



# **Mexico Economic Profile**

**Second Bimester of 2021**

Timely Macroeconomic Report  
for Decision Making

April 2021

# Economic Profile of Mexico

## 2<sup>nd</sup>. Bimonthly Report of 2021

In the first four months of 2021, the Mexican economy is on the way to recovering pre-crisis production levels. Although Covid-19 is still present, vaccination is progressing and a new wave of infections has not occurred. The gradual control of the pandemic and the boost given to the US economy have been very beneficial to the Mexican economy. Consequently, expectations for 2021 have become more favourable. Still, there are old and new reasons for concern. The first is that the recovery will be slower than desirable, while the authorities do not do much to boost the economy; two, attacks on private investment inhibit sustained growth in the future; three, the exacerbated populism of the current administration and the ideological management of some key sectors may lead the Mexican economy to a dead end in the near future, with serious consequences for all.

**Slow Recovery of Economic Growth.-** In the first quarter of 2021, a GDP decline of **-2.8%** (vs -4.6% in the previous quarter) is reported, indicating that the Mexican economy gradually recovers from the economic collapse of 2020 (-8.5 %), largely attributable to the pandemic. Expectations are now more encouraging: they point to growth of 4.8 and 2.7% for the next biennium. With such forecasts, the recovery of the pre-crisis levels would take between 2 and 3 years. Faced with the collapse of supply and demand, it is urgent to reactivate the economy or to enlist in the US recovery lane.

**The inflationary bubble reappears.-** Due to the lockdown, an inflationary bubble was registered in 2020 that reappears in 2021: inflation went from 3.2% in December to **6.1%** in April 2021. It is essentially an inflation via costs and not via demand, which reflects the rise in the price of energy, as well as the restrictions imposed by Covid-19. As economic activity normalizes, the inflation rate is expected to return to its historical levels (2-3%) and to the institutional goal (of 3% +/- 1%).

**Jobs are recovering.-** The huge loss of formal jobs, of 1.1 million (between March and July 2020), was shortened in the following months to close the year at 648 thousand. In April, there is still a shortage of 500 thousand jobs to recover the pre-crisis employment levels. In parallel, the unemployment rate was unable to consolidate its decline and returned to 4.7% in April. Meanwhile, minimum wages continue to gain purchasing power (not the other types of wages); although this has not been enough to improve the wage bill and reinforce consumption.

# Economic Profile of Mexico

## 2<sup>nd</sup>. Bimonthly Report of 2021

**Strong Pressures on Government Finances.-** In the first quarter of 2021, government revenues represent 6.3% of GDP, expenses 6.6% of GDP, and this resulted in a negative balance of -0.3% of GDP. Worth noting is the greater dynamism of expenses (7.9) compared to income (2.8%), as well as the recovery of oil revenues (45.6%). The challenge for 2021 will be: to keep fiscal discipline and debt under control (49.5% of GDP in March), avoiding the pressures of lower revenue and higher spending (due to the 2021 elections).

**Financing to the Private Sector continues to weaken.-** After three years of low dynamism (2017 to 2019), in 2020 financing to the private sector was promoted to alleviate the effects of the crisis, without much success. In fact, in 2020-IV it reported a negative annual growth of -0.7%, which is explained by financing for housing (4.1%), that for companies (-0.8%) and that for consumption (-10.1%). This took place in a context of frankly declining interest rates: they went from levels of 7% to levels of 4% throughout 2020 and have remained there until April 2021; meanwhile, the Stock Market had a strong recovery at the end of 2020 and an additional 11.6% in the first four months of 2021, in view of the better expectations for the year.

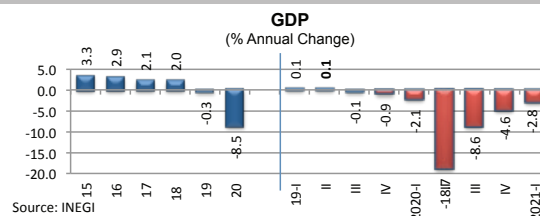
**Solid economic recovery in the US -** In the first quarter of 2021, the US economy experienced a solid recovery: 6.4% in its GDP and 2.5% in its industrial sector. If this dynamism continues, it would mean that this year the economy will recover and even exceed the pre-crisis level of production. As a consequence, unemployment has continued to decline. It closed 2020 at 6.7% and in April it is already at 6.1%. This performance is explained by the aggressive counter-cyclical measures implemented since 2020 and above all by the Biden Administration's Rescue Plan. With Biden, the recovery is accelerating. A massive vaccination, an aggressive Rescue Plan and a renewed push for infrastructure projects point in that direction.

**Favourable Economic Outlook.-** Expectations for 2021 are encouraging in the US and Mexico. An economic advance of close to 6% is expected for the US and 4.8% for Mexico. That means for the US a recovery in this same year from pre-crisis levels, while for Mexico the recovery would take 2-3 years. However, projections continually change, depending on the pandemic and the response of countries to the health and economic crisis.

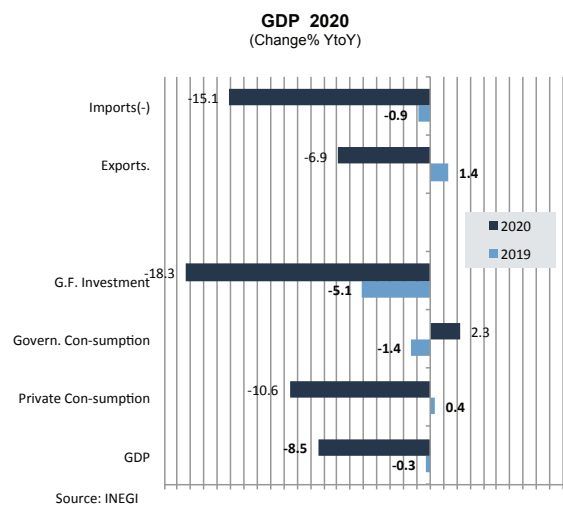
# Economic Activity

In the first quarter of 2021, GDP decreased -2.8% at annual rate (vs -4.6% in the previous quarter), which reflects a very gradual recovery from the collapse of 2020 (-8.5%)

## Gross Domestic Product



Source: INEGI



Source: INEGI

Year	GDP	Primary S.	Industrial S.	Services S.	Construction	Transportation	Mass Media
	Change % (YtoY)						
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
19	-0.3	0.4	-1.7	0.2	-4.9	0.8	1.0
20	-8.5	-0.5	-10.1	-7.9	-17.6	-20.8	-2.1
19-I	0.1	1.1	-1.8	1.0	-2.4	-0.1	3.7
II	0.1	-0.7	-1.9	1.0	-5.5	1.3	-1.6
III	-0.1	1.1	-1.5	0.6	-6.4	0.3	7.3
IV	-0.9	-2.1	-2.1	-0.2	-5.5	-2.0	5.0
2020-I	-2.1	-3.0	-3.1	-1.2	-8.8	-3.8	5.7
II	-18.7	-3.4	-25.4	-16.3	-34.1	-39.6	0.7
III	-8.6	2.9	-8.6	-8.8	-17.2	-24.9	-8.5
IV	-4.6	1.4	-3.4	-5.1	-10.3	-14.8	-6.4
2021-I	-2.8	2.6	-2.0	-3.4	-7.3	-11.3	-9.2
Year	GDP	Private Consumption	Govern. Consumption	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
2019	-0.3	0.4	-1.4	-5.1		1.4	-0.9
2020	-8.5	-10.6	2.3	-18.3		-6.9	-15.1
19-I	0.3	0.3	-1.2	-2.2		2.1	0.7
II	0.3	0.8	-2.3	-5.3		3.3	0.8
III	0.0	0.8	-1.5	-6.1		2.9	0.7
IV	-0.8	0.6	-0.2	-4.8		-2.3	-4.8
20-I	-2.2	-1.3	2.9	-9.1		1.7	-5.1
II	-18.6	-21.0	2.0	-33.7		-30.6	-29.6
III	-8.5	-12.7	2.5	-17.7		-2.7	-18.5
IV	-4.5	-7.3	1.7	-13.0		3.8	-7.3

