

Regional Economic Report

April – June 2018

BANCO DE MÉXICO

September 13, 2018

Outline

I. Regional Economic Report

II. Results April – June 2018

   A. Economic Activity

   B. Inflation

   C. Economic Outlook

III. Final Remarks

Regional Economic Report

- The Regional Economic Report is a quarterly publication on the recent trends in economic activity, inflation and business agents' expectations in the Mexican regions.[1]

- This information is taken into account by Banco de México's Governing Board when evaluating the economic situation and the forecast for the Mexican economy.

- The economic performance of the regions in Q2 2018 and the prospects for regional economic activity and inflation over the following 12 months are analyzed herein.

[1] For the purposes of this Report, the states of Mexico are grouped into the following four regions. Northern: Baja California, Chihuahua, Coahuila, Nuevo León, Sonora, and Tamaulipas. North-Central: Aguascalientes, Baja California Sur, Colima, Durango, Jalisco, Michoacán, Nayarit, San Luis Potosí, Sinaloa, and Zacatecas. Central: Ciudad de México, Estado de México, Guanajuato, Hidalgo, Morelos, Puebla, Querétaro, and Tlaxcala. Southern: Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, Veracruz, and Yucatán.

Outline

I. Regional Economic Report

II. Results April – June 2018

A. Economic Activity

B. Inflation

C. Economic Outlook

III. Final Remarks

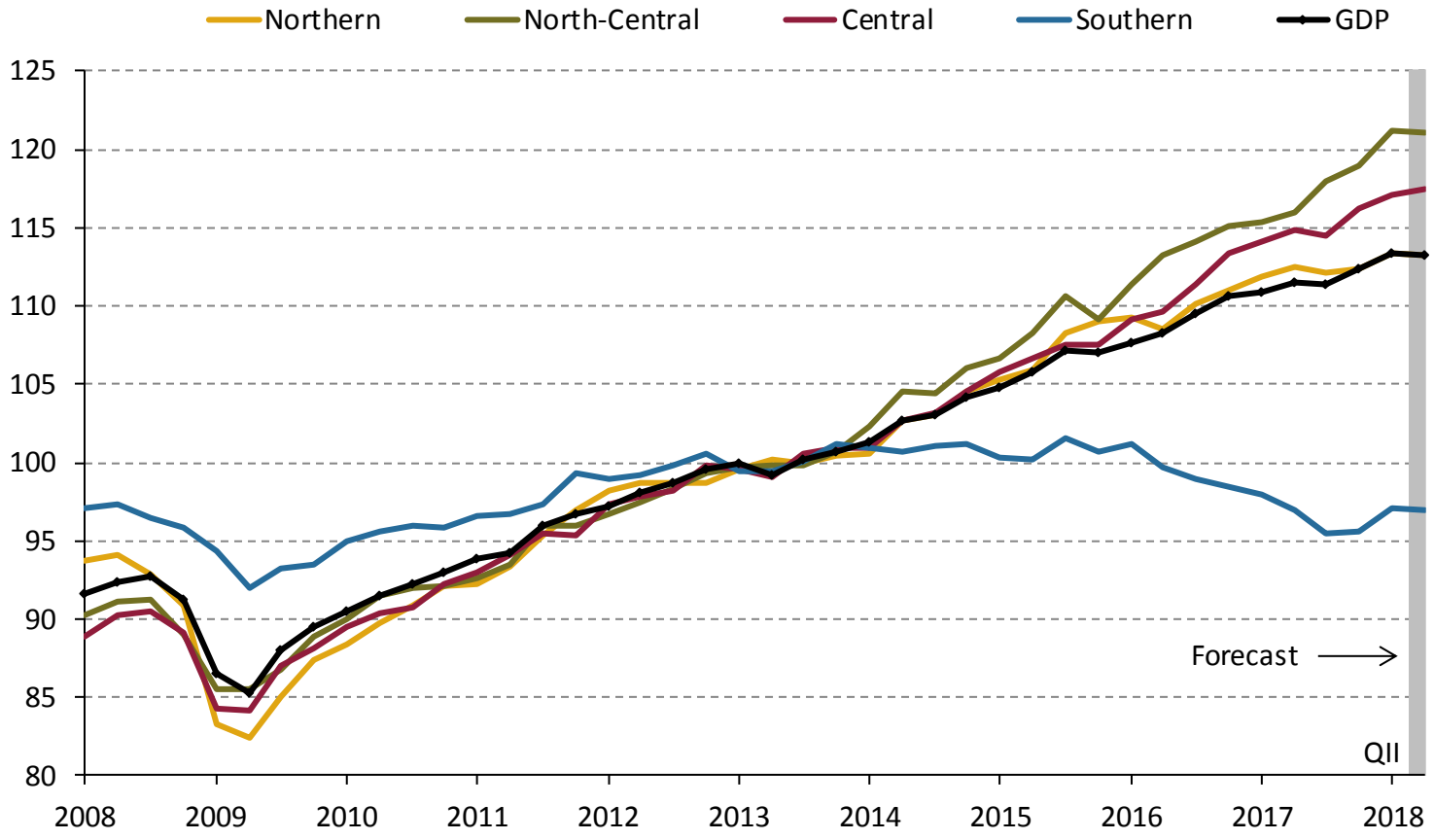
Economic Activity

- During Q2 2018, economic activity in Mexico contracted as compared to Q1 2018, which contrasts with the recovery during the previous two quarters.
  - ✓ These results were partly due to both the reversal in the dynamism of investment in late 2017 and early 2018, especially in the construction sector, and the lower dynamism of exports.
    - As regards to industrial production, the negative trend of construction during the quarter is noteworthy, which was triggered by reductions in the subsectors of heavy and civil engineering construction and of construction of buildings. The mining, quarrying, and oil and gas extraction sector maintained a downward trajectory as well, as a result of the lower levels in the subsector of oil and gas extraction and the lack of vigor in the subsectors of metal ore mining and nonmetallic mineral mining and quarrying. In contrast, the manufacturing sector recovered slightly as compared to the weak performance exhibited during most of 2017 and in early 2018.
- Production levels in the Northern, North-Central and Southern regions are estimated to have contracted, while in the Central region, they slowed down. These developments contrast with the dynamism observed across all regions during Q1 2018.

The economic performance is estimated to have weakened across all regional economies in Q2 2018, as compared to Q1 2018. Particularly, in the Northern, North-Central and Southern regions, economic activity contracted, while in the Central one it expanded slightly.

Quarterly Indicator of Regional Economic Activity 1/

Index 2013=100



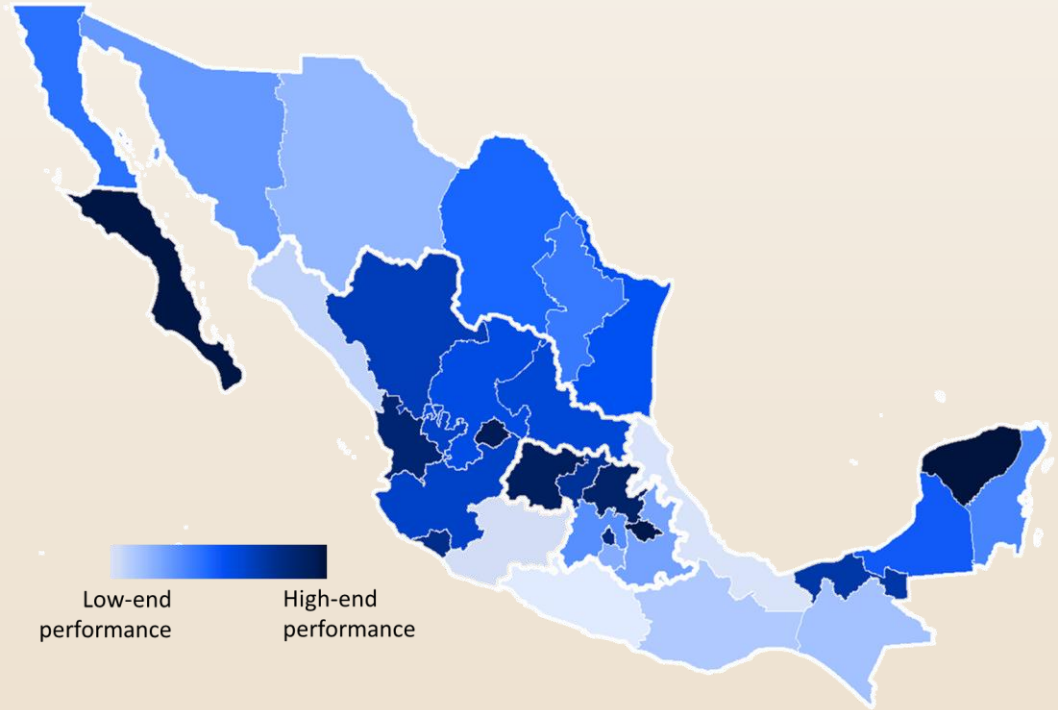
1/ The value of Gross Domestic Product (GDP) for Q1 2018 corresponds to the observed data.
Source: Estimated by Banco de México with seasonally adjusted data from INEGI.

Box:
Institutional and Economic Performance in Mexican Regions

- A key element to take on the possible challenges in the regional economies is to maintain a solid macroeconomic framework that propitiates the conditions of certainty among economic agents.
- Nonetheless, **macroeconomic stability in itself is necessary but not sufficient to generate greater economic growth.**
  - ✓ Indeed, the economic literature suggests that **institutional development is the most decisive factor to determine economic performance**, even more important than geographical location and trade integration with the rest of the world.
- Institutional strength grants proper incentives for investment and productivity growth.
- This Box **analyzes the relation between the performance of public institutions and the ease to set up and run businesses, on the one hand, and labor productivity in the regional manufacturing industry in Mexico, on the other one.**

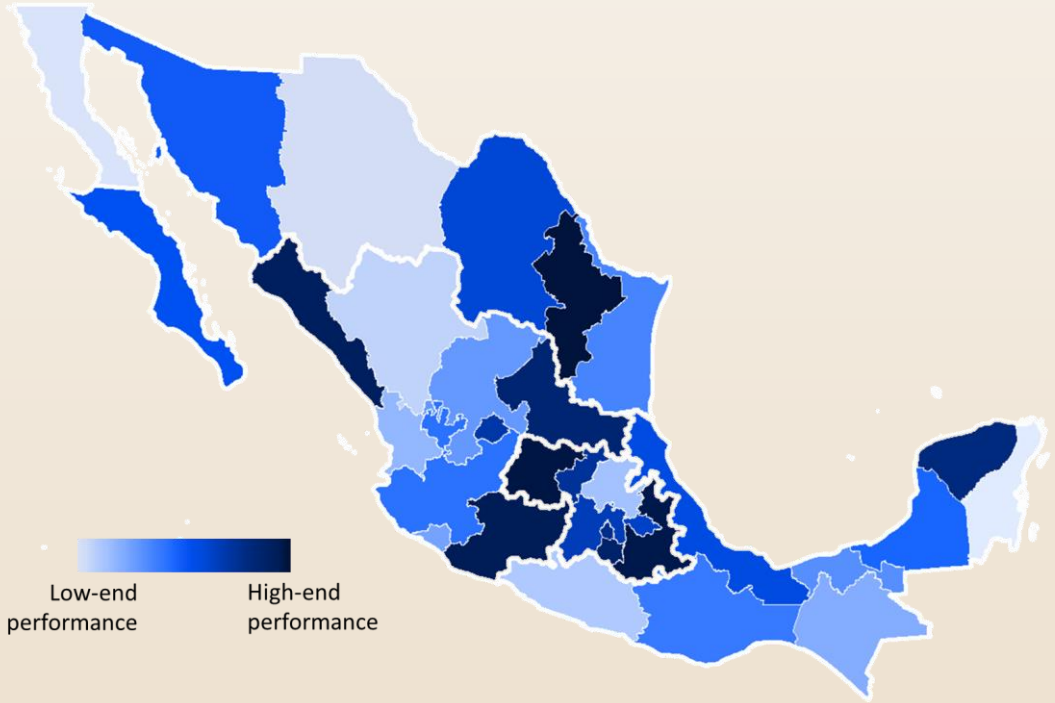
Box:
Institutional and Economic Performance in Mexican Regions

Institutional Performance by State, 2010 - 2015



Source: Estimated by Banco de México with data from IDDM.

Ease to Set up a Business, by State, 2009 - 2016



Source: Estimated by Banco de México with data from the World Bank.

Box:
Institutional and Economic Performance in Mexican Regions

- The **institutional performance** has a **positive and statistically significant relation with labor productivity in the manufacturing sector.**
- Based on beta coefficients, **the relative importance of the estimations of the institutional performance and the ease to set up and run businesses** is evident, in their role as determinants of labor productivity, since **their relevance is even greater than that of human capital and infrastructure**.

