



Mexico Economic Profile

First Bimester of 2023

Timely Macroeconomic Report
for Decision Making

February 2023

Economic Profile of Mexico

First Bimonthly Report of 2023

At the beginning of 2023, the economic inertia of 2022 prevails: moderate economic growth and high inflation. In the political arena, society has become polarized. Ominous signs have appeared on the horizon that threaten to take hold as a legacy of the current government: concentration of power and subordination of the other powers, militarization, statism and control of the electoral authorities. In short, less democracy and less free market. Faced with this, the Supreme Court is defending its autonomy tooth and nail and society has taken to the streets to defend the electoral authorities. The big bet of the current administration is to forge a big and strong government, generalize social support and stay in power. Everything indicates that he is achieving it. Instead of taking advantage of the opportunities offered by nearshoring and catapulting the national economy towards new horizons, the current government only seems interested in extending its mandate and tipping the electoral balance in its favor.

More vigorous Economic Recovery.- In 2022, economic growth was 3.1%, after a good performance in the last two quarters of the year (4.4% and 3.7%). With this result, the pre-pandemic level is practically recovered and the collapse of 2020 (-8.3%) is compensated. Expectations for 2023 point to growth of around 1.5% (vs. 3% forecast by the government), supported solely by the domestic market, due to the expected slowdown in the US and the persistence of the Russia-Ukraine war.

Inflation begins to decrease.- After many years of being kept under control, inflation skyrocketed in 2021 (7.4% at the close) and reached its peak in August 2022 (8.7%) and then declined to 7.8% in December 2022 and to 7.6 in February 2023. It derives from an explosion in world demand, the imbalances in the supply chains due to Covid-19 and the spike in the price of energy and food, which worsened with the Russia-Ukraine war. Two anti-inflationary programs and a generous fuel subsidy have been insufficient to bring down inflation. The expectation is that inflation will gradually return to its historical levels (2-4%) and this points towards 2024.

Job creation weakens.- After the enormous loss of formal jobs in 2020 (-648 thousand), a rapid recovery of jobs was observed in 2021 (+846 thousand) and 2022 (+753 thousand). In February 2023, annual job creation stood at 719 thousand, which shows a clear weakening. As a consequence, the unemployment rate declined rapidly and is now below 3% (2.7% in February 2023). Meanwhile, minimum wages gained purchasing power, despite rising inflation; although this only contributes to partially and temporarily improving the wage bill and reinforcing consumption.

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Healthy public finances are projected for 2023.- For 2023, revenues are projected for 23.4% of GDP, expenses for 27.1% of GDP, and a negative balance of -3.7% of GDP. The expectation is to increase tax revenues to compensate for the loss in oil revenues and to adjust the programmable spending downwards to accommodate the increase in non-programmable spending. As a result, a marginal increase in the deficit and a public debt of less than 50% of GDP are expected. In the first two months, government debt went from 47.4% to 47.1% of GDP.

Financing to the Private Sector continues to decrease.- Despite the efforts to promote it, financing to the private sector suffered a severe decline in 2021 and a more moderate one in 2022. In the fourth quarter of 2022, the annual decline (-1.5%) is explained by a fall in financing to companies (-4%) and housing (-0.3%) and by an increase in that destined for consumption (8.2%). All in a context of rising interest rates (already above 11% in February 2023), which will continue to slow down the recovery of financing.

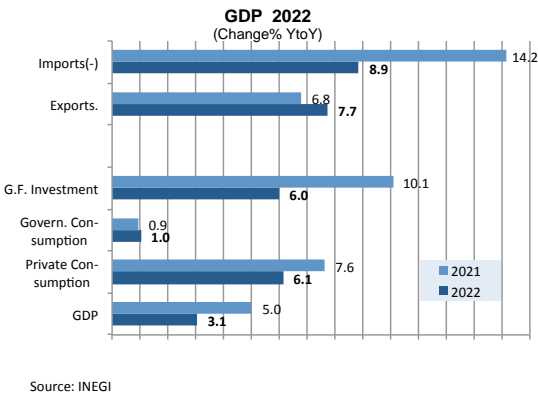
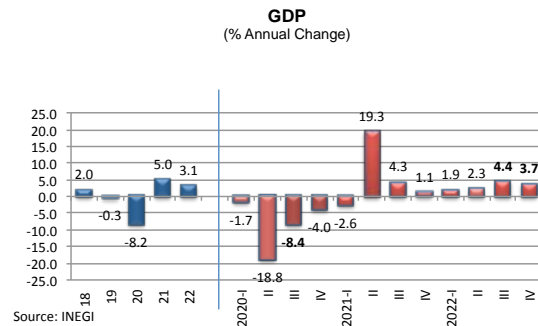
International trade begins to slow down.- Although there are some signs of a slowdown, Mexico's international trade grew 9.5% in the first two months of 2023. Commerce and remittances (which also grew 11.6% in that two-month period) have strengthened income of foreign currency and contributed to maintaining a good level of international reserves (they close 2022 at 199 Bn and increase to 200 Bn in February 2023). The biggest concern is the decline in foreign financial investment and also in foreign direct investment, which are indicators of declining external confidence in the country.

Economic slowdown in the US with declining inflation.- In 2022, an economic growth of 2.1% was reported in the US. For its part, industry has remained vigorous (3.4% in 2022), although it decreased in the fourth quarter (-2.4%), which is not favorable to the Mexican economy. For its part, unemployment has stagnated at low levels (3.6% in February 2023). As throughout the world, the main concern lies in high inflation, which began to decline in the second part of the year (from 9.1 to 6.5% in December) and is already at 6% in February 2023. In short, US economy slows down and inflation recedes.

Downward Economic Outlook.- In 2023, the forecasts are for low economic growth in both countries: less than 1.5% for Mexico and less than 1% for the US, in view of a restrictive monetary policy in both countries. For 2024, growth forecasts would improve moderately for both countries.

GDP grew 3.1% in 2022 (3.7% in the fourth quarter), which means a level of activity very close to that of the pre-pandemic.

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	-8.2	0.8	-9.6	-7.6	-20.5	-1.0	1.0
21	5.0	2.6	6.8	4.2	7.2	15.0	3.2
22	3.1	2.6	3.3	2.8	0.4	11.7	13.0

2020-I	-1.7	-0.7	-2.6	-0.8	-10.0	-3.2	4.0
II	-18.8	-2.5	-24.3	-16.8	-32.5	-40.1	-1.9
III	-8.4	4.9	-8.2	-8.5	-17.0	-24.0	-6.1
IV	-4.0	1.6	-3.2	-4.1	-10.2	-14.6	0.1
2021-I	-2.6	0.3	-3.2	-2.6	-7.4	-11.1	-4.8
II	19.3	6.4	25.5	17.5	30.5	51.8	11.3
III	4.3	-0.4	3.7	4.3	12.2	19.9	12.8
IV	1.1	3.3	0.9	0.6	3.6	14.9	4.2
2022-I	1.9	0.5	2.9	1.2	1.1	14.5	22.6
II	2.3	1.0	3.2	1.6	0.6	11.8	16.3
III	4.4	3.2	3.7	4.6	-2.9	12.9	6.9
IV	3.7	6.0	3.2	3.7	2.7	7.6	6.1

