



# **Mexico Economic Profile**

**2nd Bimonthly Report of 2019**

Timely Macroeconomic Report  
for Decision Making

April 2019

# Economic Profile of Mexico

## 2nd Bimonthly Report of 2019

In the first third of 2019, the economic results of Mexico are not encouraging. The Fourth Transformation (4T) has made its mark and the economic indicators are disappointing. There are only two exceptions: the fiscal discipline that the new government has retained and the economic boom in the US that does not depend from the performance of the Fourth Transformation (4T). In everything else, the country is going from bad to worse: lower economic growth, higher unemployment, less dynamic financing, declining demand, controversial decisions, corporate mistrust, legal and economic uncertainty and growing insecurity in the streets. The largest losers? The social groups that are intended to benefit. However, the new government enjoys enormous popularity, but the vote of confidence sooner or later will tend to run out.

**Economic Growth to the Down.** - GDP growth was 1.2% in the first quarter of 2019 (vs. 1.7% in the previous quarter and 2% in the previous year). That means that expectations are not encouraging for the first year of the Fourth Transformation (4T), despite the promise of 2% for the first year of government and 4% for the six years period. The expectation of the new government is that private consumption (via subsidies) be strengthened, but until now all demand engines tend to slow down. On the supply side, only services and the agricultural sector (not the industrial sector) provide support to productive activity.

**Inflation Halts its Decline.**- After the triggering of inflation in 2017 (from 3.4% to 6.8%), measures were taken in 2018 and inflation fell (from 6.8% to 4.8%). In the first two months of 2019, inflation continued to decline but in the second two months it started to grow again, standing at 4.4% in April. However, the forecasts point to inflation of 3-4% by the end of the year.

**Deceleration in Employment.** - The unemployment rate has increased slightly in the first third of 2019, but it is still maintained within the range of 3-4%, which has prevailed in recent years. In fact, it closed 2018 at 3.4% and in April 2019 it rose to 3.5%. In parallel, the annual creation of jobs observed a clear deceleration in 2018 and specially in 2019: last December, the annual creation fell to 661 thousand jobs and in April 2019 this figure fell to 505 thousand.

# Economic Profile of Mexico

## 2nd Bimonthly Report of 2019

**Government finances under control.**- In 2019, first quarter, government revenues totaled 5.2% of GDP, expenses 5.5% of GDP, and that resulted in a negative balance of 0.1% of GDP. As a consequence of fiscal discipline, public debt has remained stagnant since the end of 2016, reaching 44.2% of GDP in December 2018 and 45.6% of GDP in March 2019.

**Financing to the Private Sector continues to be weakened.**- After two years of low dynamism, financing to the private sector continues to show no signs of reactivation in 2019. In fact, in 2019-I it reported an annual growth of 3.2%. The three financing destinations showed a moderate dynamism: consumption (4.9%), housing (3.8%), companies (3.6%). This takes place in a context of interest rates that already exceed 8% in 2019 and a very fluctuating stock market that recovers very gradually from the collapse suffered at the end of 2018.

**International Environment with lights and shadows.**- The US economy reported a very strong growth of 3.1% in 2019-I; not so the industrial sector that reported negative growth (-2.1%). For its part, unemployment continued to decline (3.6% in April), which accounts for a very strong economy. This economic dynamism in the US, together with the renegotiation of NAFTA 2.0, is very favourable for Mexico. However, the threat of cancellation of NAFTA 2.0, trade wars, migratory conflicts and expectations of a future recession in the US muddy the scenario of the next biennium.

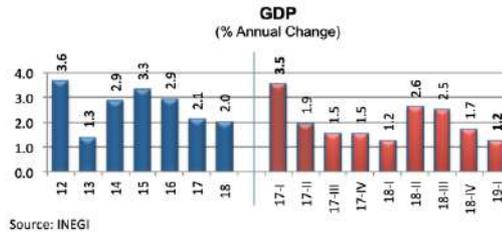
In particular, we should consider the protectionist and anti-immigrant wave of the US, recurrent themes in the Trump administration. Hence, financial or commercial turbulence of greater or lesser intensity in the future can not be ruled out.

**Uncertain Economic Outlook.**- As a result, future expectations experienced a slight deterioration for Mexico and remained stable for the US. Mexican experts expect moderate growth for Mexico of 1.5 and 1.7% for 2019-2020 versus more significant growth in the US (2.3% and 1.9%) for that biennium; all in an environment of great internal and external uncertainty.

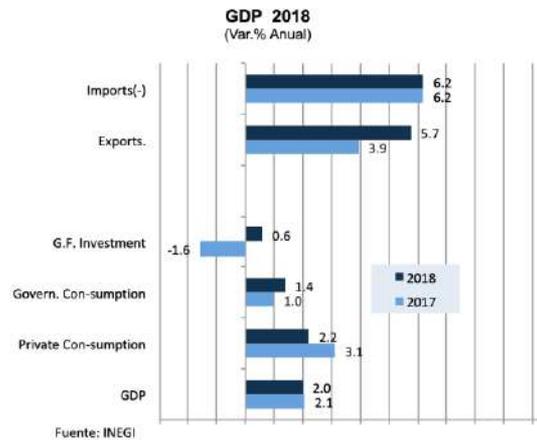
# Economic Activity

In 2019, first quarter, GDP grew 1.2% at annual rate (vs. 1.7% previously), which reflects a clear deceleration of productive activity.

## Gross Domestic Product



Source: INEGI



Fuente: INEGI

Year	GDP	Primary S.	Industrial S.	Services S.	Constru- tion	Transpor- tation	Mass Media
<b>Var.% Annual</b>							
12	3.6	7.4	2.9	4.5	2.5	4.1	16.3
13	1.3	0.9	-0.5	2.4	-4.8	2.4	5.0
14	2.9	4.3	2.0	2.6	2.0	3.4	0.2
15	3.3	1.5	1.0	3.5	2.5	4.3	7.8
16	2.9	3.8	0.4	3.9	2.0	3.1	19.1
17	2.1	2.1	0.5	2.8	1.8	3.4	5.1
18	2.0	2.4	0.2	2.8	0.6	3.1	6.0
17-I	3.5	5.1	1.2	4.4	1.8	4.7	10.1
17-II	1.9	2.6	-1.1	3.1	-3.2	4.7	9.3
17-III	1.5	1.2	-0.5	2.4	-0.8	3.6	8.7
17-IV	1.5	3.6	-0.8	2.4	-1.1	3.7	6.4
18-I	1.2	3.1	-0.8	2.0	1.7	3.1	3.0
18-II	2.6	1.3	1.3	3.2	2.4	3.8	7.7
18-III	2.5	2.0	1.1	3.1	0.8	3.4	4.5
18-IV	1.7	2.9	-0.9	2.7	-2.2	2.2	8.5
19-I	1.2	5.8	-0.7	1.9	-0.8	0.7	0.1
Year	GDP	Private Con- sumption	Govern. Con- sumption	G.F. Investmen t		Exports	Imports(-)
2016	2.9	3.7	2.4	1.1		3.5	2.9
2017	2.1	3.1	1.0	-1.6		3.9	6.2
2018	2.0	2.2	1.4	0.6		5.7	6.2
17-I	3.5	3.5	3.0	0.6		9.5	7.8
II	1.9	3.5	1.1	-2.9		4.4	4.9
III	1.5	3.2	-0.4	-0.9		-0.9	5.2
IV	1.5	2.3	0.2	-3.0		3.2	7.0
18-I	1.2	2.3	1.3	1.0		1.9	5.6
II	2.6	2.9	3.1	3.3		8.2	7.2
III	2.5	2.2	1.0	0.4		8.6	6.4
IV	1.7	1.4	0.2	-2.3		4.3	5.6

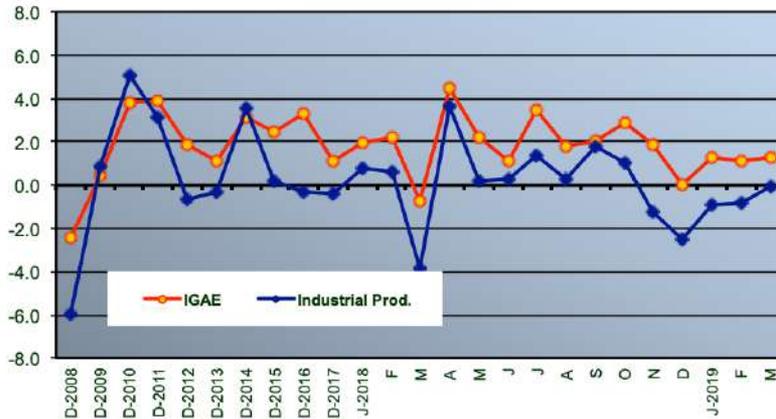
Source: INEGI

- The GDP growth in the first quarter of 2019 was 1.2%, lower than the previous quarter (1.7%) and below the average of the previous year (2%). On this basis, future expectations are not encouraging.
- At sector level, in 2019-I, the agricultural sector shows the greatest dynamism (5.8%), followed by the services sector (1.9%) and at the end by the industrial sector (-0.7%). The weakening of the industrial sector could worsen, given the slowdown of the US economy and the internal policies of the new government.
- On the demand side, in 2019 there is a weakening of consumption, the main driver of demand, as well as investment and exports.

