



# Mexico Economic Profile

**Sixth Bimester of 2021**

Timely Macroeconomic Report  
for Decision Making

December 2021

# Economic Profile of Mexico

## Sixth Bimonthly Report of 2021

At the end of 2021, the Economic Profile of Mexico is a mixture of lights and shadows. Among the lights, an important advance is identified in anti-COVID vaccination (60% of the population with full doses) and a return, more gradual than accelerated, to economic normality, maintaining in this transit the fundamental balances: the fiscal and the external. In the shadows, a fourth wave of COVID infections is identified that started at the end of 2021 and reminds us that the epidemic is not over, a mediocre reactivation of economic activity, a low dynamism in public and private investment and, therefore, in the creation of productive bases, as well as the latent threat of an energy counter-reform that represents the return to state oil (PEMEX) and electricity (CFE) monopolies, with an enormous negative impact on GDP, employment, the environment, the collective welfare and the economic future of Mexico.

**Insufficient Economic Recovery.-** In the fourth quarter of 2021, an annual growth of **1.0%** in GDP is reported (vs. 4.7% in the previous quarter), that means a growth in the year of **5%**, figure which is not enough to compensate the severe collapse of 2020 (-8.4%). The expectations are now less encouraging for 2022-2023: they point to 2-3% for 2021 and around 2% for 2023, a two-year period in which the pre-crisis levels would now be recovered. Faced with this gloomy outlook, it seems urgent to make growth a priority, incorporating the private sector and/or taking advantage of the dynamics of the US economy.

**Inflation soars.-** In 2021 an inflationary bubble reappeared that lasted all year and rose to 7.4% at the end of the year, the highest in recent decades. It apparently derives from an explosion in world demand, the imbalances in the production chains due to Covid-19 and the spike in energy prices. As economic activity normalizes and bottlenecks are eased, inflation will return to historical levels (2-3%) and the institutional target (3% +/- 1%), which probably will happen toward 2023.

**Job creation returns.-** Due to the crisis, the enormous loss of formal jobs totaled 1.1 million (between March and July 2020), but in the following months it was shortened. At the end of 2021, a job creation of 846 thousand was reported: that is, 648 thousand lost in 2020 were compensated and a net 198 thousand were added in 2021. This evolution of employment is reflected in a relatively more moderate unemployment rate (3.5 % in December). Meanwhile, minimum wages (not other wages) gained purchasing power, despite inflation; although this contributes only partially to improve the wage bill and reinforcing consumption.

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**Oil revenues and Government Finances improve.-** In 2021, revenues are reported for 23% of GDP, expenses for 26% of GDP, and a negative balance of -2.9% of GDP. The greater dynamism of oil revenues (increase of 80.6%), thanks to a good price, has made it possible to sustain the level of programmable spending without putting pressure on the public deficit. Consequently, government debt contracted slightly in 2021: it went from 52.5% to 50.4% of GDP. A similar scenario is shaping up for 2022.

**The drop in Financing to the Private Sector moderates.-** Despite efforts to boost financing in recent years, it slowed down in 2020 and fell in January-September 2021. In the third quarter, the annual decline was more moderate (-6.6% vs. -10.2% in the previous quarter), with housing being the only one that reported positive growth (1.8%); those intended for companies (-10.4%) and consumption (-4.7%) showed negative rates. All this in a context of low but rising interest rates (5.5% in December); meanwhile, the Stock Market had a strong recovery at the end of 2020 and an additional one in 2021 (23.2%), in view of the better growth expectations.

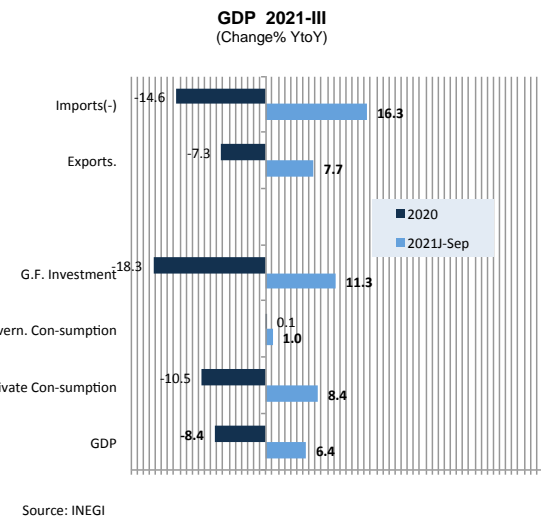
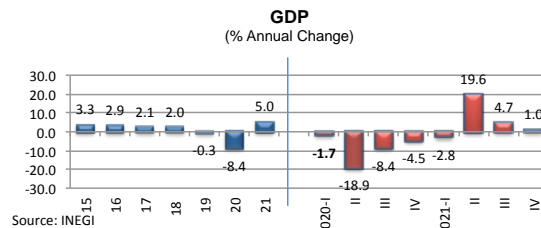
**The external environment with lights and shadows.-** International trade recovered quickly (25%) and reached a new maximum (1,000 USD Bn in 2021). This, together with remittances (with a maximum of 51.6 USD Bn in 2021) have strengthened foreign exchange earnings and contributed to the accumulation of international reserves (closing the year at 200.2 USD Bn). The greatest concern is the gradual decline in direct investment and especially in portfolio investment, which is an indicator of decreasing external confidence in the country.

**Solid economic recovery in the US.-** In 2021, the US economy experienced a solid recovery: 5.7% in its GDP and 5.6% in its industrial sector, far exceeding the pre-crisis level of production. As a consequence, unemployment has continued to decline: it closed 2020 at 6.7% and 2021 at 3.9%. Such results reflect the counter-cyclical measures implemented throughout 2020 and 2021 and in particular: a massive vaccination, an aggressive Rescue Plan and the recent Investment in Infrastructure and Jobs Law.

**Less Encouraging Economic Outlook.-** The expectations for 2022 are more encouraging for the US than for Mexico. An economic advance close to 4.1% is expected for the US and one of 2.9% for Mexico. Given the results of the closing of 2021 and the weak start of 2022, this 2.9% for Mexico is being adjusted downwards.

The GDP grew 1% at an annual rate in the fourth quarter of 2021 and 5% in the year, therefore it could not recover the fall of 2020 (-8.4).

## Gross Domestic Product

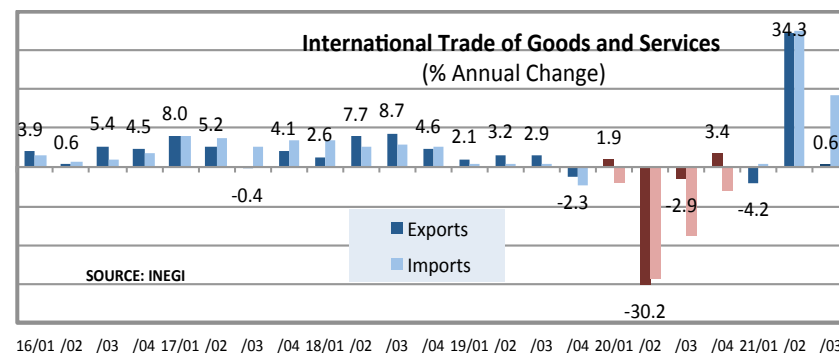
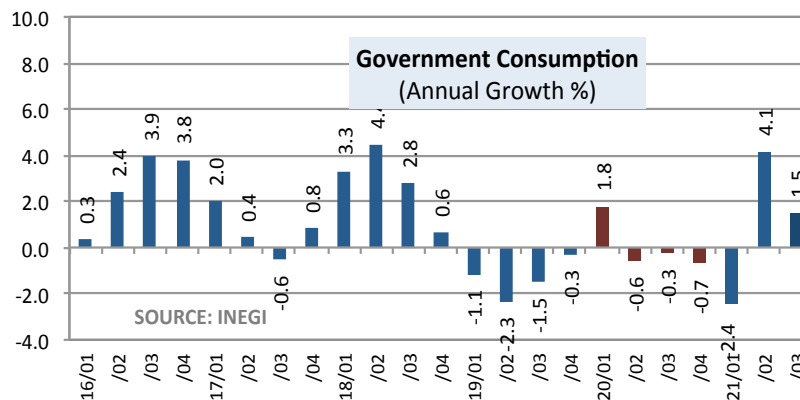
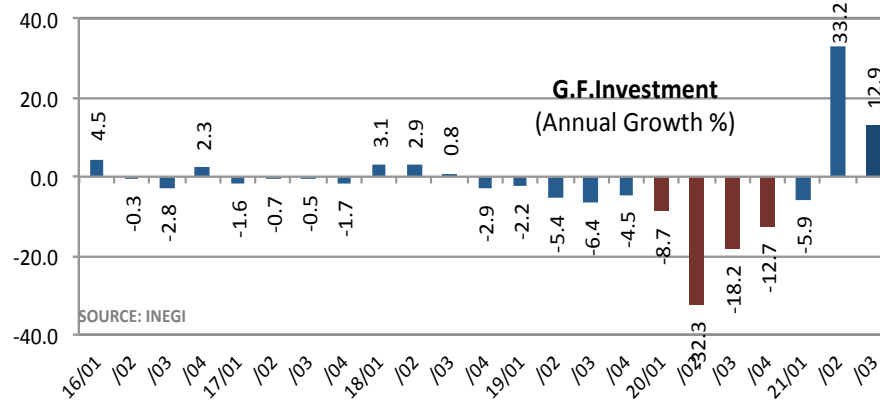
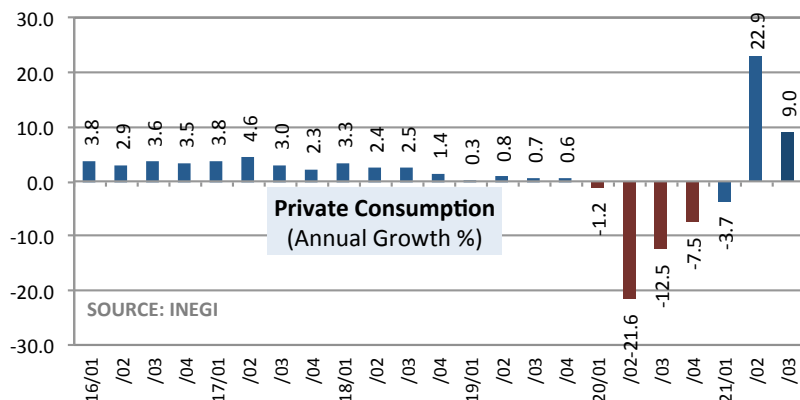


