



# Mexico Economic Profile

Fourth Bimester of 2021

Timely Macroeconomic Report  
for Decision Making

August 2021

# Economic Profile of Mexico

## Fourth Bimonthly Report of 2021

If 2020 was the year of the economic collapse due to the pandemic, 2021 is shaping up to be the year of recovery. A recovery perhaps weak or very gradual, but recovery at last. In the case of Mexico, this has been based on the advance of vaccination (35% of the population with full doses) and the consequent easing of lockdown, as well as the reactivation of the US economy. Despite the difficulties, the recovery is consolidating and this has encouraged favorable economic expectations, at least in the short term. In a long-term perspective, the outlook is less encouraging. Following the setbacks of the midterm elections, the current administration has endorsed populist and statist policies; as an example, an energy counter-reform is being promoted that strengthens the monopoly power of the CFE, the state electricity company; finally, recent changes in the economic cabinet point to “more of the same” for the second part of the six-year term.

**On the way to Economic Recovery.-** In the second quarter of 2021, an annual growth of 19.5% in GDP is reported (vs. -2.7% in the previous quarter), which reflects the statistical rebound effect and contrasts with the severe collapse of 2020 (-8.5%). Expectations are now more encouraging: they point to growth of 6% and 2.8% for 2021-2022. With such forecasts, the recovery to pre-crisis levels would take at least 2 years. Faced with the collapse, it is urgent to reactivate the economy or to enroll in the US recovery lane.

**The inflationary bubble is prolonged.-** In 2021 an inflationary bubble reappeared, which has surprised by its higher rates (5.6% in August), and its longer duration (it has already lasted for six months). It apparently derives from an explosion in worldwide demand, the restrictions imposed by Covid-19 and the increase in the energy prices. As economic activity normalizes, the inflation rate is expected to gradually return to its historical levels (2-3%) and to the institutional goal (of 3% +/- 1%).

**Job losses are reduced.-** Due to the crisis, the huge loss of formal jobs totaled 1.1 million (between March and July 2020), but in the following months it was shortened. In August 2021, there is still a shortage of 200 thousand jobs to recover the pre-crisis levels. This evolution of employment is reflected in a relatively low unemployment rate (4.3% in August). Meanwhile, minimum wages (not other types of wages) gained purchasing power, despite inflation; although this only partially contributes to improve the wage bill and reinforce consumption.

# Economic Profile of Mexico

## Fourth Bimonthly Report of 2021

**Pressures on Government Finances.-** In January-August 2021, government revenues were reported for 15% of GDP, expenses for 16.1% of GDP, and this resulted in a negative balance of -1.0% of GDP. The greater dynamism of oil revenues stands out (66.4%), which has made it possible to sustain the dynamics of programmable spending without putting too much pressure on the public deficit. The challenge for 2021 will be: to keep fiscal discipline and debt under control (48.1% of GDP in August), avoiding the pressures of lower revenue and higher spending.

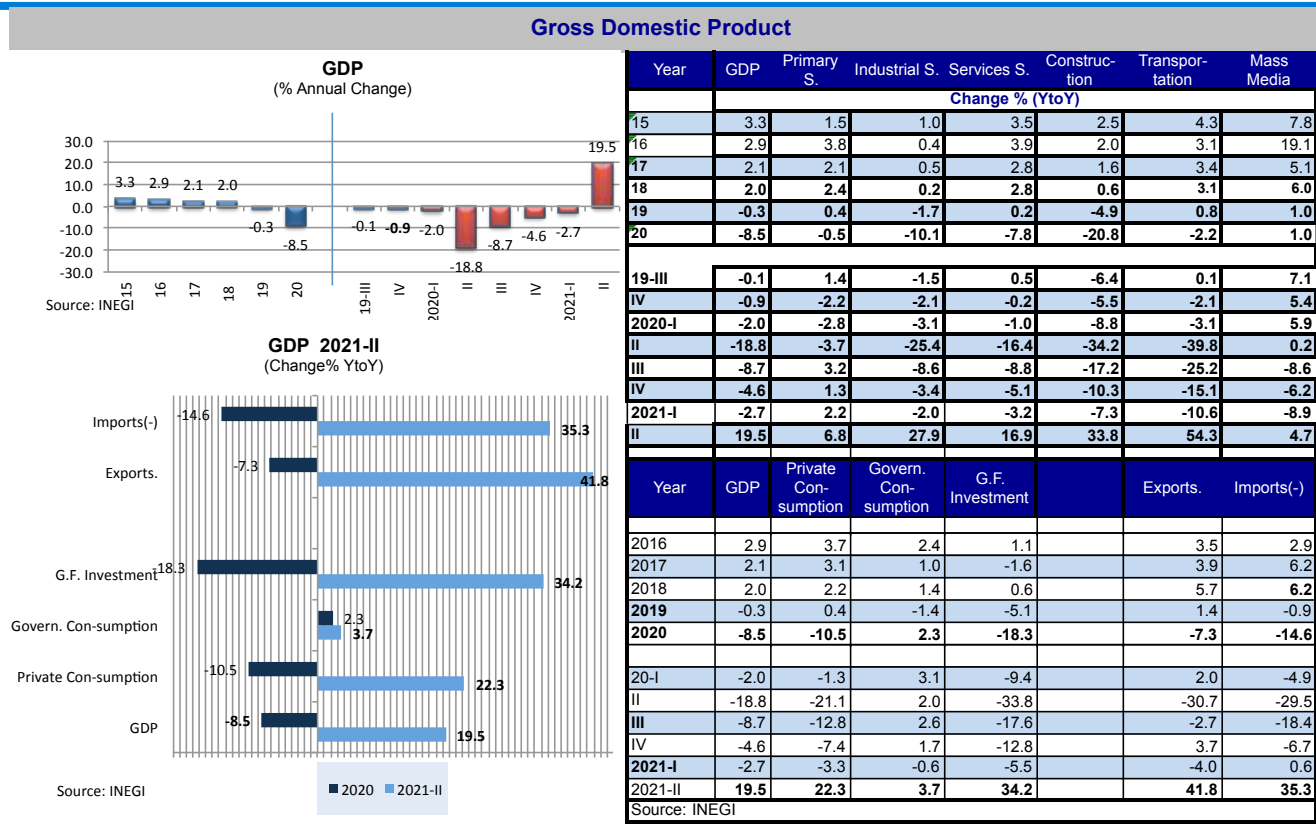
**Financing to the Private Sector remains depressed.-** After three years of low dynamism (2017 to 2019), in 2020 financing to the private sector was promoted to alleviate the effects of the crisis, without much success: in fact, financing slowed down in 2020 and regressed in the first part of 2021. In the second quarter, total financing fell -10.2%, being that destined to housing the only one that reported positive growth (1.1%); that destined for companies (-14.9%) and consumption (-8.6%) showed negative rates. This took place in a context of low interest rates (close to 4%) which have been rebounding since July; meanwhile, the Stock Market had a strong recovery at the end of 2020 and the first eight months of 2021 (21.6%), in view of the better growth expectations.

**Solid economic recovery in the US.-** In the second quarter of 2021, the US economy experienced a solid recovery: 6.7% in its GDP and 6.2% in its industrial sector. If dynamism takes hold, in 2021 the pre-crisis production level could be exceeded. As a consequence, unemployment has continued to decline: it closed 2020 at 6.7% and in August it is already at 5.2%. This performance has not been without difficulties, but the counter-cyclical measures implemented since 2020 and especially the Biden Administration's Rescue Plan have been very successful. A massive vaccination, an aggressive Rescue Plan and a renewed impulse to infrastructure projects are the pillars of this accelerated recovery.

