



Mexico Economic Profile

Sixth Bimester of 2023

Timely Macroeconomic Report
for Decision Making

December 2023

Economic Profile of Mexico

Sixth Bimonthly Report of 2023

In 2023, the economy performed very well. Production increased by 3.2% and inflation ended at 4.7%. Not bad for an economy that started the year with very pessimistic expectations. The main driver of growth has been the domestic market and in particular private consumption and investment; this is because exports have tended to stagnate. In parallel, inflation fell steadily and is now very close to the Central Bank's institutional objective. The internal market has been strengthened due to the creation of jobs and greater purchasing power. In contrast, the external market appears stagnant due to the weakening of the US economy, but this could change in the future, as the US economy performance improves and nearshoring deepens. Finally, the two fundamental balances (fiscal and external) are kept under control. Only two major challenges remain: creating conditions for nearshoring to be successful and shielding public finances from the overflow of the public deficit (=5%) announced for 2024.

Robust Economic Recovery.- In the fourth quarter of 2023, economic growth was 2.5% (lower than 3.5% in the previous quarter). The initial forecasts of gradual deceleration have not been met. As a consequence, the growth for the entire year was 3.2% (very similar to the government forecast). The drive comes from the domestic market and, to a lesser extent, the external market.

Inflation is receding.- After two long years of anti-inflationary struggle, inflation is declining and in December it stood at 4.7%, already very close to the Central Bank's institutional goal (3%+/-1). As recalled, inflation derived from an explosion in global demand, imbalances in production chains due to Covid-19 and the spike in energy and food prices, which was aggravated by war conflicts. In Mexico, two anti-inflation programs and a generous gasoline subsidy helped contain inflation. It is expected that inflation will gradually return to its historical levels (2-4%) and that points towards the first part of 2024.

Job creation remains healthy.- After the enormous loss of formal jobs in 2020 (-648 thousand), a rapid recovery in jobs was observed in 2021 (+846 thousand), 2022 (+753 thousand) and 2023 (+651 thousand). As a consequence, the unemployment rate closed the year at 2.6%. Meanwhile, minimum wages gained purchasing power, despite inflation, and this contributed to partially and temporarily improving the wage bill and reinforcing consumption.

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Pressure on public finances.- By 2023, revenues summed 22% of GDP, expenses 25.4% of GDP, and that results in a negative balance of -3.3% of GDP. The bet was to strengthen tax revenues to compensate for the loss in oil revenues and adjust programmable spending downward to accommodate the increase in non-programmable spending. As a result, the deficit was higher in 2023, but public debt remained below 50% of GDP. In fact, government debt went from 47.6% in 2022 to 46.6% of GDP at the end of 2023.

Financing to the Private Sector continues to be slowed.- Despite efforts to boost it, financing to the private sector suffered a severe decline in 2021 and a more moderate one in 2022 and 2023. In the third quarter of 2023, the annual decline (-1.5%) is explained by a drop in financing to companies (-6.1%) and by a recovery in financing for housing (1.7%) and consumption (13.1%). All in a context of high but stable interest rates (above 11% at the end of 2023), which will continue to slow down financing.

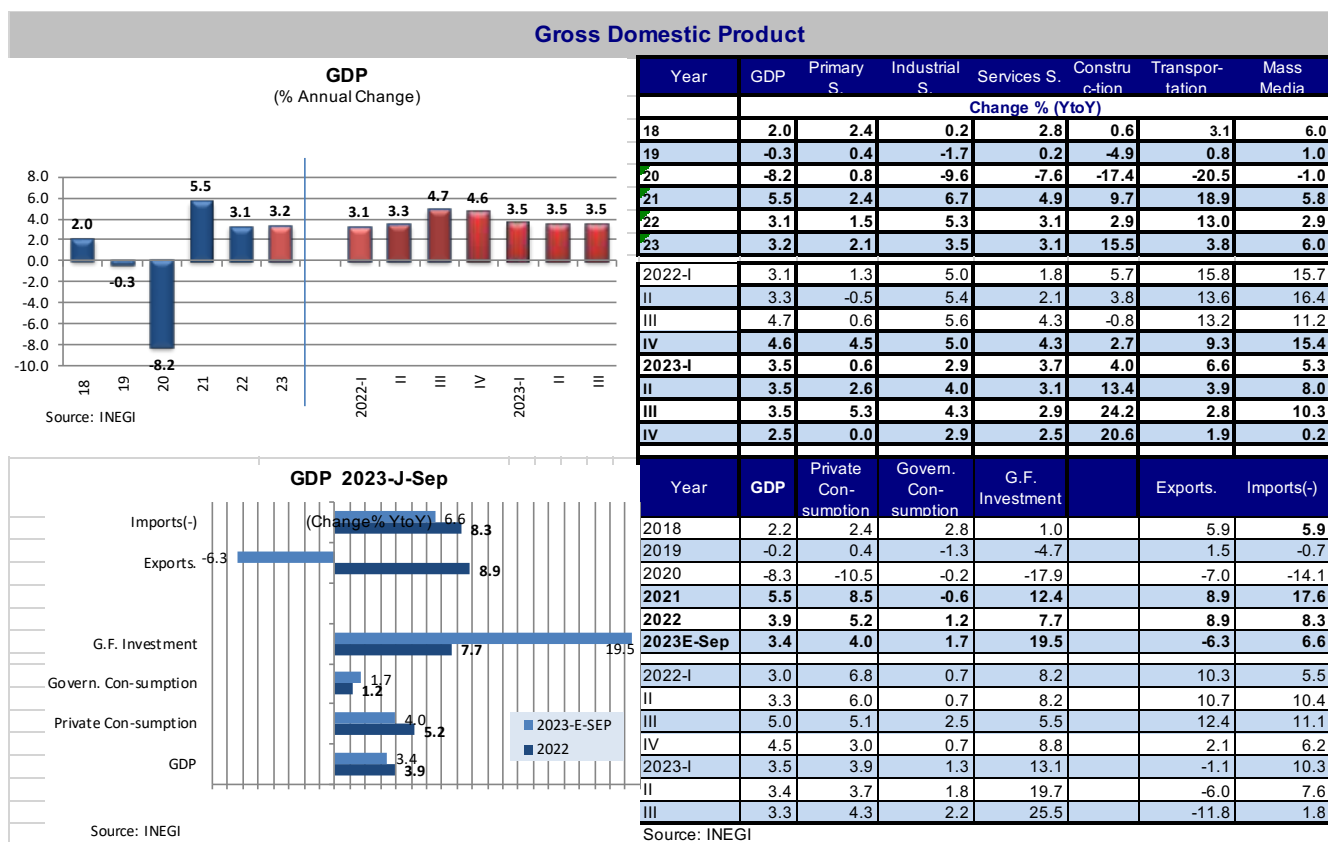
International trade stagnates.- Mexico's international trade totaled 1,200 billion dollars in 2023 and barely grew 1.6%. However, income from exports together with remittances (which total 63 billion dollars and grow 8.1% in 2023) have strengthened foreign exchange earnings and contributed to maintaining a good level of international reserves (they close 2022 at 199 billion dollars and increase to 212.8 billion dollars at the end of 2023). Fortunately, the evolution of foreign investment – especially direct investment – has been favorable throughout this year and is indicative of the advance of the relocation of companies in Mexico (nearshoring).

Moderate Slowdown in the US with declining inflation.- In the fourth quarter of 2023, economic growth was 3.3% in the US (vs. 4.9% previously), which means growth of 2.5% for the year. For its part, the industry observes a new decline (-3.1%), which is unfavorable to the Mexican economy. Meanwhile, unemployment has stagnated at low levels (3.7% in December). As throughout the world, the main concern lies in high inflation (especially core inflation), which began to decline from the second part of 2022: from 9.1 to 6.5% in December 2022 and from there to 3.4% in December 2023. In short, in the US the economy improves its performance and inflation declines.

Economic Outlook on the rise.- In 2023, real growth exceeded expectations in both Mexico and the US: 3.1% for Mexico and 2.5% for the US. For 2024, growth forecasts would be slightly lower than those for 2023 for both countries.