# Economic Activity

The IGAE, during the first three months of 2019, shows annual rates slightly higher than 1%, yielding an average of 1.2%.

Production Indicators  
(% Annual Change)



Source: Information from INEGI

## Production Indicators

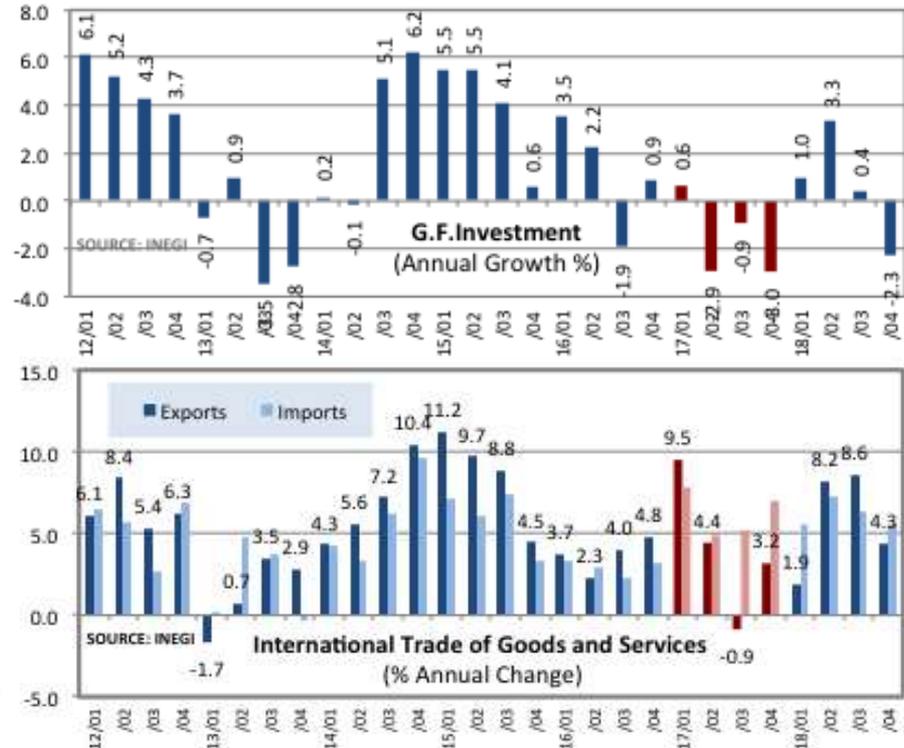
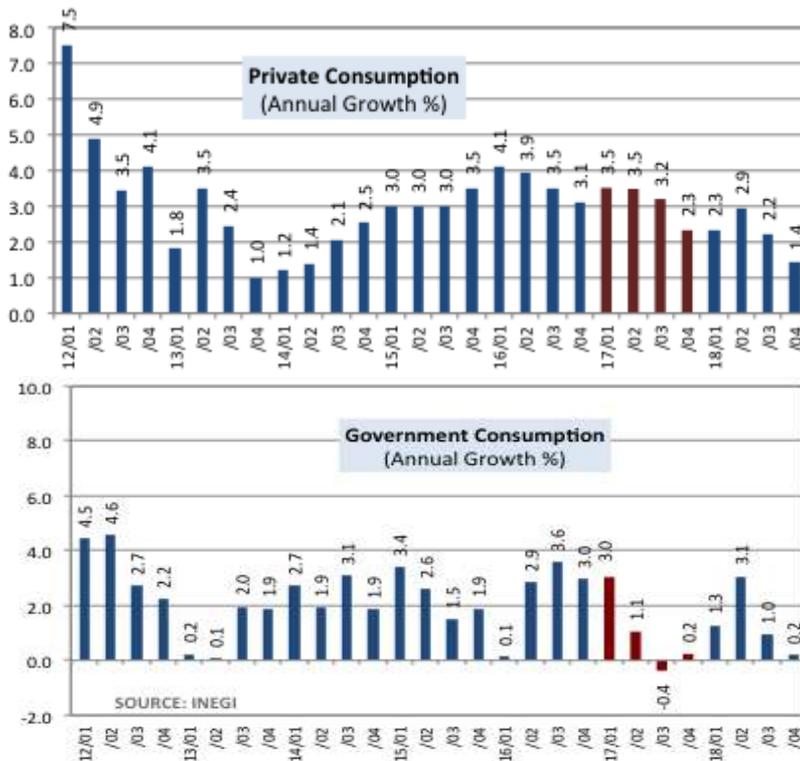
Period	IGAE (proxy of GDP)				Construcción	Commerce Net Sales		Non Financial Services			Gross Fixed Investment	Private Consumption
	TOTAL	Primary S.	Industrial S.	Services S.		Wholesale	Retail	Total	Transportation	Mass media		
D-2008	-2.4	15.7	-6.0	-1.9	-4.6	-2.6	-3.3	3.6	2.8	9.3	-0.3	-1.3
D-2009	0.5	-5.9	0.9	0.3	-8.6	-0.8	-1.0	-7.0	-3.8	-5.2	-4.1	2.1
D-2010	3.8	1.8	5.1	3.8	7.6	5.0	0.4	6.4	2.3	1.4	8.9	4.2
D-2011	3.9	5.7	3.2	4.1	3.9	9.2	3.3	5.6	7.4	-2.8	6.9	3.6
D-2012	1.9	9.5	-0.6	2.9	-2.3	-4.6	-2.0	10.4	7.2	0.2	-1.0	1.9
D-2013	1.1	1.2	-0.3	1.9	-2.0	-1.1	5.1	-0.4	1.5	-6.7	0.8	1.6
D-2014	3.1	4.3	3.5	2.8	6.7	5.0	2.4	2.5	6.6	-0.3	6.1	2.8
D-2015	2.5	2.0	0.2	3.8	-1.8	2.2	3.4	6.1	7.6	18.8	-0.3	2.9
D-2016	3.3	3.9	-0.3	5.1	-1.0	14.2	9.0	8.5	14.0	8.7	0.4	5.0
D-2017	1.1	1.4	-0.4	1.8	3.8	-6.4	-2.0	3.3	1.3	3.9	-0.9	0.9
J-2018	2.0	-0.8	0.8	2.7	4.6	-1.9	0.5	1.6	1.5	-0.2	3.7	3.1
F	2.2	7.7	0.6	2.7	4.7	-1.4	1.2	1.9	3.8	-1.3	4.4	1.7
M	-0.7	5.6	-3.9	0.6	-3.9	-5.8	1.2	1.9	7.1	-0.3	-4.7	1.1
A	4.5	3.5	3.7	4.9	6.6	3.3	3.3	2.7	6.7	-1.4	9.6	4.6
M	2.2	7.8	0.2	2.9	0.0	6.5	2.5	4.6	8.7	7.1	0.5	2.6
J	1.1	-4.8	0.3	1.9	0.9	5.0	3.7	4.0	8.6	2.8	0.8	1.5
J	3.4	3.2	1.3	4.5	4.6	6.0	4.2	6.0	10.4	3.6	4.6	2.9
A	1.8	2.9	0.2	2.5	-1.9	3.6	3.9	4.5	8.3	3.8	-2.2	2.5
S	2.0	1.1	1.8	2.2	-0.5	2.1	4.1	2.9	7.4	-3.1	-0.8	1.8
O	2.9	-2.8	1.0	4.1	1.4	8.0	3.0	4.8	10.8	2.7	3.6	2.6
N	1.8	5.5	-1.2	3.1	-3.5	2.9	3.4	3.7	7.5	-1.1	-3.3	2.2
D	0.0	4.7	-2.5	0.9	-4.3	2.6	-1.3	0.3	4.5	1.4	-6.8	0.4
J-2019	1.3	3.8	-0.9	2.2	1.3	1.4	0.7	0.2	4.1	-3.9	1.6	2.3
F	1.1	9.2	-0.8	1.7	-1.0	-0.5	2.5	0.5	4.0	-4.2	-1.9	2.1
M	1.3	5.4	-0.1	1.8	-2.9	-1.5	1.6	1.6	-1.0	1.0	-2.4	0.6

Source: INEGI

- The IGAE (Global Indicator of Economic Activity) reported moderate increases (between 1.1 and 1.3%) in the first months of 2019, thus reinforcing the expectations of deceleration in 2019.
- This moderate economic growth is mainly based on the services sector and private consumption, while the industrial sector and investment show negative growth.
- On the demand side, the weakening of private consumption, the main driver of demand, and the decline in investment stand out.