**Encouraging Economic Outlook.-** Expectations for 2021 are encouraging in the US and Mexico. An economic advance is expected close to 6.5% for the US and 6% for Mexico. That means for the US a recovery in this same year of pre-crisis levels, while for Mexico the recovery would take at least two years. However, projections continually change, depending on the pandemic and its evolution and the response of countries to the health and economic crisis.

# Economic Activity

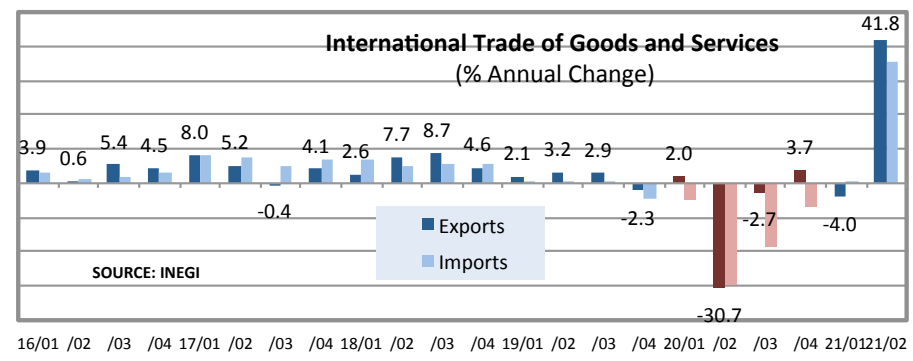
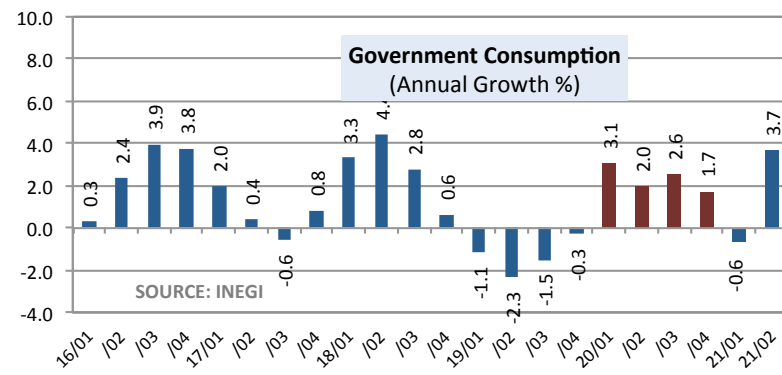
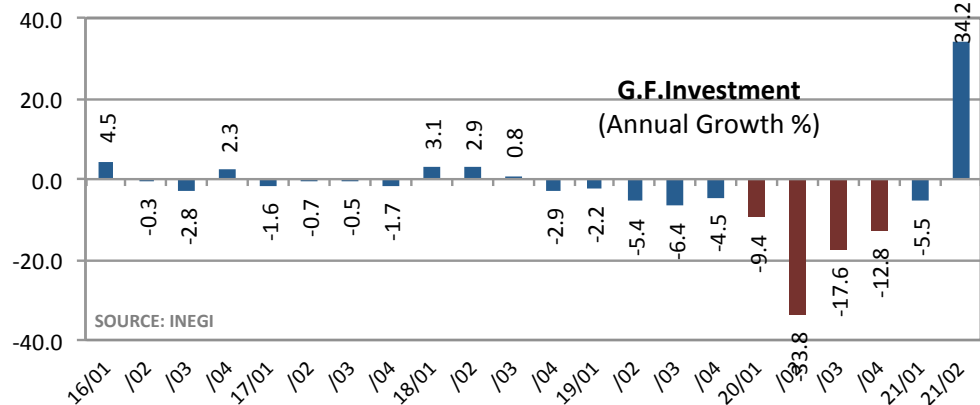
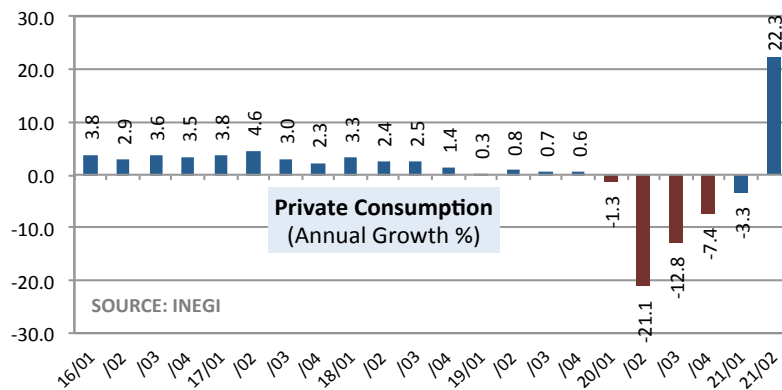
In the second quarter of 2021, GDP grew by + 19.5% at an annual rate (vs. – 2.7% in the previous quarter), showing a substantial reactivation, but insufficient to recover the pre-health crisis levels.



- In the second quarter of 2021, positive growth rates reappear: + 19.5%. Given the 2020 crash, such rates appear excessive but reflect a statistical adjustment due to rebound. However, production levels prior to the health crisis have not recovered.
- At the sectoral level, the fastest recovery is taking place in the industrial sector (+ 27.9%), then in services (+ 16.9%) and finally in the agricultural sector (+6.8%), which was the least affected during the crisis.
- On the demand side, in 2021-II all the demand engines show high annual growth rates, largely attributable to the statistical rebound effect.

# Economic Activity

In the second quarter of 2021, all the demand engines were reactivated, due to statistical rebound, but the pre-crisis levels have not yet recovered.



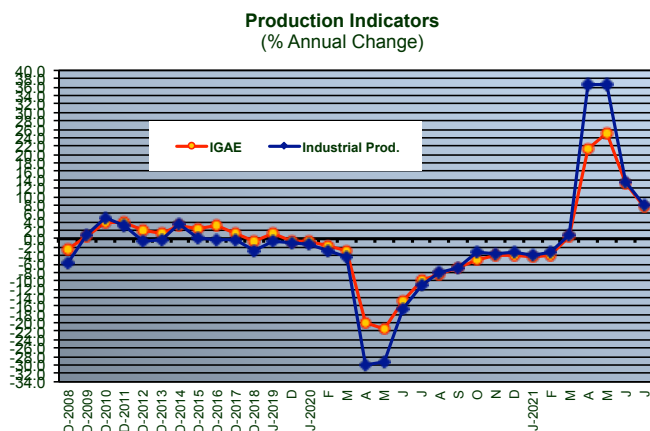
- Private consumption, with a great weight in demand (2/3 of GDP), after the collapse of 2020, showed a very significant annual growth (22.3%) in the second quarter of 2021, due to the statistical rebound, but the pre-crisis levels have not yet recovered.
- The recovery of investment in the second quarter of 2021 (34.2%) has also been spectacular, as a counterpart to the severe setback in 2020.
- Meanwhile, exports of goods and services (41.8%) are recovering dynamism and are emerging as an important engine of growth.

# Economic Activity

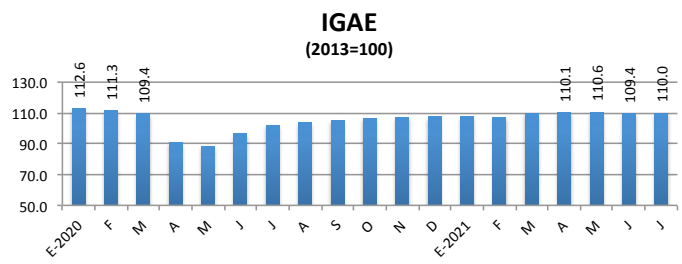
In July, due to statistical effect, the monthly indicator of economic activity (IGAE) moderated its annual growth and is gradually heading towards pre-crisis levels.