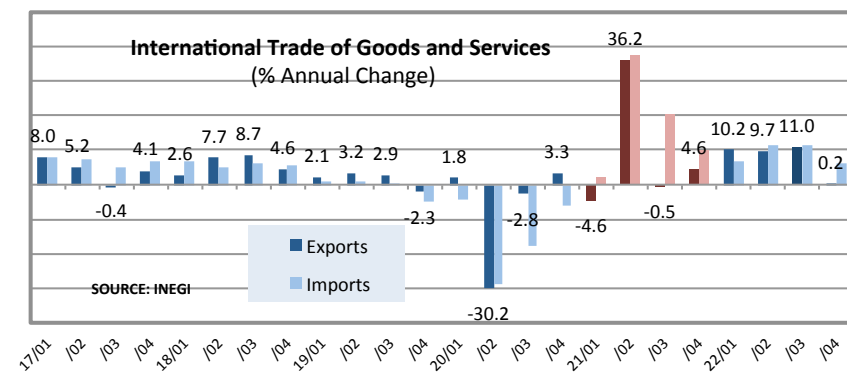
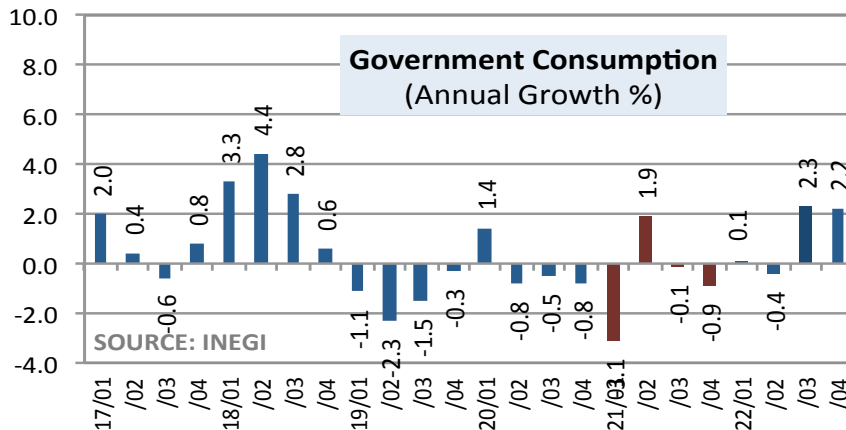
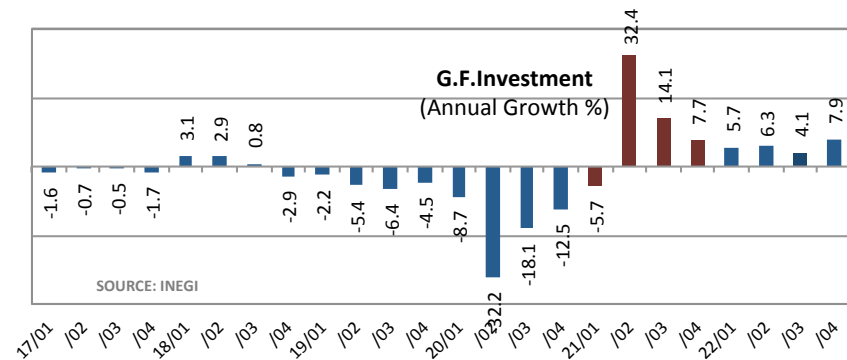
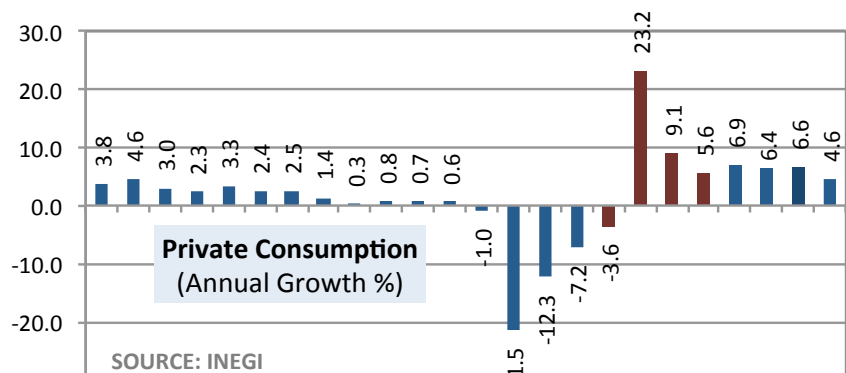
Year	GDP	Private Consumption	Govern. Consumption	G.F. Investment	Exports.	Imports(-)
2018	2.0	2.2	1.4	0.6	5.7	6.2
2019	-0.3	0.4	-1.4	-5.1	1.4	-0.9
2020	-8.3	-10.5	-0.2	-18.3	-7.3	-14.6
2021	5.0	7.6	0.9	10.1	6.8	14.2
2022	3.1	6.1	1.0	6.0	7.7	8.9
2021-I	-2.6	-3.6	-3.1	-5.7	-4.6	2.2
II	19.3	23.2	1.9	32.4	36.2	37.7
III	4.3	9.1	-0.1	14.1	-0.5	20.4
IV	1.1	5.6	-0.9	7.7	4.6	10.1
2022-I	1.9	6.9	0.1	5.7	10.2	6.5
II	2.3	6.4	-0.4	6.3	9.7	11.7
III	4.4	6.6	2.3	4.1	11.0	11.3
IV	3.7	4.6	2.2	7.9	0.2	6.0

Source: INEGI

- The economic reports for the fourth quarter of 2022 (3.7%) lead to higher (3.1%) than-expected annual growth (around 2%), which is now very close to pre-pandemic levels.
- At the sector level, in 2022 the fastest recovery occurred in the industrial sector (3.3%), then in the services sector (2.8%), and finally in the agricultural sector (2.6%).
- On the demand side, all drivers have been reactivated and are still dynamic, although they are gradually losing strength.

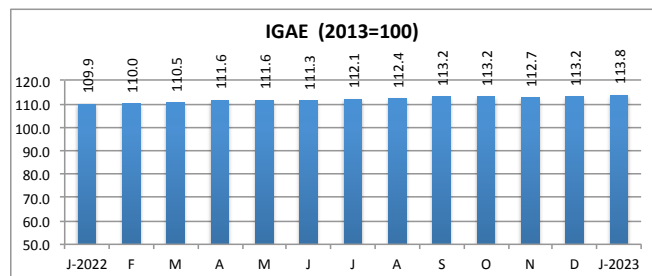
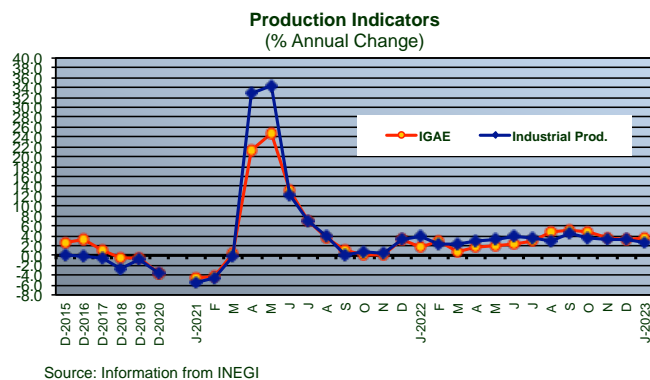
Economic Activity

In the post-pandemic phase, all the drivers of demand have been reactivated and especially those related to the domestic market: consumption and investment.



- In the post-pandemic phase, all the drivers of demand have been reactivated and especially those related to the domestic market: consumption and investment.
- Private consumption, with great weight in demand (2/3 of GDP), after a difficult biennium (2020-2021), in the fourth quarter of 2022 maintains the inertia of the recovery (4.6%), but the trend is decreasing.
- A similar behavior is observed in investment: very high growth (7.9%) with trend surprisly increasing.
- For their part, exports of goods and services slowed down markedly in the fourth quarter (0.2%), due to the slowdown in US economy.