Estimation of Labor Productivity Determinants in the Manufacturing Industry

Variables	Coefficient	Beta-coefficient
Institutional performance	0.014 ***	0.172 ***
Ease to set up businesses	0.005 **	0.151 **
Infrastructure	0.064 **	0.106 **
Human capital	0.017 *	0.113 *
Homicide rate	-0.002	-0.037
Other controls	✓	✓
Number of states	32	32
Observations	128	128

Note: **, * denote statistical significance at 5 and 10%, respectively.
Source: Estimated by Banco de México with data from World Bank, INEGI and IDDM.

Box:
Institutional and Economic Performance in Mexican Regions

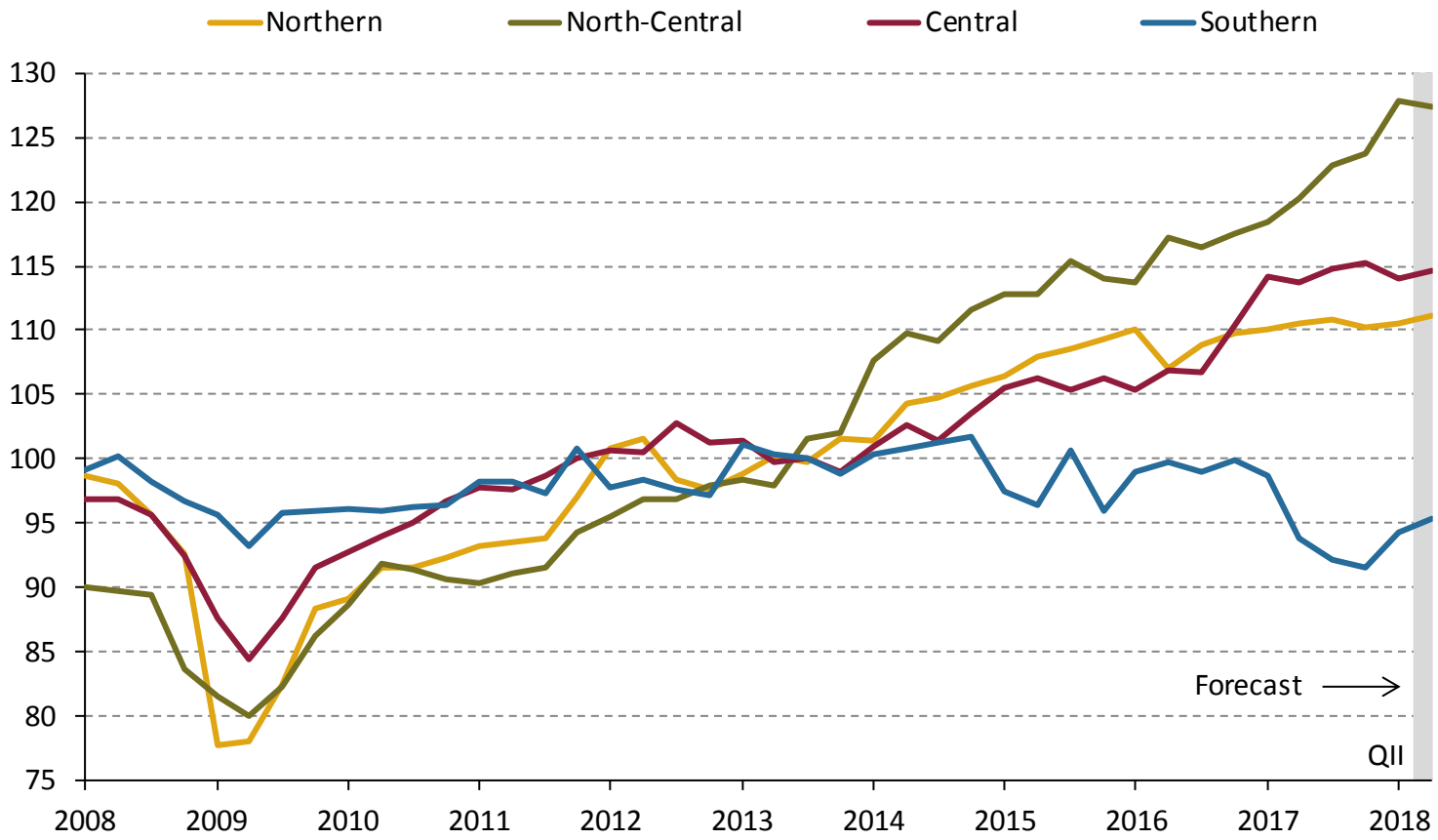
- Based on the evidence presented in this Box, **labor productivity in the manufacturing industry is strongly related to the institutional performance at the state level.** Hence, a considerable part of the differences in the regional economic performance is likely attributed to the heterogeneity in the levels of institutional development at the local level.

- Thus, this Box assesses the regional variation in the institutional performance in Mexico to illustrate the great relevance of the institutional framework as a determinant of productivity in the regions. **These results put into perspective the possible impact that institutional improvement in Mexico may have on economic growth.**

In Q2 2018, the manufacturing sector recovered slightly as compared to the weak performance exhibited during most of 2017 and in early 2018. In the Northern and Southern regions manufacturing activity is estimated to have continued to expand, although at a lower rate in the Southern one, while in the Central region it rebounded slightly. In contrast, manufacturing activity contracted in the North-Central region.

Regional Manufacturing Indicator

Index 2013=100, quarterly average



Source: Estimated by Banco de México with seasonally adjusted data from INEGI.

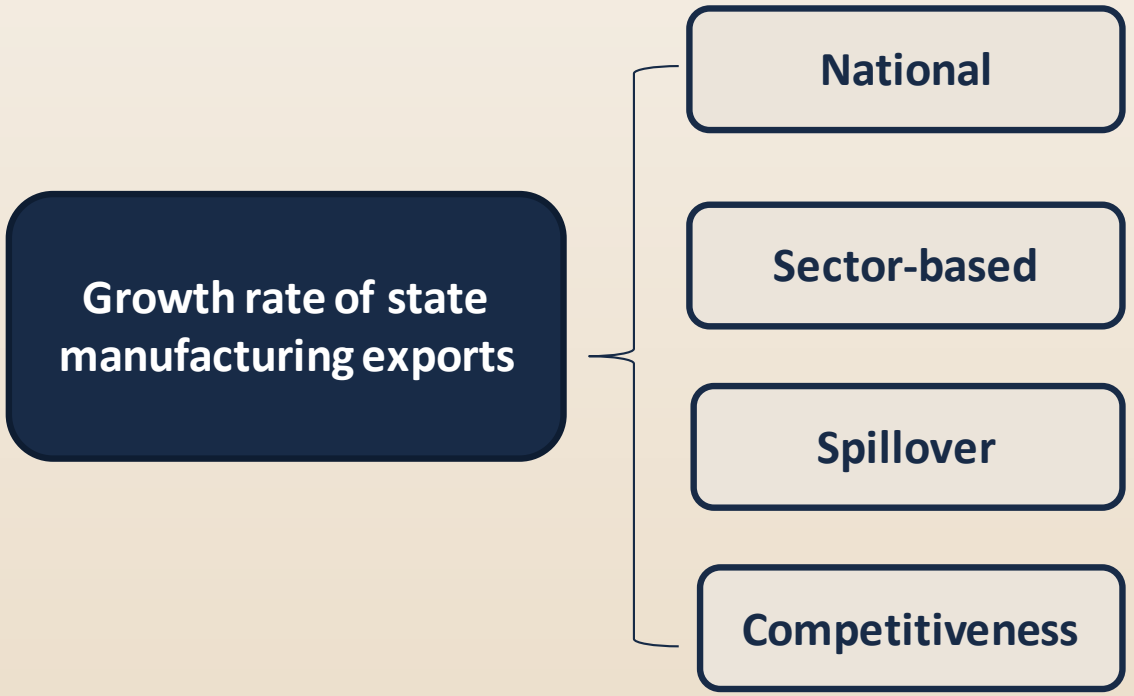
Box:
Growth of Regional Manufacturing Exports, 2007 - 2016: Spatial Shift-Share Analysis

- The implementation of NAFTA in 1994 led to a greater integration of the Mexican economy to the **dynamics of investment flows and international trade**, which enhanced opportunities of economic development for Mexico.
  - ✓ This structural change has been reflected in a **greater export orientation**, especially in the manufacturing sector.
- However, **Mexican exports have been far from homogeneous among different states**, while the **different subsectors** have exhibited adjustments in their composition, insofar as they benefit more from the country's comparative advantages.
- This Box examines the economic factors that can account for the differences in the growth rate of regional exports during the period 2007 – 2016, using the "**Spatial Shift-Share Analysis"**.

Box:
Growth of Regional Manufacturing Exports, 2007 - 2016: Spatial Shift-Share Analysis

- This approach breaks down the growth of state manufacturing exports in **four effects**:

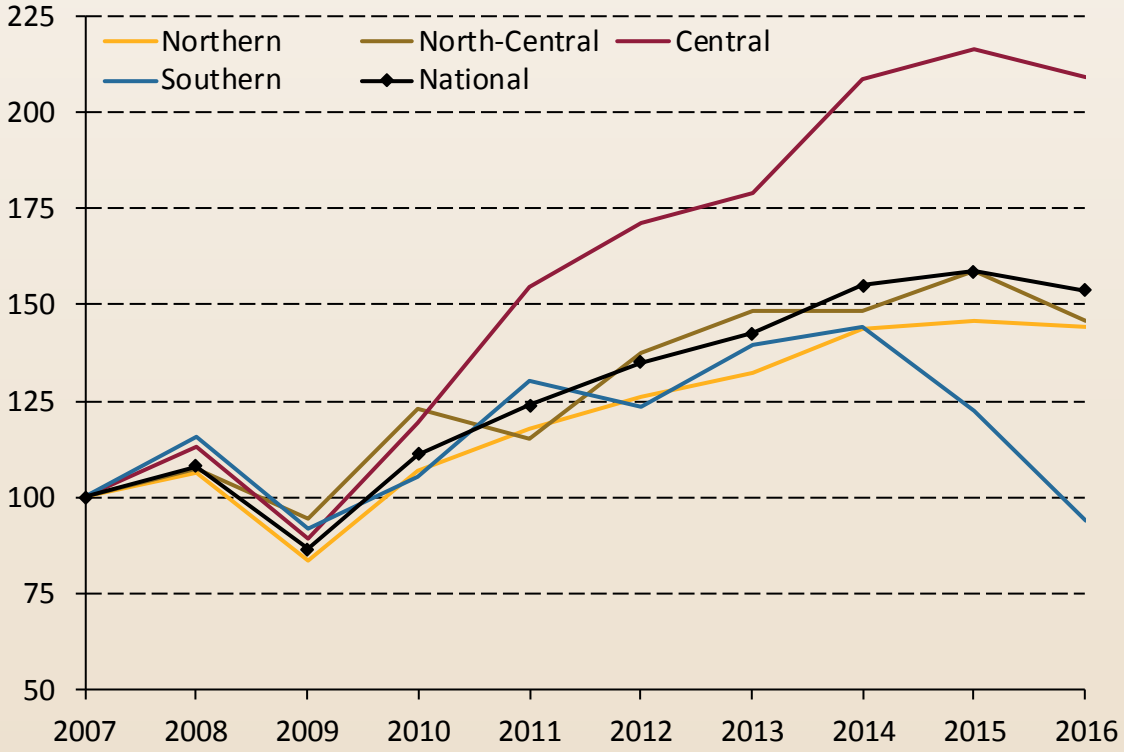
Graphic Description of "Spatial Shift-Share Analysis"



Source: Prepared by Banco de México based on Matlaba et al. (2014).

Box:
Growth of Regional Manufacturing Exports, 2007 - 2016: Spatial Shift-Share Analysis

Regional Manufacturing Exports
Index 2007=100



Source: Estimated by Banco de México with data from INEGI.

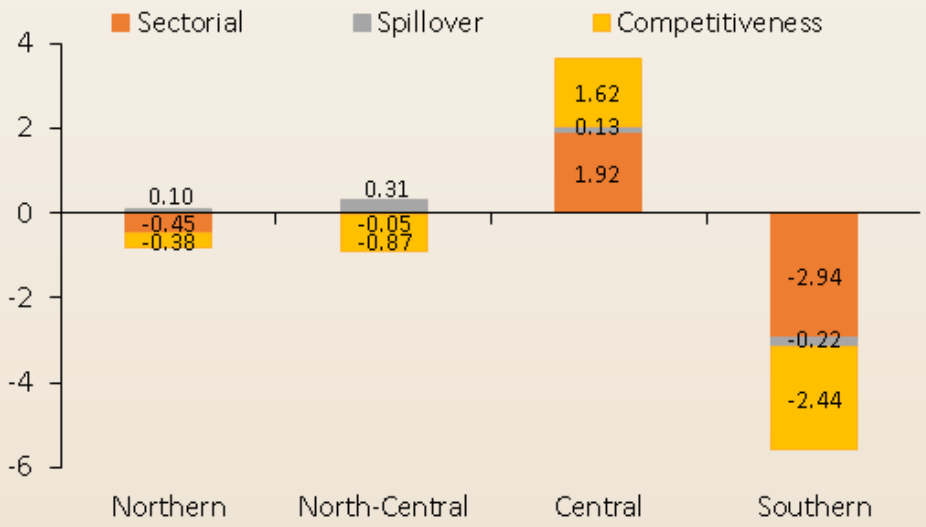
Regional Manufacturing Exports 2007 - 2016

	Annual average growth rate	Share (%)		Change of share
		2007	2016	
Northern	4.2	66.2	62.2	-4.0
North-Central	4.3	13.7	13.0	-0.7
Central	8.6	16.7	22.8	6.1
Southern	-0.7	3.4	2.1	-1.3
National	4.9	100.0	100.0	0.0

Source: Estimated by Banco de México with data from INEGI.