## Production Indicators



Source: Information from INEGI



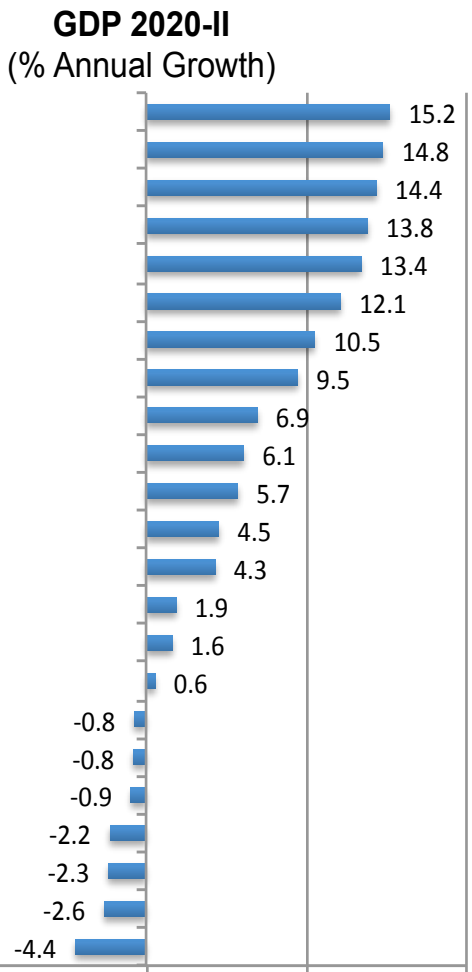
Period	IGAE (proxy of GDP)				Construcción	Commerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Servicios S.		Wholesale	Retail	Total	Transportation	Mass media		
D-2008	-2.4	15.7	-6.0	-1.9	-4.6	-2.6	-3.3	3.6	2.8	9.3	-0.3	-1.3
D-2009	0.5	-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	-0.9	-1.5	0.0	-8.9	-4.0	0.4	-2.0	-0.1	-3.8	-8.2	-0.3
F	-1.7	-10.0	-2.8	-0.6	-9.9	-6.6	-1.4	-3.1	-4.2	1.4	-10.5	-0.8
M	-2.7	4.2	-4.5	-2.2	-7.2	-4.0	-3.2	-9.8	-11.0	-1.1	-10.9	-3.2
A	-19.8	-0.4	-30.0	-16.1	-40.4	-18.2	-32.6	-27.3	-40.3	-13.6	-38.1	-22.8
M	-21.6	-1.5	-29.3	-19.0	-36.3	-31.8	-34.1	-29.1	-43.5	-10.0	-38.5	-24.3
J	-14.6	-4.6	-16.7	-13.8	-24.4	-13.9	-21.2	-28.6	-39.5	-14.6	-24.2	-19.7
J	-9.9	6.7	-11.1	-9.9	-22.8	-13.9	-7.4	-24.7	-38.6	-16.4	-20.9	-15.5
A	-8.4	3.0	-8.1	-9.0	-13.5	-7.9	-9.4	-21.2	-32.9	-15.9	-16.2	-13.2
S	-6.9	2.1	-7.0	-7.0	-16.6	-6.4	-8.2	-17.9	-25.6	-12.9	-17.5	-11.3
O	-4.9	5.4	-3.4	-6.1	-10.1	-4.1	-3.1	-16.9	-21.9	-15.1	-13.7	-9.7
N	-3.8	4.8	-3.6	-4.7	-8.8	-1.1	0.0	-14.3	-20.6	-7.3	-11.4	-6.9
D	-3.9	-1.9	-3.3	-4.3	-12.4	4.9	-2.3	-9.4	-21.2	5.7	-13.0	-6.5
J-2021	-4.2	2.0	-3.9	-4.6	-10.5	2.9	-4.0	-16.0	-21.1	-14.4	-9.8	-6.2
F	-3.8	7.2	-3.1	-4.8	-5.4	3.8	-3.4	-11.6	-19.5	-7.4	-3.6	-6.6
M	0.5	-1.2	0.7	0.0	-5.6	11.1	-0.7	-3.3	-8.5	-9.3	0.9	-0.6
A	21.5	0.2	36.5	17.1	44.4	16.7	50.7	25.8	41.1	8.8	41.9	25.4
M	25.1	9.7	36.6	21.4	45.6	42.1	52.1	27.3	53.4	1.6	46.9	28.9
J	13.3	8.0	13.6	13.5	15.4	18.2	20.3	28.2	44.3	16.2	16.9	19.1
J	7.7	-1.1	8.0	8.4	16.6	18.8	9.0	19.6	41.9	12.4		

Source: INEGI

- The IGAE (Global Indicator of Economic Activity), after the high growth rates of 2021-II, has presented a moderation in its annual growth in June and July, basically due to statistical rebound effect.
- At the sectoral level, the industrial sector has been the most dynamic, followed by services and the agricultural sector.
- On the demand side, investment and private consumption have shown a similar performance during 2021-2022 and it can be expected that they will resume their historical trend in the short term.

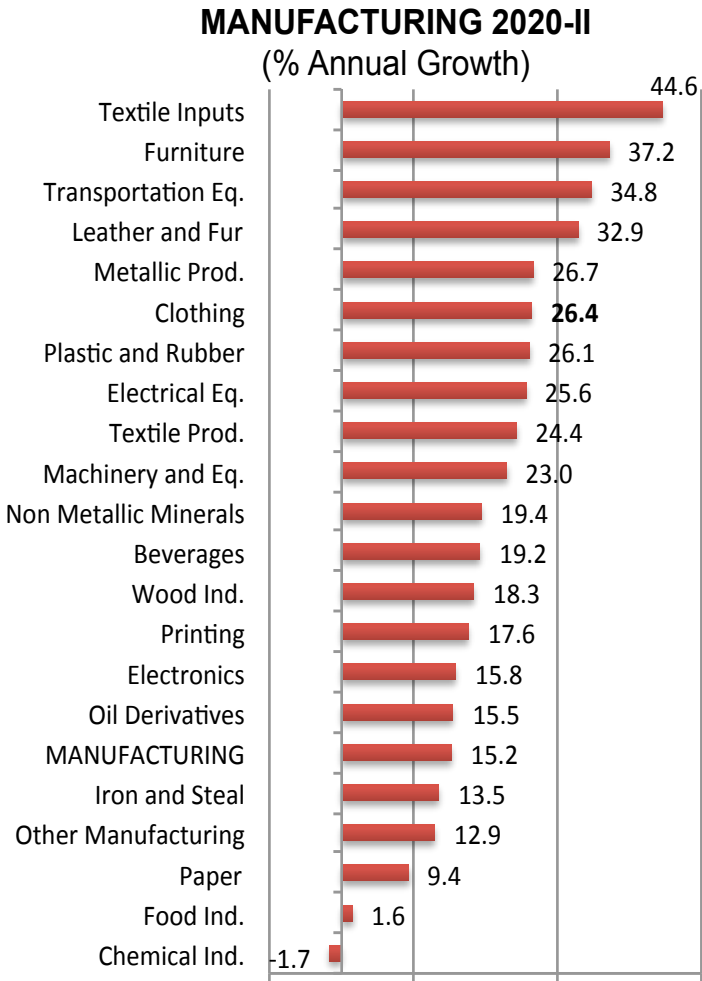
# Economic Activity

In the second quarter of 2021, due to the statistical rebound effect, the productive branches with high positive growth predominate.