# Economic Activity

In 2018, fourth quarter, all demand components slowed down, including private consumption.

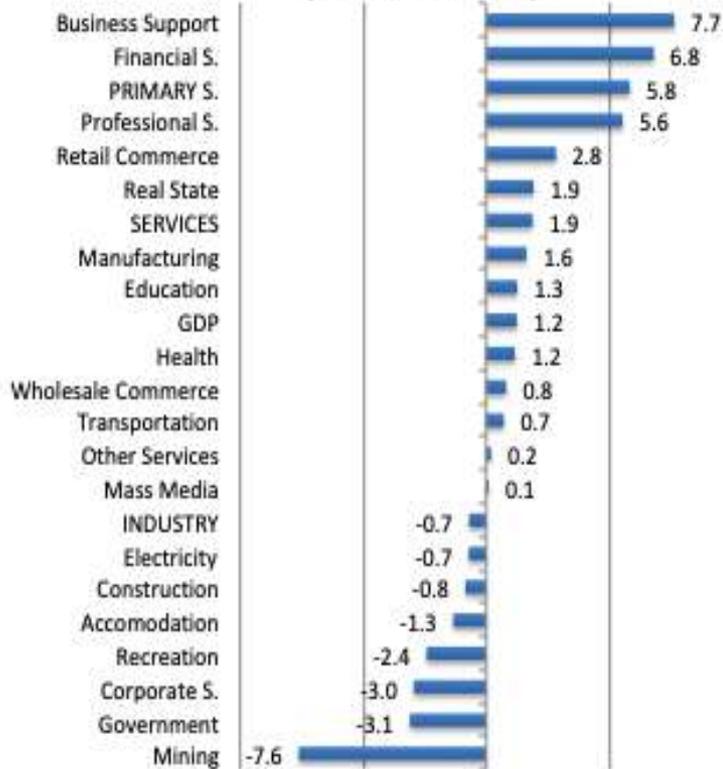


- Private consumption, with the greatest weight in demand (two thirds of GDP), showed a growth (of 1.4%) in the fourth quarter, lower than that of GDP. Very bad signal, considering that it is the main driver of demand.
- Investment, which began to recover, reported negative growth in the fourth quarter (-2.3%).
- Exports of goods and services (4.3%), together with imports, were going through a good moment, but now they are also going down, reflecting a new slowdown in US.

# Economic Activity

In 2019, first quarter, the economy is based on services and the agricultural sector, while industry, especially oil, continues to be weak.

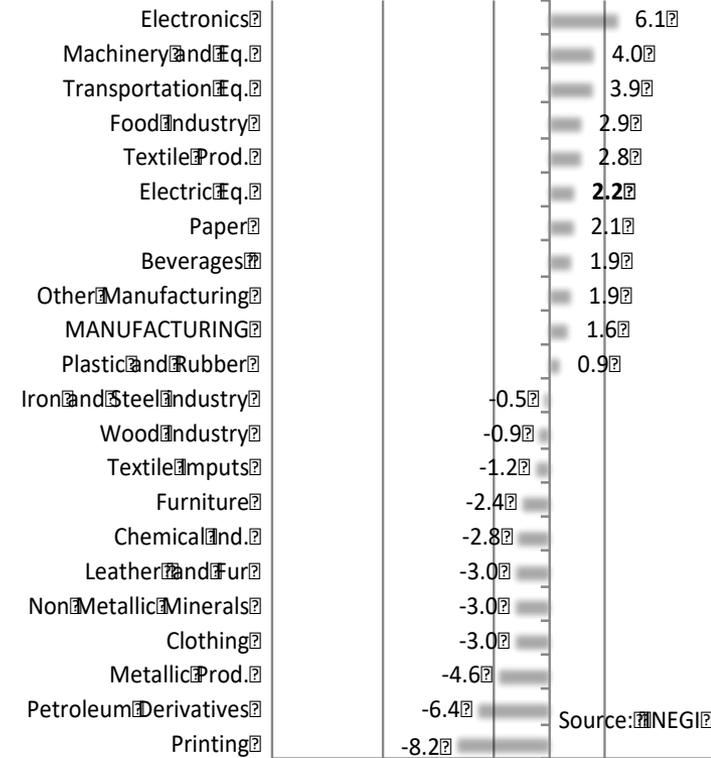
**GDP 2019-I**  
(% Annual Growth)



The most dynamic

The least dynamic

**MANUFACTURING 2019-I**  
(% Annual Growth)



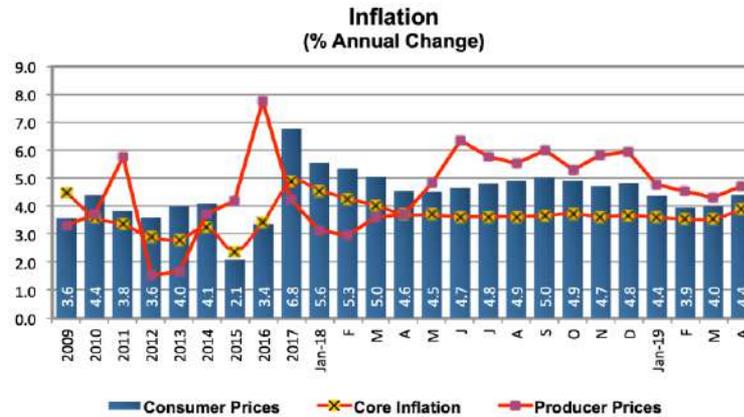
Source: INEGI

Source: INEGI

# Prices

Inflation fell in the first two months of 2019 and slowed down its fall in the second two months: in April it stands at 4.4% at annual rate.

## Prices



Source: Information from INEGI

	Consumer Prices (INPC)		Core Inflation	Producer Prices (INPP)*
	Annual (m/m)	Annual Avge	Annual (m/m)	Annual (m/m)
2009	3.6	5.3	4.5	3.3
2010	4.4	4.2	3.6	3.7
2011	3.8	3.4	3.4	5.7
2012	3.6	4.1	2.9	1.5
2013	4.0	3.8	2.8	1.7
2014	4.1	4.0	3.2	3.7
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
	Annual (m/m)	Monthly	Annual (m/m)	Annual (m/m)
Jan-18	5.6	0.5	4.6	3.2
F	5.3	0.3	4.3	3.0
M	5.0	0.3	4.0	3.6
A	4.6	-0.3	3.7	3.7
M	4.5	-0.2	3.7	4.9
J	4.7	0.4	3.6	6.3
J	4.8	0.5	3.6	5.8
A	4.9	0.6	3.6	5.6
S	5.0	0.4	3.7	6.0
O	4.9	0.5	3.7	5.3
N	4.7	0.9	3.6	5.8
D	4.8	0.7	3.7	5.9
Jan-19	4.4	0.1	3.6	4.8
F	3.9	0.0	3.5	4.5
M	4.0	0.4	3.6	4.3
A	4.4	0.5	3.9	4.7

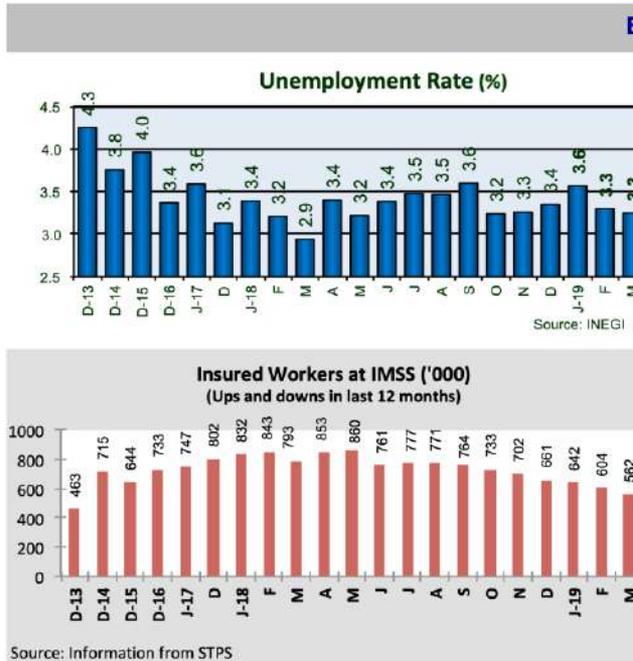
Source: INEGI

- Inflation shows resistance to the downside. It fell in the first two months of 2019 to 3.9% and then bounced to 4.4% in April.
- However, this year it is foreseeable to achieve the institutional goal of the Bank of Mexico (3% +/- 1%). The lower economic dynamism reinforces the downward trend of inflation in 2019.
- Nonetheless, inflationary pressures persist, which are reflected in the rise of core inflation and producer price inflation.

