



Mexico Economic Profile

Fifth Bimester of 2024

Timely Macroeconomic Report
for Decision Making

October 2024

Economic Profile of Mexico

Fifth Bimonthly Report of 2024

At the end of October 2024, the economic history of the year is practically already written. In 2024, there was a substantial slowdown in economic activity, with the consequent impact on employment levels. In the fundamental balance sheets, no major problem is foreseen, except for the large fiscal deficit (5% of GDP) forecast for 2024, which failed to keep the promise of maintaining healthy finances. In addition, current inflation (4.8% annually) is far from being controlled and a return to historical rates is expected in 2025. This economic scenario is not very attractive for foreign investors. And the worst thing is that the new administration is not creating the conditions to take advantage of the relocation (nearshoring) of companies in Mexico. Instead, new obstacles to foreign investment and new rules with ideological overtones are being put in place.

Economic Slowdown in Process.- In January-September 2024, the Mexican economy grew 1.5%, well below the 3.3% of 2023. That is, the economy is experiencing a clear slowdown that began at the end of 2023, which deepened in 2024 and will most likely extend into 2025. According to timely indicators, economic growth for 2024 is expected to be below 1.5%.

Inflation does not subside.- After four long years of anti-inflationary struggle, inflation is subsiding with some ups and downs. In December 2023 it stood at 4.7% and in October 2024 it reached 4.8%, which shows the resistance to the downside. As we recall, inflation was the result of an explosion in global demand, disruptions in production chains due to Covid-19, and the rise in energy and food prices. In Mexico, two anti-inflation programs and a gasoline subsidy helped contain inflation. It is expected to gradually return to its historical levels (2-4%) in 2025.

Job creation slows down.- After the huge loss of formal jobs in 2020 (-648 thousand), a rapid recovery of jobs was observed in the three subsequent years. In October 2024, annual job creation suffered a clear setback and stood at 316 thousand. For its part, the unemployment rate stood at 2.5% in October. 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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Fifth Bimonthly Report of 2024

Pressure on public finances.- In January-October 2024, revenues of 18.5% of GDP and expenditures of 21.6% of GDP are reported, and therefore, a deficit of 2.6% of GDP. Spending pressures in an election year (resources for flagship projects and for social support) lead to a move away from fiscal discipline and therefore to a higher deficit and greater debt. Consequently, in October 2024, the debt stood at 50.6% of GDP, higher than that recorded at the end of 2023 (46.8% of GDP).

Private Sector Financing is beginning to revive.- Despite efforts to boost it, financing to the private sector suffered a severe setback in 2021 and a more moderate one in 2022 and 2023. However, in 2024 it is gradually reactivating. In the third quarter of 2024, the annual increase (4.6%) reflects an increase in consumer financing (9.3%), a more moderate one for companies (5.2%) and a minuscule one for housing (1.0%). All in a context of high interest rates that, starting in the third quarter, begin to fall below 11%.

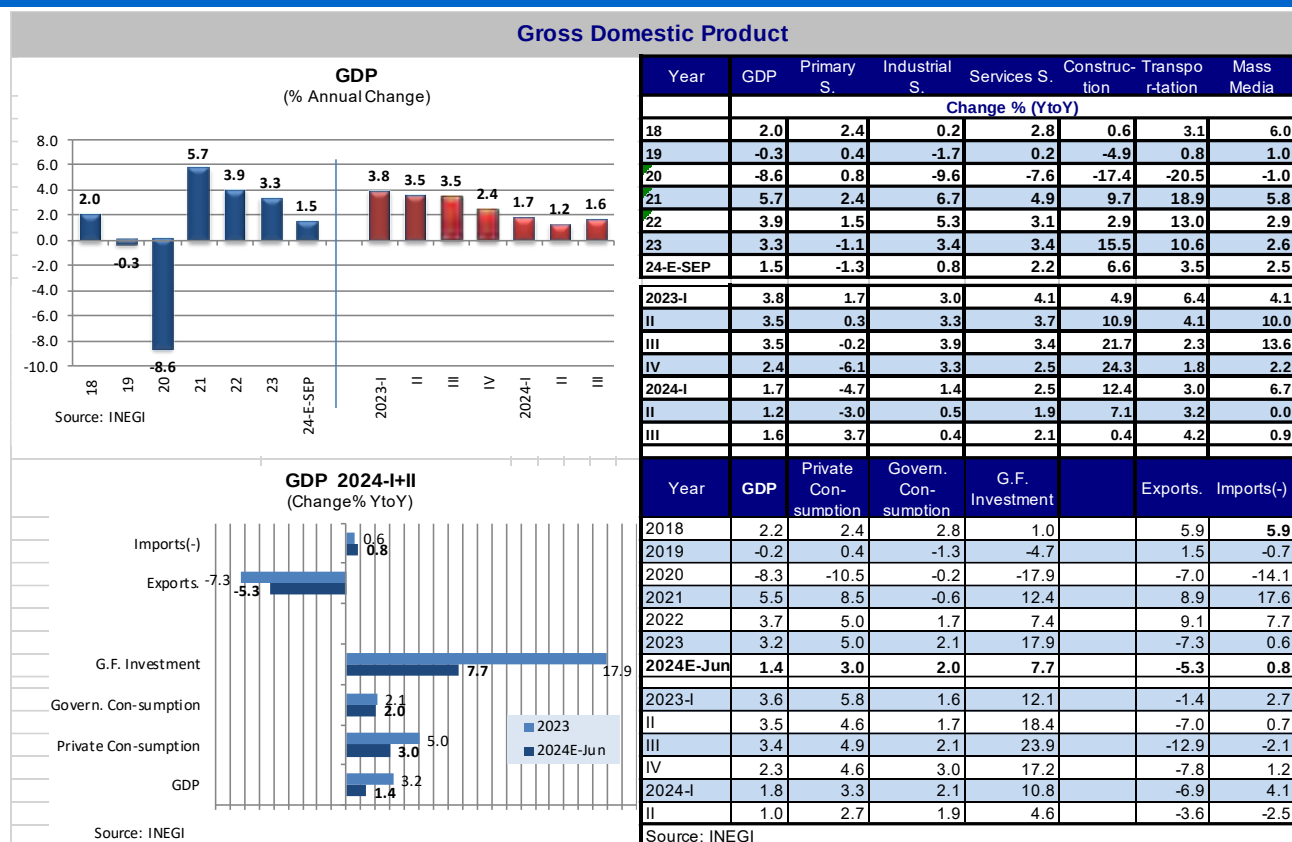
International Trade is also recovering. - After a year of stagnation, in 2024 there are some signs that Mexico's international trade is reactivating. This is relevant, given that export income and remittances have been consolidated as sources of foreign currency and have contributed to accumulating international reserves (these close 2023 at 212.8 MMD and reach 226.1 in October 2024). In parallel, the evolution of foreign investment – especially direct investment – has been favorable (it totaled 31.3 MMD in January-September 2024) and this reflects a still moderate progress in the process of relocation of companies to Mexico (nearshoring).

Slowdown in the US with declining inflation.- In the third quarter of 2024, US economic growth was 2.8%, with a notable decline in the industrial sector (-0.6%), which is not favorable to Mexico. However, the slowdown and unemployment continue to be high (4.1% in October), while inflation remains low (2.6% in October).

Moderate Economic Growth Outlook.- Growth forecasts for Mexico have been declining, while those for the US remain stable: for 2024, growth of 1.5% is expected for Mexico and 2.5% for the US; for 2025 the forecasts worsen for both countries.

