



Mexico Economic Profile

Fourth Bimester of 2022

Timely Macroeconomic Report
for Decision Making

August 2022

Economic Profile of Mexico

Fourth Bimonthly Report of 2022

In July-August 2022, expectations about the performance of the Mexican economy experienced a new decline. Economic growth is weakening, while inflation has remained high and rising. Externally, the impact of COVID has been greatly reduced, but the impact of inflation has worsened. Domestically, the Mexican authorities have privileged the fight against inflation (via the PACIC, the Antiinflation Plan) over the promotion of economic growth. As a result, low growth and high inflation are reported, as proof that the PACIC has not been successful. The bet for the future is that private consumption is strengthened and the recessionary phase in US does not generate greater damage to the Mexican economy. However, the deterioration in business and consumer confidence and the severe decline in the US economy do not allow us to glimpse a promising scenario for the coming months.

Weak Economic Recovery.- In the first part of 2022, an annual growth of 1.9% in GDP is reported, which outlines a growth in the year of less than 2%, which is still not enough to compensate for the severe collapse of 2020 (-8.3%). The expectations for 2023 are even worse, due to the impending recession in the US. Faced with this gloomy panorama, which is already reflected in the loss of confidence of businessmen and consumers, it would be necessary to re-evaluate growth and the investment boost as the primary source of employment and well-being.

Inflation continues to skyrocket.- After many years of being kept under control, inflation skyrocketed in 2021 (7.4% at closing) and 2022 (8.7% in August). It apparently derives from an explosion in world demand, the imbalances in the productive chains due to Covid-19 and the spike in the price of energy and food, which came to be aggravated by the Russia-Ukraine war. In response, PACIC (the Antiinflation Plan) was launched, which has had limited effect. As economic activity normalizes, bottlenecks are eased, monetary policy operates and world peace is restored, inflation will return to its historical levels (2-3%) and that points towards 2023-2024.

Job creation slows.- After the enormous loss of formal jobs in 2020 (1.1 million between March and July 2020 and 648 thousand throughout the year), in 2021 and 2022 a rapid recovery of jobs is observed: in 2021, 846 thousand and in January-August 2022, 617 thousand jobs created. However, there is a weakening in job creation, while the unemployment rate is increasing (from 3.3 to 3.5%). Meanwhile, minimum wages gained purchasing power, despite rising inflation; this contributes to partially and temporarily improving the wage bill and reinforcing consumption.

Economic Profile of Mexico

Fourth Bimonthly Report of 2022

Oil revenues and Government Finances improve.- In January-August 2022, revenues are reported for 15.5% of GDP, expenses for 16.4% of GDP, and a negative balance of -1.0% of GDP. The greater dynamism of oil revenues (35.8%), thanks to a good price, has made it possible to sustain programmable spending levels and face higher non-programmable spending without putting too much pressure on the public deficit or public debt. Consequently, government debt contracted in the first eight months of 2022: it went from 50.2% to 47.1% of GDP.

Financing to the Private Sector moderates.- Despite efforts to promote it, financing to the private sector suffered a severe setback in 2021 and in the first part of 2022. However, in 2022, the second quarter, it has become more moderate (-1.4%) and resulted from a drop in financing to companies (-3.1%) and an increase in other destinations (consumption 3% and housing 0.4%). All in a context of rising interest rates (already close to 9% in August), which will continue to slow down the recovery of financing.

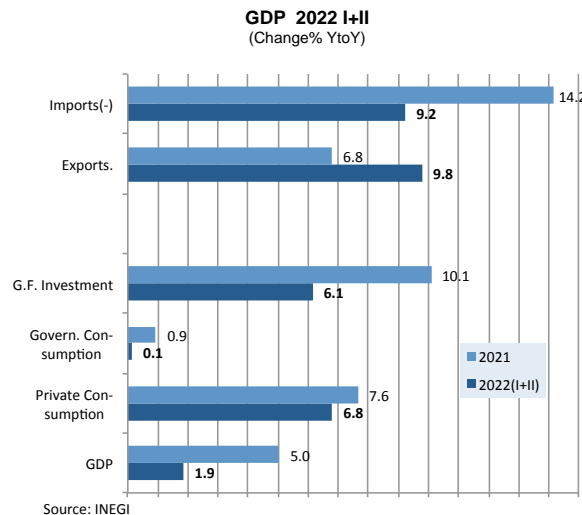
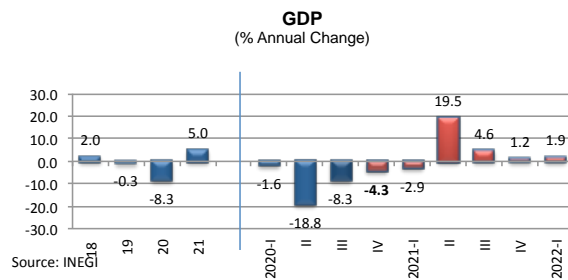
International trade continues to be strong.- Mexico's international trade continues to be buoyant: it grew 22% in July-August 2022. This, together with remittances (which also grew 12% in the same two-month period) have strengthened foreign exchange earnings and contributed to maintaining international reserves at a good level (closing August 2022 at 198.5 USD Bn). The biggest concern is the decline in foreign portfolio investment, which is an indicator of declining external confidence in the country.

Economic slowdown in the US with high inflation.- In the first part of 2022, a drop in the US GDP of -1.1% is reported, although the industry grows vigorously (5%) and unemployment rises slightly (3.7% in August). As in the rest of the world, the main concern lies in high inflation (8.3% in August), although it is now going down. Thus, in the US the economy is slowing down while inflation remains high.

Less Encouraging Economic Outlook.- The expectations for 2022 are less encouraging than at the beginning of the year for both Mexico and the US. For 2022, an economic advance of no more than 2% is expected for Mexico and no more than 1.5% for the US. For 2023, growth forecasts are outlined even lower for both countries.

The GDP grew 1.9% in the second quarter of 2022 (with an average of 1.9% for the first part of the year), which outlines growth of around 2% in 2022, insufficient to recover pre-pandemic levels.

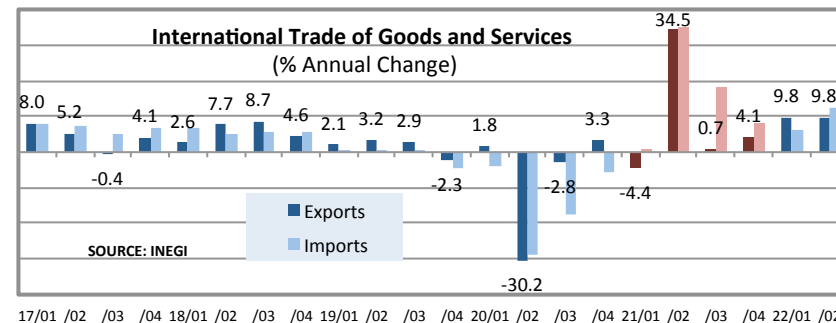
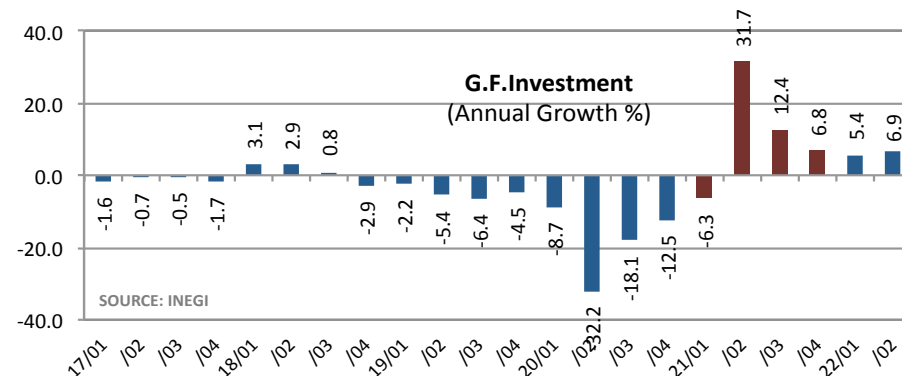
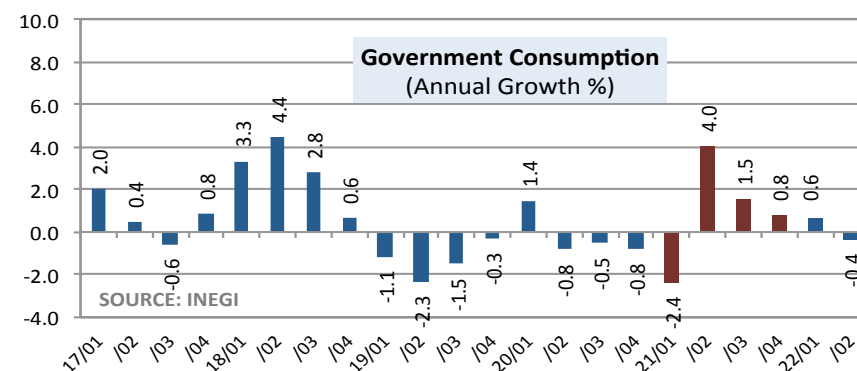
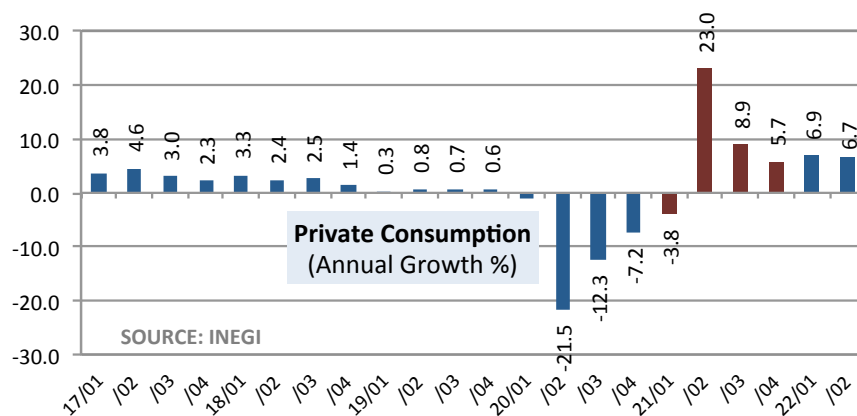
Gross Domestic Product