Source: INEGI

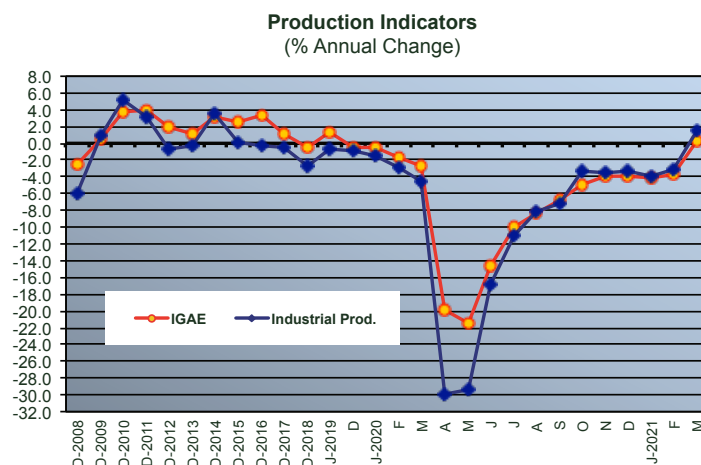
Source: INEGI

- In the first quarter of 2021, negative growth rates continue to be recorded, but decreasing (-2.8%). With this, the collapse of 2020 is gradually overcome (-8.5%), attributable to the pandemic and the null response of the authorities.
- At the sector level, the weakening is still observed in the industrial sector (-2.0) and in services (-3.4%); not so in the agricultural sector (2.6%), which has been the least affected during the pandemic.
- On the demand side, in 2020 all the engines of demand (with the exception of public consumption) slowed down and caused productive activities to collapse.

# Economic Activity

Regarding the monthly indicator (the IGAE), negative growth rates continue to predominate in the first months of 2021, reflecting a slow and hard recovery.

## Production Indicators



Source: Information from INEGI

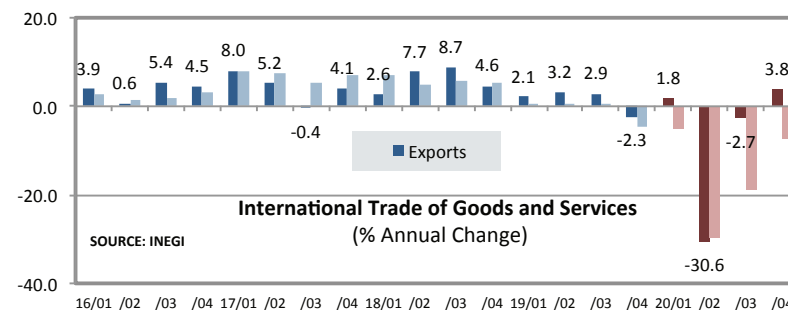
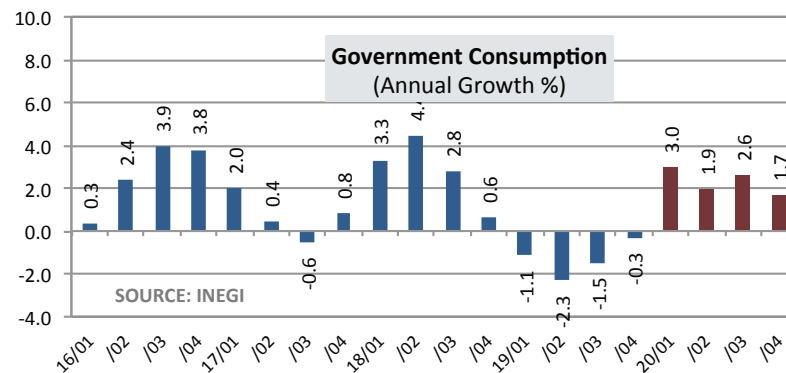
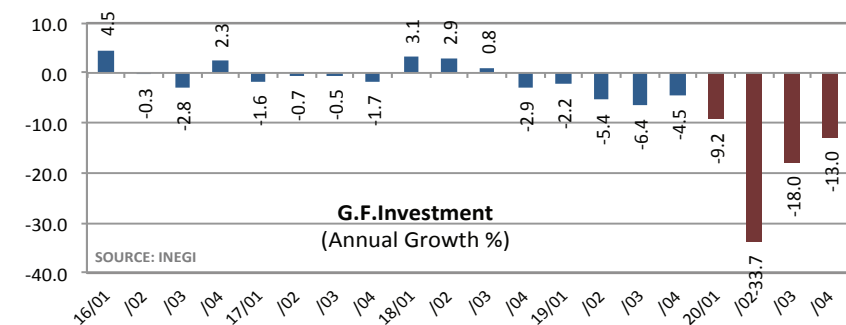
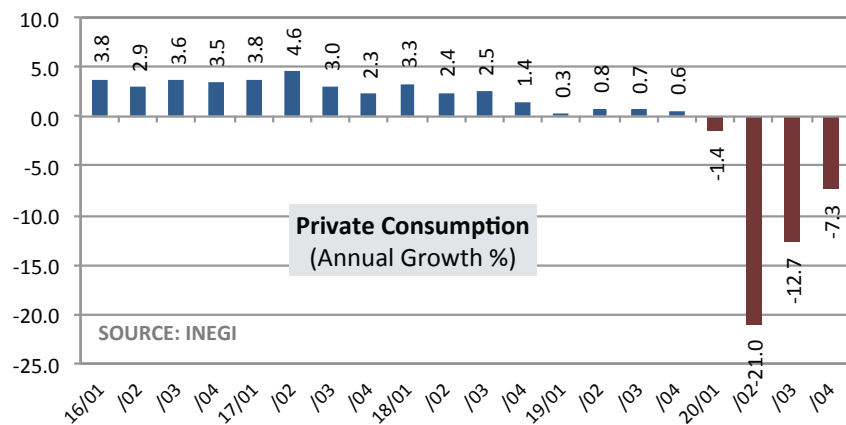
Period	IGAE (proxy of GDP)				Construcción	Commerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Services S.		Wholesale	Retail	Total	Transportation	Mass media		
D-2008	-2.4	15.7	-6.0	-1.9	-4.6	-2.6	-3.3	3.6	2.8	9.3	-0.3	-1.3
D-2009	0.5	-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
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	1.3	-0.3	-0.7	2.3	0.2	5.7	-0.2	1.5	4.1	-1.4	1.3	2.1
D	-0.4	-2.5	-0.8	0.1	-4.6	-4.2	1.3	-0.2	-0.9	-2.6	-2.9	-0.2
J-2020	-0.5	-1.0	-1.4	-0.1	-9.0	-3.7	0.3	-3.6	0.0	-7.7	-8.6	-0.3
F	-1.7	-10.2	-2.8	-0.6	-9.9	-6.5	-1.5	-3.3	-3.9	2.5	-10.4	-0.8
M	-2.6	3.7	-4.6	-2.2	-7.3	-4.0	-3.5	-8.1	-11.4	2.7	-10.5	-3.2
A	-19.8	-0.5	-29.9	-16.0	-40.2	-18.8	-32.5	-26.4	-40.2	-12.5	-38.0	-22.7
M	-21.5	-0.7	-29.4	-18.7	-36.0	-31.9	-33.6	-28.8	-43.5	-10.4	-38.3	-24.1
J	-14.5	-4.7	-16.9	-13.8	-24.8	-14.0	-21.4	-29.5	-39.8	-15.5	-24.3	-19.6
J	-9.9	6.9	-11.0	-10.1	-22.8	-13.7	-7.0	-27.2	-39.5	-21.7	-20.9	-15.3
A	-8.4	2.9	-8.2	-8.9	-13.5	-7.7	-9.7	-21.7	-32.9	-18.1	-16.2	-13.1
S	-6.8	2.4	-7.1	-7.1	-16.7	-6.3	-8.4	-18.2	-25.9	-13.7	-17.6	-11.2
O	-4.9	5.5	-3.3	-6.1	-10.1	-4.1	-3.0	-17.2	-21.6	-15.7	-13.5	-9.5
N	-3.9	4.8	-3.5	-4.8	-8.7	-0.9	-0.1	-14.6	-20.4	-7.5	-11.2	-6.8
D	-3.9	-2.0	-3.3	-4.3	-12.4	4.9	-2.4	-10.4	-21.6	5.3	-12.8	-6.5
J-2021	-4.2	2.1	-3.8	-4.7	-10.5	3.1	-3.9	-14.6	-21.3	-10.8	-9.6	-5.7
F	-3.8	7.5	-3.1	-4.9	-5.5	3.4	-3.6	-11.5	-19.9	-8.7	-3.5	-6.5
M	0.4	-0.6	1.5	-0.2	-5.6	9.4	-1.0	-5.6	-8.7	-13.3		

Source: INEGI

- The IGAE (Global Indicator of Economic Activity), since the second part of 2020 has shown a gradual recovery but at the beginning of 2021 it continues to show small decreases at an annual rate.
- The very weakened economic activity is fundamentally based on the agricultural sector (the most volatile sector), while a slow recovery in industrial production and even slower in services is observed.
- On the demand side, investment and private consumption, the main driver of demand, are recovering, and it is highly probable that we will see positive growth rates shortly.