Economic activity

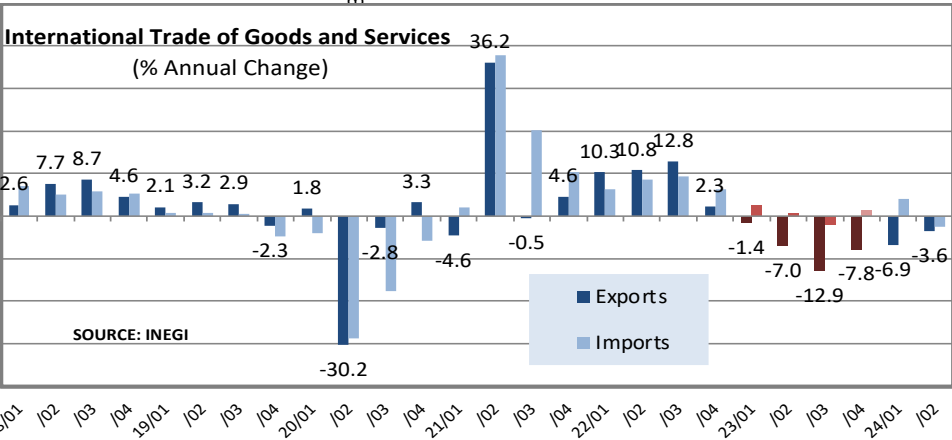
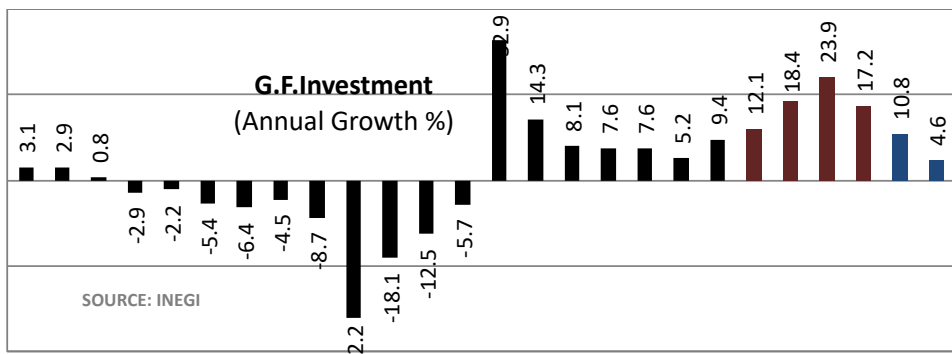
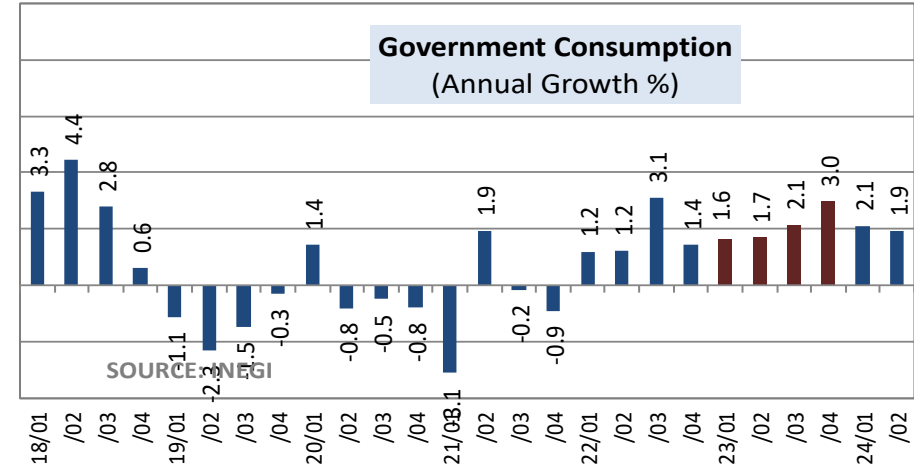
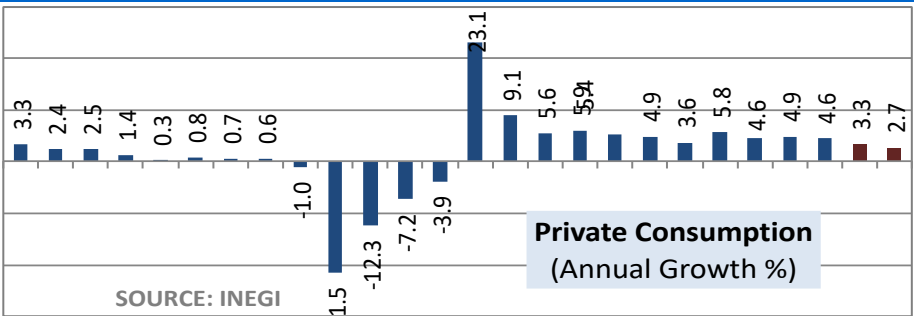
In the third quarter of 2024, GDP grew by 1.6% (vs. 3.3% in the previous year), confirming the slowdown in economic activity.



- In the first three quarters of 2024, the economy reported growth of 1.5% and in the third quarter, growth of 1.6%, confirming the slowdown that began at the end of 2023.
- At the sectoral level, both the industrial sector (0.8%) and services (2.2%) are losing strength and a change in trend is not foreseen in the short term.
- On the demand side, in 2024-II there is a drastic loss of dynamism in the drivers of domestic demand - consumption and investment-, which explains the decline in economic activity.

Economic Activity

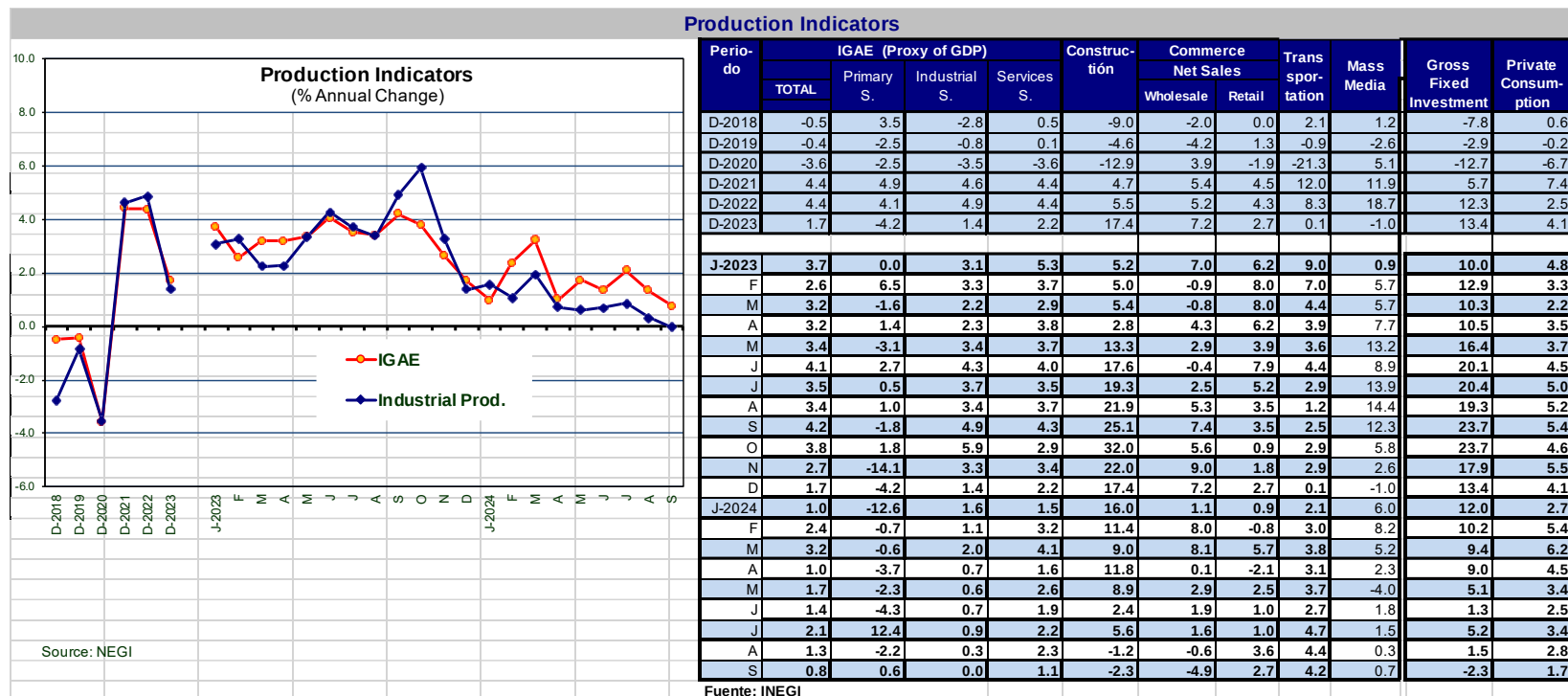
In the second quarter of 2024, the drivers of domestic demand (consumption and investment) remain vigorous, but are rapidly losing strength.