The most dynamic

The least dynamic



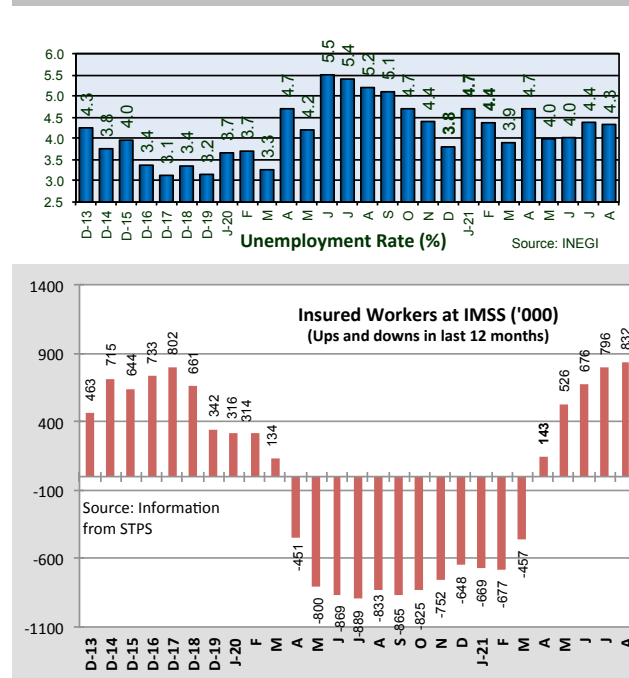
Source: INEGI (Original Series)

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# Employment and Wages

In August 2021, the unemployment rate rises again to 4.3%, while a large part of the lost jobs are recovered; 200 thousand are missing to return to the pre-crisis level.

## Employment and Wages



Period	Unemployment Rate (%)	Workers insured at IMSS ('000)		Employment (Annual Change %)			Wage indicators (Annual Change %)			
		Total	Abs. Change Last 12m	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	-1.1	20.0	6.4	5.8
F	3.7	20,614	314	123.1	-8.3	-1.9	-0.8	20.0	6.4	5.7
M	3.3	20,483	134	-130.6	-8.5	-2.2	-1.3	20.0	7.1	5.8
A	4.7	19,928	-451	-555.2	-16.2	-3.6	-7.2	20.0	8.0	5.6
M	4.2	19,583	-800	-344.5	-18.7	-5.4	-10.0	20.0	8.1	5.1
J	5.5	19,500	-869	-83.3	-17.4	-5.4	-9.7	20.0	8.1	5.0
J	5.4	19,496	-889	-3.9	-16.0	-4.4	-10.7	20.0	6.4	6.4
A	5.2	19,589	-833	92.6	-15.3	-3.8	-10.2	20.0	6.4	4.5
S	5.1	19,702	-865	113.6	-15.1	-3.0	-10.4	20.0	7.6	4.4
O	4.7	19,903	-825	200.7	-14.3	-2.3	-10.6	20.0	7.7	4.3
N	4.4	20,052	-752	148.7	-13.2	-1.9	-11.0	20.0	7.9	5.5
D	3.8	19,774	-648	-277.8	-12.7	-1.0	-11.3	20.0	7.9	6.5
J-21	4.7	19,822	-669	47.9	-10.7	-0.6	-9.6	15.0/****	8.2	5.4
F	4.4	19,937	-677	115.3	-9.0	-0.4	-9.5	15.0	8.1	5.5
M	3.9	20,026	-457	88.8	-5.7	0.3	-6.8	15.0	7.1	5.9
A	4.7	20,070	143	44.8	3.8	2.4	-4.1	15.0	6.0	5.7
M	4.0	20,109	526	39.0	7.8	4.1	-2.5	15.0	6.2	4.9
J	4.0	20,175	676	65.9	6.7	4.5	-1.7	15.0	6.1	5.5
J	4.4	20,292	796	116.5	5.4	4.2	-7.5	15.0	7.5	5.6/****
A	4.3	20,421	832	128.9				15.0	7.5	5.7/****

Source: INEGI, STPS.

/\*\* Only Federal Jurisdiction

\*\*\*\* Min.Wage=\$141.7 pesos/day

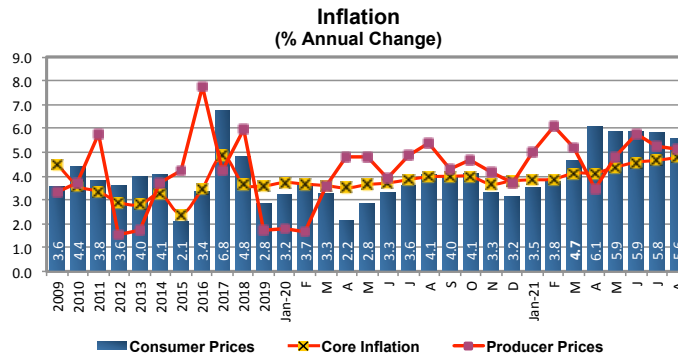
- The unemployment rate shows ups and downs, but it increased from 4% in July to 4.3% in August.
- For its part, in the July-August period, jobs lost during the 2020 crisis continue to be recovered. However, there is a lack of 200 thousand jobs that have not yet been recovered.
- Higher inflation has led to uneven real gains in the three main salary indicators: + 9.4% in the minimum, 1.9% in the IMSS salary and 0.1% in the contractual salary. The salary improvement is largely attributed to the annual increases in the minimum wage promoted by the current administration.



# Prices

Inflation decreases very slowly but remains high: 5.6% in August.  
 Inflationary pressures do not subside and threaten economic recovery.

