

# Mexico's Economic Outlook

---

*Last update: May 2<sup>nd</sup>, 2023*



**HACIENDA**

SECRETARÍA DE HACIENDA Y CRÉDITO PÚBLICO



2023  
AÑO DE  
**Francisco**  
**VILA**

EL REVOLUCIONARIO DEL PUEBLO

# Table of Contents

---

**Macroeconomic Fundamentals**

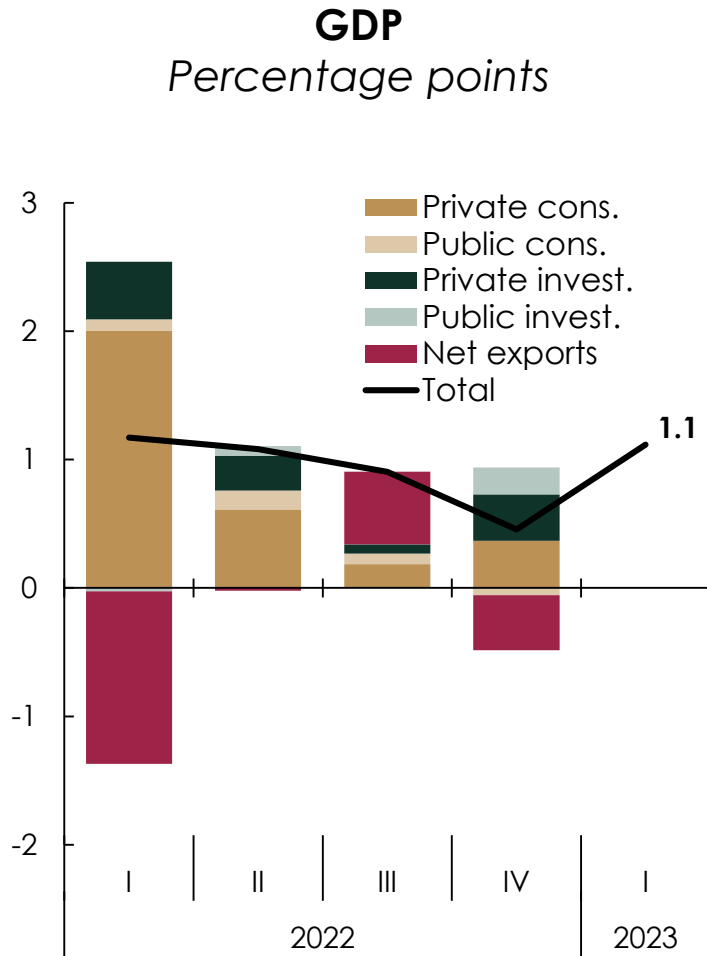
**Public Finances**

**Debt Management**

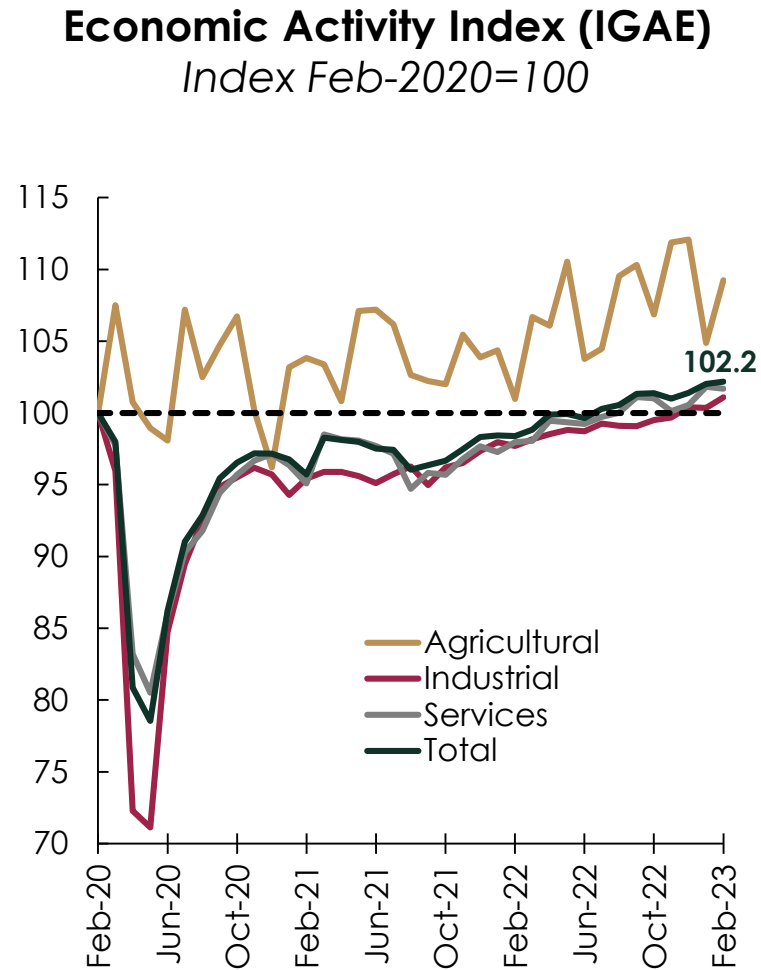
**State Owned Enterprises**

# Gross Domestic Product and Employment

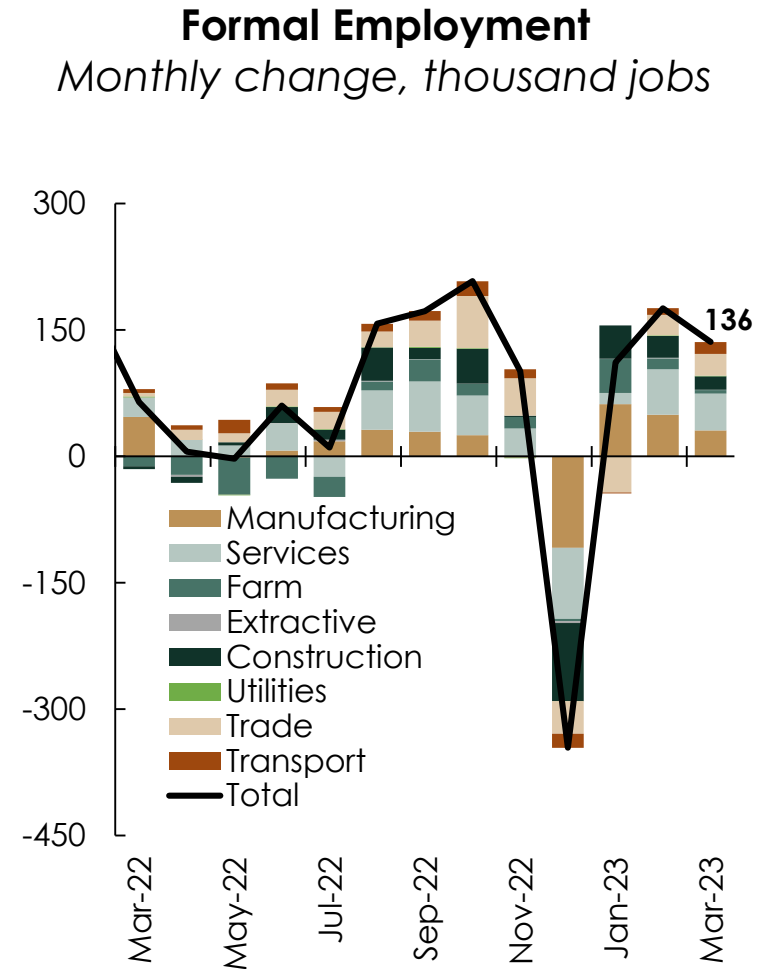
GDP growth increased at an annual rate of 3.1% in 2022. In 1Q23 Mexican economy grew 1.1% continuing to exhibit pockets of strengths. The increases in employment were driven by manufacturing and service sectors.



Source: INEGI.



Source: INEGI.