# Laboral Sector

In the first third of 2019, the unemployment rate increased gradually (3.5% in April), while the annual creation of jobs lost strength and fell to 505 thousand jobs in April.

## Employment and Wages



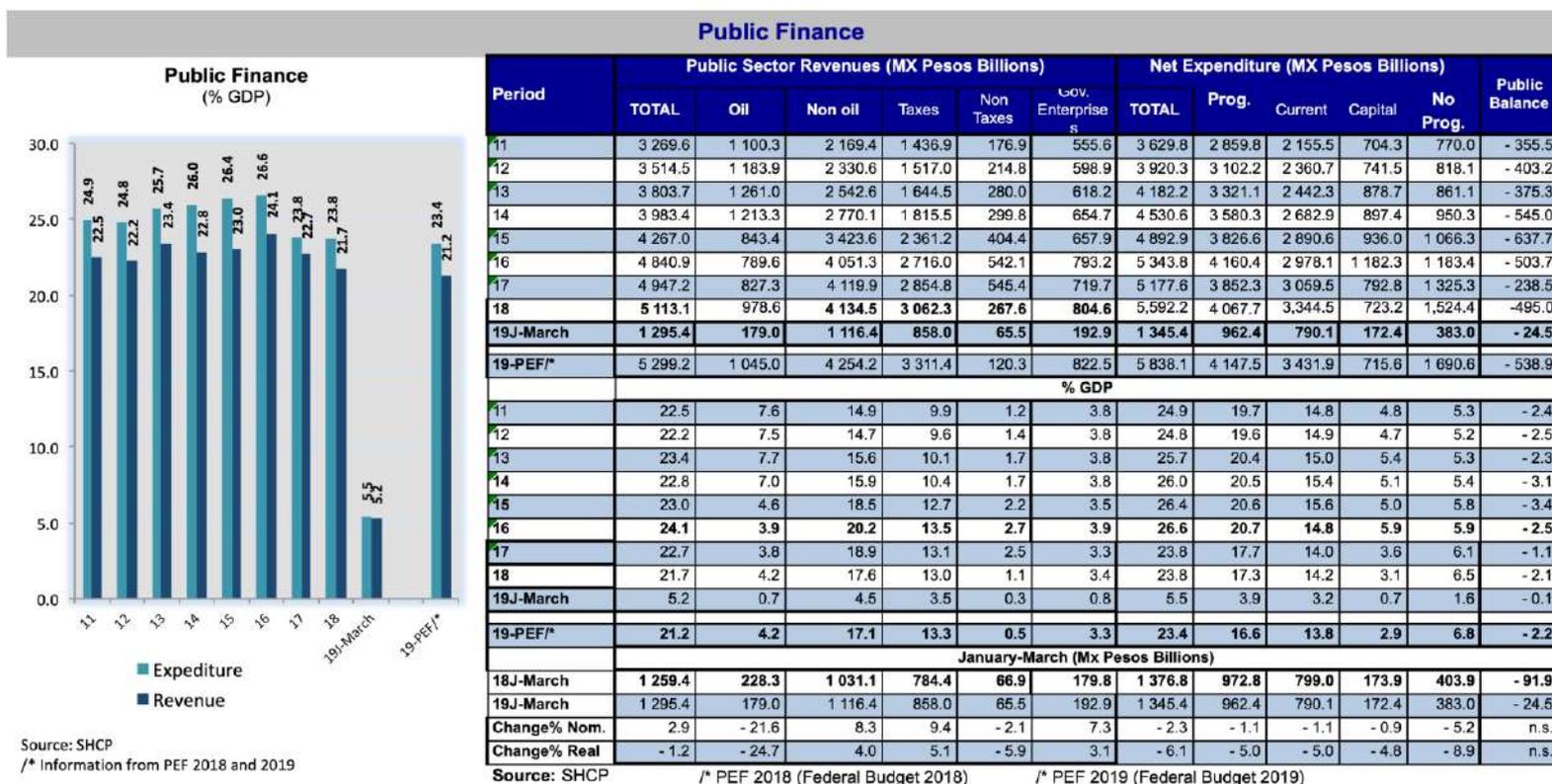
Period	Unemployment Rate(%)	Workers insured at IMSS ('000)		Employment (Annual Change %)			Wage Indicators (Annual Change %)		
		Total	Abs. Change Last 12m / Last Month	Construction	Manufacturing	Financial Service	Minimum Wage	IMSS Wage	Contractual Wage
D-12	4.5	16 062	712 / -232.0	-3.0	2.9	2.8	4.6	4.0	4.5
D-13	4.3	16 525	463 / -247.9	-3.3	1.4	-0.4	3.9	4.0	4.4
D-14	3.8	17 240	715 / -235.5	1.1	3.4	-0.2	3.9	4.6	4.1
D-15	4.0	17 884	644 / -303.7	-1.7	2.6	2.7	4.3	4.1	4.4
D-16	3.4	18 617	733 / -319.2	-0.4	3.1	3.3	4.2	3.9	4.6
J-17	3.6	18 700	747 / 83.3	-3.7	3.3	0.4	9.6***	4.2	4.9
D	3.1	19 418	802 / -337.5		2.9		9.6	5.5	5.2**
J-18	3.4	19 532	832 / 113.7	0.0	3.0	2.1	10.4	5.1	5.2
F	3.2	19 696	843 / 164.3	-1.7	3.0	2.0	10.4	5.4	5.3
M	2.9	19 787	793 / 90.5	-1.1	2.8	1.0	10.4	5.9	4.9
A	3.4	19 874	853 / 87.1	1.3	3.2	1.0	10.4	5.8	5.6
M	3.2	19 908	860 / 34.0	0.4	3.3	0.9	10.4	5.4	0.0
J	3.4	19 895	761 / -13.5	1.6	3.0	1.1	10.4	5.8	4.6
J	3.5	19 949	777 / 54.7	2.2	2.6	0.7	10.4	5.9	5.6
A	3.5	20 063	771 / 114.2	0.0	2.7	1.3	10.4	5.9	5.4
S	3.6	20 193	764 / 129.5	-1.5	2.6	0.1	10.4	5.8	5.2
O	3.2	20 356	733 / 163.2	-4.3	2.6	0.2	10.4	5.8	3.9
N	3.3	20 458	702 / 101.7	-5.0	2.4	0.5	10.4	5.9	5.1
D	3.4	20 079	661 / -378.6	-4.5	2.7	-0.9	10.4	5.4	5.9
J-19	3.6	20 174	642 / 94.6	-3.5	2.3	-1.1	15.7	6.9	7.1
F	3.3	20 300	604 / 126.0	-2.0	2.3	-0.9	15.7	6.9	7.1
M	3.3	20 349	562 / 48.5	-4.5	2.1	-1.2	15.7	6.7	6.6***
A	3.5	20 379	505 / 30.4				15.7	7.0	4.9***

Source: INEGI, STPS. /\* Workers /\*/\* Includes only Federal Jurisdiction /\*\*\* Min.Wage=102.2 pesos/day

- The unemployment rate, in the first months of 2019, has remained within the range of 3-4%: in April it stood at 3.5%.
- Meanwhile, the creation of jobs in the first four months shows a clear decline: it went from 661 thousand at the end of 2018 to 505 thousand in April 2019. The lower economic growth, the less employment.
- Wages improve and surpass inflation. In April, real gains are reported in the three main wage indicators: 11.4% in the minimum, 2.6% in the IMSS salary and 0.3% in the contractual salary. This is attributed in large part to the extraordinary adjustments in the minimum wage promoted by 4T (Fourth Transformation).

# Public Finance

In 2019, first quarter, revenues totaled 5.2% of GDP and expenses 5.5% of GDP, which shows a deficit of 0.1% of GDP.

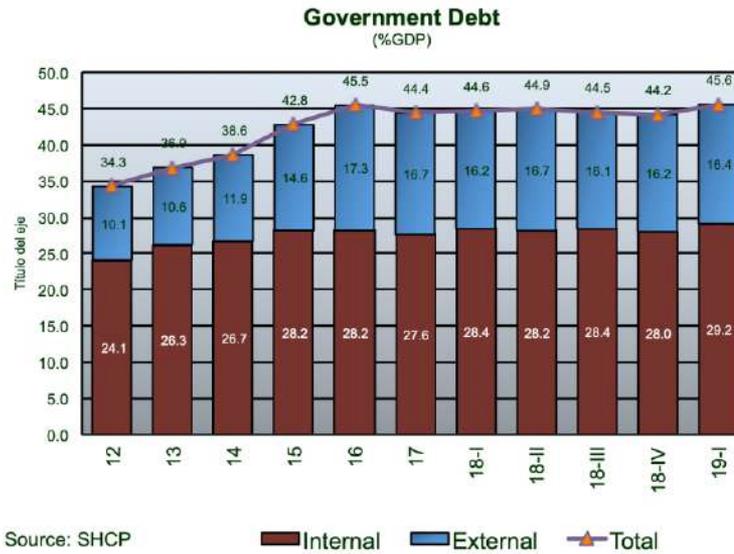


- The results of the public finance in 2019-I indicate that the revenues evolve as expected while the amount spent is less than budgeted.
- On the income side, there is a notable drop in oil revenues (-24.7%) and non-tax revenues (-5.9%); on the expenditure side, there is a general decline in both programmable spending (-5.0%) and non-programmable spending (-8.9%).
- In the balance sheet, a fiscal deficit of 0.1% is reported, in accordance with the forecasted goals of fiscal discipline of 4T.

