

Mexico's Economic Outlook

Last update: March 1st, 2024



GOBIERNO DE
MÉXICO

HACIENDA
SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO

Outline

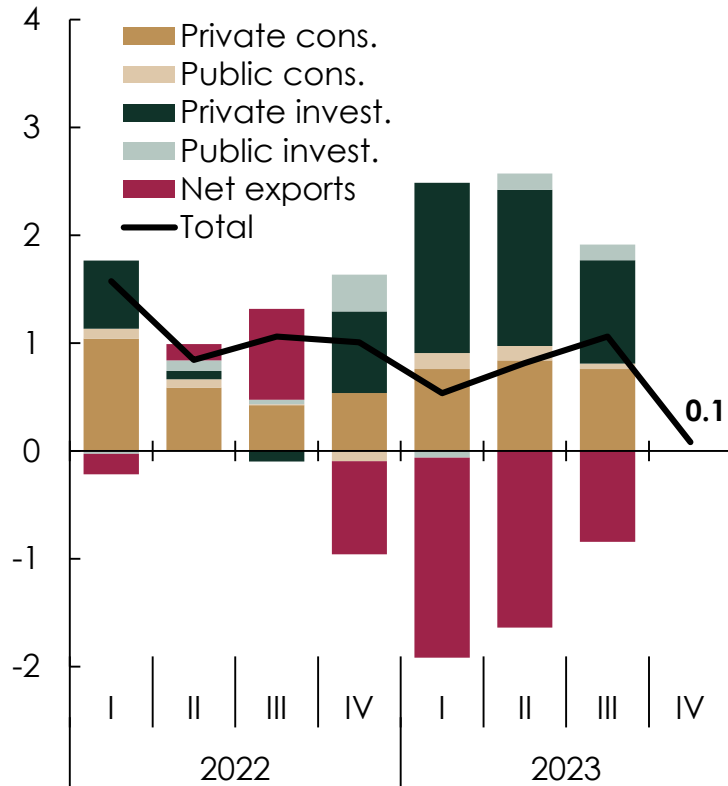
Macroeconomic Fundamentals

Public Finances

Gross Domestic Product and Employment

GDP

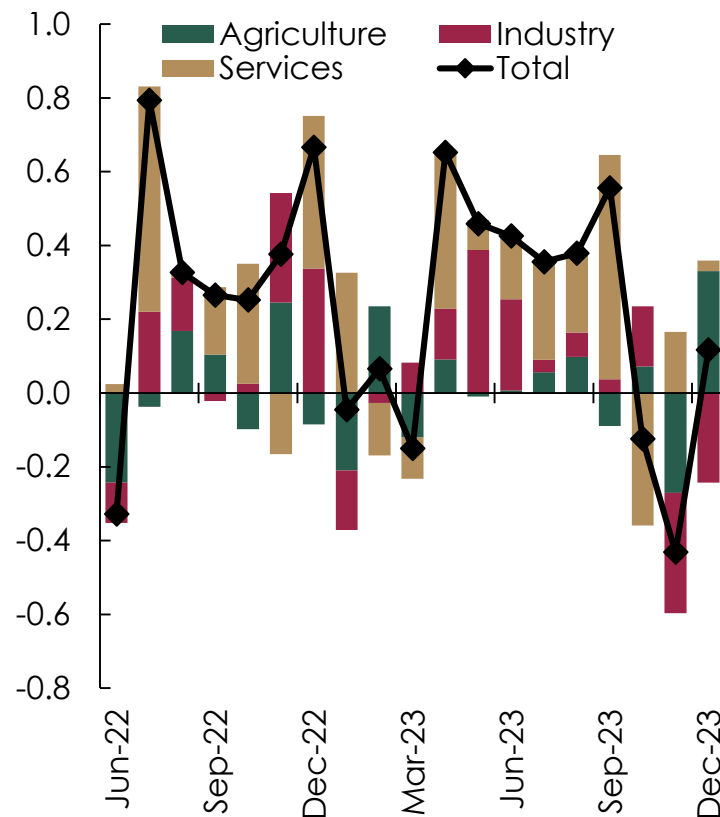
QoQ % change, contribution



Note: Seasonally adjusted data.
Source: INEGI.

IGAE Activity Sectors

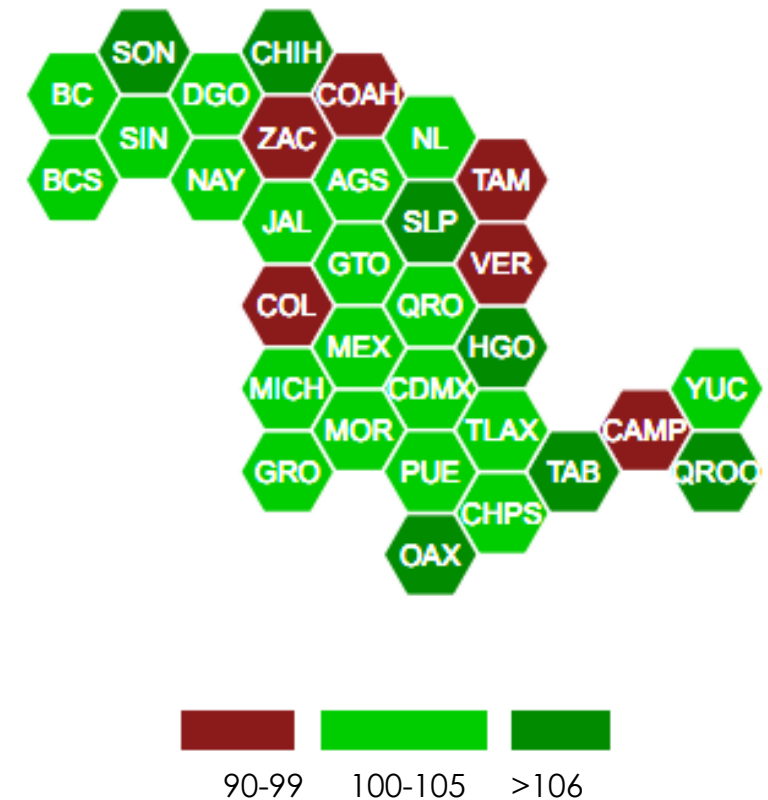
MoM % change, contribution



Note: Seasonally adjusted data.
Source: INEGI.

Economic Activity Recovery

Level of 3Q-2023 vs. 4Q-2019

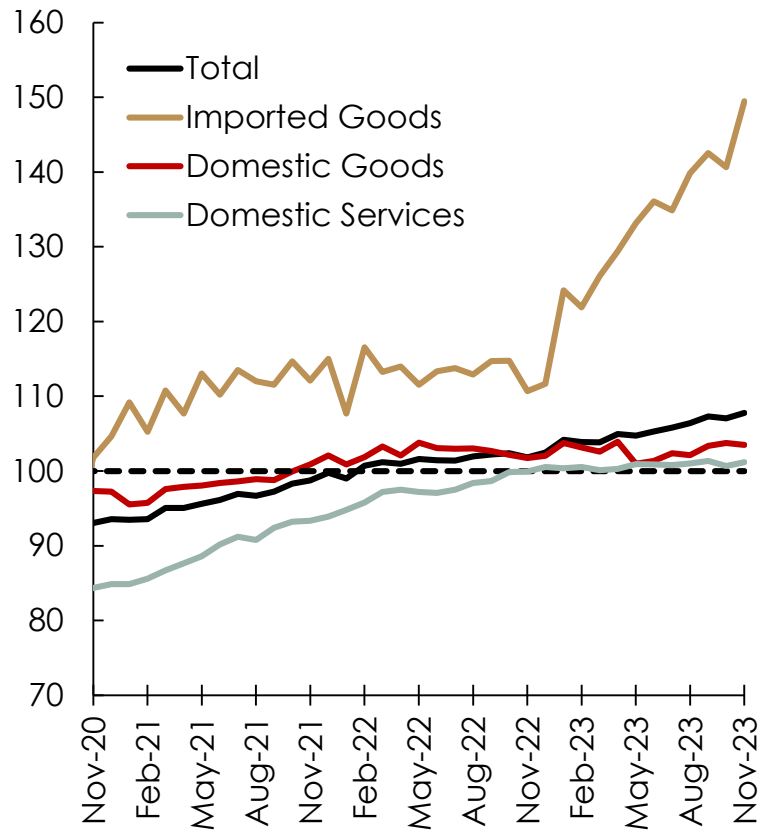


Note: Seasonally adjusted data.
Source: INEGI.