- Private consumption, with the greatest weight in demand (2/3 of GDP), after the pandemic, has maintained the inertia of recovery in 2022-2024, which has weakened considerably (2.7% in the second quarter).
- Investment has taken a very fast pace, but is gradually losing momentum: after growing at a double-digit rate, it is growing at a slower pace (4.6% in 2024-II).
- For its part, exports of goods and services continue to decline in 2024 in response to the slowdown in the US economy, but the decline is becoming smaller.

Economic Activity

The economic slowdown in the first half of 2024 has spread to the second half.



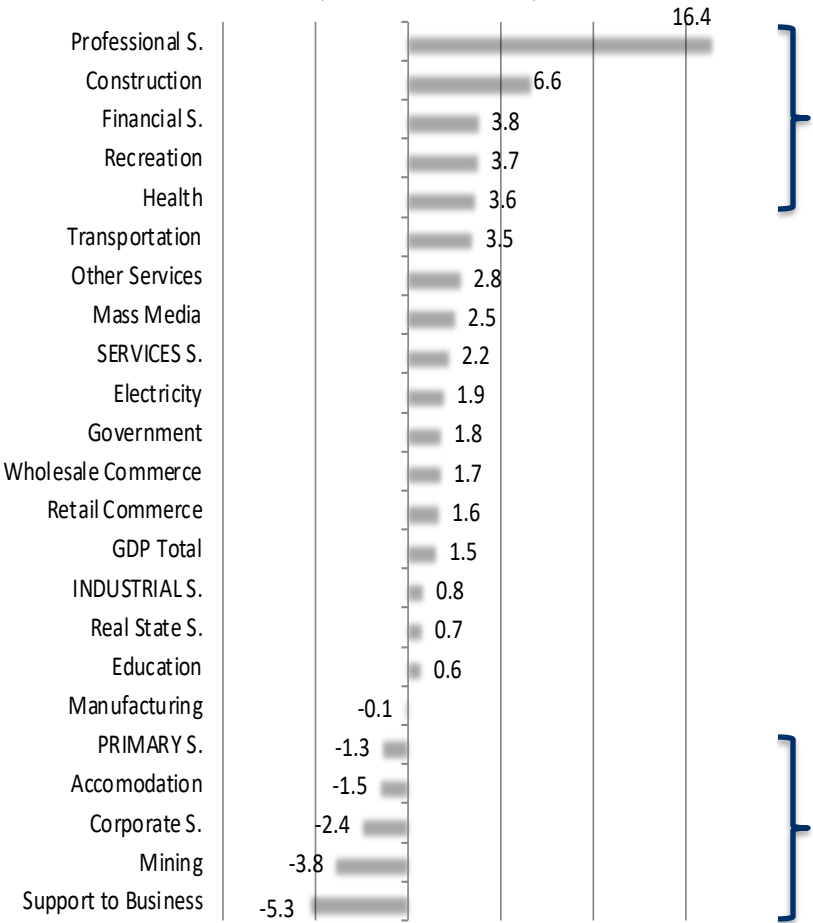
- The IGAE (Global Economic Activity Indicator), after the rebound in 2021-2022, has since observed a moderation in its annual growth; In 2023, it reported growth of more than 3% throughout the year, but in the last two months, there was a marked slowdown that extends into 2024.
- At the sectoral level, leaving aside the agricultural sector, which is usually very volatile, growth rests mainly on the services sector (1.1%) and the industrial sector (0.0%) with data from September 2024.
- Regarding demand, the reactivation of investments has been a favorable surprise, but its marked decline in recent months is also surprising: a decrease of -2.3% in September.

Economic Activity

In 2024, the return to historical, positive but moderate, growth rates is confirmed, although manufacturing is going through a bad time.



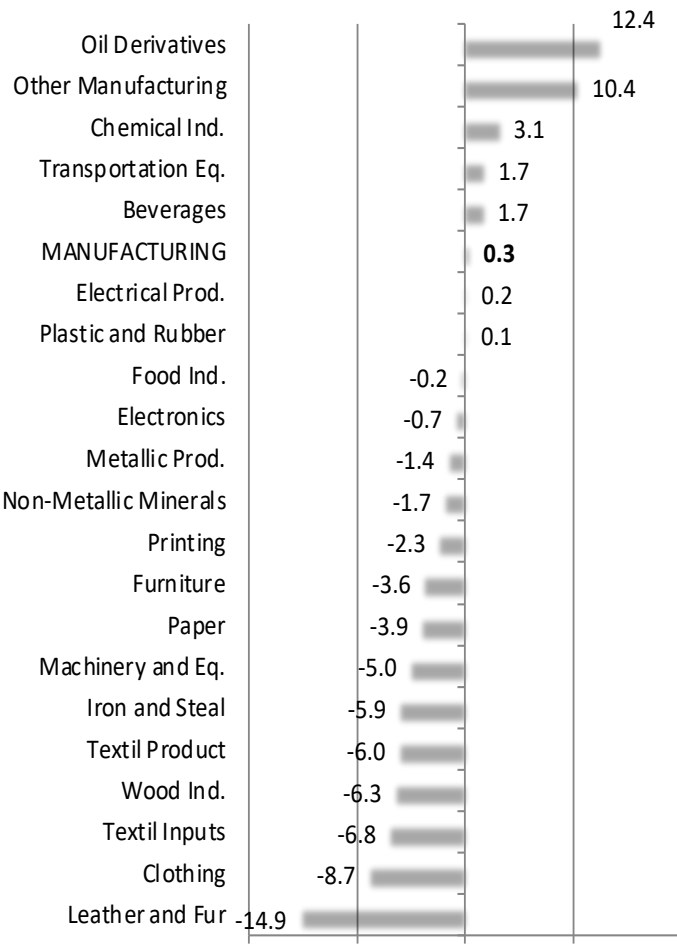
GDP 2024-III
(% Annual Growth)



The most dynamic

The least dynamic

MANUFACTURING 2024-III
(% Annual Growth)

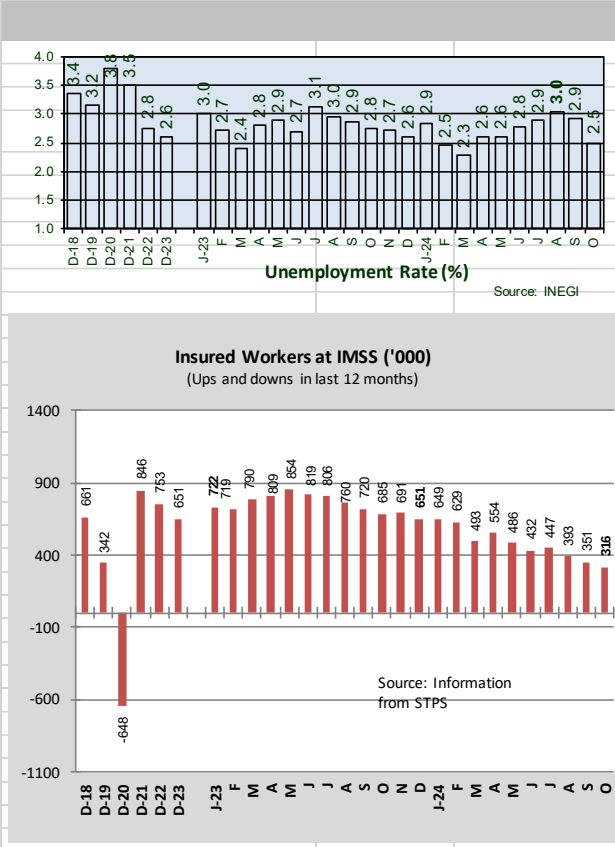


Source: INEGI (Seasonally Adjusted Series)

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Employment and Wages

In October 2024, annual job creation was reduced (to 316 thousand), while unemployment was at 2.5% and wages gained purchasing power.