Box:
Growth of Regional Manufacturing Exports, 2007 - 2016: Spatial Shift-Share Analysis

Growth of Regional Manufacturing Exports, 2007 - 2016
Percentage points



Note: The effects were estimated by state, and, subsequently were aggregated at the regional level.
Source: Estimated by Banco de México with data from INEGI.

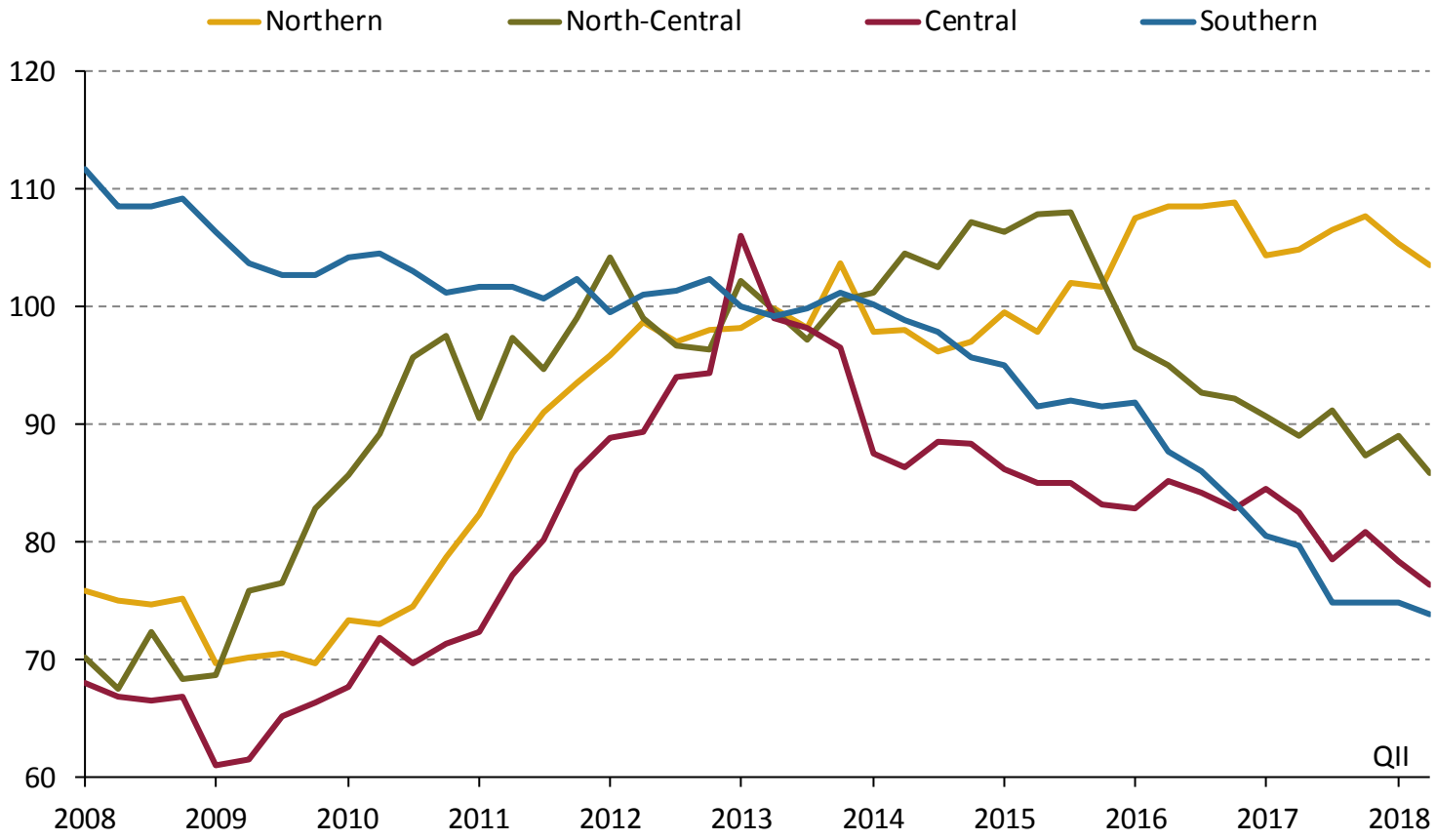
Box:
Growth of Regional Manufacturing Exports, 2007 - 2016: Spatial Shift-Share Analysis

- This Box shows that in **the period 2007 – 2016** there was a **restructuring of the manufacturing exports platform** in all Mexican regions.
  - ✓ The notable **increase of the Central region's share** in total manufacturing exports **can be mainly attributed** to the **sectorial composition** of its exports, and to **the competitiveness among its states**, which confirms its position as an area of strong manufacturing activity oriented towards the external market.
  - ✓ In contrast, **the South seems to lag as compared to the rest** of regions, **not only** because it has a **more modest export base**, **but also** because it depends on **subsectors characterized by a lower exporting dynamism**.
- In this sense, to **narrow the gaps** among regions **it is important to continue fostering the structural changes required by the Mexican economy**, so as to generate better investment conditions via **improved physical infrastructure, development of human capital and strengthening of the rule of law, among other measures**, in order to reach a more balanced regional growth.

In the period April – June 2018, the mining, quarrying, and oil and gas extraction sector maintained a negative trend, largely derived from the decreasing trend in the subsector of oil and gas extraction, especially in the Southern region. Nonetheless, it should be stressed that the mining, quarrying, and oil and gas extraction sector contracted in all regions with respect to their levels in Q1 2018.

Regional Indicator of Mining, Quarrying, and Oil and Gas Extraction Sector 1/

Index 2013=100, quarterly average

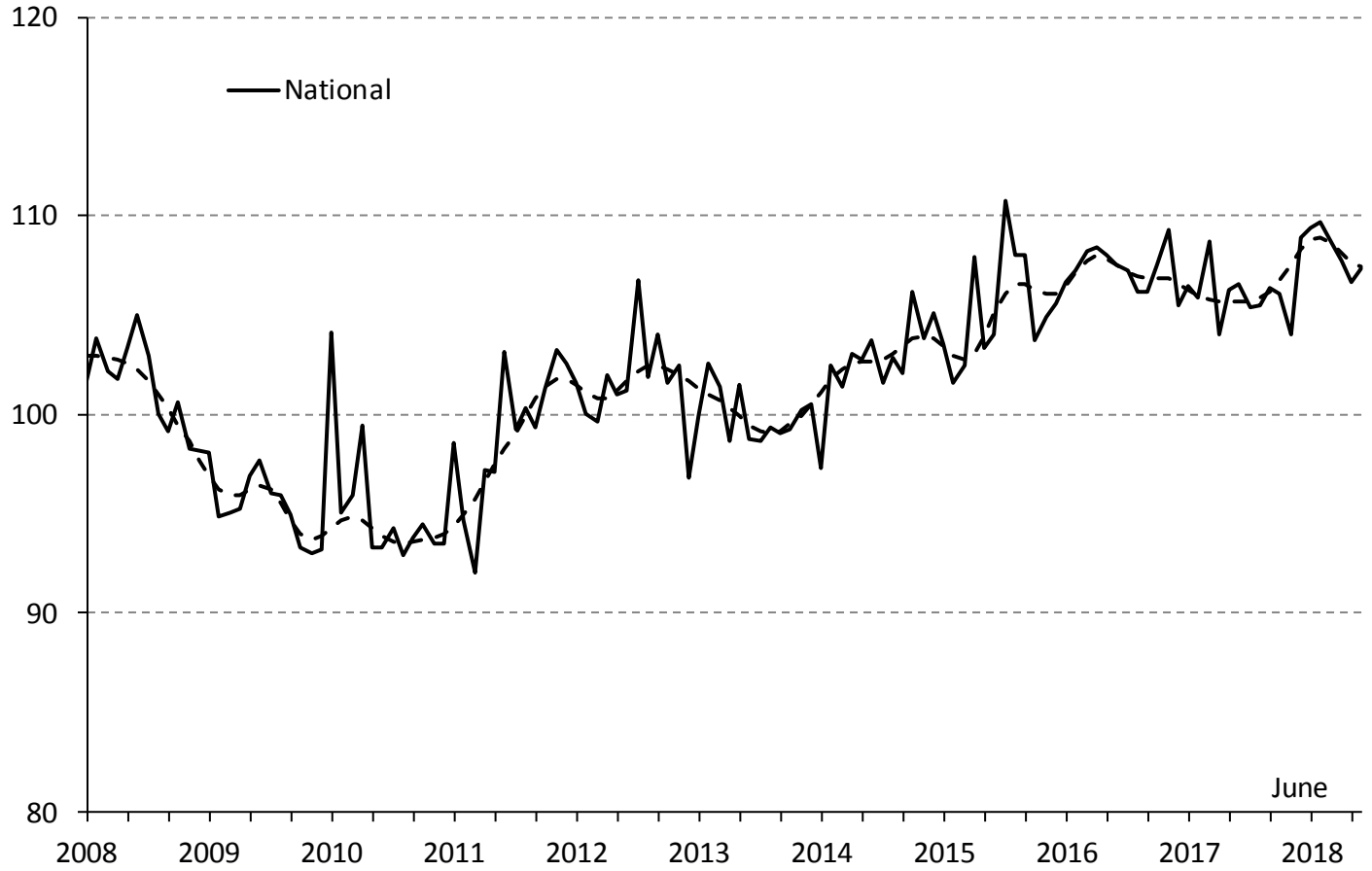


1/ Values for Q2 are preliminary.
Source: Prepared by Banco de México with seasonally adjusted data from INEGI.

The construction sector showed a negative trend during Q2 2018, which was triggered by reductions in the subsectors of heavy and civil engineering construction and of construction of buildings. This was in part consequent on the fading of the effects of the reconstruction activities in the aftermath of the September earthquakes.

Real Value of Production in the Construction Industry

Index 2013=100, s. a.

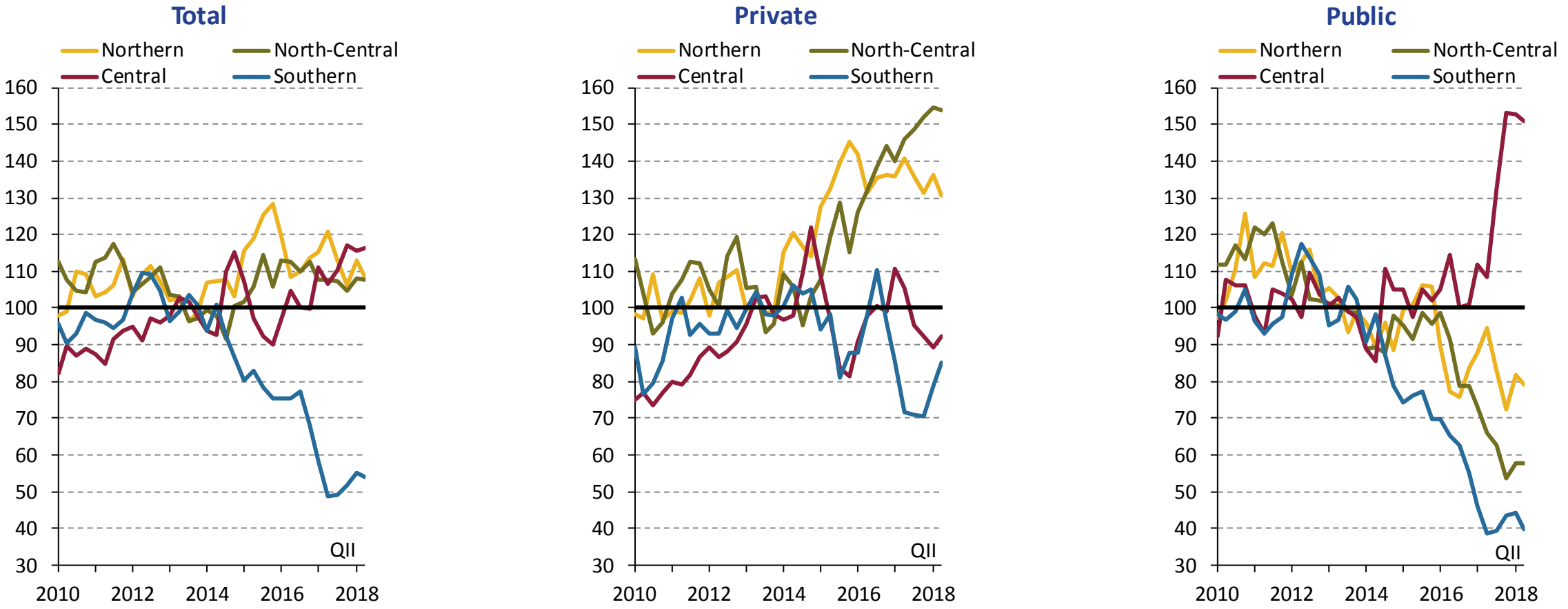


s. a. / Seasonally adjusted series and trend series. The former is represented by a solid line, the latter by a dotted line.
Source: Prepared by Banco de México with data from INEGI.