Domestic Demand

Private Consumption

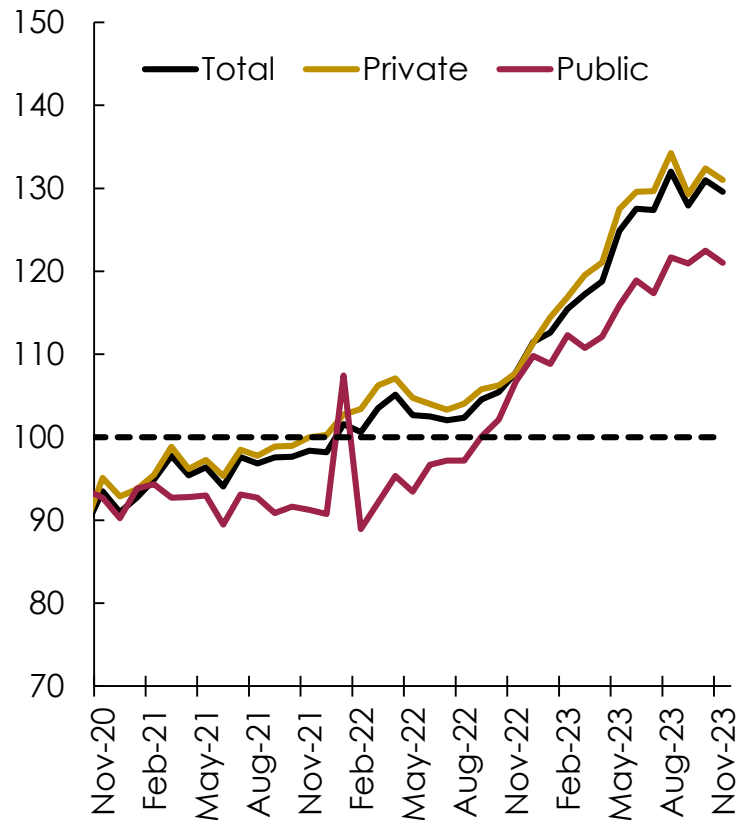
Index, Feb-20=100



Source: INEGI.

Gross Fixed Capital Formation

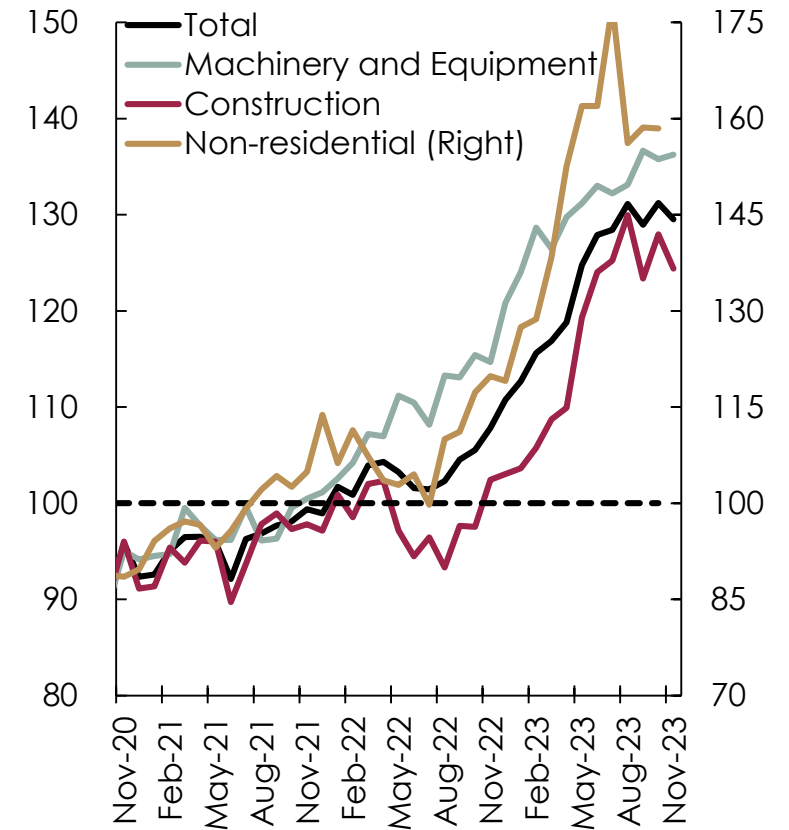
Index, Feb-20=100



Note: Seasonally adjusted data.
Source: INEGI.

Total Gross Fixed Capital Formation

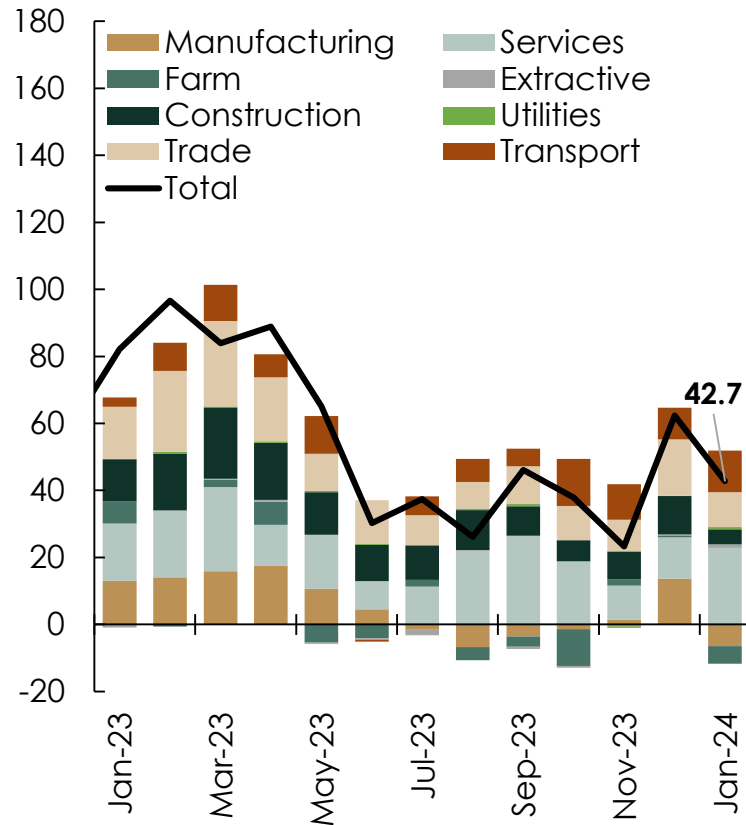
Index, Feb-20=100



Note: Seasonally adjusted data.
Source: INEGI.

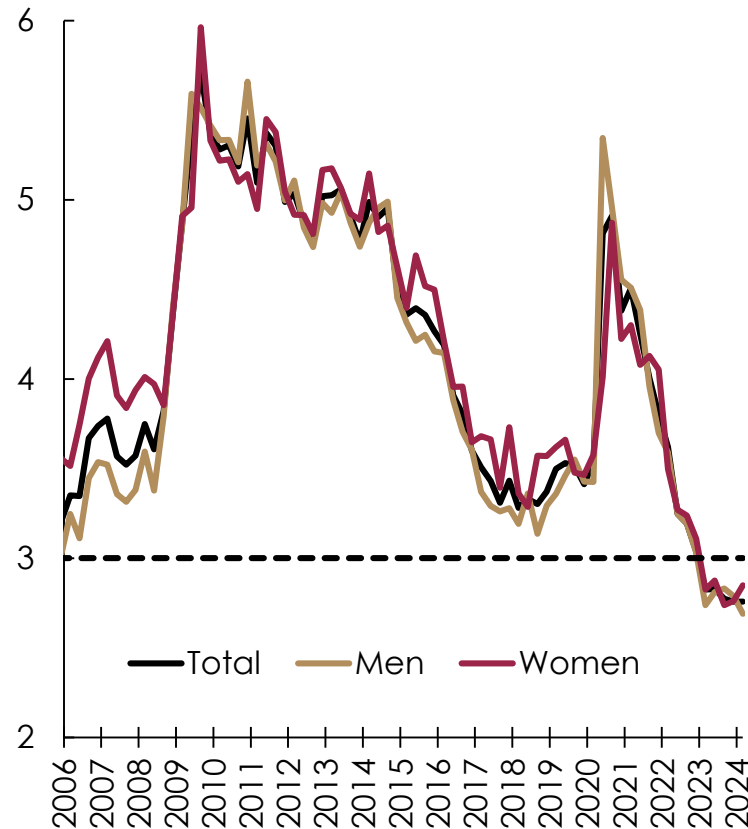
Employment

Formal Employment
MoM change, thousand jobs



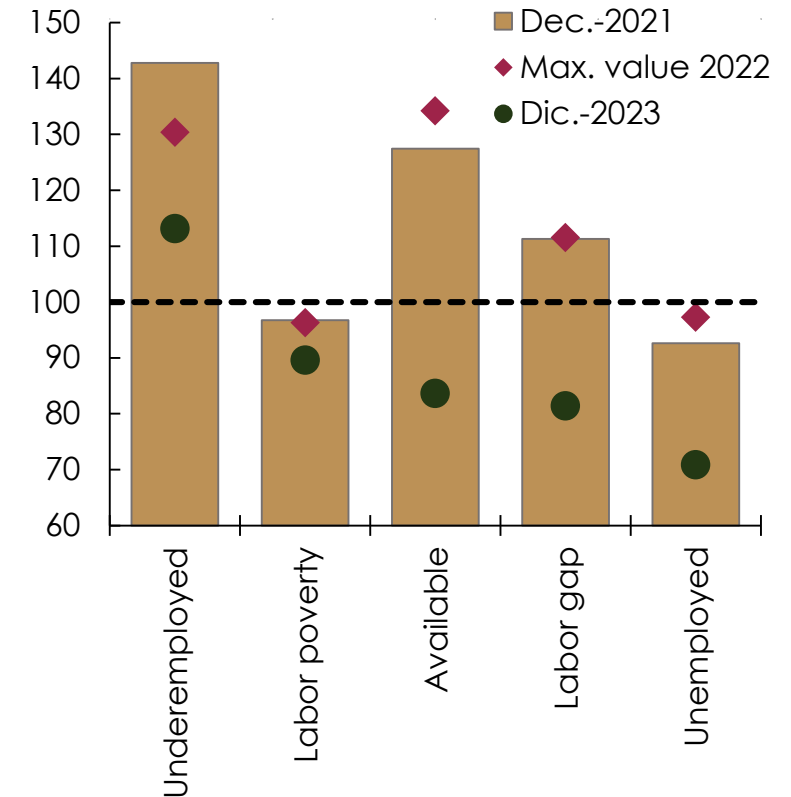
Source: IMSS.