Year	GDP	Primary S.	Industrial S.	Services S.	Construction	Transportation	Mass Media
Change % (YtoY)							
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	-8.3	0.5	-9.7	-7.6	-20.4	-0.9	1.0
21	5.0	2.6	6.8	4.2	7.2	15.0	3.2
2020-I	-1.6	-1.2	-2.7	-0.6	-9.2	-3.3	6.2
II	-18.8	-2.7	-24.5	-16.8	-32.5	-40.2	0.4
III	-8.3	4.6	-8.4	-8.4	-17.3	-23.4	-6.2
IV	-4.3	1.2	-3.3	-4.6	-10.8	-14.6	-4.0
2021-I	-2.9	-0.7	-2.7	-3.1	-8.8	-11.2	-8.5
II	19.5	5.6	26.9	17.4	29.4	52.8	7.3
III	4.6	-1.4	4.9	4.4	9.7	20.1	8.8
IV	1.2	4.5	1.7	0.5	2.1	14.9	5.2
2022-I	1.9	2.0	3.1	0.9	-0.1	16.4	15.9
II	1.9	1.4	3.3	0.9	0.9	14.2	10.2
Year	GDP	Private Consumption	Govern. Consumption	G.F. Investment	Exports.	Imports(-)	
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	-8.3	-10.5	-0.2	-18.3	-7.3	-14.6	
2021	5.0	7.6	0.9	10.1	6.8	14.2	
2022(I+II)	1.9	6.8	0.1	6.1	9.8	9.2	
20-I	-1.6	-1.0	1.4	-8.7	1.8	-4.1	
II	-18.8	-21.5	-0.8	-32.2	-30.2	-28.8	
III	-8.3	-12.3	-0.5	-18.1	-2.8	-17.7	
IV	-4.3	-7.2	-0.8	-12.5	3.3	-5.8	
2021-I	-2.9	-3.8	-2.4	-6.3	-4.4	0.7	
II	19.5	23.0	4.0	31.7	34.5	35.1	
III	4.6	8.9	1.5	12.4	0.7	18.3	
IV	1.2	5.7	0.8	6.8	4.1	8.1	
2022-I	1.9	6.9	0.6	5.4	9.8	6.1	
II	1.9	6.7	-0.4	6.9	9.8	12.3	

Source: INEGI

- The economic reports for 2022 (1.9% in the first two quarters) point to modest growth in the year ($\approx 2\%$), which is not enough to recover production levels prior to the pandemic.
- At the sectoral level, the fastest recovery is taking place in the industrial sector (3.2%), then in the agricultural sector (1.8%) and finally in services (1%).
- On the demand side, after the rebound effect of 2021, the engines of demand continue to recover but they are losing force.



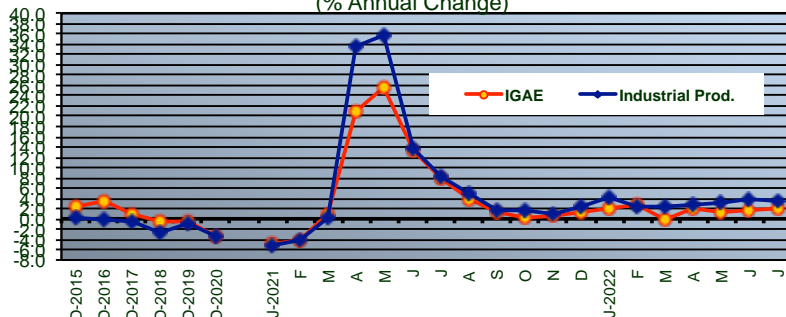
- Private consumption, with a large weight in demand (2/3 of GDP), after a complicated two-year period (2020-2021), in the second quarter of 2022 maintains the inertia of the recovery (6.7%), although it tends to lose strength .
- A very similar behavior is observed in investment: high growth (6.9%) but slightly rising.
- For their part, exports of goods and services continue to rise: high growth of 9.8% in 2022 (I+II), but the potential US recession could slow down this performance.

Economic Activity

In 2022, economic activity is heading towards its historical rate (2%). Business and consumer confidence is on the decline, and that means a slowdown in current modest growth.

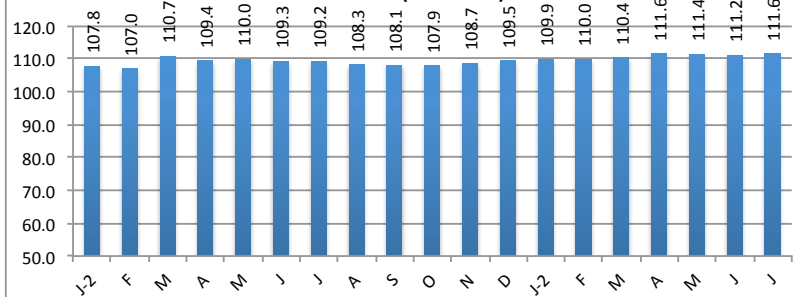
Production Indicators

Production Indicators
(% Annual Change)



Source: Information from INEGI

IGAE (2013=100)