Year	GDP	Primary S.	Industrial S.	Services S.	Construction	Transportation	Mass Media
Change % (YoY)							
15	3.3	1.5	1.0	3.5	2.5	4.3	7.8
16	2.9	3.8	0.4	3.9	2.0	3.1	19.1
17	2.1	2.1	0.5	2.8	1.6	3.4	5.1
18	2.0	2.4	0.2	2.8	0.6	3.1	6.0
19	-0.3	0.4	-1.7	0.2	-4.9	0.8	1.0
20	-8.4	0.4	-10.0	-7.6	-20.4	-0.9	1.0
21	5.0	2.7	6.8	4.2			
2020-I	-1.7	-1.3	-2.8	-0.7	-9.8	-3.1	6.5
II	-18.9	-2.7	-24.9	-16.7	-33.6	-40.2	0.4
III	-8.4	4.4	-8.6	-8.3	-17.2	-23.8	-6.1
IV	-4.5	1.4	-3.5	-4.9	-10.5	-14.6	-4.4
2021-I	-2.8	-0.9	-2.6	-3.0	-8.0	-11.1	-8.5
II	19.6	6.5	27.5	17.3	32.5	52.9	7.6
III	4.7	0.3	5.1	4.4	10.6	19.5	9.0
IV	1.0	4.8	1.6	0.1			
Year	GDP	Private Con-sumption	Govern. Con-sumption	G.F. Investment	Exports	Imports(-)	
2016	2.9	3.7	2.4	1.1	3.5	2.9	
2017	2.1	3.1	1.0	-1.6	3.9	6.2	
2018	2.0	2.2	1.4	0.6	5.7	6.2	
2019	-0.3	0.4	-1.4	-5.1	1.4	-0.9	
2020	-8.4	-10.5	0.1	-18.3	-7.3	-14.6	
2021-J-Sep	6.4	8.4	1.0	11.3	7.7	16.3	
20-I	-1.7	-1.2	1.8	-8.7	1.9	-4.0	
II	-18.9	-21.6	-0.6	-32.3	-30.2	-28.8	
III	-8.4	-12.5	-0.3	-18.2	-2.9	-17.6	
IV	-4.5	-7.5	-0.7	-12.7	3.4	-5.9	
2021-I	-2.8	-3.7	-2.4	-5.9	-4.2	0.6	
II	19.6	22.9	4.1	33.2	34.3	35.3	
III	4.7	9.0	1.5	12.9	0.6	18.2	

- In 2021, the rebound effect was experienced, after the severe collapse of 2020 (-8.4). Throughout 2021, the biggest rebound occurred in quarter II (with 19.6%), then it declined rapidly and close the fourth quarter with 1%. Thus, the average growth of 5% in 2021 was not enough to recover the negative growth of 2020 (-8.4%)
- At the sector level, the fastest recovery is taking place in the industrial sector (6.8%), then in services (4.2%) and finally in the agricultural sector (2.7%), which was the least affected during the crisis.
- On the demand side, in 2021-III all the engines of demand grow but show a notable moderation in their growth.

# Economic Activity

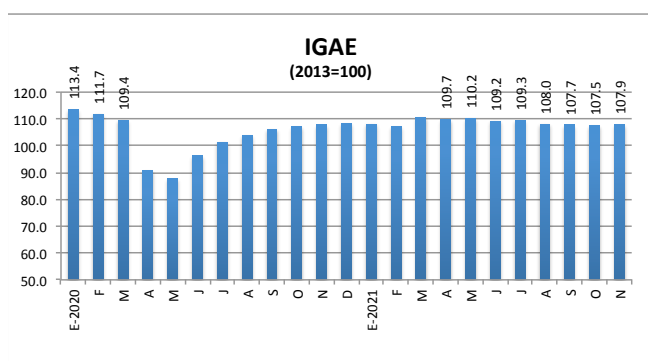
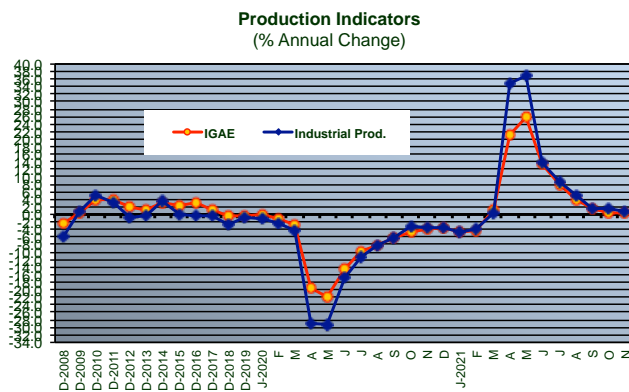
After a very pronounced rebound effect in the second quarter of 2021, from the third quarter the growth of all the engines of demand moderated.



- Private consumption, with a large weight in demand (2/3 of GDP), after the collapse of 2020, shows high annual growth (9%) in the third quarter but more moderate compared to the previous one.
- Investment followed the same pattern: high growth in the third quarter (12.9) but lower than the previous one.
- But, without a doubt, the greatest deceleration occurs in exports of goods and services, when their growth went from 34.3% in the second quarter to 0.6% in the third quarter.

In the last months of 2021, the annual growth of the IGAE is close to zero, which means that after the rebound, the economic dynamism quickly lost strength.