Economic activity

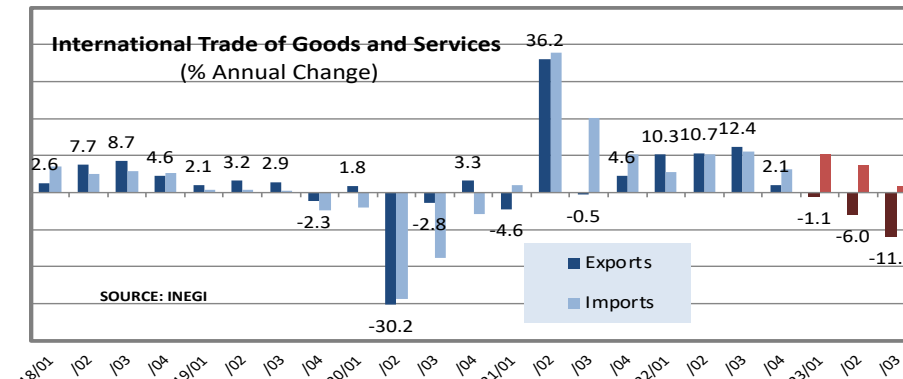
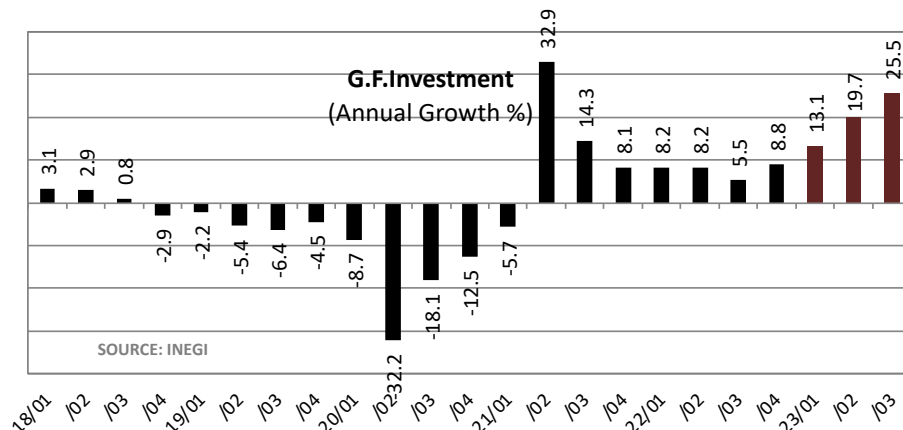
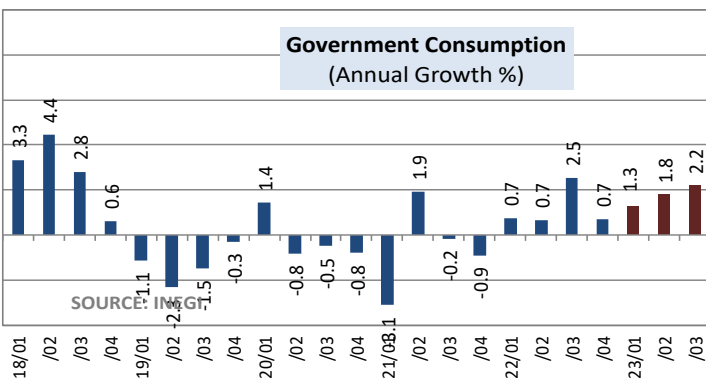
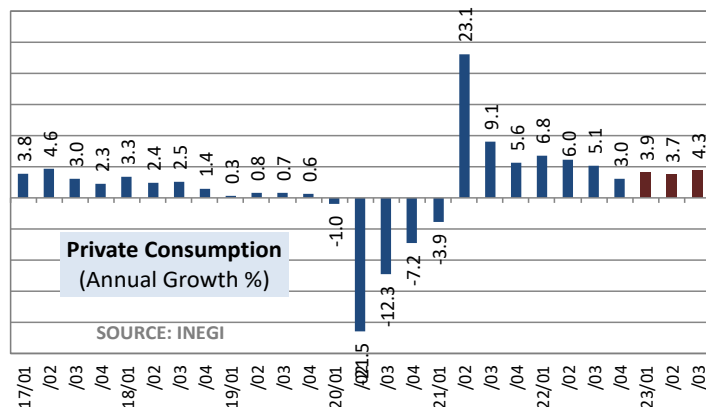
In the fourth quarter of 2023, GDP grew 2.5% (vs. 3.5% in the previous quarter), which gives an average for the year of 3.2%.



- In 2023 the economy reports growth of 3.2% (2.5% in the fourth quarter). This far exceeds the initial pessimistic expectations.
- At the sectoral level, in 2023, the most dynamic sector was the industrial sector (3.5%), followed by services (3.1%) and finally by agriculture (2.1%).
- On the demand side, in the third quarter investment stood out for its dynamism (25.5%), followed by private consumption (4.3%), which contrasts with the decline in exports (-11.8%).

Economic Activity

In 2023, the drivers of domestic demand remain vigorous, highlighting investment with double-digit growth.



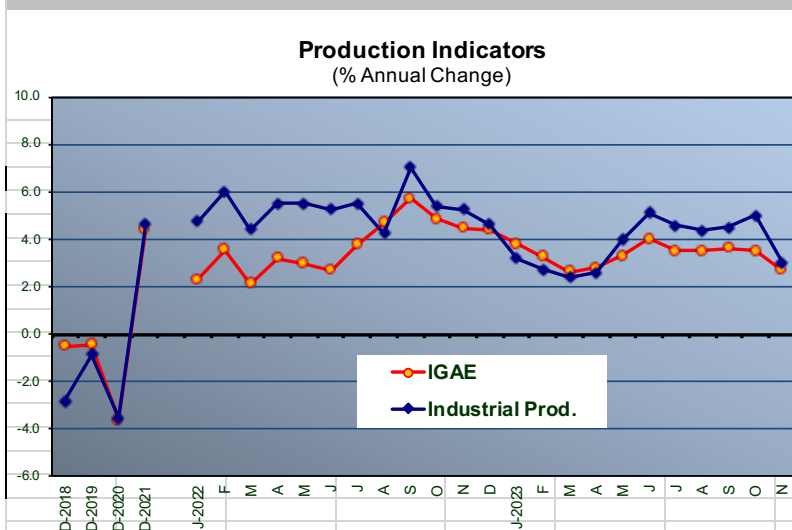
- Private consumption, with the greatest weight in demand (2/3 of GDP), after the pandemic, has maintained the inertia of the recovery in 2022 and 2023 (4.3% in the third quarter).
- Investment is growing at a very rapid pace in 2023; For the first time in this six-year term, investments grow at a double-digit rate (25.5% in the third quarter).
- For their part, exports of goods and services are decreasing rapidly in response to the slowdown in the US economy.

Economic Activity

At the end of 2023, economic activity loses dynamism.



Indicadores de Producción



Source: NEGI

Período	IGAE (Proxy of GDP)				Construcción	Comerce Net Sales		Transportation	Mass Media	Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Services S.		Wholesale	Retail				
D-2018	-0.5	3.5	-2.8	0.5	-9.0	-2.0	0.0	2.1	1.2	-7.8	0.6
D-2019	-0.4	-2.5	-0.8	0.1	-4.6	-4.2	1.3	-0.9	-2.6	-2.9	-0.2
D-2020	-3.6	-2.5	-3.5	-3.6	-12.9	3.9	-1.9	-21.3	5.1	-12.7	-6.7
D-2021	4.4	4.9	4.6	4.4	4.7	5.4	4.5	12.0	11.9	5.7	7.4
J-2022	2.3	0.2	4.8	1.0	5.9	0.6	6.3	13.0	20.8	9.8	5.9
F	3.6	-0.8	6.0	2.4	3.1	8.6	6.7	18.3	8.2	6.1	7.6
M	2.2	5.5	4.4	0.7	6.8	5.2	4.0	13.2	18.2	7.7	6.4
A	3.2	2.3	5.5	2.1	6.6	7.2	7.8	15.5	16.8	8.1	6.2
M	3.0	2.6	5.5	1.6	1.7	6.7	5.8	13.2	18.2	7.7	6.3
J	2.7	-6.5	5.3	1.7	4.6	8.6	6.4	12.5	14.7	10.2	5.5
J	3.8	-5.2	5.5	3.2	3.3	7.3	5.7	11.9	10.9	5.5	4.6
A	4.7	1.6	4.3	5.0	-3.7	11.3	3.7	15.3	13.5	5.8	5.5
S	5.7	6.9	7.1	5.1	-1.2	8.7	7.0	14.7	11.4	7.3	5.1
O	4.9	3.4	5.4	4.7	-0.7	6.0	6.6	10.9	17.8	7.9	4.1
N	4.5	5.2	5.3	4.0	3.1	2.5	4.4	9.1	10.1	7.7	3.2
D	4.4	4.9	4.6	4.4	4.7	5.4	4.5	8.1	17.7	11.9	2.7
J-2023	3.8	-1.6	3.2	4.7	4.1	7.0	4.9	9.7	3.0	10.8	5.2
F	3.3	6.4	2.7	3.4	2.4	-0.9	6.7	7.1	6.0	14.6	3.2
M	2.6	-1.7	2.4	2.8	4.6	0.1	8.0	4.9	5.8	12.5	2.7
A	2.8	2.5	2.6	2.9	3.8	3.6	4.5	4.3	5.9	14.0	3.9
M	3.3	-0.6	4.0	3.1	16.0	2.6	3.1	3.4	11.5	20.9	3.1
J	4.0	5.9	5.1	3.3	21.1	-0.9	7.7	3.9	7.2	26.0	3.8
J	3.5	8.8	4.6	2.5	23.0	2.3	4.8	3.0	10.9	26.6	4.3
A	3.5	7.0	4.4	2.8	29.1	5.7	3.2	1.0	11.6	28.3	4.4
S	3.6	1.6	4.5	3.4	19.9	6.7	3.2	3.6	9.2	23.6	5.0
O	3.5	6.0	5.0	2.7	27.4	5.4	1.0	3.3	3.4	24.7	4.5
N	2.7	-6.6	3.0	3.2	19.3	8.6	1.8	3.5	0.8	20.1	5.8