# Economic Activity

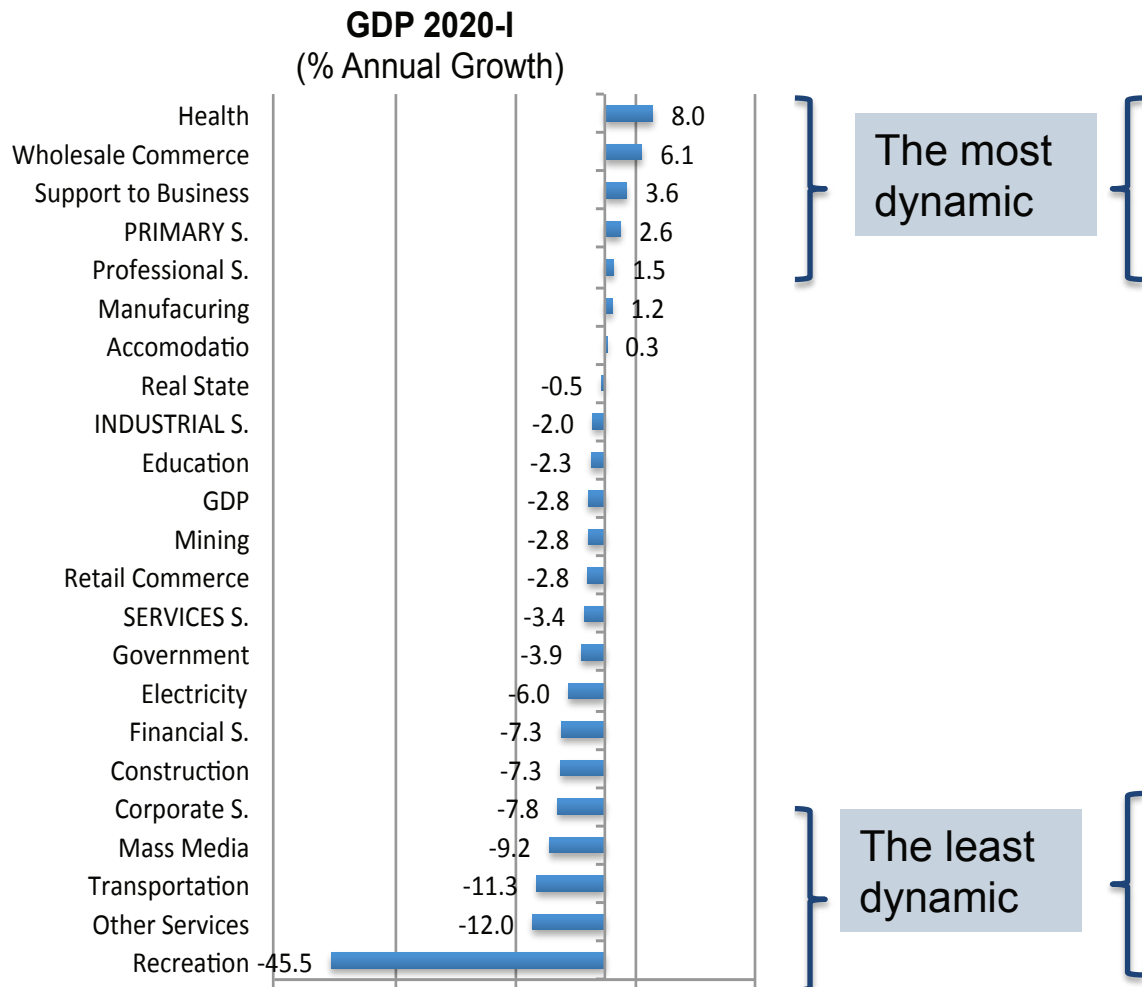
In the second part of 2020, the engines of demand -private consumption and investment- were reactivated but continue to show negative growth at the end of 2020.



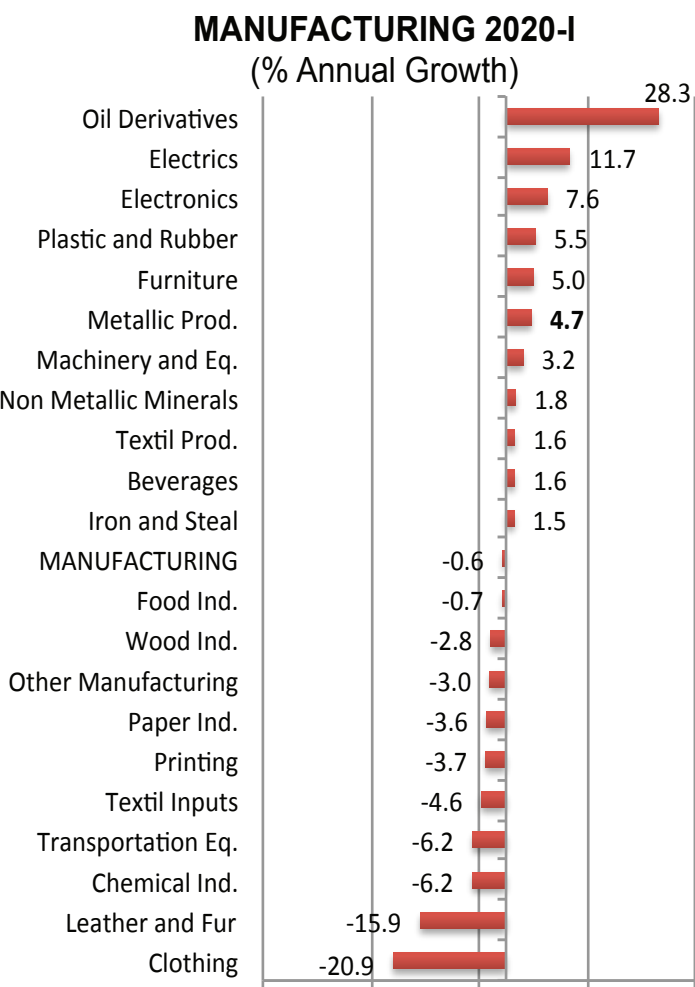
- Private consumption, with the greatest weight in demand (2/3 of GDP), shows a gradual recovery at the end of 2020 and it is foreseeable that it will achieve positive growth in 2021.
- Meanwhile, the fall in investment in 2020 was considerably greater but, according to the first data for 2021, a good year for investment is in sight.
- In contrast, exports of goods and services are rapidly recovering their dynamism; not so the imports that are reactivated slowly, in line with the domestic market.

# Economic Activity

In the first quarter of 2021, there is a very gradual return to the pre-crisis stage and a very uneven performance among productive activities.