## Production Indicators

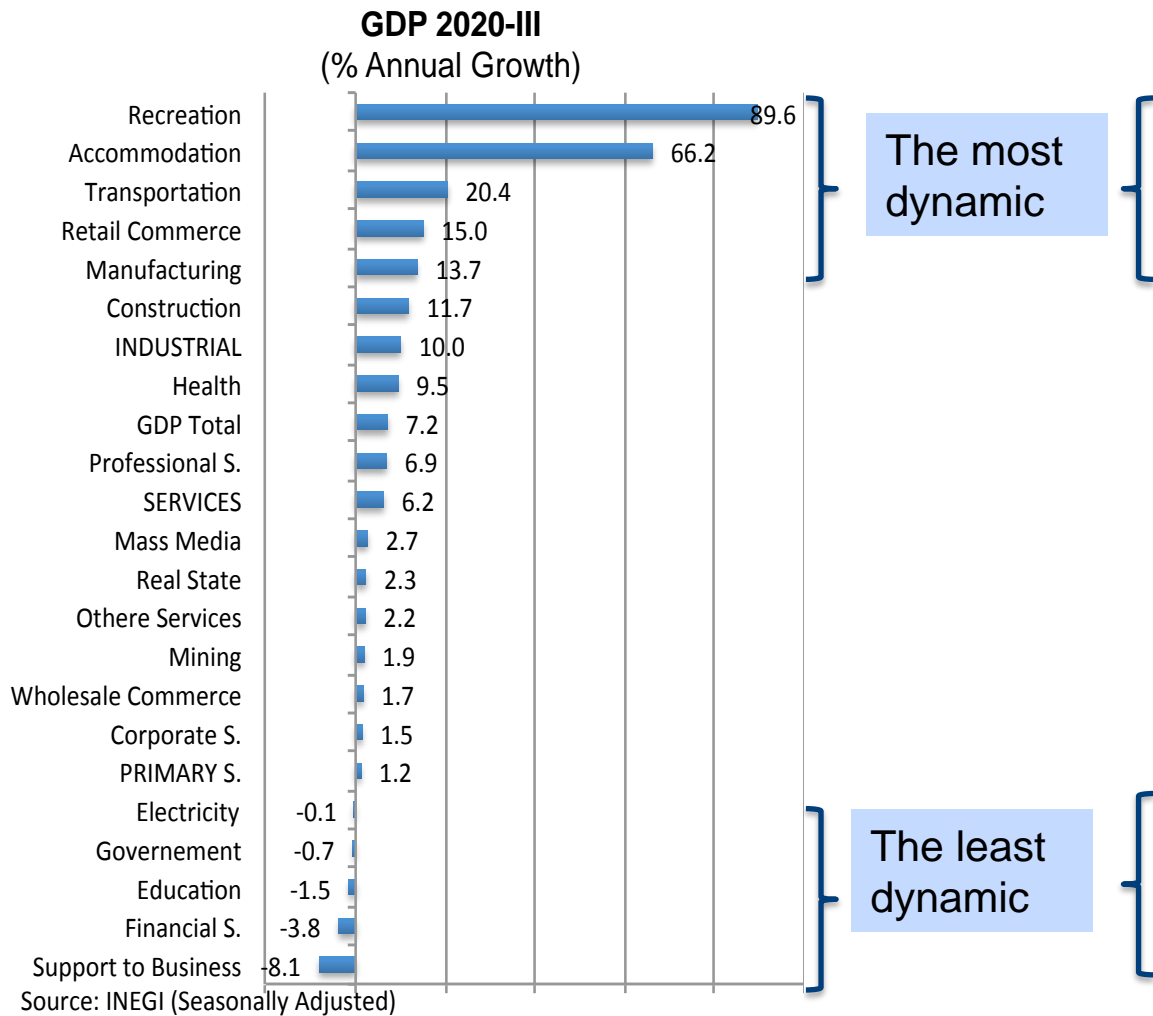


Period	IGAE (proxy of GDP)				Construction	Commerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Services S.		Wholesale	Retail	Total	Transportation	Mass media		
D-2008	-2.4	15.7	-6.0	-1.9	-4.6	-2.6	-3.3	3.6	2.8	9.3	-0.3	-1.3
D-2009	0.5	-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
D-2019	-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	0.0	0.3	-1.0	0.5	-10.2	-4.3	1.3	-2.1	-0.1	-3.7	-7.9	0.5
F	-1.3	-8.9	-2.5	-0.1	-10.8	-7.2	-0.7	-2.9	-4.2	1.5	-9.8	-0.2
M	-2.6	5.7	-4.5	-2.3	-7.6	-4.7	-2.3	-9.8	-11.0	-1.0	-10.1	-3.5
A	-19.7	-0.7	-29.1	-16.3	-39.2	-19.0	-30.7	-27.2	-40.2	-13.6	-36.6	-23.4
M	-22.0	-1.3	-29.2	-19.8	-35.8	-32.2	-32.6	-29.3	-43.6	-9.9	-36.9	-25.1
J	-14.6	-3.9	-16.7	-14.1	-24.8	-14.7	-19.7	-28.6	-39.6	-14.5	-23.4	-20.1
J	-9.9	6.7	-11.5	-10.2	-22.7	-14.6	-6.2	-24.7	-38.6	-16.3	-20.8	-15.5
A	-8.1	3.9	-8.3	-8.3	-14.2	-8.1	-7.9	-21.3	-32.8	-15.6	-17.1	-12.8
S	-6.2	3.4	-6.3	-6.4	-16.4	-6.8	-6.4	-17.7	-25.5	-13.2	-17.7	-10.7
O	-4.8	5.2	-3.3	-5.8	-9.3	-4.7	-1.6	-17.0	-21.8	-15.2	-13.9	-9.2
N	-4.0	3.3	-3.7	-4.6	-8.8	-1.7	0.6	-14.6	-20.7	-7.5	-10.8	-7.5
D	-3.5	-2.2	-3.4	-3.4	-12.8	4.2	-1.6	-9.0	-21.3	5.7	-12.7	-6.6
J-2021	-4.7	0.3	-4.8	-4.9	-11.1	2.3	-2.6	-16.2	-21.1	-14.4	-10.3	-7.1
F	-4.2	2.3	-3.9	-4.9	-6.2	3.3	-2.6	-11.6	-19.4	-7.3	-4.2	-7.1
M	1.0	-5.0	0.5	1.0	-6.2	10.6	0.7	-3.2	-8.4	-9.3	0.4	-0.5
A	21.2	-0.5	34.8	17.4	41.5	16.5	47.8	25.7	41.0	8.9	40.3	26.3
M	25.8	7.5	36.6	22.3	44.0	41.9	50.7	27.3	53.5	1.7	45.4	29.9
J	13.4	8.8	13.7	13.5	15.0	18.2	20.0	28.3	44.4	16.3	16.2	19.2
J	7.9	-0.9	8.5	8.1	15.5	19.1	9.3	19.6	41.8	12.5	16.3	13.0
A	3.9	1.9	5.0	3.5	7.3	5.9	10.3	9.0	28.2	10.3	12.2	9.9
S	1.4	-1.7	1.7	1.2	8.9	8.0	6.1	5.2	18.6	15.9	10.8	8.1
O	0.4	-3.2	1.6	0.1	3.0	6.0	3.0	4.4	17.9	13.0	7.6	6.9
N	0.3	6.9	0.7	0.0	-1.0	4.6	3.2	2.8	20.8	7.9	6.1	

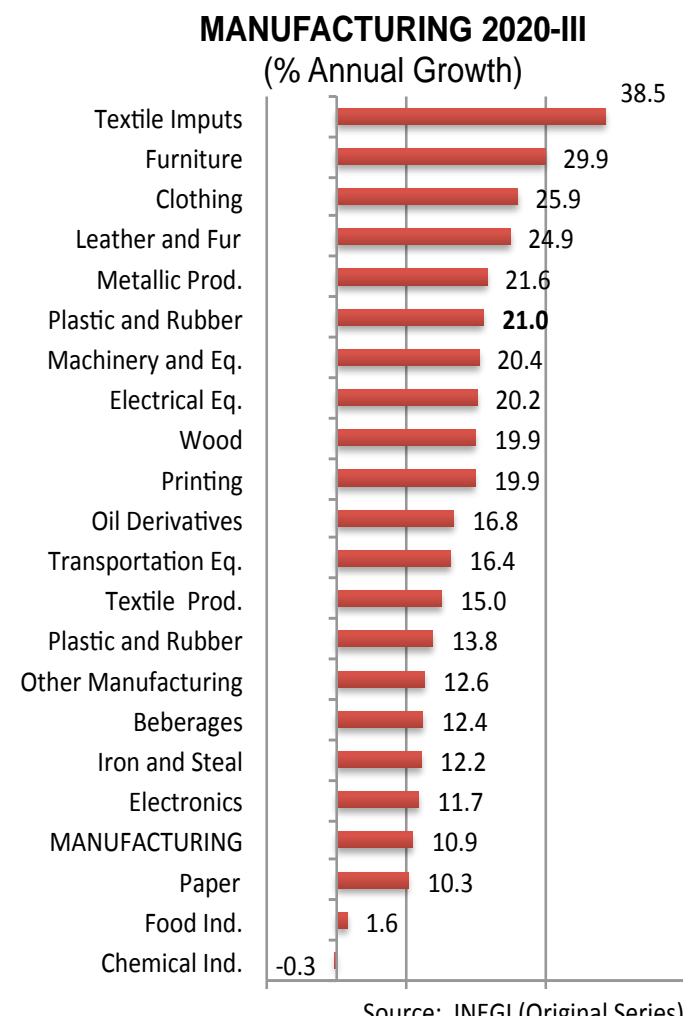
- The IGAE (Global Indicator of Economic Activity), after the high growth of 2021-II, showed an accelerated moderation in its annual growth from June, basically due to the statistical rebound effect.
- At the sector level, the industrial sector has been the most dynamic, followed by services and the agricultural sector.
- On the demand side, investment and private consumption have shown a similar performance during the 2020-2021 biennium and can be expected to resume their historical rates in the short term.