Production Indicators



Period	IGAE (proxy of GDP)				Construcción	Comerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Indus-trial S.	Servi-ces S.		Wholesa-le	Retail	Total	Trans- portation	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	-4.6	1.3	-5.5	-4.3	-10.5	1.9	-2.5	-13.9	-19.3	-13.4	-10.4	-6.5
F	-4.2	3.8	-4.5	-4.8	-5.2	0.8	-2.1	-11.2	-18.1	-9.8	-3.5	-6.8
M	0.3	-4.0	-0.1	0.8	-5.8	7.7	0.4	-5.9	-6.1	-16.1	-0.9	-0.3
A	21.4	0.2	32.7	18.0	37.1	17.6	49.1	22.6	43.4	3.4	39.7	26.1
M	24.7	8.0	34.4	21.8	41.6	41.4	52.2	24.2	57.6	-0.4	44.6	29.9
J	13.1	9.2	12.2	13.6	14.3	16.6	21.3	25.9	49.1	9.3	16.4	19.7
J	7.1	-1.1	7.0	7.6	16.3	17.8	8.5	14.8	46.0	3.1	17.2	13.1
A	3.4	0.1	4.0	3.2	10.7	5.0	12.3	6.4	30.9	1.2	14.1	9.8
S	0.9	-2.5	0.1	1.4	10.2	6.2	6.9	4.7	21.3	11.8	11.9	8.3
O	0.1	-4.4	0.7	-0.1	4.5	4.9	3.4	1.6	19.9	1.4	8.3	6.7
N	0.3	5.4	0.3	0.1	1.5	4.5	4.5	-1.3	23.4	-6.0	5.7	5.6
D	3.1	7.9	3.1	2.9	5.4	3.5	1.6	4.1	5.2	3.9	10.3	3.8
J-2022	1.7	1.5	3.9	0.9	3.2	1.9	4.4	4.0	22.6	16.9	8.6	7.3
F	2.9	-2.6	2.4	3.1	-2.3	10.2	7.1	4.3	24.2	15.2	2.8	9.7
M	0.6	3.1	2.4	-0.4	2.2	4.5	2.2	4.9	18.3	22.2	5.5	8.9
A	1.8	5.1	2.8	1.3	2.0	7.3	7.5	7.5	19.1	18.7	6.5	7.6
M	2.0	3.1	3.3	1.3	-0.9	7.7	4.3	5.6	16.1	15.8	4.9	6.6
J	2.2	-3.2	3.8	1.6	1.5	8.9	6.3	3.3	11.9	16.8	7.7	6.6
J	2.9	-1.6	3.7	2.6	-1.4	6.4	5.2	3.8	12.7	8.3	3.5	6.4
A	4.7	6.7	2.9	5.6	-4.5	11.6	2.9	8.1	17.4	10.1	4.1	7.2
S	5.1	7.8	4.4	5.5	-2.6	10.8	5.6	7.1	14.7	4.2	4.7	6.0
O	4.8	4.8	3.4	5.5	-0.1	7.6	4.6	9.3	12.9	11.8	7.0	5.7
N	3.6	6.1	3.3	3.4	2.3	4.6	1.2	7.8	7.1	13.7	6.8	4.1
D	3.1	7.9	3.1	2.9	5.4	3.5	1.6	4.1	5.2	3.9	10.3	3.8
J-2023	3.6	0.9	2.5	4.5	2.9	7.2	5.6	5.7	7.8	4.3	7.1	5.9

Source: INEGI

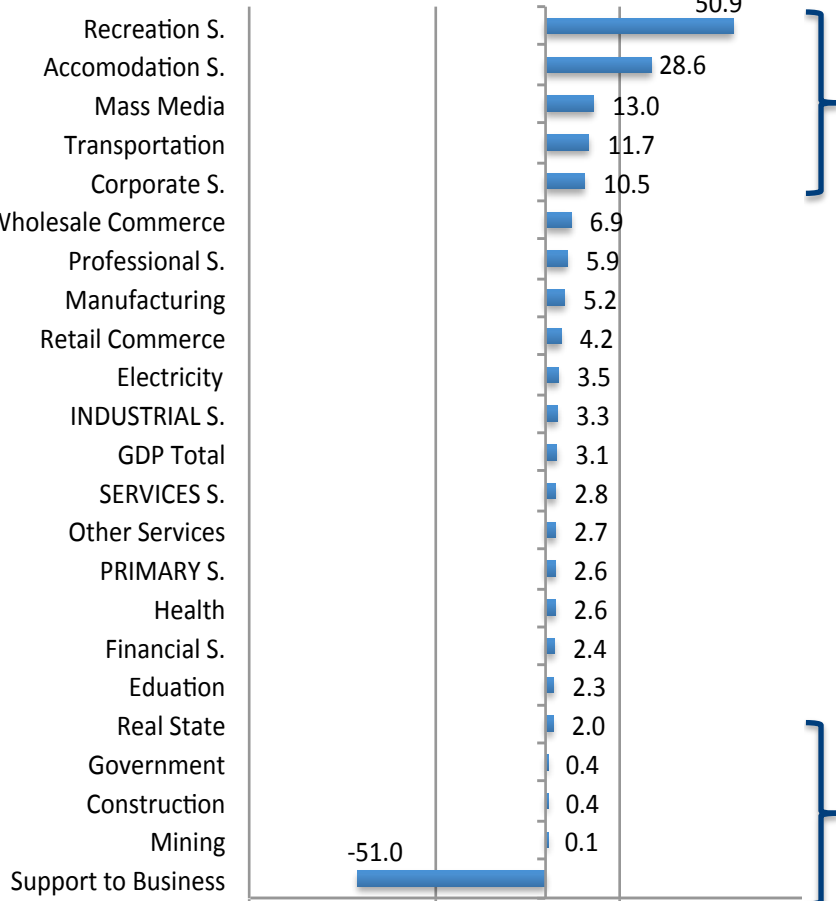
- The IGAE (Global Indicator of Economic Activity), after the high growth of 2021-II, has since observed a moderation in its annual growth; However, at the beginning of 2023, growth looks vigorous.
- At the sectoral level, if the agricultural sector is ignored, which is usually very volatile, growth rests in the service sector and then in the industrial sector.
- Regarding demand, private consumption and especially investment continue to show great vitality.

Economic Activity

In 2022, the return to normality and positive but moderate rates in most economic branches is confirmed.



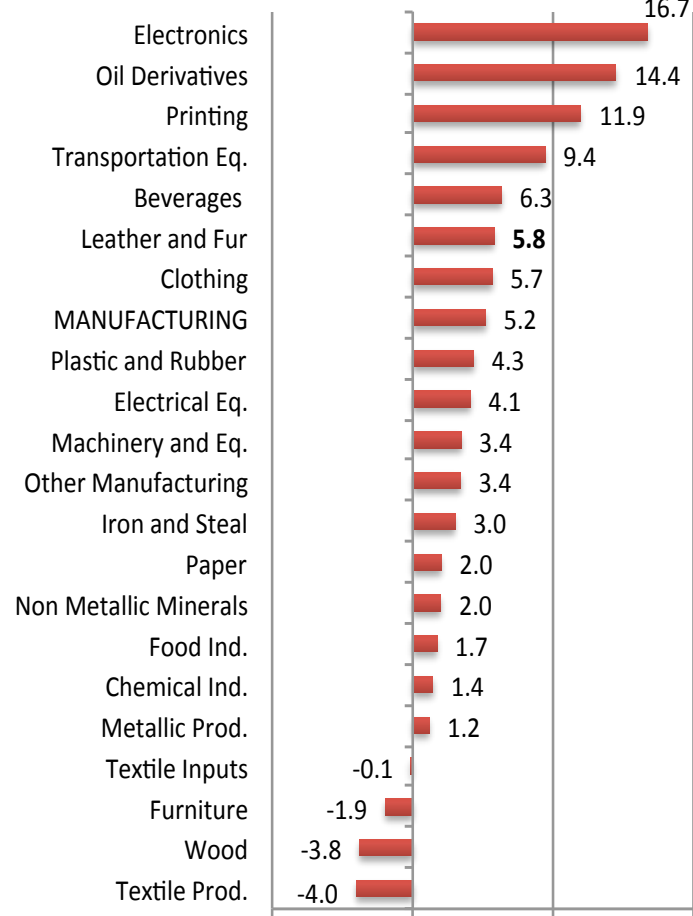
GDP 2022
(% Annual Growth)



The most dynamic

The least dynamic

MANUFACTURING 2022
(% Annual Growth)