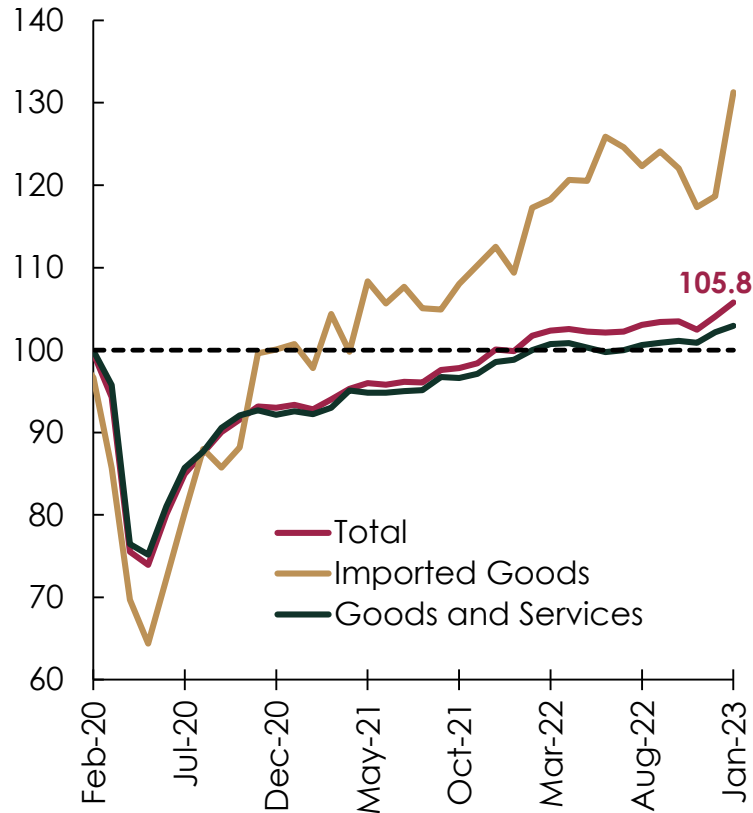
Source: Mexican Institute of Social Security.

# Private Consumption

As of January 2023, data showed strong growth consumption buoyed by imported goods. Supermarket and department stores sales recovered their pre-pandemic levels.

## Private Consumption

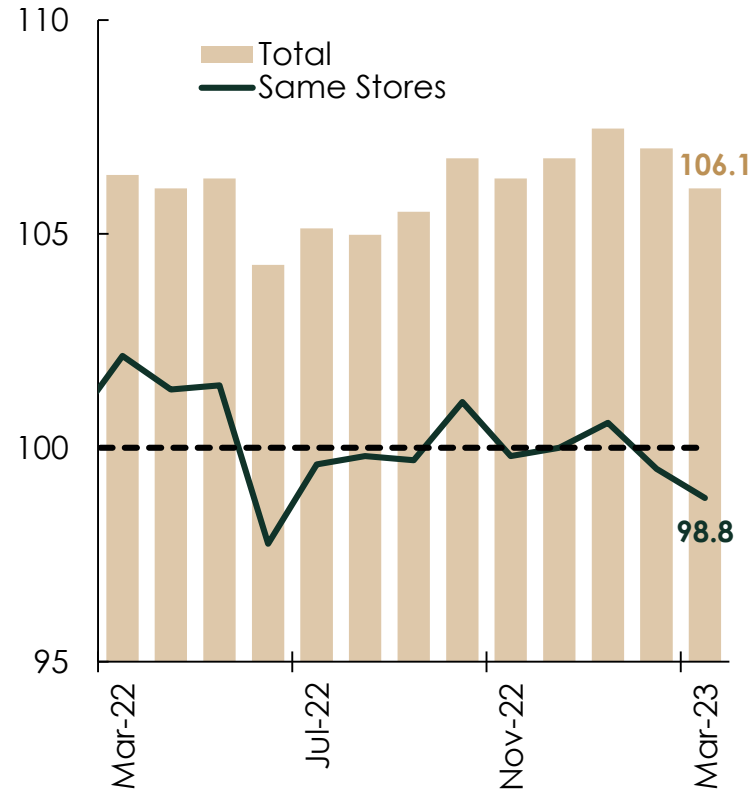
Index Jan 2020 = 100



Source: INEGI.

## Supermarket Sales

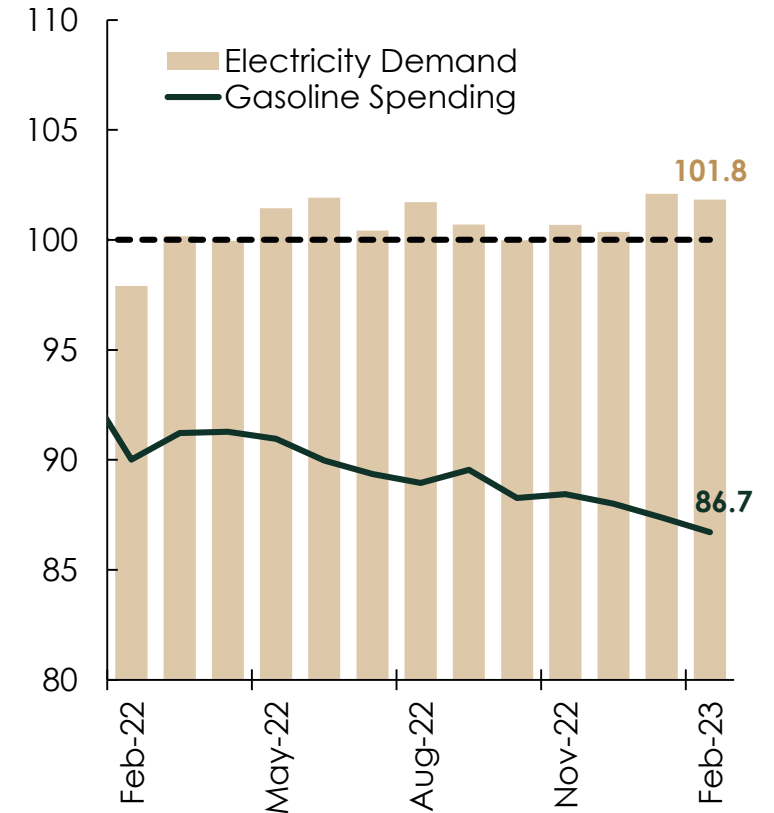
Index Jan 2020 = 100



Source: ANTAD.

## Gasoline Spending and Electricity Demand

Index Jan 2020 = 100

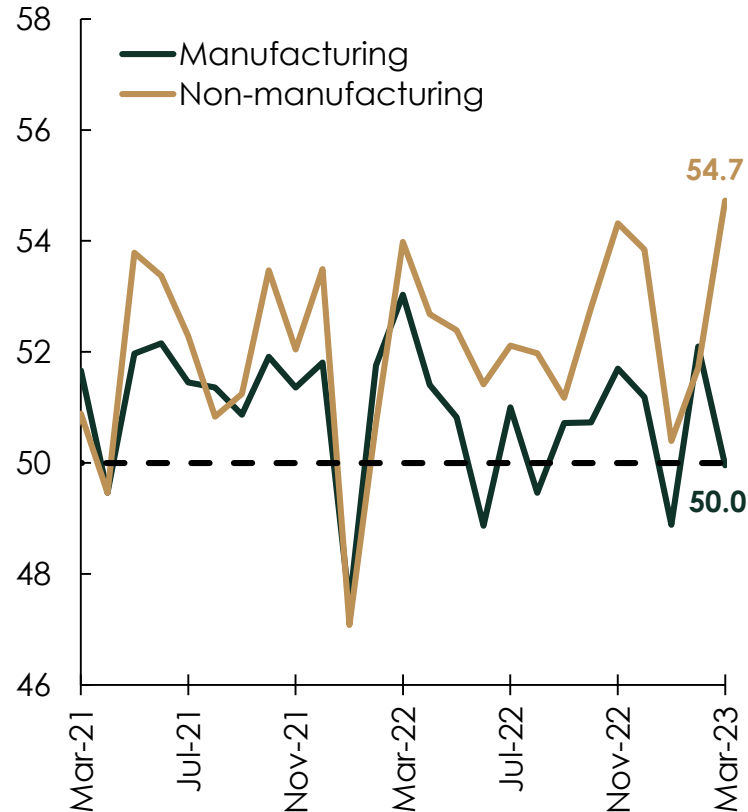


Source: Mexico's Ministry of Finance.

