



Mexico Economic Profile

Third Bimester of 2023

Timely Macroeconomic Report
for Decision Making

June 2023

Economic Profile of Mexico

Third Bimonthly Report of 2023

In the middle of 2023, the Mexican economy appears to be very vigorous, far from the economic slowdown that many experts predicted for this year. In parallel, inflation has reaffirmed its downward trend, after two years of bloody combat to bring it down. Two more elements complement the scenario: public finances look healthy and the relocation of companies (nearshoring) seems to be having a significant impact in some regions of Mexico. And perhaps best of all, employment is doing well and inequality is easing very gradually. However, not everything is so wonderful as it appears. In the US, Mexico's main partner, the threat of a slowdown or recession persists. Given the opportunities offered by nearshoring, Mexico is not sufficiently prepared, especially in terms of energy supply. Basic services –health and education– experience a profound deterioration. Mexican democracy is threatened. And insecurity is already part of everyday reality. Undoubtedly, this is not a friendly scenario to promote nearshoring.

Vigorous Economic Recovery.- In the second quarter of 2023, economic growth was 3.6% (similar to the 3.7% of the previous quarter). The forecasts of a gradual slowdown have not been fulfilled. As a consequence, growth forecasts for Mexico have improved and are already above 2% for 2023 (vs. 3% forecast by the government). The impulse comes from the internal market and, to a lesser degree, from the external one.

Inflation is contracting.- After two years of fighting inflation, inflation is receding and in June it fell to 5.1%. As recalled, inflation derived from an explosion in world demand, imbalances in production chains due to Covid-19 and the spike in energy and food prices, which worsened with the Russia-Ukraine war. In Mexico, two anti-inflationary programs and a gasoline subsidy helped contain inflation. It is expected that it will gradually return to its historical levels (2-4%) maybe at the end of 2023 and more likely in 2024.

Job creation remains healthy.- After the huge loss of formal jobs in 2020 (-648 thousand), a rapid recovery of jobs was observed in 2021 (+846 thousand) and 2022 (+753 thousand). In June 2023, annual job creation totaled 819,000, showing that it remains vigorous. As a consequence, this year the unemployment rate has remained below 3% (2.7% in June). Meanwhile, minimum wages gained purchasing power, despite high inflation; although this only contributes to partially and temporarily improving the wage bill and reinforcing consumption.

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Pressure on public finances.- For January-June 2023, revenues add up to 11.4% of GDP, expenses 12.7% of GDP, and this results in a negative balance of -1.3% of GDP. The expectation is to increase tax revenues to offset the loss in oil revenues and adjust programmable spending downward to accommodate the rise in non-programmable spending. As a result, a larger deficit and a public debt of less than 50% of GDP are foreseeable. In this period, government debt went from 47.3% to 46.7% of GDP.

Financing to the Private Sector continues to slow down.- Despite the efforts to promote it, financing to the private sector suffered a severe decline in 2021 and a more moderate one in 2022 and 2023. In the first quarter of 2023, the annual decline (-2.7%) is explained by a fall in financing to companies (-6.3%) and housing (-0.2%) and by an increase in that destined for consumption (9.2%). All in a context of high interest rates (above 11% in June 2023), which will continue to slow down the recovery of financing.

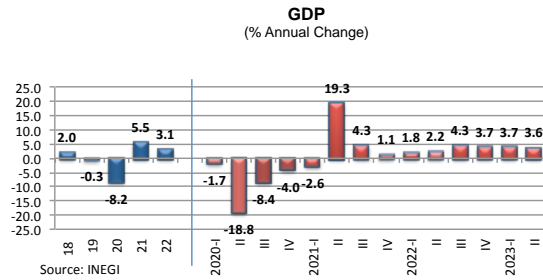
International trade begins to slow down.- There are clear signs of a slowdown in Mexico's international trade: growth of 6.6% in the first quarter of 2023 and zero in the second quarter. This, together with remittances (which grew 11.3% in that quarter) have strengthened foreign currency income and contributed to maintaining international reserves at a good level (they close 2022 at 199 USD Bn and increase to 203 USD Bn in June 2023). In addition, foreign investment -direct and portfolio- shows a good performance throughout this year.

Moderate Deceleration in the US with declining inflation.- In the second quarter of 2023, an economic growth of 2.4% was reported in the US (vs 2% previously). For its part, the industry observes little dynamism (0.7%), which is not favorable to the Mexican economy. For its part, unemployment has stagnated at low levels (3.6% in June). Fortunately, inflation is contracting. This began to decline in the second part of 2022 (from 9.1 to 6.5% in December) and is already at 3% in June 2023. In short, US economy slows down but not too much and inflation recedes.

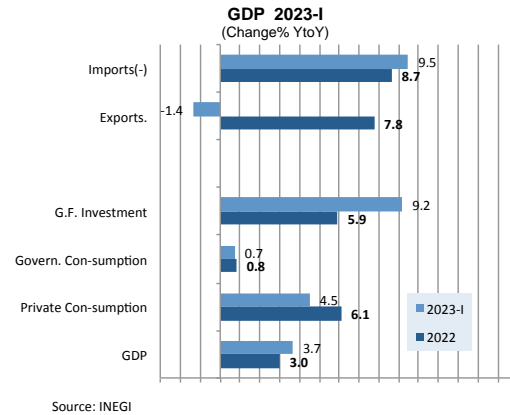
Upward Economic Outlook.- In 2023, although they improve every day, the forecasts are for low economic growth for Mexico and the US: around 2.4% for Mexico and 1.4% for the US, in view of a restrictive monetary policy in both countries. For 2024, growth forecasts would be slightly lower than for 2023 for both countries.

In the second quarter of 2023, GDP grew 3.6% (vs. 3.7% in the previous quarter), which means that economic growth has not lost strength.

Gross Domestic Product



Source: INEGI

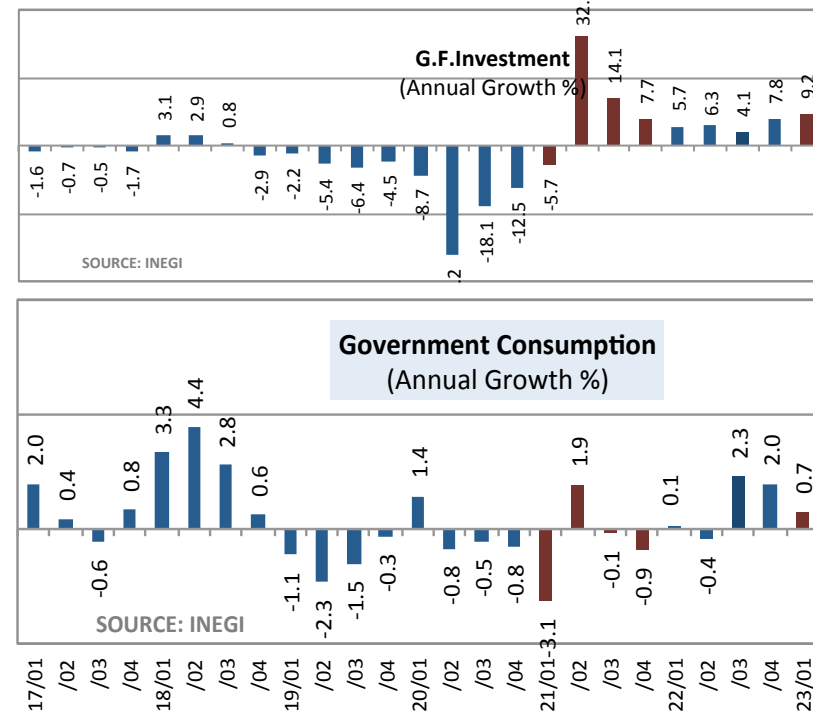
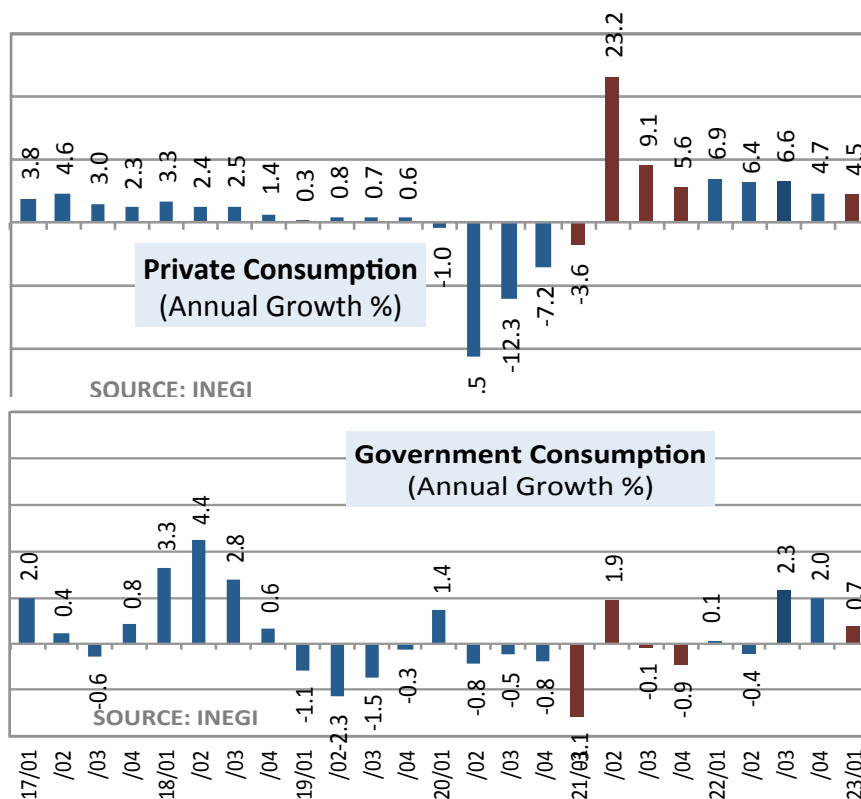