Unemployment Rate
%



Note: Seasonally adjusted data.
Source: INEGI.

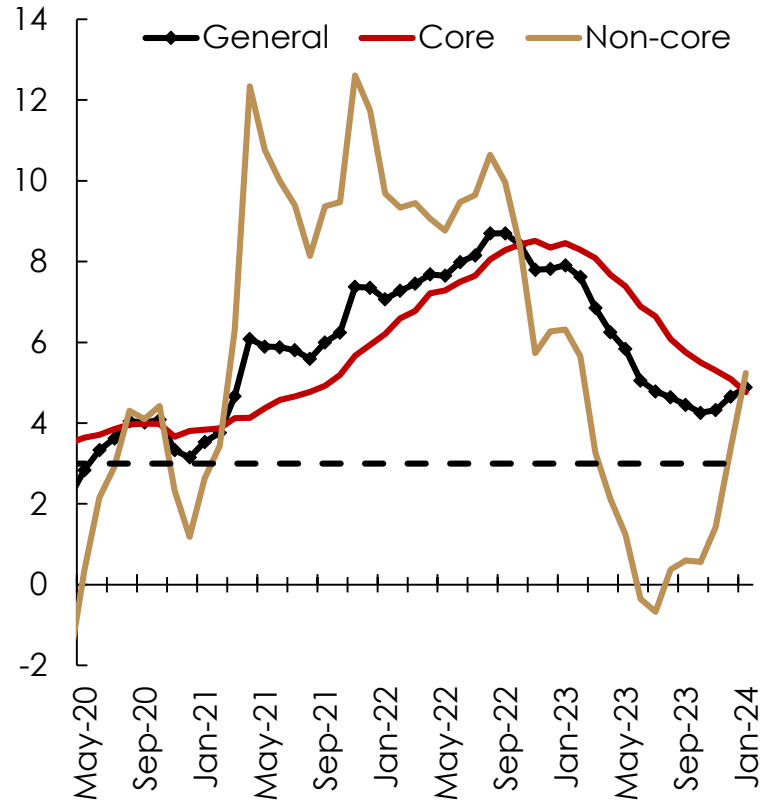
Labor Market Indicators
Index, hist. avg. = 100



Note: The historical average considers data from 2011 to 2019. Labor poverty data as of 4Q 2022. The labor gap is defined as the percentage of unemployed, available and underemployed persons with respect to the economically active and the available population
Source: INEGI and CONEVAL.

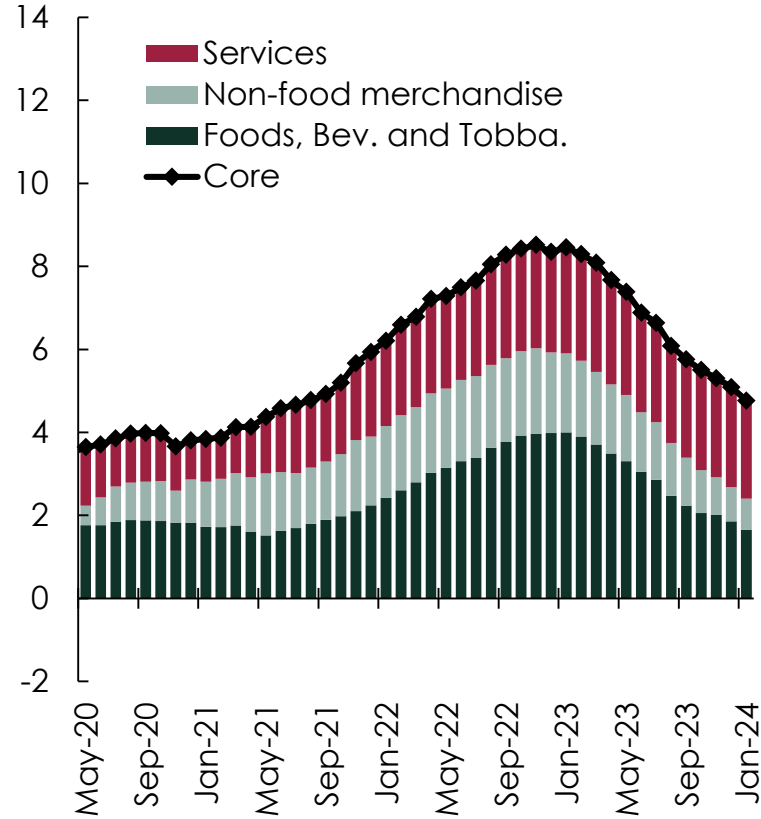
Inflation

Inflation
YoY % change



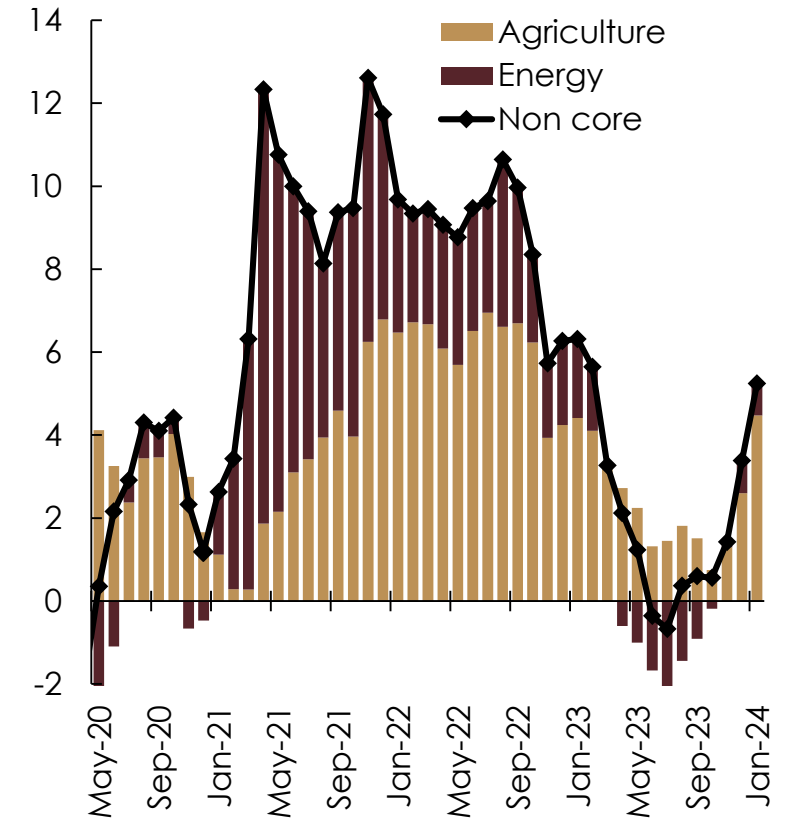
Source: INEGI.

Core Inflation
YoY % change



Source: INEGI.

