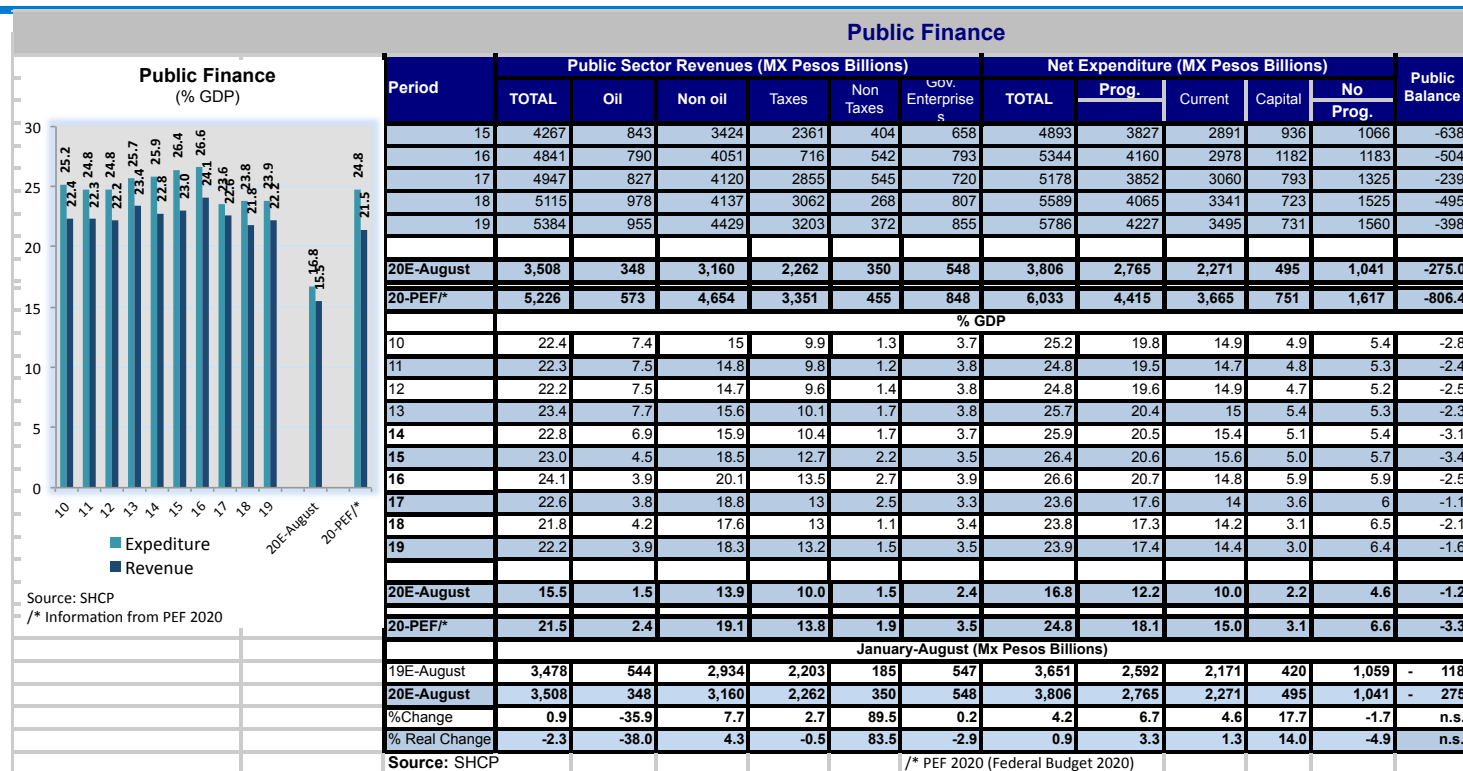
The unemployment rate remains high (5.4% in July) and according to August report, 833 thousand formal jobs were lost in the last year.



- The unemployment rate reported a significant rise from April to 5.4% in July, a rate that does not fully reflect the seriousness of the labor situation.
- For its part, the loss of formal jobs has been very substantial and very accelerated. Between March and June, 1.1 million formal jobs were lost and at the end of August, a loss of 833 thousand formal jobs was reported in the last year.
- Real gain in the three main salary indicators in August: 15.9% in the minimum, 2.3% in the IMSS salary and 0.2% in the contractual salary. This is due to the annual adjustments to the minimum wage. However, the loss of jobs has resulted in a substantial decline in the wage bill.