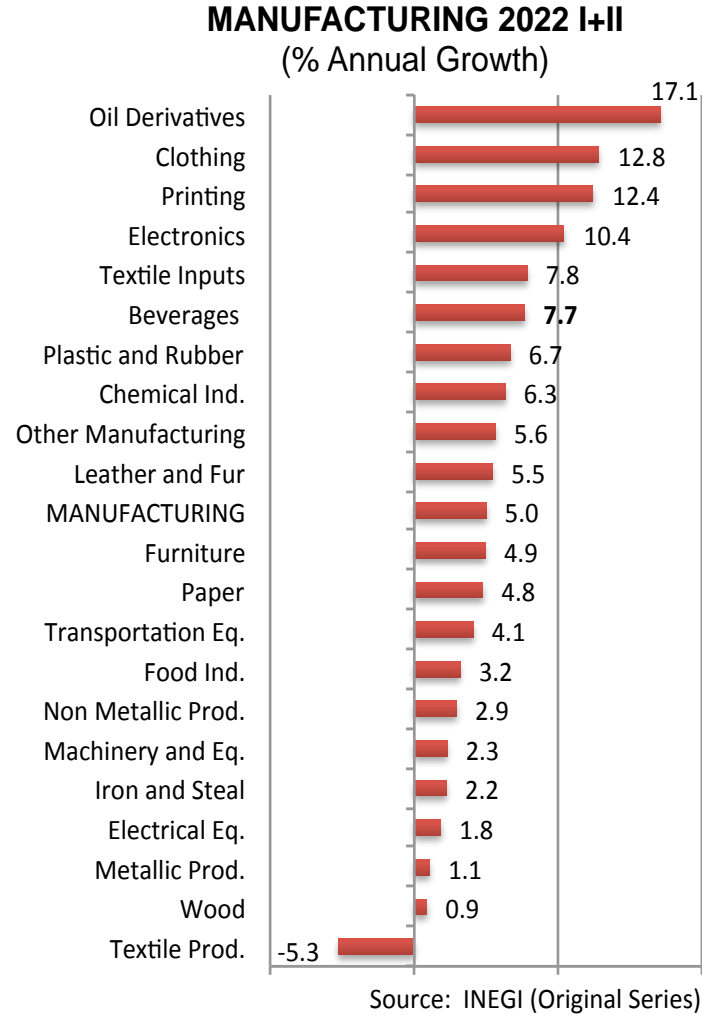
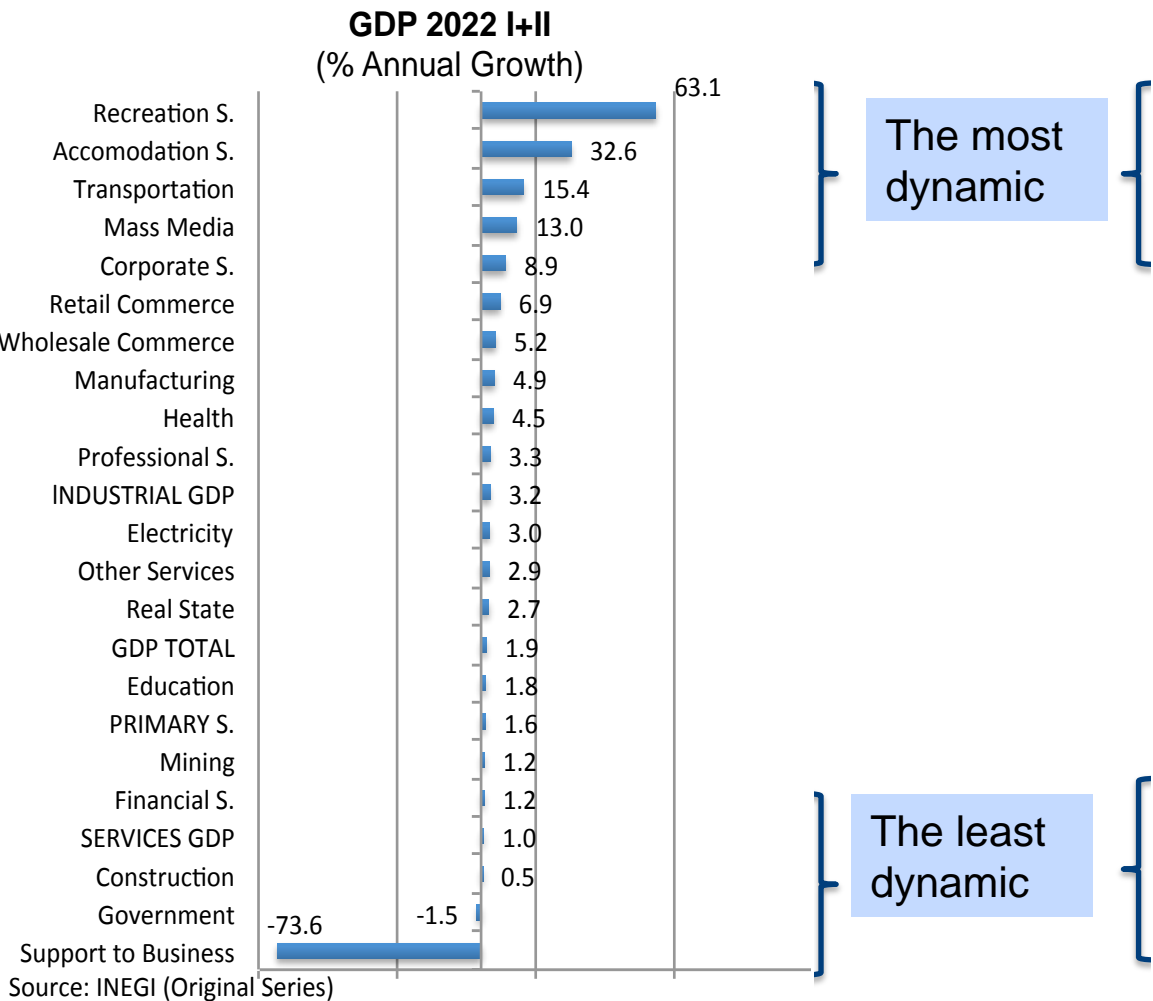
Period	IGAE (proxy of GDP)				Construction	Commerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Services S.		Wholesale	Retail	Total	Transportation	Mass media		
D-2015	2.5	2.0	0.2	3.8	-1.8	2.2	3.4	6.1	7.6	18.8	-0.3	2.9
D-2016	3.3	3.9	-0.3	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	-7.8	0.6
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
D-2020	-3.6	-2.5	-3.5	-3.6	-12.9	3.9	-1.9	-9.4	-21.3	5.1	-12.7	-6.7
J-2021	-4.9	0.3	-5.2	-5.0	-12.0	2.8	-2.6	-14.0	-19.4	-13.3	-11.2	-6.9
F	-4.3	2.6	-4.0	-5.1	-6.5	2.1	-2.6	-11.2	-18.2	-9.7	-4.4	-7.2
M	1.0	-5.3	0.4	1.1	-7.2	10.4	0.3	-5.8	-6.0	-16.0	-0.1	-0.6
A	21.0	-1.0	33.8	17.7	35.7	17.1	50.1	22.5	43.3	3.5	37.1	26.2
M	25.8	6.6	35.8	22.5	39.7	42.6	52.7	24.4	57.9	-0.3	43.2	29.9
J	13.4	7.9	13.6	13.7	13.3	17.7	21.1	25.7	49.0	9.3	15.4	19.4
J	7.7	-2.5	8.2	8.1	14.1	18.9	8.5	14.8	46.0	2.9	15.7	13.2
A	4.0	-0.4	4.9	3.8	7.0	6.4	11.5	6.4	31.1	0.8	11.9	9.9
S	1.4	-2.8	1.5	1.3	7.8	8.0	6.8	4.8	21.4	12.4	10.2	8.1
O	0.3	-3.7	1.6	0.1	2.4	6.1	2.9	1.6	20.0	1.5	7.2	6.8
N	0.5	6.8	0.9	0.2	-0.6	5.1	3.6	-1.4	23.2	-6.4	4.4	6.1
D	1.2	8.6	2.5	0.1	3.3	6.2	4.6	-1.8	27.3	-7.8	8.1	7.5
J-2022	1.9	1.7	4.2	0.9	1.3	2.3	4.6	4.1	22.8	17.3	8.6	7.6
F	2.8	-0.2	2.3	2.8	-3.8	10.4	7.6	4.3	24.2	15.2	1.8	10.0
M	-0.3	4.9	2.3	-1.4	0.9	3.1	1.6	4.8	18.2	22.4	4.1	8.5
A	2.0	6.3	2.9	1.3	1.5	8.7	7.8	7.5	19.2	18.8	8.2	7.9
M	1.3	3.0	3.2	0.4	-0.6	7.5	4.4	5.6	16.1	16.0	5.3	6.1
J	1.7	-3.0	3.8	1.0	1.8	9.0	6.3	3.3	12.0	16.7	8.3	6.7
J	2.2	-2.7	3.5	1.7	-0.8	6.4	5.1	3.8	12.7	8.2	3.5	6.3

Source: INEGI

- The IGAE (Global Indicator of Economic Activity), after the high growth of 2021-II, has since observed a moderation in its annual growth that extends until 2022.
- At a sectoral level, the industrial sector has been the most dynamic, with rates above 3%, followed by the service and agricultural sectors.
- Regarding demand, private consumption and investment are slowing down, although dynamics of investment is decreasing more slowly.

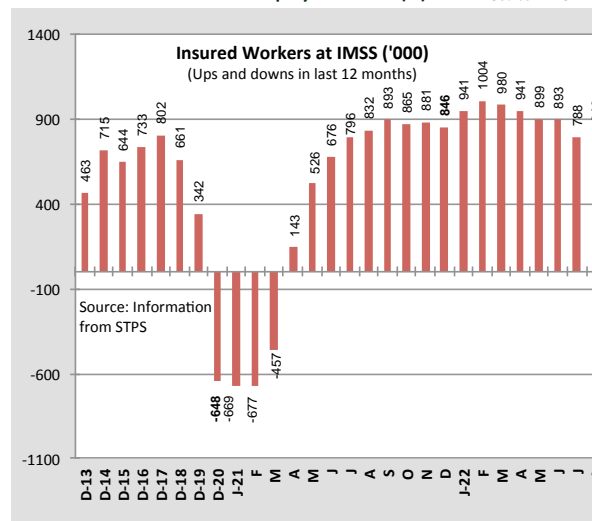
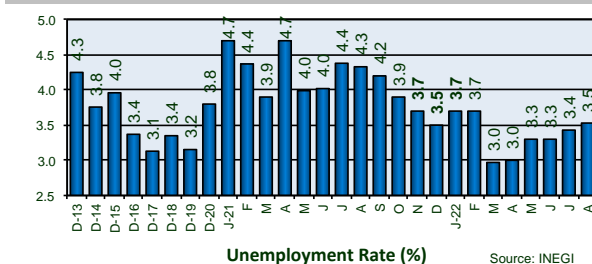
Economic Activity

In the first half of 2022, the return to normality is confirmed, showing the productive branches, for the most part, modest growth, with exceptions (e.g, some services and some manufacturing branches).



In July-August 2022, unemployment rose again (to 3.5%) and job creation continues to weaken: 816 thousand in the last twelve months.