Fuente: INEGI

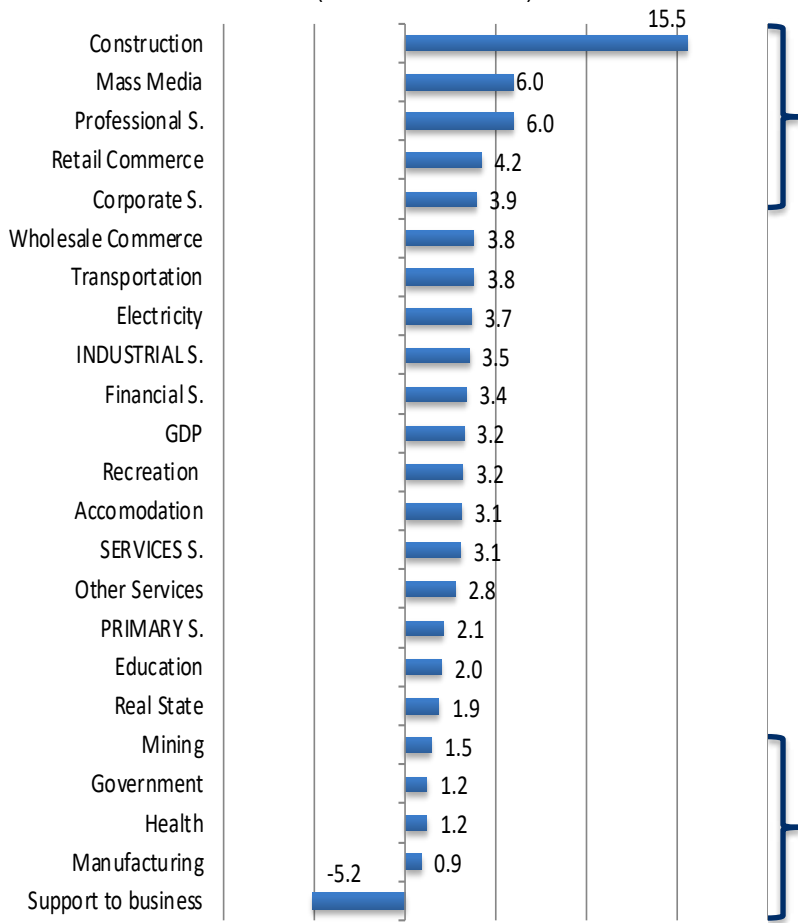
- The IGAE (Global Indicator of Economic Activity), after the rebound in 2021, has since observed a moderation in its annual growth; in 2023, it reported growth of more than 3% throughout the year, but in the last two months, there was a marked slowdown.
- At the sectoral level, if we ignore the agricultural sector (-6.6%), which is usually very volatile, growth rests fundamentally on the industrial sector (3%) and the services sector (3.2%) with data from November
- Regarding demand, the very robust reactivation of investments has been a pleasant surprise.

Economic Activity



In 2023, the return to normality and positive and moderate growth rates is confirmed in most economic branches, but manufacturing is not going through a good time.

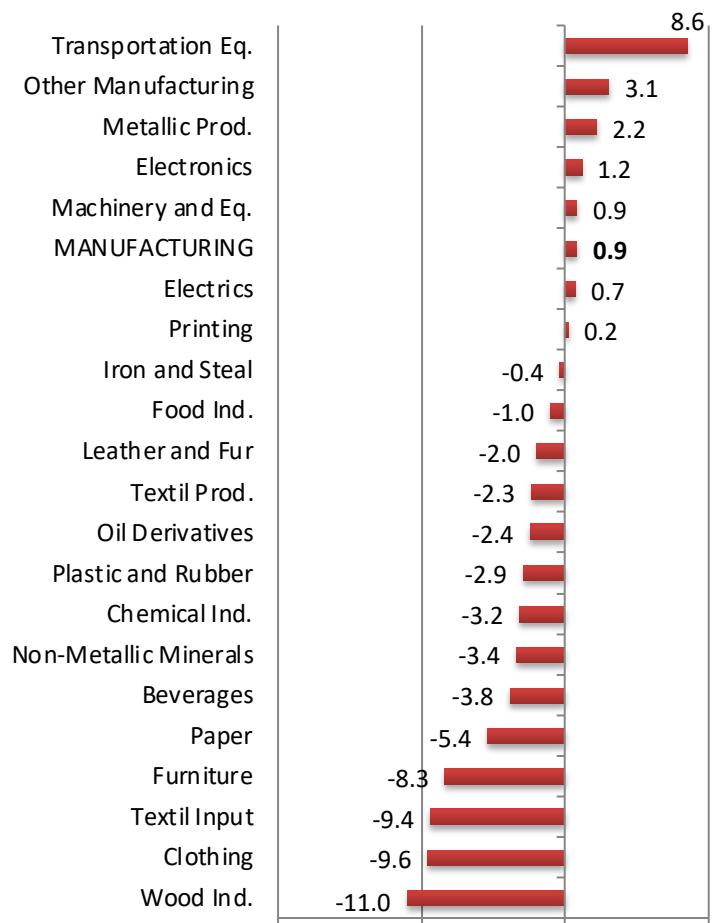
GDP 2023-IV
(% Annual Growth)



The most dynamic

The least dynamic

MANUFACTURING 2023-IV
(% Annual Growth)