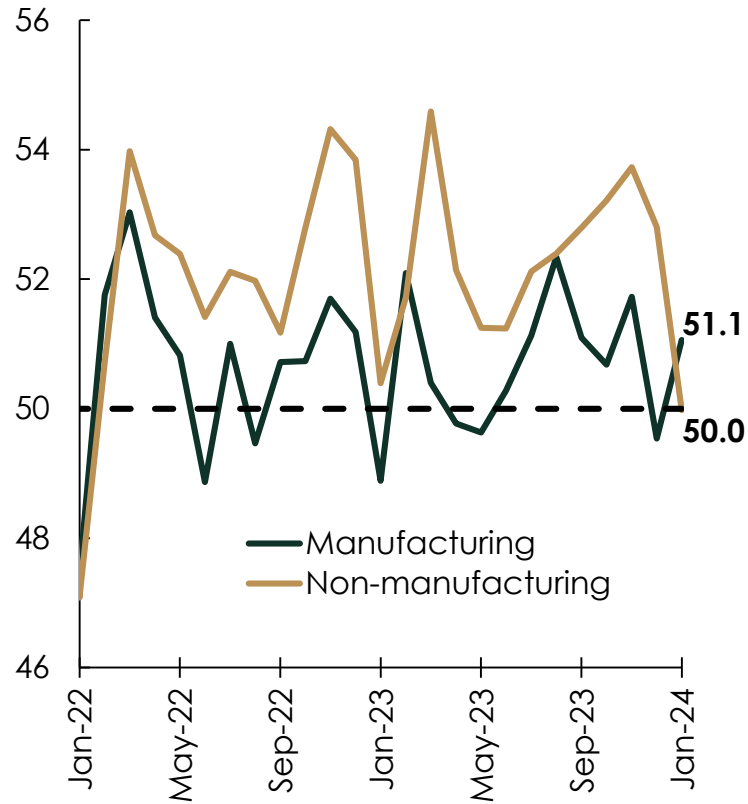
Non-core Inflation
YoY % change



Source: INEGI.

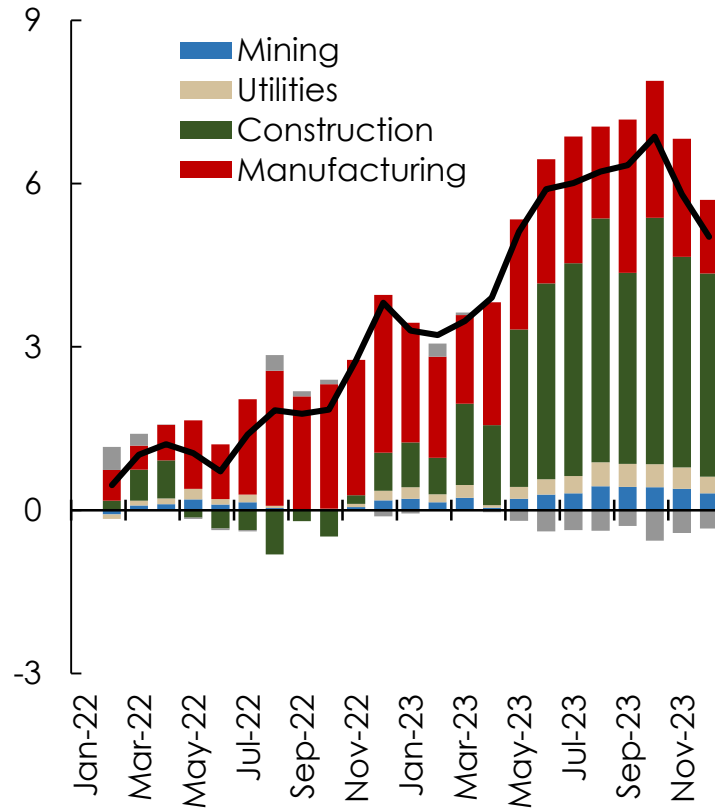
Industrial Production and Business Confidence

PMI Survey
Index



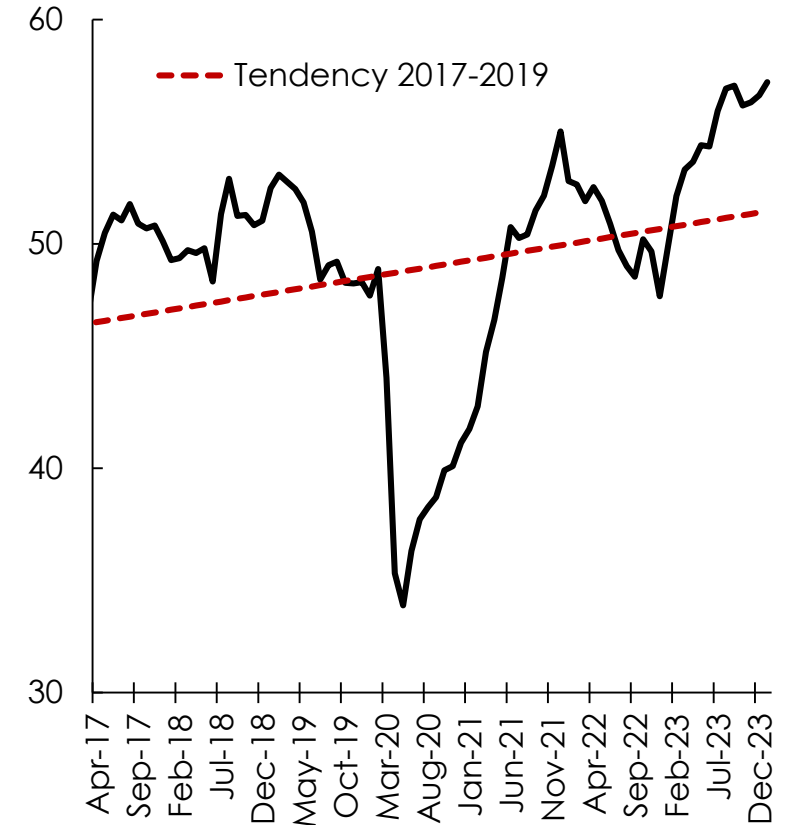
Note: Above 50 points is expansion.
Source: IMEF.

Industrial Production
% change vs. Jan-22, contribution



Note: Seasonally adjusted data.
Source: INEGI.

Business Confidence
Points

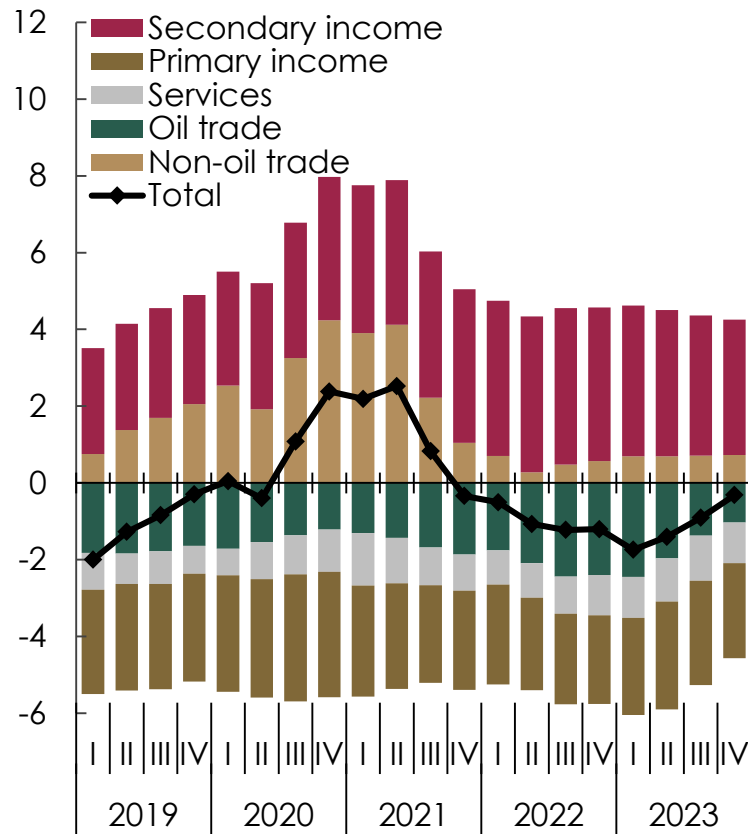


Note: Seasonally adjusted data.
Source: INEGI.

External Accounts

Current Account Balance

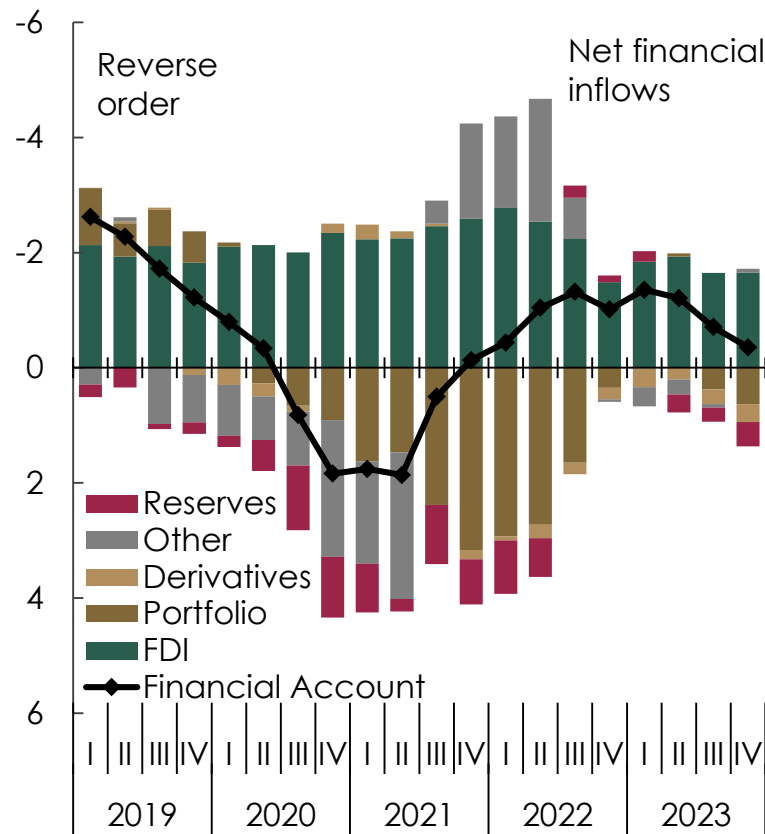
% of GDP, 4Q rolling



Source: INEGI and Banxico.