In the Northern, North-Central and Southern regions, the construction sector contracted. Meanwhile, in the Central region it recovered slightly, after having fallen in Q1 2018.

Real Value of Production in the Construction Industry by Region

Index 2013=100, quarterly average

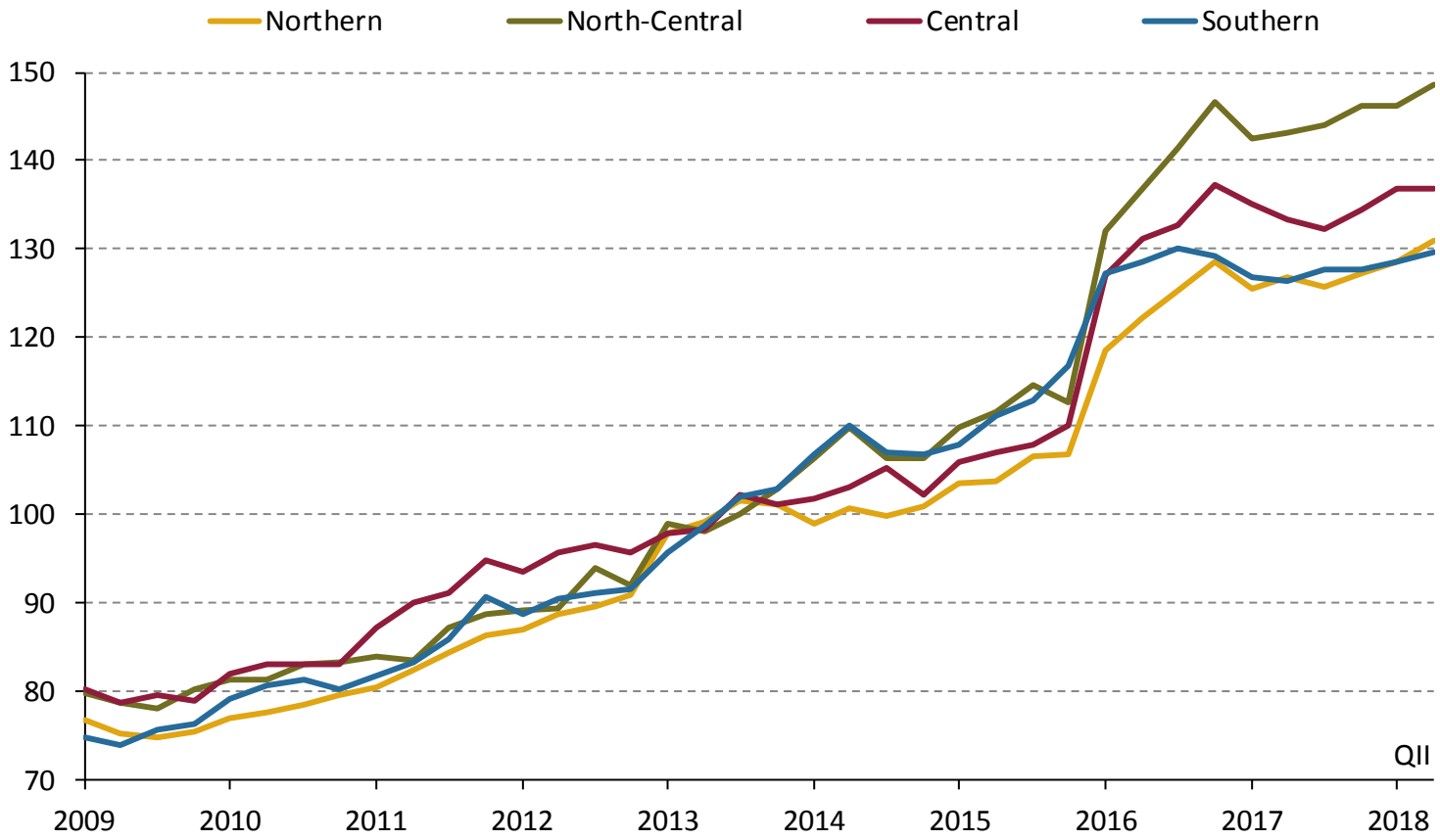


Source: Prepared by Banco de México with seasonally adjusted data from INEGI.

Trade, measured with the index of revenues from the supply of goods and services by retail business, kept displaying a positive trend across most regions of Mexico in Q2 2018. In fact, this indicator expanded in all regions in the analyzed quarter, except for the Central region, where it somewhat stagnated.

Regional Indicator of Trade

Index 2013=100, quarterly average



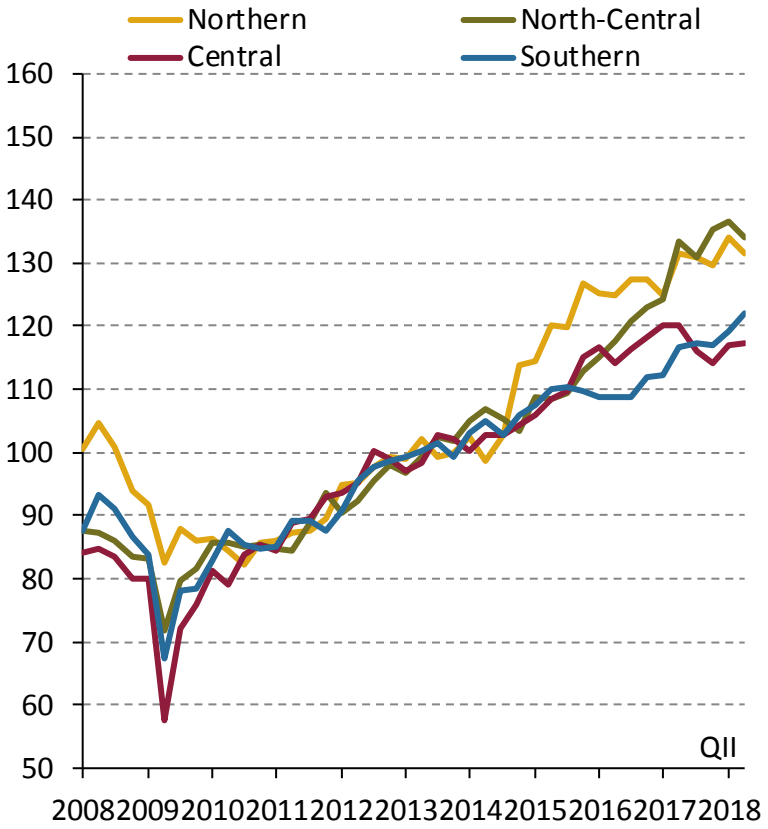
Source: Prepared by Banco de México with seasonally adjusted data from INEGI.

Hotel occupancy decreased in the Northern and North-Central regions, while in the Center it remained at levels similar to those observed in Q1 2018. In contrast, the level of tourism in the Southern region increased. The inflow of passengers maintained a growing trajectory across all regions, except for the Central one, where it showed a relative stagnation.

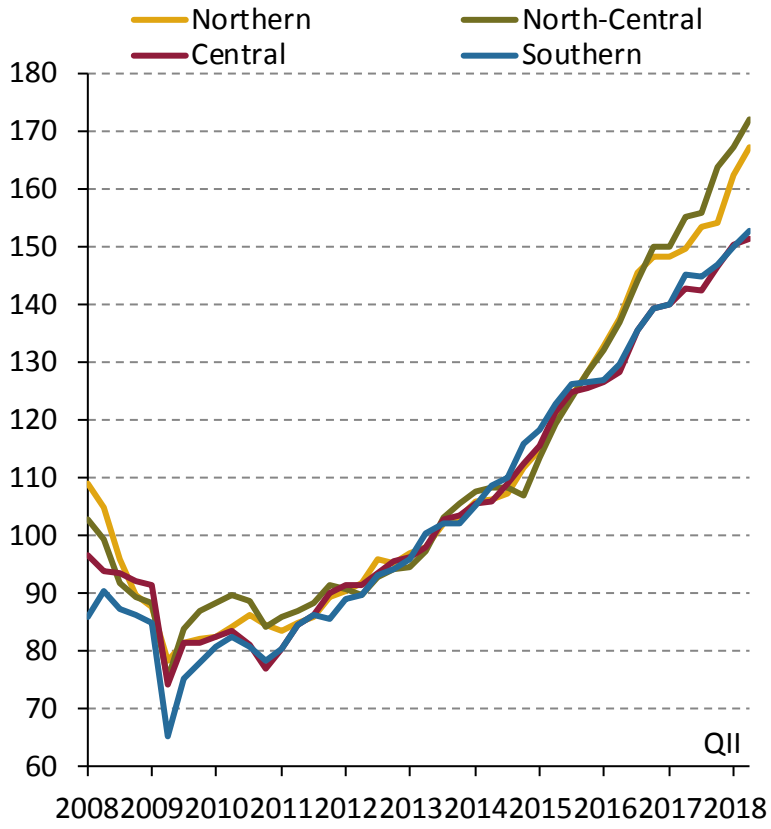
Regional Indicators of Activity in Tourism (Air Transportation and Traveler Accommodation)

Index 2013=100, quarterly average

Hotel Occupancy



Inflow of Passengers to Airports



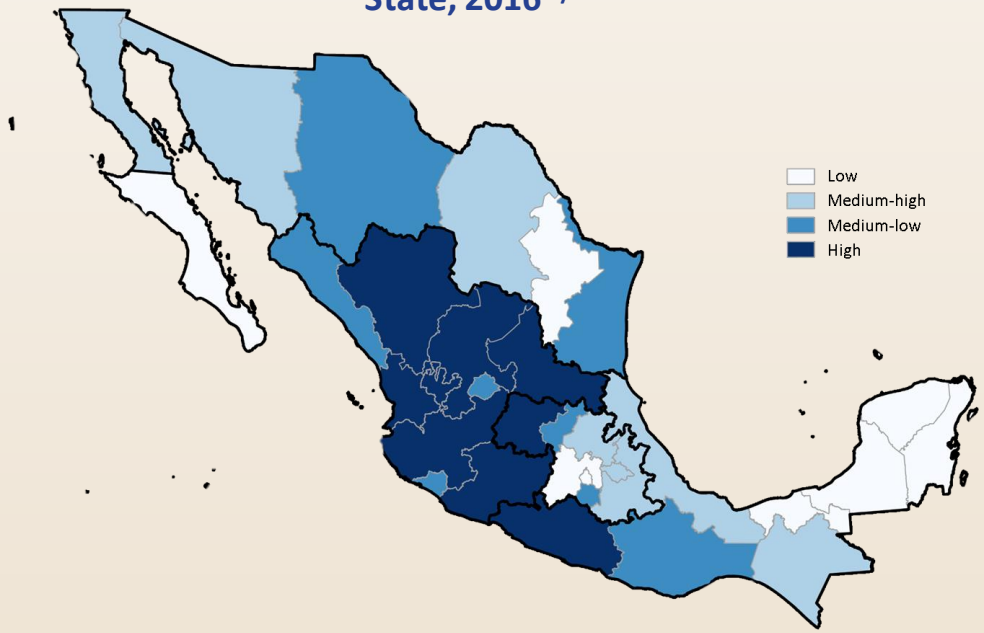
Source: Estimated and seasonally adjusted by Banco de México based on data from the Mexican Secretariat of Tourism and from Airport and Auxiliary Services (ASA, for its acronym in Spanish).

Box:
Impact of Remittances on Capital Formation in Households that Receive them in Mexico: A Regional Analysis

- The recent dynamism of remittances in Mexico contributed with 0.3 percentage points to GDP's annual average growth during 2015 – 2017.
- **This type of transfers is fundamental to the economic development of certain regional economies,** and, in particular, to reducing poverty.
- In view of the above, it is important to analyze **how these monetary flows affect the patterns of expenditure in Mexican households and, specifically, if they contribute to accumulating physical and human capital.**
- The goal of this Box is to **estimate the impact of remittances on the formation of physical capital (housing and durable goods) and human capital (education and healthcare) in the households that receive remittances in Mexican regions.** To carry out this estimation, data from households interviewed in the National Survey of Household Income and Expenditure (ENIGH) 2016 are used.