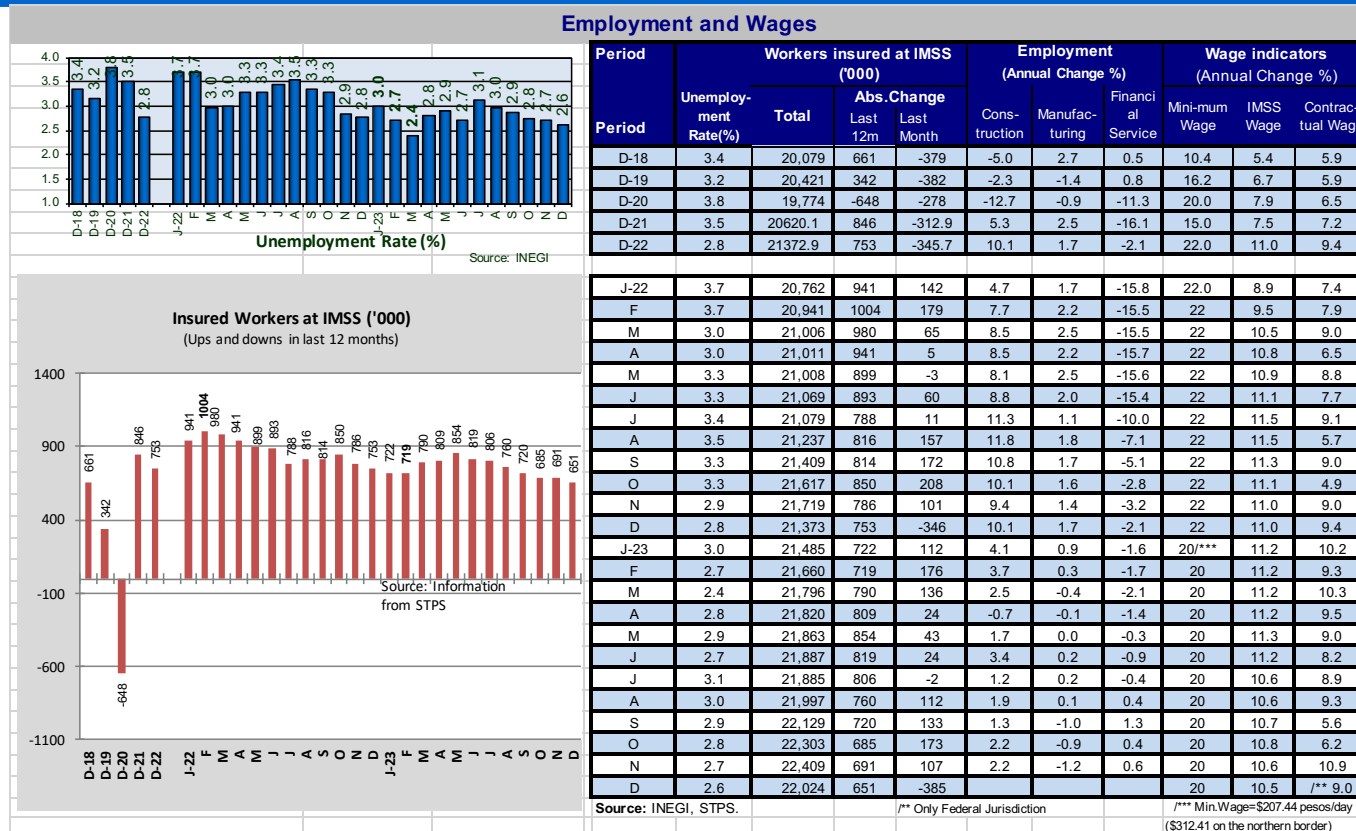


Source: INEGI (Seasonally Adjusted Series)

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Employment and Wages

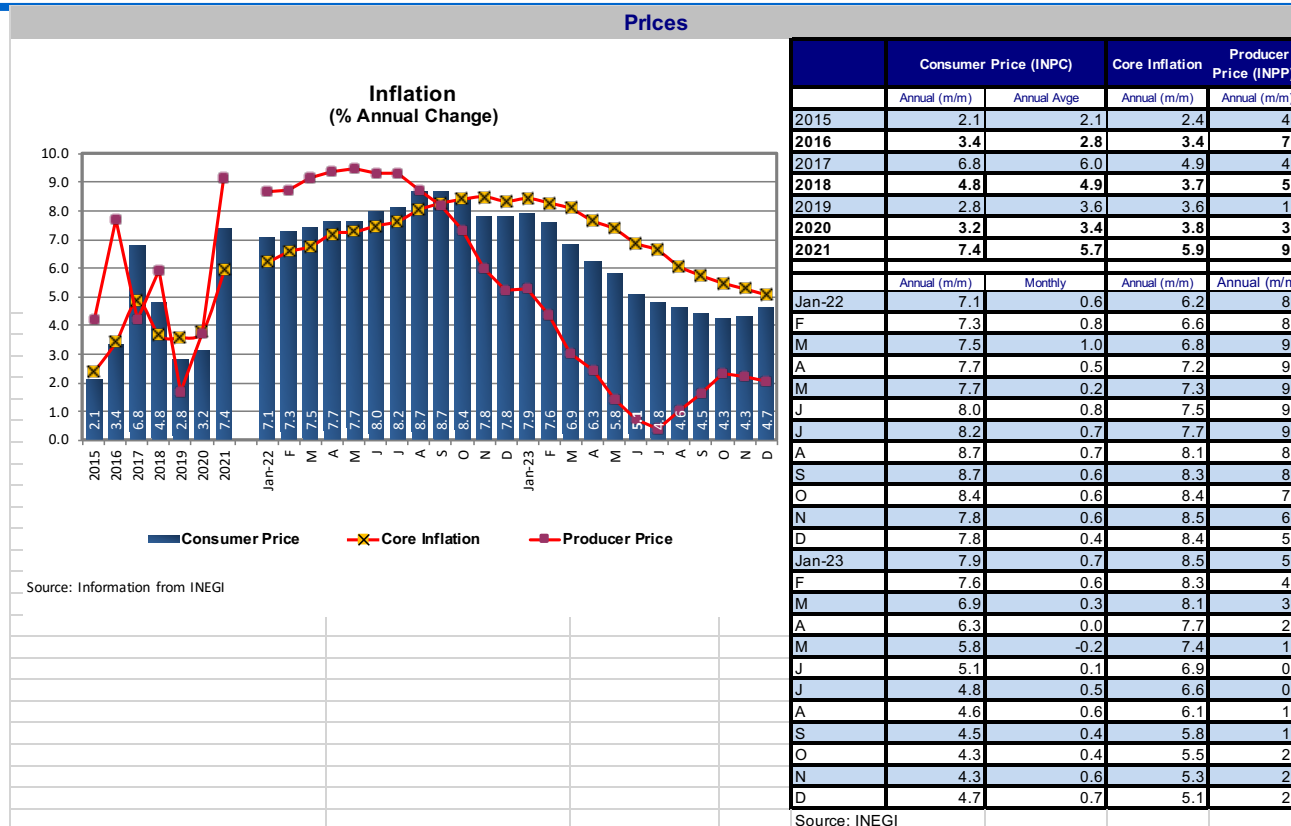
In 2023, the annual generation of employment is slightly reduced (651 thousand) while real salaries improve.



- The unemployment rate was 2.6% in December, the lowest level of the second half of the year.
- In 2022, 753 thousand were created and in 2023, 651 thousand, which reconfirms that the labor sector remains strong.
- The higher inflation has led to disparate gains in the three main salary indicators: +15.3% in the minimum, 5.8% in the IMSS salary and 4.3% in the contractual salary. The salary improvement is largely attributed to the annual adjustment in the minimum wage (20% in 2023) promoted by the current administration.

Prices

In December 2023, inflation rebounded to 4.7%, but core inflation continued to decline (to 5.1%).



- Inflation is receding rapidly. It reached a maximum in August 2022 (8.7%) and in December it fell to 7.8% to close 2023 at 4.7%. The inflationary episode is attributed to the explosion in global demand and the imbalance in production chains due to the pandemic and war conflicts.
- The expectation is to achieve in a few months the institutional goal of the Bank of Mexico (3% +/- 1%). Producer price inflation is minuscule (2.1%); not so the core inflation, which remains high (5.1%), but is decreasing.
- If trends strengthen, the return of historical inflation rates will soon be seen.

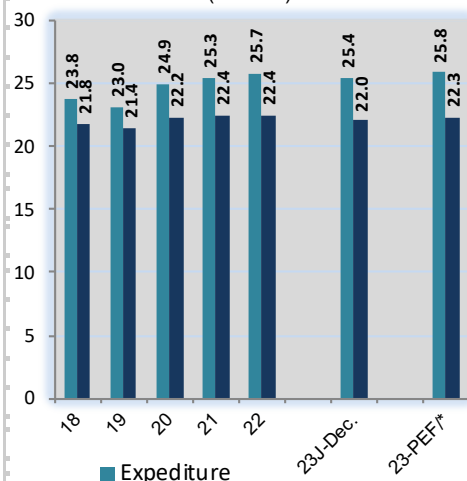
Public Finances

In 2023, government revenues added 22% of GDP, expenses 25.4% of GDP and that results in a deficit of 3.3% of GDP.