Source: INEGI

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	-17.4	-20.5	-1.0
21	5.5	2.4	6.7	4.9	9.7	18.9	5.8
22	3.1	1.4	3.2	2.7	0.3	11.8	12.9
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	1.8	0.5	2.9	1.1	1.0	14.7	22.0
II	2.2	0.0	3.2	1.5	0.7	11.9	16.2
III	4.3	0.5	3.7	4.6	-2.8	13.0	7.0
IV	3.7	4.8	3.1	3.8	2.2	7.7	6.5
2023-I	3.7	2.9	2.4	4.2	2.1	6.0	7.9
II	3.6	2.5	2.6	4.1			
Year	GDP	Private Con-sumption	Govern. Con-sumption	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	3.0	6.1	0.8	5.9	7.8	8.7	
2021-I	-2.6	-3.9	-3.1	-5.7	-4.6	2.0	
II	19.4	23.1	1.9	32.9	36.2	38.0	
III	4.3	9.1	-0.2	14.3	-0.5	20.2	
IV	1.2	5.6	-0.9	8.1	4.6	10.3	
2022-I	1.8	6.7	0.1	5.5	10.1	6.1	
II	2.2	6.5	-0.8	6.3	9.6	11.4	
III	4.3	6.5	2.1	4.1	11.0	10.8	
IV	3.7	4.7	2.0	7.8	0.3	6.2	
2023-I	3.7	4.5	0.7	9.2	-1.4	9.5	

Source: INEGI

- Economic reports show solid economic growth in the first half of 2023 (3.6%), which means that the slowdown expected for 2023 is not yet present.
- At the sector level, in the second quarter of 2023 the fastest recovery occurred in the services sector (4.1%), then in the industrial sector (2.6%) and finally in the agricultural sector (2.5%).
- On the demand side, all drivers remain dynamic, except for exports, which have gradually lost strength.



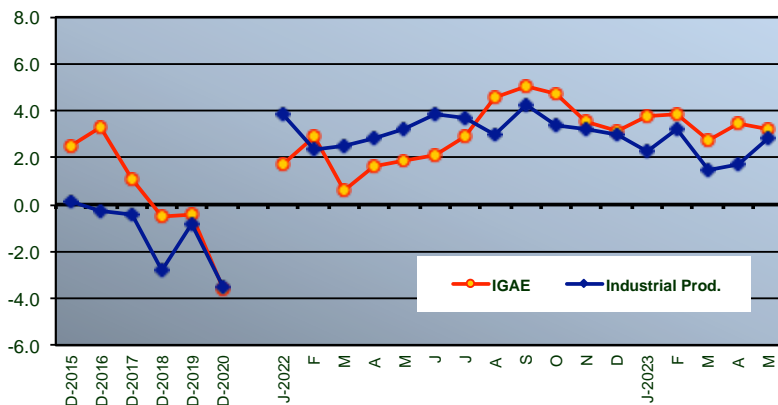
- Private consumption, with great weight in demand (2/3 of GDP), after a difficult biennium (2020-2021), in 2022-2023 it maintains the inertia of the recovery (4.5%), but the trend is downward .
- Investment gradually returns to moderate growth; but at the end of 2022 and the beginning of 2023 it is getting a second wind and a firm dynamism (9.2%).
- For their part, exports of goods and services are slowing down as response to the slowdown in the US economy.

Economic Activity

In the first half of 2023, a good performance of economic activity was reported.

Production Indicators

Production Indicators
(% Annual Change)