# Public Finances

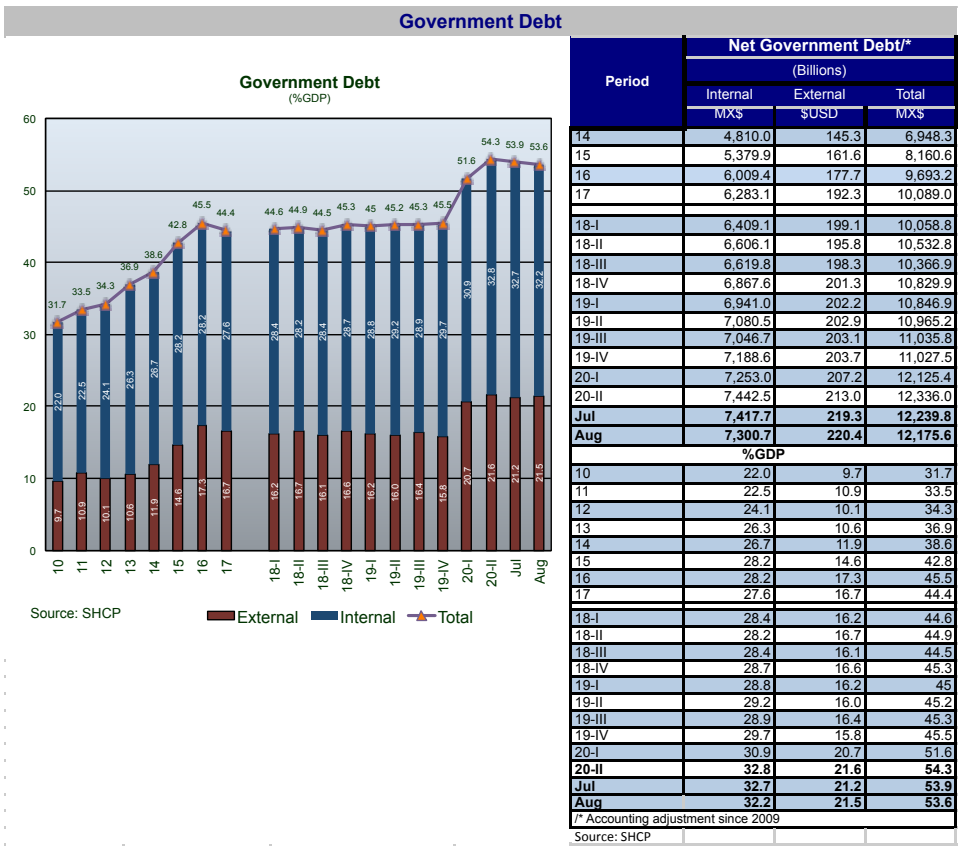
For January-August 2020, government revenues totaled 15.5% of GDP and expenditures 16.8% of GDP, resulting in a deficit of -1.2% of GDP.



- Despite the pandemic, in January-August government revenues and expenditures have evolved according to schedule, except for the notable collapse of oil revenues (-38%).
- On the income side, the stability of tax revenues also stands out, in times of collapse in productive activity, which is attributed to the strengthening of collection efficiency (pressure on large taxpayers); On the expenditure side, investment spending stands out, growing 14% and concentrating on the government's favorite projects.
- At the moment a fiscal deficit of -1.2% of GDP is reported, but the pressures for lower income and higher spending will increase in the second part of the year and it will be very difficult to reach the deficit goal by the end of the year.

# Public Debt

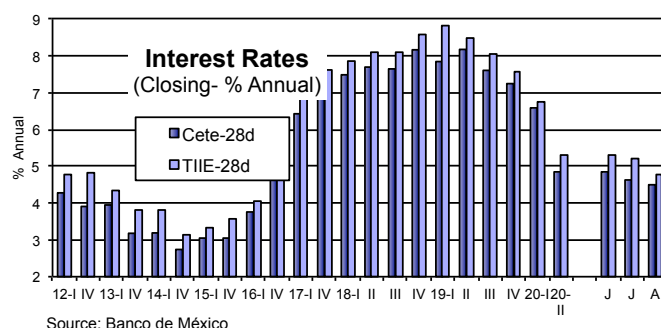
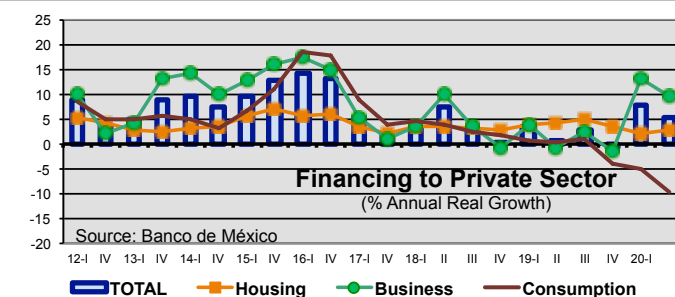
Government debt in 2020 has increased: it went from 45.5% of GDP at the end of 2019 to 53.6% of GDP as of August 2020.



- In the world comparison, Mexico's public debt is relatively moderate: in 2020 it exceeded 50% of GDP, but the country is not among the most indebted countries.
- Despite the promise of the 4T not to increase government debt, it has increased by 8 points of GDP in 2020; the explanation: increased debt, exchange rate adjustments and the contraction of the economy.
- Certainly, the fiscal deficit has been kept under fragile control until now; but the adjustment in the exchange rate and the economic contraction have triggered the public debt as a proportion of GDP.