Employment and Wages



Period	Unemployment Rate (%)	Workers insured at IMSS ('000)			Employment (Annual Change %)			Wage indicators (Annual Change %)		
		Total	Abs. Change Last 12m	Last Month	Construction	Manufacturing	Financial Service	Minimum Wage	IMSS Wage	Contractual Wage
D-12	4.5	16,062	712	-233	-3.0	2.9	2.8	4.6	4.0	4.5
D-13	4.3	16,525	463	-248	-3.3	1.4	-0.4	3.9	4.0	4.4
D-14	3.8	17,240	715	-235	1.1	3.4	-0.2	3.9	4.6	4.1
D-15	4.0	17,884	644	-304	-1.7	2.6	2.7	4.3	4.1	4.4
D-16	3.4	18,617	733	-319	-0.4	3.1	3.3	4.2	3.9	4.6
D-17	3.1	19,418	802	-338	-0.6	2.9	2.3	21.0	5.5	5.2
D-18	3.4	20,079	661	-379	-5.0	2.7	0.5	10.4	5.4	5.9
D-19	3.2	20,421	342	-382	-2.3	-1.4	0.8	16.2	6.7	5.9
D-20	3.8	19,774	-648	-278	-12.7	-0.9	-11.3	20.0	7.9	6.5
J-21	4.7	19,822	-669	48	-9.6	-0.5	-11.4	15	8.2	5.4
F	4.4	19,937	-677	115	-8.4	-0.4	-10.8	15	8.1	5.5
M	3.9	20,026	-457	89	-5.2	0.3	-9.5	15	7.1	5.9
A	4.7	20,070	143	45	5.1	2.4	-6.1	15	6.0	5.7
M	4.0	20,109	526	39	9.3	4.2	-4.0	15	6.2	4.9
J	4.0	20,175	676	66	8.5	4.5	-3.5	15	6.1	5.4
J	4.4	20,292	796	117	7.4	4.3	-9.7	15	7.5	6.1
A	4.3	20,421	832	129	7.0	4.0	-13.9	15	7.5	6.3
S	4.2	20,595	893	174	6.8	3.9	-15.6	15	7.3	4.7
O	3.9	20,768	865	173	5.8	3.3	-15.9	15	7.5	4.5
N	3.7	20,933	881	165	5.9	3.1	-15.9	15	7.4	5.6
D	3.5	20,620	846	-313	5.3	2.4	-16.1	15	7.5	7.2
J-22	3.7	20,762	941	142	3.8	2.3	-12.7	22/**	8.9	7.6
F	3.7	20,941	1004	179	5.9	2.8	-13.7	22	9.5	7.6
M	3.0	21,006	980	65	7.9	2.8	-12.3	22	10.5	8.4
A	3.0	21,011	941	5	4.8	2.8	-13.4	22	10.8	6.4
M	3.3	21,008	899	-3	2.9	2.6	-13.0	22	10.9	8.9
J	3.3	21,069	893	60	1.5	2.4	-12.3	22	11.1	7.7
J	3.4	21,079	788	11	3.0	1.6	-6.5	22	11.5	9.0
A	3.5	21,237	816	157				22	11.5	5.7

Source: INEGI, STPS.

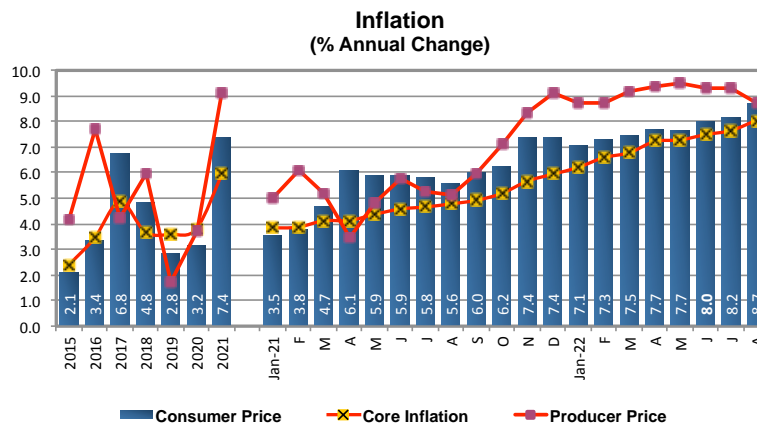
/** Only Federal Jurisdiction

*** Min. Wage=\$172.87 pesos/day

- The unemployment rate continued to rise in the fourth two months of the year to reach 3.5%.
- In 2021, 846 thousand jobs were created and in the first 8 months of 2022, 617 thousand jobs were created. However, job creation is weakening and new jobs are low-wage jobs.
- Higher inflation has led to disparate gains in the three main salary indicators: +13.3% in the minimum, 2.8% in the IMSS salary and -3% in the contractual salary. The salary improvement is largely attributed to the annual adjustments in the minimum wage (22% in 2022) promoted by the current administration.

In August 2022, inflation is still soaring (8.7%), but producer price inflation is now on the decline.

Prices



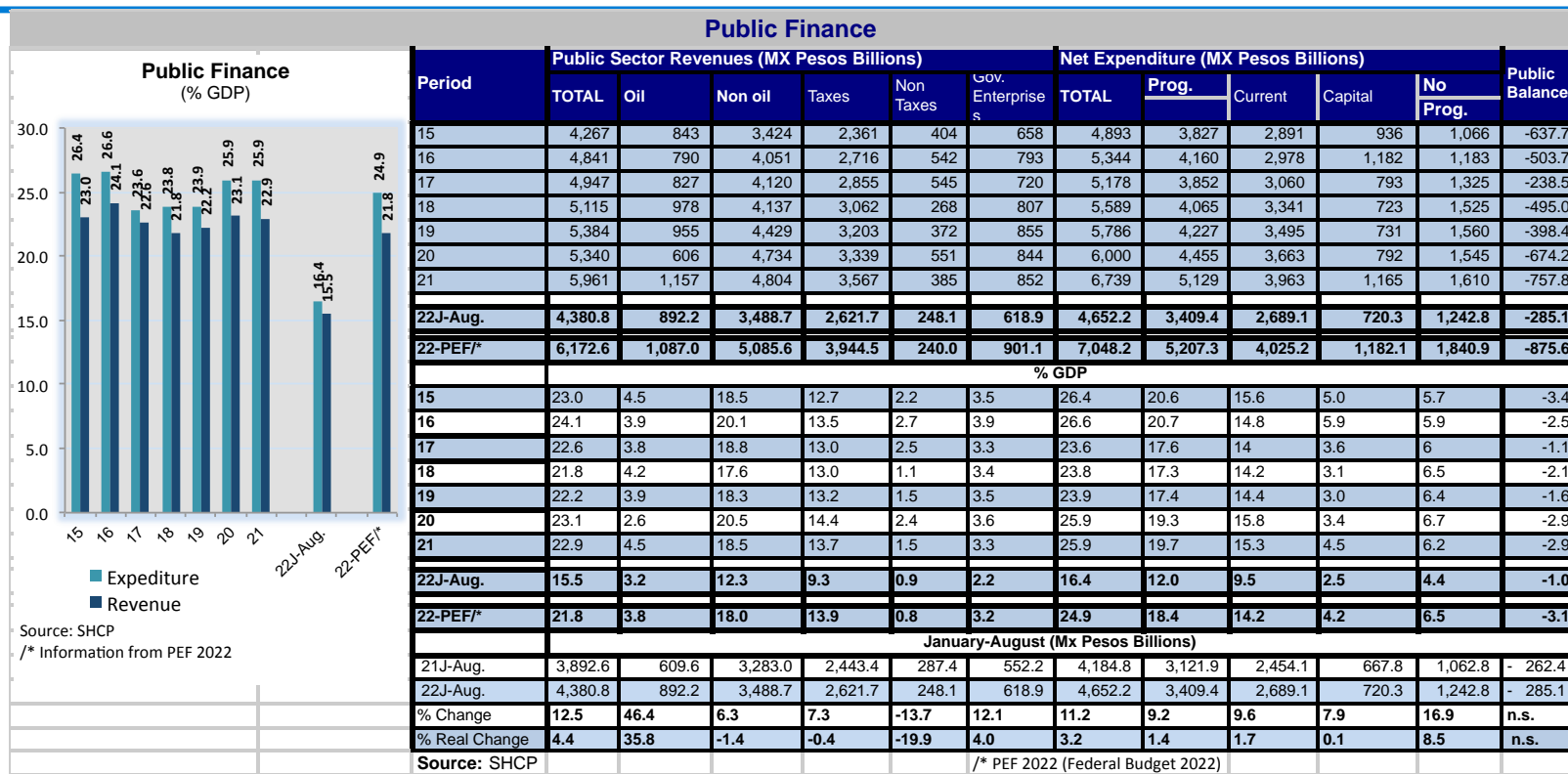
Source: Information from INEGI

	Consumer Price (INPC)		Core Inflation	Producer Price (INPP)*
	Annual (m/m)	Annual Ave	Annual (m/m)	Annual (m/m)
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
2021	7.4	5.7	5.9	9.1
	Annual (m/m)	Monthly	Annual (m/m)	Annual (m/m)
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
S	6.0	0.6	4.9	6.0
O	6.2	0.8	5.2	7.1
N	7.4	1.1	5.7	8.4
D	7.4	0.4	5.9	9.1
Jan-22	7.1	0.6	6.2	8.7
F	7.3	0.8	6.6	8.7
M	7.5	1.0	6.8	9.2
A	7.7	0.5	7.2	9.4
M	7.7	0.2	7.3	9.5
J	8.0	0.8	7.5	9.3
J	8.2	0.7	7.7	9.3
A	8.7	0.7	8.1	8.7

Source: INEGI

- Despite the PACIC and the gasoline subsidy, inflation has not decreased (8.7% in August) and is attributed to the explosion in world demand and the imbalance in production chains derived from the pandemic and the Russia-Ukraine war.
- This inflation more than doubles the institutional goal of the Bank of Mexico (3% +/- 1%). The good news is that producer price inflation appears to have peaked and is now trending down.
- The expectation is that inflation will peak towards the end of 2022 and beginning of 2023 and then gradually return to its historical level in 2024.