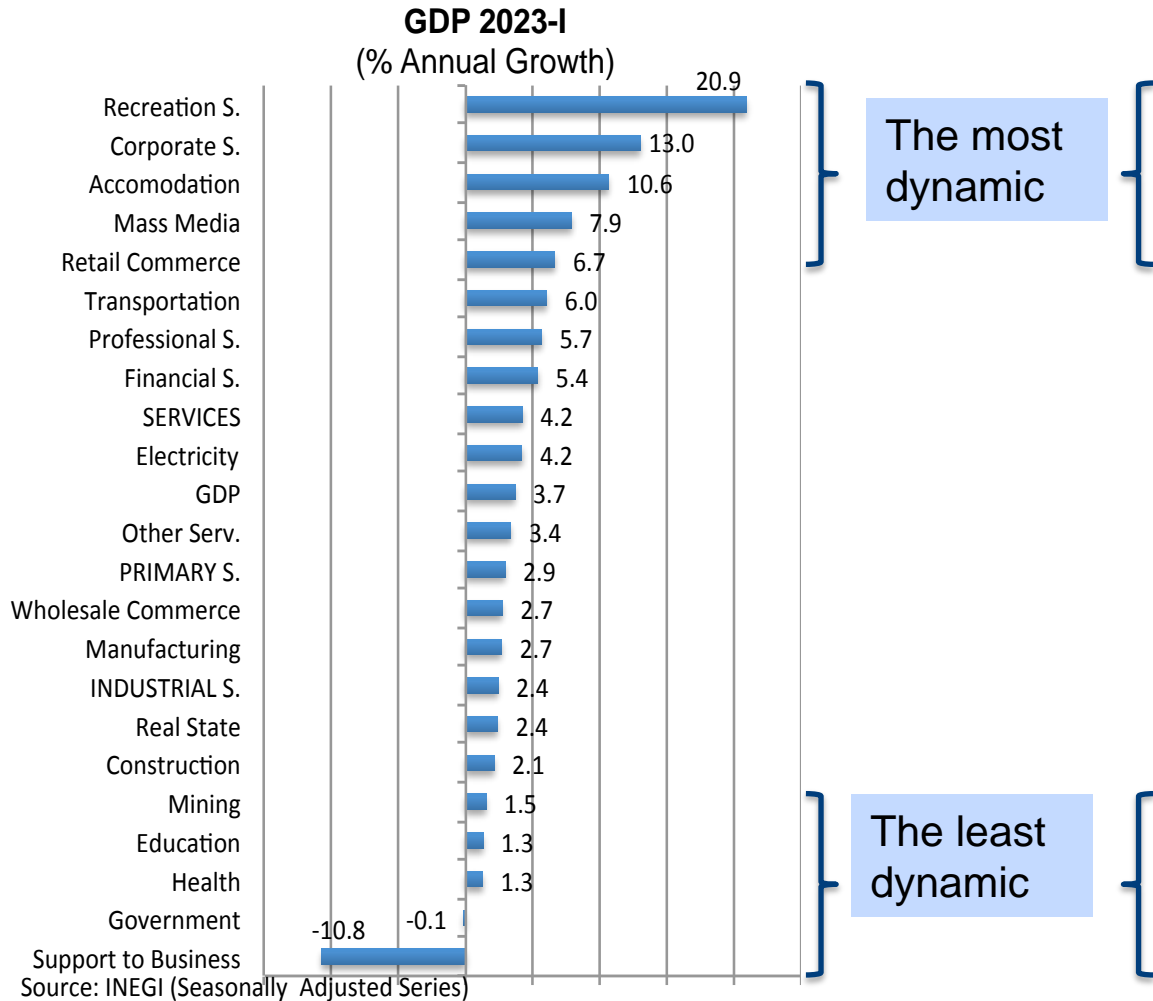
Source: Information from INEGI

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-2022	1.7	1.0	3.9	1.0	3.2	1.8	4.5	7.0	34.6	17.5	8.7	7.1
F	2.9	-3.0	2.4	3.1	-1.9	10.6	6.9	6.5	40.2	5.3	2.9	9.5
M	0.6	3.1	2.5	-0.4	2.2	4.6	2.2	9.3	29.6	17.2	5.6	8.6
A	1.6	4.3	2.9	1.0	2.4	7.5	6.8	8.6	37.3	12.1	6.8	7.5
M	1.9	1.5	3.2	1.2	-1.1	7.3	4.4	7.7	33.1	14.1	4.5	6.7
J	2.1	-4.0	3.8	1.6	1.4	8.8	6.2	3.1	30.5	9.2	7.6	6.8
J	2.9	-3.4	3.7	2.6	-1.4	6.3	5.0	9.6	25.9	7.8	3.4	6.4
A	4.6	2.5	3.0	5.6	-4.4	11.3	3.2	16.7	43.5	14.8	4.1	7.1
S	5.0	5.4	4.2	5.5	-2.9	10.4	6.1	13.5	33.0	8.1	4.5	6.0
O	4.8	4.3	3.4	5.5	-0.6	7.5	4.5	11.0	19.0	17.1	6.9	5.9
N	3.5	4.6	3.2	3.5	1.7	4.6	1.2	10.9	12.8	5.3	6.6	4.0
D	3.2	6.8	3.0	3.1	4.8	3.6	2.1	15.1	14.0	15.2	10.0	3.9
J-2023	3.7	0.9	2.3	4.8	2.3	7.2	6.0	10.2	13.7	7.2	7.1	6.3
F	3.9	8.9	3.2	3.9	2.7	-0.4	5.7	9.4	10.3	13.6	11.6	3.4
M	2.8	0.9	1.5	3.4	1.7	1.5	7.1	3.5	4.3	10.5	8.8	3.1
A	3.5	2.3	1.7	4.2	-1.6	2.6	6.4	5.8	2.0	14.2	7.7	3.3
M	3.2	0.5	2.8	3.5	8.1	5.0	4.8	5.1	0.1	10.1	15.1	3.0

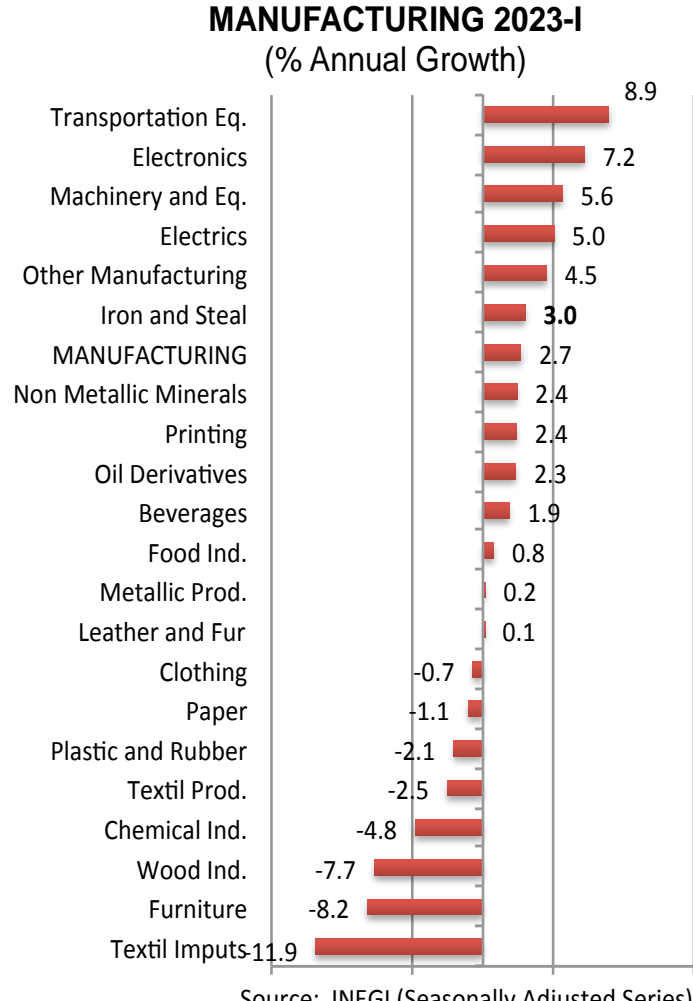
Source: INEGI

- The IGAE (Global Indicator of Economic Activity), after the high growth of 2021-II, has since observed a moderation in its annual growth; however, in the first part of 2023, growth looks vigorous: 3.6% in the first semester.
- At the sectoral level, if the agricultural sector is ignored, which is usually very volatile, growth rests on the service sector and then on the industrial sector.
- Regarding demand, private consumption tends to weaken, while investment tends to strengthen.

In 2023, the rebound effect fades and the return to normality and positive and moderate growth rates in most economic branches is confirmed.



Source: INEGI (Seasonally Adjusted Series)



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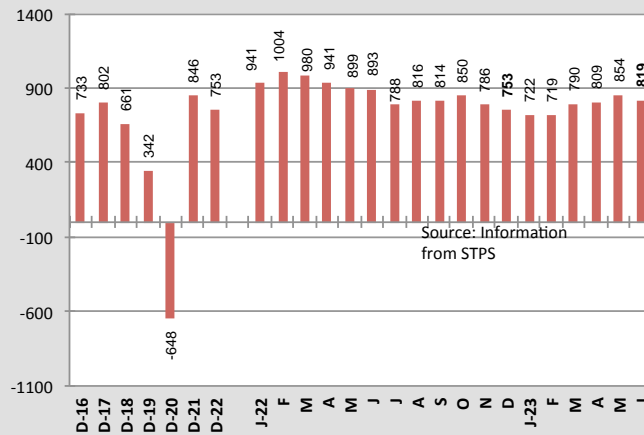
The labor balance in the first half of 2023 is positive: moderate unemployment (2-3%) and vigorous annual job creation: 819 thousand, according to the report of June 2023.