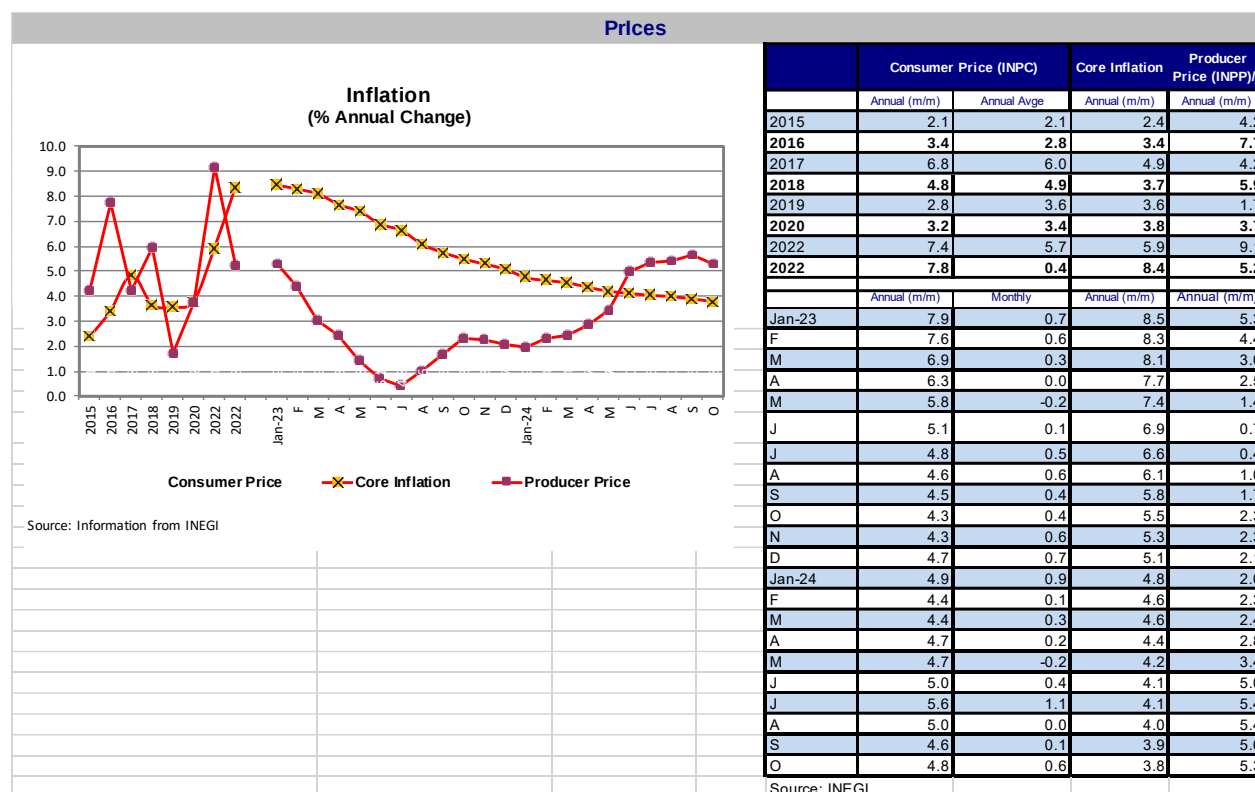


Employment and Wages										
Period	Workers insured at IMSS ('000)				Employment (Annual Change %)			Wage indicators (Annual Change %)		
	Unemployment Rate(%)	Total	Last 12m	Abs.Change Last Month	Construction	Manufacturing	Financial Service	Mini-mum Wage	IMSS Wage	Contractual Wage
D-18	3.4	20,079	661	-379	-5.0	2.7	0.5	10.4	5.4	5.9
D-19	3.2	20,421	342	-382	-2.3	-1.4	0.8	16.2	6.7	5.9
D-20	3.8	19,774	-648	-278	-12.7	-0.9	-11.3	20.0	7.9	6.5
D-21	3.5	20,620	846	-312.9	5.3	2.5	-16.1	15.0	7.5	7.2
D-22	2.8	21,373	753	-345.7	10.1	1.7	-2.1	22.0	11.0	9.4
D-23	2.6	22,024	651	-384.9	4.9	-1.8	0.8	20.0	10.5	12.9
J-23	3.0	21,485	722	112	4.7	0.8	-1.3	20	11.2	10.2
F	2.7	21,660	719	176	4.0	0.2	-1.7	20	11.2	9.3
M	2.4	21,796	790	136	2.5	-0.7	-2.1	20	11.2	10.3
A	2.8	21,820	809	24	-0.1	-0.5	-0.9	20	11.2	9.5
M	2.9	21,863	854	43	1.6	-0.4	-0.2	20	11.3	9.0
J	2.7	21,887	819	24	4.2	-0.2	-0.8	20	11.2	8.2
J	3.1	21,885	806	-2	2.4	0.0	-0.1	20	10.6	8.9
A	3.0	21,997	760	112	3.4	-0.1	0.6	20	10.6	9.3
S	2.9	22,129	720	133	3.3	-1.2	0.7	20	10.7	5.6
O	2.8	22,303	685	173	5.1	-1.0	0.1	20	10.8	6.4
N	2.7	22,409	691	107	5.8	-1.3	0.9	20	10.6	10.9
D	2.6	22,024	651	-385	4.9	-1.8	0.8	20	10.5	12.9
J-24	2.9	22,133	649	109	5.7	-1.5	1.8	20/**	10.4	9.0
F	2.5	22,290	629	156	4.4	-1.7	2.6	20	10.1	9.9
M	2.3	22,289	493	0	4.5	-2.0	2.4	20	9.8	9.8
A	2.6	22,374	554	85	5.4	-1.6	1.9	20	9.6	8.1
M	2.6	22,349	486	-25	5.0	-1.8	1.6	20	9.4	10.2
J	2.8	22,319	432	-30	1.2	-2.1	1.8	20	9.5	9.0
J	2.9	22,332	447	12	1.8	-1.8	1.1	20	9.7	7.2
A	3.0	22,390	393	58	0.0	-2.3	1.3	20	9.7	9.0
S	2.9	22,481	351	91	-1.5	-1.6	2.0	20	9.3	/** 8.7
O	2.5	22,619	316	138	0.0	0.0	0.0	20	9.2	/** 7.2
Source: INEGI, STPS.			/** Only Federal Jurisdiction					/** Min.Wage=\$248.93pesos/day		

- The AMLO administration ended with a bad legacy: job creation on the decline. Job creation in October (316 thousand) is one of the lowest in recent years.
- The higher inflation has led to uneven gains in the three main salary indicators: +15.2% in the minimum, 4.4% in the IMSS salary and 2.4% in the contractual salary. The salary increase is largely attributed to the annual adjustment in the minimum wage (20% in 2024) promoted by the current administration.