# Financial sector

In the second quarter of 2020, financing to the private sector registered an annual growth of 5.2% (compared to 8% previously), while interest rates continued to fall and declined to 4.5% in August.



## Financial Indicators

Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates (% Annual)		Stock Market	
	TOTAL Billion MX\$	% Annual Real Growth	By Source		For Destination			CETES- 28d	TIIE-28d	IPC ('000)	% Growth
			External	Internal	Consumption	Housing	Business				
12-I	4,663	9.0	11.0	8.5	8.5	5.3	9.9	4.3	4.8	39.5	6.6
IV	5,055	3.9	-0.1	5.1	5.1	4.2	2.0	3.9	4.9	43.7	6.9
13-I	5,071	4.9	4.1	5.1	5.1	2.9	4.2	4.0	4.4	44.1	0.8
IV	5,713	9.0	20.9	5.7	5.7	2.3	13.0	3.2	3.8	42.7	6.3
14-I	5,790	9.6	27.2	5.0	5.0	3.3	14.1	3.2	3.8	40.5	-5.3
IV	6,385	7.3	19.4	3.3	3.3	3.5	10.1	2.7	3.1	43.1	-4.1
15-I	6,537	9.5	18.8	6.6	6.6	5.7	12.7	3.1	3.3	43.7	-1.1
IV	7,375	12.9	14.2	12.5	10.9	6.9	16.1	3.1	3.6	43.0	-2.3
16-I	7,680	14.4	17.8	13.2	18.7	5.6	17.6	3.8	4.1	45.9	6.8
IV	8,607	13.0	15.6	12.0	17.7	6.2	14.9	5.7	6.1	45.6	0.9
17-I	8,489	5.3	0.4	7.1	9.0	3.6	5.2	6.4	6.8	48.5	6.4
IV	9,330	1.7	-4.7	4.2	4.0	2.0	1.1	7.2	7.6	49.4	1.6
18-I	9,269	3.7	-2.4	5.8	4.8	3.6	3.5	7.5	7.9	46.1	-6.5
II	9,653	7.6	7.8	7.5	4.1	3.6	10.1	7.7	8.1	47.7	3.3
III	9,608	3.2	-3.8	5.6	2.5	3.3	3.4	7.7	8.1	49.5	3.9
IV	9,828	0.5	-9.0	3.9	1.6	3.0	-0.7	8.2	8.6	41.6	-15.9
19-I	9,977	3.4	-1.8	5.1	0.7	4.0	3.8	7.9	8.9	43.3	3.9
II	10,133	0.7	-7.5	3.5	0.4	4.4	-0.6	8.2	8.5	43.2	-0.3
III	10,219	3.0	1.6	3.4	0.9	4.8	2.6	7.6	8.0	43.0	-0.3
IV	10,057	-0.6	-2.9	0.1	-4.1	3.6	-1.5	7.3	7.6	43.5	1.2
20-I	11,137	8.0	24.3	3.0	-5.1	2.1	13.3	6.6	6.7	34.6	-20.5
20-II	10,960	5.2	20.0	0.8	-9.8	2.9	9.5	4.9	5.3	37.7	9.0
J								4.9	5.3	37.7	4.7
J								4.6	5.2	37.0	-1.8
A								4.5	4.8	36.8	-0.5

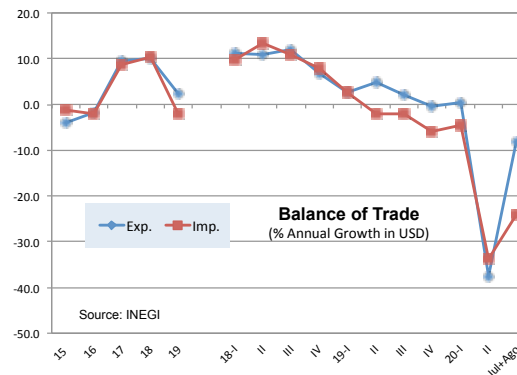
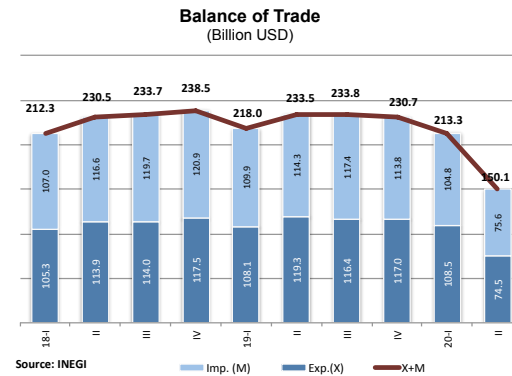
Source: Banco de Mexico

- In 2020, second quarter, financing to the private sector showed signs of slowing down: it increased 5.2% at an annual rate, lower than the previous quarter (8.0%).
- The most dynamic is financing for companies (9.5%); in contrast, that for consumption (-9.8) suffered a decline and that for housing (2.9%) remains afloat.
- In 2020, low interest rates are promoted to support financing and economic reactivation. In fact, rates fell from levels above 7% at the end of 2019 to levels of 4.5% in August 2020. Meanwhile, the stock market has had ups and downs in 2020 but again had moderate losses in July and August 2020.