Source: INEGI (Seasonally Adjusted Data)

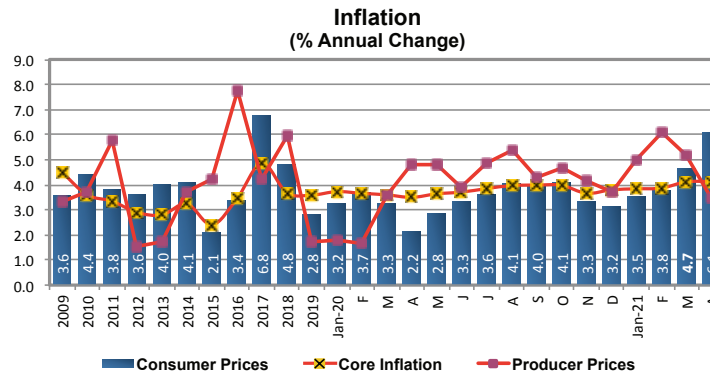


Source: INEGI (Original Series)

# Prices

A new inflationary bubble appears: inflation practically doubled in the first four months of 2021: it went from 3.2% in December 2020 to 6.1% in April 2021.

## 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
2019	2.8	3.6	3.6	1.7
2020	3.2	3.4	3.8	3.7
	Annual (m/m)	Monthly	Annual (m/m)	Annual (m/m)
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
S	4.0	0.2	4.0	4.3
O	4.1	0.6	4.0	4.7
N	3.3	0.1	3.7	4.2
D	3.2	0.4	3.8	3.7
Jan-21	3.5	0.9	3.8	5.0
F	3.8	0.6	3.9	6.1
M	4.7	0.8	4.1	5.2
A	6.1	0.3	4.1	3.5

Source: INEGI

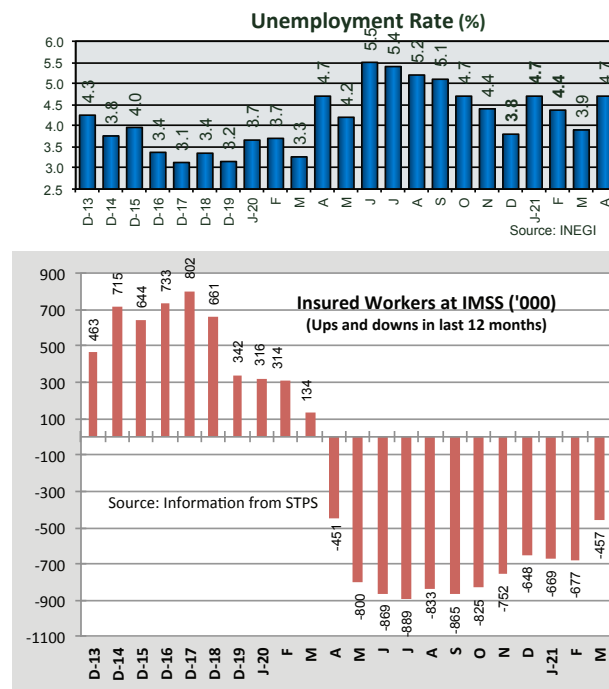
- In the first four months of 2021, inflation jumped from 3.2% to 6.1%, giving rise to a new inflationary bubble. That means that the challenge of boosting economic growth is compounded by the challenge of keeping inflation under control.
- This high inflation has put inflation outside the institutional goal of the Central Bank-Banco de Mexico (3% +/- 1%). At the moment there is no reason to think that this bubble will be long-lasting.
- In a context of low economic growth, such as the current one, inflation comes from the cost side and not from the demand side.



# Employment and Wages

In the first four months of 2021, the unemployment rate has not been able to consolidate its decline (4.7% in April) and half a million jobs are needed to regain pre-crisis employment levels.

## Employment and Wages



Period	Unemployment Rate(%)	Workers insured at IMSS ('000)			Employment (Annual Change %)			Wage indicators (Annual Change %)		
		Total	Last 12m	Last Month	Construction	Manufacturing	Financial Service	Minimum Wage	IMSS Wage	Contractual Wage
D-12	4.5	16,062	712	-232.9	-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	-0.6	2.9	2.3	21.0	5.5	5.2
D-18	3.4	20,079	661	-378.6	-5.0	2.7	0.5	10.4	5.4	5.9
D-19	3.2	20,421	342	-382.2	-2.3	-1.4	0.8	16.2	6.7	5.9
J-20	3.7	20,490	316	69.0	-9.0	-1.7	0.0	20.0	6.4	5.8
F	3.7	20,614	314	123.1	-8.5	-1.9	-0.1	20.0	6.4	5.7
M	3.3	20,483	134	-130.6	-8.7	-2.2	0.5	20.0	7.1	5.8
A	4.7	19,928	-451	-555.2	-16.6	-3.6	-6.4	20.0	8.0	5.6
M	4.2	19,583	-800	-344.5	-18.5	-5.4	-9.9	20.0	8.1	5.1
J	5.5	19,500	-869	-83.3	-17.6	-5.4	-9.5	20.0	8.1	5.0
J	5.4	19,496	-889	-3.9	-16.1	-4.4	-10.9	20.0	6.4	6.4
A	5.2	19,589	-833	92.6	-15.4	-3.8	-8.6	20.0	6.4	4.5
S	5.1	19,702	-865	113.6	-15.2	-3.0	-9.7	20.0	7.6	4.4
O	4.7	19,903	-825	200.7	-14.5	-2.3	-10.1	20.0	7.7	4.3
N	4.4	20,052	-752	148.7	-13.5	-1.9	-10.5	20.0	7.9	5.5
D	3.8	19,774	-648	-277.8	-12.9	-1.0	-10.9	20.0	7.9	6.5
J-21	4.7	19,822	-669	47.9	-10.9	-0.6	-10.2	15.0/**	8.2	5.4
F	4.4	19,937	-677	115.3	-9.0	-0.4	-9.6	15.0	8.1	5.6
M	3.9	20,026	-457	88.8	-5.9	0.3	-8.4	15.0	7.1	5.5/**
A	4.7	20,070	143	44.8				15.0	6.0	5.5/**

Source: INEGI, STPS.