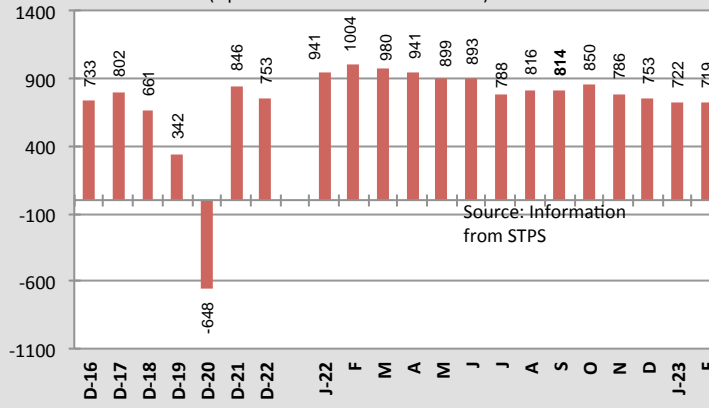


Source: INEGI (Seasonally Adjusted Series)

Employment and Wages



Insured Workers at IMSS ('000)
(Ups and downs in last 12 months)



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-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
D-21	3.5	20,620.1	846	-312.9	5.3	2.5	-16.1	15.0	7.5	7.2
D-22	2.8	21,372.9	753	-345.7	4.5	1.6	-0.6	22.0	11.0	9.4

J-22	3.7	20,762	941	142	3.8	2.2	-12.9	22/**	8.9	7.4
F	3.7	20,941	1004	179	5.9	2.7	-13.7	22	9.5	7.9
M	3.0	21,006	980	65	8.0	2.8	-12.3	22	10.5	9.0
A	3.0	21,011	941	5	4.8	2.9	-13.4	22	10.8	6.5
M	3.3	21,008	899	-3	2.9	2.6	-13.0	22	10.9	8.8
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	3.2	1.5	-6.5	22	11.5	9.1
A	3.5	21,237	816	157	3.9	1.7	-2.4	22	11.5	5.7
S	3.3	21,409	814	172	4.8	1.5	-0.2	22	11.3	9.0
O	3.3	21,617	850	208	5.4	1.7	0.1	22	11.1	4.9
N	2.9	21,719	786	101	5.0	1.6	-1.3	22	11.0	9.0
D	2.8	21,373	753	-346	4.5	1.6	-0.6	22	11.0	9.4
J-23	3.0	21,485	722	112	4.1	1.7	-0.7	20	11.2	10.7
F	2.7	21,660	719	176				20	11.2	8.4/**

Source: INEGI, STPS.

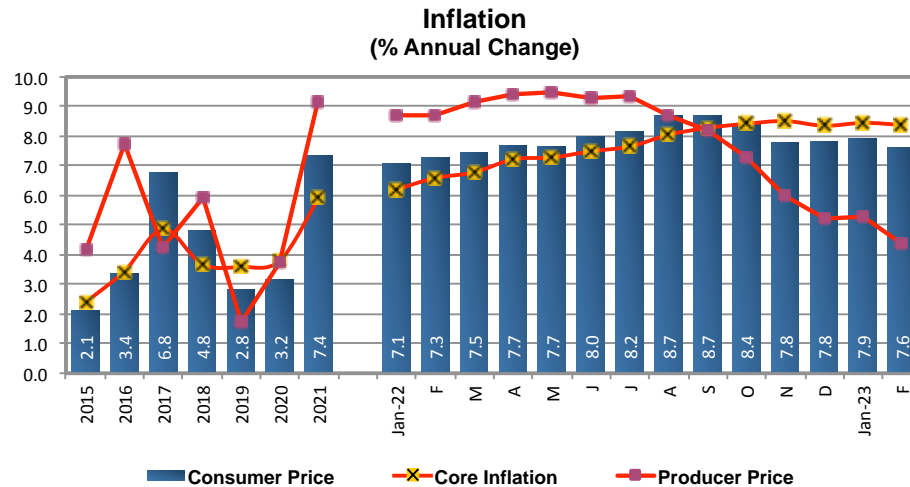
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/** Min. Wage=\$207.44 pesos/day (\$312.41 on the northern border)

- The unemployment rate fell to 2.7% in February and has practically returned to its historical rate.
- In 2022, 753,000 were created and in February 2023, job creation of 719,000 was reported, which reconfirms the moderate decline in job creation.
- The higher inflation has resulted in disparate gains in the three main salary indicators: +12.4% in the minimum wage, 3.6% in the IMSS salary and 0.8% in the contractual salary. The wage improvement is largely attributed to the annual adjustment in the minimum wage (20% in 2023) promoted by the current administration.

In February 2023, inflation fell to 7.6%. Although it has taken a downward trend, core inflation remains very high (8.4%).

Prices



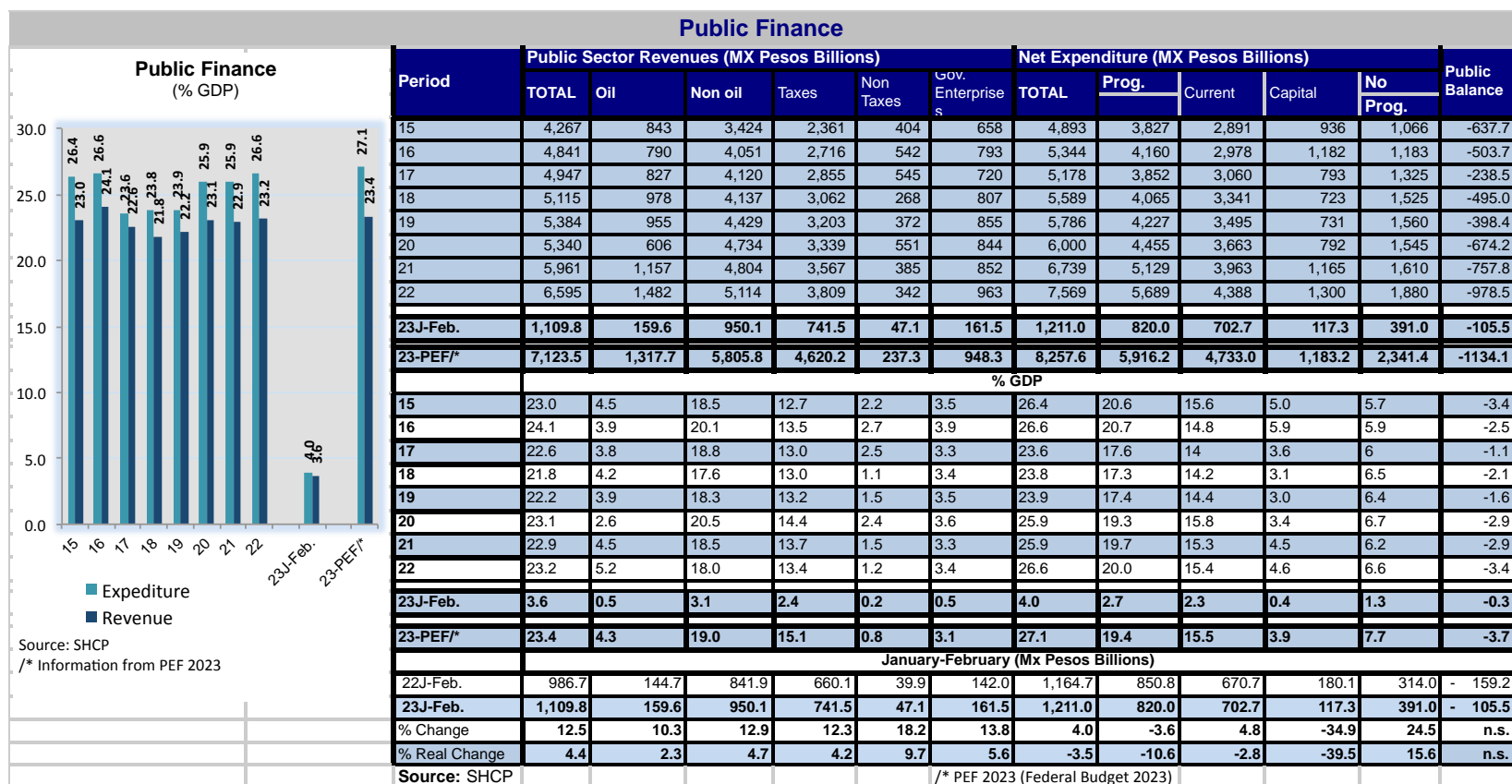
Source: Information from INEGI

	Consumer Price (INPC)		Core Inflation	Producer Price (INPP)*
	Annual (m/m)	Annual Avge	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-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
S	8.7	0.6	8.3	8.2
O	8.4	0.6	8.4	7.3
N	7.8	0.6	8.5	6.0
D	7.8	0.4	8.4	5.2
Jan-23	7.9	0.7	8.5	5.3
F	7.6	0.3	8.4	4.4