Impact of Remittances on Capital Formation in Households that Receive them in Mexico: A Regional Analysis

Share of Households that Receive Remittances, by State, 2016 1/



1/ The classification is based on quartiles, with eight states included in each group. "High" is composed by eight states with the highest share of households that receive remittances, while "Low" corresponds to eight states with the lowest share of such households.
Source: Estimated by Banco de México with data from INEGI.

Distribution of Spending in Families that Receive Remittances, 2016

Region	Food	Durables	Housing	Education	Healthcare	Other
Northern	35%	5%	8%	3%	3%	46%
North-Central	40%	4%	5%	3%	6%	42%
Central	38%	3%	6%	4%	5%	44%
Southern	45%	3%	5%	2%	4%	40%
National	40%	4%	6%	3%	5%	43%

Note: Some expenditures included in these items are: i) Durables: car purchase; ii) Housing: maintenance, expansion, construction and remodeling; iii) Healthcare: medical services, medicine and medical insurance; and iv) Other: transportation, cleansing and personal care, communications and apparel.
Source: Estimated by Banco de México with data from INEGI.

Impact of Remittances on Capital Formation in Households that Receive them in Mexico: A Regional Analysis

- Results at the national level indicate that **the inflow of remittances tends to increase, at the margin, the housing- and healthcare-related spending in the households that receive them.**
  - ✓ The Southern region exhibits the highest increases, at the margin, in the two spending items indicated above.

Effects of Remittances on Expenditure in Households that Receive Remittances, 2016 1/

Region	Food	Durables	Housing
National	-7.47%	-41.44%	69.40% ***
Northern	-5.17%	-41.29%	74.34% ***
North-Central	-7.30%	-37.79%	63.50% ***
Central	-10.44%	-39.65%	65.32% ***
Southern	-6.15%	-57.66%	94.14% ***
Region	**Education**	**Healthcare**	**Other**
National	-3.30%	104.73% ***	-6.53%
Northern	-6.38%	110.94% ***	-7.27% **
North-Central	-0.71%	103.38% ***	-7.18% **
Central	-1.30%	99.09% ***	-2.71%
Southern	-12.26%	112.16% ***	-8.22% *

Note: Symbols ***, ** and * denote statistical significance at 1, 5 and 10 percent, respectively. N=70,133.
1/ The coefficients are obtained by dividing the average impact of consulted households (ATT, for its acronym in Spanish) and the MBS counterfactual average.
Source: Estimated by Banco de México with data from INEGI.

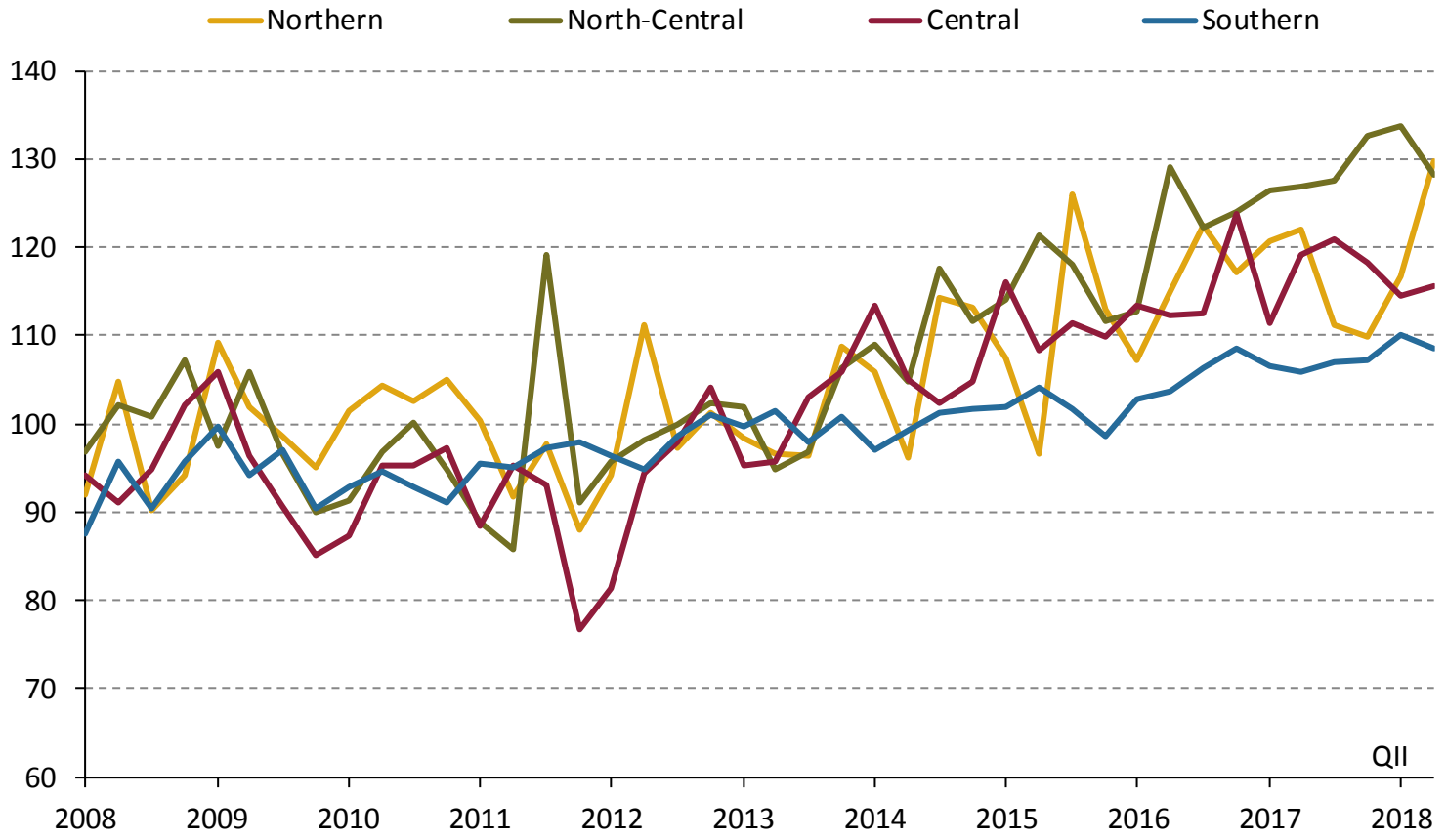
Impact of Remittances on Capital Formation in Households that Receive them in Mexico: A Regional Analysis

- This Box shows the impact of remittances on the spending of households that receive them in Mexico. The evidence indicates that, at the margin, these households **tend to increase their spending on housing and healthcare, as compared to what would have been spent if no such transfers had been received.**
- Thus, **the remittances not only affect the current growth, but also the economic growth opportunities and the country's future growth via greater investment in physical and human capital,** which directly affects households' welfare, in particular of those located in the lowest-income zones of Mexico.

In Q2 2018, the agricultural industry contracted in general terms in Q2 2018, although at the regional level it exhibited mixed results. In fact, in the North-Central and Southern regions agricultural production declined, following the expansion in Q1 2018. In contrast, in the Northern and Central regions the level of agricultural activity increased.

Index of Regional Agricultural Production

Index 2013=100, quarterly average

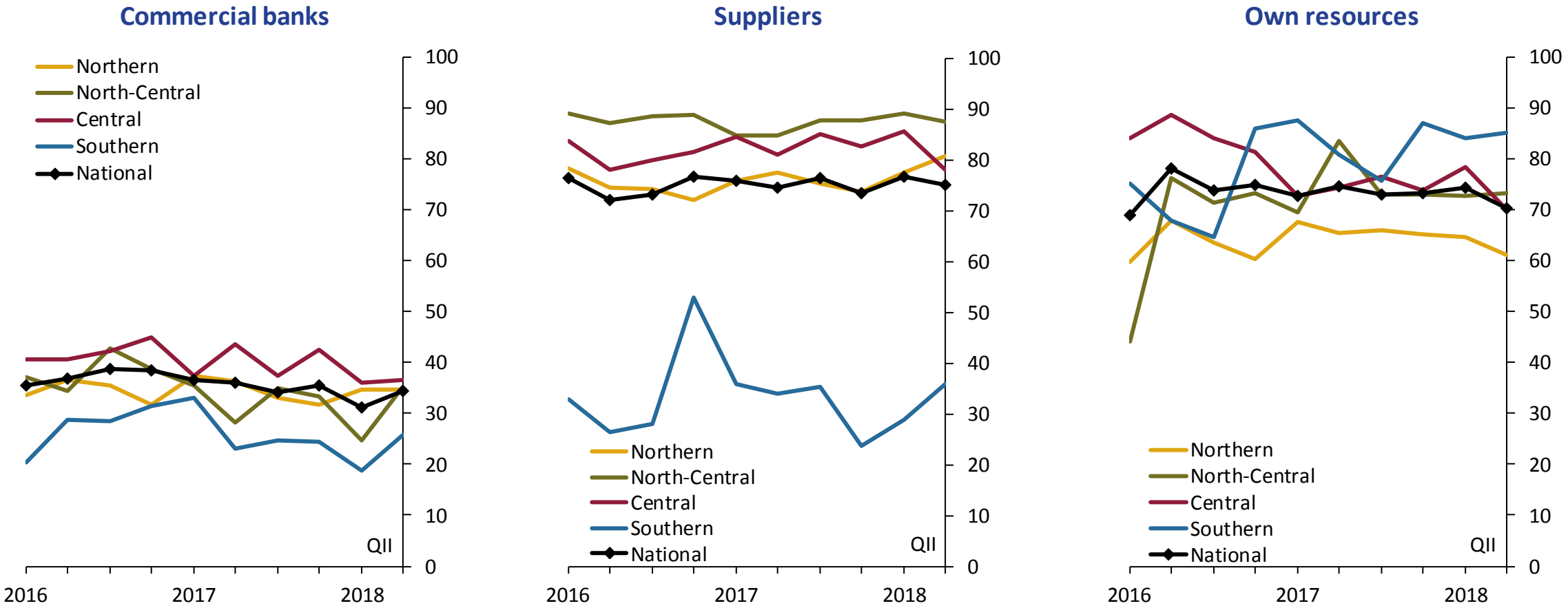


Source: Estimated and seasonally adjusted by Banco de México with data from SAGARPA. It should be noted that, unlike the GDP estimate, this indicator excludes information on the value generated by land cultivation and approximates a measurement of the gross production value, rather than that of value generated in the sector.

The share of firms that used bank credit increased in all regional economies, with the exception of the Northern region. In contrast, the share of businesses that resorted to financing by suppliers fell in the central regions, and increased in the Northern and Southern ones. Finally, the share of firms that used their own resources declined in the Northern and Central regions, and increased in the North-Central and Southern ones.

Main Sources of Financing by Firms in Q2

Percent of businesses that used each source of financing

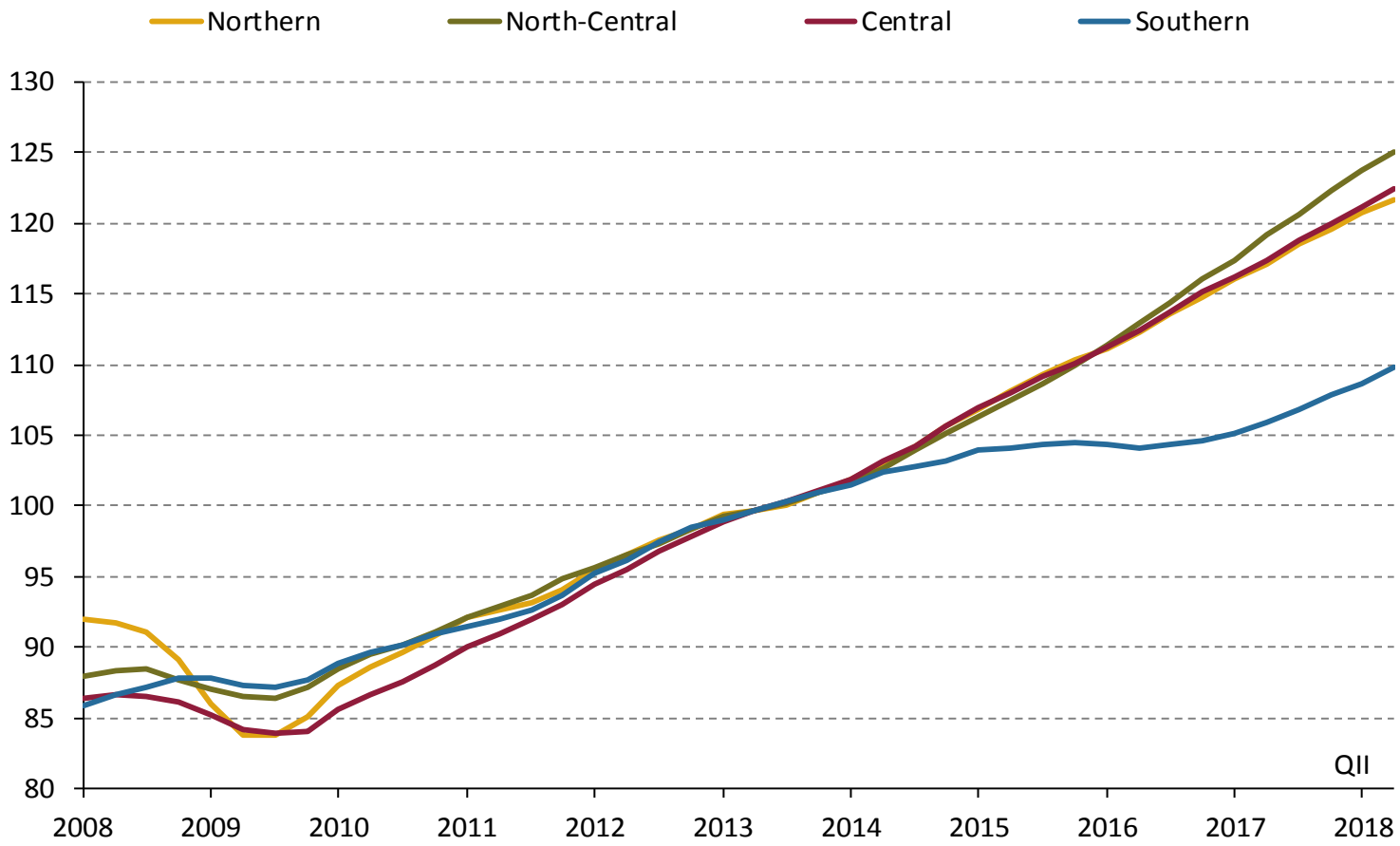


Source: Banco de México.