# Public Debt

Government debt remains stagnant since the end of 2016: in 2018 it closed at 44.2% of GDP and in the first quarter of 2019 it rose to 45.6% of GDP.

## Government Debt



Period	Net Government Debt* (Billions)		
	Internal MX\$	External \$USD	Total MX\$
14	4,810.0	145.3	6,948.3
15	5,379.9	161.6	8,160.6
16	6,009.4	177.7	9,693.2
17-I	5,774.2	180.7	9,173.4
17-II	5,949.8	187.3	9,302.3
17-III	5,922.8	191.8	9,400.6
17-IV	6,283.1	192.3	10,089.0
18-I	6,409.1	199.1	10,058.8
18-II	6,606.1	195.8	10,532.8
18-III	6,619.8	198.3	10,366.9
18-IV	6,867.6	201.3	10,829.9
19-I	6,941.0	202.2	10,846.9
<b>%GDP</b>			
12	24.1	10.1	34.3
13	26.3	10.6	36.9
14	26.7	11.9	38.6
15	28.2	14.6	42.8
16	28.2	17.3	45.5
17	27.6	16.7	44.4
18-I	28.4	16.2	44.6
18-II	28.2	16.7	44.9
18-III	28.4	16.1	44.5
18-IV	28.0	16.2	44.2
19-I	29.2	16.4	45.6

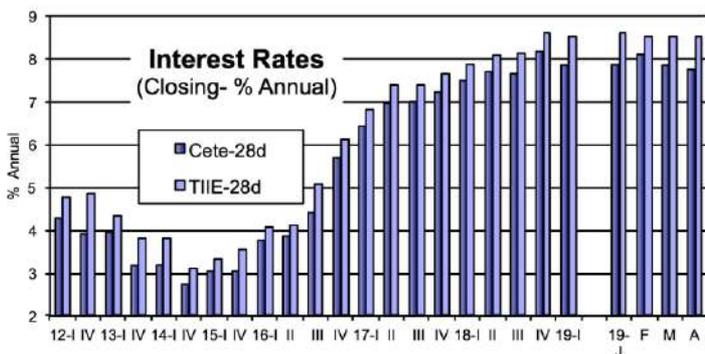
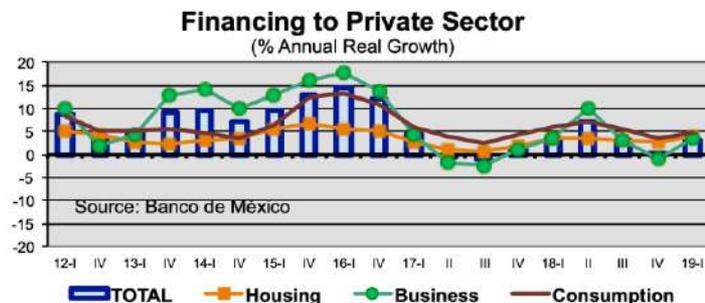
/\* Accounting adjustment since 2009  
Source: SHCP

- In the global comparison, Mexico's public debt is relatively moderate: it does not exceed 50% of GDP. But from 2010 to date, it has increased by about 13% of GDP.
- Its stagnation since 2016 has been the response of the government to the alerts of analysts and rating agencies. The promise, according to 4T, that the debt will not grow has generated some tranquility among the investors.
- To achieve this goal, it is essential to maintain, as up to now, the fiscal deficit under control and, additionally, to maintain the exchange rate within manageable ranges.

# Financing to Private Sector

In 2019, first quarter, financing to the private sector reported an annual growth of 3.2%, while interest rates surpassed 8% in the first third of 2019.

## Financial Indicators



Source: Banco de México

Period	Financing to Private Sector (% Annual Real Growth)							Interest Rates (% Annual)		Stock Market	
	TOTAL Billion MX\$	% Annual Real Growth	By Source		For Destination			CETES- 28d	TIIE-28d	IPC ('000)	% Growth
			External	Internal	Consumption	Housing	Business				
12-I	4,663	9.0	11.0	8.5	8.5	5.3	9.9	4.28	4.77	39.5	6.6
IV	5,055	3.9	-0.1	5.1	5.1	4.2	2.7	3.91	4.85	43.7	6.9
13-I	5,071	4.9	4.1	5.1	5.1	2.9	4.3	3.95	4.35	44.1	0.8
IV	5,713	9.0	20.9	5.7	5.7	2.3	13.0	3.18	3.80	42.7	6.3
14-I	5,790	9.6	27.2	5.0	5.0	3.3	14.1	3.19	3.82	40.5	-5.3
IV	6,385	7.3	19.4	3.3	3.3	3.5	10.1	2.74	3.12	43.1	-4.1
15-I	6,537	9.5	18.8	6.6	6.6	5.7	12.7	3.05	3.31	43.7	-1.1
IV	7,375	12.9	14.2	12.5	12.5	6.9	16.1	3.05	3.55	43.0	-2.3
16-I	7,680	14.4	17.8	13.2	13.2	5.6	17.6	3.76	4.07	45.9	6.8
II	8,015	15.7	18.6	14.7	14.7	7.0	18.6	3.86	4.11	46.0	0.2
III	8,319	12.8	13.0	12.7	12.7	7.0	14.2	4.41	5.07	45.2	-1.6
IV	8,607	11.9	14.5	11.0	11.0	5.1	13.8	5.69	6.11	45.6	0.9
17-I	8,489	4.3	-0.6	6.1	6.1	2.6	4.2	6.43	6.84	48.5	6.4
II	8,579	-0.1	-10.3	3.9	3.9	1.1	-1.8	6.96	7.37	49.9	2.7
III	8,871	-0.8	-9.5	2.5	2.5	0.5	-2.4	7.00	7.37	48.6	-2.5
IV	9,330	1.7	-4.7	4.2	4.2	2.0	1.1	7.22	7.63	49.4	1.6
18-I	9,269	3.7	-2.4	5.8	5.8	3.6	3.5	7.49	7.85	46.1	-6.5
II	9,653	7.4	7.6	7.3	7.3	3.4	9.9	7.70	8.10	47.7	3.3
III	9,608	3.0	-4.0	5.4	5.4	3.1	3.2	7.65	8.12	49.5	3.9
IV	9,828	0.3	-9.2	3.7	3.7	2.8	-0.9	8.17	8.60	41.6	-15.9
19-I	9,976	3.2	-2.1	4.9	4.9	3.8	3.6	7.85	8.51	43.3	3.9
19-J								7.86	8.59	44.0	5.6
F								8.10	8.54	42.8	-2.6
M								7.85	8.51	43.3	1.1
A								7.75	8.50	44.6	3.0

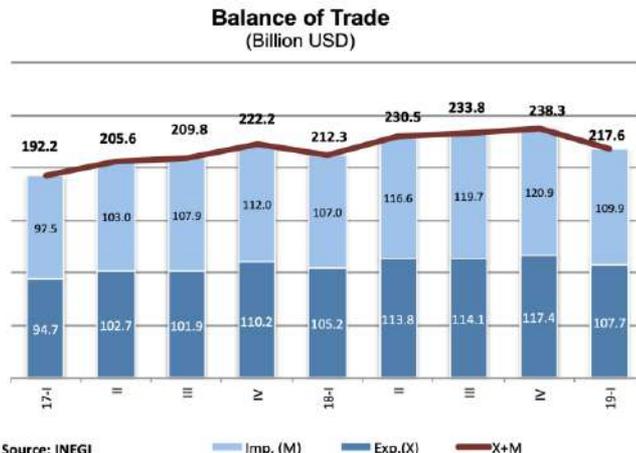
Source: Banco de México

- In practically the last two years, the growth of financing to the private sector has been very moderate. In the first quarter of 2019, growth was only 3.2%.
- In this quarter, the three main financing destinations show moderate growth: consumption (4.9%), housing (3.8%) and companies (3.6%). The latter is particularly encouraging given the mismatches between 4T and the business sector.
- Interest rates remain above 8% in the first third of 2019. Meanwhile, the stock market continues to recover ground after the collapse in the last quarter of 2018: gain of 3.9% in 2019-I.