Financial Account Balance

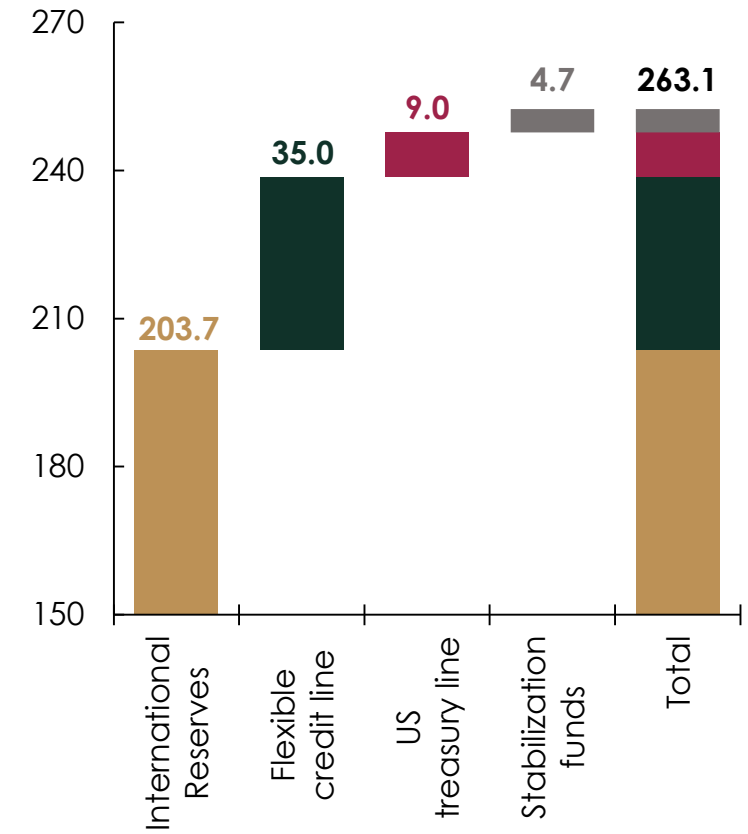
% of GDP, 4Q rolling



Source: INEGI and Banxico.

Mexico's Financial Buffers

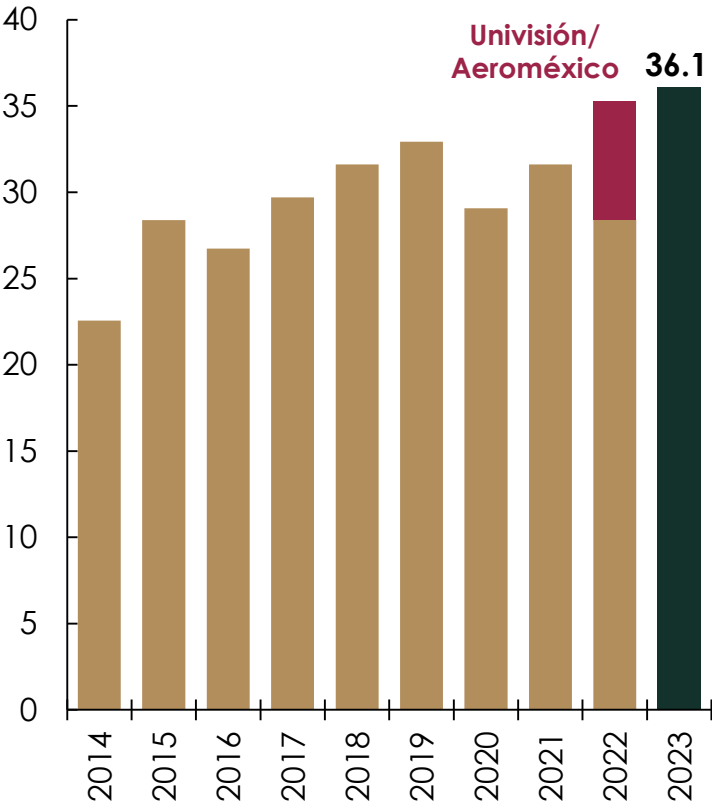
Billion dollars



Source: Banco de México, Mexico's Ministry of Finance, IMF, FED and US Department of the Treasury.

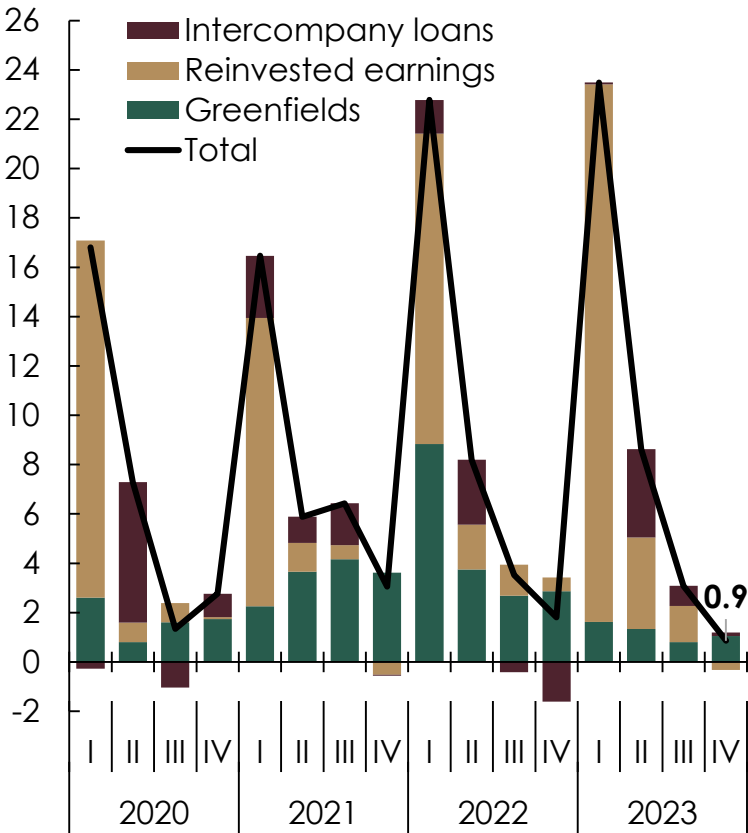
Foreign Direct Investment

FDI in Mexico
Billion dollars^{1/}



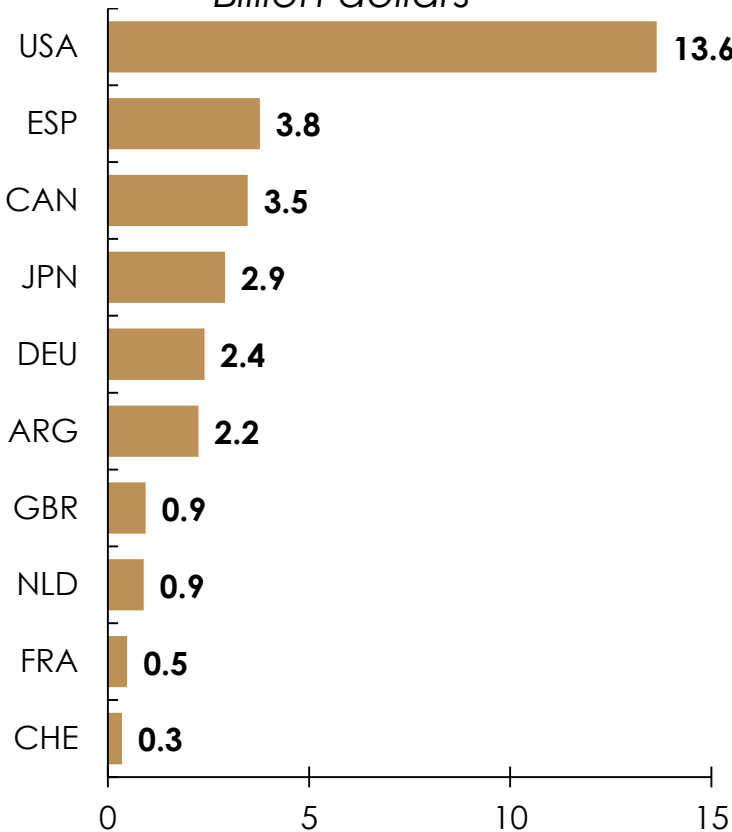
^{1/} Preliminary figures.
Source: Mexico's Ministry of Economy.