# Industrial Production and Exports

Manufacturing activity showed relative weakness, while industrial production continues posting sizeable gains explained by mining activity. Non-oil exports recorded a setback in February.

**PMI Survey**  
Index



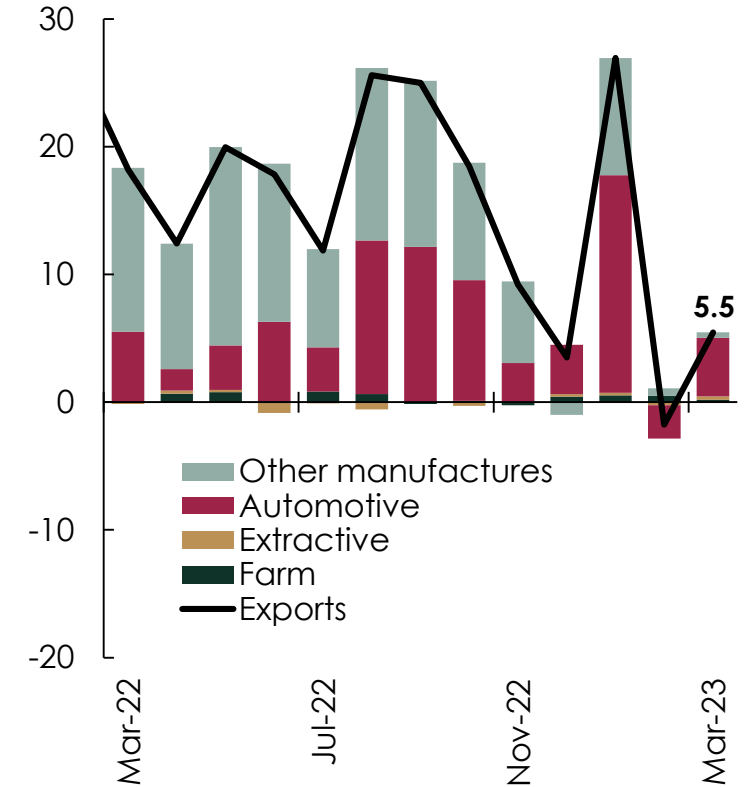
Source: IMEF.

**Industrial Production**  
Annual growth, %



Source: INEGI.

**Non-oil Exports**  
Annual growth, %



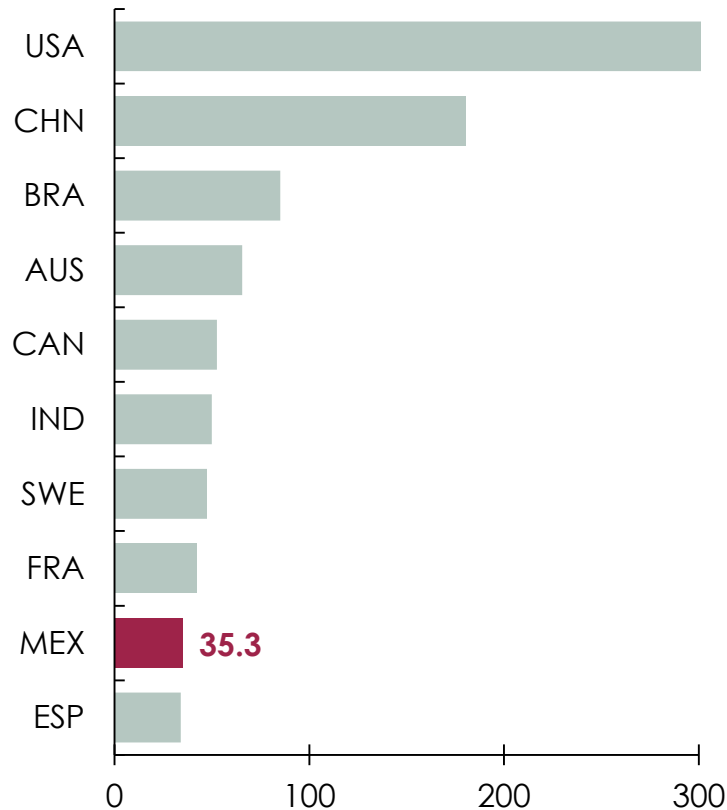
Source: INEGI.

# Foreign Direct Investment

In 2022, Mexico stood as the 9<sup>th</sup> economy in terms of Foreign Direct Investment (FDI) inflows. During 4Q22, FDI was 3.14 billion. In 2022, gross fixed investment as percentage of GDP was one of the highest among peers.

## Top 10 Major FDI Recipients, 2022

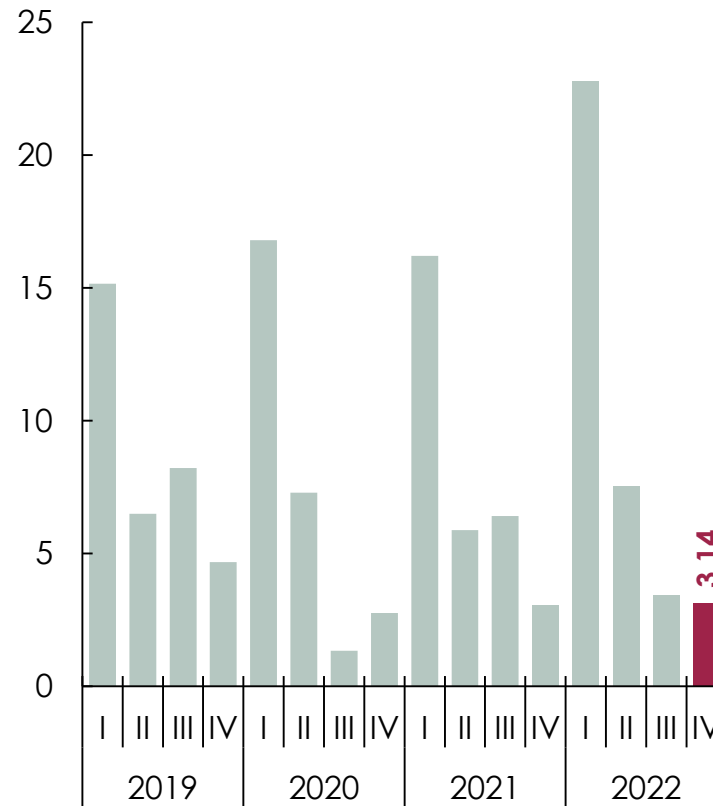
*Billion dollars*



Source: OECD.