## Prices



Source: Information from INEGI

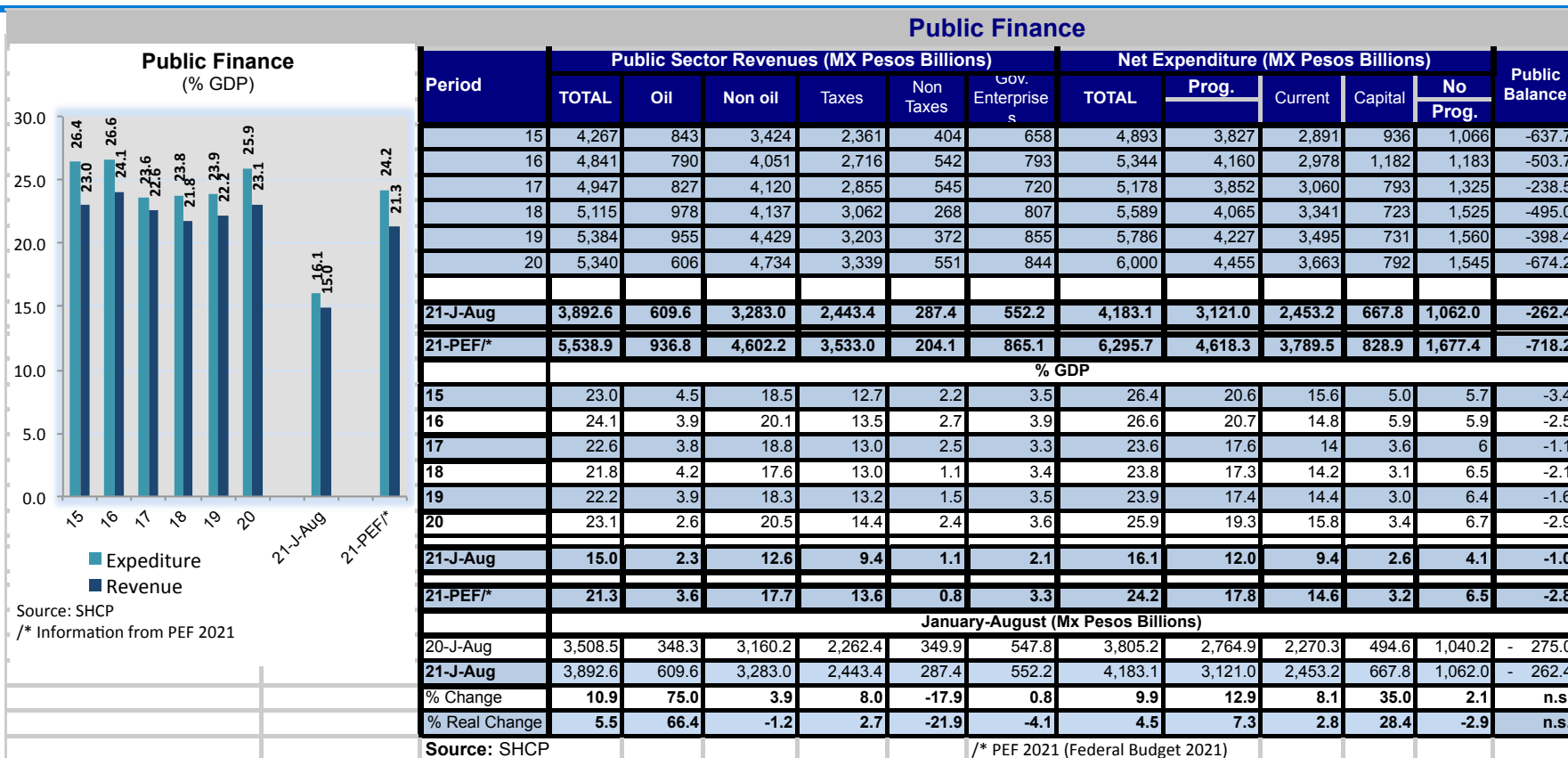
	Consumer Prices (INPC)		Core Inflation	Producer Prices (INPP)*
	Annual (m/m)	Annual Avge	Annual (m/m)	Annual (m/m)
2009	3.6	5.3	4.5	3.3
2010	4.4	4.2	3.6	3.7
2011	3.8	3.4	3.4	5.7
2012	3.6	4.1	2.9	1.5
2013	4.0	3.8	2.8	1.7
2014	4.1	4.0	3.2	3.7
2015	2.1	2.1	2.4	4.2
2016	3.4	2.8	3.4	7.7
2017	6.8	6.0	4.9	4.2
2018	4.8	4.9	3.7	5.9
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
M	5.9	0.2	4.4	4.8
J	5.9	0.5	4.6	5.8
J	5.8	0.6	4.7	5.2
A	5.6	0.2	4.8	5.1

Source: INEGI

- The inflationary bubble persists for most of 2021 and in August inflation fell slightly to 5.6%.
- This increase in inflation worries the authorities and has put inflation outside the institutional goal of Banco de México (3% +/- 1%). And perhaps the worst thing is that core inflation is on the rise.
- At the moment there is no reason to think that this bubble will last very long, but it is already assumed that it will last at least for the rest of 2021.

# Public Finances

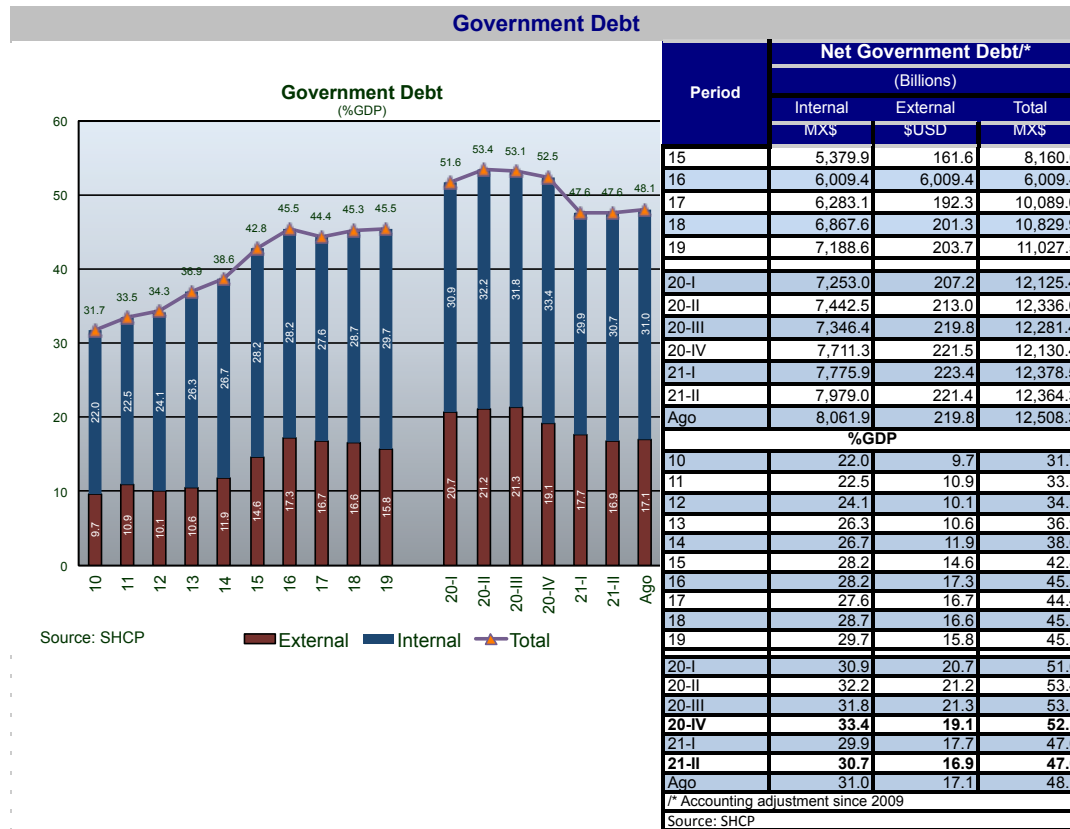
In January-August, government revenues totaled 15% of GDP and expenditures 16.1% of GDP, resulting in a deficit of -1% of GDP.



- In January-August, an increase in income (5.5%) and a lesser increase in expenses (4.1%) are reported, as well as a moderate deficit (-1% of GDP).
- On the income side, the rise in oil revenues (66.4%) stands out and on the spending side, the rise in investment spending (28.4%) stands out.
- In sum, fiscal discipline is maintained, supported by a good oil price and the strengthening of tax collection. As a result, relatively balanced fiscal accounts are reported.

# Public Debt

Government debt as a proportion of GDP remains low: it fell from 52.5% in 2020 to 48.1% of GDP in August 2021.

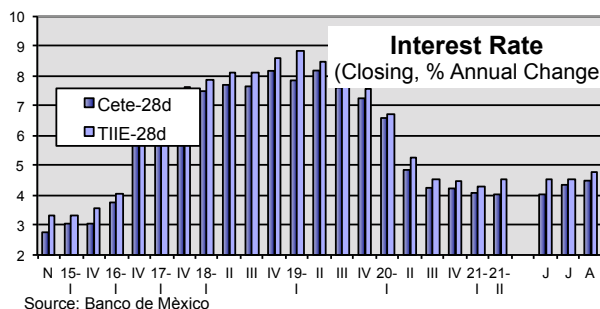
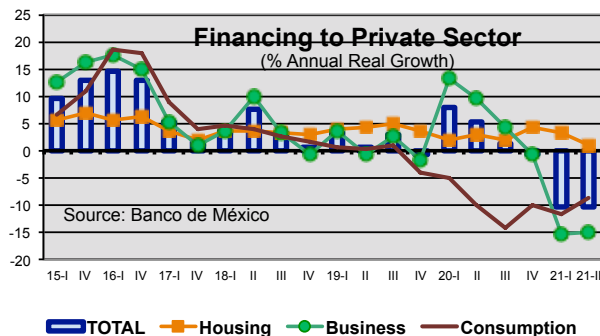


- In the world comparison, Mexico's public debt is relatively moderate: above 50% of GDP in 2020 and now seems to be adjusting down to 48.1% in August 2021.
- The current administration has made a promise not to increase government debt. In 2020 this was not fulfilled but at the beginning of 2021 efforts have been made to reverse 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, as the sources of government resources are very limited and the budgetary needs are enormous.