Source: INEGI

- Despite two anti-inflationary programs and a fuel subsidy, inflation remains high. It seems to have reached a maximum in August 2022 (8.7%) and in December it fell to 7.8% to settle at 7.6% in February 2023. It is attributed to the burst in world demand and the imbalance in supply chains derived from the pandemic and the Russia-Ukraine war.
- This inflation doubles the institutional goal of Banco de México (3% +/- 1%). The good news is that producer price inflation is already at 4.4%, but not core inflation, which remains high (8.4%).
- The expectation is that inflation will reaffirm its downward trend and gradually return to its historical level in 2024.

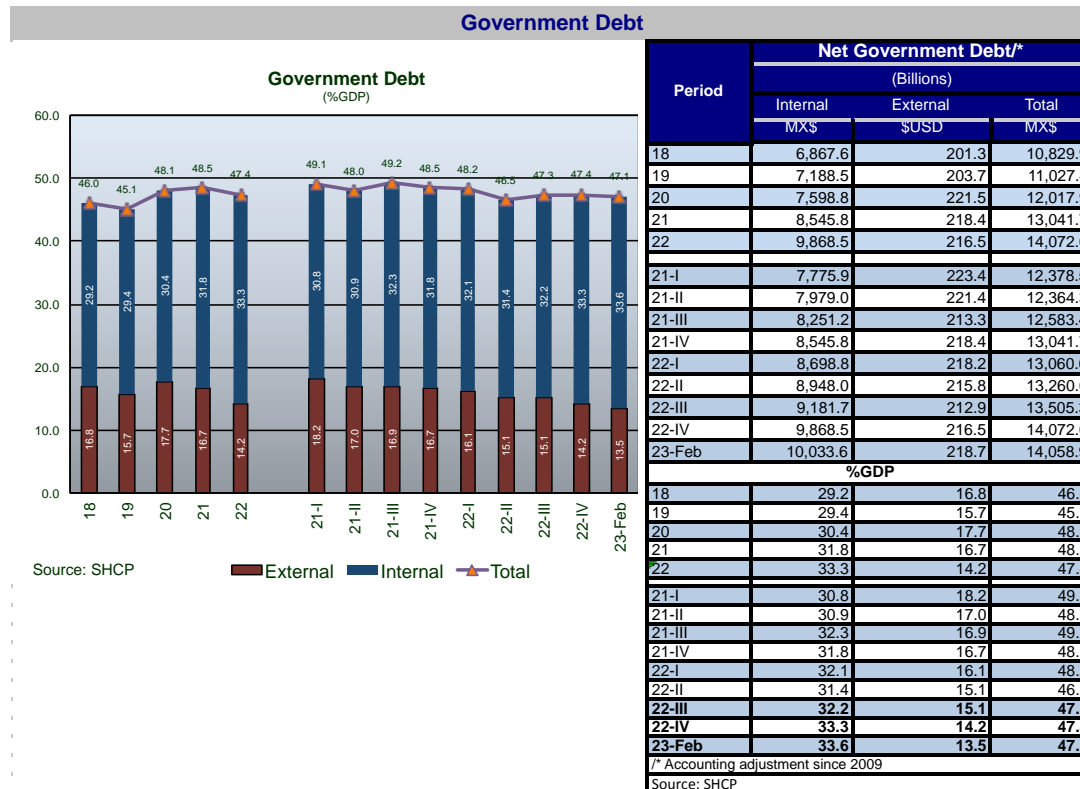
In 2023, government revenue is projected to be 23.4% of GDP, expenditures for 27.1% of GDP and a larger deficit, for 3.7% of GDP.



- In the first two months of 2023, a moderate increase in income (4.4%) and a moderate decrease in expenses (-3.5%) are reported.
- On the income side, the rise derives from the increase in non-oil income (4.7%). On the spending side, the most significant decline is in investment spending (-39.5%).
- In 2023, strong spending pressures are emerging to conclude emblematic projects and reinforce social programs, in a year in which an economic slowdown is looming.

Public Debt

Public debt, as a percentage of GDP, remains under control: despite the greater budgetary pressures, the debt continues to contract: it dropped from 47.4 in 2022 to 47.1% of GDP in February 2023.

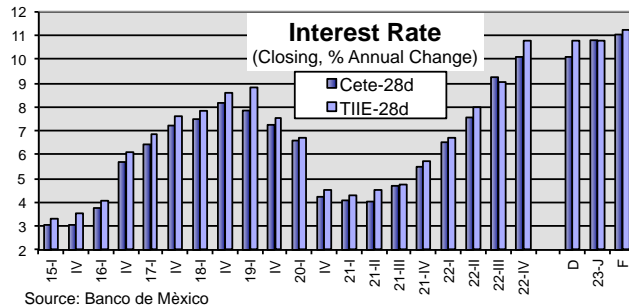
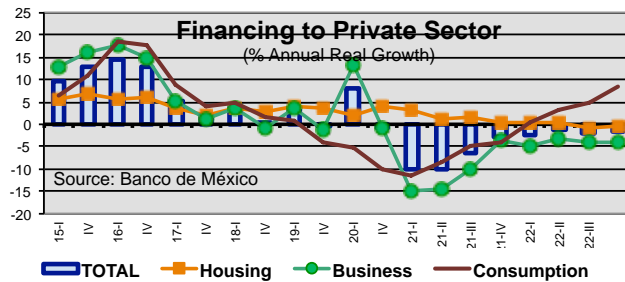


- In world comparison, Mexico's public debt is moderate: it closed at 47.4% of GDP in 2022 and at 47.1% in February 2023. As a reference, in the US it is around 100% of GDP and in Japan 170% of GDP.
- The current administration has kept its promise to keep the debt under control. While it has experienced ups and downs, it has remained within manageable ranges. Undoubtedly, the higher inflation helps to "liquefy the debt".
- In order to control debt, it is essential to maintain a moderate fiscal deficit and a relatively stable exchange rate, and this has been achieved. It has not been easy as the sources of government resources are very limited and the budgetary needs, along with social programs, are enormous.

Financial sector

In the fourth quarter of 2022, financing to the private sector showed a slight annual decline (-1.5%); for their part, interest rates continue to rise and in February 2023 they are already around 11%.