## FDI Towards Mexico

*Billion dollars<sup>1/</sup>*

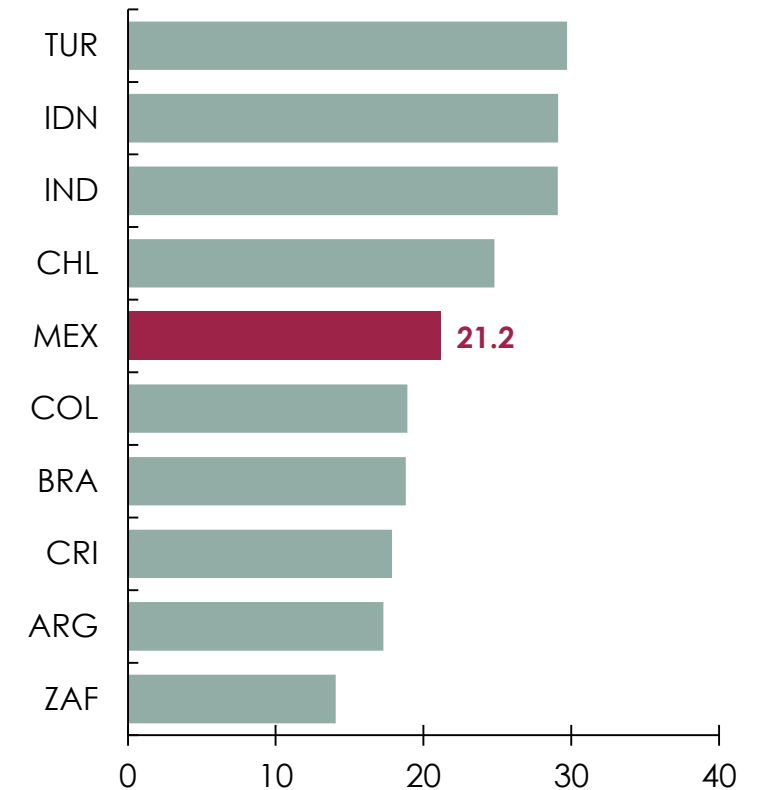


<sup>1/</sup>Preliminary figures.

Source: Mexico's Ministry of Economy

## Gross Fixed Investment

*% of GDP, average 2022*

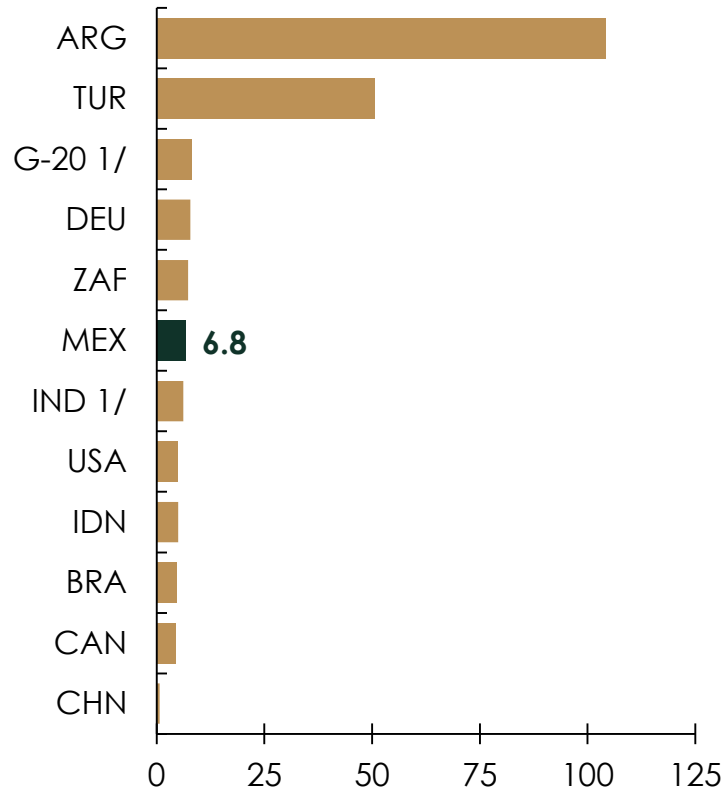


Source: OECD.

# Inflation and Foreign Reserves

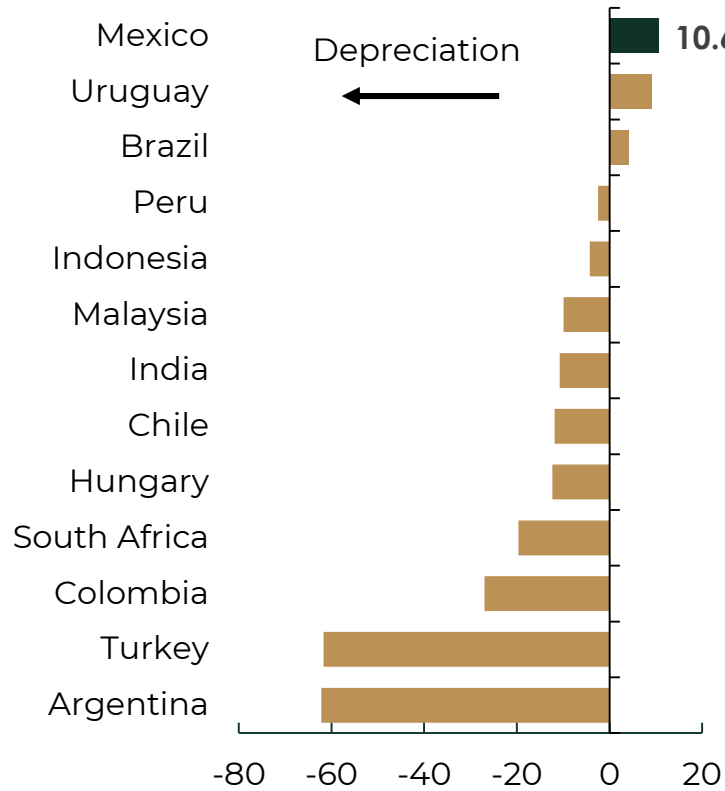
As of April 2023, the Mexican peso showed a strong performance despite high inflationary headline number. Foreign reserves rose in 2021 despite the volatility of financial markets.

**General Inflation, Mar-23**  
Annual growth, %



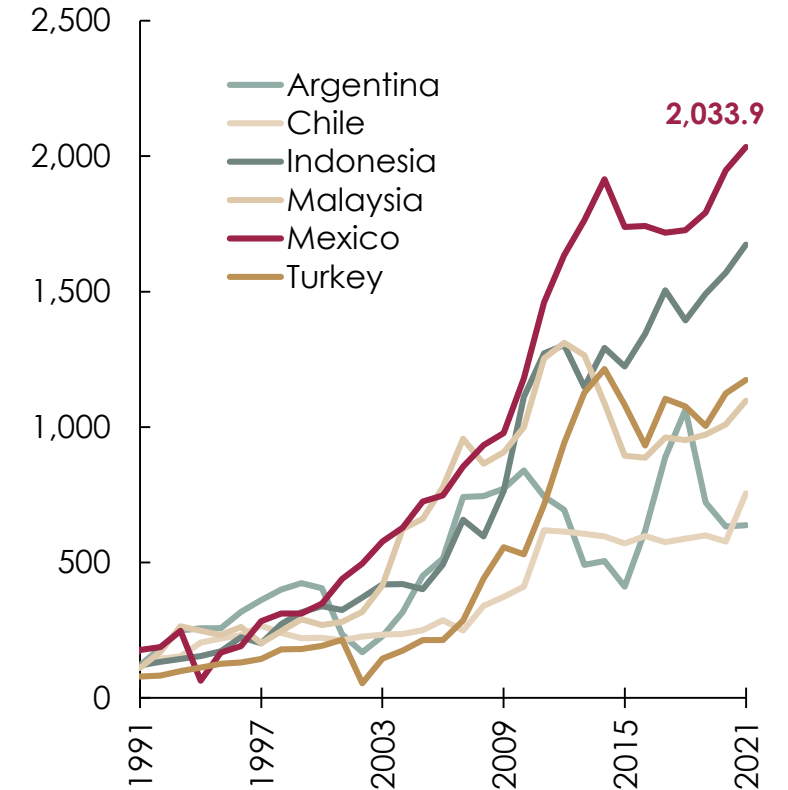
<sup>1/</sup> As of February 2023.  
Source: OECD.

**Exchange Rate, Apr-23**  
Change vs. Dec-2020, %



Source: Bloomberg.