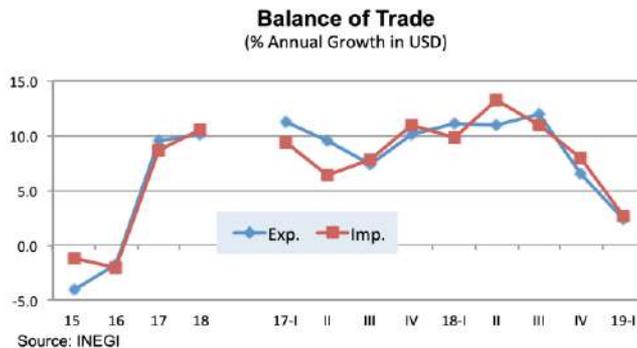
# International Commerce

In 2019, first quarter, foreign trade of goods continues to decelerate: annual growth of 2.5% against 7.3% in the previous quarter.

## 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
10	298.4	301.5	599.8	29.8	28.6	29.2	-3.1	21.2	0.1
11	349.7	350.8	700.5	17.2	16.4	16.8	-1.2	22.7	7.2
12	370.9	370.7	741.6	6.1	5.7	5.9	0.1	22.4	-1.4
13	380.2	381.2	761.4	2.5	2.8	2.7	-1.0	21.6	-3.6
14	397.1	400.0	797.1	4.5	4.9	4.7	-2.8	23.6	9.2
15	380.8	395.2	776.0	-4.1	-1.2	-2.6	-14.5	24.6	4.1
16	373.9	387.1	761.0	-1.8	-2.1	-1.9	-13.1	27.0	9.8
17	409.4	420.4	829.8	9.5	8.6	9.0	-11.0	28.8	6.7
18	450.6	464.3	914.8	10.1	10.4	10.3	-13.7	33.2	15.4
17-I	94.7	97.5	192.2	11.2	9.4	10.3	-2.8	6.6	6.8
17-II	102.7	103.0	205.6	9.5	6.3	7.9	-0.3	7.3	5.1
17-III	101.9	107.9	209.8	7.3	7.7	7.5	-6.0	7.3	6.5
17-IV	110.2	112.0	222.2	9.9	11.0	10.4	-1.8	7.5	8.3
18-I	105.2	107.0	212.3	11.1	9.8	10.4	-1.8	7.0	5.9
18-II	113.8	116.6	230.5	10.9	13.3	12.1	-2.8	9.0	22.5
18-III	114.1	119.7	233.8	12.0	11.0	11.5	-5.7	8.4	15.2
18-IV	117.4	120.9	238.3	6.6	7.9	7.3	-3.5	8.8	16.9
19-I	107.7	109.9	217.6	2.3	2.7	2.5	-2.2	7.7	9.1
J-18	30.7	35.1	65.9	12.5	14.1	13.3	-4.4	2.2	7.5
F	35.1	34.1	69.2	11.9	11.6	11.8	0.9	2.2	6.9
M	39.4	37.7	77.2	9.4	4.5	7.0	1.7	2.6	3.9
A	37.2	37.5	74.7	17.1	21.4	19.2	-0.3	2.7	17.8
M	39.2	40.8	79.9	10.5	11.5	11.0	-1.6	3.1	19.8
J	37.5	38.4	75.9	5.3	8.0	6.6	-0.9	3.1	29.9
J	36.7	39.6	76.3	14.2	17.6	15.9	-2.9	2.9	15.1
A	39.5	42.1	81.7	10.5	9.4	9.9	-2.6	2.9	15.2
S	37.8	38.0	75.8	11.9	6.4	9.1	-0.2	2.7	15.3
O	41.4	44.3	85.6	12.6	13.7	13.2	-2.9	2.9	11.3
N	38.5	40.9	79.5	2.8	10.4	6.6	-2.4	2.9	28.9
D	37.5	35.7	73.2	4.3	-0.8	1.8	1.8	2.9	12.3
J-19	32.5	37.3	69.7	5.6	6.0	5.9	-4.8	2.4	8.9
F	36.3	35.1	71.4	3.5	2.7	3.1	1.2	2.4	8.2
M	39.0	37.5	76.5	-1.2	-0.5	-0.9	1.4	2.9	10.0
A	39.4	38.1	77.5	6.1	1.6	3.8	1.4	2.9	5.3

Source: INEGI

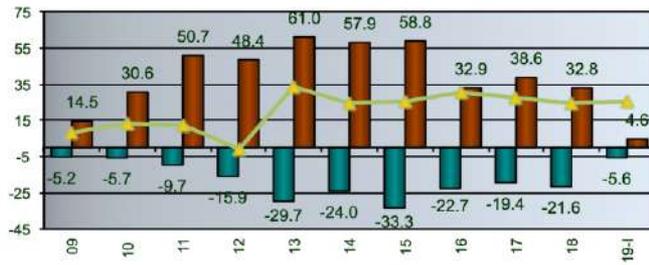
- After a remarkable dynamism of trade in the past two years (2017-2018), as of the fourth quarter of 2018 (7.3%) there is a clear deceleration that continues until the first quarter of 2019 (2.5%).
- The resulting trade deficit in 2019-I was -2.2 MMD, a moderate deficit, in accordance with the annual targets.
- On the other hand, remittances continue to rise (9.1% growth in 2019-I), but they also start to slow down.

# External Sector

In 2019, first quarter, the balance of payments reflects a current account deficit of -5.6 USD Bn and a surplus in the financial account of 4.6 USD Bn, which includes Foreign Direct Investment of 8.3 USD Bn.

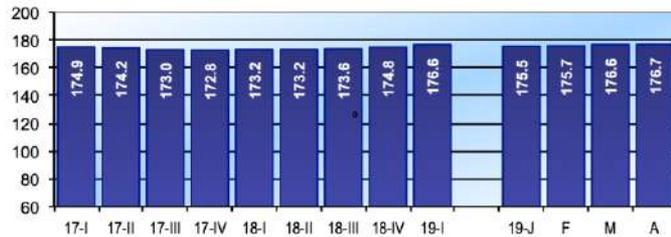
## International Transactions

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)				
09	-4.7	229.7	234.4	-5.2	-0.7	14.5	8.3	5.4	90.8
10	-3.1	298.4	301.5	-5.7	-0.3	30.6	13.0	22.8	113.6
11	3.3	349.4	350.8	-9.7	-1.0	50.7	12.1	28.9	142.5
12	2.1	370.9	370.8	-15.9	-1.2	48.4	-0.9	21.0	163.5
13	-1.0	380.2	381.2	-29.7	-2.4	61.0	33.8	13.0	176.5
14	-0.1	397.7	400.0	-24.0	-1.9	57.9	24.4	16.7	193.2
15	-14.5	380.8	395.2	-33.3	-2.5	58.8	25.2	-16.5	176.7
16	-16.2	370.0	386.2	-22.7	-2.2	32.9	30.2	-0.2	176.5
17	-11.0	409.4	420.4	-19.4	-1.6	38.6	27.4	-3.7	172.8
18	-10.2	333.1	343.4	-21.6	-1.8	32.8	24.7	26.4	0.8
19-I	-2.2	107.7	109.9	-5.6	-1.8	4.6	25.7	8.3	1.8
17-I	-2.8	94.7	97.5	-10.7	-3.8	0.6	11.5	-1.6	174.9
17-II	-0.3	102.7	103.0	-1.8	-0.4	6.6	5.5	-0.7	174.2
17-III	-6.0	101.9	107.9	-5.0	-1.8	9.1	7.4	-1.2	173.0
17-IV	-1.8	110.2	112.0	-1.9	-0.8	12.6	3.6	-0.2	172.8
18-I	-1.8	105.2	107.0	-9.8	-3.0	10.2	10.5	0.4	173.2
18-II	-2.8	113.8	116.6	-3.0	-1.1	5.5	7.4	0.0	173.2
18-III	-5.7	114.1	119.7	-5.9	-1.6	7.4	2.7	0.4	173.6
18-IV	-3.5	117.4	120.9	-2.9	-1.0	9.7	5.8	1.2	174.8
19-I	-2.2	107.7	109.9	-5.6	-1.8	4.6	8.3	1.8	176.6
19-J								0.7	175.5
F								0.2	175.7
M								0.9	176.6
A								0.1	176.7

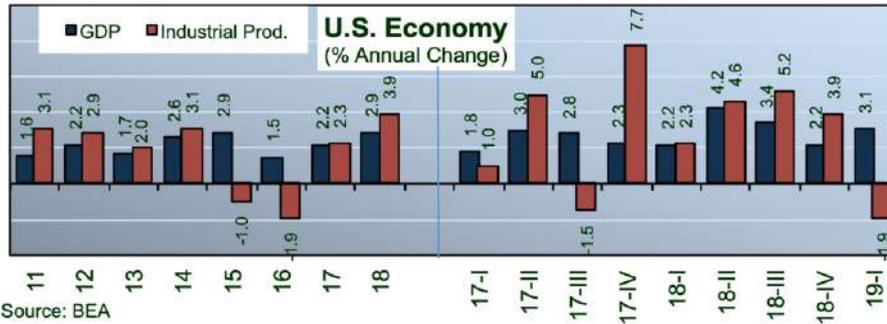
Source: Banco de México

- In 2019-I, the current account deficit (-5.6 USD Bn) was offset by the positive balance in the financial account (by 4.6 USD Bn), which has as its main component Foreign Direct Investment (8.3 USD Bn).
- After an election year (2018) marked by uncertainty, international reserves report a moderate and very gradual increase throughout the first third of 2019: they started the year with 174.8 USD Bn and in April they reached 176.7 USD Bn, which represents an advance of 2 USD Bn.
- In 2019 business sector is worried about the decrease in investor confidence and the brake on capital inflows, due to the implementation of internal policies.