During Q2 2018, the number of IMSS-insured workers increased in all regions. However, this growth was more moderate than in the Northern and Central regions in Q1 2018.

Number of IMSS-insured Workers 1/

Index 2013=100, quarterly average

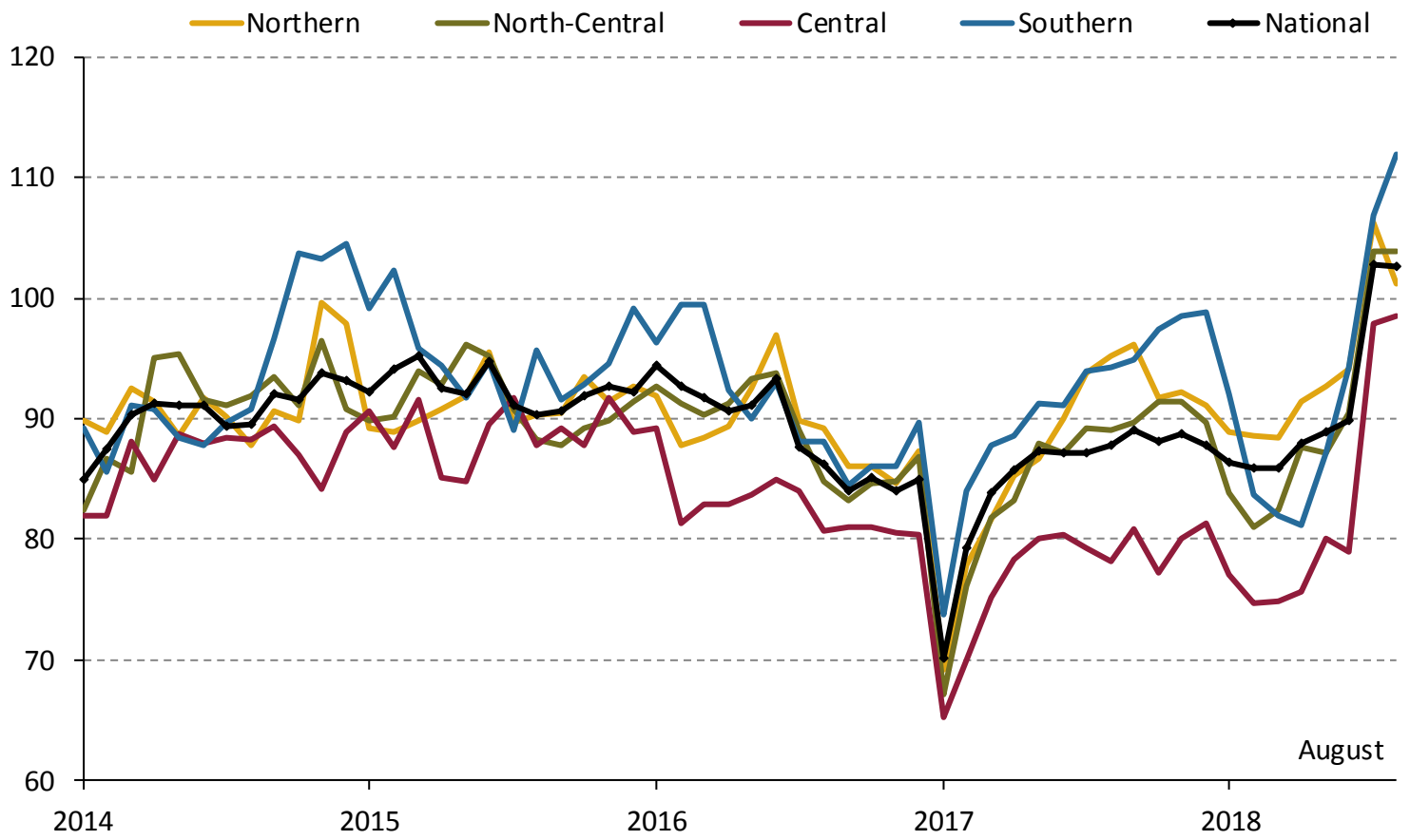


1/ Permanent and temporary jobs in urban areas.
Source: Estimated and seasonally adjusted by Banco de México with data from IMSS.

The Consumer Confidence Index expanded significantly in the period July – August 2018 across the four regions of Mexico, and thereby continued its recovery trend that had been observed during Q2 2018.

Regional Index of Consumer Confidence

Index January 2013=100



Source: Prepared and seasonally adjusted by Banco de México with data from INEGI and own data .

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II. **Results April – June 2018**

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   B. Inflation

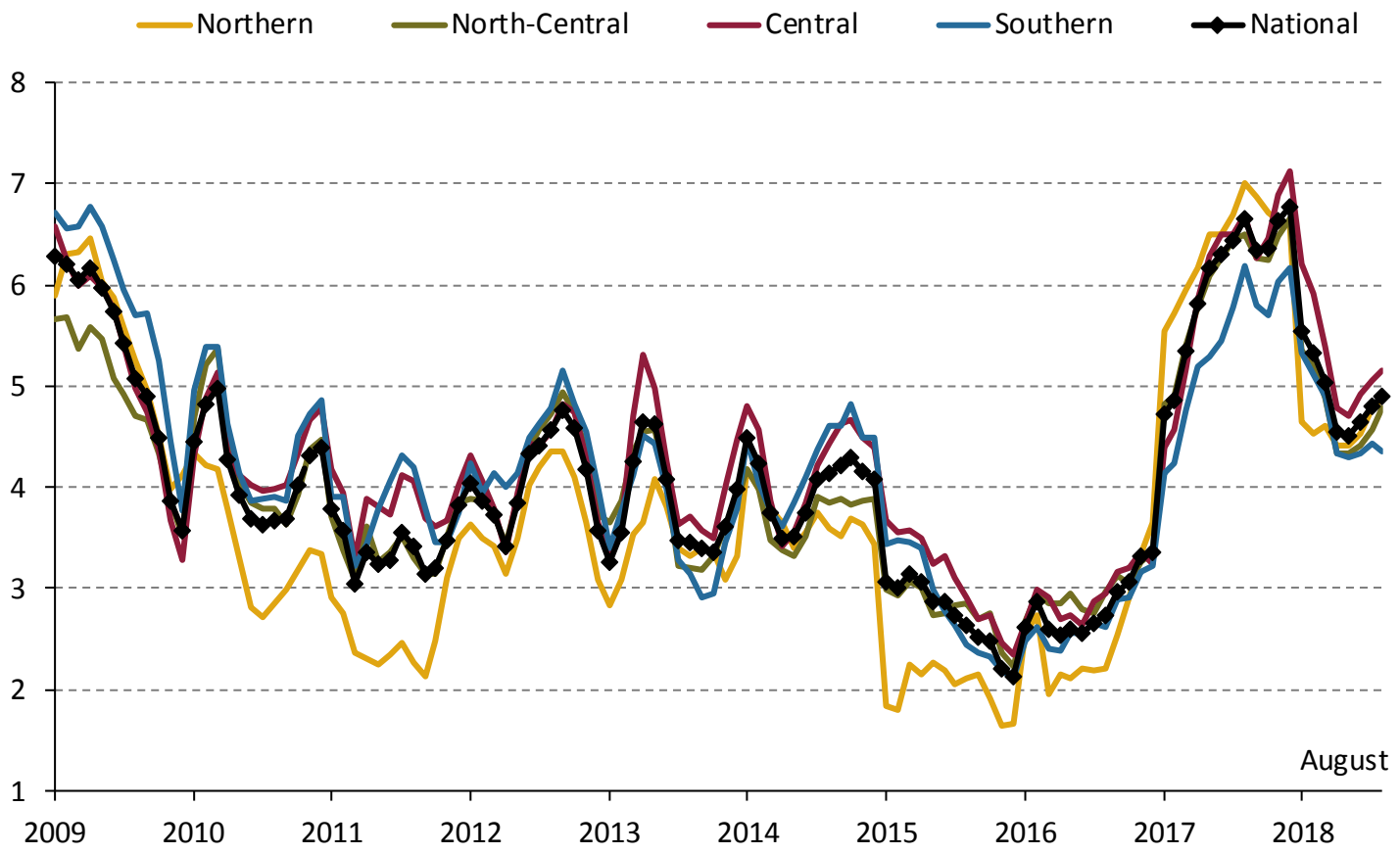
   C. Economic Outlook

III. Final Remarks

In general, headline inflation decreased in all regional economies over the first five months of 2018. However, as of June it has increased.

Annual Headline Inflation

Data in percent

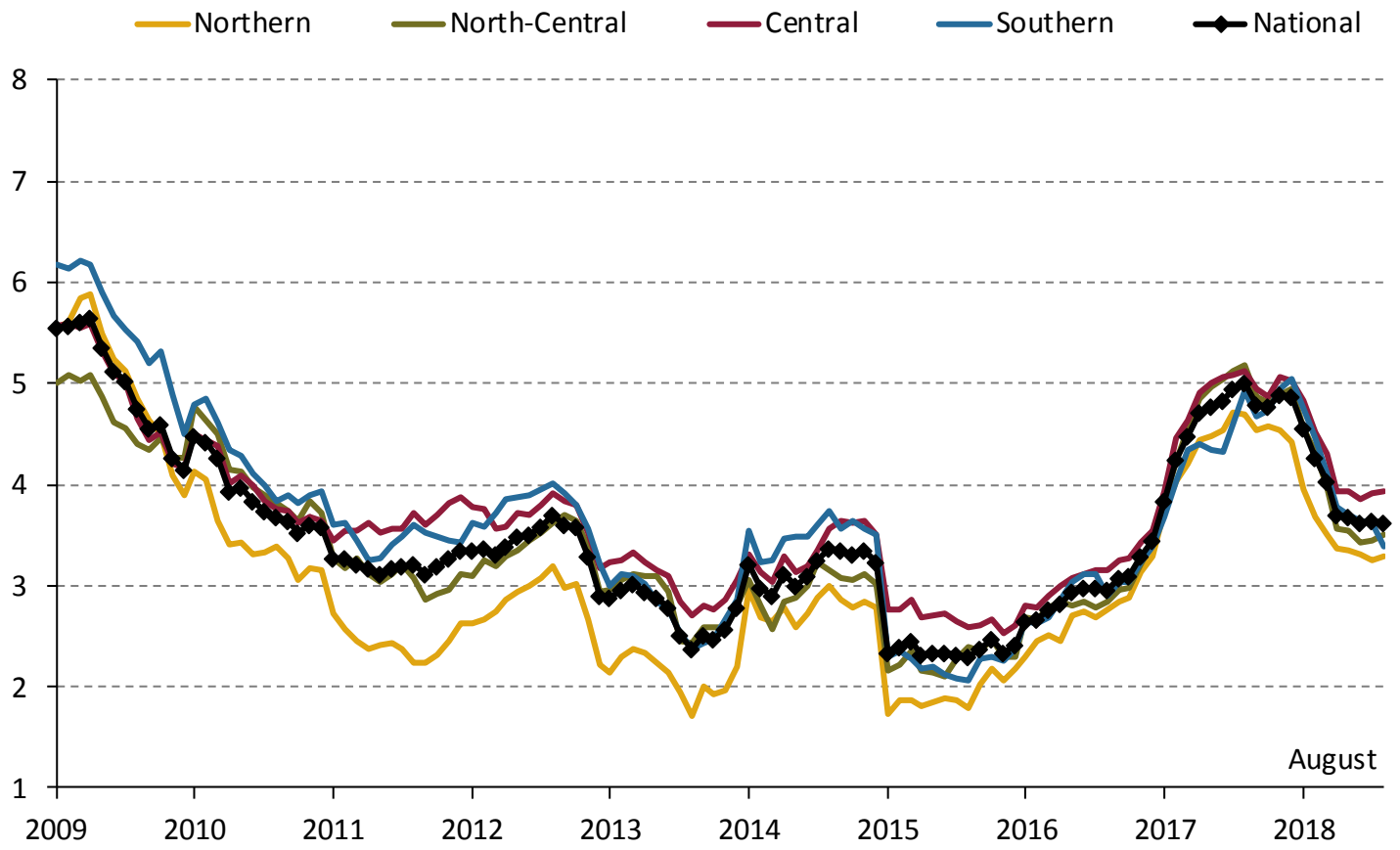


Source: Prepared by Banco de México based on data from INEGI and own data.