Prices

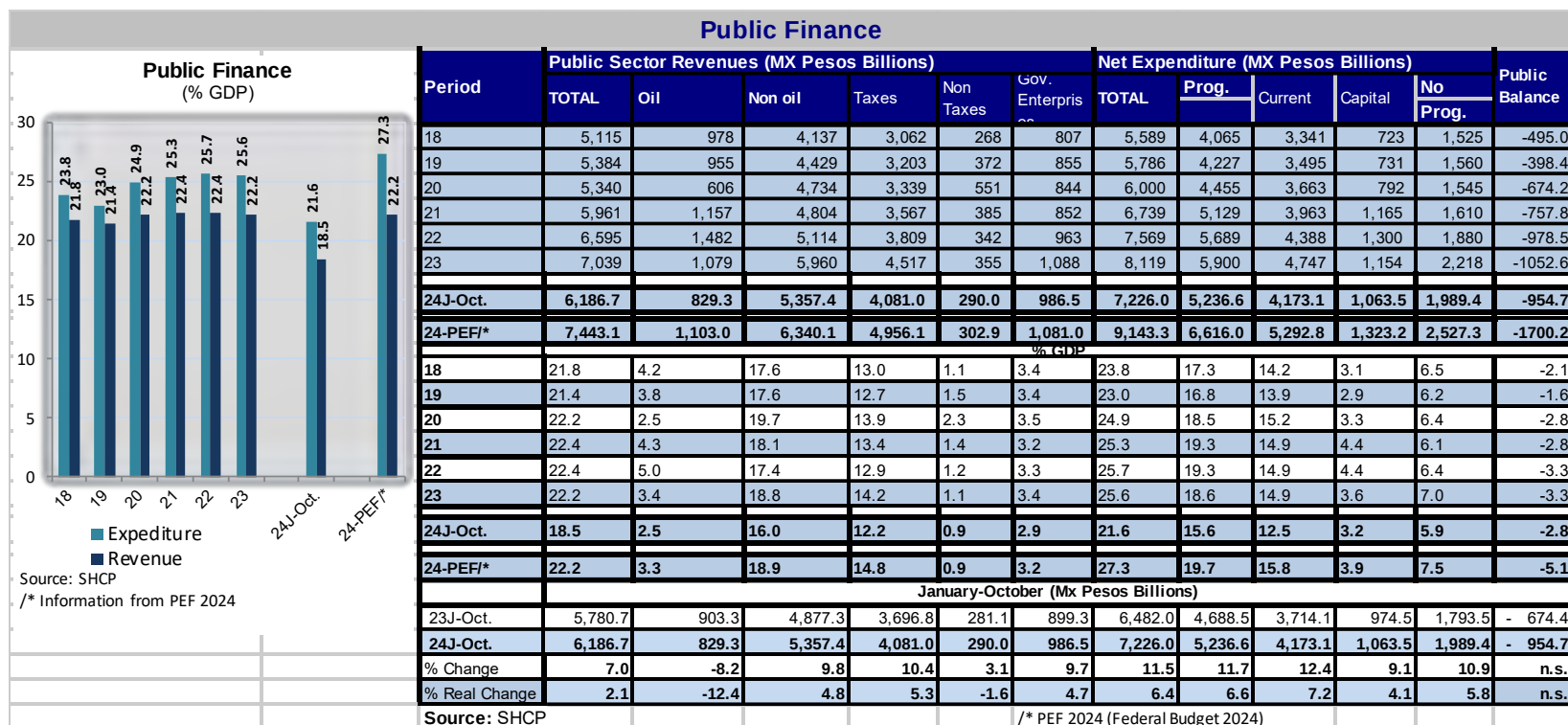
In October 2024, inflation remains high (4.8%), while core inflation is declining very slowly (3.8%).



- The inflation trend is downward but with ups and downs. It reached 4.7% in 2023 and stood at 4.8% in October 2024. The inflationary episode is attributed to the explosion of global demand and the imbalance in production chains due to the pandemic and armed conflicts.
- The expectation is the recovery in a few months of the institutional goal of the Bank of Mexico (3% +/- 1%). Producer price inflation remains high (5.3%); meanwhile, underlying inflation also remains high (3.8%), but is declining.
- If trends strengthen, a gradual return to historical inflation rates is expected in the near future.

Public Finances

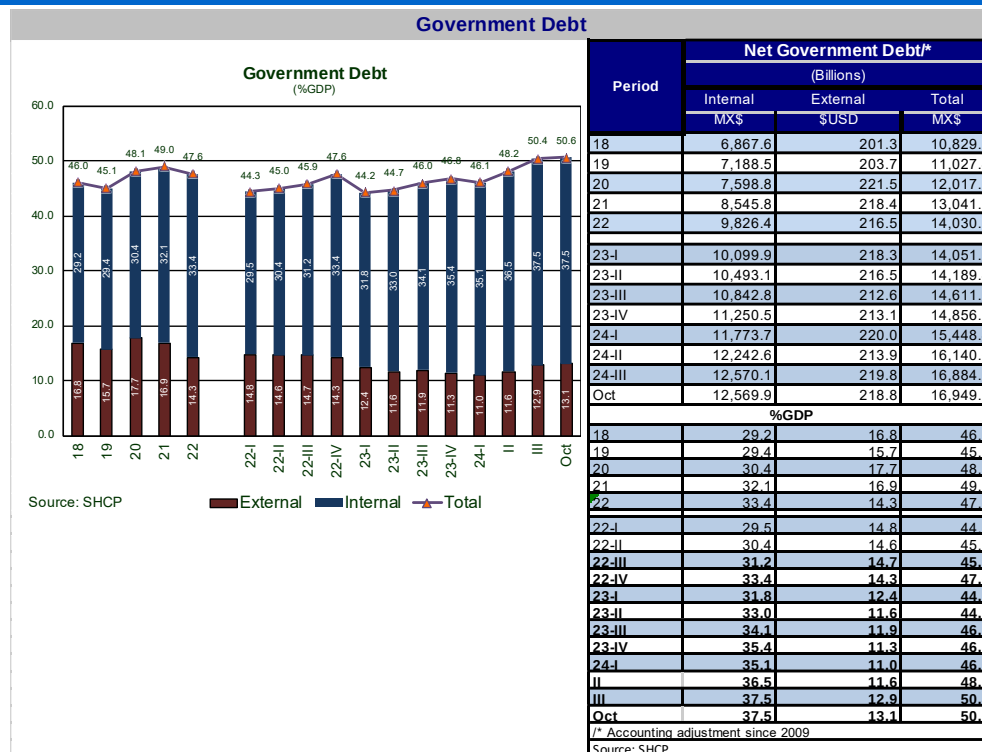
For January-October 2024, revenues are reported at 18.5% of GDP, expenses at 21.6% of GDP, and this results in a deficit of 2.6% of GDP.



- The projected deficit for 2024 (5% of GDP) is the highest in recent decades and is unsustainable in the long term.
- On the income side, oil revenues are decreasing (-12.4%) and tax revenues are increasing (5.3%) and those from organizations and companies (4.7%); on the expenditure side, current expenditures are increasing (7.2%) and to a lesser extent investment expenditures (4.1%).
- In 2024, there are strong spending pressures to complete flagship projects and strengthen social programs.

Public Debt

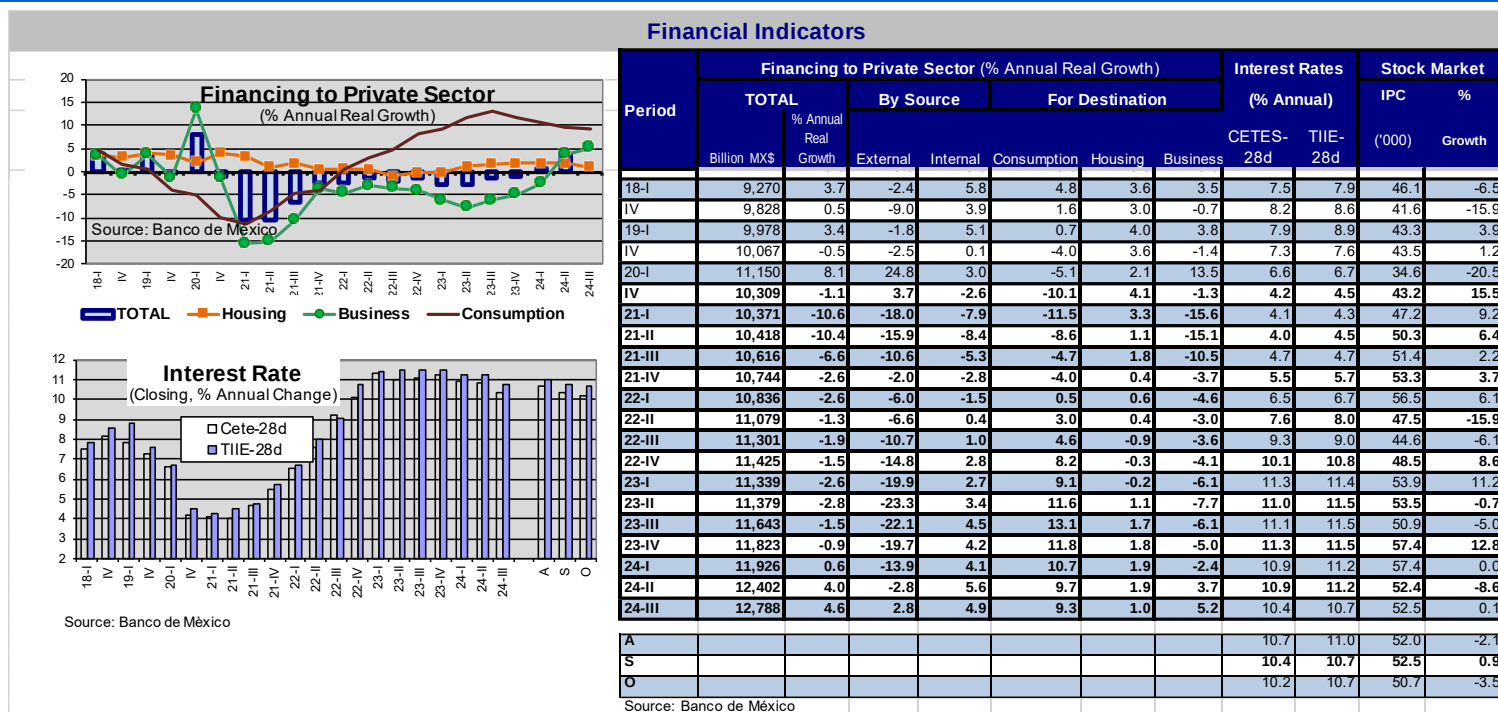
Public debt, as a percentage of GDP, remains under relative control: due to budgetary pressures, debt rose from 46.8% of GDP in 2023 to 50.6% in October 2024.