# International Trade

In July-August, the decline in foreign trade in goods is attenuating, reporting an annual growth of -16% (vs -36% in the previous quarter)

## International Trade



Period	Balance of Trade (Billion USD)			% Annual Change			Balance (Billion USD)	Remittances	
	Exp. (X)	Imp. (M)	X+M	Exp.	Imp.	X+M	Balance (Billion USD)	Billion USD	% Annual Change
10	298.4	301.5	599.8	29.8	28.6	29.2	-3.1	21.2	0.1
11	349.7	350.8	700.5	17.2	16.4	16.8	-1.2	22.7	7.2
12	370.9	370.7	741.6	6.1	5.7	5.9	0.1	22.4	-1.4
13	380.2	381.2	761.4	2.5	2.8	2.7	-1.0	21.6	-3.6
14	397.1	400.0	797.1	4.5	4.9	4.7	-2.8	23.6	9.2
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	450.7	464.3	915.0	10.1	10.5	10.3	-13.6	33.2	15.4
19	460.7	455.3	916.0	2.2	-1.9	0.1	5.4	35.9	8.1
18-I	105.3	107.0	212.3	11.2	9.8	10.5	-1.7	7.0	5.9
18-II	113.9	116.6	230.5	10.9	13.3	12.1	-2.7	9.0	22.5
18-III	114.0	119.7	233.7	11.9	11.0	11.4	-5.8	8.4	15.2
18-IV	117.5	120.9	238.5	6.7	7.9	7.3	-3.4	8.8	16.9
19-I	108.1	109.9	218.0	2.7	2.7	2.7	-1.8	7.7	10.0
19-II	119.3	114.3	233.5	4.7	-2.0	1.3	5.0	9.3	3.3
19-III	116.4	117.4	233.8	2.1	-1.9	0.0	-1.0	9.8	16.7
19-IV	117.0	113.8	230.7	-0.5	-5.9	-3.2	3.2	9.1	3.4
20-I	108.5	104.8	213.3	0.4	-4.6	-2.1	3.7	9.3	20.9
20-II	74.5	75.6	150.1	-37.5	-33.8	-35.7	-1.1	9.8	5.1
Jul-Aug	72.6	60.7	133.4	-8.3	-24.2	-16.3	5.8		
J-19	32.6	37.3	69.9	6.2	6.0	6.1	-4.6	2.4	8.3
F	36.4	35.1	71.5	3.8	2.7	3.3	1.4	2.4	9.2
M	39.0	37.5	76.6	-1.2	-0.5	-0.9	1.5	2.9	10.7
A	39.6	38.1	77.7	6.5	1.6	4.0	1.5	2.9	6.8
M	41.8	40.8	82.5	6.5	0.1	3.2	1.0	3.2	3.4
J	37.9	35.4	73.3	1.2	-7.8	-3.4	2.5	3.2	1.9
J	39.1	40.4	79.5	6.5	2.0	4.2	-1.3	3.3	15.1
A	40.1	39.7	79.7	1.3	0.0	-2.4	0.4	3.4	19.0
S	37.2	37.3	74.5	-1.4	-1.7	-1.6	-0.2	3.1	14.4
O	40.8	41.5	82.2	-1.4	-6.4	-4.0	-0.7	3.1	5.4
N	37.5	36.7	74.2	-2.9	-10.3	-6.7	0.8	2.9	-0.4
D	38.7	35.6	74.3	3.0	-0.3	1.4	3.1	3.1	6.0
J-20	33.6	36.1	69.7	2.9	-3.2	-0.3	-2.5	2.6	8.3
F	36.6	33.7	70.3	0.4	-3.8	-1.7	2.9	2.7	12.5
M	38.3	35.0	73.3	-1.7	-6.7	-4.2	3.3	4.0	38.2
A	23.4	26.5	49.9	-40.9	-30.5	-35.8	-3.1	2.9	-1.3
M	18.1	21.6	39.7	-56.7	-47.1	-52.0	-3.5	3.4	13.3
J	33.1	27.5	60.6	-12.8	-22.2	-17.3	5.5	3.5	10.5
J	35.7	29.9	65.5	-8.9	-26.1	-17.6	5.8	3.5	7.0
Aug	37.0	30.9	67.8	-7.7	-22.2	-14.9	6.1		