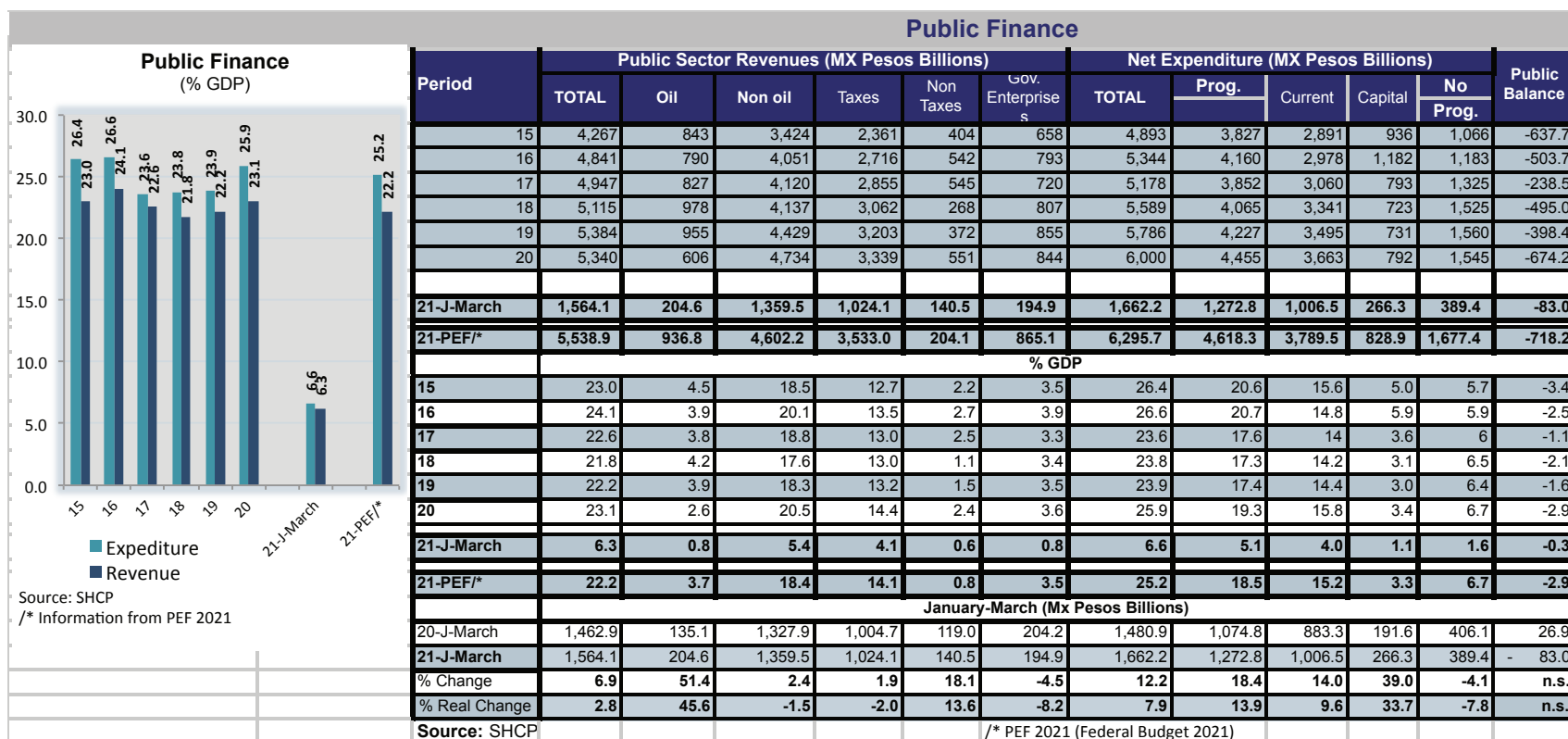
\*\* Only Federal Jurisdiction

\*\*\* Min.Wage=\$141.7 pesos/day  
(\$213.39 on the northern border)

- The unemployment rate fell during the first quarter of 2021 but in April it returned to the starting point (4.7%).
- For its part, in April although there was non significant job creation in the annual accumulated figure (44 thousand), the truth is that there is a shortage of half a million jobs, when comparing the current level with that registered in the phase prior to the crisis. .
- Higher inflation has led to contrasting gains in the three main salary indicators: + 8.9% in the minimum, 0.0% in the IMSS salary and -0.6% in the contractual salary. The gain is largely attributed to the annual adjustments in the minimum wage promoted by the current administration.

# Public Finances

In the first quarter of 2021, government revenues totaled 6.3% of GDP and expenditures 6.6% of GDP, resulting in a deficit of 0.3% of GDP.

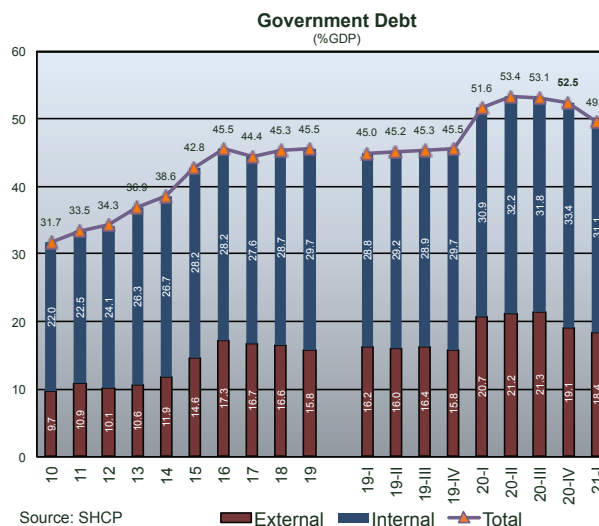


- In the first quarter of 2021, an increase in revenues (2.8%) and an even greater increase in expenses (7.9%) are reported, as well as a moderate deficit (0.3% of GDP).
- On the income side, the rise in oil revenues (45.6%) stands out and on the expenditure side, the rise in investment spending (33.7%) stands out.
- In an election year, spending pressures will be accentuated and do not seem to go hand in hand with a similar dynamism in income. Faced with the dilemma: electoral victory or budget discipline, the winning option is obvious.

## Public Debt

In the first quarter of 2021, government debt as a proportion of GDP was adjusted downward: it fell from 52.5% of GDP to 49.5%.

### Government Debt



Period	Net Government Debt/*		
	(Billions)		
	Internal	External	Total
	MX\$	\$USD	MX\$
15	5,379.9	161.6	8,160.6
16	6,009.4	6,009.4	6,009.4
17	6,283.1	192.3	10,089.0
18	6,867.6	201.3	10,829.9
19	7,188.6	203.7	11,027.5
20-I	7,253.0	207.2	12,125.4
20-II	7,442.5	213.0	12,336.0
20-III	7,346.4	219.8	12,281.4
20-IV	7,711.3	221.5	12,130.4
21-I	7,775.9	223.4	12,378.5
%GDP			
10	22.0	9.7	31.7
11	22.5	10.9	33.5
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	28.7	16.6	45.3
19	29.7	15.8	45.5
19-I	28.8	16.2	45.0
19-II	29.2	16.0	45.2
19-III	28.9	16.4	45.3
19-IV	29.7	15.8	45.5
20-I	30.9	20.7	51.6
20-II	32.2	21.2	53.4
20-III	31.8	21.3	53.1
20-IV	33.4	19.1	52.5
21-I	31.1	18.4	49.5

/\* Accounting adjustment since 2009

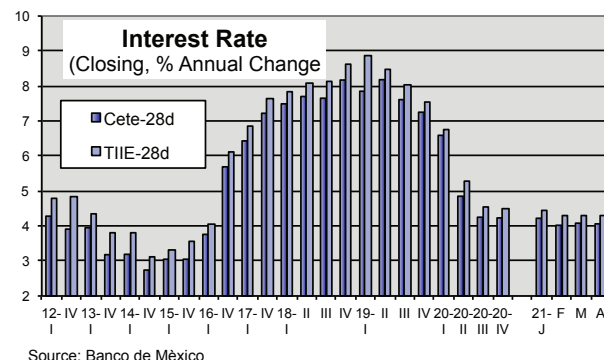
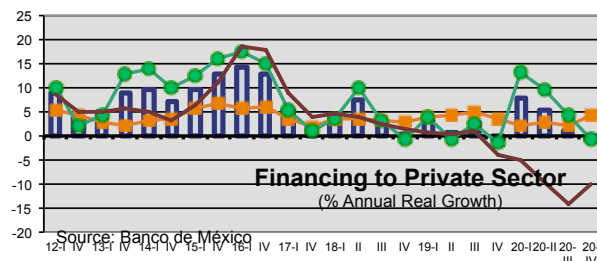
Source: SHCP

- In the world comparison, Mexico's public debt is relatively moderate: above 50% of GDP in 2020 and now seems to be adjusting down to 49.5% at the end of the first quarter of 2021.
- The current administration has made a promise not to increase government debt. In 2020 this was not fulfilled but at the beginning of 2021 efforts have been made to stop the rise in debt.
- To achieve this goal, it is essential to keep the fiscal deficit under control and, additionally, to keep the exchange rate within manageable ranges. These are major challenges, while the sources of government revenues are very limited.

# Financial sector

In the fourth quarter of 2020, financing to the private sector showed a decline and closed the year with a negative growth rate (-0.7%), in an environment of low and decreasing interest rates (4.1% in April 2021).