Employment and Wages



Source: INEGI

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



Source: Information from STPS

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	20620.1	846	-312.9	5.3	2.5	-16.1	15.0	7.5	7.2
D-22	2.8	21372.9	753	-345.7	10.1	1.4	-0.3	22.0	11.0	9.4

J-22	3.7	20,762	941	142	4.6	1.7	-12.6	22.0	8.9	7.4
F	3.7	20,941	1004	179	7.5	2.3	-12.6	22	9.5	7.9
M	3.0	21,006	980	65	8.4	2.4	-12.3	22	10.5	9.0
A	3.0	21,011	941	5	8.4	2.3	-12.9	22	10.8	6.5
M	3.3	21,008	899	-3	7.9	2.5	-13.4	22	10.9	8.8
J	3.3	21,069	893	60	8.8	1.9	-12.9	22	11.1	7.7
J	3.4	21,079	788	11	11.2	1.1	-4.8	22	11.5	9.1
A	3.5	21,237	816	157	11.8	1.7	-2.7	22	11.5	5.7
S	3.3	21,409	814	172	10.7	1.6	-1.3	22	11.3	9.0
O	3.3	21,617	850	208	10.2	1.5	1.8	22	11.1	4.9
N	2.9	21,719	786	101	9.5	1.2	-0.3	22	11.0	9.0
D	2.8	21,373	753	-346	10.1	1.4	-0.3	22	11.0	9.4
J-23	3.0	21,485	722	112	4.1	0.9	-2.3	20***	11.2	10.2
F	2.7	21,660	719	176	3.7	0.2	-2.1	20	11.2	9.3
M	2.4	21,796	790	136	2.5	-0.2	-2.7	20	11.2	10.4
A	2.8	21,820	809	24	0.1	-0.3	-1.8	20	11.2	9.6
M	2.9	21,863	854	43	1.8	0.0	0.3	20	11.3	9.2
J	2.7	21,887	819	24				20	11.2	7.3**

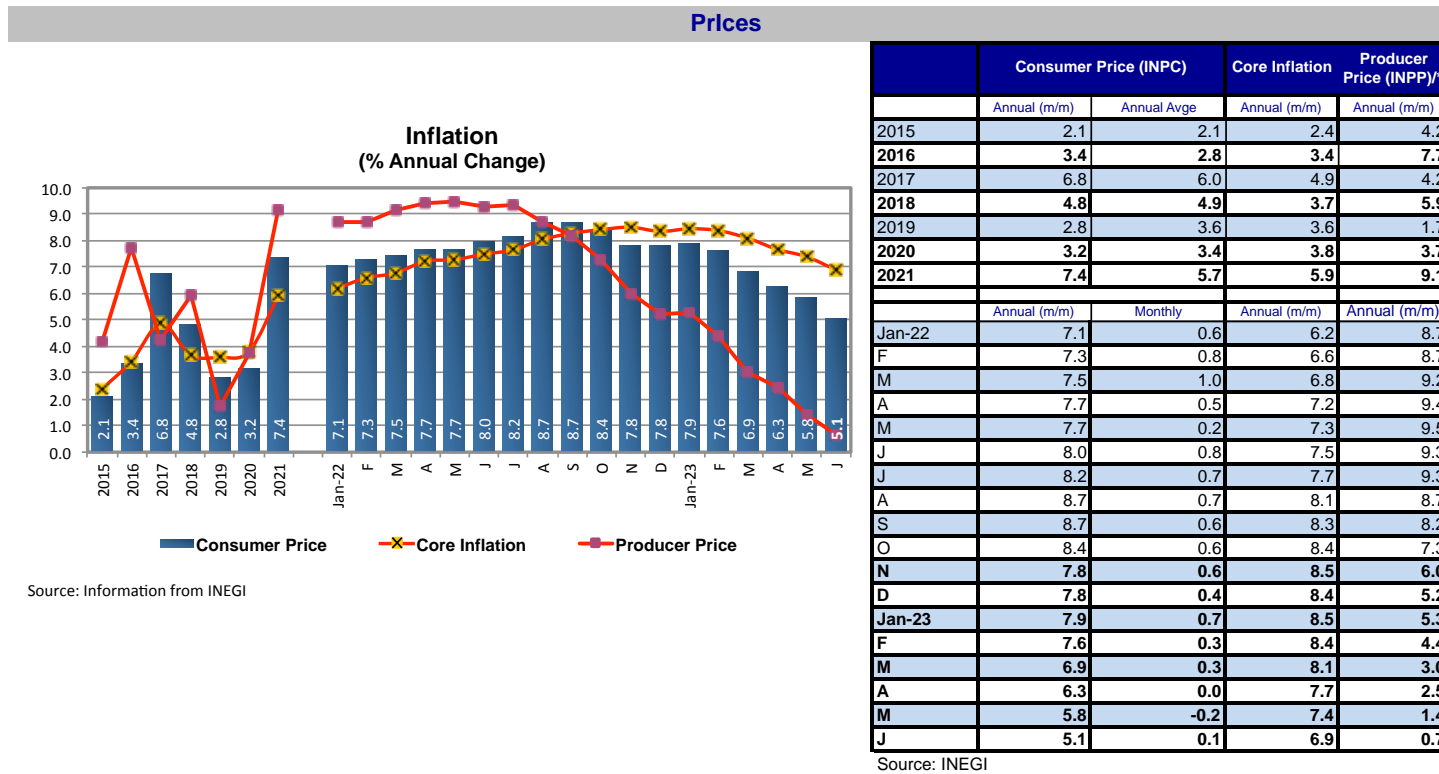
Source: INEGI, STPS.

** Only Federal Jurisdiction

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

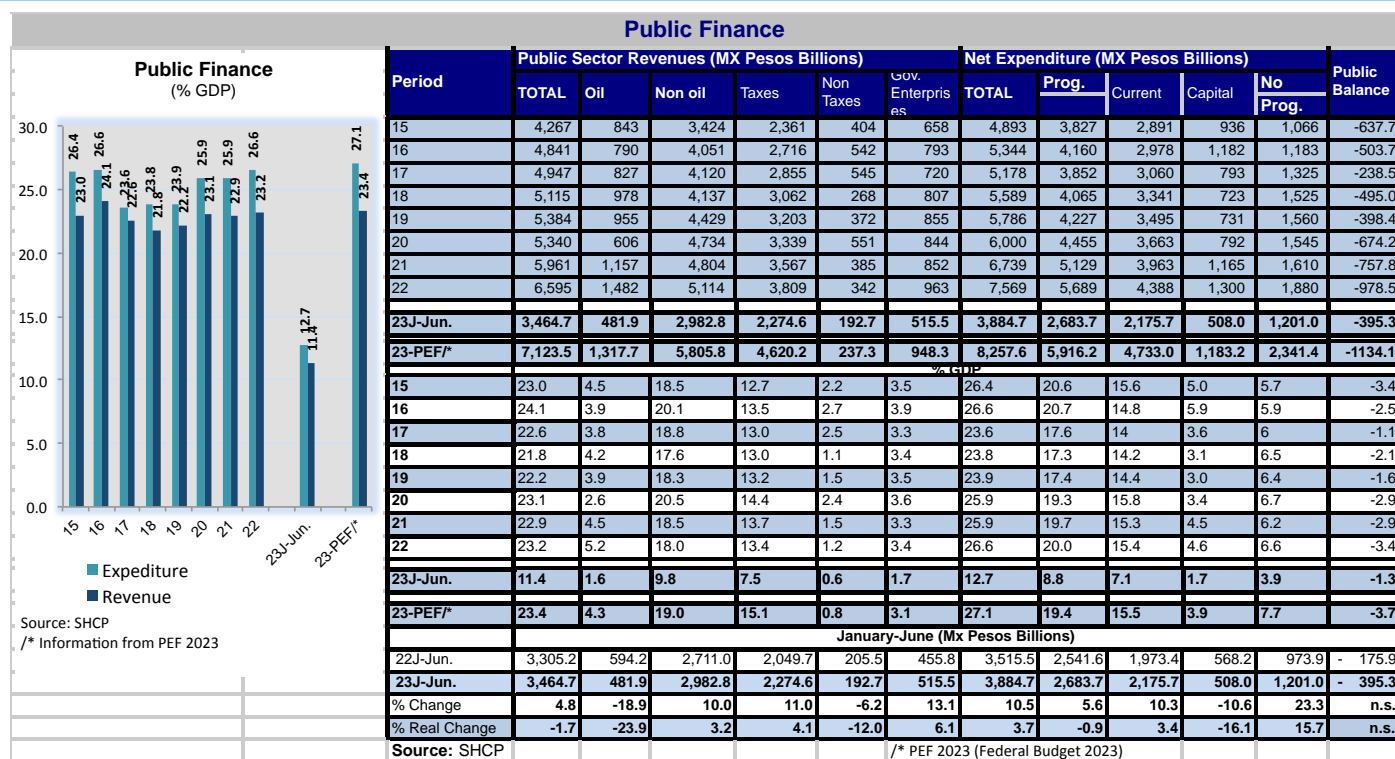
- The unemployment rate stood at 2.7% in June, below 3%.
- In 2022, 753,000 were created and in June 2023 an annual job creation of 819,000 was reported, which reconfirms that the labor sector remains strong.
- The higher inflation has resulted in uneven gains in the three main salary indicators: +14.9% in the minimum, 6.1% in the IMSS salary and 2.2% 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 June 2023, inflation fell back to 5.1%. Although a downward trend is confirmed, core inflation remains high (6.9%).