FDI in Mexico
Billion dollars^{1/}



^{1/} Preliminary figures.
Source: Mexico's Ministry of Economy.

FDI in Mexico by Main Investing Countries in 2023
Billion dollars

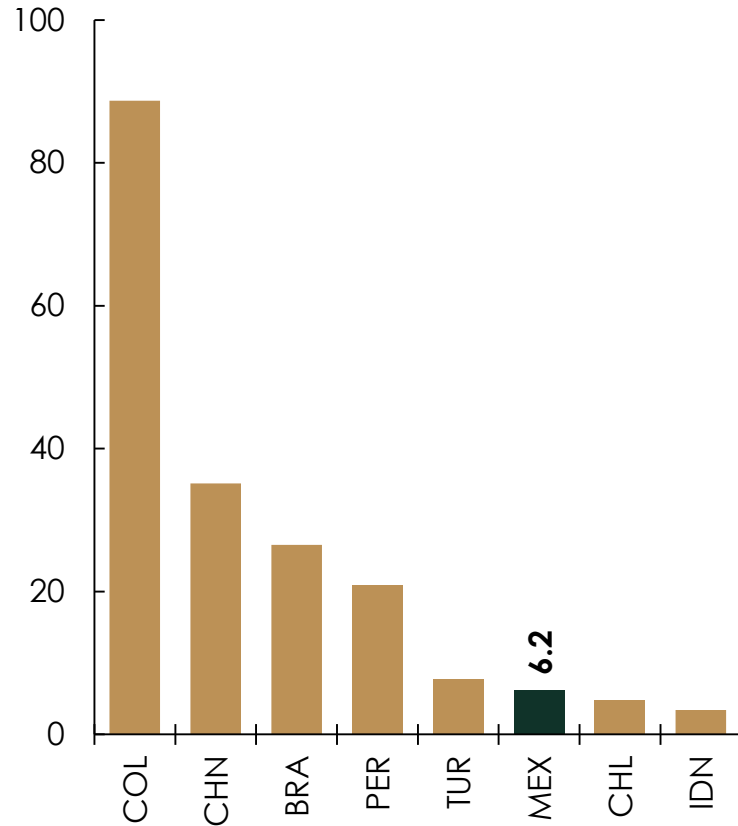


Source: Mexico's Ministry of Economy.

Risk Measures

Credit Default Swap

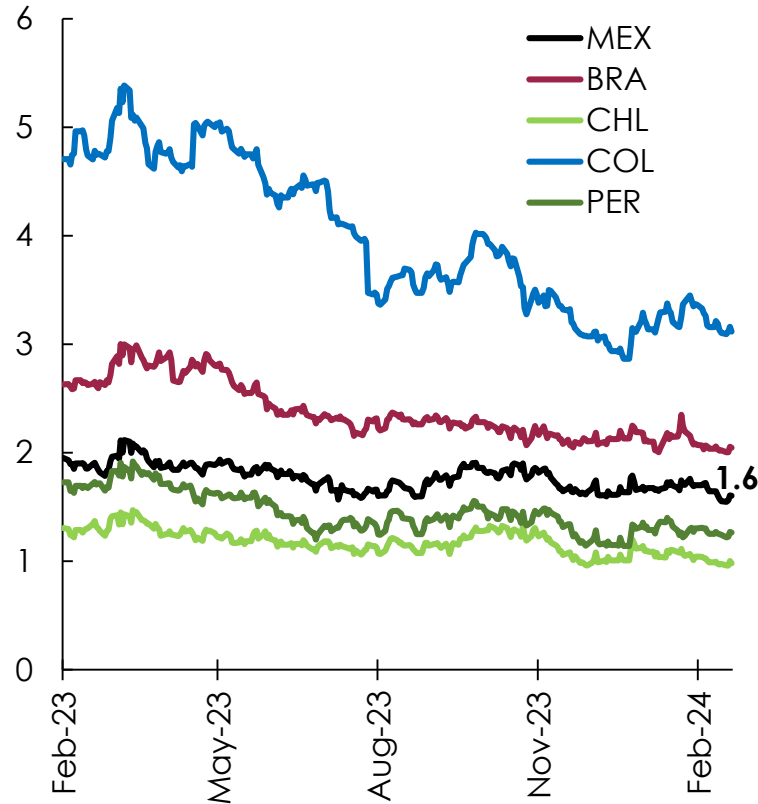
Dec-19 vs. Feb-24^{1/}, basis points



^{1/} Last data as of February 29th, 2024.
Source: Bloomberg.

Spread in Emerging Bonds ^{1/}

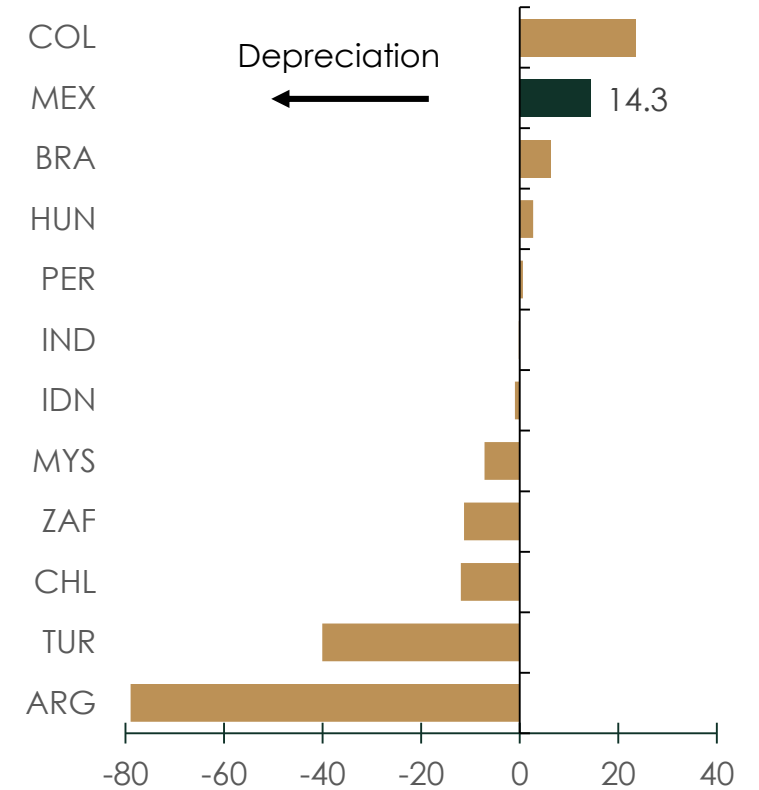
Deviation in pp



^{1/} Against USD 10-year bond. Last data as of Feb. 29th, 2024.
Source: Bloomberg.

Exchange Rate

YTD % change, Feb-24



Source: Bloomberg.









Mexico's Credit Rating

Credit Highlights

- ✓ **Mexico holds the investment grade** with all the 8 credit rating agencies that evaluate its debt.
 - ✓ During the **2023** rating review cycle, and as of end-February 2024, **6 credit rating agencies have affirmed Mexico's rating**.
 - ✓ Mexico has a **stable outlook** with all the credit rating agencies.
- 5** Countries in LATAM maintain the investment grade with all the big 3 rating agencies^{1/}.

^{1/} Chile, Peru, Uruguay, Panama and Mexico. Big 3: Moody's, Fitch and S&P.
Source: Rating Agencies.

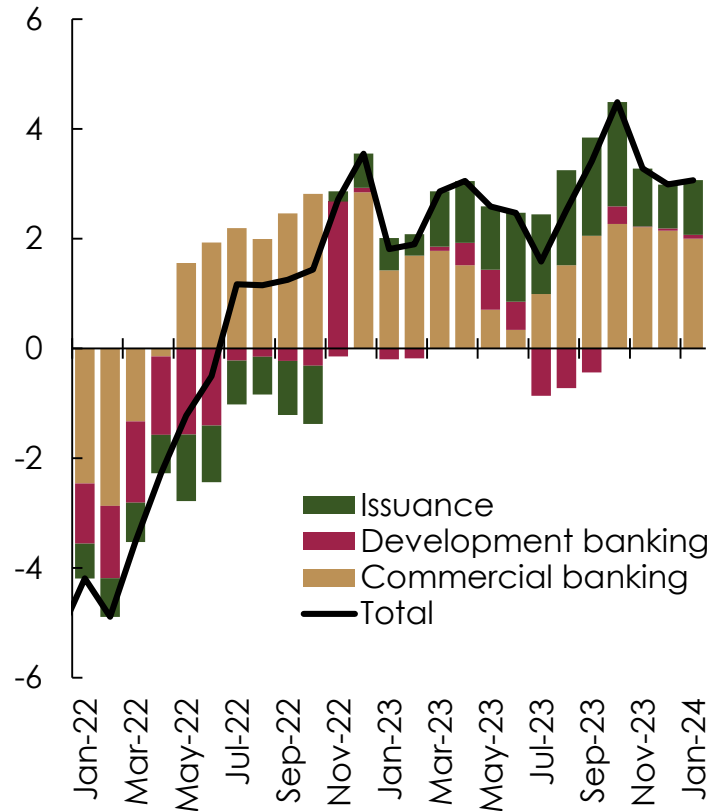
Mexico's Foreign Currency Long-Term Debt

Agency	Foreign Currency	Outlook	Last Review
	Long Term		
	A-	Stable	18-Aug-23
	BBB+	Stable	12-Jan-23
	BBB+	Stable	28-Apr-23
	Baa2	Stable	08-Jul-22
	BBB	Stable	01-Feb-24
	BBB	Stable	08-May-23
	BBB	Stable	04-May-23
	BBB-	Stable	07-Dec-23

Source: Credit Rating Agencies.