**Foreign Reserves**  
Index 1990=100



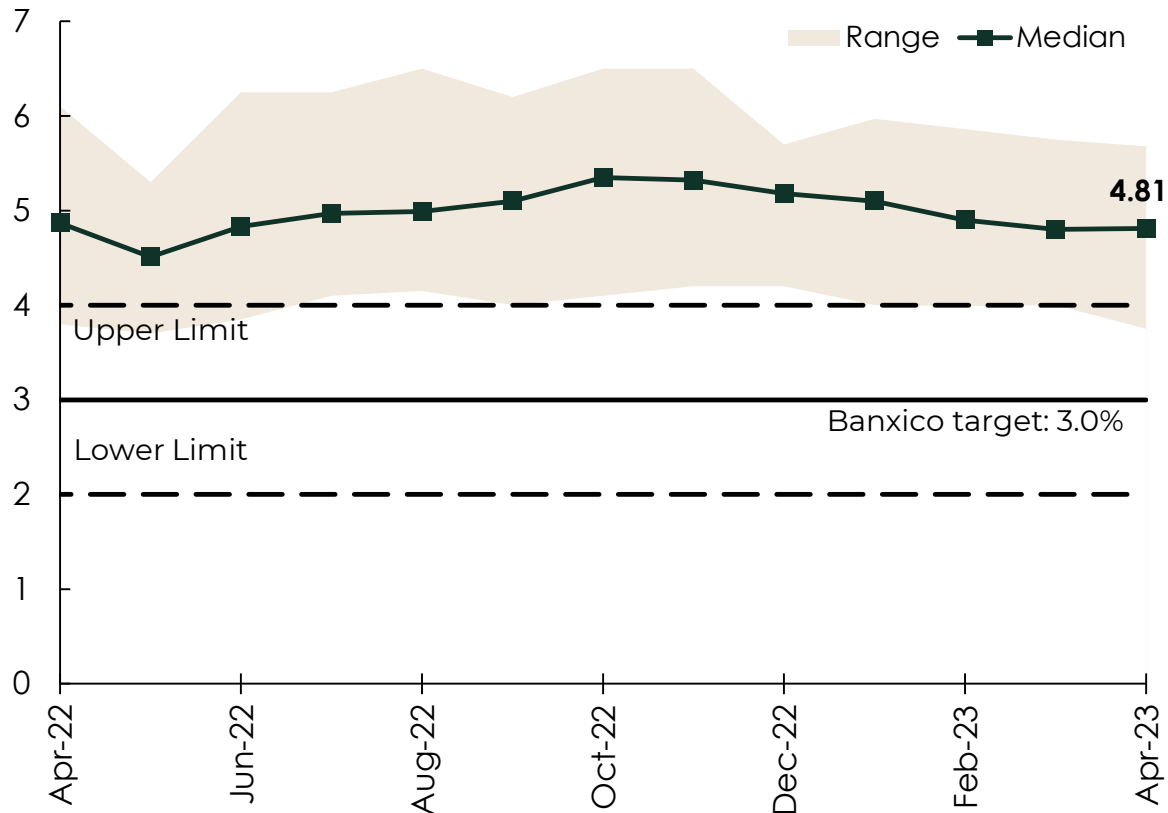
Source: World Bank.

# Medium and Long-term Inflation Expectations

Headline inflation speeded-up since 2021. Long-term expectations remain well-anchored. The Central Bank started rising interest rates in Jun-21 and expects inflation to be back around 3.0% in the 4Q of 2024.

## Inflation Expectations for Next 12 Months

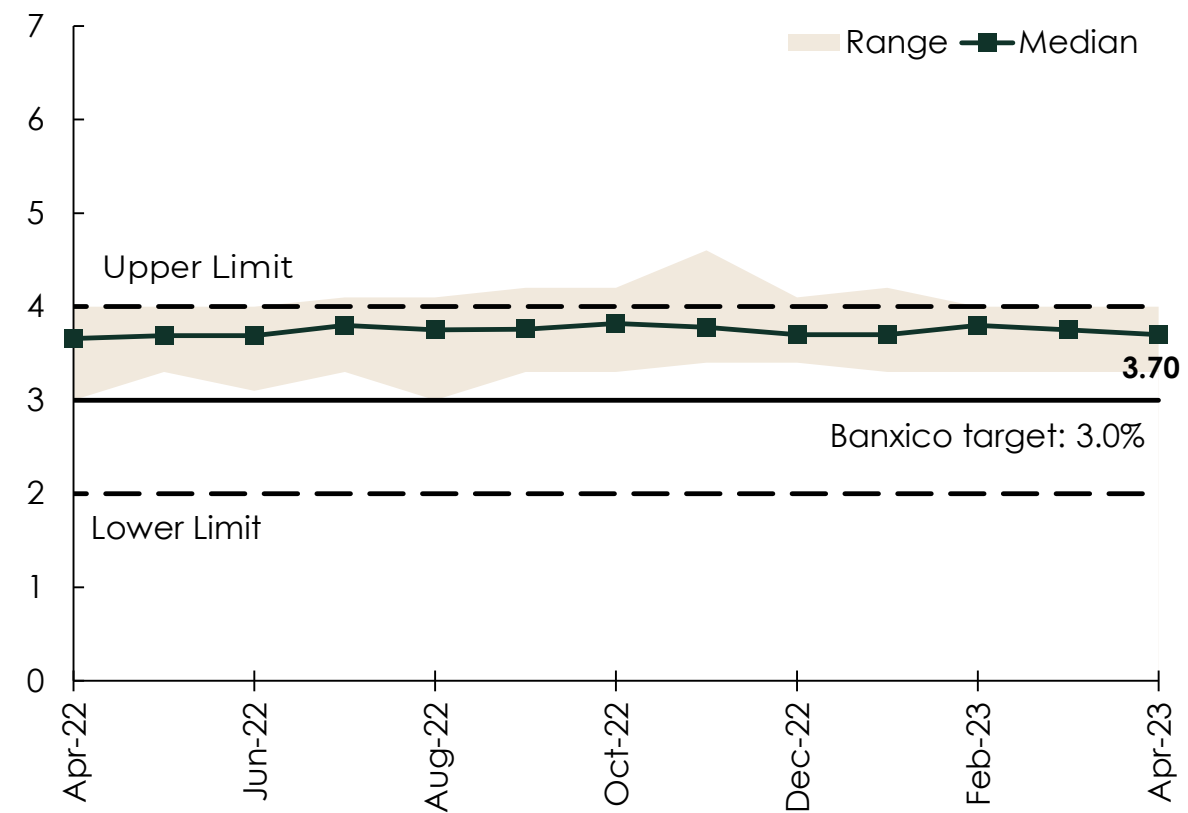
%



Source: Citibanamex survey, Survey as of April 20<sup>th</sup>, 2023.

## Inflation Expectations for Next 5 Years

%



Source: Citibanamex survey, Survey as of April 20<sup>th</sup>, 2023.

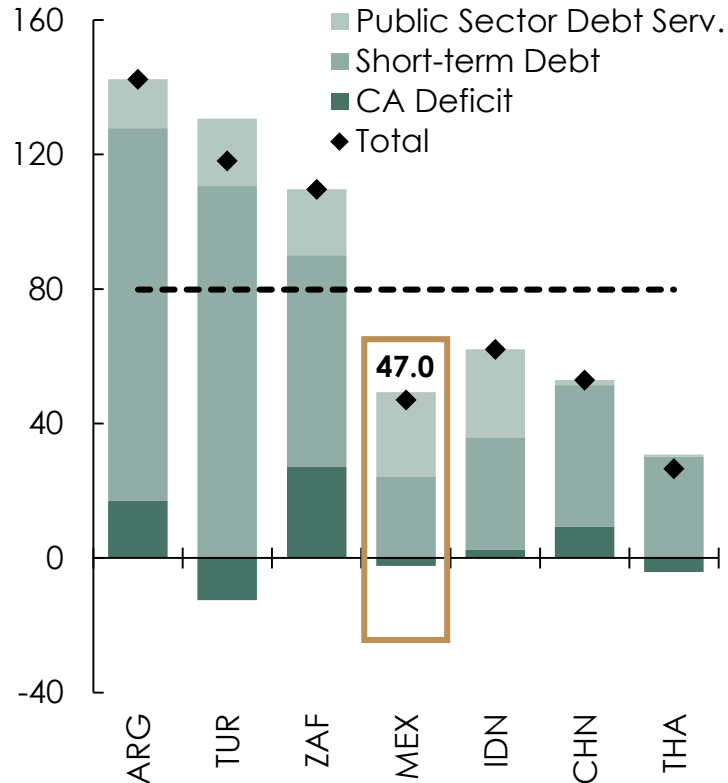


# External Financing Needs and Banking Sector

Total external financing requirements are relatively contained. International reserves along with stabilization funds and a flexible credit line provide the Federal Government buffers against external shocks. The banking system is well-regulated and well-capitalized above international regulatory standards (Basel III).