Public Finance

Public Finance
(% GDP)



Source: SHCP
/* Information from PEF 2023

Period	Public Sector Revenues (MX Pesos Billions)						Net Expenditure (MX Pesos Billions)					Public Balance
	TOTAL	Oil	Non oil	Taxes	Non Taxes	Gov. Enterpris	TOTAL	Prog.	Current	Capital	No Prog.	
18	5,115	978	4,137	3,062	268	807	5,589	4,065	3,341	723	1,525	-495.0
19	5,384	955	4,429	3,203	372	855	5,786	4,227	3,495	731	1,560	-398.4
20	5,340	606	4,734	3,339	551	844	6,000	4,455	3,663	792	1,545	-674.2
21	5,961	1,157	4,804	3,567	385	852	6,739	5,129	3,963	1,165	1,610	-757.8
22	6,595	1,482	5,114	3,809	342	963	7,569	5,689	4,388	1,300	1,880	-978.5
23J-Dec.	7,039.1	1,079.0	5,960.2	4,517.2	355.2	1,087.8	8,118.7	5,900.5	4,746.5	1,153.9	2,218.3	-1052.6
23-PEF/*	7,123.5	1,317.7	5,805.8	4,620.2	237.3	948.3	8,257.6	5,916.2	4,733.0	1,183.2	2,341.4	-1134.1
% GDP												
18	21.8	4.2	17.6	13.0	1.1	3.4	23.8	17.3	14.2	3.1	6.5	-2.1
19	21.4	3.8	17.6	12.7	1.5	3.4	23.0	16.8	13.9	2.9	6.2	-1.6
20	22.2	2.5	19.7	13.9	2.3	3.5	24.9	18.5	15.2	3.3	6.4	-2.8
21	22.4	4.3	18.1	13.4	1.4	3.2	25.3	19.3	14.9	4.4	6.1	-2.8
22	22.4	5.0	17.3	12.9	1.2	3.3	25.7	19.3	14.9	4.4	6.4	-3.3
23J-Dec.	22.0	3.4	18.6	14.1	1.1	3.4	25.4	18.4	14.8	3.6	6.9	-3.3
23-PEF/*	22.3	4.1	18.1	14.4	0.7	3.0	25.8	18.5	14.8	3.7	7.3	-3.5
January-December (Mx Pesos Billions)												
22J-Dec.	6,602.8	1,481.6	5,121.2	3,808.7	341.7	970.8	7,554.1	5,673.3	4,396.1	1,277.3	1,880.8	- 950.9
23J-Dec.	7,039.1	1,079.0	5,960.2	4,517.2	355.2	1,087.8	8,118.7	5,900.5	4,746.5	1,153.9	2,218.3	-1,052.6
% Change	6.6	-27.2	16.4	18.6	3.9	12.0	7.5	4.0	8.0	-9.7	17.9	n.s.
% Real Change	1.0	-31.0	10.3	12.4	-1.5	6.2	1.8	-1.5	2.3	-14.4	11.7	n.s.

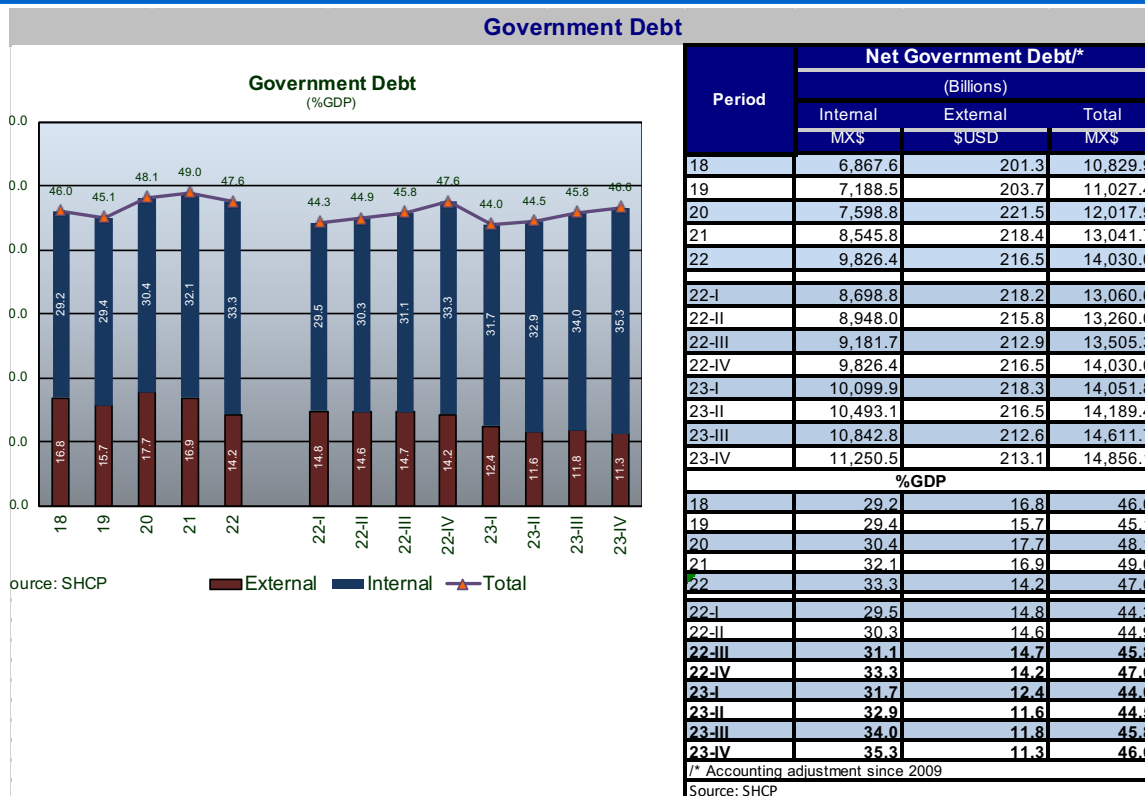
Source: SHCP

/* PEF 2023 (Federal Budget 2023)

- In 2023, a moderate growth in income (1%) and a greater increase in expenses (1.8%) is reported.
- On the income side, the decrease in oil revenues stands out (-31.1%), despite the recovery in the price of crude oil. On the spending side, the greatest punishment occurs in investment (-14.4%).
- In 2023 and 2024, strong spending pressures are emerging to conclude emblematic projects and reinforce social programs, in parallel with the weakening of oil revenues.

Public Debt

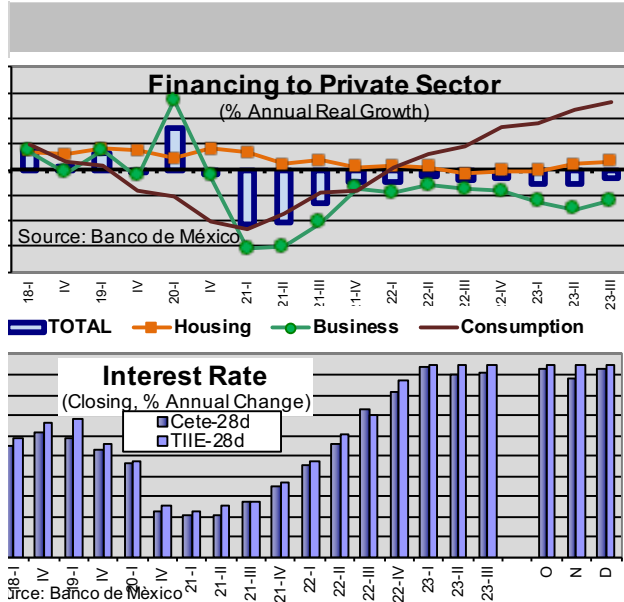
Public debt, as a percentage of GDP, remains under control: despite greater budgetary pressures, debt continues to contract: it fell from 47.6% in 2022 to 46.6% of GDP in 2023.



- In global comparison, Mexico's public debt is moderate: it closed at 47.6% of GDP in 2022 and at 46.6% in 2023. As a reference, in the USA it is around 130% of GDP and in Japan it is 260% of GDP.
- The current administration has kept its promise to keep the debt limited. Although this has experienced ups and downs, it has remained within manageable ranges. Without a doubt, higher inflation helped to "liquefy the debt."
- For its control, it has been essential until now to maintain a moderate fiscal deficit and a relatively stable exchange rate; but the overflow of the deficit in 2024 puts this central purpose at risk. The pressure to complete emblematic projects and reinforce social programs can break discipline in public finances.

Financial sector

In the third quarter of 2023, financing to the private sector continues to decline (-1.5%); The exception is consumer financing, which is growing very vigorously (13.1%).