# Economic Activity

In the third quarter of 2021, the productive branches show more moderate growth and a gradual return to normality.



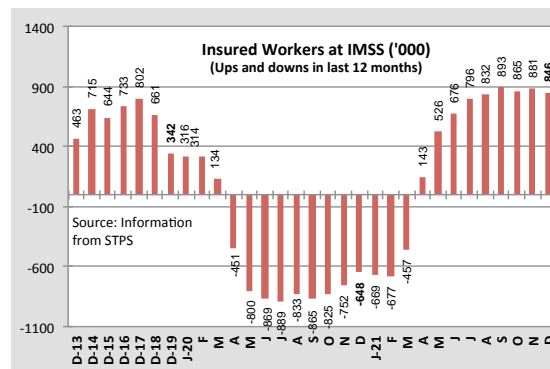
Source: INEGI (Seasonally Adjusted)



Source: INEGI (Original Series)

At the end of 2021, the creation of 846 thousand jobs was reported in the year, while unemployment maintained its downward trend and closed the year at 3.5%.

## Employment and Wages



Period	Workers insured at IMSS ('000)			Employment (Annual Change %)			Wage indicators (Annual Change %)			
	Unemployment Rate(%)	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	-2.1	-1.3	20.0	7.1	5.8
A	4.7	19,928	-451	-555.2	-16.1	-3.6	-7.2	20.0	8.0	5.6
M	4.2	19,583	-800	-344.5	-18.7	-5.5	-10.0	20.0	8.1	5.1
J	5.5	19,500	-869	-83.3	-17.3	-5.4	-9.7	20.0	8.1	5.0
J	5.4	19,496	-889	-3.9	-16.0	-4.5	-10.6	20.0	6.4	6.4
A	5.2	19,589	-833	92.6	-15.2	-3.9	-10.3	20.0	6.4	4.5
S	5.1	19,702	-865	113.6	-15.2	-3.1	-10.4	20.0	7.6	4.4
O	4.7	19,903	-825	200.7	-14.2	-2.2	-10.6	20.0	7.7	4.3
N	4.4	20,052	-752	148.7	-13.2	-1.8	-10.9	20.0	7.9	5.5
D	3.8	19,774	-648	-277.8	-12.7	-0.9	-11.3	20.0	7.9	6.5
J-21	4.7	19,822	-669	47.9	-10.7	-0.5	-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	3.9	2.4	-4.1	15.0	6.0	5.7
M	4.0	20,109	526	39.0	7.8	4.2	-2.5	15.0	6.2	4.9
J	4.0	20,175	676	65.9	6.7	4.6	-1.7	15.0	6.1	5.4
J	4.4	20,292	796	116.5	5.5	4.2	-7.5	15.0	7.5	6.1
A	4.3	20,421	832	128.9	5.5	3.9	-13.1	15.0	7.5	6.3
S	4.2	20,595	893	174.1	5.6	3.9	-15.4	15.0	7.3	4.7
O	3.9	20,768	865	172.7	4.6	3.3	-15.5	15.0	7.5	4.5
N	3.7	20,933	881	165.5	5.0	3.1	-15.7	15.0	7.4	5.2/**
D	3.5	20,620	846	-312.9	0.0	0.0	0.0	15.0	7.5	5.5/**

Source: INEGI, STPS.

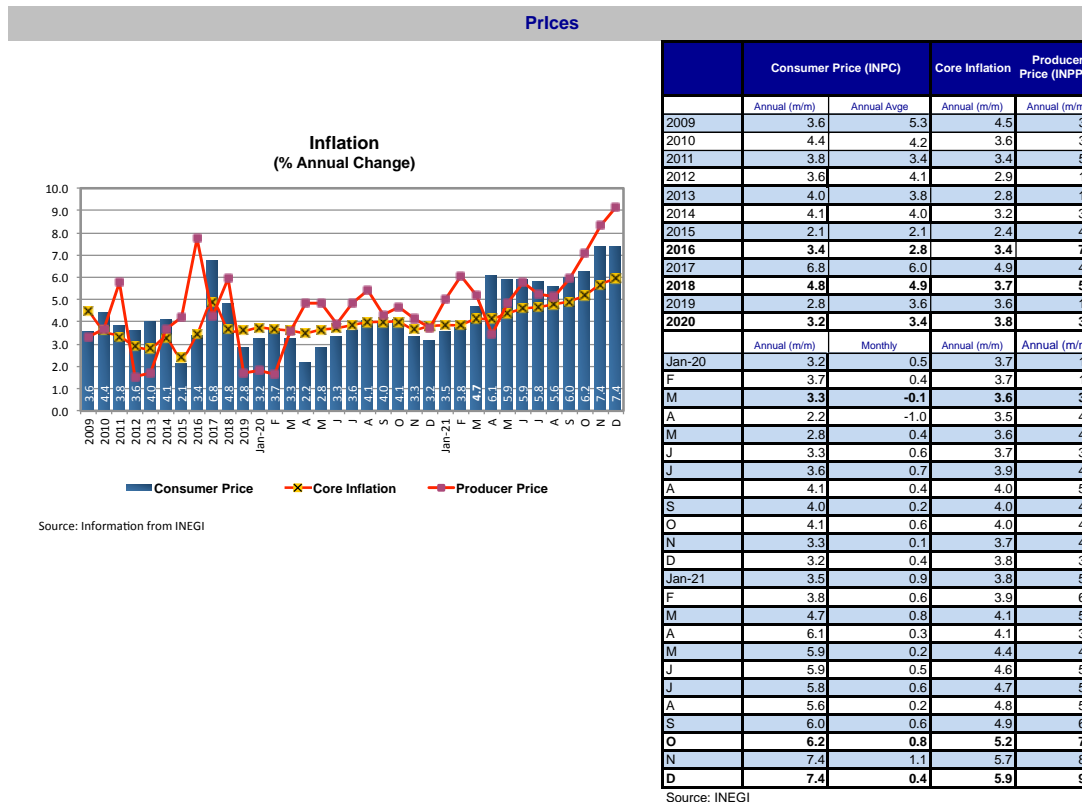
/\*\* Only Federal Jurisdiction

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

- The unemployment rate showed ups and downs, but in the last two months, it fell from 3.9% to **3.5%**.
- In 2021, 846 thousand jobs were created: that is, the 648 thousand lost in 2020 were recovered and an additional 198 thousand were added. This last figure is the net increase in jobs in the biennium.
- Higher inflation has led to disparate gains in the three main wage indicators: +7.6% in the minimum wage, 0.1% in the IMSS salary and -1.9% in the contractual salary. The salary improvement is largely attributed to the annual adjustments in the minimum wage promoted by the current administration.