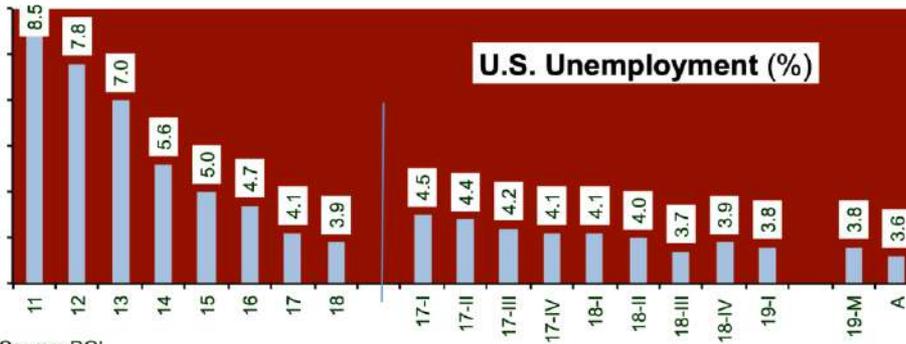
# International Economy

In 2019, first quarter, the US economy grew 3.1%, but the industrial sector shrank (-1.9%); meanwhile, unemployment continues to decline: 3.6% in April 2019.

## U.S. Economy



Source: BEA



Source: DOL

Period	GDP*	Industrial Prod.		Manufacturing		Unemployment Rate	Inflation
		% Annual Change of Quarter	% Annual Change	% Annual Change of Quarter	% Annual Change		
11	1.6	3.1		2.9		8.5	3.0
12	2.2	2.9		2.6		7.8	1.7
13	1.7	2.0		0.9		7.0	1.2
14	2.6	3.1		1.2		5.6	0.8
15	2.9	-1.0		-0.7		5.0	0.7
16	1.5	-1.9		-0.5		4.7	2.1
17	2.2	2.3		2.0		4.1	2.1
18	2.9	3.9		2.3		3.9	1.9

17-I	1.8	1.0	0.7	1.9	0.5	4.5	2.4
17-II	3.0	5.0	2.1	2.4	1.5	4.4	1.6
17-III	2.8	-1.5	1.7	-2.1	1.1	4.2	2.2
17-IV	2.3	7.7	2.5	5.3	1.0	4.1	2.1
18-I	2.2	2.3	2.0	1.6	0.4	4.1	2.4
18-II	4.2	4.6	2.1	2.0	0.3	4.0	2.9
18-III	3.4	5.2	3.6	3.6	1.6	3.7	2.3
18-IV	2.2	3.9	4.0	1.6	2.2	3.9	1.9
19-I	3.1	-1.9	3.7	-2.1	2.1	3.8	1.9
19-M		1.1	3.1	0.0	1.5	3.8	1.9
A		-5.3	1.4	-5.6	0.4	3.6	2.0

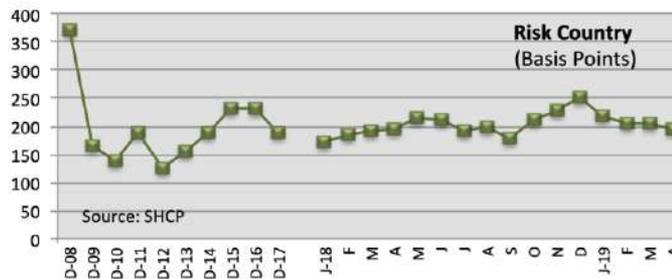
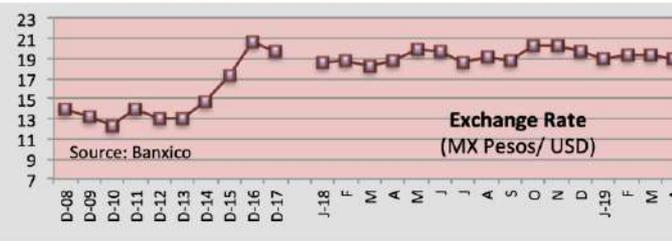
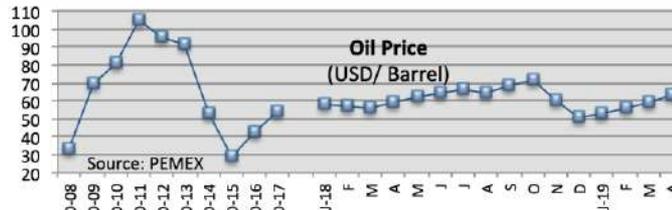
Source: U.S. Bureau of Economic Analysis (BEA); The Federal Reserve System (FRS); Department of Labor (DOL)

- The US economy reported very strong growth in 2019-I (3.1%) and negative growth in the industrial sector (-1.9%). In accordance with that, unemployment continues to fall (3.6% in April). However, there is concern about the decline of the industrial sector and the expectation of an eventual recession in the coming years. Both events are not favorable for the Mexican economy.
- For Mexico, a scenario of low growth in the US is not promising, especially if domestic demand fails to reactivate. In addition, the delay in the formalization of NAFTA 2.0 (T-MEC) and the US-Mexico differences over the issue of migration could reinforce the negative impacts on the Mexican economy.

# Key Prices

In the first four months of 2019, the exchange rate remains stable (around 19 PPD), the price of oil recovers (from 53 to 63 DPB) and the country risk falls below 200 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	Brasil	Argentina
D-08	33.3	2,717	1,328	1,369	14.0	19.6	372	437	1817
D-09	69.8	2,593	1,288	2,787	13.2	19.0	166	197	663
D-10	81.5	2,574	1,501	3,790	12.4	16.6	140	180	486
D-11	104.9	2,557	1,282	4,170	13.9	18.0	188	208	927
D-12	95.7	2,564	1,174	3,484	13.0	17.1	126	148	1,002
D-13	91.8	2,517	1,308	3,722	13.1	18.0	156	226	809
D-14	52.4	2,353	1,237	2,008	14.7	17.9	188	264	726
D-15	28.7	2,275	1,008	896	17.2	19.0	232	523	438
D-16	42.8	2,035	1,115	1,478	20.6	21.8	232	328	455
D-17	54.1	1,873	1,401	2,351	19.7	23.6	188	241	350
J-18	57.7	1,909	1,107	1,980	18.6	23.2	172	229	376
F	56.6	1,876	1,451	1,199	18.8	23.0	184	240	412
M	55.6	1,846	1,176	2,090	18.3	22.6	191	248	420
A	59.0	1,868	1,266	2,240	18.8	22.7	194	249	419
M	62.7	1,850	1,222	2,376	20.0	23.3	214	309	515
J	64.6	1,828	1,110	2,151	19.7	22.9	211	332	610
J	66.3	1,823	1,156	2,377	18.5	21.9	193	273	571
A	63.9	1,798	1,181	2,341	19.2	22.4	197	248	609
S	68.4	1,808	1,206	2,470	18.7	21.7	180	293	623
O	71.3	1,747	1,027	2,269	20.3	23.1	211	248	609
N	59.8	1,697	1,135	2,035	20.3	23.1	228	270	706
D	50.5	1,710	1,198	1,876	19.7	22.5	251	276	814
J-19	53.2	1,623	1,071	1,769	19.0	21.9	218	240	676
F	56.2	1,701	1,475	2,323	19.3	21.9	204	235	697
M	58.9	1,691	1,150	2,101	19.4	21.8	206	253	774
A	63.6	-	-	-	19.0	21.3	195	252	950

FUENTE: PEMEX, BANXICO, INEGI, SHCP

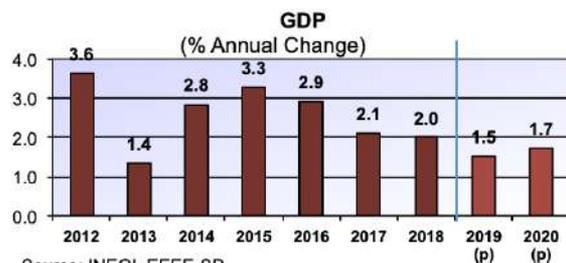
(p) Preliminar

- The price of crude oil, after its collapse in the last quarter of 2018 (which led it from levels of 70 to 50 DPB), recovered steadily in 2019 and approached in April to 63.6 DPB.
- Despite the prevailing uncertainty, the exchange rate has shown ups and downs around 19-20 PPD, closing April at 19 PPD.
- After its dramatic rise at the end of 2018, country risk seems to resume its course at the beginning of 2019 and closes April at 195 basis points.