- Inflation is receding rapidly. It seems to have reached a maximum in August 2022 (8.7%) and in December it fell to 7.8% to settle at **5.1%** in June 2023.
- The inflationary episode is attributed to the burst in world demand and the imbalance in production chains derived from the pandemic. and the Russia-Ukraine war.
- The expectation is the recovery in a few months of the institutional unflation goal of Banco de México (3% +/- 1%). Producer price inflation is minuscule (0.7%); this is not the case for the core inflation, which remains high (6.9%). If trends consolidate, it will soon be possible to see the return of historical inflation rates.

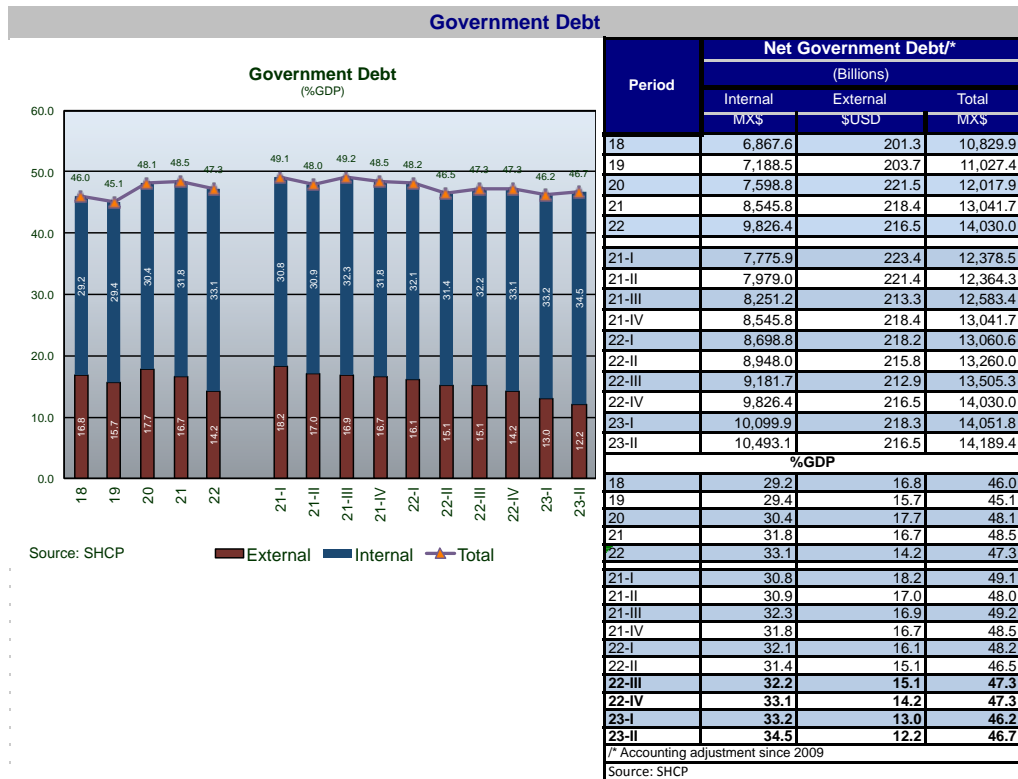
In January-June 2023, government revenues add up to 11.4% of GDP, expenditures 12.7% of GDP, and that results in a deficit of 1.3% of GDP.



- In January-June 2023, a moderate decrease in revenue (-1.7%) and a moderate increase in expenses (3.7%) are reported.
- On the revenue side, the decrease derives from the drop in oil revenues (-23.9%). On the spending side, only investment spending shows a significant decline (-16.1%).
- In 2023, strong spending pressures are emerging to conclude emblematic projects and strengthen social programs, in parallel to a weakening of oil revenues.

Public Debt

Public debt, as a percentage of GDP, remains under control: despite the greater budgetary pressures, the debt continues to contract: it fell from 47.3% in 2022 to 46.7% of GDP in June 2023.

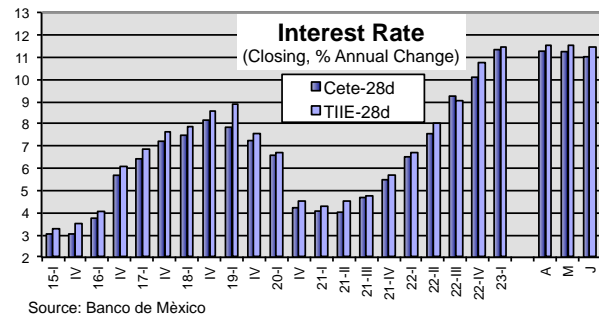
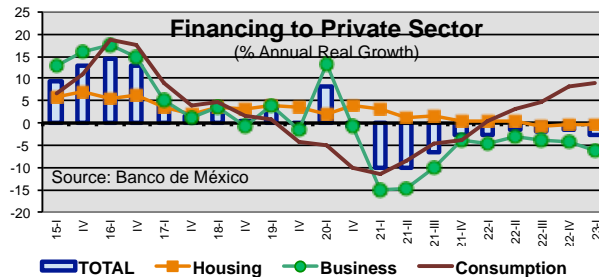


- In world comparison, Mexico's public debt is moderate: it closed at 47.3% of GDP in 2022 and at 46.7% in June 2023. As a reference, in the US it is around 130% of GDP and in Japan 260% of GDP.
- The current administration has kept its promise to keep the debt under control. While it has experienced ups and downs, it has remained within manageable ranges. Undoubtedly, the higher inflation helped 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 transfers, are enormous.

Financial sector

In the first quarter of 2023, financing to the private sector showed a moderate annual decline (-2.7%); on the other hand, in the middle of the year, interest rates tend to stabilize above 11%.