# Financial sector

In the second quarter of 2021, financing to the private sector showed a sharp fall (-10.2%), in an environment of low interest rates (4-4.5%) that began to rebound in the second part of the year.

## Financial Indicators



Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates		Stock Market	
	TOTAL		By Source		For Destination			(% Annual)		IPC	%
	Billion MX\$	% Annual Real Growth	External	Internal	Consumption	Housing	Business	CETES-28d	TIIE-28d	('000)	Growth
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
II	10,962	5.3	20.1	0.8	-9.8	2.9	9.5	4.9	5.3	37.7	9.0
III	10,749	1.2	12.7	-2.2	-14.2	2.1	4.3	4.3	4.5	37.5	-0.7
IV	10,335	-0.7	3.5	-2.0	-10.1	4.1	-0.8	4.2	4.5	43.2	15.5
21-I	10,378	-10.4	-18.7	-7.4	-11.5	3.3	-15.3	4.1	4.3	47.2	9.2
21-II	10,430	-10.2	-16.6	-7.9	-8.6	1.1	-14.9	4.0	4.5	50.3	6.4
J								4.0	4.5	50.3	-1.2
J								4.4	4.5	50.9	1.2
A								4.5	4.8	52.6	3.4

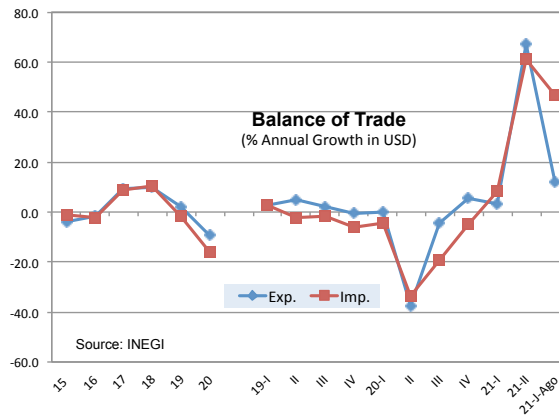
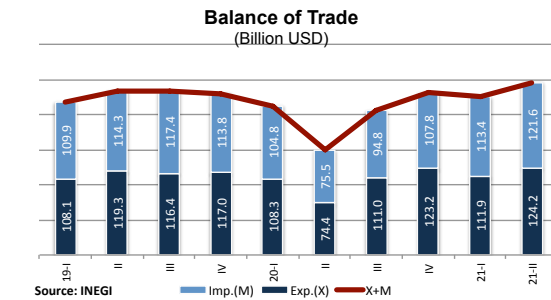
Source: Banco de México

- In 2020, financing to the private sector decelerated rapidly and in 2021 it is showing negative double-digit rates: -10.4% and -10.2 in the first two quarters.
- The decline in the second quarter is observed above all in financing for companies (-14.9%) and consumer financing (-8.6). For its part, financing for housing is slowing down (1.1%).
- In order to support financing, rates remained low in 2020 and the first half of 2021; but they are already beginning to rebound, in the face of inflationary pressures. The Stock Market for its part in 2020-2021 recovered the lost ground (it has gained 21.6% in 2021) and looks healthy given the best growth expectations.

# International Trade

After the collapse in 2020, the international trade in goods has had a spectacular rebound and could reach 1,000 billion dollars by the end of the year.

## 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	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
21-II	124.2	121.6	245.9	67.0	61.0	64.0	2.6	8.6	37.2
21-J-Ago	81.2	89.2	170.4	12.0	46.9	27.9	-8.0	4.5	28.6
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	4.0	41.5
M	40.8	40.5	81.3	125.2	87.5	104.7	0.3	4.5	33.6
J	42.7	41.9	84.6	29.1	52.3	39.7	0.8	4.5	26.0
J	40.9	45.0	85.8	15.2	50.6	31.4	-4.1	4.5	28.6
A	40.3	44.2	84.5	9.0	43.3	24.6	-3.9		

Source: INEGI

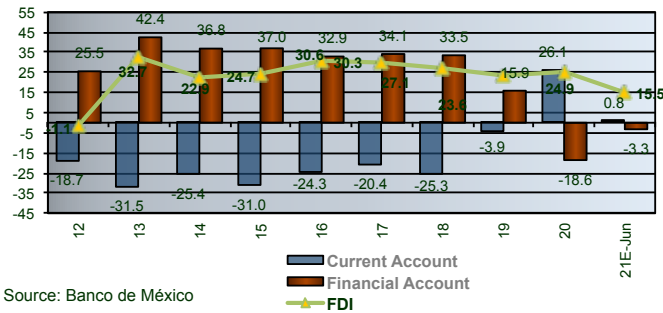
- After the severe collapse of 2020, international trade in goods has been recovering and in the second quarter of 2021 a new high of \$USD 246 billions was reached.
- In the 2019-2020 biennium, a trade surplus was reported attributable to the sluggishness of imports and a depressed domestic market; in 2021 this situation is being reversed.
- For their part, remittances continue to show very significant growth in 2021. In fact, they have been one of the drivers of the recovery.

# External Sector

In the first semester of 2021, the balance of payments reflects a current account surplus of \$USD 0.8 billion and a financial account deficit of \$USD -3.3 billion, considering a Foreign Direct Investment of \$USD 15.5 billion.

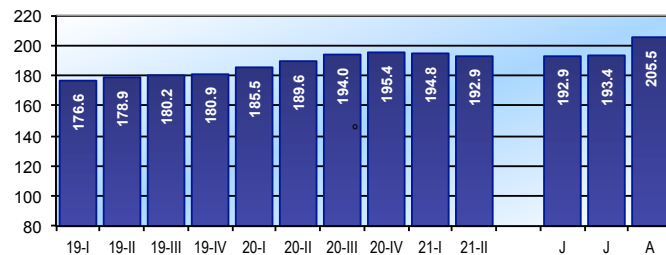
## International Transactions

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	-3.9	-0.3	15.9	23.6	7.3	180.9
20	34.0	417.0	383.0	26.1	2.4	-18.6	24.9	14.5	195.4
21E-Jun	1.1	236.1	235.0	0.8	0.2	-3.3	15.5	-2.6	192.9
19-I	-1.8	108.1	109.9	-11.4	-3.6	11.5	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	3.1	1.0	1.8	2.6	0.7	180.9
20-I	3.6	108.3	104.8	-7.4	-2.4	9.4	16.1	4.6	185.5
20-II	-1.2	74.4	75.5	-0.8	-0.4	-6.2	2.4	4.1	189.6
20-III	16.2	111.0	94.8	17.1	6.6	-13.5	1.1	4.4	194.0
20-IV	15.4	123.2	107.8	17.2	5.7	-8.3	5.2	1.4	195.4
21-I	-1.5	111.9	113.4	-5.5	-1.8	4.1	10.4	-0.7	194.8
21-II	2.6	124.2	121.6	6.3	1.9	-7.3	5.1	-1.9	192.9
J								-1.2	192.9
J								0.5	193.4
A								12.1	205.5