## External Financial Requirements

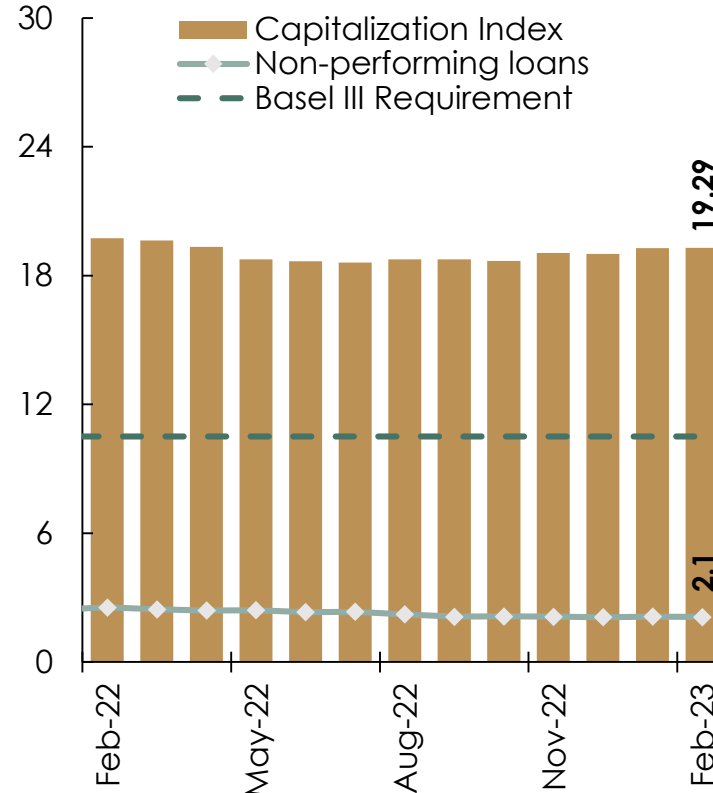
% of International Reserves, 2021



Source: World Bank, International Debt Statistics.

## Mexican Banking System

%



Source: Banco de México.

## Mexico's Financial Buffers

Billion dollars

Foreign Reserves (I) <sup>1/</sup>	202.7
Stabilization Funds (II) <sup>2/</sup>	3.9
Flexible Credit Line (III) <sup>3/</sup>	47
US Treasury Line (IV) <sup>4/</sup>	9
<b>Total (I + II + III + IV)</b>	<b>262.6</b>

<sup>1/</sup> As of March 31<sup>st</sup>, 2023.

<sup>2/</sup> As of 4Q22 (FEIP + FEIEF + FMP).

<sup>3/</sup> [November 17, 2022](#).

<sup>4/</sup> [US Department of the Treasury Swap Lines](#).

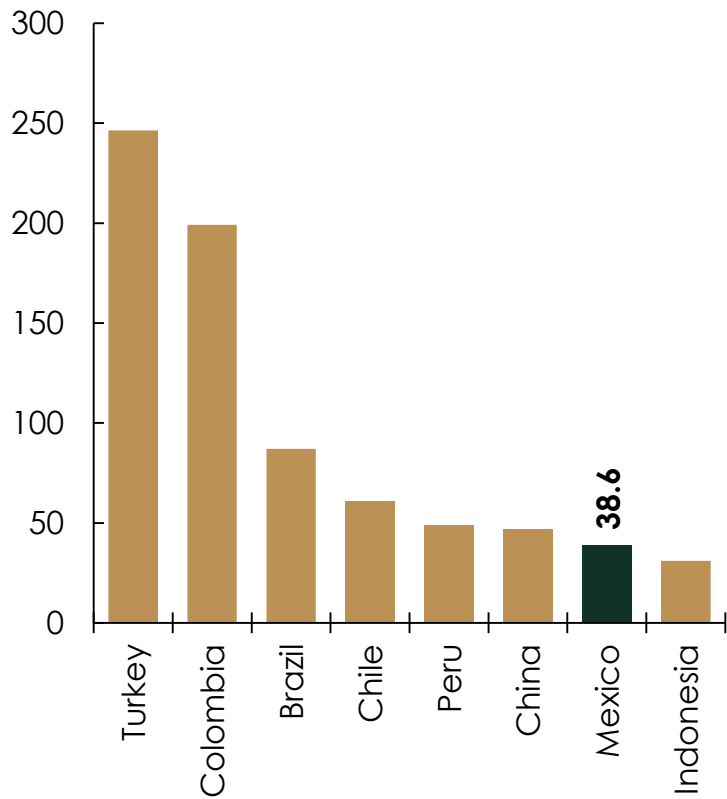
Source: Banco de México, Mexico's Ministry of Finance, IMF, FED and US Department of the Treasury.

# Mexico's Risk Measures

Mexico's risk measures remain stable, improving investor's confidence. Sovereign holding by foreign investors are performing well despite of the international market volatility.

## Credit Default Swap

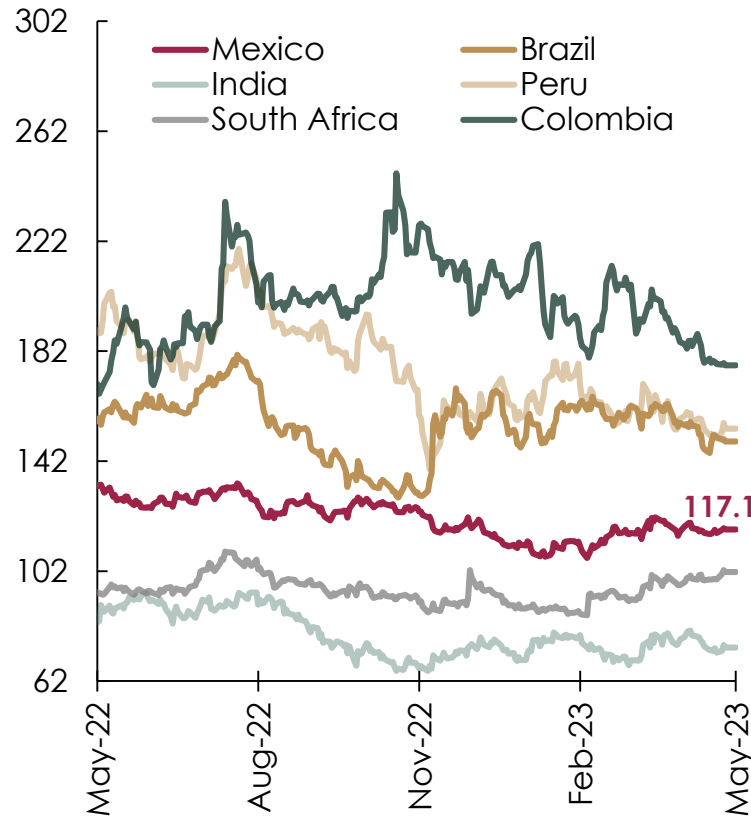
Dec-2020 vs. May-23<sup>1/</sup>, basis points



<sup>1/</sup> Latest data as of May 2<sup>nd</sup>, 2023. Source: Bloomberg.