Financial Indicators



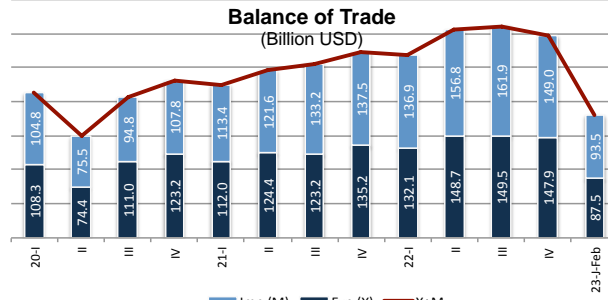
Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates (% Annual)		Stock Market	
	TOTAL Billion MX\$	% Annual Real	By Source		For Destination			CETE-28d	TIIE-28d	IPC ('000)	% Growth
			External	Internal	Consumption	Housing	Business				
15-I	6,537	9.5	18.8	6.6	6.6	5.7	12.7	3.1	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	9,828	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	-4.0	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
IV	10,351	-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	10,784	-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	11,113	-1.4	-6.6	0.3	3.0	0.4	-3.1	7.6	8.0	47.5	-15.9
22-III	11,326	-2.1	-11.0	0.9	4.6	-0.9	-3.9	9.3	9.0	44.6	-6.1
22-IV	11,468	-1.5	-14.4	2.7	8.2	-0.3	-4.0	10.1	10.8	48.5	8.6
D								10.1	10.8	48.5	-6.2
23-J								10.8	10.8	54.6	12.6
F								11.0	11.3	52.8	-3.3

Source: Banco de México

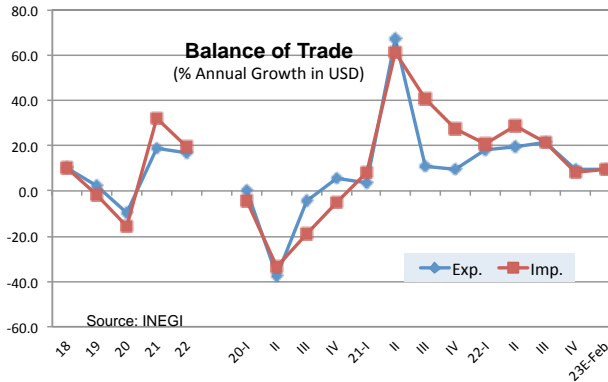
- The recent economic crisis translated first into a slowdown in financing to the private sector (2020) and then into a decline in 2021 and 2022.
- The decline in the fourth quarter of 2022 (-1.5%) is observed above all in financing for companies (-4%) and housing (-0.3%); this is not the case in consumption (8.2%), which reports vigorous growth.
- To boost financing, interest rates remained low, but they began to rise in the second part of 2021 and are already close to 11% in February 2023. The Stock Market, for its part, has shown great ups and downs in recent years; in 2022 it lost 9% and in the first two months of 2023 it gained 8.9%.

A slowdown in international trade in goods is expected for 2023, due to the slowdown in the US economy. This could also affect the entry of remittances into the country.

International Trade



Source: INEGI



Source: INEGI

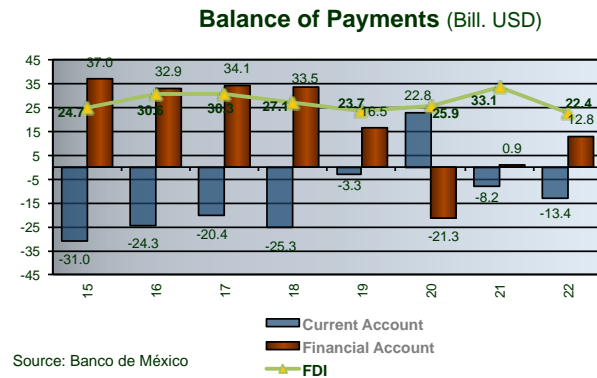
Period	Balance of Trade (Billion USD)			% Annual Change			Balance (Billion USD)	Remittances	
	Exp.(X)	Imp.(M)	X+M	Exp.	Imp.	X+M		Billion USD	% Annual Change
18	450.7	464.3	915.0	10.1	10.5	10.3	-13.6	33.2	15.4
19	460.7	455.3	916.0	2.2	-1.9	0.1	5.4	35.9	8.1
20	417.0	383.0	800.0	-9.5	-15.9	-12.7	34.0	40.4	12.5
21	494.8	505.7	1000.5	18.6	32.0	25.1	-10.9	51.6	27.6
22	578.2	604.6	1182.8	16.9	19.6	18.2	-26.4	58.5	13.5
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
III	149.5	161.9	311.4	21.4	21.5	21.4	-12.4	15.5	12.9
IV	147.9	149.0	296.9	9.4	8.4	8.9	-1.1	15.5	9.0
23-J-Feb	87.5	93.5	181.0	9.2	9.8	9.5	-6.0	8.8	11.6
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
S	52.3	53.2	105.6	25.3	20.8	23.0	-0.9	5.0	14.4
O	49.3	51.3	100.6	17.7	14.8	16.2	-2.0	5.4	11.2
N	49.3	49.4	98.7	8.0	8.1	8.1	-1.0	4.8	3.0
D	49.3	48.3	97.7	3.4	2.6	3.0	1.0	5.4	12.8
Jan-23	42.6	46.7	89.3	25.6	16.3	20.5	-4.1	4.4	12.1
F	44.9	46.8	91.7	-2.8	4.1	0.6	-1.8	4.3	11.2

Source: INEGI

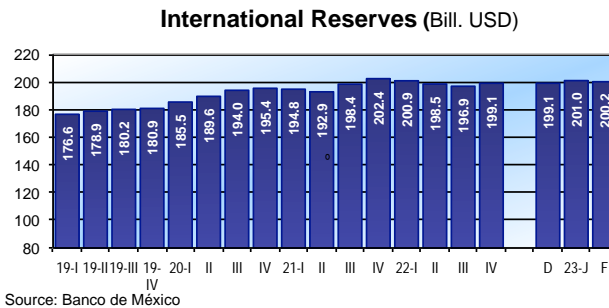
- After the severe collapse of 2020, international trade in goods recovered quickly in 2021 and remained very dynamic in 2022. It accumulated 1,182.8 million dollars in the year. This dynamism is maintained in 2023.
- In 2022, the trade balance registered a deficit of 26.4 million dollars (higher than the deficit of 10.9 million dollars in 2021), being the largest in the current administration.
- For their part, remittances totaled 58.5 MMD in 2022 and 8.8 in the first two months of 2023. Their performance in 2023 will depend on the evolution of the US economy.

In 2022, the balance of payments reflects a deficit in the current account (-13.4 USD Bn) and a surplus in the financial account (12.8 USD Bn), sustained to a large extent by Foreign Direct Investment (22.4 USD Bn).

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)				
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	22.8	2.1	-21.3	25.9	14.5	195.4
21	-10.9	494.8	505.7	-8.2	-0.6	0.9	33.1	7.0	202.4
22	-26.4	578.2	604.6	-13.4	-0.9	12.8	22.4	-3.3	199.1
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	-7.8	-2.4	6.5	16.2	4.6	185.5
II	-1.2	74.4	75.5	-1.4	-0.4	-5.0	3.0	4.1	189.6
III	16.2	111.0	94.8	15.8	6.6	-13.9	1.2	4.4	194.0
IV	15.4	123.2	107.8	16.2	6.5	-8.9	5.6	1.4	195.4
21-I	-1.4	112.0	113.4	-9.9	-1.0	7.1	14.5	-0.7	194.8
II	2.8	124.4	121.6	5.0	0.5	-8.1	5.6	-1.9	192.9
III	-10.1	123.2	133.2	-4.4	-0.5	2.6	5.3	5.5	198.4
IV	-2.2	135.2	137.5	1.1	0.4	-0.7	7.7	4.0	202.4
22-I	-4.9	132.1	136.9	-12.1	-0.9	11.8	17.7	-1.5	200.9
II	-8.1	148.7	156.8	-0.8	-0.1	0.1	2.5	-2.3	198.5
III	-12.4	149.5	161.9	-5.2	-0.5	5.4	2.0	-1.6	196.9
IV	-1.1	147.9	149.0	4.6	0.5	-4.5	0.2	2.2	199.1
D								0.9	199.1
23-J								1.9	201.0
F								-0.8	200.2