In all regions, core inflation generally followed a decreasing trajectory in Q2 2018.

Annual Core Inflation

Data in percent

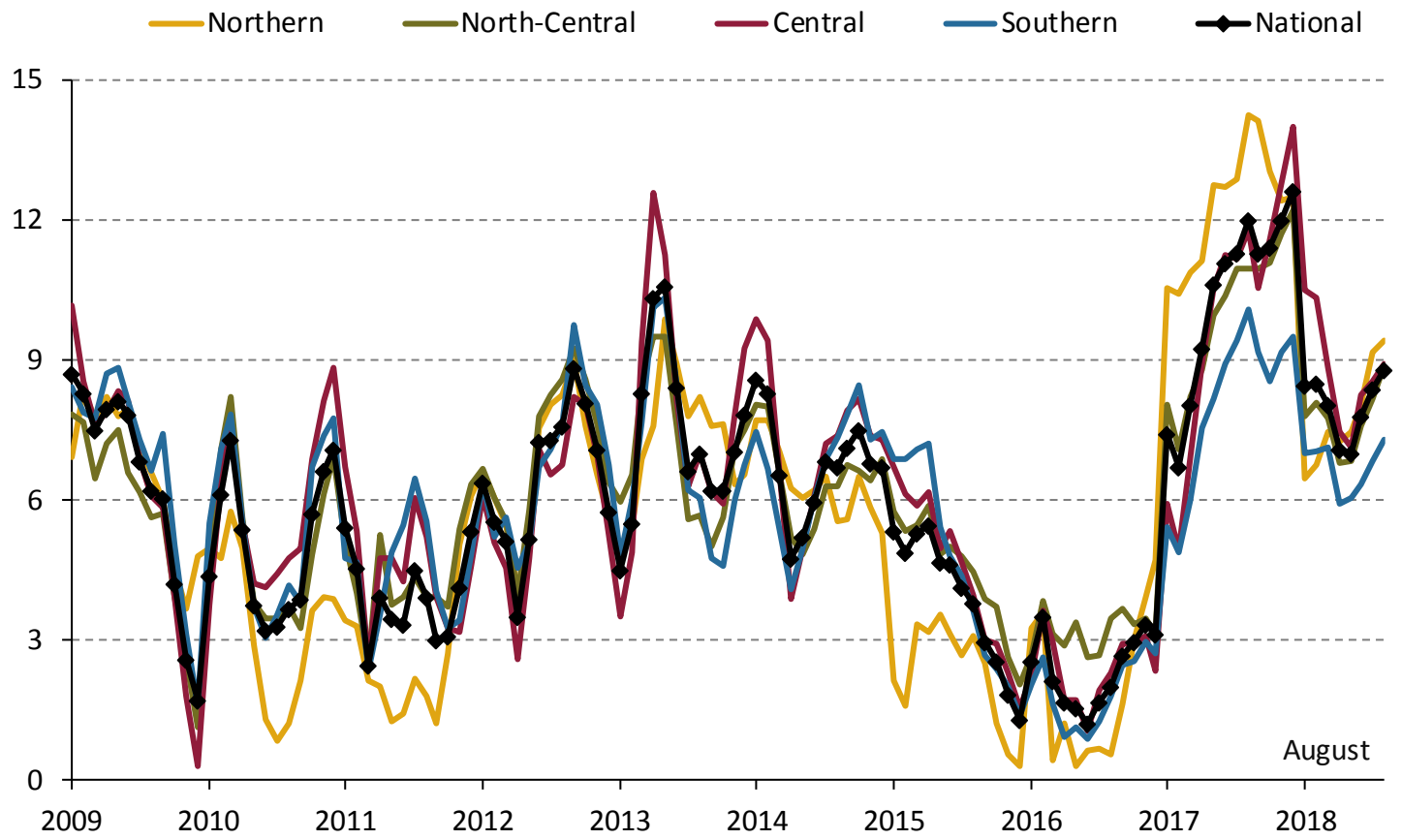


Source: Prepared by Banco de México with data from INEGI and own data.

The declining trend of non-core inflation has been curbed by the growth in energy prices and government authorized prices.

Annual Non-core Inflation

Data in percent



Source: Prepared by Banco de México with data from INEGI and own data.

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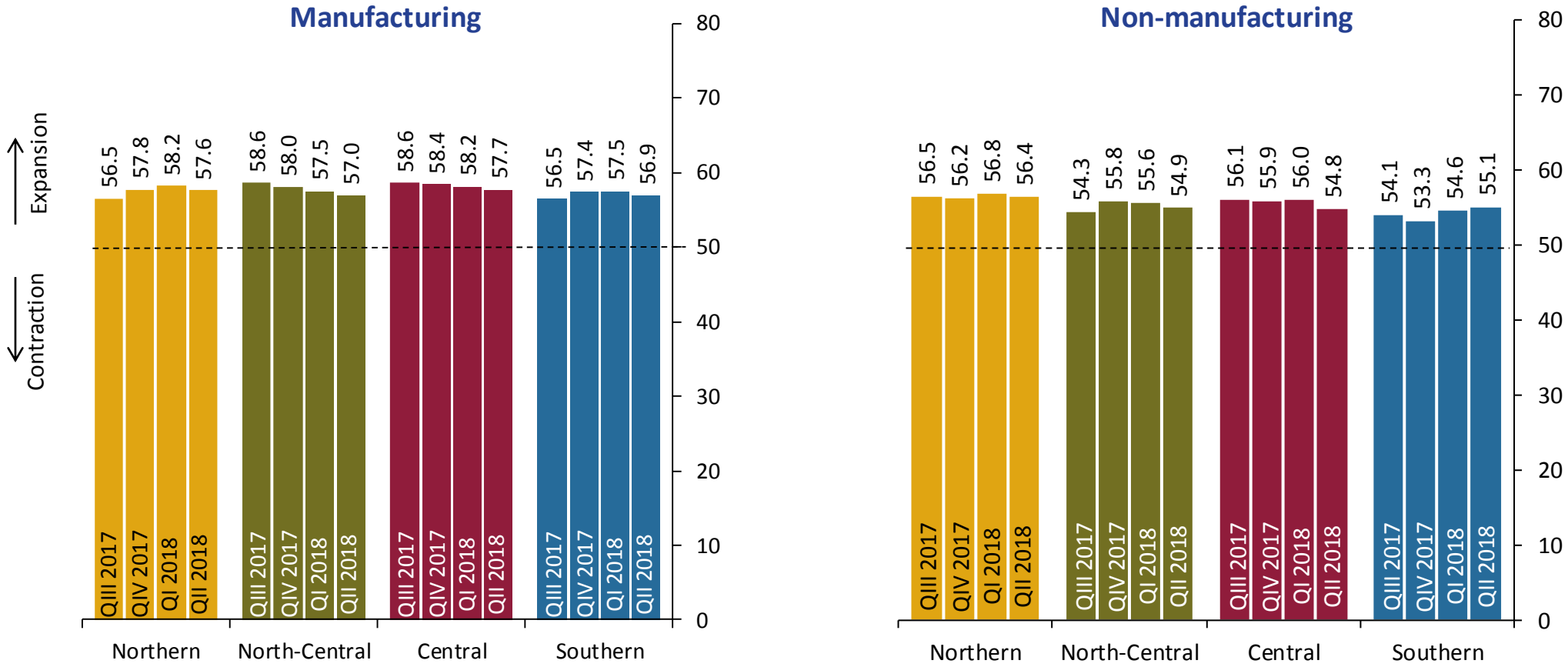
C. Economic Outlook

III. Final Remarks

Regional indices of manufacturing and non-manufacturing orders suggest that both manufacturing and non-manufacturing activity will expand during the next three months in each region of Mexico. However, for both sectors, the expansion weakened at the margin in all regional economies, except for the Southern one in the case of the non-manufacturing sector.

Regional Index of Manufacturing and Non-manufacturing Orders: Activity Outlook, Next 3 Months [1/]

Diffusion indices

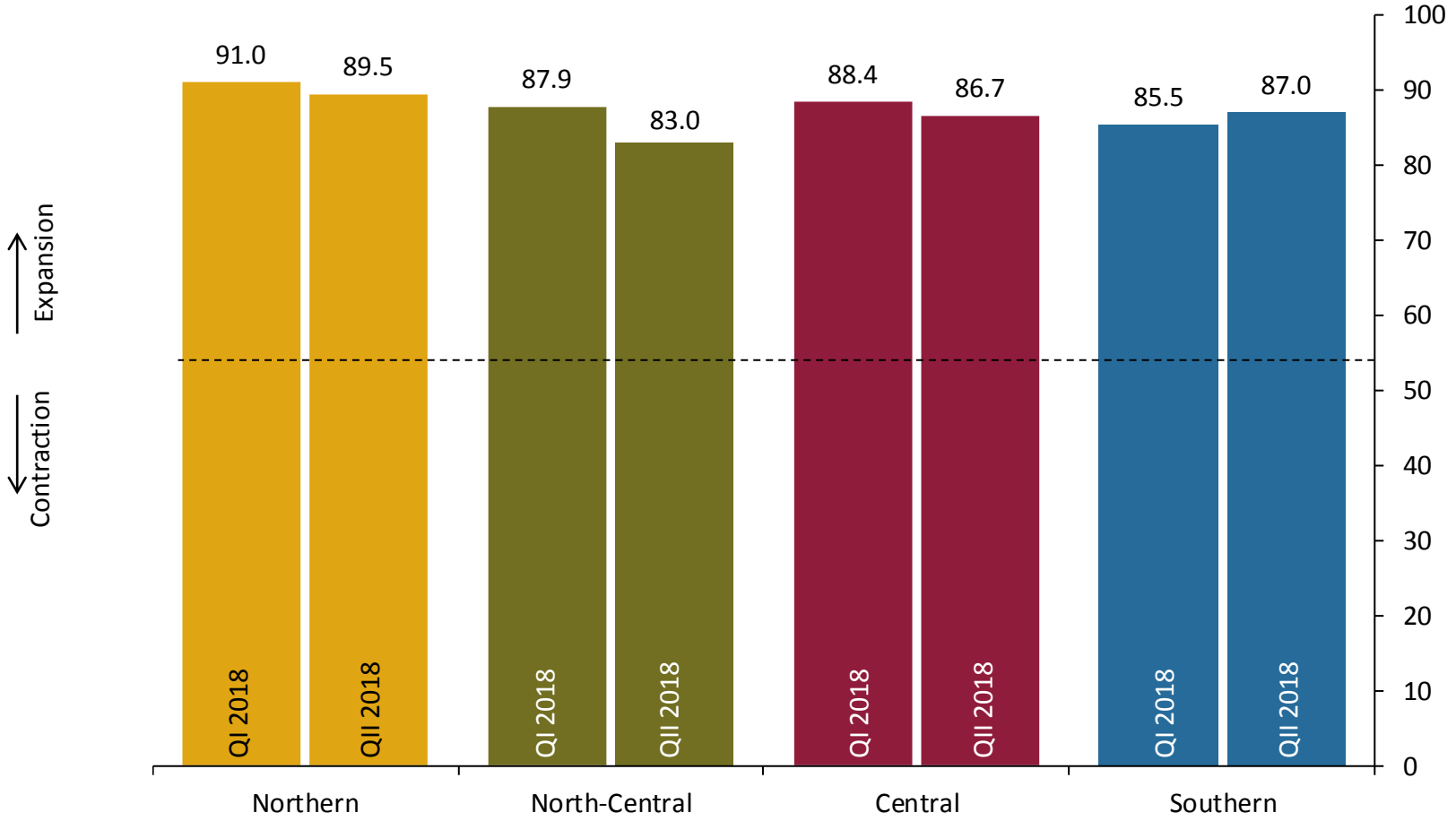


1/ Seasonally adjusted data.
Source: Banco de México.

Business agents consulted in the four regions expect the demand for their own goods and services to grow during the following twelve months, although this signal was less intense with respect to the previous quarter, except for the Southern region.