## US Treasury vs Emerging Bonds<sup>1/</sup>

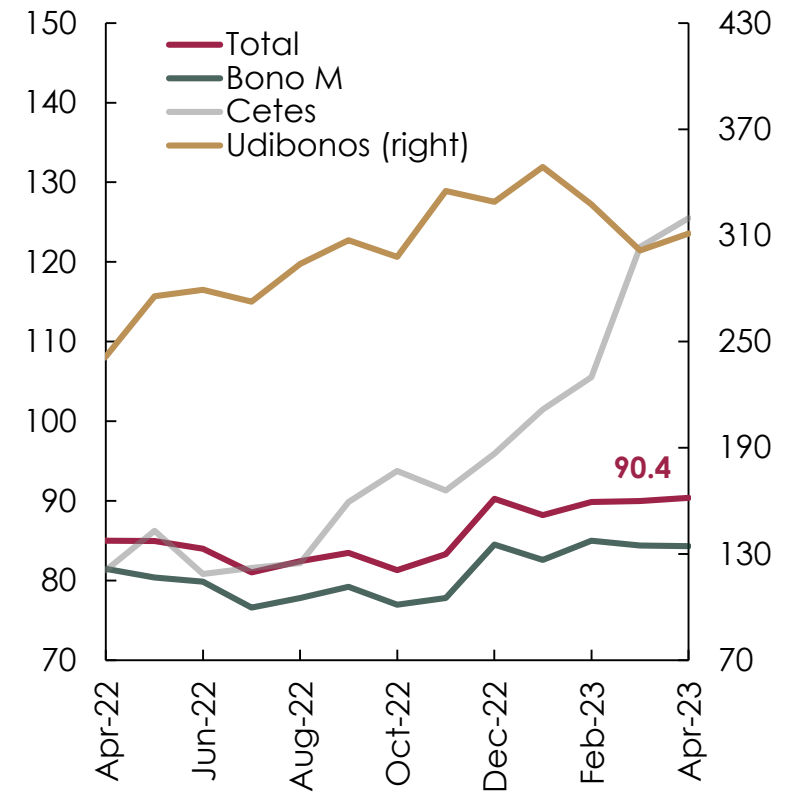
Index, Dec-20 = 100



<sup>1/</sup> UST 10-year bond. Latest data as of April 5<sup>th</sup>, 2023. Source: Bloomberg.

## Foreign Sovereign Holdings<sup>1/</sup>

Index, Dec-20 = 100



<sup>1/</sup> Figures include all government values in effect at the date of consultation. Source: Banco de México.

# Table of Contents

---

## Macroeconomic Fundamentals

### Public Finances

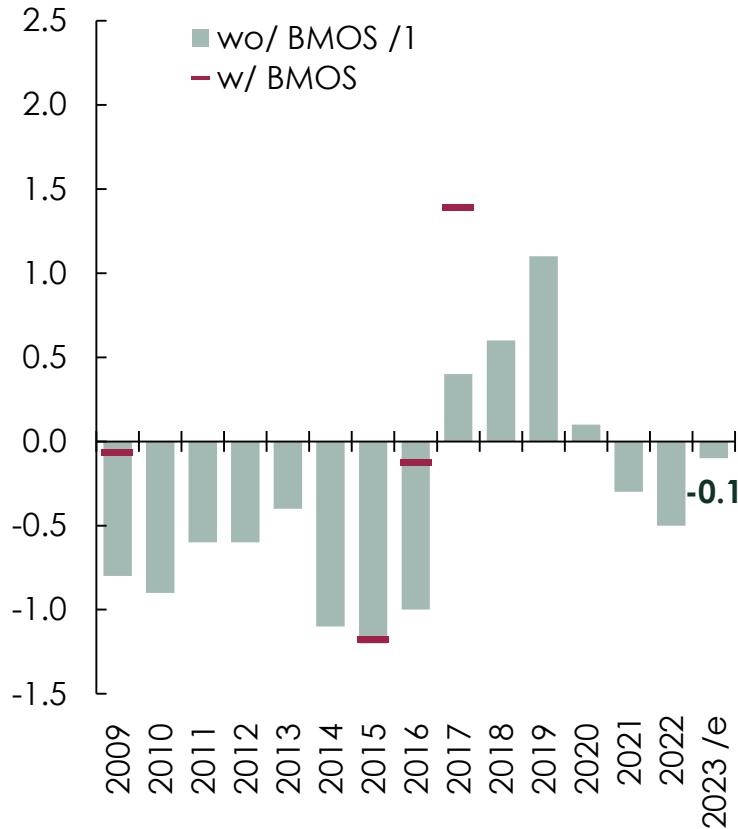
## Debt Management

## State Owned Enterprises

# Public Finances

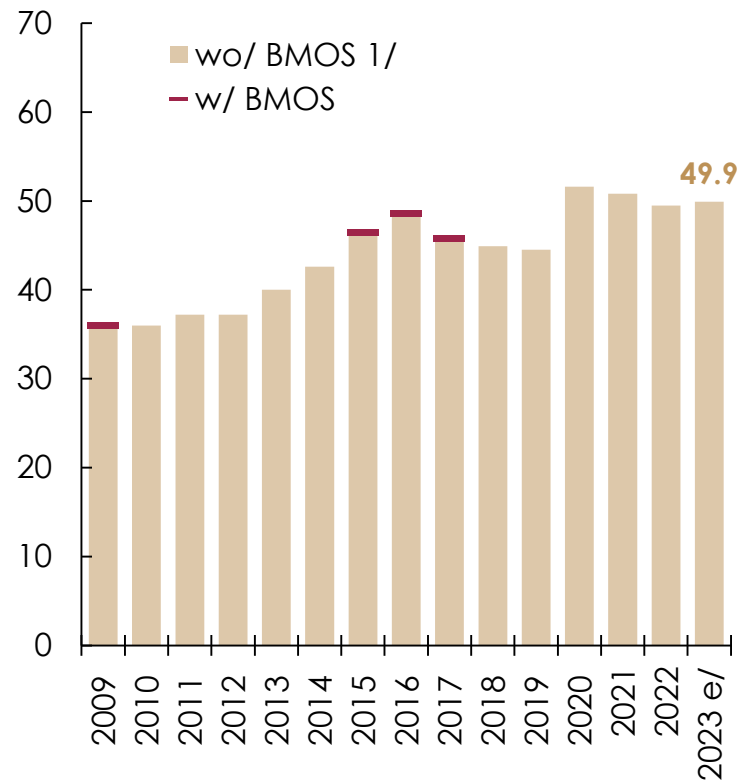
The Federal Government is committed to maintain sound public finances and ensure prudent management of public debt. Financial cost pressures are contained and do not represent a risk to public finances.

### Primary Balance % of GDP



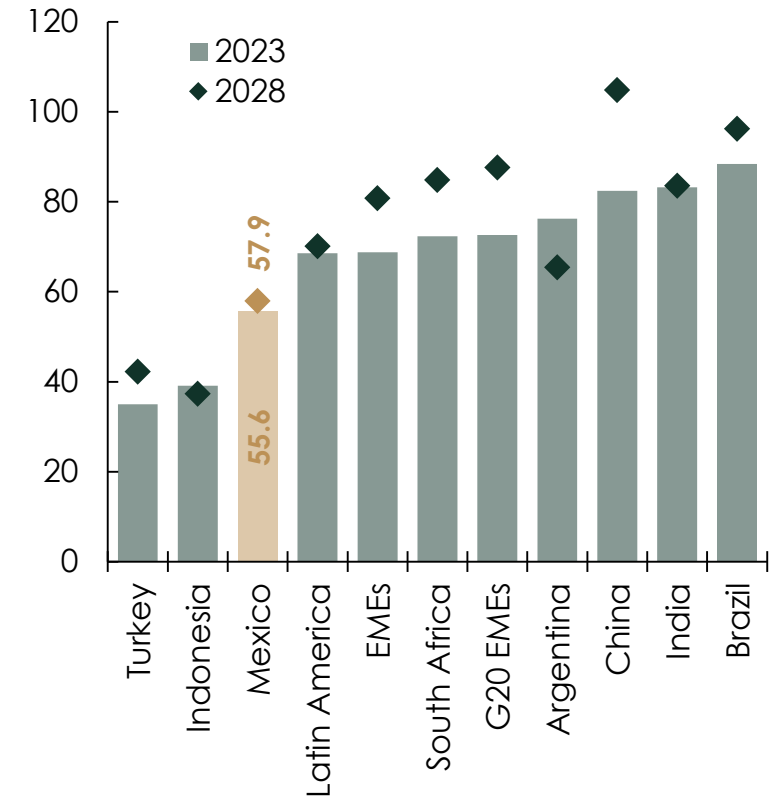
e/ estimated.  
 1/ BMOS: Banco de México Operating Surplus.  
 Source: Mexico's Ministry of Finance.