Source: INEGI

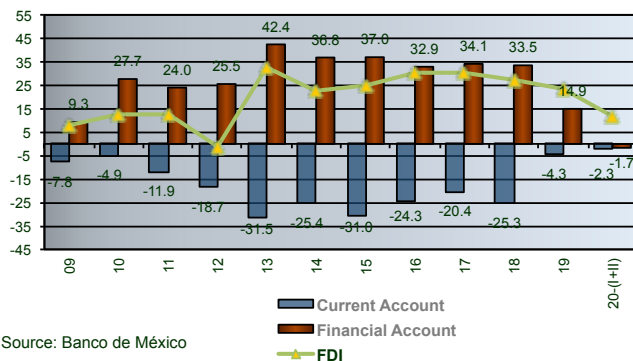
- International merchandise trade shows a moderate recovery in the third quarter of the year: after the dramatic fall due to Covid-19 in the second quarter, trade flows begin to strengthen, largely driven by the recovery of the economy of USA.
- It should be noted that imports are recovering much more slowly, due to the slow recovery of the Mexican economy.
- For their part, remittances continue to show significant growth, despite the pandemic. In the second quarter, remittances reported a growth of 5.1% and reached 9.8 million dollars in the quarter.

# External Sector

In 2020, the first semester, the balance of payments presents a deficit in the current account of -2.3 Bn and one in the financial account of -1.7 Bn, despite the fact that Direct Foreign Investment totaled 12 Bn.

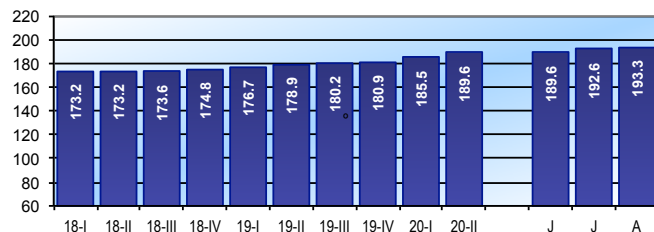
## International Transactions

Balance of Payments (Bill. USD)



Source: Banco de México

International Reserves (Bill. USD)



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	-4.6	229.8	234.4	-7.8	-0.9	9.3	8.0	5.4	90.8
10	-3.1	298.4	301.5	-4.9	-0.5	27.7	12.8	22.8	113.6
11	-1.2	349.7	350.8	-11.9	-1.5	24.0	12.3	28.9	142.5
12	0.1	370.9	370.7	-18.7	-1.6	25.5	-1.1	21.0	163.5
13	-1.0	380.2	381.2	-31.5	-2.5	42.4	32.7	13.0	176.5
14	-2.8	397.1	400.0	-25.4	-1.9	36.8	22.9	16.7	193.2
15	-14.5	380.8	395.2	-31.0	-2.6	37.0	24.7	-16.5	176.7
16	-13.1	373.9	387.1	-24.3	-2.3	32.9	30.6	-0.2	176.5
17	-11.0	409.4	420.4	-20.4	-1.8	34.1	30.3	-3.7	172.8
18	-13.6	450.7	464.3	-25.3	-2.1	33.5	27.1	0.8	173.6
19	5.4	460.7	455.3	-4.3	-0.3	14.9	23.6	7.3	180.9
20-(I+II)	2.7	183.1	180.4	-2.3	-0.4	-1.7	12.0	8.7	189.6
18-I	-1.7	105.3	107.0	-11.2	-4.0	8.7	10.6	0.4	173.2
18-II	-2.7	113.9	116.6	-3.8	-1.0	4.9	7.3	0.0	173.2
18-III	-5.8	114.0	119.7	-6.6	-2.0	10.1	2.7	0.4	173.6
18-IV	-3.4	117.5	120.9	-3.6	-1.0	9.8	6.6	1.2	174.8
19-I	-1.8	108.1	109.9	-11.1	-1.0	10.4	11.3	1.9	176.7
19-II	5.0	119.3	114.3	4.4	0.3	1.7	5.1	2.2	178.9
19-III	-1.0	116.4	117.4	-0.8	-0.1	0.6	4.1	1.3	180.2
19-IV	3.2	117.0	113.8	3.2	0.3	2.2	3.0	0.7	180.9
20-I	3.7	108.5	104.8	-2.3	-0.4	4.2	10.4	4.6	185.5
20-II	-1.1	74.5	75.6	0.0	0.0	-5.9	1.6	4.1	189.6
J								2.3	189.6
J								3.0	192.6
A								0.7	193.3