- In a global comparison, Mexico's public debt is moderate: it closed at 46.8% of GDP in 2023 and at 50.6% in October 2024. As a reference, in the USA it is around 130% of GDP and in Japan it is 260% of GDP.
- The current administration has proposed to keep the debt limited to 50% of GDP. Although this has experienced ups and downs, it has remained within manageable ranges, although in 2024 the objective could be breached and 50% of GDP could be slightly exceeded.
- Maintaining a moderate fiscal deficit and a relatively stable exchange rate has been essential to this objective; but the overflow of the deficit in 2024 puts this central objective at risk. Budgetary pressures can unbalance public finances.

Financial sector

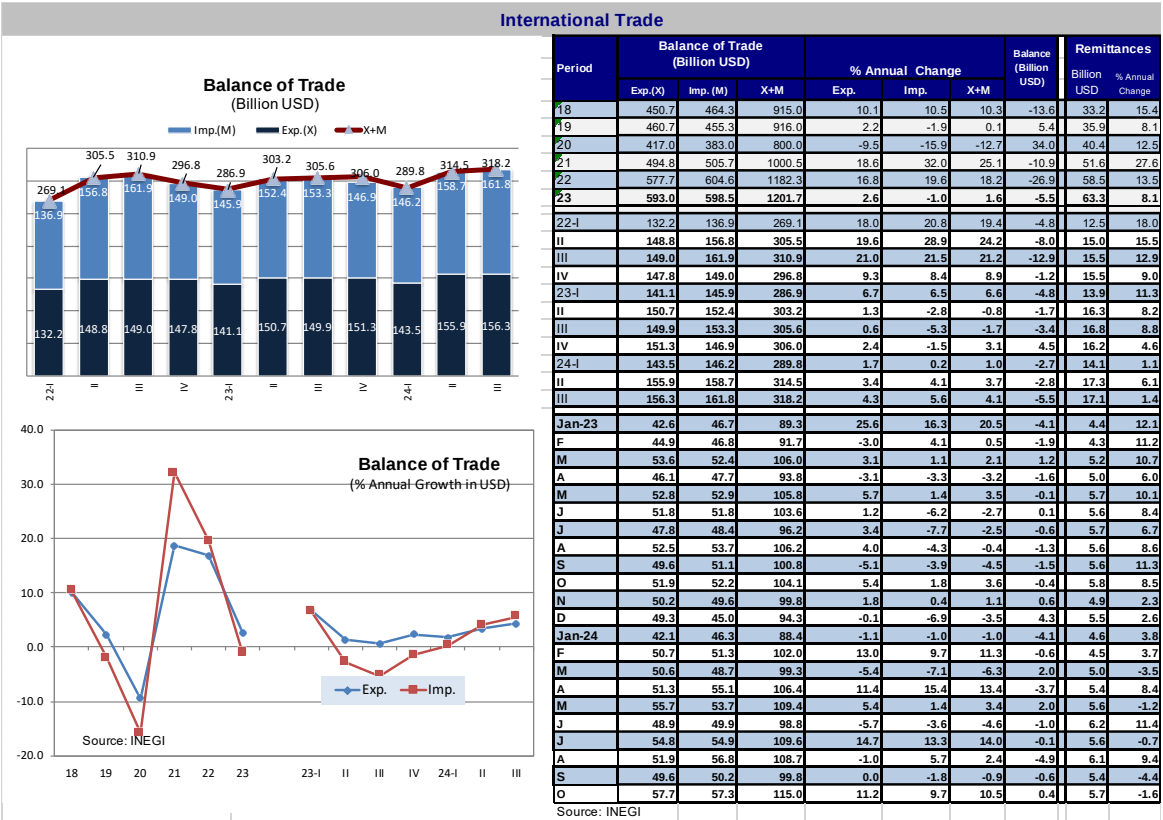
In the third quarter of 2024, financing to the private sector is growing vigorously (4.6%), with financing for private consumption standing out (9.3%).



- The recent economic crisis first resulted in a slowdown in financing to the private sector (2020), then in a decline from 2021 to 2023 to finally rebound in 2024.
- The increase in the third quarter of 2024 (4.6%) is explained by the increase in consumer financing (9.3%), the modest increase in financing for housing (1.0%) and a significant increase in financing for companies (5.2%).
- To boost financing, interest rates were kept low, but they rebounded in the second half of 2021 to exceed 11% in 2023 and then declined. The stock market, for its part, showed great ups and downs in recent years: in 2023 it gained 18.4% and in the first 10 months of 2024 it lost 11.7%.

International Trade

After one year of stagnation, in 2024 international trade in goods is gradually picking up again.



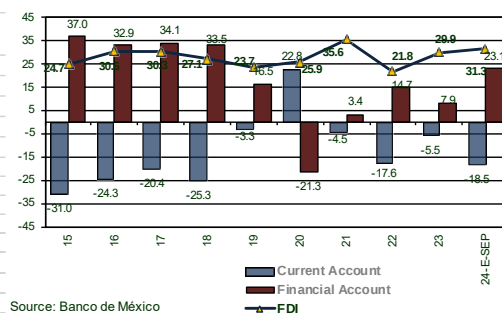
- International trade in goods stagnated in 2023 and in 2024 there are several signs of recovery: annual trade growth has been increasing.
- The trade balance registered a deficit of 5.5 USD Bn in 2023 and one of 11.4 USD Bn in 2024.
- For its part, remittances continue to grow: they totaled 54.1 USD Bn in January-October 2024 and grew 2.4% at an annual rate.

External Sector

In January-September 2024, the balance of payments reflects a current account deficit (-18.5 USD Bn) and a financial account surplus (23.1 USD Bn), supported by Foreign Direct Investment (31.3 USD Bn).

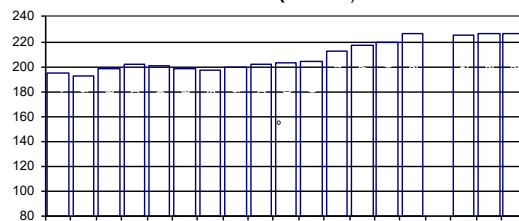
International Transactions

Balance of Payments (Bill. USD)