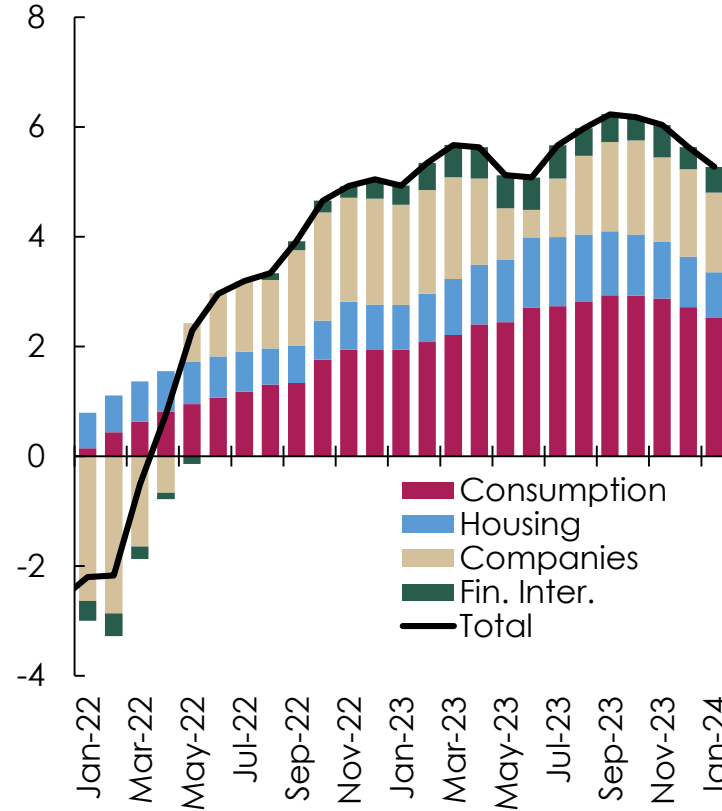
Banking Sector

Domestic Funding to Private Sector
Real YoY % change, contributions



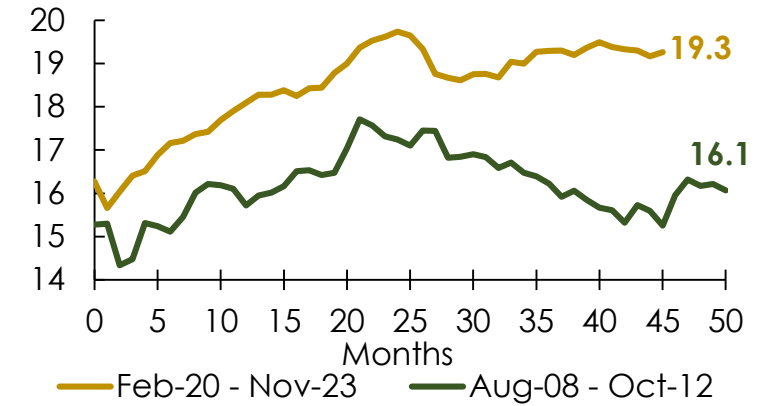
Source: Banxico.

Total Banking Sector Outstanding Credit
Real YoY % change, contributions

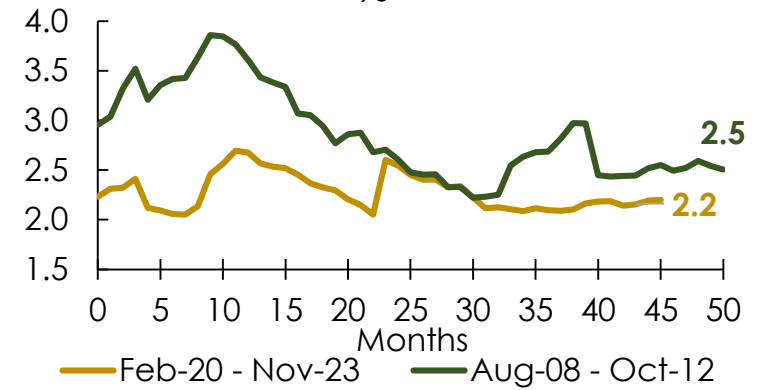


Source: Banxico

Capital to Credit Risk Assets
%



Non-Performing Loans
%



Source: CNBV.