Financial Indicators

Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates		Stock Market	
	TOTAL Billion MX\$	Real Growth	By Source		For Destination			CETES-28d (% Annual)	TIEE-28d	IPC (‘000)	% Growth
			External	Internal	Consumption	Housing	Business				
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	10,309	-1.1	3.7	-2.6	-10.1	4.1	-1.3	4.2	4.5	43.2	15.5
21-I	10,371	-10.6	-18.0	-7.9	-11.5	3.3	-15.6	4.1	4.3	47.2	9.2
21-II	10,418	-10.4	-15.9	-8.4	-8.6	1.1	-15.1	4.0	4.5	50.3	6.4
21-III	10,616	-6.6	-10.6	-5.3	-4.7	1.8	-10.5	4.7	4.7	51.4	2.2
21-IV	10,744	-2.6	-2.0	-2.8	-4.0	0.4	-3.7	5.5	5.7	53.3	3.7
22-I	10,836	-2.6	-6.0	-1.5	0.5	0.6	-4.6	6.5	6.7	56.5	6.1
22-II	11,079	-1.3	-6.6	0.4	3.0	0.4	-3.0	7.6	8.0	47.5	-15.9
22-III	11,292	-2.0	-11.0	1.0	4.6	-0.9	-3.8	9.3	9.0	44.6	-6.1
22-IV	11,417	-1.6	-15.1	2.8	8.2	-0.3	-4.2	10.1	10.8	48.5	8.6
23-I	11,331	-2.7	-20.2	2.7	9.1	-0.2	-6.3	11.3	11.4	53.9	11.2
23-II	11,371	-2.9	-23.6	3.4	11.6	1.1	-7.8	11.0	11.5	53.5	-0.7
23-III	11,636	-1.5	-22.1	4.5	13.1	1.7	-6.1	11.1	11.5	50.9	-5.0
O								11.3	11.5	49.1	-3.6
N								10.8	11.5	54.1	10.2
D								11.3	11.5	57.4	6.2

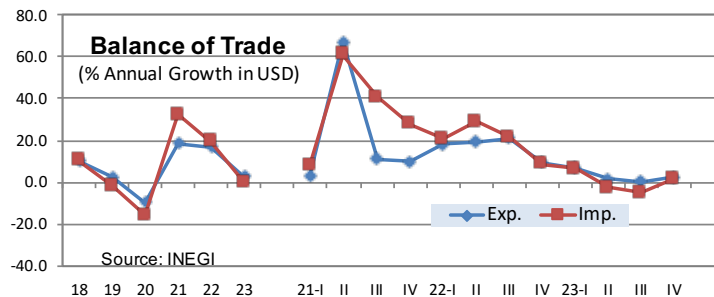
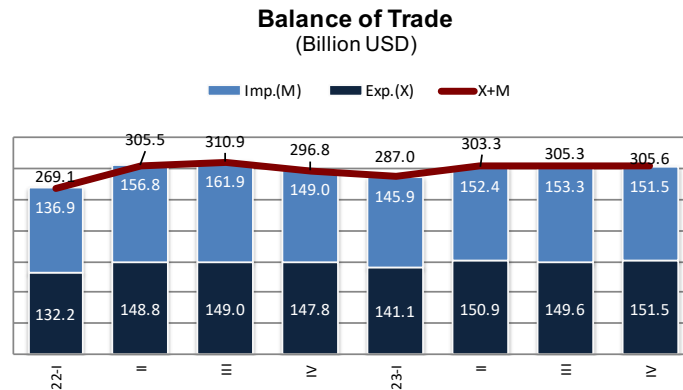
Source: Banco de México

- 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 third quarter of 2023 (-1.5%) is observed above all in financing for companies (-6.1%), which contrasts with growth for financing for housing (1.7%) and for consumption (13.1%).
- To boost financing, interest rates were kept low, but they began to rise in the second part of 2021 and in 2023 they appear to stagnate around 11%. The Stock Market, for its part, has shown great ups and downs in recent years: in 2023 it gained 18.4% and in the last quarter of that year 12.8%.

International Trade

In 2023, international trade in goods totaled 1,201.3 billion dollars, thus achieving a minuscule growth of 1.6% compared to 2022.

International Trade



Period	Balance of Trade (Billion USD)			% Annual Change			Balance (Billion USD)	Remittances	
	Exp.(X)	Imp. (M)	X+M	Exp.	Imp.	X+M		Billion USD	% Annual Change
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	577.7	604.6	1182.3	16.8	19.6	18.2	-26.9	58.5	13.5
23	593.0	603.1	1201.3	2.6	-0.3	1.6	-10.1	63.3	8.1
22-I	132.2	136.9	269.1	18.0	20.8	19.4	-4.8	12.5	18.0
II	148.8	156.8	305.5	19.6	28.9	24.2	-8.0	15.0	15.5
III	149.0	161.9	310.9	21.0	21.5	21.2	-12.9	15.5	12.9
IV	147.8	149.0	296.8	9.3	8.4	8.9	-1.2	15.5	9.0
23-I	141.1	145.9	287.0	6.8	6.5	6.6	-4.8	13.9	11.3
II	150.9	152.4	303.3	1.4	-2.8	-0.7	-1.5	16.3	8.2
III	149.6	153.3	305.3	0.4	-5.3	-1.8	-3.7	16.8	8.8
IV	151.5	151.5	305.6	2.5	1.6	3.0	0.0	16.2	4.5
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	-3.0	4.1	0.5	-1.9	4.3	11.2
M	53.6	52.4	106.0	3.1	1.1	2.1	1.2	5.2	10.7
A	46.2	47.7	94.0	-2.9	-3.3	-3.1	-1.5	5.0	6.0
M	52.9	52.9	105.8	5.8	1.4	3.5	-0.1	5.7	10.1
J	51.8	51.8	103.6	1.1	-6.2	-2.7	0.0	5.6	8.4
J	47.6	48.4	96.0	2.9	-7.7	-2.7	-0.9	5.7	6.7
A	52.4	53.7	106.1	3.8	-4.3	-0.5	-1.4	5.6	8.6
S	49.7	51.1	100.8	-5.1	-3.9	-4.5	-1.5	5.6	11.3
O	52.0	52.2	104.2	5.6	1.8	3.7	3.7	5.8	8.5
N	50.3	49.6	99.9	2.0	0.4	1.2	1.2	4.9	2.3
D	49.2	45.0	94.3	-0.1	-6.9	-3.5	-3.5	5.5	2.4

Source: INEGI

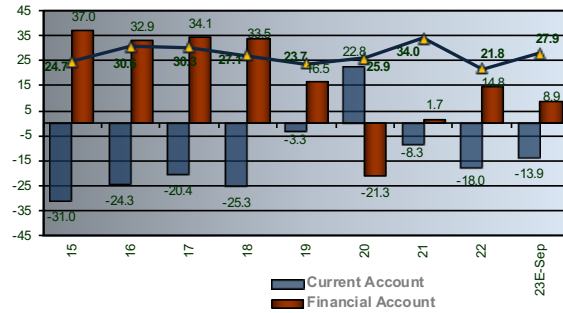
- After the collapse of 2020, international trade in goods recovered quickly in 2021 and remained dynamic in 2022, accumulating 1,182.3 billion dollars in the year. In 2023 it stagnated and only reported modest growth of 1.6%.
- In 2022, the trade balance registered a deficit of 26.4 Bn dollars and in 2023 it contracted to 10.1 Bn dollars.
- For their part, remittances remain dynamic and totaled 63.3 billion dollars in 2023, an annual increase of 8.1%.

External Sector

In January-September 2023, the balance of payments reflects a deficit in the current account (-13.9 billion) and a surplus in the financial account (8.9 billion), supported by Foreign Direct Investment (27.9 billion dollars).