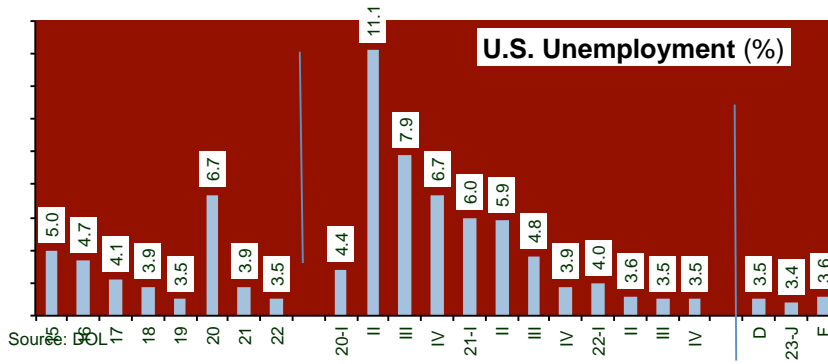
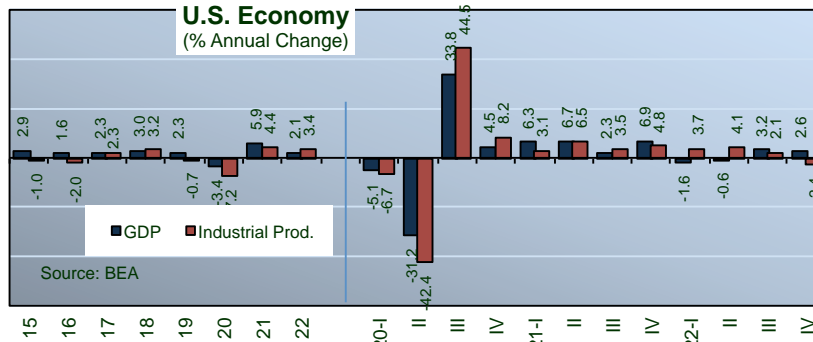
Source: Banco de México

- In 2022, a deficit was registered in the current account (-13.4 USD Bn) and a very similar surplus in the financial account (12.8 USD Bn), supported by the inflow of Direct Foreign Investment (22.4 USD Bn).
- As a consequence, international reserves remain high: they closed 2022 at 199.1 USD Bn and in February 2023 they already stood at 200.2 USD Bn.
- 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 also declining, although it is less unstable.

International economy

US GDP reported growth of 2.1% in 2022 (and 2.6% in the fourth quarter). But there are signs of a slowdown in the industrial sector and stagnation in unemployment (3.6% in February).

U.S. Economy

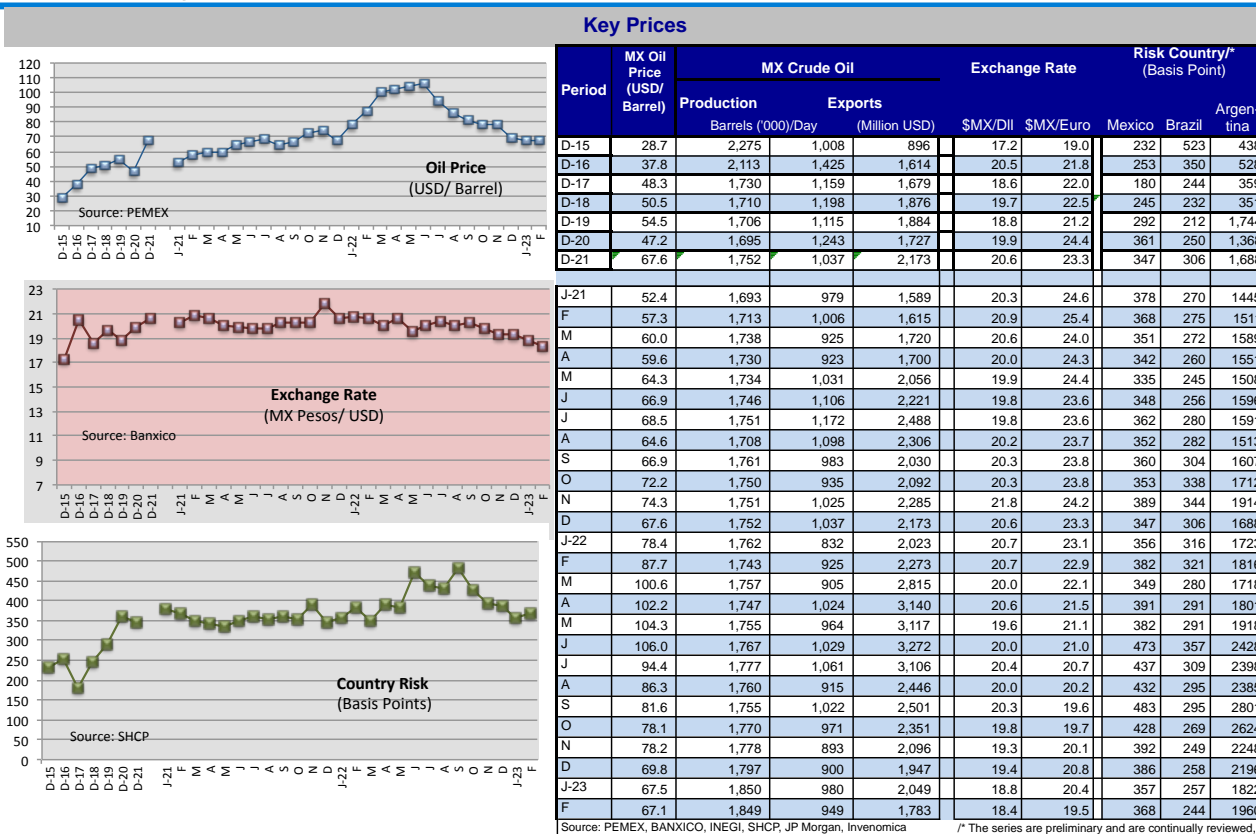


Period	GDP*	Industrial Prod.	Manufacturing		Unemployment Rate	Inflation	
			% Annual Change of Quarter	% Annual Change			% Annual Change of Quarter
15	2.9	-1.0		-0.5	5.0	0.7	
16	1.6	-2.0		-0.8	4.7	2.1	
17	2.3	2.3		2.0	4.1	2.1	
18	3.0	3.2		1.3	3.9	1.9	
19	2.3	-0.7		-2.0	3.5	2.3	
20	-3.4	-7.2		-6.6	6.7	1.4	
21	5.9	4.4		5.0	3.9	7.0	
22	2.1	3.4		2.7	3.5	9.1	
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	3.1	-1.6	2.4	-0.4	6.0	2.6
II	6.7	6.5	14.7	5.1	16.9	5.9	5.4
III	2.3	3.5	5.5	3.6	5.7	4.8	5.4
IV	6.9	4.8	4.5	5.8	4.2	3.9	7.0
22-I	-1.6	3.7	3.5	3.0	2.9	4.0	7.5
II	-0.6	4.1	2.9	2.7	2.4	3.6	9.1
III	3.2	2.1	2.5	0.1	1.4	3.5	8.2
IV	2.6	-2.4	1.0	-3.0	-0.6	3.5	6.5
D		-8.8	1.7	-19.6	-2.2	3.5	6.5
23-J		4.8	1.0	17.1	0.8	3.4	6.4
F		0.0	0.3	1.2	-0.2	3.6	6.0

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

- In 2022, the US economy experienced an increase (2.1%), less than the previous year (5.9%). For its part, industrial growth has lost strength (-2.4% in the fourth quarter), while unemployment remains low (3.6% in February 2023), but has stagnated.
- The good news is that inflation is contracting: it closed the year at 6.5% and in February fell to 6%. The fight against inflation is a priority and it is recognized that this will imply lower growth in 2023.
- The expectation for 2023 is to achieve moderate economic growth (around 1% or less) and quickly bring down inflation, via a very restrictive monetary policy and rising interest rates.