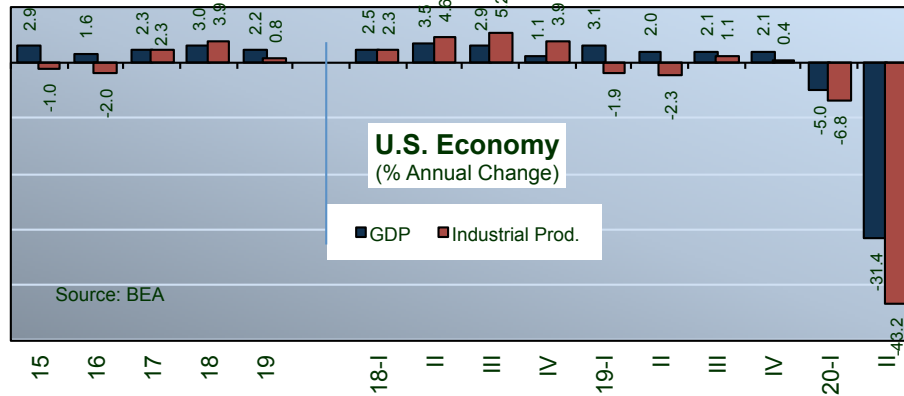
Source: Banco de México

- For the first time in decades there is a current account deficit (-2.0 Bn) and a deficit in financial account (-1.7 Bn), despite the fact that Foreign Direct Investment remains solid (12 Bn). This accounts for a country that is less and less attractive to foreign investors.
- Throughout 2020, international reserves went from 180.9 Bn at the end of 2019 to 193.3 Bn in August 2020, which represents an advance of 12 USD Bn in the year.
- Concerns persist about the decline in investor confidence and the potential slowdown in net capital inflows, which is already a fact.

# International economy

In 2020, second quarter, the US economy collapsed -31.4% and the industrial sector contracted -43.2%; meanwhile, unemployment had a temporary rise and already fell to 8.4% in August.

## U.S. Economy



Period	GDP/*	Industrial Prod.		Manufacturing		Unemployment Rate	Inflation
		% Annual Change of Quarter	% Annual Change	% Annual Change of Quarter	% Annual Change		
15	2.9	-1.0		-0.5		5.0	0.7
16	1.6	-2.0		-0.8		4.7	2.1
17	2.3	2.3		2.0		4.1	2.1
18	3.0	3.9		2.3		3.9	1.9
19	2.2	0.8		-0.2		3.5	2.3
18-I	2.5	2.3	2.0	1.6	0.4	4.1	2.4
II	3.5	4.6	2.1	2.0	0.3	4.0	2.9
III	2.9	5.2	3.6	3.6	1.6	3.7	2.3
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
II	2.0	-2.3	1.9	-3.3	0.9	3.7	1.6
III	2.1	1.1	0.8	0.7	0.0	3.5	1.7
IV	2.1	0.4	-0.5	-0.5	-1.0	3.5	2.3
20-I	-5.0	-6.8	-2.1	-5.5	-2.1	4.4	1.5
II	-31.4	-43.2	-14.5	-47.2	-16.6	11.1	0.6
A		-80.7	-16.5	-87.6	-19.9	14.7	0.3
M		11.0	-16.1	56.8	-17.0	13.3	0.1
J		93.4	-11.1	134.4	-11.0	11.1	0.6
J		44.0	-8.2	48.0	-7.7	10.2	1.0
A						8.4	1.3

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

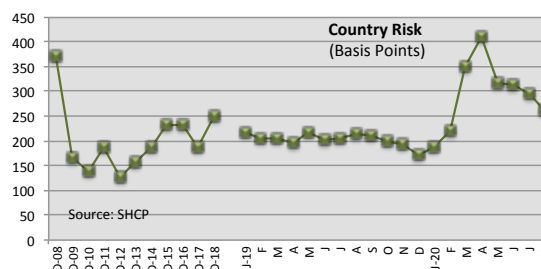
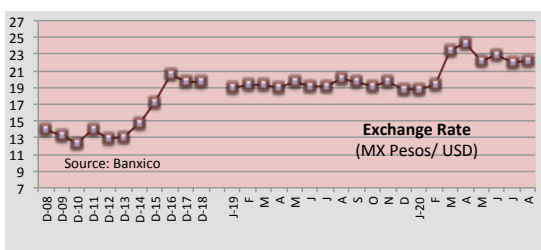
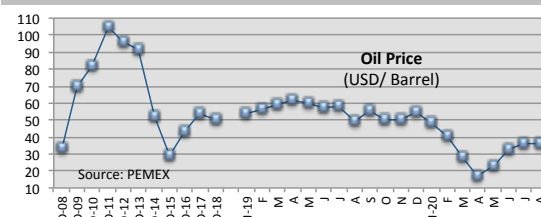
- The US economy collapsed in the second quarter of 2020: drops of 31.4% in GDP and 43.2% in the industrial sector. Consequently, unemployment is decreasing although it remains high: 8.4% in August. This economic collapse, largely the result of the pandemic, not only affects the US but also Mexico
- For 2020, negative growth is forecast in the US -between 6 and 10% - but for 2021 a return to positive growth rates is already expected. This is due to the fact that countercyclical measures have been implemented in the US and the road to recovery is being paved.



# Key Prices

In July-August 2020, the price of crude oil has remained stable around 35 DPB, while the exchange rate (22 PPD) and country risk (261 points) recovered ground.