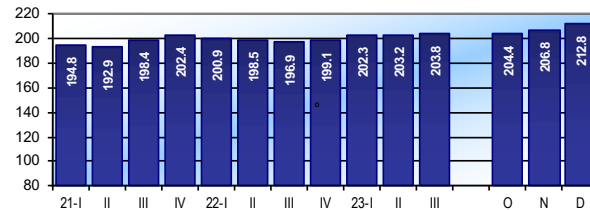
International Transactions

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	-8.3	-0.6	1.7	34.0	7.0	202.4
22	-26.9	577.7	604.6	-18.0	-1.3	14.8	21.8	-3.3	199.1
23E-Sep	-6.3	441.5	451.6	-13.9	-1.1	8.9	27.9	3.2	202.3
21-I	-1.4	112.0	113.4	-10.1	-1.0	7.5	14.8	-0.7	194.8
II	2.8	124.4	121.6	4.9	0.5	-8.0	5.8	-1.9	192.9
III	-10.1	123.2	133.2	-4.4	-0.5	2.8	5.4	5.5	198.4
IV	-2.2	135.2	137.5	1.2	0.4	-0.5	7.9	4.0	202.4
22-I	-4.8	132.2	136.9	-12.3	-3.7	11.6	18.1	-1.5	200.9
II	-8.0	148.8	156.8	-1.9	-0.1	0.4	3.4	-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	-4.3	-1.8	2.2	199.1
23-I	-4.8	141.1	145.9	-20.0	-2.7	17.2	24.4	3.2	202.3
II	-1.5	150.9	152.4	3.5	1.0	-3.9	5.3	0.9	203.2
III	-3.7	149.6	153.3	2.6	0.6	-4.3	-1.8	0.6	203.8
O								0.6	204.4
N								2.4	206.8
D								5.9	212.8

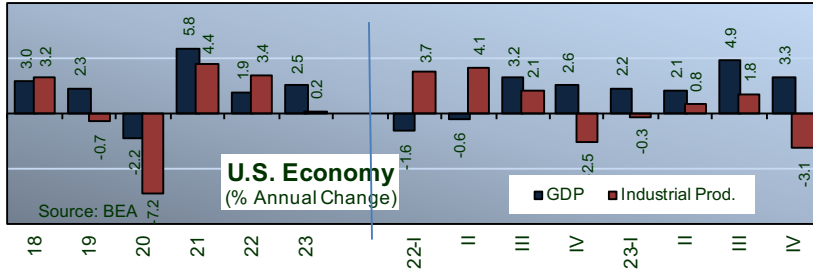
Source: Banco de México

- In January-September 2023, the highlight is that Foreign Direct Investment (27.9 Bn) seems to be taking on a new dynamic, due to the effect of nearshoring.
- As a consequence of the good performance of the financial account, international reserves remain high: they closed 2022 at 199.1 Bn and closed 2023 at 212.8 Bn dollars.
- Nearshoring has sparked interest inside and outside the country. This has strengthened the inflow of capital into the country. In particular, foreign direct investment is going through a good moment.

International economy

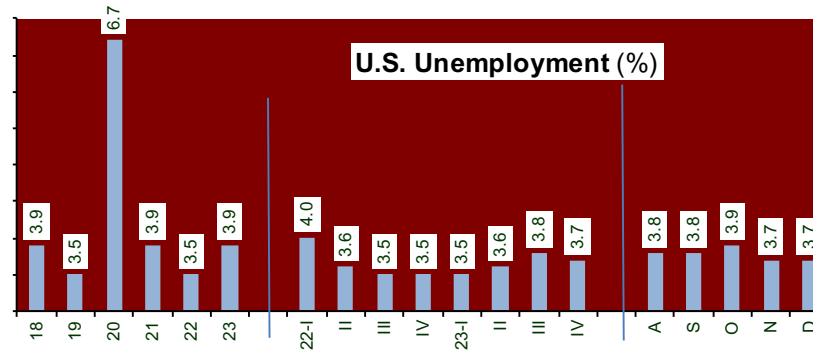
The US GDP grew 3.3% in the fourth quarter of 2023 (vs. 4.9% in the previous quarter). For its part, the industrial sector remains weak (-3.1%), while unemployment remains low (3.7% in December).

U.S. Economy



Period	GDP/*	Industrial Prod.		Manufacturing		Unemployment Rate	Inflation
		% Annual Change of Quarter	% Annual Change	% 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	-2.2	-7.2		-6.6		6.7	1.4
21	5.8	4.4		5.0		3.9	7.0
22	1.9	3.4		2.7		3.5	8.2
23	2.5	0.2		-0.6		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	-2.5	1.0	-3.3	-0.6	3.5	6.5
23-I	2.2	-0.3	0.8	-0.2	-0.2	3.5	5.0
II	2.1	0.8	0.0	0.4	-0.8	3.6	3.0
III	4.9	1.8	0.0	-0.3	-0.9	3.8	3.7
IV	3.3	-3.1	-0.2	-2.2	-0.6	3.7	3.4
A		0.0	0.0	0.0	-0.9	3.8	3.7
S		1.2	-0.2	1.2	-1.0	3.8	3.7
O		-9.2	-0.9	-9.2	-1.9	3.9	3.2
N		2.5	-0.7	2.5	-1.0	3.7	3.1
D		1.2	1.0	1.2	1.2	3.7	3.4

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

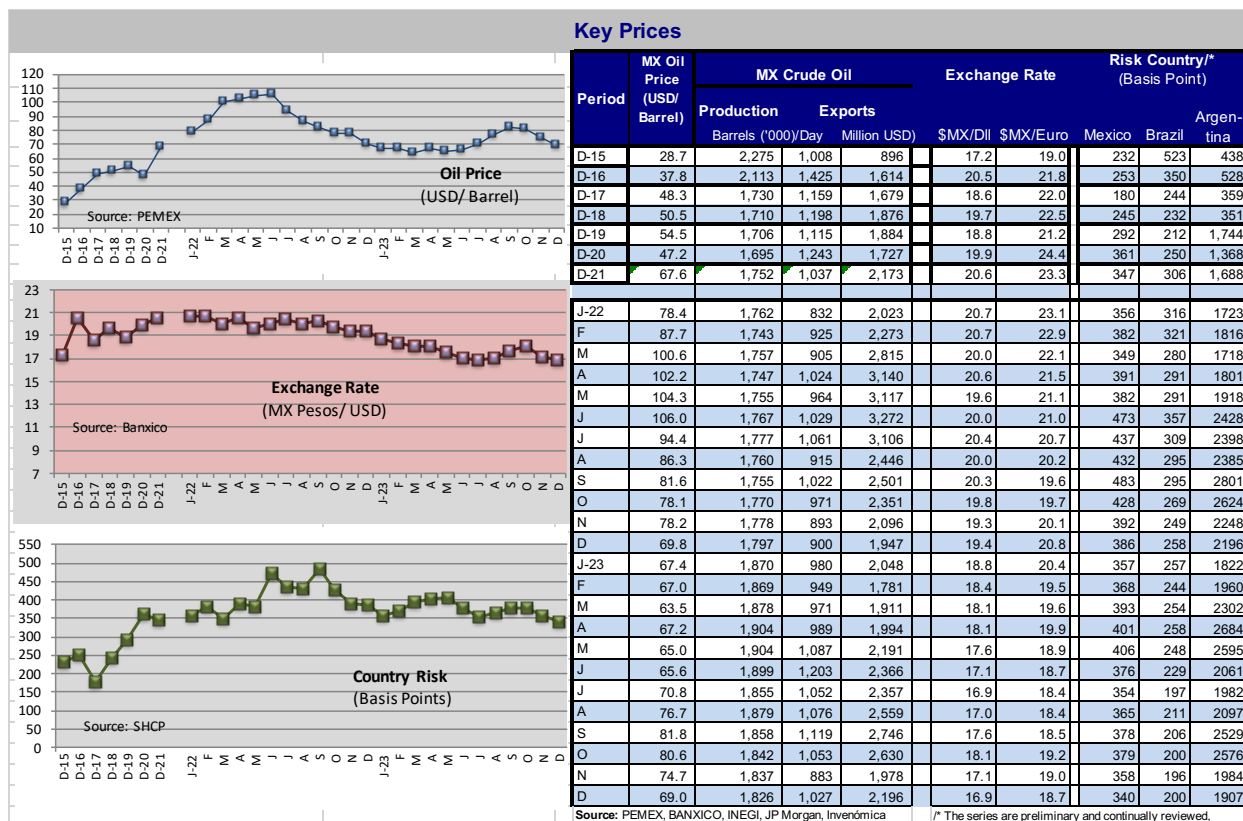


Source: BEA, DOL

- In 2023, recession expectations did not come true. But the industrial sector weakened and closed the year with an annual drop of -3.1%. All in all, unemployment remains low and that indicates that the US economy remains vigorous.
- Another good news is that inflation is contracting: it closed 2022 at 6.5% and in December 2023 it fell to 3.4%. Without a doubt, the fight against inflation is bearing fruit.
- The expectation for 2023-2024 is to achieve moderate economic growth (around 2.5% or less) and quickly reduce core inflation, via a very restrictive monetary policy.