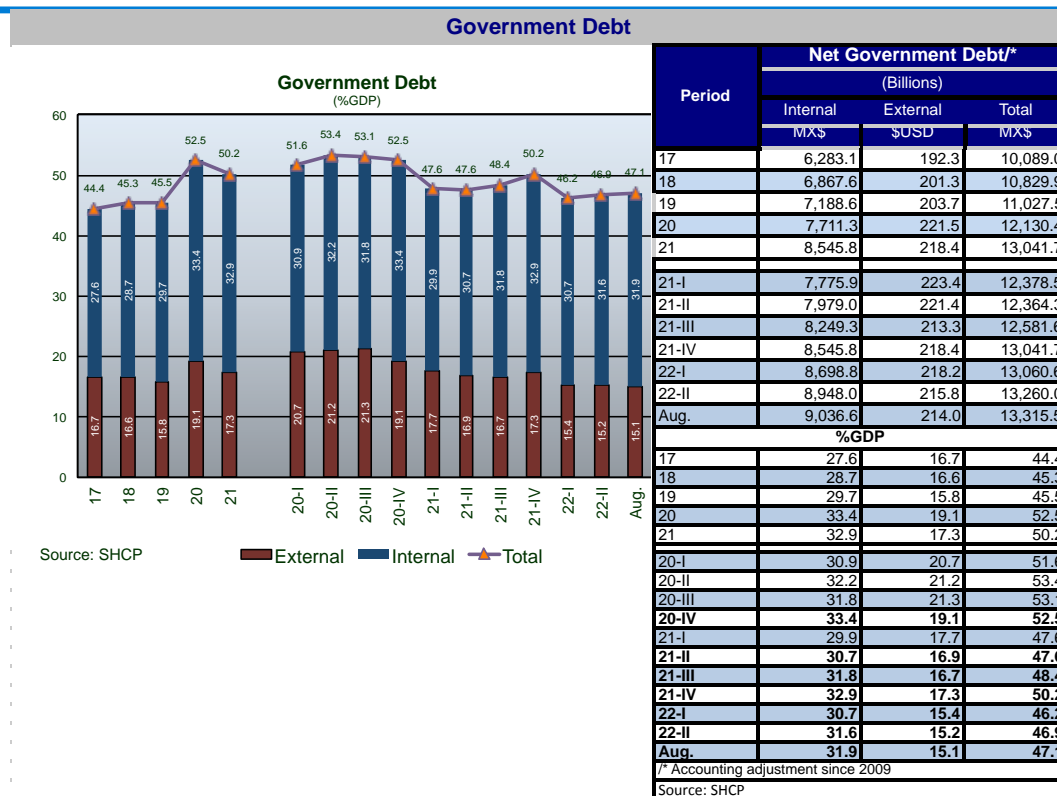
In January-August 2022, government revenues totaled 15.5% of GDP and expenditures 16.4% of GDP, resulting in a deficit of 1.0% of GDP.



- In January-August 2022, a significant increase in revenues (4.4%) and a more modest increase in expenses (3.2%) are reported.
- On the revenue side, there is a substantial increase in oil revenues (35.8%). On the spending side, there is a significant increase in non-programmable spending (8.5%), due to the higher financial cost of the debt.
- In short, fiscal discipline is maintained with some difficulty thanks to a good oil price (around 90 DPB), which has served to subsidize the price of fuels and curb inflation.

Public Debt

Public debt, as a percentage of GDP, remains under control: it contracted from 50.2% to 47.1% of GDP in the first eight months of 2022.

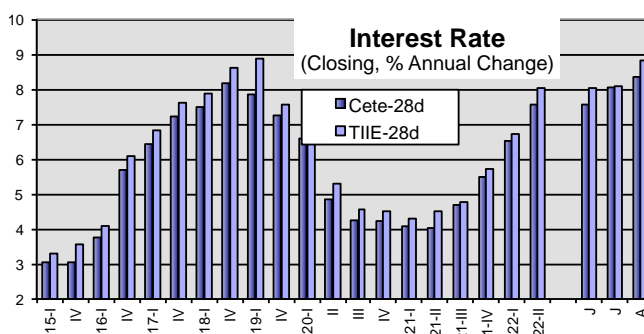
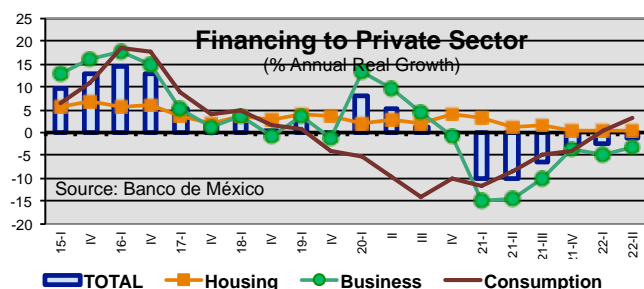


- In the world comparison, Mexico's public debt is moderate: it closed 50.2% of GDP in 2021 and in August it fell to 47.1% of GDP. As a reference, in the US it is around 100% of GDP and in Japan 170% of GDP.
- The current administration has made a promise to keep the government's debt in check and has kept it. Although it has experienced ups and downs, it has remained within manageable ranges.
- To achieve this goal, it is essential to keep the fiscal deficit under control and, additionally, keep the exchange rate relatively stable. It has not been easy as government funding sources are very limited and budget needs are enormous.

Financial sector

In the second quarter of 2022, financing to the private sector showed a slight annual decline (-1.4%); For their part, interest rates continue to rise and in August they approached 9%.

Financial Indicators



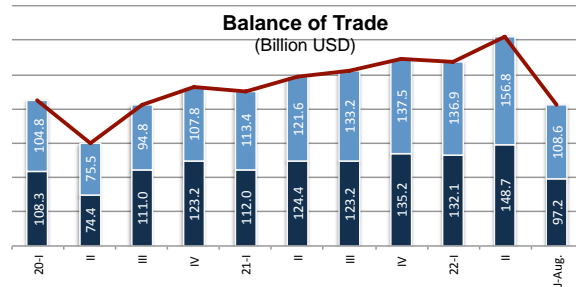
Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates		Stock Market	
	TOTAL	% Annual Real	By Source		For Destination			(% Annual)		IPC	%
			External	Internal	Consumption	Housing	Business	CETE-28d	TIIE-28d	(000)	Growth
15-I	6,537	9.5	18.8	6.6	6.6	5.7	12.7	3.1	3.3	43.7	-1.1
IV	7,375	12.9	14.2	12.5	10.9	6.9	16.1	3.1	3.6	43.0	-2.3
16-I	7,681	14.4	17.7	13.2	18.7	5.6	17.6	3.8	4.1	45.9	6.8
IV	8,608	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	9,331	1.7	-4.7	4.2	4.0	2.0	1.1	7.2	7.6	49.4	1.6
18-I	9,270	3.7	-2.4	5.8	4.8	3.6	3.5	7.5	7.9	46.1	-6.5
IV	9,829	0.5	-9.0	3.9	1.6	3.0	-0.7	8.2	8.6	41.6	-15.9
19-I	9,978	3.4	-1.8	5.1	0.7	4.0	3.8	7.9	8.9	43.3	3.9
IV	10,067	-0.5	-2.5	0.1	-4.1	3.6	-1.4	7.3	7.6	43.5	1.2
20-I	11,150	8.1	24.8	3.0	-5.1	2.1	13.5	6.6	6.7	34.6	-20.5
II	10,973	5.4	20.5	0.8	-9.8	2.9	9.7	4.9	5.3	37.7	9.0
III	10,760	1.3	13.1	-2.2	-14.2	2.1	4.4	4.3	4.5	37.5	-0.7
IV	10,352	-0.7	3.7	-2.0	-10.1	4.1	-0.7	4.2	4.5	43.2	15.5
21-I	10,411	-10.2	-18.0	-7.4	-11.5	3.3	-15.0	4.1	4.3	47.2	9.2
21-II	10,459	-10.0	-15.9	-7.9	-8.6	1.1	-14.6	4.0	4.5	50.3	6.4
21-III	10,656	-6.4	-10.6	-4.9	-4.7	1.8	-10.1	4.7	4.7	51.4	2.2
21-IV	10,785	-2.6	-2.0	-2.8	-4.0	0.4	-3.7	5.5	5.7	53.3	3.7
22-I	10,876	-2.6	-6.0	-1.5	0.5	0.6	-4.7	6.5	6.7	56.5	6.1
22-II	11,115	-1.4	-6.6	0.3	3.0	0.4	-3.1	7.6	8.0	47.5	-15.9
J								7.6	8.0	47.5	-8.2
J								8.1	8.1	48.1	1.3
A								8.4	8.8	44.9	-6.7

Source: Banco de México

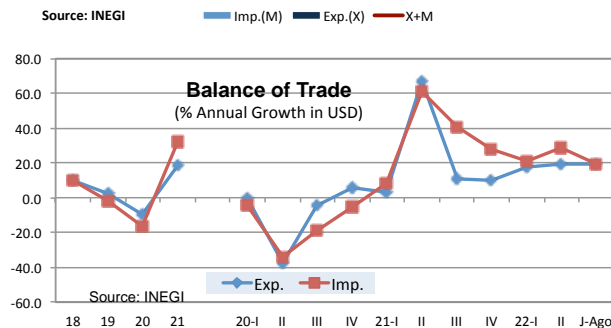
- The recent economic crisis translated first into a slowdown in financing to the private sector (2020) and then into a decline in 2021 and 2022.
- The decline in the second quarter of 2022 (-1.4%) is observed in financing to companies (-3.1%); not so in other destinations, such as consumption (3%) and housing (0.4%), which already report positive growth.
- To boost financing, interest rates remained low, but began to pick up in the second half of 2021 and are already close to 9% in August 2022. The Stock Exchange, for its part, lost 15.9% in the second quarter and had a new fall in August (-6.7%).