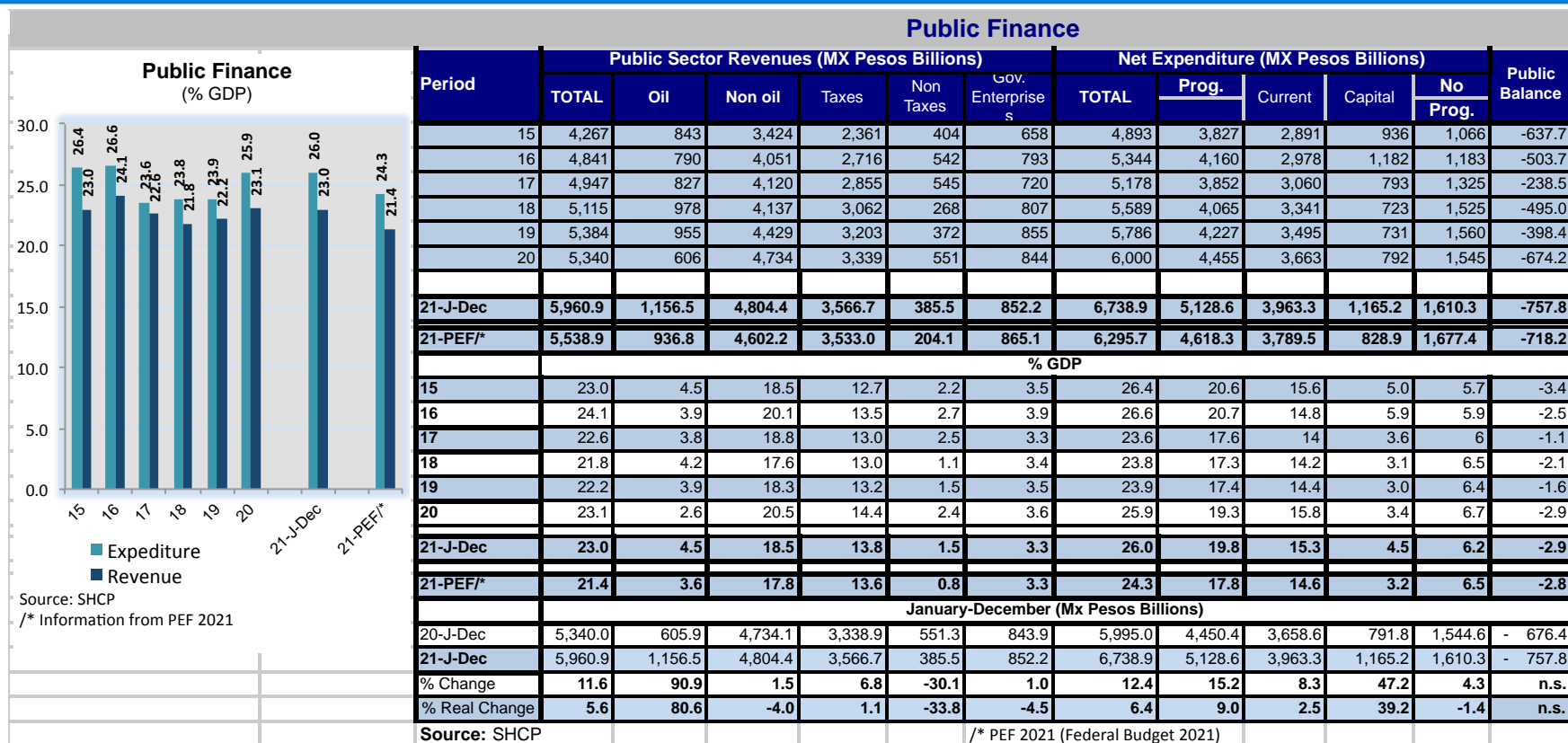


**Inflation closed the year 2021 at 7.4%, the highest rate in recent decades, and the serious thing is that core inflation and producer inflation continue to rise.**



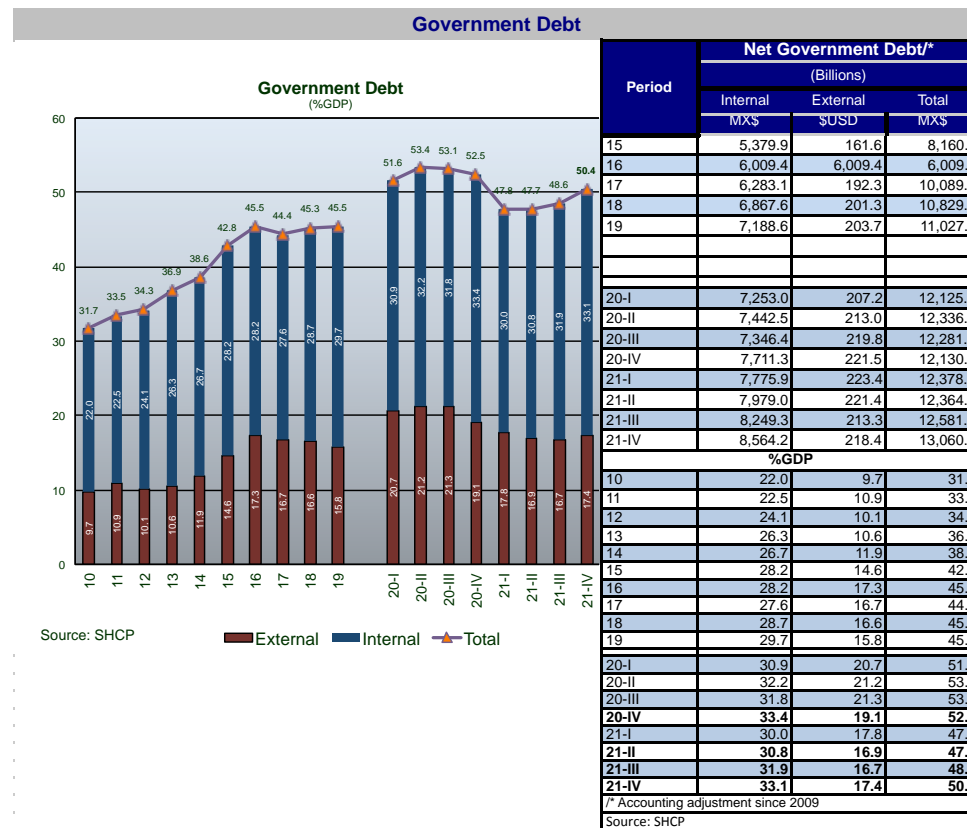
- The inflationary bubble that began in 2021 persisted throughout the year and there are doubts that it could deflate in 2022. It is attributed to the imbalance in the productive chains derived from the pandemic.
- This inflationary bubble worries the authorities and has put inflation outside the institutional goal of the Bank of Mexico (3% +/- 1%).
- And perhaps the most serious thing is that core inflation and producer inflation tend to rise. There is hope, but not certainty, that inflation will decline in 2022 and return to historical rates in the end of 2022 or at most in 2023.

In 2021, government revenues totaled 23% of GDP and expenditures 26% of GDP, resulting in a deficit of -2.9% of GDP.



- In 2021, a similar increase in revenues (5.6%) and expenses (6.4%) is reported, as well as a moderate deficit (-2.9 GDP), in line with what was programmed.
- On the income side, the rise in oil revenues stands out (80.6%) and on the spending side, the rise in investment spending stands out (39.2%); of this, 60% is physical investment and 40% is financial investment.
- In short, fiscal discipline is maintained with the support of a good oil price and the strengthening of tax collection. As a result, relatively balanced fiscal accounts are reported.

**Government debt as a proportion of GDP remains low: it fell from 52.5% in 2020 to 50.4% of GDP in 2021.**



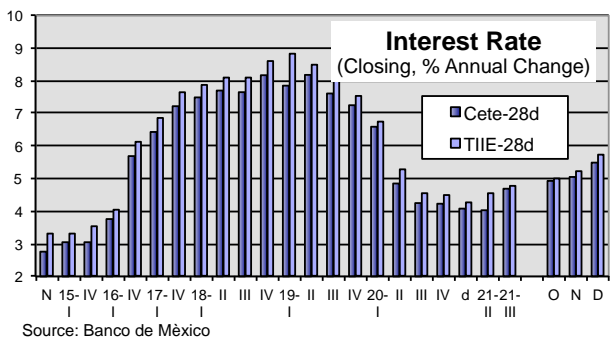
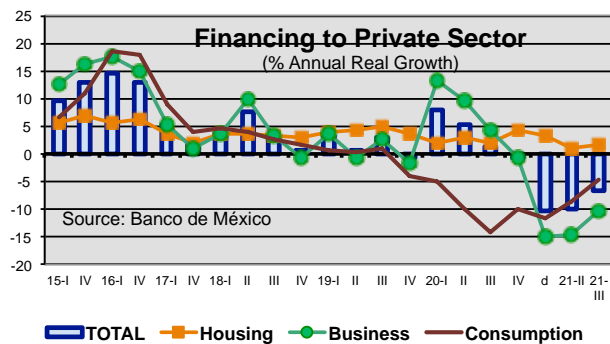
- In the world comparison, Mexico's public debt is relatively moderate: 52.5% of GDP in 2020 and now appears to be adjusted downwards to stand at 50.4% in December 2021.
- The current administration has made a promise not to increase the government's debt. In 2020 this was not fulfilled but in 2021 new 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, keep the exchange rate within manageable ranges. These are major challenges, since the sources of government resources are very limited and the budget needs are enormous.

# Financial sector

In the third quarter of 2021, financing to the private sector shows a more moderate drop (-6.6%), amid a rise in interest rates, which at the end of the year were around 5.5%.