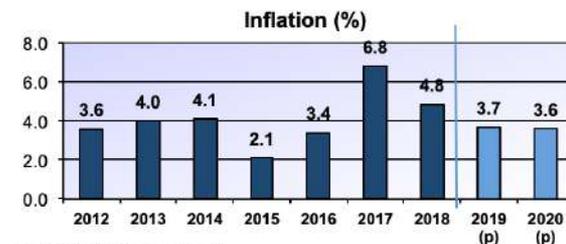
# Mexico's Macroeconomic Framework

The growth expectations for 2019-2020 have been going down (1.5 and 1.7% for the biennium), as well as inflation expectations (3.7 and 3.6%).

## Macroeconomic Framework



Source: INEGI FFFF-SP



Source: INEGI, EEEE-SP

	Histórico							CGPE/**		EEESP/**	
	2012	2013	2014	2015	2016	2017	2018	2019 (p)	2020 (p)	2019 (p)	2020 (p)
<b>GDP</b>											
% Annual Growth	3.6	1.4	2.8	3.3	2.9	2.1	2.0	1.6	1.9	1.5	1.7
GDP Current (MX Billions)	15,818	16,277	17,471	18,537	20,100	21,785	23,399	24,700	25,975	24,704.6	25,958.7
GDP Deflator	4.1	1.5	4.4	2.7	5.4	6.8	5.3	3.9	3.2	4.0	3.3
<b>Inflation</b>											
Dec/ Dec	3.6	4.0	4.1	2.1	3.4	6.8	4.8	3.4	3.0	3.7	3.6
<b>Exchange Rate</b>											
Average	13.2	12.9		16.0	18.7	18.9		19.9	20.1		
Closing			14.7	17.2	20.6	19.7	19.7	19.5	20.0	19.9	20.3
<b>Interest Rate (Cete 28d)</b>											
Average	4.3	3.7		3.0	4.3	6.9	7.8	8.0	7.6		
Closing	4.2	3.5	2.7	3.1	5.7	7.2	8.2	8.0	7.8	7.9	7.2
<b>Current Account</b>											
Billions USD	-9.2	-22.3	-26.6	-32.4	-33.1	-22.7	-22.2	-22.7	-25.5	-23.1	-24.6
% GDP	-0.8	-1.7	-2.1	-2.8	-3.4	-1.6	-1.9	-1.8	-2.0	-1.9	-1.9
<b>Public Balance</b>											
% GDP	-2.5	-2.3	-3.1	-3.4	-2.5	-1.1	-2.1	-2.0	-1.6	-2.2	-2.4
<b>USA</b>											
GDP (%Annual Growth)	2.8	1.9	2.4	2.4	1.6	2.3	2.9	2.4	1.9	2.3	1.9
<b>MX Crude Oil</b>											
Avg. Price (USD/ Barrel)	101.7	98.6	86.0	43.7	35.4	46.3	61.4	57.0	55.0		
Exports ('000 barrels/day)	1,256	1,189	1,142	1,282	1,195	1,175	1,186	1,008	1,085		
Production ('000 barrels/day)	2,548	2,522	2,429	2,290	2,154	1,944	1,813	1,793	1,916		

\* CGPE-(Criterios Generales de Política Económica 2019) - Basis Document for Macroeconomic Policy

\*\* Encuesta de Expectativas de Expertos en Economía del Sector Privado-EEEE-SP/ Survey of Mexican Experts (April 2019)

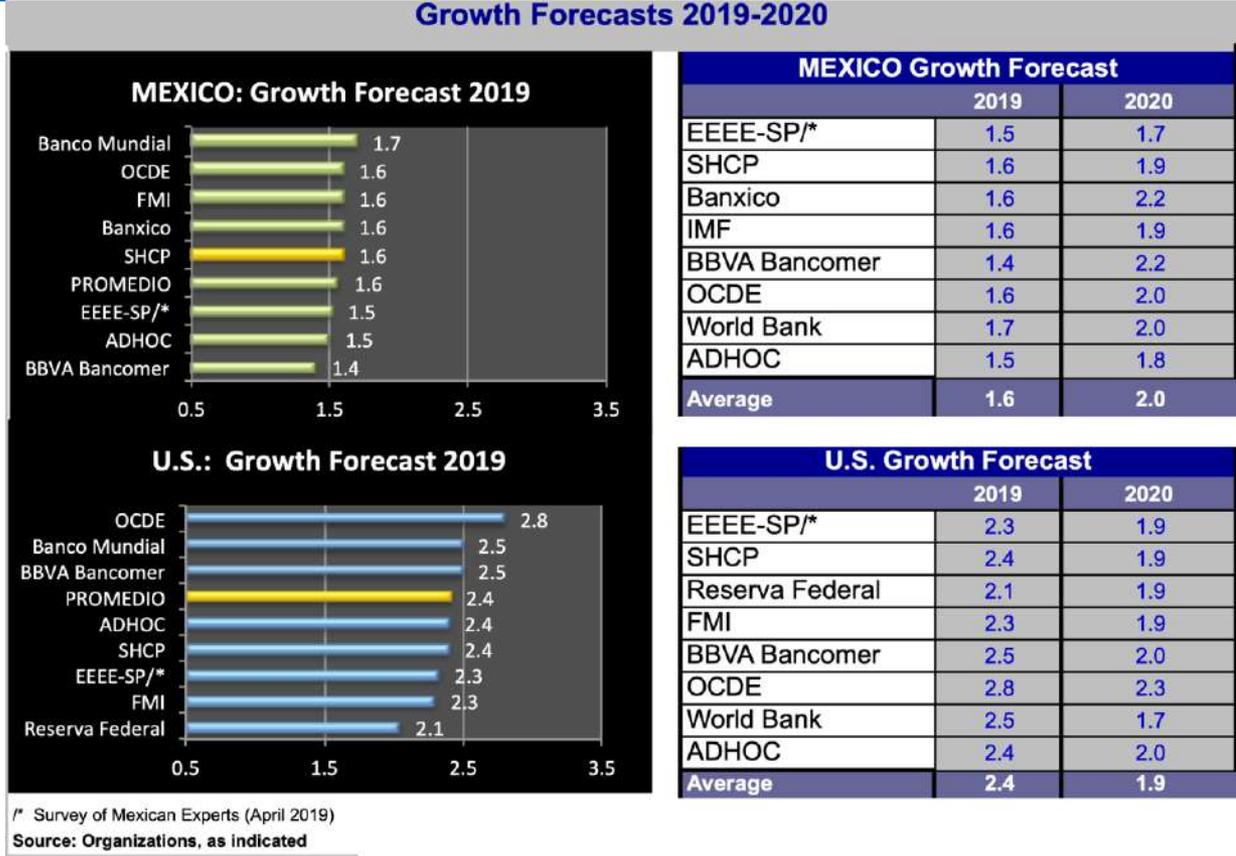
(p) Projected

- For 2019-2020 the private experts foresee more moderate economic growth to the previous ones: of 1.5% and 1.7% respectively.
- For those same years, an inflation rate slightly lower than previously projected is estimated: 3.7% and 3.6% for the biennium.
- According to forecasts, the fundamental balance sheets will remain under relative control: the fiscal deficit slightly above 2% of GDP (2.2 and 2.4) and the current account deficit around 1.9% of GDP in the biennium.
- According to its forecasts, the US economy will lose vigor in 2019 (2.3%) and 2020 (1.9%), in accordance with the slowdown forecasts.

# Growth Forecasts



According to specialized agencies, the expected growth for 2019 is 1.6% for Mexico and 2.4% for the US. For 2020, the forecast is 2.0 and 1.9% for Mexico and the US, respectively.



- For Mexico, the forecasts of eight specialized organizations fluctuate between 1.4% and 1.7% in 2019, with an average of 1.6%. By 2020, the average forecast is 2%.
- For US, the forecasts of eight specialized organizations fluctuate between 2.1 and 2.8% by 2019, with an average of 2.4%. For 2020, the average forecast is 1.9%.
- As can be seen, both economies are moving in parallel, but the US economy is emerging as slightly more dynamic, at least in 2019.

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