In July-August 2022, international trade in goods remains dynamic (annual growth of 22%), due to the T-MEC and the good performance of the US industrial sector.

International Trade



Source: INEGI



Source: INEGI

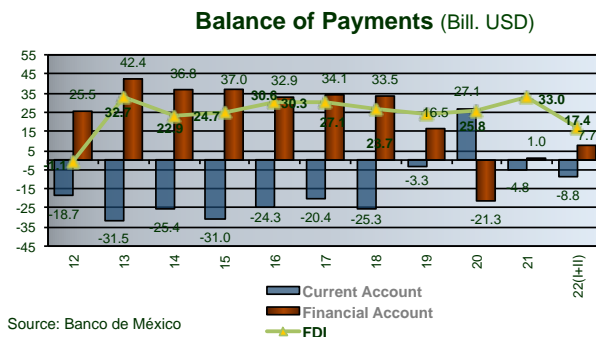
Period	Balance of Trade (Billion USD)			% Annual Change			Balance (Billion USD)	Remittances	
	Exp. (M)	Imp. (M)	X+M	Exp.	Imp.	X+M		Billion USD	% Annual Change
15	380.8	395.2	776.0	-4.1	-1.2	-2.6	-14.5	24.6	4.1
16	373.9	387.1	761.0	-1.8	-2.1	-1.9	-13.1	27.0	9.8
17	409.4	420.4	829.8	9.5	8.6	9.0	-11.0	28.8	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	494.8	505.7	1000.5	18.6	32.0	25.1	-10.9	51.6	27.6
20-1	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
21-1	112.0	113.4	225.3	3.4	8.2	5.7	-1.4	10.6	14.1
II	124.4	121.6	246.0	67.2	61.0	64.1	2.8	13.0	33.2
III	123.2	133.2	256.4	10.9	40.5	24.6	-10.1	13.7	28.2
IV	135.2	137.5	272.7	9.7	27.5	18.0	-2.2	14.2	33.8
22-1	132.1	136.9	269.0	17.9	20.8	19.4	-4.9	12.5	18.0
II	148.7	156.8	305.5	19.5	28.9	24.2	-8.1	15.0	15.5
J-Aug.	97.2	108.6	205.8	19.3	19.3	21.8	-11.5	10.4	12.2
Jul-21	41.0	45.0	85.9	15.4	50.6	31.5	-4.0	4.5	28.6
A	40.5	44.2	84.7	9.4	43.3	24.8	-3.7	4.7	32.7
S	41.8	44.1	85.8	8.3	29.1	18.1	-2.3	4.4	23.3
O	41.9	44.7	86.5	-0.2	25.1	11.4	-2.8	4.8	33.9
N	45.7	45.7	91.4	19.4	29.6	24.3	0.0	4.7	37.9
D	47.7	47.1	94.8	10.8	27.7	18.6	0.6	4.8	29.8
Jan-22	33.9	40.2	74.1	3.6	18.5	11.2	-6.3	3.9	19.2
F	46.2	45.0	91.2	27.7	34.2	30.8	1.3	3.9	23.2
M	51.9	51.8	103.7	20.6	12.7	16.5	0.1	4.7	13.0
A	47.5	49.4	96.8	16.0	25.7	20.7	-1.9	4.7	16.5
M	50.0	52.2	102.2	22.4	29.1	25.7	-2.2	5.2	14.6
J	51.2	55.2	106.4	20.2	31.7	25.9	-4.0	5.1	15.4
J	46.5	52.5	99.0	13.6	16.7	15.2	-6.0	5.3	16.7
A	50.7	56.2	106.8	25.2	27.0	26.2	-5.5	5.1	8.0

Source: INEGI

- After the severe collapse of 2020, international trade in goods recovered rapidly in 2021 and remains very dynamic in 2022.
- After a biennium (2019-2020) with a trade surplus, the trade deficit returned in 2021 (-10.9 USD Bn) and in 2022 (-24.5 USD Bn in January-August).
- On the other hand, remittances, due to the good performance in the US economy, continue to grow although at a slower rate: 12.2% in July-August.

In the first half of 2022, the balance of payments reflects a current account deficit (-8.8 USD Bn) and a surplus in the financial account (7.7 USD Bn), supported by Foreign Direct Investment (17 USD Bn).

International Transactions



Period	Balance of Trade (Bill.USD)	Exports (Bill.USD)	Imports (Bill.USD)	Current Account (Billion USD)	(%GDP)	Financial Account (Bill.USD)	Foreign Direct Investment	Reserves Int. Change (Bill USD)	Stock of Int. Reserves (Bill.USD)
12	0.1	370.9	370.7	-18.7	-1.5	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	-2.2	32.9	30.6	-0.2	176.5
17	-11.0	409.4	420.4	-20.4	-1.7	34.1	30.3	-3.7	172.8
18	-13.6	450.7	464.3	-25.3	-2.0	33.5	27.1	0.8	173.6
19	5.4	460.7	455.3	-3.3	-0.3	16.5	23.7	7.3	180.9
20	34.0	417.0	383.0	27.1	2.5	-21.3	25.8	14.5	195.4
21	-10.9	494.8	505.7	-4.8	-0.4	1.0	33.0	7.0	202.4
22(I+II)	-12.9	280.8	293.7	-8.8	-1.3	7.7	17.4	-1.5	200.9
19-I	-1.8	108.1	109.9	-11.2	-3.6	11.7	12.5	1.8	176.6
19-II	5.0	119.3	114.3	4.7	1.4	1.6	5.0	2.3	178.9
19-III	-1.0	116.4	117.4	-0.1	-0.1	0.7	4.2	1.3	180.2
19-IV	3.2	117.0	113.8	3.3	1.0	2.5	2.0	0.7	180.9
20-I	3.6	108.3	104.8	-7.3	-2.4	6.6	16.1	4.6	185.5
20-II	-1.2	74.4	75.5	-0.5	-0.4	-5.0	3.0	4.1	189.6
20-III	16.2	111.0	94.8	17.3	6.6	-13.9	1.2	4.4	194.0
20-IV	15.4	123.2	107.8	17.6	6.5	-9.0	5.6	1.4	195.4
21-I	-1.4	112.0	113.4	-9.3	-1.0	7.1	14.4	-0.7	194.8
21-II	2.8	124.4	121.6	6.0	0.5	-8.1	5.7	-1.9	192.9
21-III	-10.1	123.2	133.2	-4.3	-0.5	2.5	5.2	5.5	198.4
21-IV	-2.2	135.2	137.5	2.8	0.4	-0.5	7.7	4.0	202.4
22-I	-4.9	132.1	136.9	-8.1	-1.2	7.6	15.4	-1.5	200.9
22-II	-8.1	148.7	156.8	-0.7	-0.1	0.1	2.1	-2.3	198.5
J								-1.0	198.5
J								0.9	199.5
A								-1.0	198.5