### Historical Balance of the Public Sector Borrowing Requirements<sup>1/</sup> % of GDP



e/ estimated.  
 1/ BMOS: Banco de México Operating Surplus.  
 Source: Mexico's Ministry of Finance.

### General Government Gross Debt Forecast, Apr-23 % of GDP



Source: IMF, Fiscal Monitor.

# Public finances as of March 2023

The Government of Mexico is committed to maintained sound public finances and promote sustainable economic growth.

## REVENUES



- **Federal Government's revenues were lower than expected by 117.4 billion pesos** (tax revenues excluding fuel excise tax – 26.9 bn pesos | non-tax revenues + 22.9 bn pesos).

## EXPENDITURE



- **Programmable expenditure** was lower than expected by 160.9 billion pesos.
- **Non-programmable expenditure** was 29.5 billion pesos lower than expected.

## DEBT



**Public debt has not exceeded the Congress ceiling implying a sustainable path**, the Historical Balance of the Public Sector Borrowing Requirements (PSBR) amounted to 13,994.1 billion pesos and net public sector debt stood at 14,051.8 billion pesos.

# Table of Contents

---

**Macroeconomic Fundamentals**

**Public Finances**

**Debt Management**

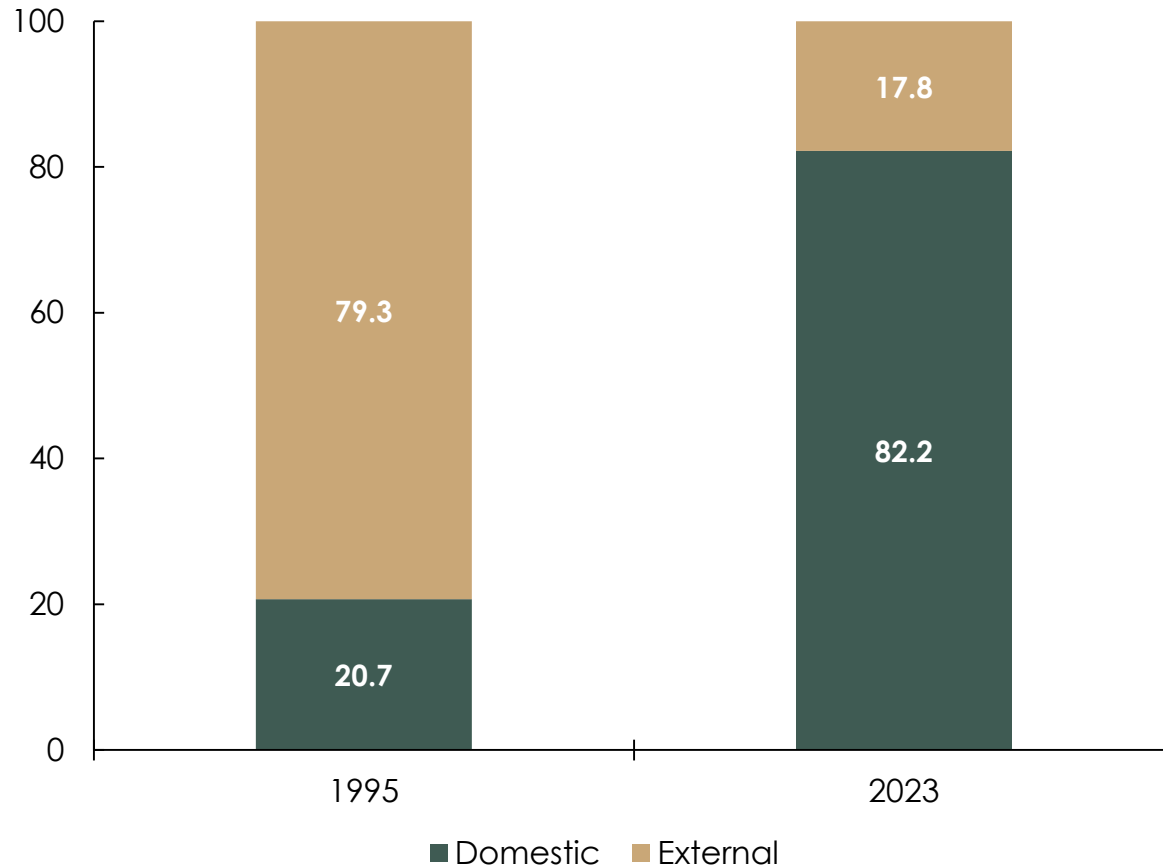
**State Owned Enterprises**

# Solid Debt Portfolio

The Federal Government has a conservative and solid public debt portfolio to better manage periods of high volatility that could arise in the global financial markets.

## Federal Government Gross Debt Breakdown, 1Q23

1995 vs 2023, % of Total



## Federal Government Debt Statistics

### External Debt

**7.0%**  
of GDP  
as of 1Q23

**20.2**  
years  
average maturity

**100%**  
at a fixed rate

### Domestic Debt

**32.5%**  
of GDP  
as of 1Q23

**7.7**  
years  
average maturity

**75.5%**  
at a fixed rate

# Sustainable Sovereign Bond

The Mexican Government is committed to broaden its investor base through the issuance of sustainable finance instruments, aligned with the Sustainable Development Goals (SDGs).



In Sep-20<sup>1/</sup>, Mexico became the first country in the world to issue a sustainable sovereign bond<sup>2/</sup> that were linked to the SDGs, for an amount of EUR 750 million. As part of Mexico's Sustainable Financing Strategy, the Treasury issued a new benchmark sustainable bond denominated in dollars maturing in 2053. This is the ninth sustainable bond issued in international financial markets<sup>3/</sup>.



Mexico's innovative instruments and debt management have been recognized internationally:

- ▶ For the first time in more than 10 years Mexico was recognized by International Financing Review (IFR) with the Niche-Market Bond award<sup>4/</sup>.
- ▶ Moody's assigned an SQS1 sustainability quality score (excellent) to the Government of Mexico's SDG Sovereign Bond Framework<sup>5/</sup>.
- ▶ In April 2023, Mexico received two international awards for its public debt management and its vision of sustainable development. A total of 22 has been awarded in the last five years<sup>6/</sup>.

<sup>1/</sup> [Announcement No. 071](#).

<sup>2/</sup> In November 2021 the Ministry of Finance released the report: [Mexico's SDG Bond: Allocation and Impact Report 2021](#).

<sup>3/</sup> [Announcement No. 27](#).

<sup>4/</sup> [IFR Awards 2021](#).

<sup>5/</sup> [Moody's Investors Service](#).

<sup>6/</sup> [Announcement No. 24](#).

Source: Mexico's Ministry of Finance, 2023.



# Table of Contents

---

**Macroeconomic Fundamentals**

**Public Finances**

**Debt Management**

**State Owned Enterprises**

# State-owned Enterprises



**Investor's page**

<https://www.pemex.com/en/investors/Paginas/default.aspx>

**Investor's tools**

<https://www.pemex.com/en/investors/investor-tools/Paginas/default.aspx>

**Latest publications**

<https://www.pemex.com/en/investors/publications/Paginas/default.aspx>



**Investor's page**

<https://www.cfe.mx/finanzas/Pages/default.aspx>

**Financial results**

<https://www.cfe.mx/finanzas/financial-economic-information/pages/financial-results.aspx>

**Latest publications**

<https://www.cfe.mx/finanzas/financial-economic-information/pages/investor-presentation.aspx>