## Financial Indicators



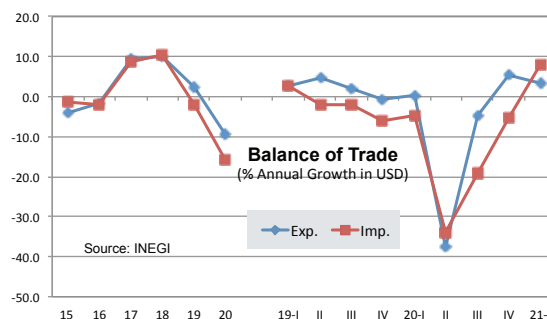
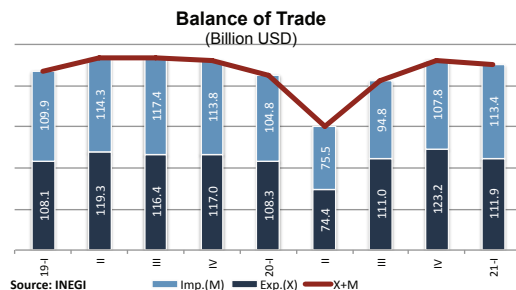
Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates (% Annual)		Stock Market	
	TOTAL		By Source		For Destination			28d	28d	IPC ('000)	% Growth
	MX\$	Real	External	Internal	Consumption	Housing	Business				
12-I	4,663	9.0	11.0	8.5	8.5	5.3	9.9	4.3	4.8	39.5	6.6
IV	5,055	3.9	-0.1	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	10,962	5.3	20.1	0.8	-9.8	2.9	9.5	4.9	5.3	37.7	9.0
20-III	10,749	1.2	12.7	-2.2	-14.1	2.1	4.3	4.3	4.5	37.5	-0.7
20-IV	10,335	-0.7	3.5	-2.0	-10.1	4.1	-0.8	4.2	4.5	43.2	15.5
21-J								4.2	4.5	43.0	-0.6
F								4.0	4.3	44.6	3.7
M								4.1	4.3	47.2	6.0
A								4.1	4.3	48.0	1.6

- In 2020, as in previous years, financing to the private sector has not been very dynamic: it started the year with good momentum but ended with negative growth (-0.7%) in the fourth quarter. This despite the aggressive cut in interest rates throughout the year: from levels of 7% to levels of 4%.
- By fourth quarter, two financing destinations show negative growth: consumption (-10.1%) and companies (-0.8%). Only housing financing remains strong (4.1%)
- In addition to the cut in interest rates (4.1% in April 2021), the Stock Market has gained ground in the first four months of 2021 (11.6%), in the face of favorable expectations of economic growth.

# International Trade

After the collapse of foreign trade of goods in 2020, a rapid recovery is expected in 2021, supported by the reactivation of the US economy: growth of 5.7% per year in the first 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		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	450.7	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
20	417.0	383.0	800.0	-9.5	-15.9	-12.7	34.0	40.4	12.5
19-I	108.1	109.9	218.0	2.7	2.7	-1.8	7.7	10.0	
II	119.3	114.3	233.5	4.7	-2.0	1.3	5.0	9.3	3.3
III	116.4	117.4	233.8	2.1	-1.9	0.0	-1.0	9.8	16.7
IV	117.0	113.8	230.7	-0.5	-5.9	-3.2	3.2	9.1	3.4
20-I	108.3	104.8	213.1	0.2	-4.6	-2.2	3.6	9.3	20.9
II	74.4	75.5	149.9	-37.6	-33.9	-35.8	-1.2	9.8	5.1
III	111.0	94.8	205.9	-4.6	-19.2	-11.9	16.2	10.7	8.9
IV	123.2	107.8	231.1	5.4	-5.2	0.2	15.4	10.6	16.9
21-I	111.9	113.4	225.2	3.3	8.2	5.7	-1.5	10.6	14.1
J-20	33.6	36.1	69.6	2.9	-3.2	-0.4	-2.5	2.6	8.3
F	36.4	33.7	70.1	0.0	-3.9	-1.9	2.7	2.7	12.5
M	38.3	35.0	73.3	-1.8	-6.8	-4.2	3.3	4.0	38.2
A	23.2	26.5	49.7	-41.3	-30.5	-36.0	-3.2	2.9	-1.3
M	18.1	21.6	39.7	-56.6	-47.1	-51.9	-3.5	3.4	13.3
J	33.0	27.5	60.6	-12.9	-22.3	-17.4	5.5	3.5	10.5
J	35.5	29.8	65.3	-9.3	-26.2	-17.9	5.7	3.5	7.0
A	37.0	30.8	67.8	-7.6	-22.2	-14.9	6.2	3.6	5.1
S	38.5	34.1	72.7	3.6	-8.6	-2.5	4.4	3.6	15.2
O	42.0	35.7	77.6	2.9	-13.9	-5.6	6.3	3.6	16.1
N	38.2	35.3	73.5	2.1	-3.9	-0.9	3.0	3.4	16.6
D	43.1	36.9	79.9	11.2	3.6	7.6	6.2	3.7	18.1
J-21	32.7	33.9	66.6	-2.7	-6.0	-4.4	-1.2	3.3	26.8
F	36.2	33.5	69.7	-0.7	-0.7	-0.7	2.7	3.2	17.5
M	43.0	46.0	89.0	12.3	31.4	21.4	-3.0	4.2	3.6
A	40.8	39.3	80.0	75.6	48.4	61.1	1.5		

Source: INEGI

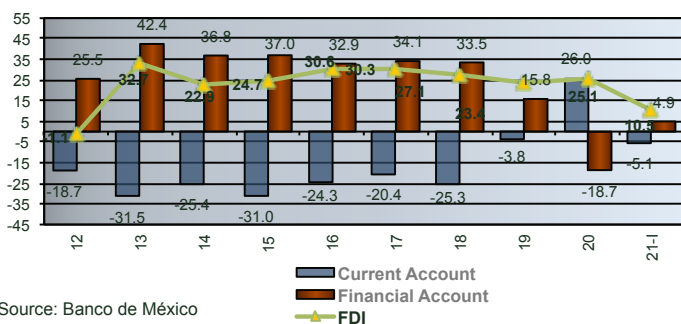
- Since 2018, international merchandise trade has slowed and in 2020 it experienced a severe collapse. However, in the second part of 2020, a rapid recovery began, which continues in early 2021.
- Unlike other similar episodes in the past, imports show less dynamism (derived from a depressed domestic market). As a consequence, a trade surplus is reported in 2019 and 2020 and everything points to a return to the trade deficit in 2021.
- For their part, remittances continue to show very significant growth in the last months of 2020 and the first months of 2021.

# External Sector

In the first quarter of 2021, the balance of payments reflects a current account deficit of \$ 5.1 Bn and a surplus in the financial account of \$ 4.9 Bn, to which a Foreign Direct Investment of \$ 10.5 Bn contributes.

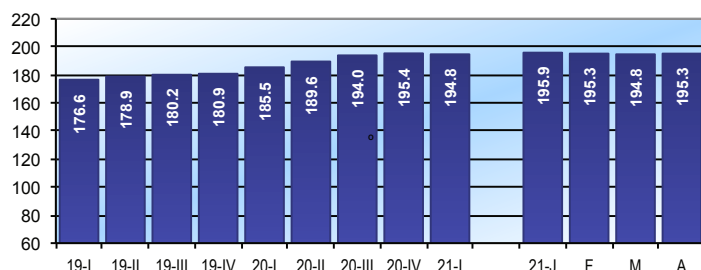
## International Transactions

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)				
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	-3.8	-0.3	15.8	23.4	7.3	180.9
20	34.0	417.0	383.0	26.0	2.4	-18.7	25.1	14.5	195.4
21-I	-1.5	111.9	113.4	-5.1	1.7	4.9	10.5	-0.7	194.8
19-I	-1.8	108.1	109.9	-11.4	-3.7	11.4	11.9	1.8	176.6
19-II	5.0	119.3	114.3	4.6	1.4	1.6	4.8	2.3	178.9
19-III	-1.0	116.4	117.4	-0.3	-0.1	1.0	4.3	1.3	180.2
19-IV	3.2	117.0	113.8	3.3	1.0	1.8	2.4	0.7	180.9
20-I	3.6	108.3	104.8	-7.5	-2.5	9.5	16.2	4.6	185.5
20-II	-1.2	74.4	75.5	-0.8	-0.2	-6.2	2.4	4.1	189.6
20-III	16.2	111.0	94.8	17.0	6.6	-13.5	1.2	4.4	194.0
20-IV	15.4	123.2	107.8	17.2	5.8	-8.5	5.3	1.4	195.4
21-I	-1.5	111.9	113.4	-5.1	1.7	4.9	10.5	-0.7	194.8
21-J								0.5	195.9
F								-0.7	195.3
M								-0.5	194.8
A								0.5	195.3