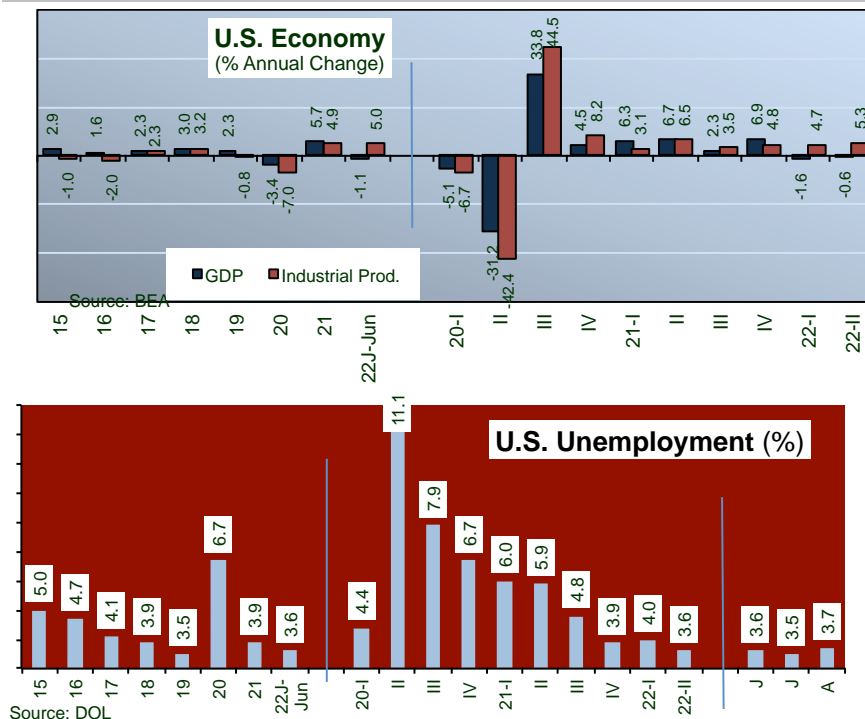
Source: Banco de México

- In the first half of 2022, there was a current account deficit (-8.8 USD BN) and a very similar financial account surplus 7.7 USD Bn), supported by an inflow of Foreign Direct Investment (17 USD Bn).
- As a consequence, international reserves remain high at the end of the first semester (198.5 USD Bn), a level that has been maintained until August 2022.
- The confidence of foreign investors is not going through its best moment. Financial investment has shown high volatility, with a downward trend, while direct investment is less unstable.

International economy

In the first part of 2022, the US GDP reported a decline of -1.1%, although the industrial sector shows vigorous dynamism (5%) and unemployment remains at low levels (3.7% in August)

U.S. Economy

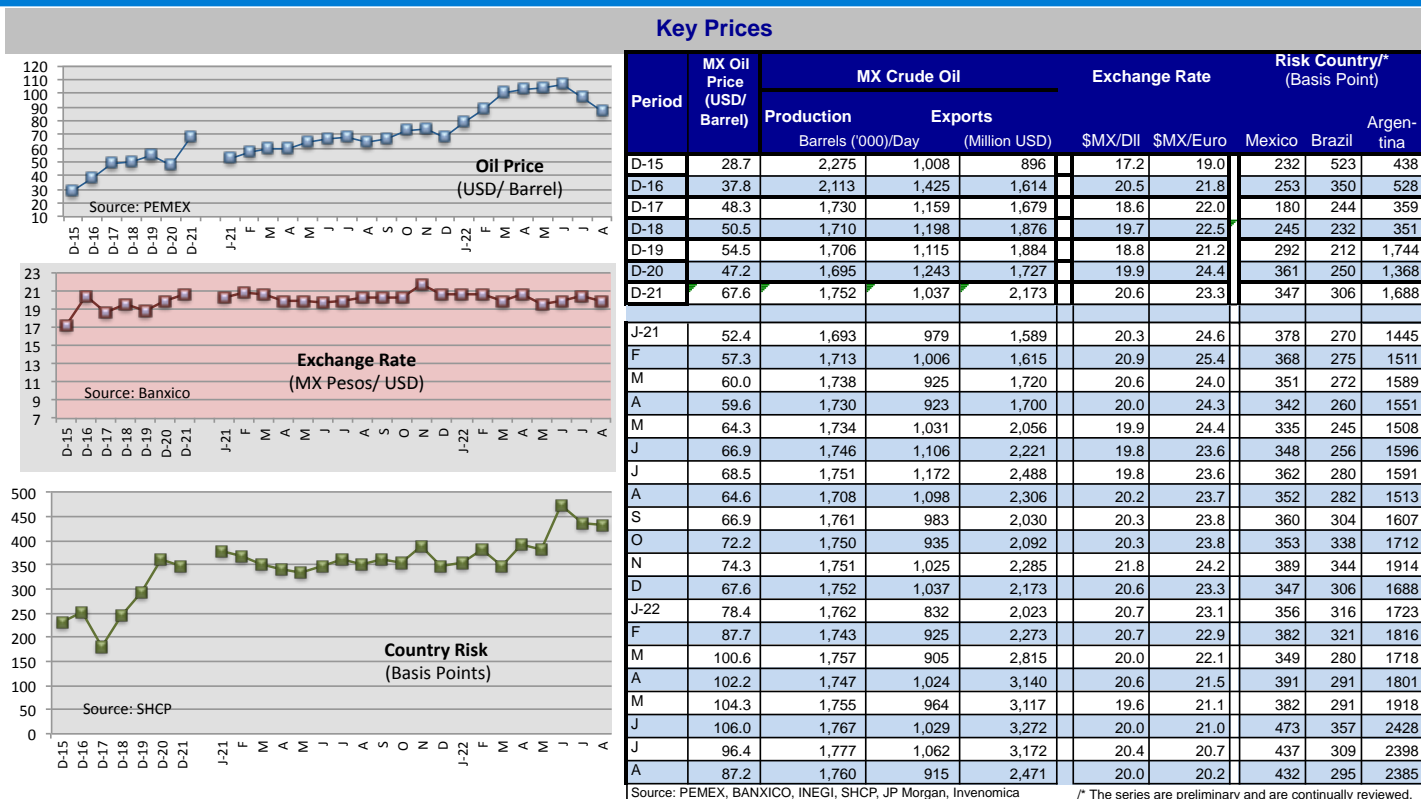


Period	GDP*	Industrial Prod.	Manufacturing		Unemployment Rate	Inflation
	% Annual Change of Quarter	% Annual Change	% Annual Change of Quarter	% Annual Change	%	% Annual Change
15	2.9	-1.0		-0.5	5.0	0.7
16	1.6	-2.0		-0.8	4.7	2.1
17	2.3	2.3		2.0	4.1	2.1
18	3.0	3.2		1.3	3.9	1.9
19	2.3	-0.8		-2.0	3.5	2.3
20	-3.4	-7.0		-6.3	6.7	1.4
21	5.7	4.9		5.7	3.9	7.0
22J-Jun	-1.1	5.0		4.1	3.6	9.1
20-I	-5.1	-6.7	-2.9	-5.7	4.4	1.5
II	-31.2	-42.4	-15.0	-44.7	11.1	0.6
III	33.8	44.5	-6.7	55.8	7.9	1.4
IV	4.5	8.2	-4.3	11.1	6.7	1.4
21-I	6.3	3.1	-1.6	2.4	6.0	2.6
II	6.7	6.5	14.7	5.1	5.9	5.4
III	2.3	3.5	5.5	3.6	5.7	5.4
IV	6.9	4.8	4.5	5.8	4.2	7.0
22-I	-1.6	4.7	4.6	3.2	4.3	7.5
22-II	-0.6	5.3	4.4	3.6	4.0	9.1
J						
J		0.0	3.8	-5.7	3.5	9.1
J		5.9	3.5	7.3	2.6	8.5
A		-2.3	3.5	1.2	3.2	8.3

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

- In the first half of 2022, the US economy experienced a stumble (-1.1%) and two quarters of negative growth. All in all, industrial growth was vigorous (5%), while unemployment continues to show moderate rates (3.7% in August).
- However, the central theme is the high inflation (8.3% in August) that contracted from June (9.1%). Therefore, the fight against inflation is a priority and it is taken for granted that this will mean moderating the economic recovery in 2022-2023.
- The expectation for 2022-2023 is to achieve moderate economic growth (around 1% or less) and quickly reduce inflation, via a very aggressive monetary policy and the rise in interest rates.

In July-August 2022, the high price of crude oil has moderated (87 DPB in August), the exchange rate remains stable (20 PPD) and the country risk (432 basis points) is at high levels.



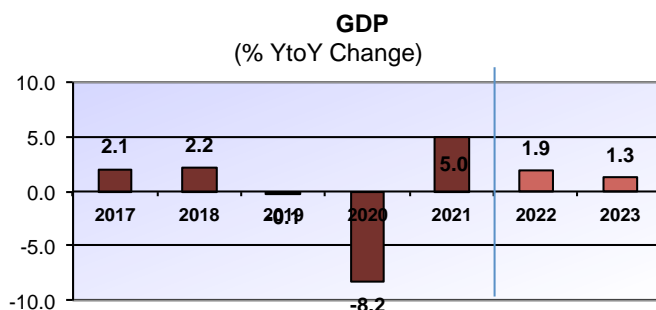
* The series are preliminary and are continually reviewed.

- The price of crude oil contracted from July and everything points to more moderate prices in the second part of 2022 (87 DPB in August)
- Despite the uncertainty and the ups and downs of the market, the exchange rate has remained relatively stable: in 2022 it has fluctuated around 20-21 PPD, closing August at 20 PPD.
- For its part, the country risk in the post-pandemic stage has shown ups and downs, although it has showed an upward trend during 2022: it closed 2021 at 347 basis points and in August 2022 it stood at 432 basis points.