Financial Indicators



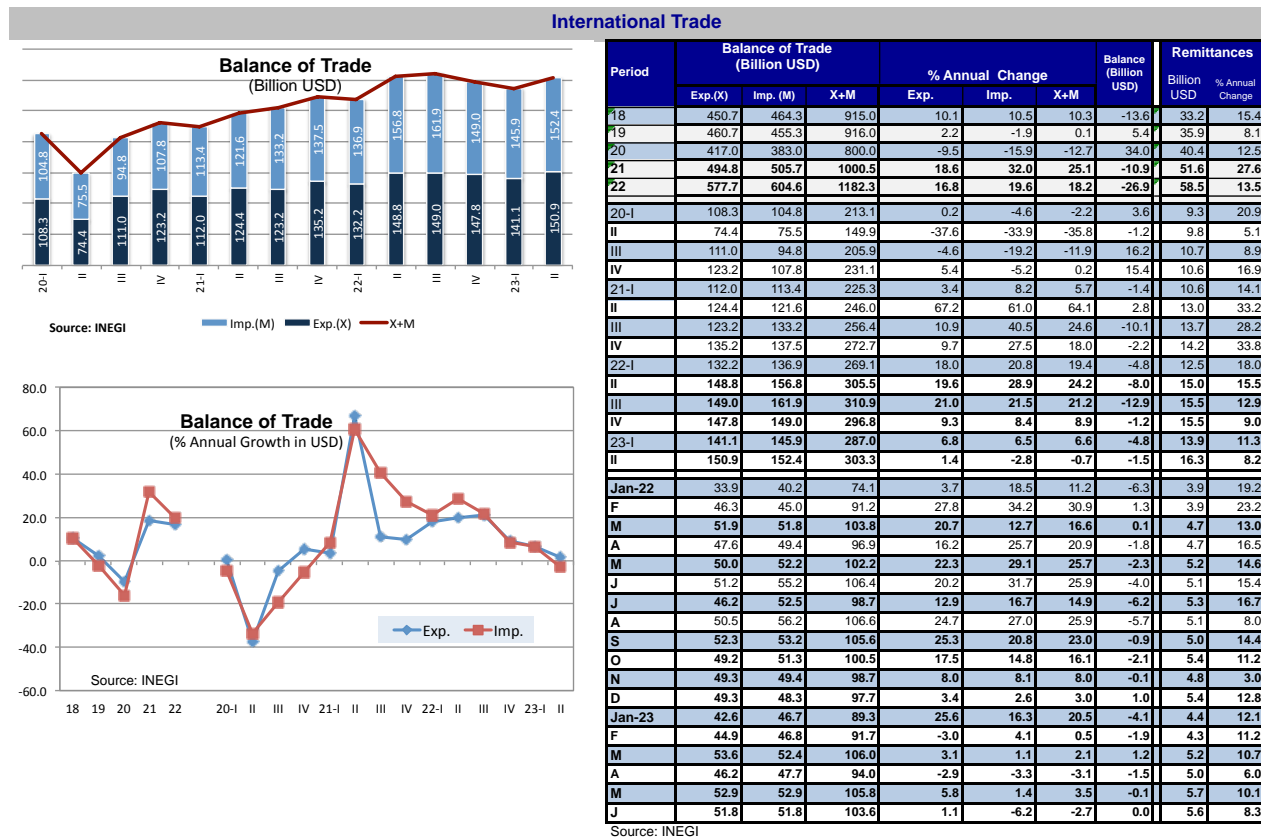
Period	Financing to Private Sector (% Annual Real Growth)						Interest Rates		Stock Market		
	TOTAL Billion MX\$	Real Growth	By Source		For Destination		(% Annual) CETES-28d		IPC	%	
			External	Internal	Consumption	Housing	Business	TIIE-28d	('000)	Growth	
15-I	6,537	9.5	18.8	6.6	6.6	5.7	12.7	3.1	3.3	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	9,828	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	10,875	-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	11,451	-1.7	-15.1	2.7	8.2	-0.3	-4.3	10.1	10.8	48.5	8.6
23-I	11,366	-2.7	-20.2	2.7	9.2	-0.2	-6.3	11.3	11.4	53.9	11.2
A								11.3	11.5	55.1	2.3
M								11.3	11.5	52.7	-4.3
J								11.0	11.5	53.5	1.5

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 from 2021 to 2023.
- The decline in the first quarter of 2023 (-2.7%) is observed above all in financing for companies (-6.3%) and housing (-0.2%); this is not the case in consumption, which reports vigorous growth (9.2%).
- To boost financing, interest rates remained low, but they began to rise in the second part of 2021 and are already above 11% in June 2023. The Stock Market, for its part, has shown great ups and downs in recent years; in 2022 it lost 9% and in January-June 2023 it gained 10.5%.

International Trade

In the first half of 2023, international trade in goods is slowing down, parallel to the economic slowdown in the US.

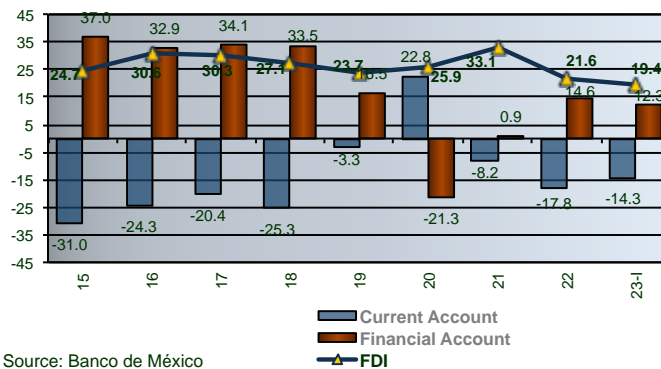


- After the collapse of 2020, international trade in goods recovered rapidly in 2021 and remained dynamic in 2022, accumulating 1,182.8 Bn USD in the year. But in 2023 a rapid slowdown is observed.
- In 2022, the trade balance registered a deficit of 26.4 Bn USD, but in January-June 2023 the deficit was located at 6.3 Bn USD.
- For their part, remittances remain dynamic and totaled 30.2 Bn USD in January-June 2023.

In the first quarter of 2023, the balance of payments reflects a deficit in the current account (-14.3 Bn USD) and a surplus in the financial account (12.3 Bn USD), sustained by Foreign Direct Investment (19.4 Bn USD).

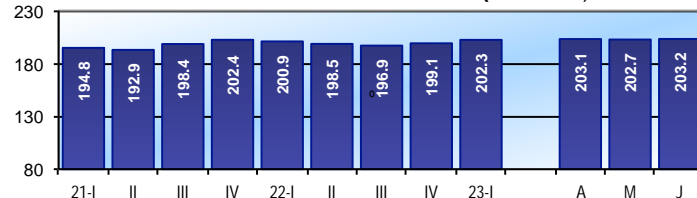
International Transactions

Balance of Payments (Bill. USD)



Source: Banco de México

International Reserves (Bill. USD)



Source: Banco de México

Period	Balance of Trade (Bill.USD)	Exports (Bill.USD)	Imports (Bill.USD)	Current Account		Financial Account (Bill.USD)	Foreign Direct Investment	Reserves Int. Change (Bill USD)	Stock of Int. Reserves (Bill.USD)
				(Billion USD)	(%GDP)				
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	-26.9	577.7	604.6	-17.8	-1.3	14.6	21.6	-3.3	199.1
23-I	-4.8	141.1	145.9	-14.3	-3.6	12.3	19.4	3.2	202.3
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	-4.8	132.2	136.9	-12.4	-3.7	11.5	18.0	-1.5	200.9
II	-8.0	148.8	156.8	-1.6	-0.1	0.3	3.3	-2.3	198.5
III	-12.9	149.0	161.9	-6.4	-0.5	7.0	2.1	-1.6	196.9
IV	-1.2	147.8	149.0	2.6	0.5	-4.2	-1.8	2.2	199.1
23-I	-4.8	141.1	145.9	-14.3	-3.6	12.3	19.4	3.2	202.3
A								0.8	203.1
M								-0.4	202.7
J								0.5	203.2

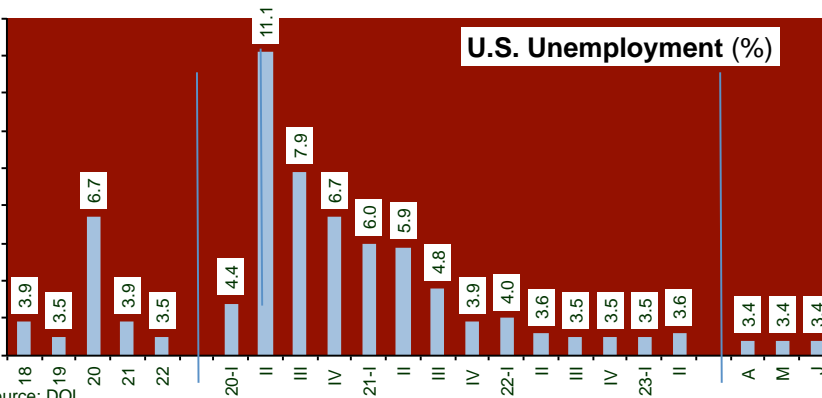
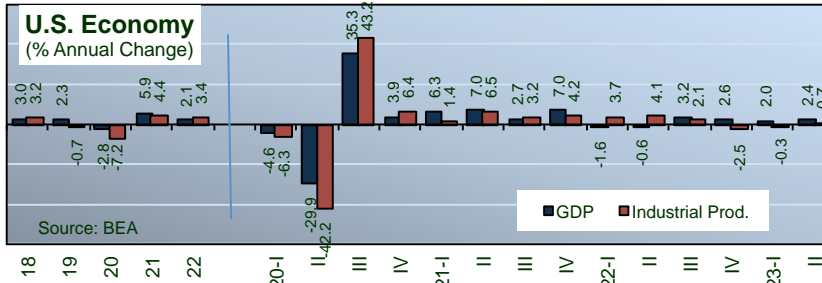
Source: Banco de México