## Financial Indicators



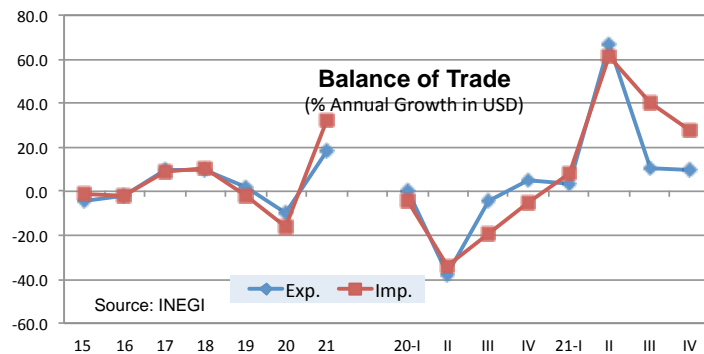
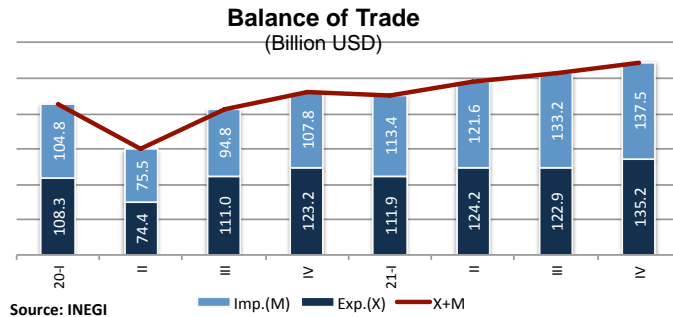
Period	Financing to Private Sector (% Annual Real Growth)						Interest Rates		Stock Market		
	TOTAL		By Source		For Destination		(% Annual)		IPC	%	
	Billion MX\$	% Annual Real Growth	External	Internal	Consumption	Housing	Business	CETES-28d	TIIE-28d	('000)	Growth
15-I	6,537	9.5	18.8	6.6	6.6	5.7	12.7	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	10,341	-0.7	3.8	-2.0	-10.1	4.1	-0.7	4.2	4.5	43.2	15.5
d	10,400	-10.2	-17.9	-7.4	-11.5	3.3	-15.0	4.1	4.3	47.2	9.2
21-II	10,448	-10.0	-16.0	-7.9	-8.6	1.1	-14.6	4.0	4.5	50.3	6.4
21-III	10,623	-6.6	-11.3	-4.9	-4.7	1.8	-10.4	4.7	4.7	51.4	2.2
O								4.9	5.0	51.3	-0.1
N								5.1	5.2	49.7	-3.1
D								5.5	5.7	53.3	7.2

Source: Banco de México

- Due to the effect of the crisis, in 2020 financing to the private sector slowed down and in 2021 showed negative rates in the first three quarters: -10.4%, -10.2 and -6.6%, the latter being the most moderate of the year.
- The decline in the third quarter (-6.6%) is observed above all in financing for companies (-10.4%) and consumption (-4.4). For its part, housing finance shows modest growth (1.8%).
- In support of financing, rates remained low in 2020-2021; but they began to pick up in the second part of the year to reach 5.5% at the closing, in the face of the inflationary rebound. The Stock Exchange, for its part, in 2020-2021 made up lost ground gaining 23.2% in 2021 and now looks healthy.

In 2021, the international trade in goods registered a new maximum of 1,000 USD Bn, which meant an annual increase of 25% with respect to 2020.

## International Trade



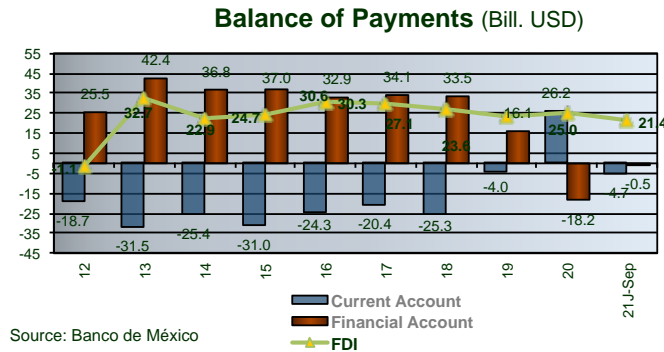
Period	Balance of Trade (Billion USD)			% Annual Change			Balance (Billion USD)	Remittances	
	Exp.(X)	Imp. (M)	X+M	Exp.	Imp.	X+M		Billion USD	% Annual Change
15	380.8	395.2	776.0	-4.1	-1.2	-2.6	-14.5	24.6	4.1
16	373.9	387.1	761.0	-1.8	-2.1	-1.9	-13.1	27.0	9.8
17	409.4	420.4	829.8	9.5	8.6	9.0	-11.0	28.8	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
21	494.2	505.7	999.9	18.5	32.0	25.0	-11.5	51.6	27.7
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
II	124.2	121.6	245.9	67.0	61.0	64.0	2.6	13.0	33.2
III	122.9	133.2	256.1	10.7	40.5	24.4	-10.4	13.7	28.2
IV	135.2	137.5	272.7	9.7	27.5	18.0	-2.2	14.2	33.9
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	4.7	32.7
S	41.7	44.1	85.8	8.1	29.1	18.0	-2.4	4.4	23.3
O	42.0	44.7	86.6	0.0	25.1	11.6	-2.7	4.8	33.9
N	45.6	45.7	91.3	19.2	29.6	24.2	-0.1	4.7	38.0
D	47.7	47.1	94.8	10.8	27.7	18.6	0.6	4.8	30.0

Source: INEGI

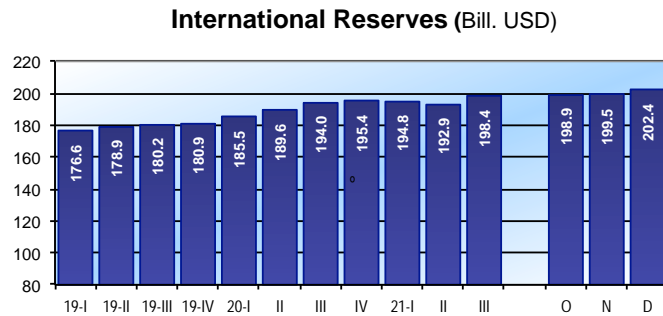
- After the severe collapse of 2020, the international trade in goods recovered quickly and in the fourth quarter of 2021 a new quarterly maximum of 273 USD Bn was reached (and a new annual maximum: 1,000 USD Bn).
- In the 2019-2020 biennium, a trade surplus was reported attributable to the sluggishness of imports and a depressed domestic market; in 2021 this situation was reversed by presenting a deficit of 11.5 USD Bn.
- On the other hand, remittances, due to the boom in the US, continue to show very significant growth. In 2021 they reached a new maximum of 51.6 USD Bn, after increasing by 27.7%.

**In January-September 2021, the balance of payments reflects a double deficit: one in current account for -4.7 USD Bn and one in financial account for -0.5 USD Bn, achieving an inflow of Foreign Investment for 21.4 MMD.**

**International Transactions**



Source: Banco de México



Source: Banco de México

Period	Balance of Trade (Bill.USD)	Exports (Bill.USD)	Imports (Bill.USD)	Current Account		Financial Account (Bill.USD)	Foreign Direct Investment	Reserves Int. Change (Bill USD)	Stock of Int. Reserves (Bill.USD)
				(Billion USD)	(%GDP)				
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	-4.0	-0.3	16.1	23.6	7.3	180.9
20	34.0	417.0	383.0	26.2	2.4	-18.2	25.0	14.5	195.4
21J-Sep	-9.3	359.0	368.3	-4.7	-0.5	-0.5	21.4	3.0	198.4
19-I	-1.8	108.1	109.9	-11.4	-3.6	11.4	11.9	1.8	176.6
19-II	5.0	119.3	114.3	4.6	1.4	1.8	4.8	2.3	178.9
19-III	-1.0	116.4	117.4	-0.3	-0.1	0.9	4.3	1.3	180.2
19-IV	3.2	117.0	113.8	3.1	1.0	2.0	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
II	-1.2	74.4	75.5	-0.7	-0.4	-5.9	2.5	4.1	189.6
III	16.2	111.0	94.8	17.1	6.6	-13.2	1.1	4.4	194.0
IV	15.4	123.2	107.8	17.2	5.7	-8.4	5.2	1.4	195.4
21-I	-1.5	111.9	113.4	-6.7	-1.8	5.4	11.6	-0.7	194.8
II	2.6	124.2	121.6	6.0	1.9	-7.7	5.1	-1.9	192.9
III	-10.4	122.9	133.2	-4.1	-0.5	1.8	4.7	5.5	198.4
O								0.4	198.9
N								0.7	199.5
D								2.9	202.4