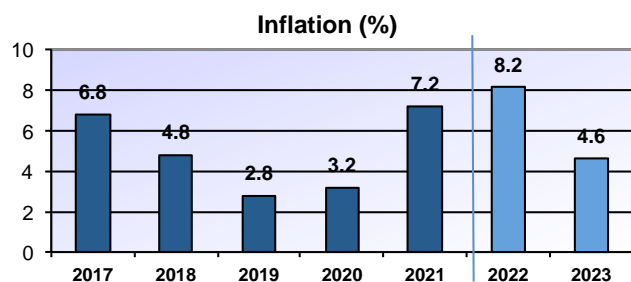
Macroeconomic Framework of Mexico

For fear of a recession and higher inflation, growth expectations for 2022-2023 continue to drop: 1.9% and 1.3% for the two-year period, while inflationary pressures do not subside: 8.2% and 4.6%.

Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical					CGPE/*		EEESP/**	
	2017	2018	2019	2020	2021	2022	2023	2022	2023
GDP									
% Annual Growth	2.1	2.2	-0.1	-8.2	5.0	2.4	3.0	1.9	1.3
GDP Current (MX Billions)	21,934	23,523	24,443	23,122	25,978	28,729	31,071	28,597	30,420
GDP Deflator	6.7	4.9	4.0	3.0	7.0	8.0	5.0	8.0	5.0
Inflation									
Dec/ Dec	6.8	4.8	2.8	3.2	7.2	7.7	3.2	8.2	4.6
Exchange Rate									
Average	18.9	0	0	0	20.4	20.6	20.6		
Closing	19.7	19.7	18.8	19.949	20.58	20.4	20.6	20.8	21.2
Interest Rate (Cete 28d)									
Average	6.9	7.8	0	0	4.6	9.5	8.5		
Closing	7.2	8.2	7.3	4.23	5.5	7.5	8.9	9.72	9.1
Current Account									
Billions USD	-22.7	-22.2	-2.4	26.6	-4.9	-28.4	-18.3	-12.2	-13.9
% GDP	-1.6	-1.9	-0.2	2.4	-0.388	-2.0	-1.2	-0.9	-1.0
Public Balance									
% GDP	-1.1	-2.1	-1.6	-2.9	-2.9	-3.0	-3.6	-3.4	-3.3
USA									
GDP (%Annual Growth)	2.3	2.9	2.3	-3.5	5.7	2.3	1.8	1.6	1.2
MX Crude Oil									
Avg. Price (USD/ Barrel)	46.3	61.4	55.5	35.8	65.3	94	69		
Exports ('000 barrels/day)	1,175	1,186	1,105.6	1,120	1,018	950	784		
Production ('000 barrels/day)	1,944	1,813	1,678	1,686	1,736	1835	1872		

/* CGPE-(Criterios Generales de Política Económica 2022; Precriterios 2023).- Basis Document for Macroeconomic Policy

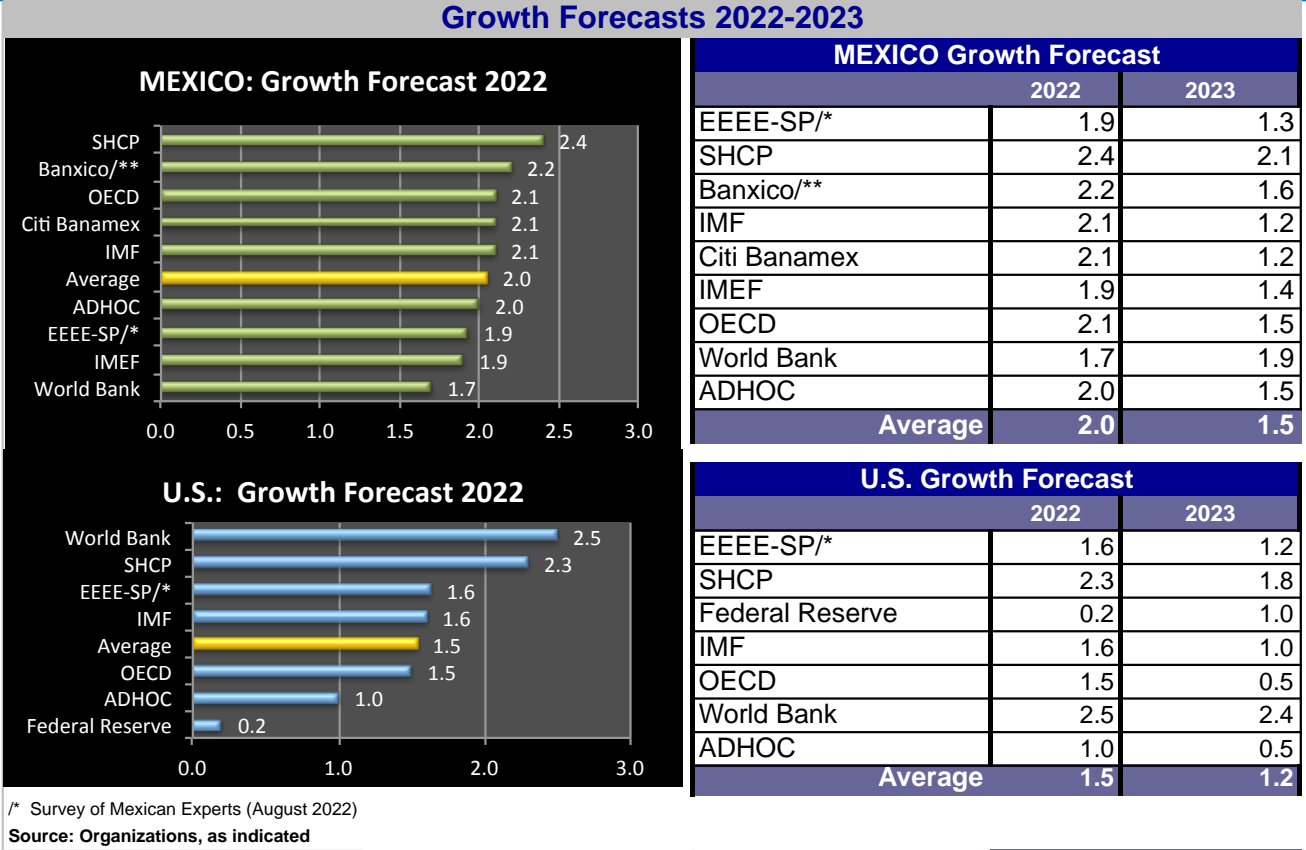
/** Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (August 2022)

(p) Projected

- For 2022-2023, experts forecast moderate economic growth: 1.9% and 1.3% for the biennium.
- An inflation rate above the institutional goal is estimated for 2022 (8.2%) and 2023 (4.6%).
- According to forecasts, the fundamental balances will remain under control: a fiscal deficit slightly bigger (-3.4/-3.3 of GDP) for the biennium and a minuscule current account balance (-0.9%/-1.0% of GDP) for both years.
- According to their forecasts, a two-year period of moderate growth is expected for the US economy: in 2022 (1.6%) and in 2023 (1.2%).

Growth Forecasts 2022-2023

According to specialized agencies, the expected growth for 2022 is 2% and 1.5% for Mexico and the US, respectively. By 2023, growth of 1.5% and 1.2% is forecast for both countries.



- For Mexico, the forecasts of nine specialized organizations fluctuate between 1.7% and 2.4% in 2022, with an average of 2%. For 2023, the average forecast is 1.5%.
- For the US, the forecasts of seven specialized organizations fluctuate between 0.2% and 2.5% for 2022, with an average of 1.5%. For 2023, the average forecast is 1.2%.
- As can be seen, both economies moderate their dynamism, but the US economy is emerging as slightly less dynamic in the two-year period.

Database Query	Available on our website: www.adhocconsultores.com.mx
Custom Query	Carlos López Bravo Tels. 55-5202-3687 y 3484 clopez@adhocconsultores.com.mx
General Information	Aurora Mora Tels. 55-5202-3687 y 3484 amora@adhocconsultores.com.mx

Disclaimer

Mexico Economic Profile is a regular publication of ADHOC Consultores Asociados, S.C. Total or partial reproduction by any means is prohibited, without the express written permission of ADHOC Consultores Asociados, S.C. Exclusive rights reserved: 04-2010-022609575200-106. ISSN Number: pending. Legality Certificates of Title and Content: pending.

The statistical information contained in this publication is freely accesible to all interested users and comes from official accredited sources. However, ADHOC is not responsible for the accuracy, consistency, content or timeliness of such information.

The statistical information is presented updated, at the time of publication with the preliminary information available; which can lead to discrepancies with the final information. ADHOC does not assume any responsibility for such discrepancies.

Additionally, ADHOC does not assume any legal responsibility or responsibility of any kind due to the use of the information contained in this publication by third parties.

ADHOC Consultores Asociados, S.C.

ADHOC Consultores Asociados is a multidisciplinary group of experts in economics, finance, infrastructure, transport and energy providing tailored solutions to businesses and governments in structuring and implementation of their projects and investment programs and development.

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

We are at your service at Mexico City:

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

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

E-Mail:

aaron.dychter@adhocconsultores.com.mx
corzo@adhocconsultores.com.mx
clopez@adhocconsultores.com.mx

Website: www.adhocconsultores.com.mx