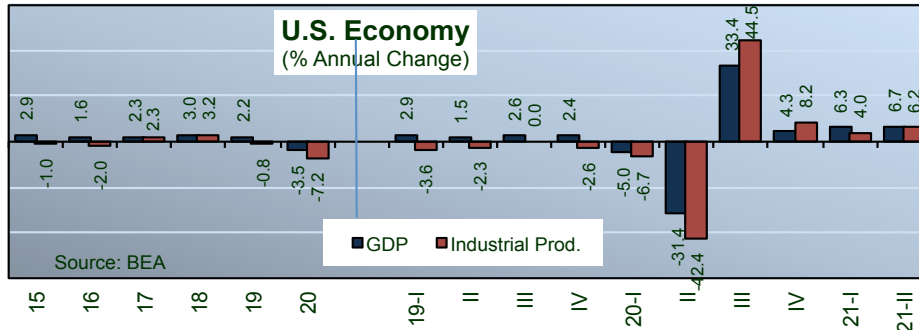
Source: Banco de México

- In 2020 and the first part of 2021 the old tradition of current account deficit-financial account surplus was broken, with accumulation of reserves. Hence, the inflow of capital began to slow down, along with the accumulation of reserves.
- In 2020, international reserves ended the year at \$USD 195.4 billion dollars; in 2021, reserves have suffered a moderate decline and as of July they stood at \$USD 193.4 billion before rebounding to \$USD 205.5 billion in August due to an extraordinary event (IMF allocation to Mexico of SDR for \$USD 12.1 billion).
- 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 second quarter of 2021, the US economy grew 6.7% (vs. 6.2% of the industrial sector), reflecting a solid economic recovery and a gradual decline in unemployment (5.2% in August)

## U.S. Economy



Source: DOL

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	3.2		1.3		3.9	1.9
19	2.2	-0.8		-2.0		3.5	2.3
20	-3.5	-7.2		-6.6		6.7	1.4
19-I	2.9	-3.6	3.7	-4.3	-2.9	3.8	1.9
II	1.5	-2.3	1.9	-3.5	-4.5	3.7	1.6
III	2.6	0.0	0.8	-0.5	-5.4	3.5	1.7
IV	2.4	-2.6	-0.5	-1.9	-6.7	3.5	2.3
20-I	-5.0	-6.7	-2.9	-5.7	-2.9	4.4	1.5
II	-31.4	-42.4	-15.0	-44.7	-15.5	11.1	0.6
III	33.4	44.5	-6.7	55.8	-5.5	7.9	1.4
IV	4.3	8.2	-4.3	11.1	-2.5	6.7	1.4
21-I	6.3	4.0	-1.6	2.8	-0.4	6.0	2.6
21-II	6.7	6.2	14.6	4.5	16.8	5.9	5.4
J		4.9	10.0	-3.6	10.0	5.9	5.4
J		11.3	6.6	20.0	7.3	5.4	5.4
A		4.8	5.9	2.4	6.0	5.2	5.3

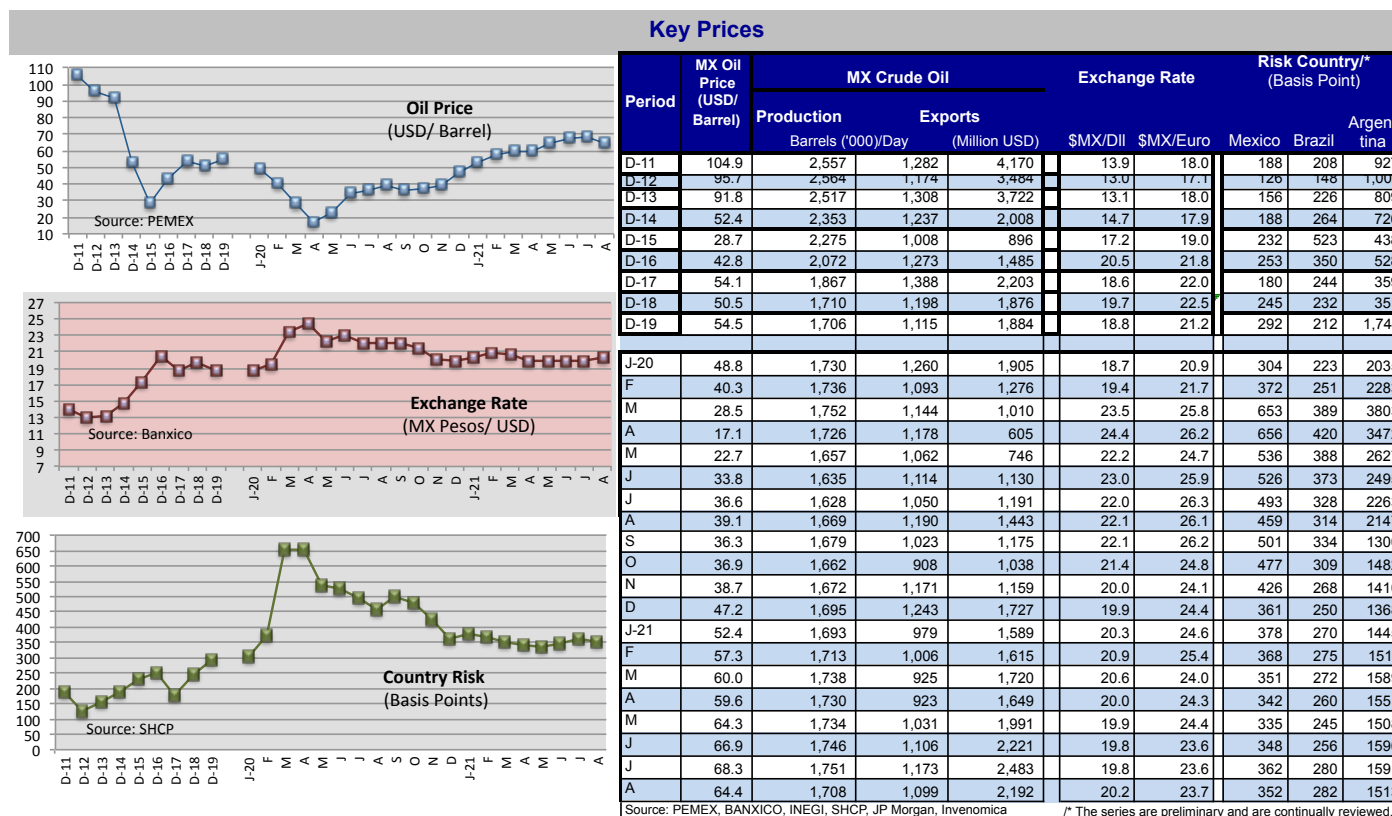
Source: U.S. Bureau of Economic Analysis (BEA); The Federal Reserve System (FRS); Department of Labor (DOL)

- After the economic collapse of 2020 (-3.5%), in 2021 the US economy recovers vigorously: GDP growth in 2021-II of 6.7% (6.2% in the industrial sector). Consequently, unemployment continues to decline: it closed 2020 at 6.7% and in August 2021 it stood at 5.2%.
- 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 return and even be exceeded.
- The Biden administration is providing strong support to the recovery of the US (e.g. Rescue Plan and promotion of investment in infrastructure), for the fortune of the Mexican economy. Despite the multiple obstacles, the recovery is gaining space.



# Key Prices

In August 2021, the price of crude oil showed a slight decline (64 DPB), while the exchange rate (20 PPD) remains stable and the country risk (352 basis points) maintains a downward trend.