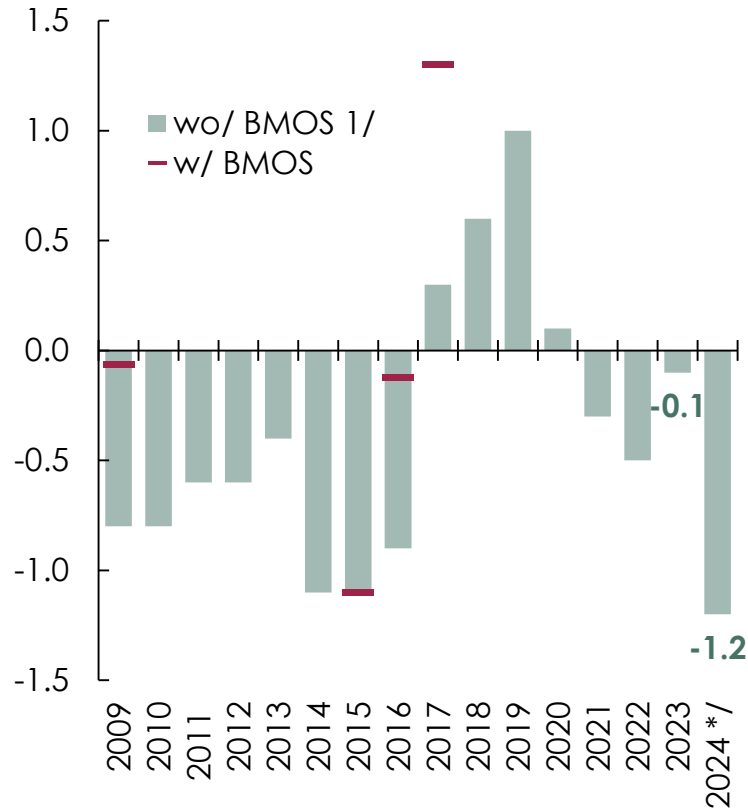
Outline

Macroeconomic Fundamentals

Public Finances

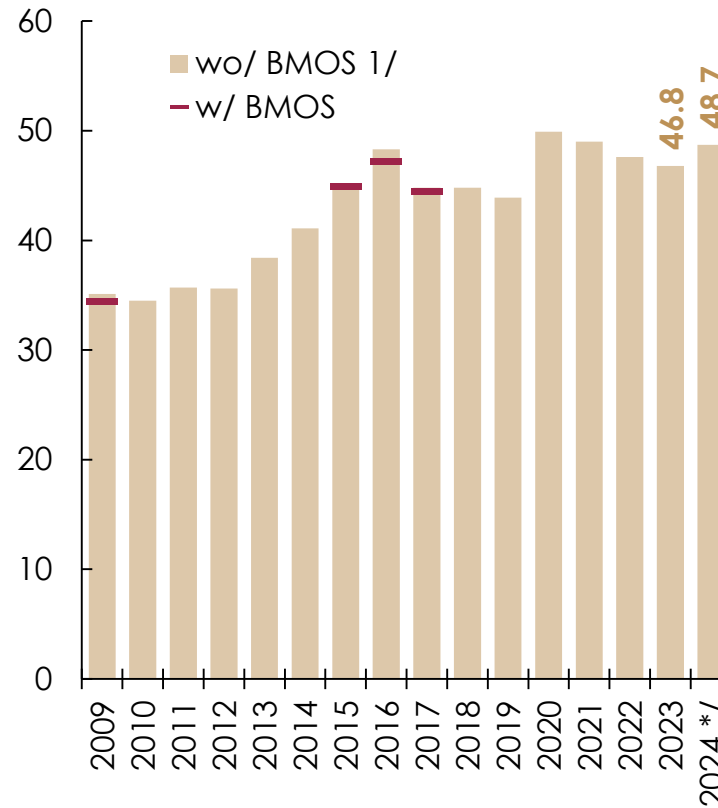
Public Finance

Primary Balance
% of GDP



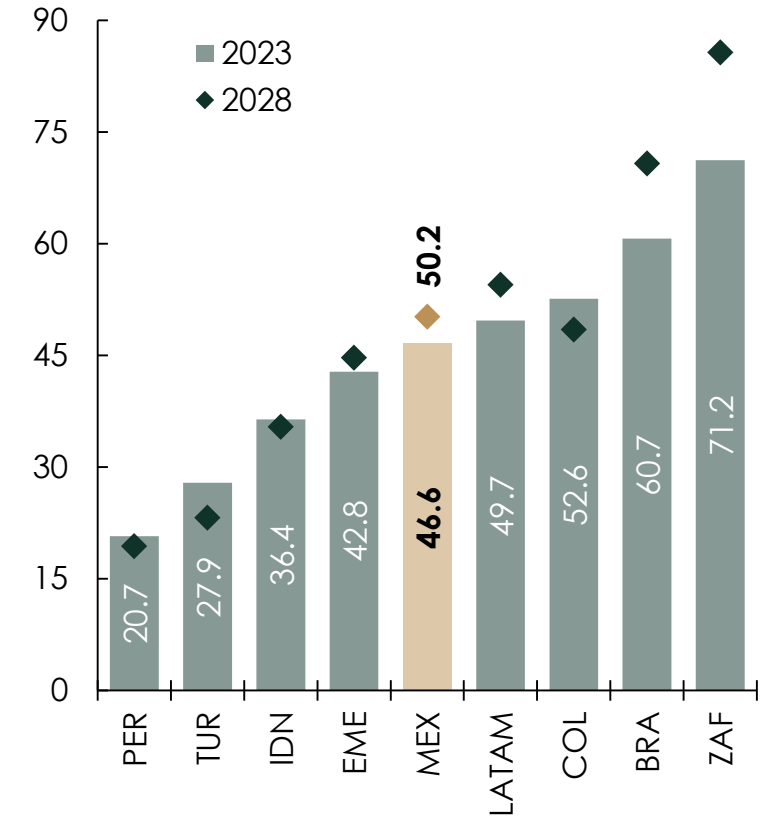
* / Last estimate (CGPE 2024).
1/ BMOS: Banxico's Operating Surplus.
Source: Mexico's Ministry of Finance.

Public Debt (HBPSBR)
% of GDP



* / Last estimate (CGPE 2024).
1/ BMOS: Banxico's Operating Surplus.
Source: Mexico's Ministry of Finance.

General Government Net Debt
% of GDP, Oct-23



Source: IMF, Fiscal Monitor.

Public Finance

January 2024, YoY % real change.



0.8%

▼ 29.4 bn pesos
vs program

Budgetary revenues



4.8%

▼ 3.2 bn pesos
vs program

Tax revenues

Excluding IEPS ^{1/}: -1.2%



-26.7%

▼ 39.5 bn pesos
vs program

Oil revenues



21.3%

▼ 39.5 bn pesos
vs program

Total net expenditure



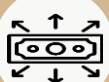
Programmable Non-programmable

28.6%

5.9%

▼ 30.3 bn pesos vs program
▼ 9.2 bn pesos vs program

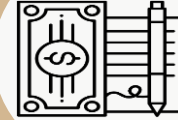
Expenditure



-0.1%

Percent of GDP
- 0.5% in 2022

Primary balance^{2/} (2023)



-4.3%

Percent of GDP
- 4.3% in 2022

PSBR^{3/} (2023)



46.8%

Percent of GDP
47.8% in 2022

HBPSBR^{4/} (2023)

^{1/} It includes only fossil fuels excise tax (gasoline and diesel).

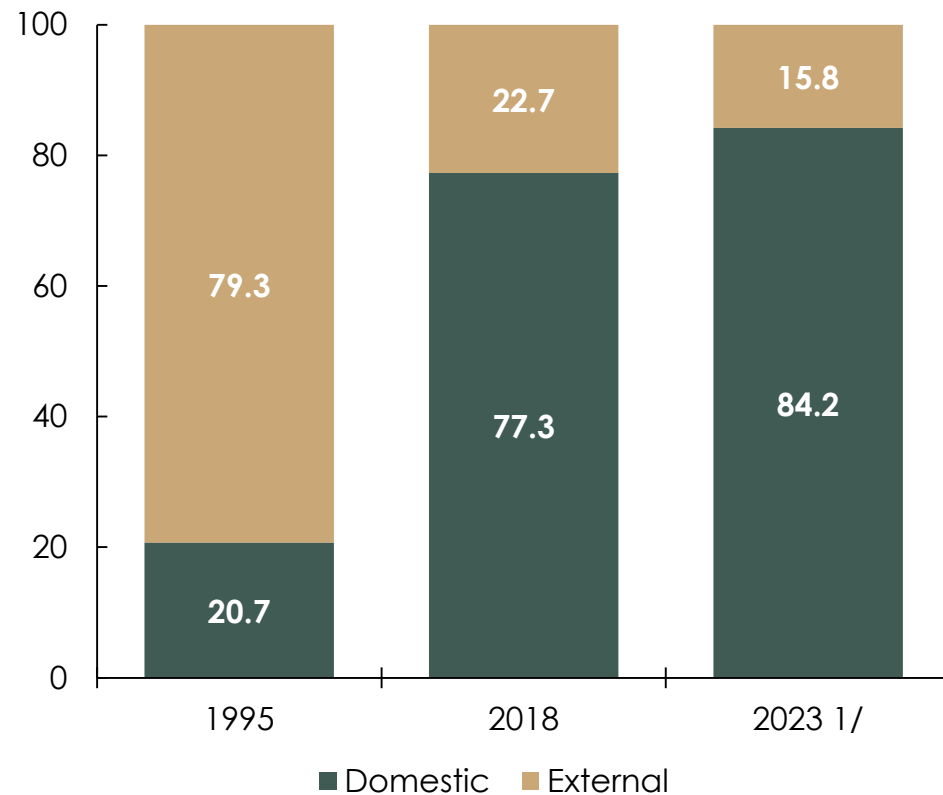
^{2/} The primary balance is the difference between net revenues and expenditures, excluding the financing cost of the public debt.

^{3/} The Public Sector Borrowing Requirement (PSBR) are the financing needs including in the budgetary balance of Public Sector and out-of-budget financing needs.

^{4/} The Historical Balance of the Public Sector Borrowing Requirements (HBPSBR) refers to the total liabilities of the Public Sector excluding financial assets; it is the broadest measure of net debt. 15

Federal Government Debt Breakdown

Federal Government Gross Debt Breakdown
% of Total



^{1/} 4Q23.
Source: Mexico's Ministry of Finance.

Federal Government Debt Statistics, 4Q23

External Debt

6.3%
of GDP
as of 4Q23

19.8
years
average maturity

100%
at a fixed rate

Domestic Debt

33.6%
of GDP
as of 4Q23

8.0
years
average maturity

76.5%
at a fixed rate

Source: Mexico's Ministry of Finance.

Sustainable finance policy

Aligned with the 2030 Agenda and the Mexican NDC, the Government of Mexico has a **Sustainable Finance Mobilization Strategy**^{1/} to reorient up to 15 trillion pesos by 2030.

- Some of the Strategy's lines of action that are internationally recognized are as follow:



Mexico's Sustainable Taxonomy^{2/} unveiled in March 2023 as the first of its kind, since it considers social objectives and defines gender equality as a key priority.

Bonds linked to SDGs^{3/}: In September 2020, Mexico became the first country to issue a sustainable sovereign bond and began building a sustainable yield curve by issuing thematic bonds in four national and international markets.

- 12 bond have been issued to date for a total amount of 12.0 billion USD.



By 2024, 83.8% of **budget programs**^{4/} are aligned, directly or indirectly, with at least one SDG.

^{1/} [Mobilization Strategy: Consultation Document](#)

^{2/} [Mexico's Sustainable Taxonomy](#)

^{3/} The SHCP released the report: [Mexico's SDG Bond: Allocation and Impact Report 2022](#).

^{4/} [Linking the budget to the SDGs](#)

Source: Mexico's Ministry of Finance, 2023.

Mexico's SDGs Sovereign Bonds

Issue	Currency	Amount (million)	Rate	Term
1 st	EUR	750	1.35%	7 years
2 nd	EUR	1,250	2.25%	15 years
3 rd	MXN	20,000	TIE + Spread	2, 6 years
4 th	MXN	15,000	TIE + Spread	3, 6 years
5 th	USD	2,203	4.875%	10 years
6 th	JPY	75,600	1.0 - 2.52%	3, 5, 10, 15, 20 years
7 th	MXN	10,000	TIE + Spread	1, 2, 3 years
8 th	USD	2,941	6.338%	30 years
9 th	MXN	15,000	TIE + Spread	2, 3, 5 years
10 th	MXN	23,000	8.0%	12 years
11 th	MXN	15,000	TIE + Spread	1.7, 2.4, 4.4 years
12 th	EUR	2,000	4.49%	8 years

Source: Mexico's Ministry of Finance.