Source: Banco de México

International Reserves (Bn 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	-371.5	23.7	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	2.4	-21.3	25.9	13.5	194.4
21	-10.9	494.8	505.7	-4.5	-0.3	3.4	35.6	8.0	202.4
22	-26.9	577.7	604.6	-17.6	-1.2	14.7	21.8	-3.3	199.1
23	-5.5	593.0	598.5	-5.5	-0.3	7.9	29.9	13.7	212.8
24-E-SEP	-11.0	455.7	466.7	-18.5	-1.5	23.1	31.3	14.0	226.7
21-I	-1.4	112.0	113.4	-9.3	-1.0	7.5	14.8	-0.7	194.8
II	2.8	124.4	121.6	6.1	0.5	-8.0	5.8	-1.9	192.9
III	-10.1	123.2	133.2	-3.5	-0.5	2.7	5.4	5.5	198.4
IV	-2.2	135.2	137.5	2.2	0.4	1.1	9.6	4.0	202.4
22-I	-4.8	132.2	136.9	-11.5	-3.7	11.6	18.1	-1.5	200.9
II	-8.0	148.8	156.8	-1.8	-0.1	0.5	3.5	-2.3	198.5
III	-12.9	149.0	161.9	-6.0	-0.5	7.0	2.1	-1.6	196.9
IV	-1.2	147.8	149.0	1.8	0.5	-4.3	-1.8	2.2	199.1
23-I	-4.8	141.1	145.9	-20.6	-5.1	17.5	24.5	3.2	202.3
II	-1.7	150.7	152.4	2.1	1.0	-0.6	6.5	0.9	203.2
III	-3.4	149.9	153.3	1.2	0.6	-0.3	-0.6	0.6	203.8
IV	4.5	151.3	146.9	11.8	2.6	-8.7	-0.5	9.0	212.8
24-I	-2.7	143.5	146.2	-22.1	-2.0	27.2	26.2	4.4	217.2
II	-2.8	155.9	158.7	2.9	0.4	-2.0	3.7	2.8	220.0
III	-5.5	156.3	161.8	0.7	0.1	-2.1	1.4	6.7	226.7
A								2.4	224.8
S								1.9	226.7
O								-0.6	226.1

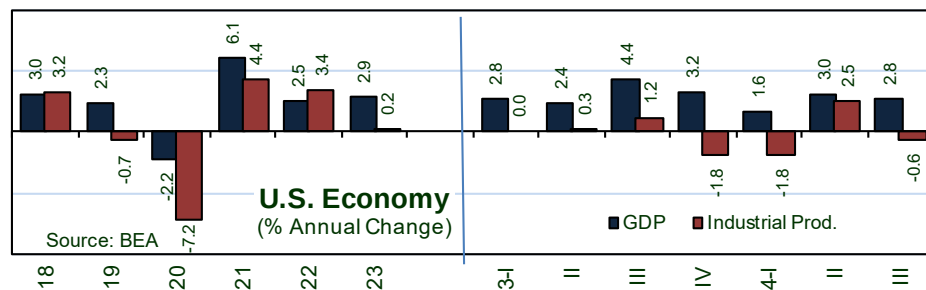
Source: Banco de México

- In January-September 2024, the current account has been easily financed by the financial account and in particular by foreign direct investment (FDI).
- As a consequence of the good performance of the financial account, international reserves remain high: they closed 2023 at 212.8 USD Bn and they remained high in October 2024 (226.7 USD Bn)
- Nearshoring has sparked interest inside and outside the country and therefore a greater inflow of capital is expected. However, these increasing capital flows have not materialized.

International economy

US GDP grew 2.8% in the third quarter of 2024, but the industrial sector lost strength (-0.6%); in contrast, unemployment has practically stagnated at high levels (4.1% in October 2024).

U.S. Economy



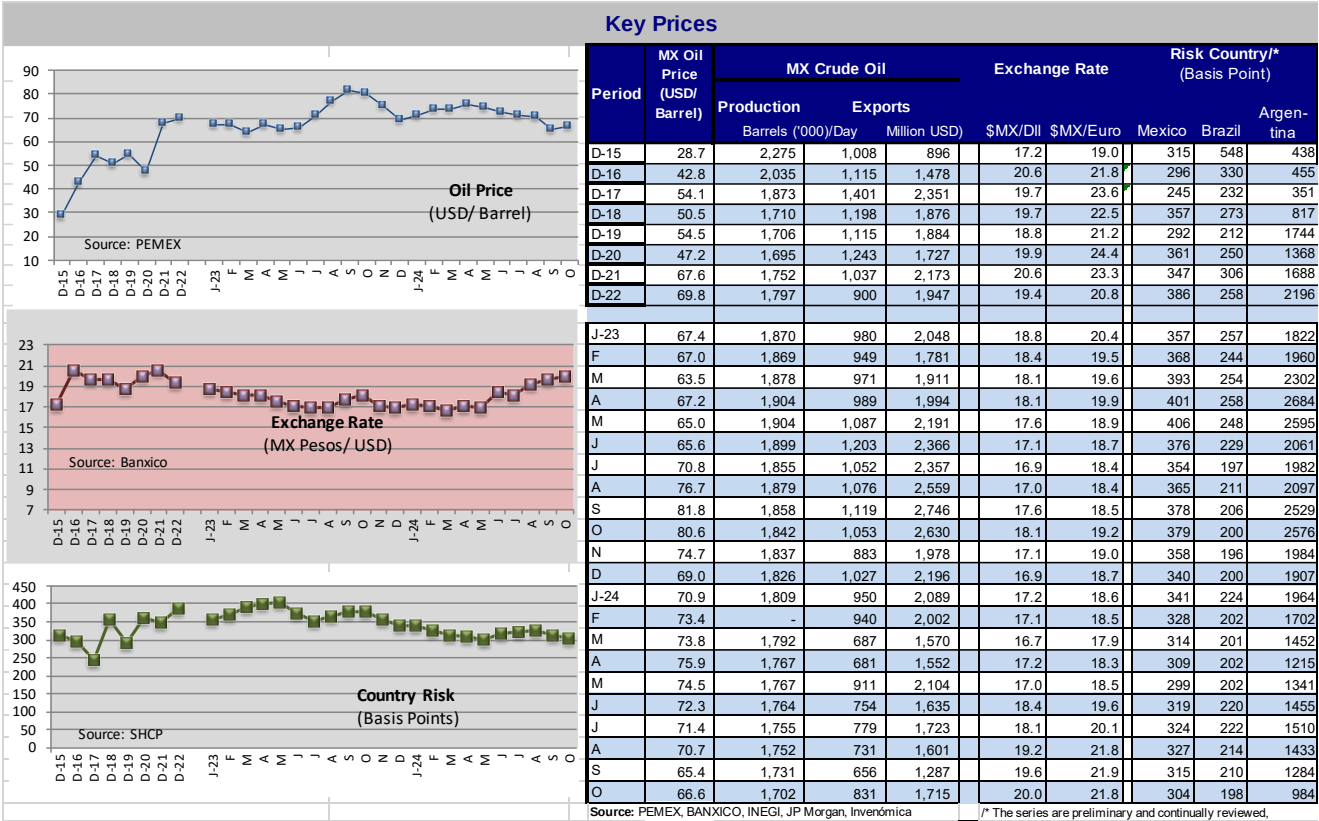
Period	GDP/*	Industrial Prod.	Manufacturing		Unemployment Rate	Inflation
	% Annual Change of Quarter	% Annual Change	% Annual Change of Quarter	% Annual Change	%	% Annual Change
18	3.0	3.2		1.3	3.9	1.9
19	2.3	-0.7		-2.0	3.5	2.3
20	-2.2	-7.2		-6.6	6.7	1.4
21	6.1	4.4		4.9	3.9	7.0
22	2.5	3.4		2.7	3.5	8.6
23	2.9	0.2		-0.5	3.7	3.4
23-I	2.8	0.0	0.9	0.3	-0.2	3.5
II	2.4	0.3	0.0	-0.2	-0.8	3.6
III	4.4	1.2	0.0	-0.4	-0.9	3.8
IV	3.2	-1.8	0.0	-1.4	-0.4	3.7
24-I	1.6	-1.8	-0.4	-0.9	-0.6	3.9
II	3.0	2.5	0.2	1.3	-0.3	4.1
III	2.8	-0.6	-0.5	-0.6	-0.4	4.1
A		6.0	-0.2	7.5	-0.1	4.3
S		-5.7	-0.8	-4.7	-0.5	4.2
O		-2.3	-0.3	-5.9	-0.4	4.1

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

- In the third quarter of 2024, the US economy remains vigorous. GDP growth of 2.8% and decline in industrial activity (-0.6%); in contrast, unemployment remains high (4.1% in October).
- Inflation continues to decline amid ups and downs: it closed 2023 at 3.4% and in October 2024 it stood at 2.6%.
- The expectation for 2024 is to achieve moderate economic growth (around 2%) and consolidate the fight against inflation.