- In the first quarter of 2023, a deficit was registered in the current account (-14.3 USD Bn) and a very similar surplus in the financial account (12.3 USD Bn), supported by the inflow of Direct Foreign Investment (19.4 USD Bn).
- As a consequence, international reserves remain high: they closed 2022 at 199.1 Bn USD and in June 2023 they already stood at 203.2 Bn USD.
- Nearshoring has aroused interest inside and outside the country. This has strengthened the entry of capital into the country. Both direct and financial investment are going through a good momentum.

International economy

The US GDP reported growth of 2.4% in the second quarter of 2023 (vs 2% in the previous quarter). For its part, the industrial sector weakens (0.7%), while unemployment stagnates at low levels (3.6% in June)

U.S. Economy

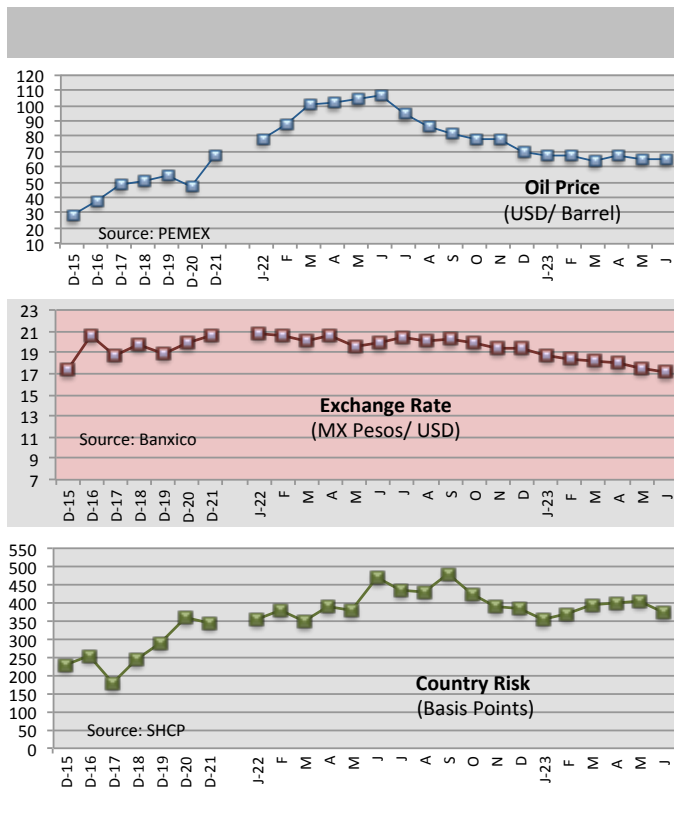


Period	GDP/*	Industrial Prod.	Manufacturing		Unemployment Rate	Inflation
			% Annual Change of Quarter	% Annual Change		
18	3.0	3.2		1.3	3.9	1.9
19	2.3	-0.7		-2.0	3.5	2.3
20	-2.8	-7.2		-6.6	6.7	1.4
21	5.9	4.4		5.0	3.9	7.0
22	2.1	3.4		2.7	3.5	9.1
20-I	-4.6	-6.3	-2.9	-5.0	4.4	1.5
II	-29.9	-42.2	-15.0	-44.0	11.1	0.6
III	35.3	43.2	-6.7	53.9	7.9	1.4
IV	3.9	6.4	-4.3	8.0	6.7	1.4
21-I	6.3	1.4	-1.6	-0.1	6.0	2.6
II	7.0	6.5	14.7	5.9	5.9	5.4
III	2.7	3.2	5.5	3.4	5.7	5.4
IV	7.0	4.2	4.5	4.9	3.9	7.0
22-I	-1.6	3.7	3.5	3.0	2.9	7.5
II	-0.6	4.1	2.9	2.7	2.4	3.6
III	3.2	2.1	2.5	0.1	1.4	3.5
IV	2.6	-2.5	1.0	-3.3	-0.6	3.5
23-I	2.0	-0.3	0.8	-0.2	-0.2	3.5
II	2.4	0.7	0.0	1.5	-0.5	3.6
A		7.2	0.5	12.8	-0.7	3.4
M		-5.7	0.0	-2.4	-0.5	3.4
J		-6.8	-0.5	-3.5	-0.4	3.4

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

- In the second quarter of 2023, the US economy experienced an increase of 2.4%, higher than the previous quarter (2%). For its part, industrial growth has weakened (0.7% in the second quarter), while unemployment has stagnated at low levels (3.6% in June).
- The good news is that inflation is contracting: it closed 2022 at 6.5% and in June it fell to 3%. Everything indicates that the fight against inflation is paying off.
- The expectation for 2023 is to achieve moderate economic growth (around 2% or less) and quickly bring down core inflation, via a very restrictive monetary policy and high interest rates.

In the middle of 2023, the price of crude oil remains a little above 60 DPB, the exchange rate consolidates its downward trend (17 PPD in June) and the country risk stopped its rise and returned to levels below 400 basis points.



Key Prices

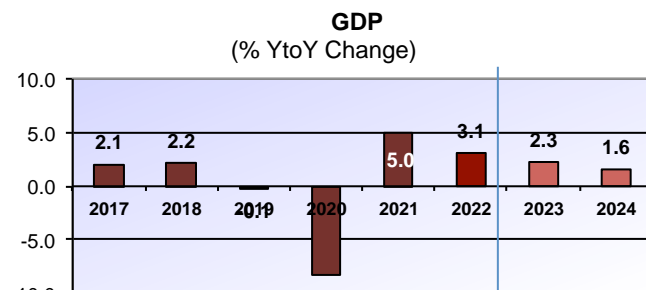
Period	MX Oil Price (USD/ Barrel)	MX Crude Oil			Exchange Rate		Risk Country/* (Basis Point)		
		Production Barrels ('000)/Day	Exports Million USD		\$MX/DII	\$MX/Euro	Mexico	Brazil	Argentina
D-15	28.7	2,275	1,008	896	17.2	19.0	232	523	438
D-16	37.8	2,113	1,425	1,614	20.5	21.8	253	350	528
D-17	48.3	1,730	1,159	1,679	18.6	22.0	180	244	359
D-18	50.5	1,710	1,198	1,876	19.7	22.5	245	232	351
D-19	54.5	1,706	1,115	1,884	18.8	21.2	292	212	1,744
D-20	47.2	1,695	1,243	1,727	19.9	24.4	361	250	1,368
D-21	67.6	1,752	1,037	2,173	20.6	23.3	347	306	1,688
J-22	78.4	1,762	832	2,023	20.7	23.1	356	316	1723
F	87.7	1,743	925	2,273	20.7	22.9	382	321	1816
M	100.6	1,757	905	2,815	20.0	22.1	349	280	1718
A	102.2	1,747	1,024	3,140	20.6	21.5	391	291	1801
M	104.3	1,755	964	3,117	19.6	21.1	382	291	1918
J	106.0	1,767	1,029	3,272	20.0	21.0	473	357	2428
J	94.4	1,777	1,061	3,106	20.4	20.7	437	309	2398
A	86.3	1,760	915	2,446	20.0	20.2	432	295	2385
S	81.6	1,755	1,022	2,501	20.3	19.6	483	295	2801
O	78.1	1,770	971	2,351	19.8	19.7	428	269	2624
N	78.2	1,778	893	2,096	19.3	20.1	392	249	2248
D	69.8	1,797	900	1,947	19.4	20.8	386	258	2196
J-23	67.4	1,850	980	2,048	18.8	20.4	357	257	1822
F	67.0	1,849	949	1,781	18.4	19.5	368	244	1960
M	63.5	1,858	971	1,911	18.1	19.6	393	254	2302
A	67.2	1,884	989	1,994	18.1	19.9	401	258	2684
M	64.7	1,884	1,087	2,180	17.6	18.9	406	248	2595
J	64.5	1,878	1,203	2,327	17.1	18.7	376	229	2061

Source: PEMEX, BANXICO, INEGI, SHCP, JP Morgan, Invenormica /* The series are preliminary and continually reviewed.