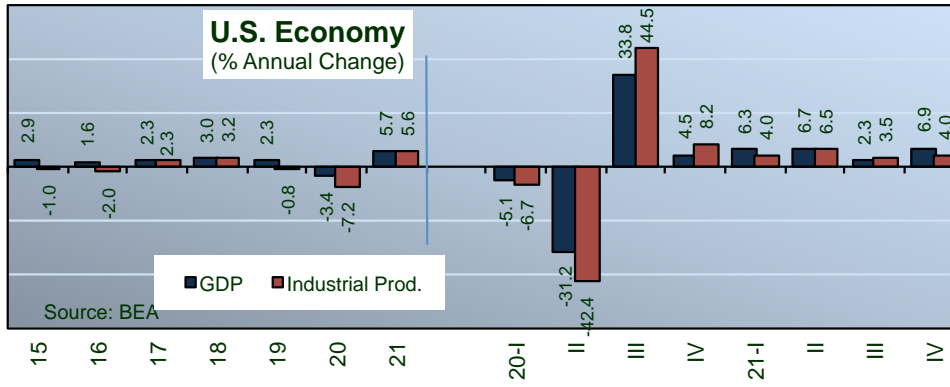
Source: Banco de México

- In 2020-2021, the old tradition of deficit in current account-surplus in financial account, with accumulation of reserves, was broken. In January-September 2021, there was a double deficit (in the current account and in the financial account), and an accumulation of reserves attributable to the IMF.
- International reserves, with an initial balance of 195.4 USD Bn, fell to 193.4 USD Bn in mid-2021 and then rose to 205.5 USD Bn in August due to an extraordinary event (IMF allocation to Mexico for 12.1 USD Bn of SDR). At the end of December they were already at **202.4 USD Bn**.
- If investor mistrust worsens, this balance of payments situation could deepen to the detriment of investment and productive activities.

# International economy

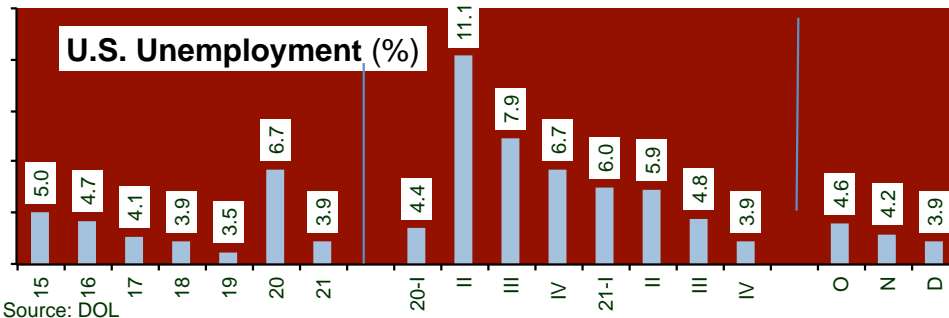
**In 2021, the US economy reported growth of 5.7% (vs 5.6% for the industrial sector), reflecting a vigorous economic recovery and a rapid decline in unemployment (3.9% in December)**

## U.S. Economy



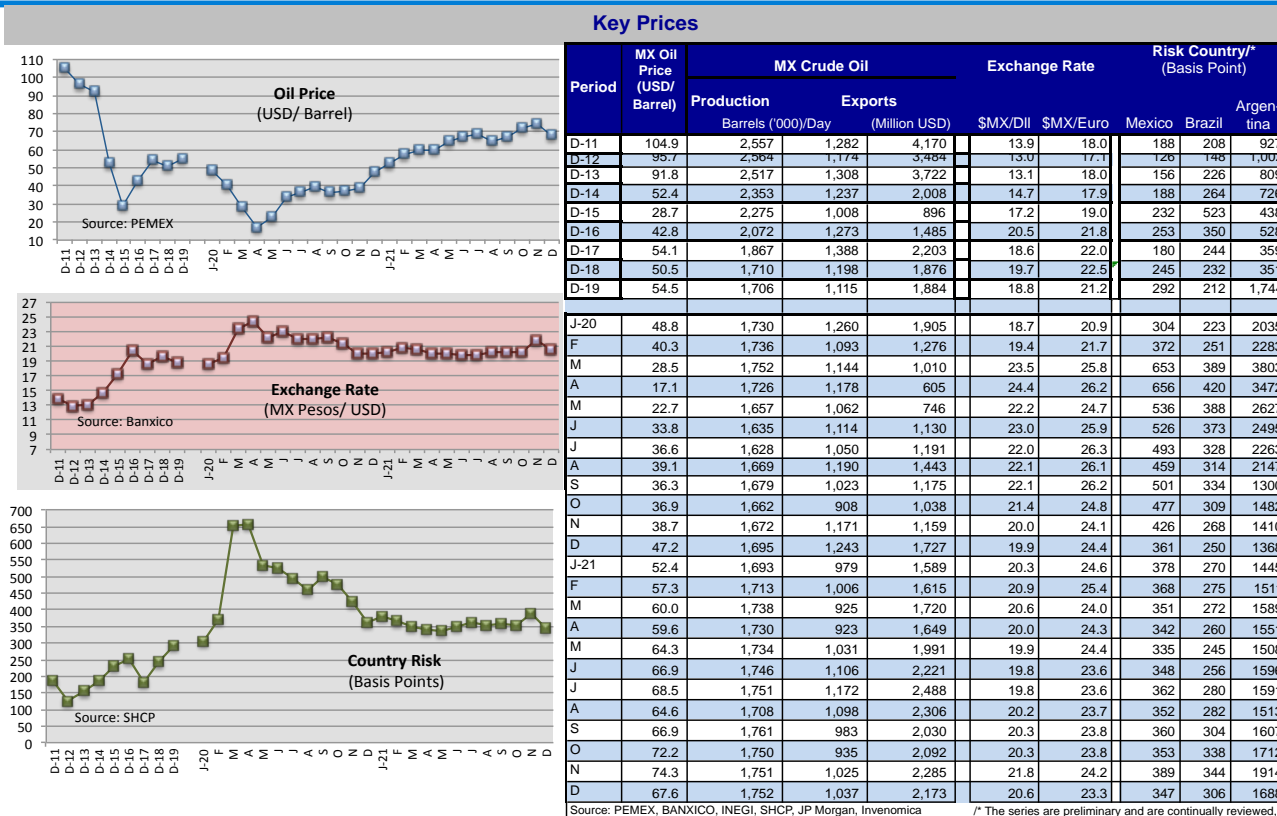
Period	GDP*	Industrial Prod.		Manufacturing		Unemployment Rate %	Inflation % Annual Change
		% Annual Change of Quarter	% Annual Change	% Annual Change of Quarter	% Annual Change		
15	2.9	-1.0		-0.5		5.0	0.7
16	1.6	-2.0		-0.8		4.7	2.1
17	2.3	2.3		2.0		4.1	2.1
18	3.0	3.2		1.3		3.9	1.9
19	2.3	-0.8		-2.0		3.5	2.3
20	-3.4	-7.2		-6.6		6.7	1.4
21	5.7	5.6		6.4		3.9	7.0
20-I	-5.1	-6.7	-2.9	-5.7	-2.9	4.4	1.5
II	-31.2	-42.4	-15.0	-44.7	-15.5	11.1	0.6
III	33.8	44.5	-6.7	55.8	-5.5	7.9	1.4
IV	4.5	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
II	6.7	6.5	14.7	5.0	16.9	5.9	5.4
III	2.3	3.5	5.5	4.0	5.7	4.8	5.4
IV	6.9	4.0	4.5	4.9	4.2	3.9	7.0
O		16.8	4.9	18.5	4.5	4.6	6.2
N		8.6	4.9	7.5	4.5	4.2	6.8
D		-1.2	3.7	-3.5	3.5	3.9	7.0

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



- After the economic collapse of 2020 (-3.4%), in 2021 the US economy recovers: GDP growth in 2021 of **5.7%** (5.6% in the industrial sector), surpassing the decrease of 2020. Consequently, unemployment continues to decline: it closed 2020 at 6.7% and in December 2021 it stood at **3.9%**.
- For 2022, the expectation is that the economic dynamism will moderate, but the recovery will consolidate.
- The Biden administration is providing strong support to the recovery of the US (e.g. Rescue Plan and Law of Investment in Infrastructure and Jobs), to the good fortune of the Mexican economy. Despite the many obstacles, the consensus is that the recovery will be consolidated.