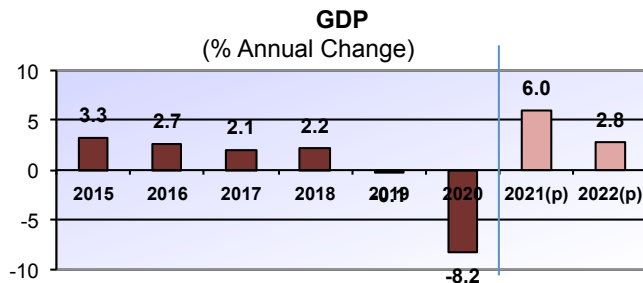
- The price of crude oil, after a year of great ups and downs in 2020, gained momentum in the last quarter of 2020 and in mid-2021 is around 60-70 DPB.
- Despite the prevailing uncertainty, the evolution of the exchange rate has been surprising: it has had large fluctuations in 2020 but throughout 2021 it has hovered around **19-20 PPD**.
- For its part, country risk, which doubled in the first quarter of 2020, gradually slid downward and in August 2021 it already stood at **352** basis points.



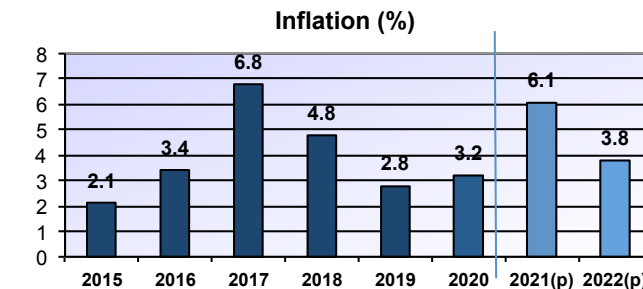
# Macroeconomic Framework of Mexico

After a chaotic year, growth expectations for 2021-2022 are improving: 6.0% and 2.8% for the biennium, with short-term inflationary pressures: 6.1% and 3.8%.

## 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	6.3	4.1	6.0	2.8
GDP Current (MX Billions)	18,572	20,129	21,934	23,523	24,443	23,122	26,103	28,178	25,977	27,776
GDP Deflator	2.7	5.6	6.7	4.9	4.0	3.0	6.2	3.7	6.0	4.0
<b>Inflation</b>										
Dec/ Dec	2.1	3.4	6.8	4.8	2.8	3.2	6.2	3.7	6.1	3.8
<b>Exchange Rate</b>										
Average	16	18.7	18.9	0	0	0	20.2	20.4		
Closing	17.2	20.6	19.7	19.7	18.8	19.949	20.1	20.3	20.3	20.8
<b>Interest Rate (Cete 28d)</b>										
Average	3	4.3	6.9	7.8	0	0	4.8	5.3		
Closing	3.1	5.7	7.2	8.2	7.3	4.23	4.3	5	5.04	5.41
<b>Current Account</b>										
Billions USD	-32.4	-33.1	-22.7	-22.2	-2.4	26.6	0.7	-6.1	3.7	-2.8
% GDP	-2.8	-3.4	-1.6	-1.9	-0.2	2.4	0.1	-0.4	0.3	-0.2
<b>Public Balance</b>										
% GDP	-3.4	-2.5	-1.1	-2.1	-1.6	-2.9	-3.2	-3.1	-3.0	-3.0
<b>USA</b>										
GDP (%Annual Growth)	2.4	1.6	2.3	2.9	2.3	-3.5	6.0	4.5	6.5	4.0
<b>MX Crude Oil</b>										
Avg. Price (USD/ Barrel)	43.7	35.4	46.3	61.4	55.5	35.82	60.6	55.1		
Exports ('000 barrels/day)	1,282	1,195	1,175	1,186	1,105.6	1,120	997	979		
Production ('000 barrels/day)	2,290	2,154	1,944	1,813	1,678	1,686	1,753	1,826		

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

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

(p) Projected

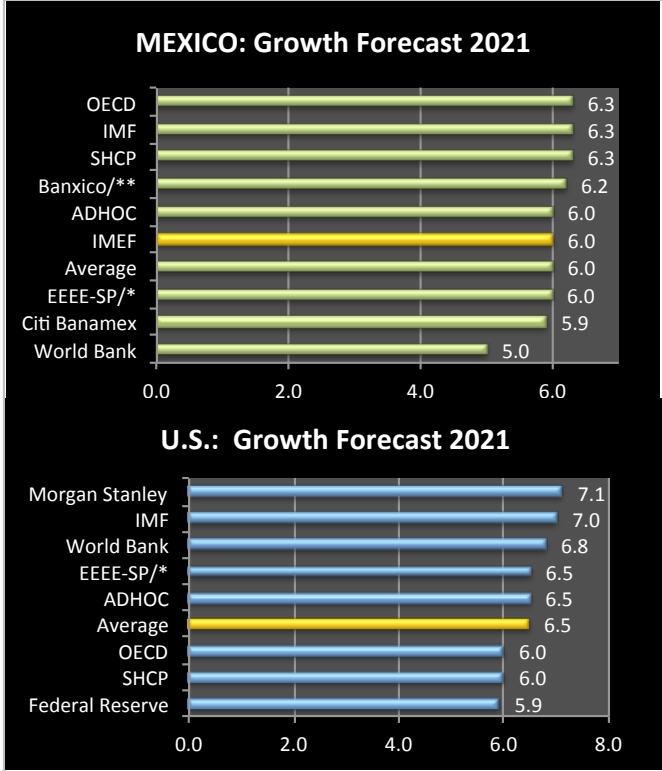
- For 2021-2022, private experts forecast positive economic growth: 6% and 2.8% for the biennium.
- An inflation rate is estimated outside the institutional goal for 2021 (6.1%) and within by 2022 (3.8%).
- According to their forecasts, the fundamental balances will remain under control: the fiscal deficit around -3% for the biennium and a minuscule current account balance (+ 0.3% and -0.2 of GDP) for both years.
- According to their forecasts, a year of frank recovery is seen for the US economy in 2021 (6.5%) and a return to its historical growth in 2022 (4%).

# Growth Forecasts 2021-2022



According to specialized agencies, the expected growth for 2021 is 6% for Mexico and 6.5% for the US. For 2022 the average forecast is 3.2% and 4.3% for Mexico and the U.S, respectively.

## Growth Forecasts 2021-2022



MEXICO Growth Forecast		
	2021	2022
EEEE-SP/*	6.0	2.8
SHCP	6.3	4.1
Banxico/**	6.2	3.0
IMF	6.3	4.2
Citi Banamex	5.9	2.7
IMEF	6.0	2.8
OECD	6.3	3.4
World Bank	5.0	3.0
ADHOC	6.0	3.0
<b>Average</b>	<b>6.0</b>	<b>3.2</b>

U.S. Growth Forecast		
	2021	2022
EEEE-SP/*	6.5	4.0
SHCP	6.0	4.5
Federal Reserve	5.9	4.0
IMF	7.0	4.9
Morgan Stanley	7.1	4.9
OECD	6.0	3.9
World Bank	6.8	4.2
ADHOC	6.5	4.0
<b>Average</b>	<b>6.5</b>	<b>4.3</b>

/\* Survey of Mexican Experts (August 2021)  
 Source: Organizations, as indicated

- For Mexico, the forecasts of nine specialized organizations fluctuate between 5% and 6.3% in 2021, with an average of 6%. For 2022, the average forecast is 3.2%.
- For the US, the forecasts of eight specialized organizations fluctuate between 5.9% and 7.1% for 2021, with an average of 6.5%. For 2022, the average forecast is 4.3%.
- 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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