Recent Evolution of the Mexican Economy*
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*/ The views expressed here are exclusively the responsibility of the author and do not necessarily reflect the institutional view of Banco de México or its Governing Board.
Mexico has strong macroeconomic fundamentals.

Note: CGPE (Spanish acronym for Criterios Generales de Política Económica) refers to the General Economic Policy Guidelines submitted by the Ministry of Finance to the Congress each year, as part of the budget approval process. Projected trajectories presented in the CGPE’s from 2012 to 2013 consider a GDP base year of 2003. Projected trajectories presented in the CGPE’s from 2014 to 2018 consider a GDP base year of 2008. The rest of projected trajectories and the observed data consider a GDP base year of 2013. /1 The solid purple line corresponds to the estimated figure for 2019 in the CGPE 2020 document.

Source: Ministry of Finance.
The primary surplus has increased in the first eight months of 2019.

### Public Sector Balance

<table>
<thead>
<tr>
<th></th>
<th>January-August, Billions of 2019 Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018/1</td>
</tr>
<tr>
<td>Expenditure</td>
<td>3,800.4</td>
</tr>
<tr>
<td>Revenues</td>
<td>3,552.2</td>
</tr>
<tr>
<td>Public Balance</td>
<td>-239.9</td>
</tr>
<tr>
<td>Primary Balance</td>
<td>168.9</td>
</tr>
</tbody>
</table>

### Tax revenue

<table>
<thead>
<tr>
<th></th>
<th>January-August, Billions of 2019 Pesos</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2018/1</td>
</tr>
<tr>
<td>Tax revenue</td>
<td>2,149.4</td>
</tr>
<tr>
<td>Corporate tax</td>
<td>1,176.8</td>
</tr>
<tr>
<td>Value added tax</td>
<td>657.2</td>
</tr>
<tr>
<td>IEPS/2 on fuels</td>
<td>118.4</td>
</tr>
</tbody>
</table>

Source: SHCP (Ministry of Finance).

/1 Real figures for 2018 are obtained using the Price deflator implicit in SHCP data, and might differ from other calculations.

/2 IEPS: Impuesto Especial de Producción y Servicios.
Inflation is back on target.
It is quite likely that we reach the end of 2019 with an inflation rate below the 3% target.

Note: The price index for September 2019 is estimated using the Expectations Survey of Economic Specialists in the Private Sector which is published by Banxico. Source: Own calculation using data from INEGI.
GDP growth slowed down since Q2-2018.

Gross Domestic Product
Quarterly % change, s.a.

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Average for last 5 quarters</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.56</td>
<td>0.89</td>
<td>0.63</td>
<td>0.89</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>0.54</td>
<td>0.65</td>
<td>1.27</td>
<td>1.01</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>0.56</td>
<td>1.11</td>
<td>1.20</td>
<td>0.96</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>0.64</td>
<td>1.05</td>
<td>1.05</td>
<td>1.09</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>0.60</td>
<td>0.60</td>
<td>0.60</td>
<td>0.60</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>0.42</td>
<td>0.49</td>
<td>0.49</td>
<td>0.49</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>-0.46</td>
<td>-0.20</td>
<td>0.07</td>
<td>0.02</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>-0.26</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td></td>
</tr>
</tbody>
</table>

s. a. / Seasonally adjusted.
Note: The solid green line shows the average for the last 5 quarters.
Source: System of National Accounts (SCNM, for its acronym in Spanish), INEGI.
Industrial activity has fallen, but manufacturing production has grown.

Global Economic Activity
Index 2013=100, s.a.

- **Services (62.7%)**
- **Total**
- **Agricultural (3.2%)**

Industrial Activity
Index 2013=100, s.a.

- **Manufacturing (49.7%)**
- **Total**
- **Construction (23.3%)**
- **Mining (22.3%)**

Note: 2013 shares are given in parenthesis. Source: System of National Accounts (SCNM), INEGI. Electricity, Gas and Water Supply obtain the remaining share in the Industrial Activity plot.
Since 2016, private consumption growth has been decreasing and investment has stalled.

**Private Consumption**

Annual % change and moving average

- Original
- Seasonally adjusted figures

**Investment**

Index 2013=100, s.a., and moving average

Source: System of National Accounts (SCNM), INEGI.

s.a. / Seasonally adjusted. Source: System of National Accounts (SCNM), INEGI.
Since 2016, credit growth by commercial banks has been decreasing.

1/ It includes auto loans and credit for acquisition of other movable properties. Source: Banco de México.

3/ Data adjusted due to exchange rate variations. 4/ It also includes financing granted by multiple-purpose non-bank financial corporations, regulated entities (sofomes E.F.) subsidiaries of banks and financial groups. Source: Banco de México.
Monetary policy remains restrictive.

Ex-ante Real Interest Rate and Estimated Range for the Neutral Rate

1/ The ex-ante short term real interest rate is calculated taking the difference between the overnight rate and the expected inflation rate for the next 12 months. The dotted line corresponds to the middle point of the range.

The wage bill, remittances, and consumer confidence are on the rise.

**Real Wage Bill**
Index 2013=100, s.a.

**Remittances**
Billions of USD dollars and of constant pesos, s.a.

**Consumer Confidence Indicator**
Response balance, s.a.

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s.a. / Seasonally adjusted.
Source: Banco de México with information from Encuesta Nacional de Ocupación y Empleo (ENOE), INEGI.

s.a. / Seasonally adjusted.
1/ Prices as of the second fortnight of July 2018.
Source: Banco de México and INEGI.

s.a. / Seasonally adjusted.
Source: Banco de México with information from Encuesta Nacional sobre la Confianza del Consumidor (ENCO), INEGI.
A trade balance surplus recently emerged and is expanding.

Merchandise Trade Balance
Billions of USD, s.a.

s.a. / Seasonally adjusted. Source: Banco de México using data from SAT, SE, Banco de México, and INEGI. Balanza Comercial de Mercancías de México. SNIEG: Información de Interés Nacional.
Manufacturing exports are rapidly growing.

Exports
Index 2013=100, s.a.

s.a. / Seasonally adjusted.
Source: Banco de México based on SAT, SE, Banco de México, INEGI. Balanza Comercial de Mercancías de México, SNIEG. Información de Interés Nacional.
Imports are decreasing.

Imports
Index 2013=100, s.a.

s.a. / Seasonally adjusted.
Source: Banco de México based on SAT, SE, Banco de México, INEGI. Balanza Comercial de Mercancías de México. SNIEG. Información de Interés Nacional.
Oil production by Pemex seems to have reached a plateau.

1/ From 2001 to 2018, crude oil production is shown in yearly averages. For 2019, crude oil production is shown in monthly averages.

Source: Ministry of Energy and Pemex.
Final Remarks

- Mexico has strong macroeconomic fundamentals.
  - The debt to GDP ratio is stable at around 45%.
  - Inflation is back to the 3% target and remains under control.

- Monetary policy remains restrictive.
  - In September, the policy rate was 7.75%, while inflation was 2.99%. The real rate is currently above 4%.
  - Consumption and investment have been weak ever since 2016.
  - Credit growth has slowed down since 2016.

- Despite overall weak economic conditions:
  - Manufacturing production continues to grow at a steady pace.
  - Exports are accelerating.
  - The wage bill, remittances, and consumer confidence are on the rise.
  - Oil production seems to have reached a plateau.
  - Fiscal discipline has achieved a primary surplus despite weak economic activity and low corporate and value added tax revenues.