At the end of 2021, the price of crude oil is around 70 DPB, while the exchange rate (20.6 PPD) remains stable and the country risk (347 basis points) maintains a downward trend.



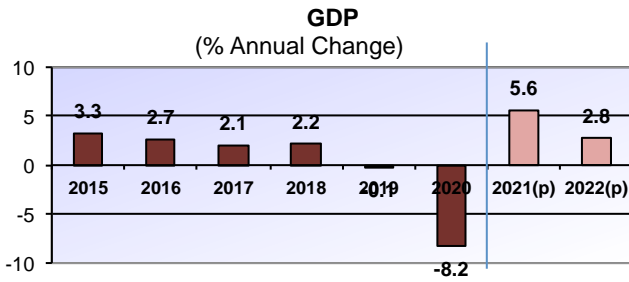
- The price of crude oil, after a year 2020 of great ups and downs, in 2021 rebounded firmly and at the end of the year is around 70 DPB.
- Despite the prevailing uncertainty, the evolution of the exchange rate has been surprising, which had large fluctuations in 2020 but at the end of 2021 it was around 20-21 PPD.
- For its part, the country risk, which doubled in the first quarter of 2020, gradually slipped downwards and in December 2021 it already stands at 347 basis points.



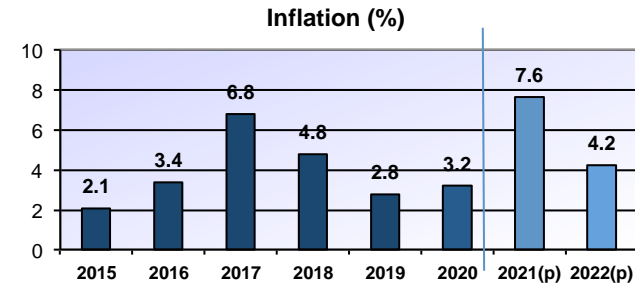
# Macroeconomic Framework of Mexico

**After a chaotic year (2020), growth expectations for 2021-2022 worsened slightly: 5.6% and 2.8% for the biennium, with higher short-term inflationary pressures: 7.6% and 4.2%.**

## 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	5.6	2.8
GDP Current (MX Billions)	18,572	20,129	21,934	23,523	24,443	23,122	26,103	28,178	25,879	27,666
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	7.6	4.2
<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	21.0	21.6
<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	5.0	5.34	6.2
<b>Current Account</b>										
Billions USD	-32.4	-33.1	-22.7	-22.2	-2.4	26.6	0.7	-6.1	-4.1	-8.2
% GDP	-2.8	-3.4	-1.6	-1.9	-0.2	2.4	0.1	-0.4	-0.3	-0.6
<b>Public Balance</b>										
% GDP	-3.4	-2.5	-1.1	-2.1	-1.6	-2.9	-3.2	-3.1	-3.2	-3.3
<b>USA</b>										
GDP (%Annual Growth)	2.4	1.6	2.3	2.9	2.3	-3.5	6.0	4.5	5.7	3.9
<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	1105,6	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

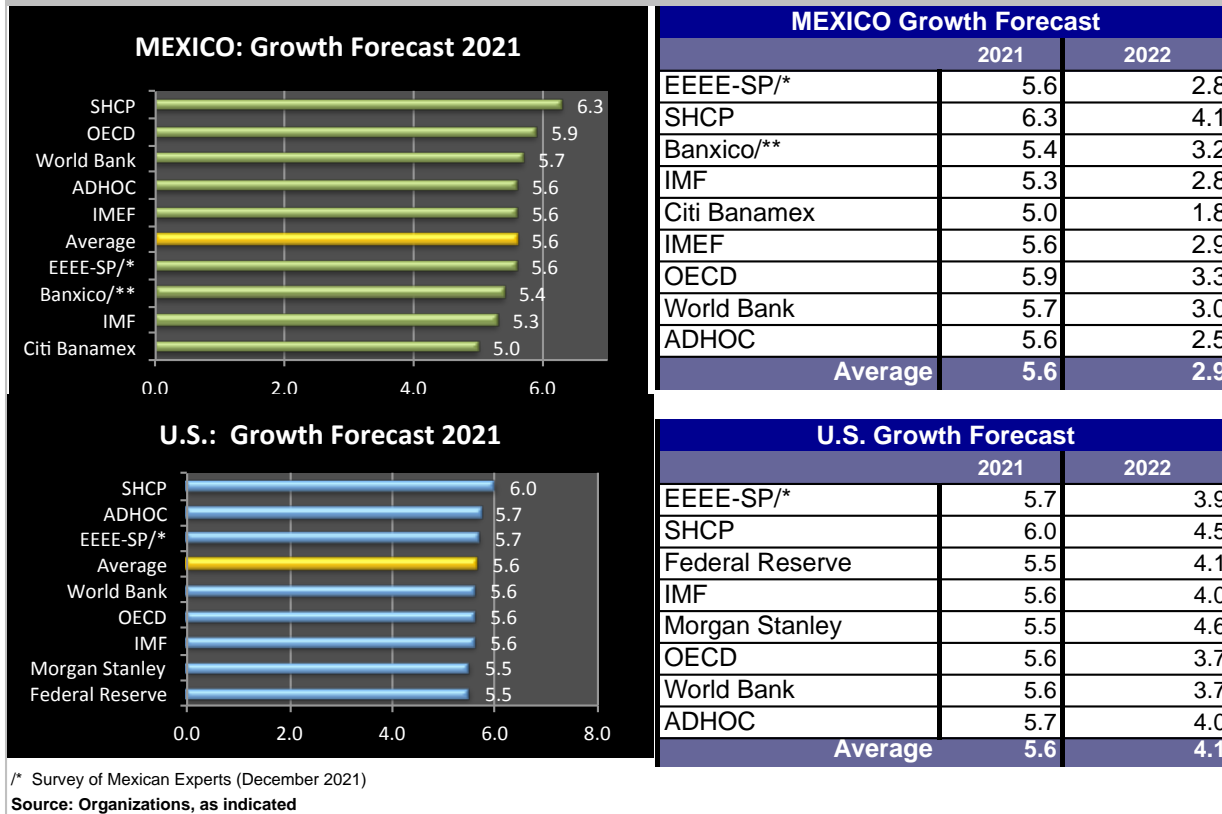
\*\* Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (December 2021)

(p) Projected

- For 2021-2022, private experts forecast positive economic growth: 5.6% and 2.8% for the biennium.
- An inflation rate outside the institutional goal for 2021 (7.6%) and 2022 (4.3%) is estimated.
- According to their forecasts, the fundamental balances will remain under control: the fiscal deficit around -3.2% and -3.3% of GDP for the biennium and a tiny current account balance (-0.3% and -0.6% of GDP) for both years.
- According to their forecasts, a year of frank recovery is envisaged for the US economy in 2021 (5.7%) and a return to its historical growth in 2022 (3.9%)

According to specialized agencies, the expected growth for 2021 is 5.6% for Mexico and the US. For 2022, the forecast is 2.9% and 4.1% for Mexico and the US, respectively.

## Growth Forecasts 2021-2022



- For Mexico, the forecasts of nine specialized organizations fluctuate between 5% and 6.3% in 2021, with an average of 5.6%. For 2022, the average forecast is 2.9%.
- For the US, the forecasts of eight specialized organizations fluctuate between 5.5% and 6% for 2021, with an average of 5.6%. For 2022, the average forecast is 4.1%.
- As can be seen, both economies advance in parallel, but the US economy is emerging as slightly more dynamic in the two-year period.

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In ADHOC we own our customers' challenges and accompany them in the difficult process of turning ideas into reality. We work together to ensure the success of their projects.



## Services

- ✧ **Planning, structuring, promotion and development of strategic investment projects.**
- ✧ **Capital budgeting and feasibility studies.**
- ✧ **Support and coordination in the implementation of investment projects.**
- ✧ **Professional assistance in public contracts and public-private projects.**
- ✧ **Communications and transportation projects: roads, railways, ports, airports and telecommunications.**
- ✧ **Urban mobility projects and mass transit.**
- ✧ **Energy projects.**
- ✧ **Integrated solutions covering financial, legal, economic, social, technical and institutional aspects.**
- ✧ **Development of programs and state and municipal projects.**
- ✧ **Macroeconomic analysis.**
- ✧ **Economic and financial advice online for making strategic decisions.**

## Contact us

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