## Key Prices



Period	MX Oil Price (USD/ Barrel)	MX Crude Oil			Exchange Rate		Risk Country (Basis Point)		
		Production	Exports		\$MX/DII	\$MX/Euro	Mexico	Brazil	Argentina
			Barrels ('000)/Day	(Million USD)					
D-08	33.3	2,717	1,328	1,369	14.0	19.6	372	437	1817
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
D-18	50.5	1,710	1,198	1,876	19.7	22.5	251	276	817
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	1,683	1,082	1,660	20.1	22.2	215	248	2532
S	55.1	1,705	995	1,644	19.6	21.6	210	247	2143
O	50.0	1,655	963	1,493	19.1	21.4	199	240	2238
N	50.1	1,696	1,114	1,675	19.6	21.5	194	239	2262
D	54.5	1,706	1,115	1,884	18.8	21.2	172	214	1744
J-20	48.8	1,730	1,260	1,905	18.7	20.9	187	225	2068
F	40.3	1,736	1,093	1,276	19.4	21.7	219	252	2283
M	28.5	1,752	1,144	1,010	23.5	25.8	349	385	3803
A	17.1	1,726	1,178	605	24.4	26.2	410	422	3472
M	22.7	1,657	1,062	746	22.2	24.7	317	392	2627
J	32.9	1,635	1,114	1,100	23.0	25.9	312	380	2495
J	36.4	1,628	1,051	1,186	22.0	26.3	294	334	2263
A	36.2	-	-	-	22.1	26.1	261	321	2147

Source: PEMEX, BANXICO, INEGI, SHCP

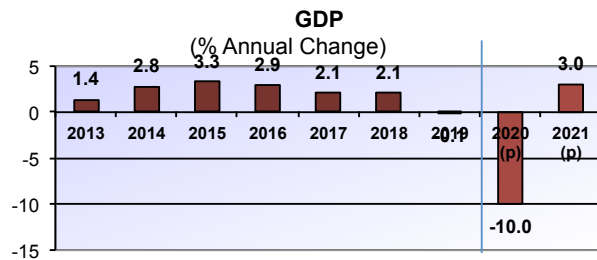
- The price of crude oil, after its collapse in the first quarter of 2020, recovered rapidly in the second quarter and already stands at levels close to 36 DPB in August.
- Due to the effect of the pandemic, the exchange rate was adjusted to 24 PPD, but the price has been moderating and is already at 22 PPD in August.
- Country risk reached a new maximum of 410 basis points in April (practically double its historical level) but has been declining and already reached 261 basis points in August.



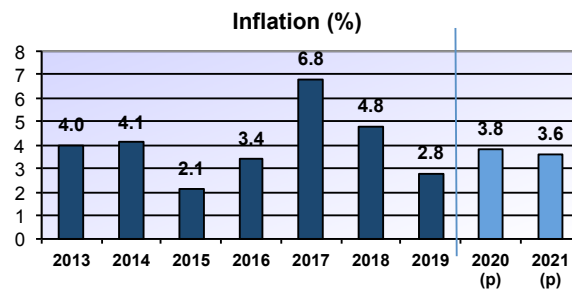
# Macroeconomic Framework of Mexico

Growth expectations for 2020-2021 (especially 2020) practically collapsed while inflation expectations have remained within manageable ranges.

## Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical							CGPE/*		EEESP/**	
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2020 (p)	2021 (p)
GDP											
% Annual Growth	1.4	2.8	3.3	2.9	2.1	2.1	-0.1	-8.0	4.6	-10.0	3.0
GDP Current (MX Billions)	16,277	17,471	18,537	20,100	21,912	23,492	24,239	23,103	25,035	22,695	24,080
GDP Deflator	1.5	4.4	2.7	5.4	6.7	5	3.3	3.6	3.6	4.0	3.0
Inflation											
Dec/ Dec	4	4.1	2.1	3.4	6.8	4.8	2.8	3.5	3	3.82	3.6
Exchange Rate											
Average	12.9	0	16	18.7	18.9	0	0	22	22.1		
Closing	0	14.7	17.2	20.6	19.7	19.7	18.8	22.3	21.9	22.61	22.71
Interest Rate (Cete 28d)											
Average	3.7	0	3	4.3	6.9	7.8	0	5.3	4		
Closing	3.5	2.7	3.1	5.7	7.2	8.2	7.3	4	4	4.21	4.38
Current Account											
Billions USD	-22.3	-26.6	-32.4	-33.1	-22.7	-22.2	-2.4	-6.7	-22.8	-2.3	-5.7
% GDP	-1.7	-2.1	-2.8	-3.4	-1.6	-1.9	-0.2	-0.6	-2.0	-0.2	-0.5
Public Balance											
% GDP	-2.3	-3.1	-3.4	-2.5	-1.1	-2.1	-1.6	-2.4	-2.9	-4.6	-3.7
USA											
GDP (%Annual Growth)	1.9	2.4	2.4	1.6	2.3	2.9	2.3	-5.0	3.8	-5.5	4.0
MX Crude Oil											
Avg. Price (USD/ Barrel)	98.6	86	43.7	35.4	46.3	61.4	55.5	34.6	42.1		
Exports ('000 barrels/day)	1,189	1,142	1,282	1,195	1,175	1,186	1,105.6	973	870		
Production ('000 barrels/day)	2,522	2,429	2,290	2,154	1,944	1,813	1,678	1,744	1,857		