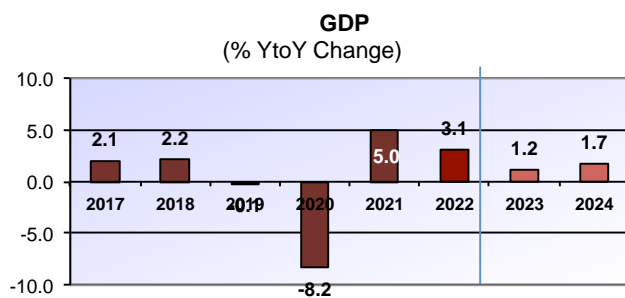
In the first two months of 2023, the price of oil continues to fall (below 70 DPB), the exchange rate maintains its downward trend (18.4 PPD in February) and the country risk was contracted (to 368 basis points).



- The price of crude closed the year at around 70 DPB and in February it was at 67 DPB.
- Despite the uncertainty and the ups and downs of the market, the exchange rate has remained relatively stable: in 2022 it closed slightly above 19 PPD and in February 2023 it fell to 18.4 PPD.
- For its part, the country risk in the post-pandemic stage has shown ups and downs: it closed 2022 at 386 and in February 2023 it contracted to 368 basis points.

According to economic experts, the prevailing growth expectations for 2023-2024 are rather moderate (less than 2% for the biennium) and inflation expectations are downward: 5.3% and 4.1%.

Macroeconomic Framework



Source: INEGI, EEEE-SP

	Historical						CGPE/*		EESP/**	
	2017	2018	2019	2020	2021	2022	2023	2024	2023	2024
GDP										
% Annual Growth	2.1	2.2	-0.1	-8.2	5.0	3.1	3.0	3.0	1.2	1.7
GDP Current (MX Billions)	21,934	23,523	24,443	23,430	25,804	28,464	30,722	32,935	30,234	32,298
GDP Deflator	6.7	4.9	4.0	3.0	7.0	8.0	5.2	4.8	5.0	5.0
Inflation										
Dec/ Dec	6.8	4.8	2.8	3.2	7.4	7.8	5.0	4.0	5.3	4.1
Exchange Rate										
Average	18.9	0	0	0	20.4	20.06	18.9	19.2		
Closing	19.7	19.7	18.8	19.949	20.58	19.4	19.1	19.3	19.7	20.2
Interest Rate (Cete 28d)										
Average	6.9	7.8	0	0	4.6	8.4	11.0	9.7		
Closing	7.2	8.2	7.3	4.23	5.5	10.1	11.3	8.5	11.12	8.8
Current Account										
Billions USD	-22.7	-22.2	-2.4	26.6	-4.9	-13.4	-13.0	-12.8	-16.8	-18.4
% GDP	-1.6	-1.9	-0.2	2.4	-0.391	-0.913	-0.8	-0.8	-1.1	-1.2
Public Balance										
% GDP	-1.1	-2.1	-1.6	-2.9	-2.9	-3.4	-3.7	-2.7	-3.6	-3.6
USA										
GDP (%Annual Growth)	2.3	2.9	2.3	-3.5	5.7	2.1	1.5	1.2	0.9	1.4
MX Crude Oil										
Avg. Price (USD/ Barrel)	46.3	61.4	55.5	35.8	65.3	89.0	67	56		
Exports ('000 barrels/day)	1,175	1,186	1,105,6	1,120	1,018	900	800	786		
Production ('000 barrels/day)	1,944	1,813	1,678	1,686	1,736	1,797	1877	1914		

/* CGPE-(Criterios Generales de Política Económica 2023; Precriterios 2024).- Basis Document for Macroeconomic Policy

** Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (February 2023)

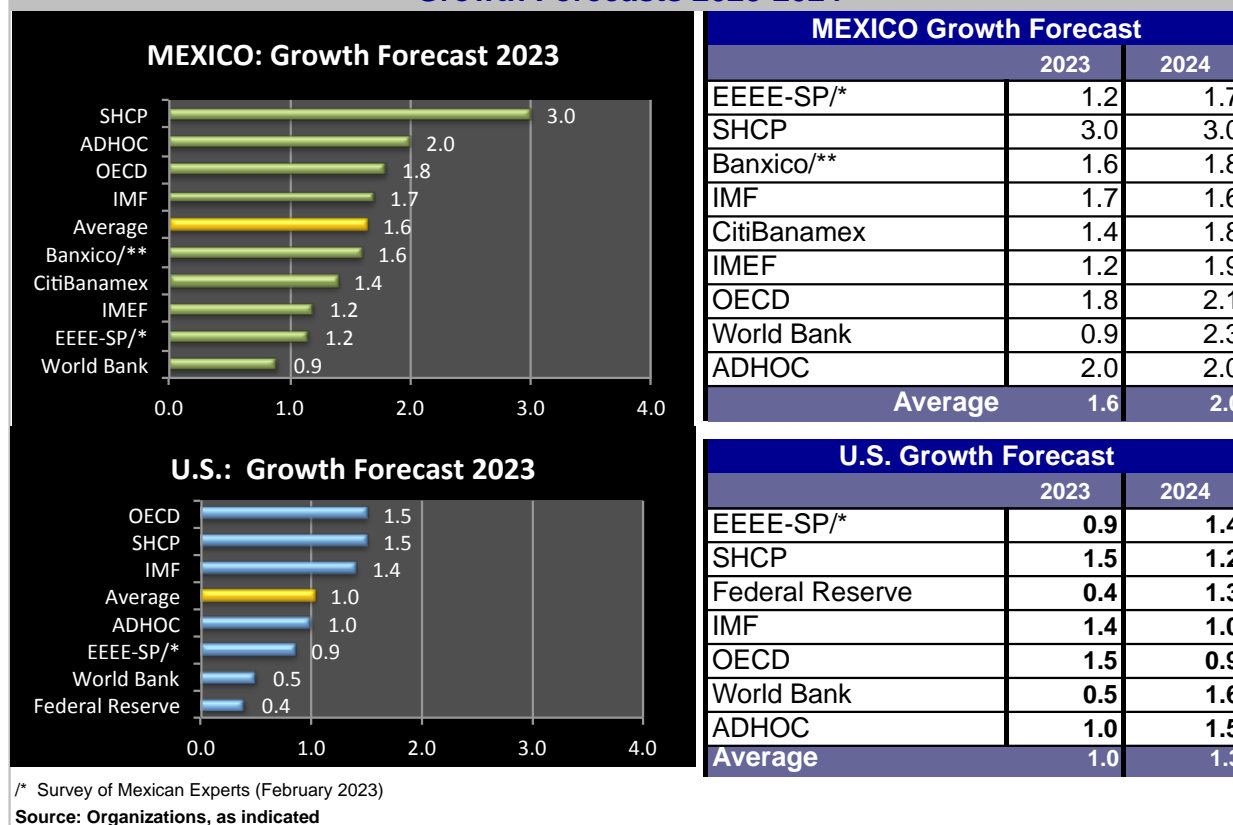
(p) Projected

Source: INEGI, EEEE-SP

- For 2023-2024, experts forecast moderate economic growth: 1.2% and 1.7% for the biennium.
- A decreasing inflation rate is estimated, but higher than the institutional goal in the biennium: 5.3% and 4.1%
- According to forecasts, fundamental balances will remain under control, although the fiscal deficit tends to overflow (-3.6 of GDP for the biennium), while the current account balance remains very low, slightly above 1% of GDP for both years.
- According to their forecasts, the US economy is expected to have a two-year period of moderate growth: in 2023 (0.9%) and in 2024 (1.4%).

According to specialized agencies, the expected growth for 2023 is 1.6% and 1% for Mexico and the US, respectively. For 2024, growth of 2% and 1.3% is forecast for both countries.

Growth Forecasts 2023-2024



- For Mexico, the forecasts of nine specialized organizations fluctuate between 0.9% and 3% in 2023, with an average of 1.6%. By 2024, the average forecast is 2.0%.
- For the US, the forecasts of seven specialized organizations fluctuate between 0.4% and 1.5% for 2023, with an average of 1.0%. By 2024, the average forecast is 1.3%.
- As can be seen, both economies moderate their dynamism, but the moderation of growth is greater in the US than in Mexico.

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