Key Prices

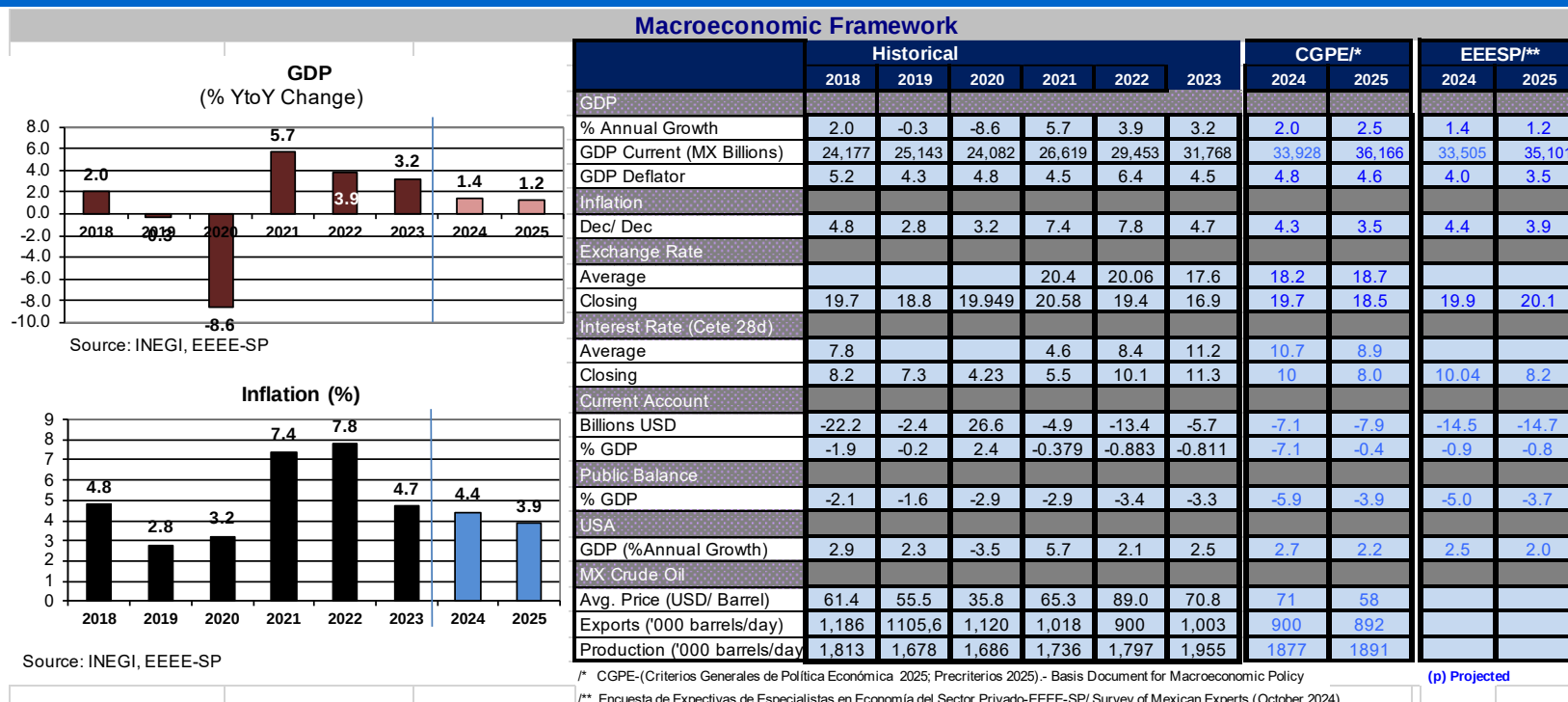
In October 2024, the price of crude oil remained below 70 DPB; while the exchange rate exceeded 20 PPD and the country risk remains at moderate levels (304 basis points)



- The price of crude oil closed 2023 at around 70 DPB and in October 2024 it stands at 66.6 DPB.
- The uncertainty surrounding the change of government and legal reforms have put upward pressure on the exchange rate: it closed 2023 at 17 PPD and in October 2024 it exceeded 20 PPD.
- For its part, the country risk in the post-pandemic stage has shown ups and downs: it closed 2023 at 340 basis points and at 304 at the end of October.

Macroeconomic Framework of Mexico

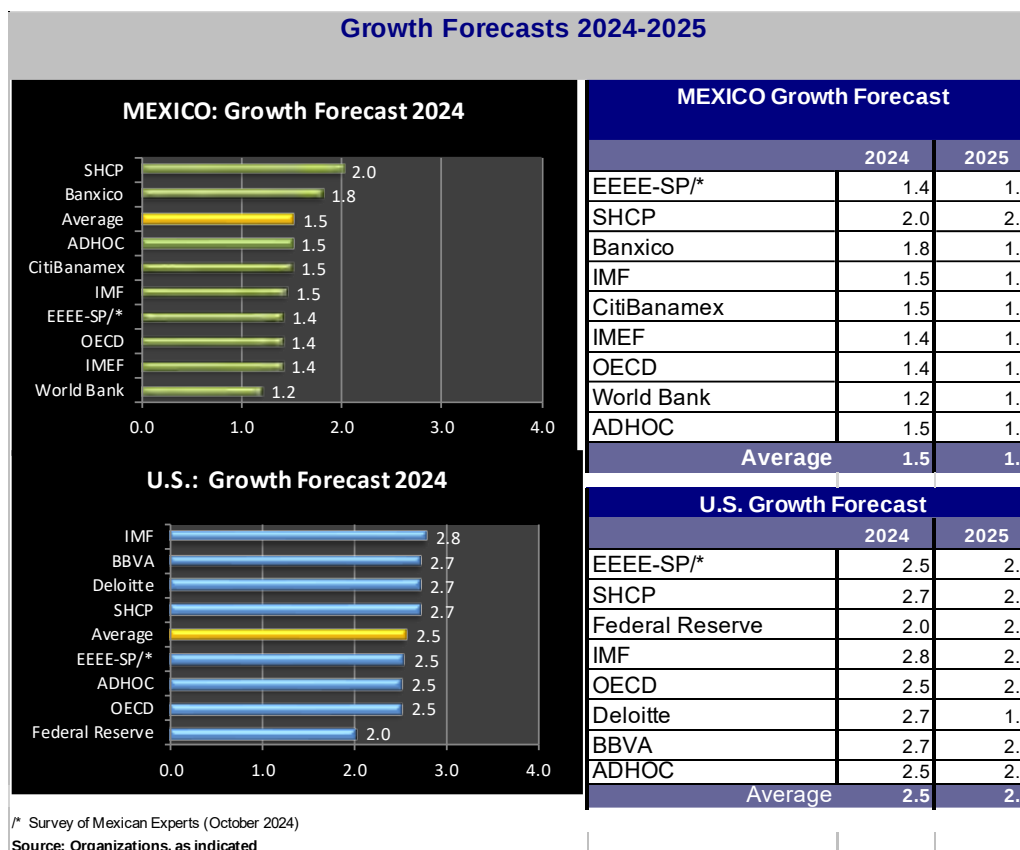
According to Mexican economic experts, growth expectations for 2024-2025 showed a new decline (1.4% and 1.2%), in contrast to the slight slide in inflation expectations: 4.4% and 3.9%.



- For 2024-2025, experts predict increasingly moderate economic growth: 1.4% and 1.2% for the two-year period.
- A slow decline in the inflation rate is estimated: 4.4% in 2024 and 3.9% in 2025.
- According to their forecasts, the fundamental balances will remain under control, although the fiscal deficit tends to overflow (-5.0 and -3.7% of GDP for the two-year period), while the current account balance is around 1% of GDP for both years.
- According to their forecasts, the US economy is expected to experience a two-year period of moderate growth: in 2024 (2.5%) and in 2025 (2.0%).

Growth Forecasts 2024-2025

According to specialized agencies, the expected growth for 2024 is 1.5% for Mexico and 2.5% for the US. For 2025, growth of 1.3% for Mexico and 2.0% for the US is expected.



- For Mexico, the forecasts of 9 specialized organizations fluctuate between 1.2% and 2% in 2024, with an average of 1.5%. For 2025, the average forecast is 1.3%.
- For the USA, the forecasts of 8 specialized organizations fluctuate between 2% and 2.8% for 2024, with an average of 2.5%. For 2025, the average forecast is 2.0%.
- As can be seen, both economies show moderate dynamism, although this is lower in the case of Mexico.

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