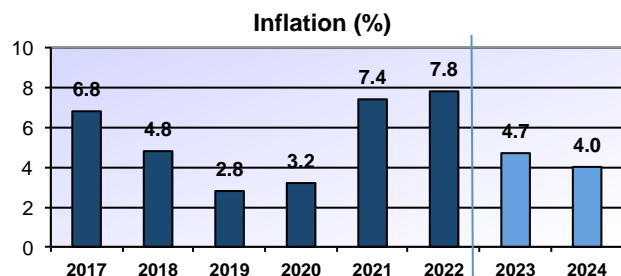
- The price of crude oil maintained its downward trend and fell back to 64.5 DPB in June.
- Despite the uncertainty and the ups and downs of the market, the exchange rate has remained relatively stable in 2023 and with a downward trend: 17.1 PPD in June 2023.
- For its part, the country risk in the post-pandemic stage has shown ups and downs: it closed 2022 at 386 and in June 2023 it stood at 376 basis points.

According to experts in the Mexican economy, growth expectations for 2023-2024 continue to improve (they already exceed 2% for 2023) and inflation expectations are downward: 4.7% and 4%.

Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical						CGPE/*		EEESP/**	
	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	2.3	1.6
GDP Current (MX Billions)	21,934	23,523	24,443	23,430	25,804	28,464	30,722	32,935	30,417	32,130
GDP Deflator	6.7	4.9	4.0	3.0	7.0	8.0	5.2	4.8	4.5	4.0
Inflation										
Dec/ Dec	6.8	4.8	2.8	3.2	7.4	7.8	5.0	4.0	4.7	4.0
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	18.4	19.2
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	11.1	8.5
Current Account										
Billions USD	-22.7	-22.2	-2.4	26.6	-4.9	-13.4	-13.0	-12.8	-16.6	-17.5
% GDP	-1.6	-1.9	-0.2	2.4	-0.391	-0.913	-0.8	-0.8	-1.0	-1.0
Public Balance										
% GDP	-1.1	-2.1	-1.6	-2.9	-2.9	-3.4	-3.7	-2.7	-3.7	-3.6
USA										
GDP (%Annual Growth)	2.3	2.9	2.3	-3.5	5.7	2.1	1.5	1.2	1.3	1.0
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	1105.6	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		

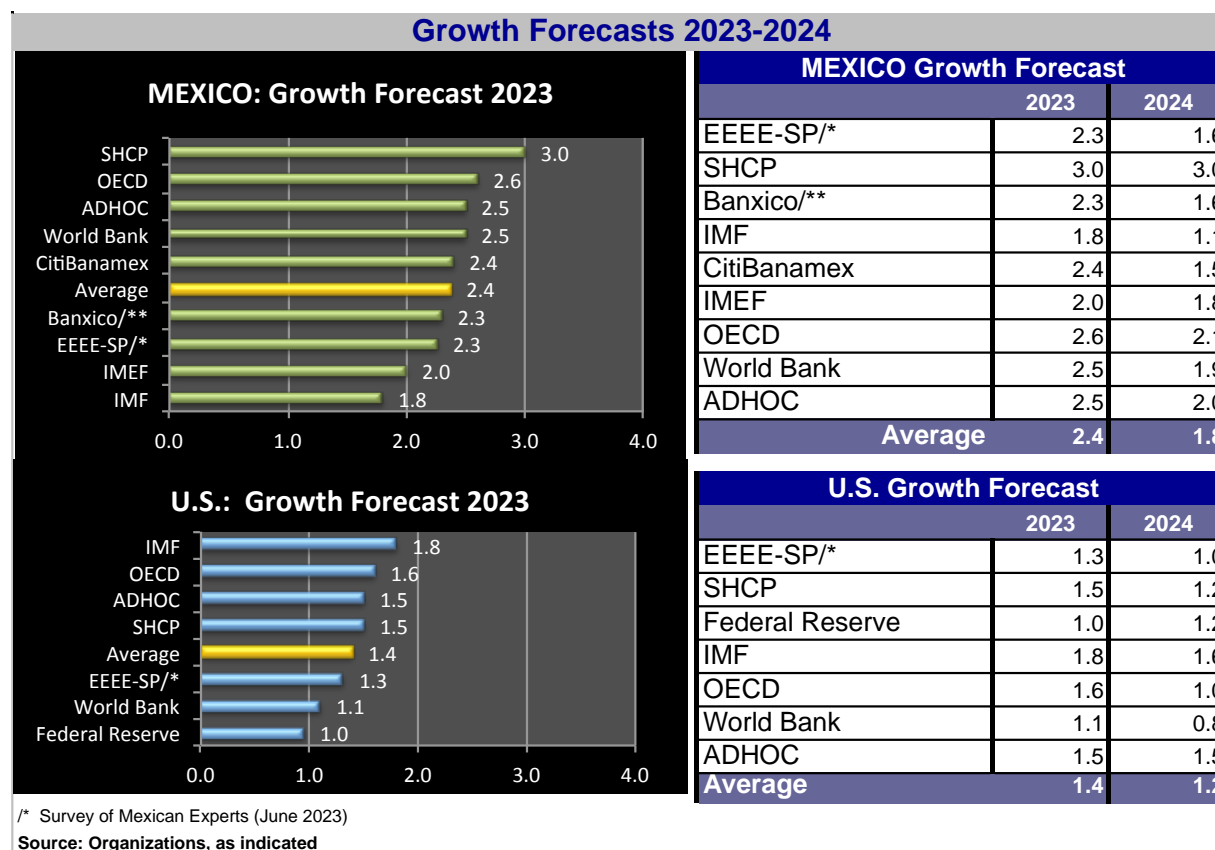
/* CGPE-(Criterios Generales de Política Económica 2023; Precriterios 2024).- Basis Document for Macroeconomic Policy

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

(p) Projected

- For 2023-2024, experts forecast moderate economic growth: 2.3% and 1.6% for the biennium.
- A decreasing inflation rate is estimated, but it tends to converge to the institutional goal: 4.7% in 2023 and 4% in 2024.
- According to forecasts, fundamental balances will remain under control, although the fiscal deficit tends to overflow (-3.7 and -3.6% of GDP for the biennium), while the current account balance does not exceed 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 (1.3%) and in 2024 (1%).

According to specialized agencies, the expected growth for 2023 is 2.4% and 1.4% for Mexico and the US, respectively. For 2024, growth of 1.8% and 1.2% is forecast for both countries.



- For Mexico, the forecasts of nine specialized organizations fluctuate between 1.8% and 3% in 2023, with an average of 2.4%. By 2024, average forecast is 1.8%.
- For the US, the forecasts of seven specialized organizations fluctuate between 1% and 1.8% for 2023, with an average of 1.4%. By 2024, the average forecast is 1.2%.
- As can be seen, both economies show moderate dynamism, but growth moderation is greater in the US than in Mexico.

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