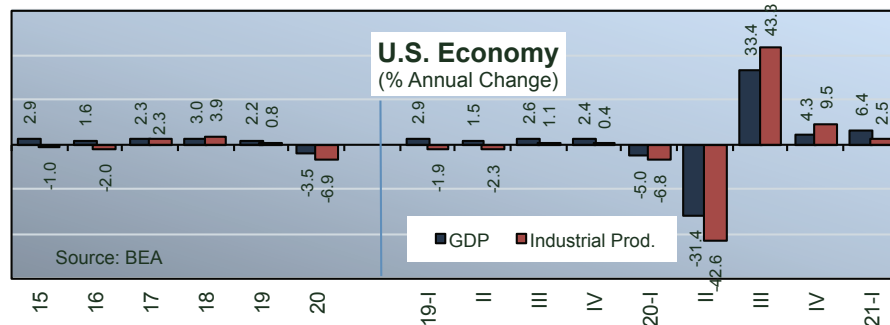
Source: Banco de México

- In 2021, the first quarter, there was a current account deficit (-5.1 Bn) and a surplus in the financial account or net inflow of capital (by 4.9 Bn), which includes a substantial Foreign Direct Investment (10.5 Bn). This FDI was 35% lower compared to the same quarter of 2020.
- Throughout 2020, international reserves increased by \$ 14.5 million to reach \$ 195.4 Bn at the end of the year; in 2021, the reserves have not undergone a major variation and in April 2021 they stand at 195.1 Bn.
- If the deterioration of the domestic market persists and investors' mistrust worsens, this balance of payments situation could deepen to the detriment of productive activities.

# International economy

In the first quarter of 2021, the US economy grew 6.4% (vs. 2.5% for the industrial sector), reflecting a solid economic recovery and a gradual decline in unemployment (6.7% in December and 6.1% in April)

## U.S. Economy



Period	GDP/*	Industrial Prod.		Manufacturing		Unemployment Rate	Inflation
% Annual Change of Quarter			% Annual Change	% Annual Change of Quarter	% Annual Change	%	% 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
20	-3.5	-6.9		-6.8		6.7	1.4
19-I	2.9	-1.9	3.7	-1.8	2.2	3.8	1.9
II	1.5	-2.3	1.9	-3.3	0.9	3.7	1.6
III	2.6	1.1	0.7	0.7	0.0	3.5	1.7
IV	2.4	0.4	-0.5	-0.5	-1.0	3.5	2.3
20-I	-5.0	-6.8	-1.9	-5.5	-2.1	4.4	1.5
II	-31.4	-42.6	-14.4	-46.5	-15.8	11.1	0.6
III	33.4	43.3	-6.4	57.5	-5.8	7.9	1.4
IV	4.3	9.5	-4.3	12.4	-2.7	6.7	1.4
21-I	6.4	2.5	-2.0	1.9	-0.9	6.0	2.6
21-J		10.7	-2.2	15.0	-1.1	6.3	1.4
F		-34.5	-5.7	-38.3	-5.0	6.2	1.7
M		33.3	1.0	44.4	3.1	6.0	2.6
A		8.3	16.4	4.8	23.0	6.1	4.2

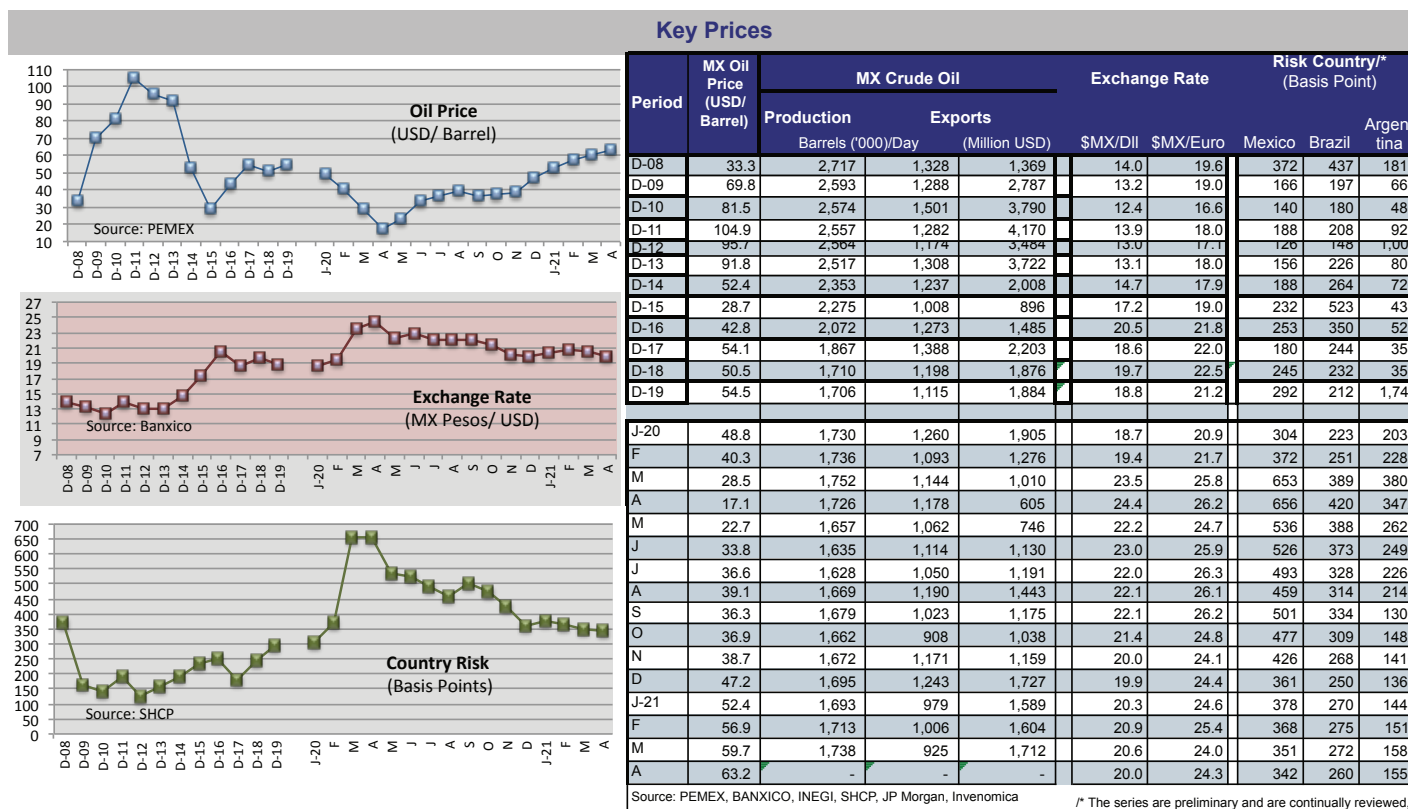
Source: U.S. Bureau of Economic Analysis (BEA); The Federal Reserve System (FRS); Department of Labor (DOL)

- After the economic collapse of 2020 (-3.5%), the US economy recovers vigorously: GDP growth of 6.4% (vs 2.5% in the industrial sector). Consequently, unemployment continues to decline: 6.7% in December 2020 and 6.1% in April 2021.
- By 2021, the expectation is that the recovery will be consolidated and that the levels of economic activity prior to the COVID-19 crisis will be recovered and even be exceeded. The Biden administration works intensely in this direction, favoring the Mexican economy in the process. However, there does not appear to be much interest in the Mexican government to get on the North American recovery lane.



# Key Prices

In the first four months of 2021, the price of crude oil is on the rise and already exceeds 60 DPB, while the exchange rate (20 PPD in April) is stable and the country risk (342 basis points) decreases.



\* The series are preliminary and are continually reviewed.

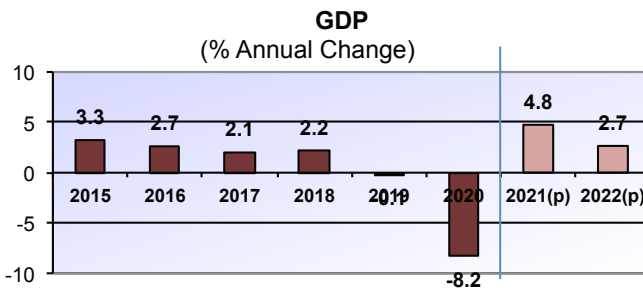
- The price of crude oil, after a year of great ups and downs in 2020, gained momentum in the last quarter and in April 2021 it already exceeded 60 DPB.
- Despite the prevailing uncertainty, the evolution of the exchange rate has been surprising, which had large fluctuations in 2020 but in the first third of 2021 it was around 20-21 PPD.
- For its part, the country risk, which doubled in the first quarter of 2020, gradually slid downward and in April 2021 it was already below 350 basis points.