Key Prices

In December 2023, the price of crude oil decreased to around 70 DPB; while the exchange rate also declined (to 17 PPD) and the country risk fell to 340 basis points.

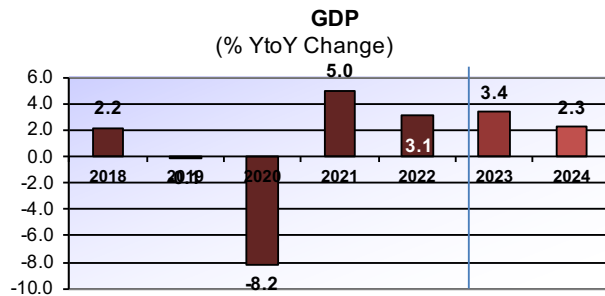


- After declining throughout 2022 and the first part of 2023, the price of crude oil rebounded in the third quarter and a new drop in the fourth to close the year at around 70 DPB.
- Despite the uncertainty and market ups and downs, the exchange rate has remained strong: it closed 2023 at 17 PPD.
- For its part, the country risk in the post-pandemic stage has shown ups and downs around 400 basis points: it closed 2022 at 386 and 2023 at 340 basis points.

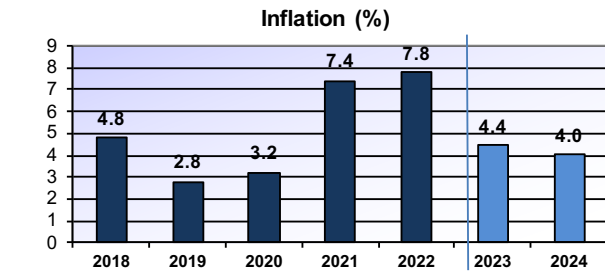
Macroeconomic Framework of Mexico

According to Mexican economic experts, growth expectations for 2023-2024 continue to improve (they have already exceeded 3% for 2023) and inflation expectations are downward for the biennium: 4.4% and 4%.

Macroeconomic Framework



Source: INEGI, EEEE-SP



Source: INEGI, EEEE-SP

	Historical					CGPE/*		EEESP/**	
	2018	2019	2020	2021	2022	2023	2024	2023	2024
GDP									
% Annual Growth	2.2	-0.1	-8.2	5.0	3.1	3.0	3.0	3.4	2.3
GDP Current (MX Billions)	#####	#####	#####	#####	#####	31,908	34,443	32,023	34,329
GDP Deflator	4.9	4.0	3.0	7.0	8.0	5.0	4.8	5.0	4.8
Inflation									
Dec/ Dec	4.8	2.8	3.2	7.4	7.8	4.5	3.8	4.4	4.0
Exchange Rate									
Average	0	0	0	20.4	20.06	17.5	17.1		
Closing	19.7	18.8	19.949	20.58	19.4	17.3	17.6	17.7	18.5
Interest Rate (Cete 28d)									
Average	7.8	0	0	4.6	8.4	11.2	10.3		
Closing	8.2	7.3	4.23	5.5	10.1	11.3	9.5	11.16	9.2
Current Account									
Billions USD	-22.2	-2.4	26.6	-4.9	-13.4	#REF!	-15.0	-16.0	-18.9
% GDP	-1.9	-0.2	2.4	-0.379	-0.881	-15.0	-0.8	-0.9	-1.0
Public Balance									
% GDP	-2.1	-1.6	-2.9	-2.9	-3.4	-3.3	-4.9	-3.4	-4.6
USA									
GDP (%Annual Growth)	2.9	2.3	-3.5	5.7	2.1	2.0	1.8	2.3	1.4
MX Crude Oil									
Avg. Price (USD/ Barrel)	61.4	55.5	35.8	65.3	89.0	67	57		
Exports ('000 barrels/day)	1,186	1105,6	1,120	1,018	900	1003	994		
Production ('000 barrels/day)	1,813	1,678	1,686	1,736	1,797	1955	1983		

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

(p) Projected

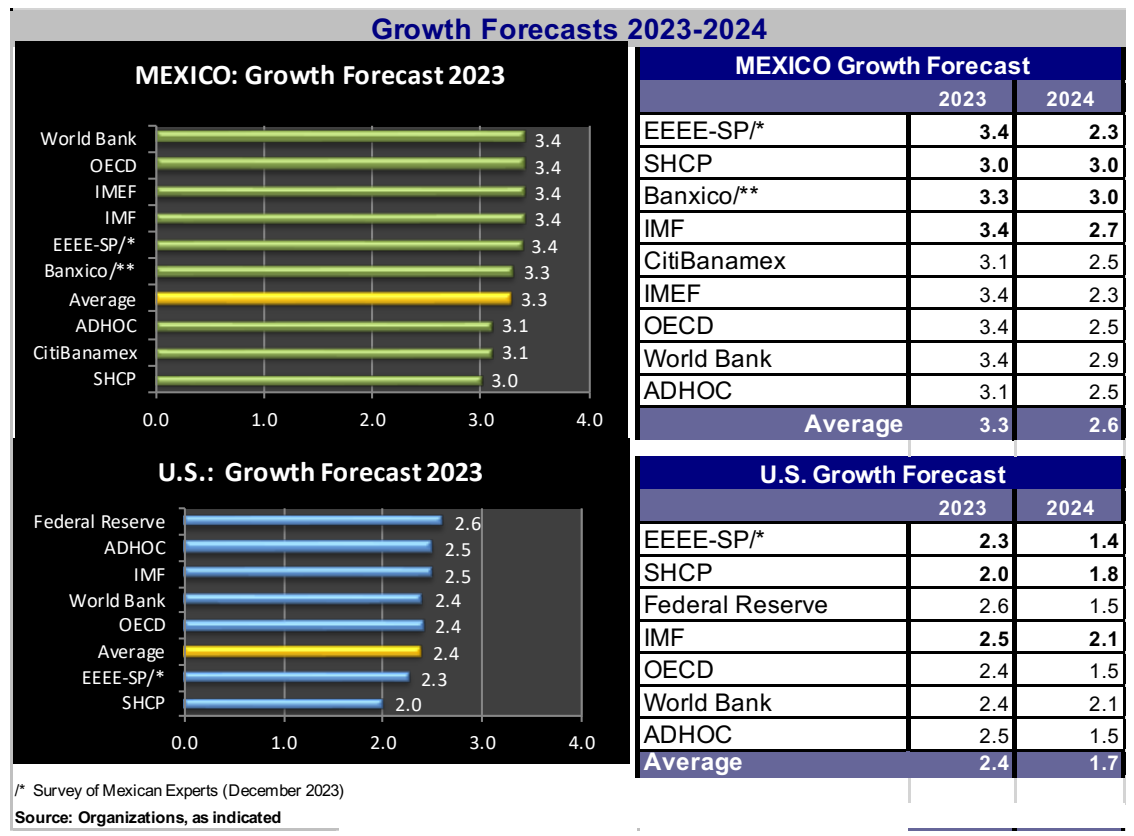
** Encuesta de Expectativas de Especialistas en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (December 2023)

- For 2023-2024, experts predict moderate economic growth: 3.4% and 2.3% for the two-year period.
- A decreasing inflation rate is estimated, which tends to converge to the institutional goal: 4.4% in 2023 and 4% in 2024
- According to its forecasts, the fundamental balances will remain under control, although the fiscal deficit tends to overflow (-3.4 and -4.6% of GDP for the two-year period), while the current account balance is around 1% of GDP for both years.
- According to their forecasts, a two-year period of moderate growth is expected for the US economy: in 2023 (2.3%) and in 2024 (1.4%).

Growth Forecasts 2023-2024



According to specialized agencies, the expected growth for 2023 is 3.3% and 2.4% for Mexico and the US respectively. For 2024, growth of 2.6% and 1.7% is expected for both countries.



- For Mexico, the forecasts of nine specialized organizations fluctuate between 3% and 3.4% in 2023, with an average of 3.3%. For 2024, the average forecast is 2.6%.
- For the USA, the forecasts of seven specialized organizations fluctuate between 2% and 2.6% for 2023, with an average of 2.4%. For 2024, the average forecast is 1.7%.
- As can be seen, both economies show moderate dynamism, but the moderation of growth is greater in the US than in Mexico.

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