/\* CGPE-(Criterios Generales de Política Económica 2020).- Basis Document for Macroeconomic Policy

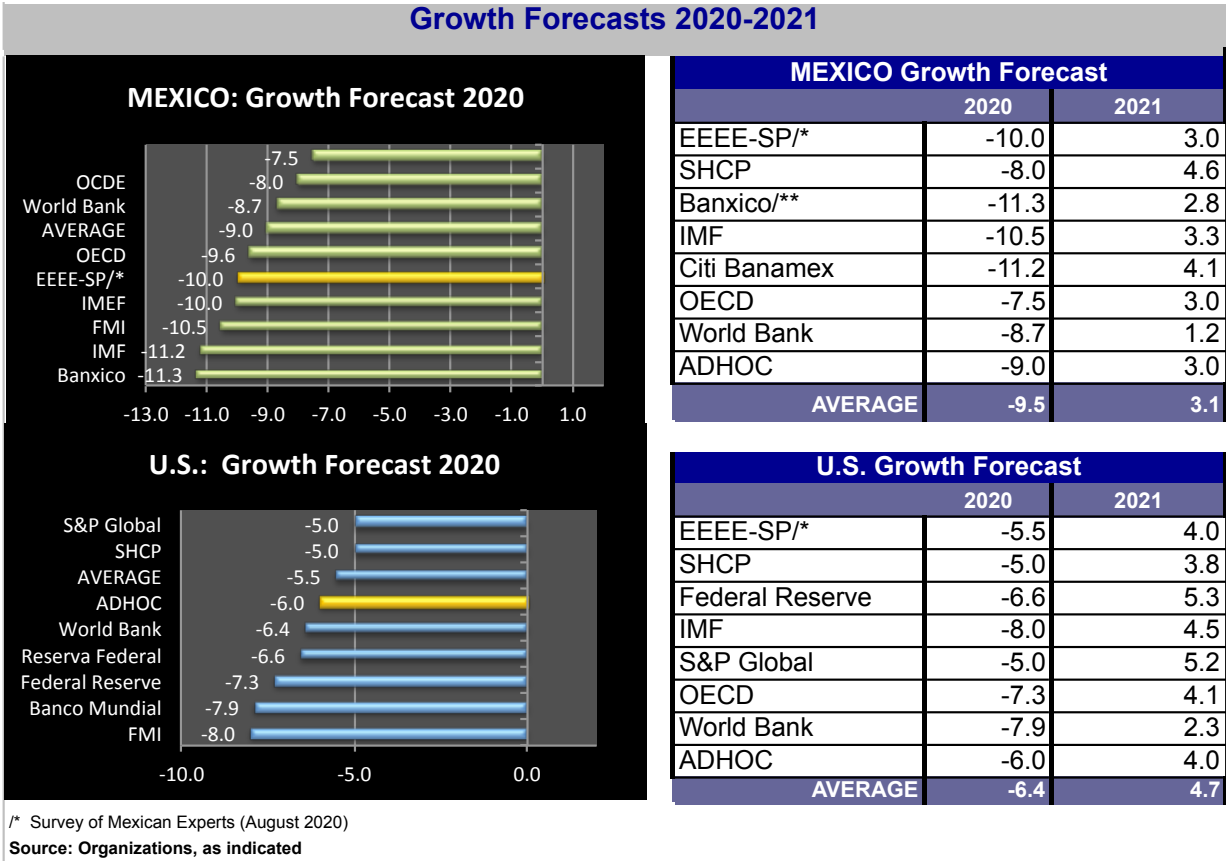
\*\* Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (August 2020)

(p) Projected

- For 2020-2021, private experts forecast a collapse in growth in 2020 and a slow recovery from 2021: -10.0 and + 3.0% for both years.
- An inflation rate is estimated above 3% but within the institutional goal: 3.8 and 3.6% for the biennium.
- According to forecasts, the fundamental balances will remain under relative control, but it is estimated that the fiscal deficit could go out of range in both years (-4.6% and -3.7% of GDP), but not the current account deficit, which will not exceed the 1% of GDP in the biennium.
- According to their forecasts, the US economy will also suffer a sharp deterioration in 2020 (-5.5%) and a faster recovery in 2021 (4.0%).

# Growth Forecasts 2020-2021

According to specialized agencies, the expected growth for 2020 is -9.5% for Mexico and -6.4% for the US. For 2021 the forecast is 3.1% for Mexico and 4.7% for the US.



- For Mexico, the forecasts of eight specialized organizations fluctuate between -7.5% and -11.3% in 2020, with an average of -9.5%. For 2021, the average forecast is 3.1%.
- For the USA, the forecasts of eight specialized organizations fluctuate between -5 and -8% for 2020, with an average of -6.4%. For 2021, the average forecast is 4.7%.
- As can be seen, both economies are advancing in parallel, but the US economy is shaping up to have a better economic performance in the biennium.

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