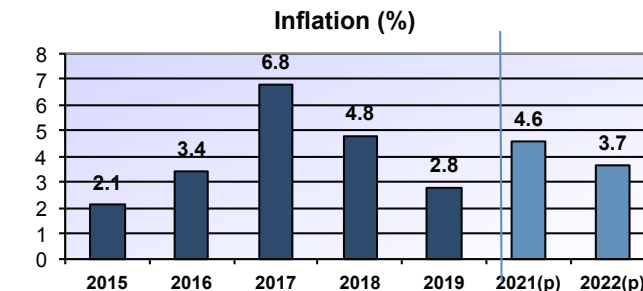
# Macroeconomic Framework of Mexico

After a chaotic year, growth expectations for 2021-2022 are improving: 4.8% and 2.7% for the biennium, with inflationary pressures: 4.6% and 3.7%.

## Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical						CGPE/*		EEESP/**	
	2015	2016	2017	2018	2019	2020	2021	2022	2021(p)	2022(p)
<b>GDP</b>										
% Annual Growth	3.3	2.7	2.1	2.2	-0.1	-8.2	5.3	3.6	4.8	2.7
GDP Current (MX Billions)	18,572	20,129	21,934	23,523	24,443	23,122	25,248	27,020	25,119	26,638
GDP Deflator	2.7	5.6	6.7	4.9	4.0	3.0	3.7	3.3	3.7	3.3
<b>Inflation</b>										
Dec/ Dec	2.1	3.4	6.8	4.8	2.8	3.2	3.8	3.0	4.6	3.7
<b>Exchange Rate</b>										
Average	16	18.7	18.9	0	0	0	20.4	20.3		
Closing	17.2	20.6	19.7	19.7	18.8	19.949	20.2	20.4	20.5	21.0
<b>Interest Rate (Cete 28d)</b>										
Average	3	4.3	6.9	7.8	0	0	4.0	4.0		
Closing	3.1	5.7	7.2	8.2	7.3	4.23	3.8	4.3	4.05	4.38
<b>Current Account</b>										
Billions USD	-32.4	-33.1	-22.7	-22.2	-2.4	26.6	-5.4	-8.8	6.1	-1.3
% GDP	-2.8	-3.4	-1.6	-1.9	-0.2	2.4	-0.4	-0.7	0.5	-0.1
<b>Public Balance</b>										
% GDP	-3.4	-2.5	-1.1	-2.1	-1.6	-2.9	-2.9	-2.8	-3.2	-3.0
<b>USA</b>										
GDP (%Annual Growth)	2.4	1.6	2.3	2.9	2.3	-3.5	6.1	4.0	6.2	3.8
<b>MX Crude Oil</b>										
Avg. Price (USD/ Barrel)	43.7	35.4	46.3	61.4	55.5	35.82	55.0	53.1		
Exports ('000 barrels/day)	1,282	1,195	1,175	1,186	1,105.6	1,120	1,097	996		
Production ('000 barrels/day)	2,290	2,154	1,944	1,813	1,678	1,686	1,794	1,867		

/\* CGPE-(Criterios Generales de Política Económica 2021; Precriterios 2022).- Basis Document for Macroeconomic Policy

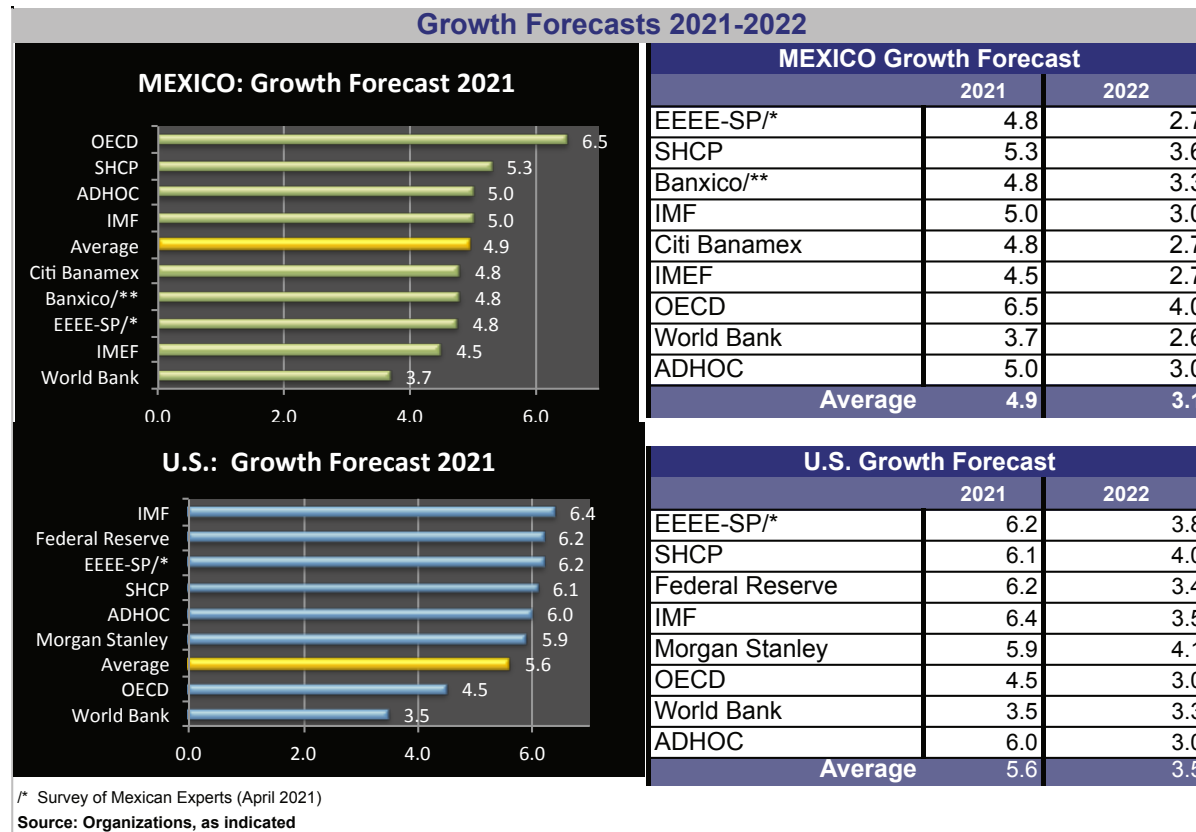
(p) Projected

\*\* Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (April 2021)

- For 2021-2022, private experts forecast positive but moderate economic growth for Mexico: 4.8% and 2.7%.
- An inflation rate is estimated outside the institutional goal for 2021 (4.6%) and within the goal for 2022 (3.7%).
- According to forecasts, the fundamental balances will remain under relative control: the fiscal deficit around 3% (-3.2 and -3%) and a moderate current account balance (+0.5 and -0.1% of GDP) for both years.
- According to their forecasts, a year of frank recovery is seen for the US economy in 2021 (6.2%) and a return to its historical growth in 2022 (3.8%).

# Growth Forecasts 2021-2022

According to specialized agencies, the expected growth for 2021 is 4.9% for Mexico and 5.6% for the US. For 2022 the forecast is 3.1% and 3.5% for Mexico and the USA respectively.



- For Mexico, the forecasts of nine specialized organizations fluctuate between 3.7% and 6.5% in 2021, with an average of 4.9%. For 2022, the average forecast is 3.1%.
- For the US, the forecasts of eight specialized organizations fluctuate between 3.5 and 6.4% for 2021, with an average of 5.6%. For 2022, the average forecast is 3.5%.
- As can be seen, both economies are advancing in parallel, but the US economy is emerging as more dynamic in the biennium.

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