Business Agents' Expectations: Demand over the Next 12 Months 1/

Diffusion indices

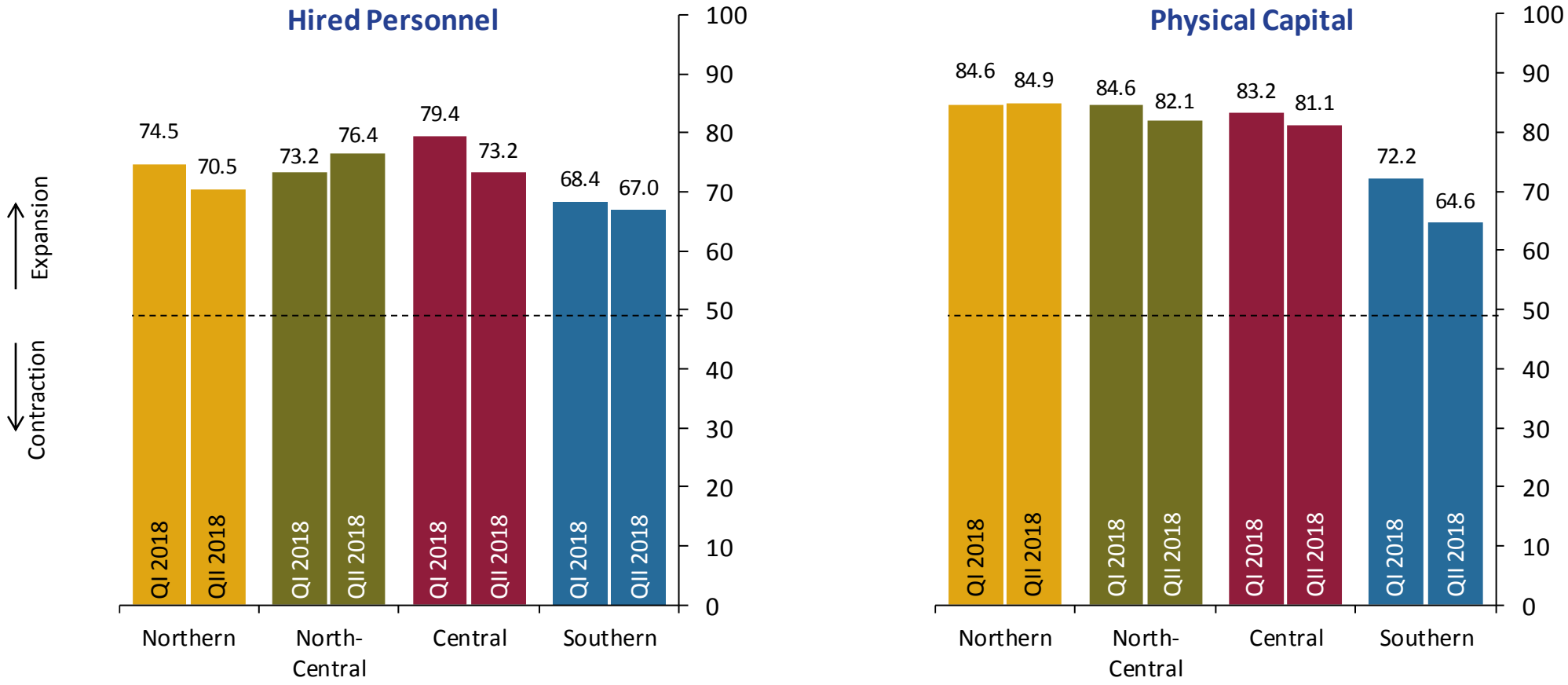


1/ Results obtained from responses to the question: " With respect to the volume of sales of your own goods and services over the previous 12 months, how do you expect your sales' volume to change in the next 12 months?", from interviews conducted by Banco de México.

Consistent with the expected growth in demand for their own goods and services, business agents anticipate an expansion of hired personnel and physical capital in different regions of Mexico, although generally this signal tended to be less intense than in Q1 2018.

Business Agents' Expectations: Hired Personnel and Physical Capital, Next 12 Months [1/]

Diffusion indices



1/ Results obtained from responses to the questions: " With respect to the previous 12 months, how do you expect the total number of workers in your firm to change for the next 12 months?", and "With respect to your firm's investment in fixed assets during the previous 12 months, how do you expect investment levels to change in the following 12 months?", from interviews conducted by Banco de México.

Business Agents' Opinion on Risks to Regional Economic Activity

Upward risks

- That NAFTA renegotiation is favorable for Mexico.
- That investment levels turn out to be higher than anticipated.
- Business agents in the Northern region pointed to a possible reduction of VAT in the border area, as well as a better-than-anticipated performance of manufacturing exports. Business contacts in the Central region noted a likely higher dynamism of the automotive sector, which was associated, in part, to an expectation of a greater flow of FDI to this sector. Ultimately, in the Southern region they mentioned an uptick in investment in infrastructure, the energy sector, and tourism.

Downward risks

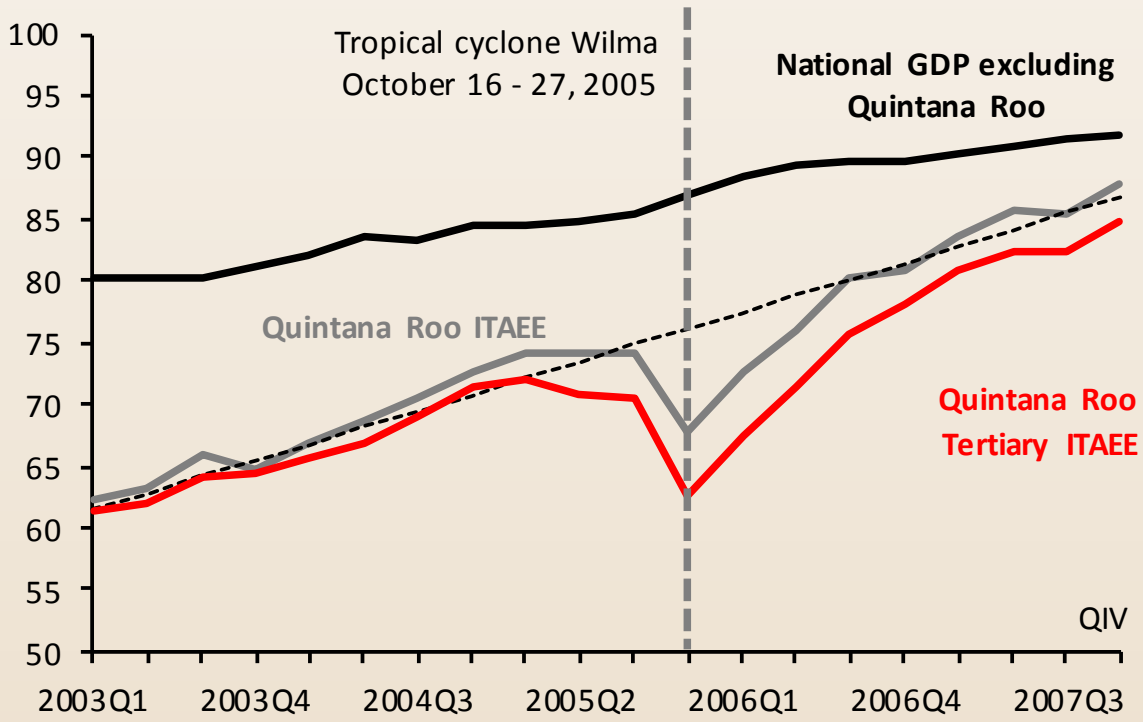
- A deterioration in public safety.
- That the uncertainty prevailing both in the domestic and external fronts leads to lower investment levels.
- That NAFTA renegotiation is not favorable for the Mexican productive sector.
- In the Northern and North-Central regions, business contacts mentioned that the possible implementation of protectionist measures in some countries may affect the performance of Mexican businesses. In the Central region they signaled that the lack of skilled labor may impact the competitiveness of some industries. In the Southern region they emphasized the impact of adverse weather conditions on economic activity.

Box:
Impact of Tropical Cyclones on Regional Economic Activity

- Owing to its geographical location in the vicinity of the Tropic of Cancer, Mexico is among the ten countries with the highest exposure to tropical cyclones (TC); especially the 12 coastal states: 11 on the Pacific coast and 6 on the Atlantic coast.
- This Box seeks to **quantify the effects of TC on the economic activity of the Mexican coastal states.** Given that it is hard to predict TC in terms of their occurrence, duration, trajectory and intensity, it is possible to benefit from the exogenous variation presented by these weather events to evaluate their economic consequence.

Impact of Hurricane Wilma on Quintana Roo ITAEE

Index 2013=100

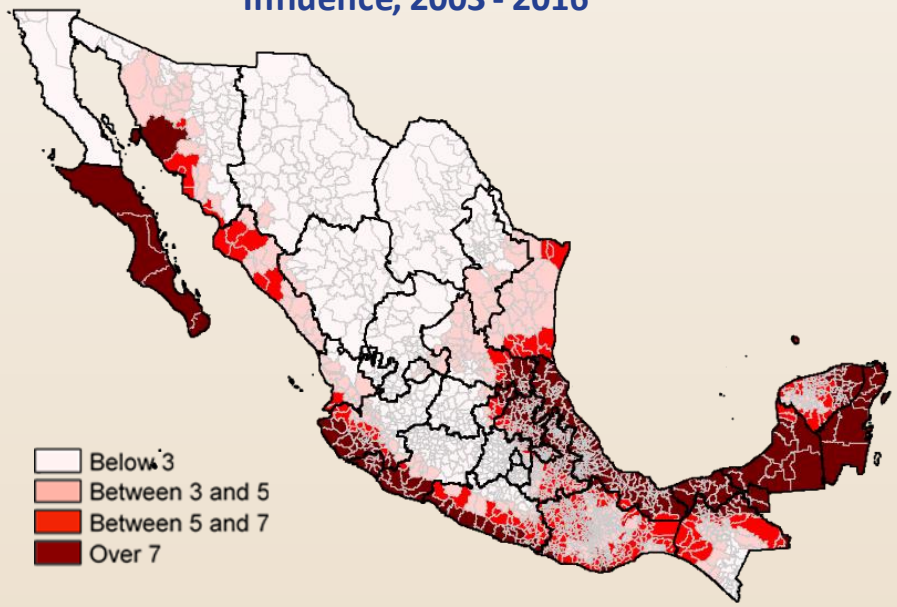


Source: Prepared by Banco de México with seasonally adjusted data from INEGI.

Box:
Impact of Tropical Cyclones on Regional Economic Activity

- In recent years, TC have captured more attention due to their increasing intensity.
- TC can significantly decrease economic activity levels in the states that are more exposed to such weather phenomena.

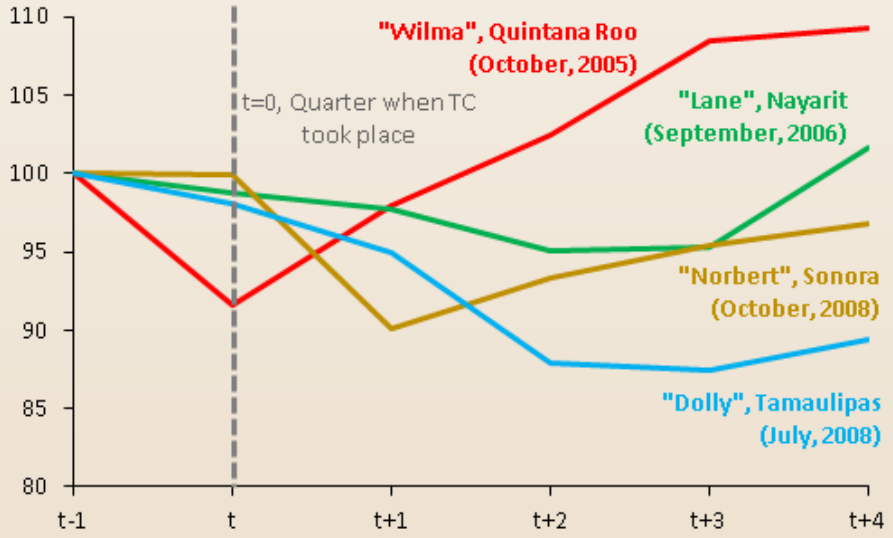
Number of Exposure Events of Municipalities to the TC Radius of Influence, 2003 - 2016



Note: This indicator quantifies the number of times when a set of towns that compose municipalities has been exposed to the radius of influence of TC winds.
Source: Prepared by Banco de México with data from IBTrACS.

Economic Activity Prior to and Following the TC Occurrence

Total ITAEE, quarter prior to the TC occurrence=100



Source: Prepared by Banco de México with seasonally adjusted data from INEGI.

Box:
Impact of Tropical Cyclones on Regional Economic Activity

Cumulative Effect of TC on the Growth of Economic Activity in the Coastal States, 2003 – 2016

Impact of wind	Total		Primary	Secondary		Tertiary	
Contemporary	-0.901	***	-0.597	0.554	*	-1.094	***
	(0.298)		(1.249)	(0.262)		(0.300)	
One quarter	-0.196	*	1.389	1.056	**	-0.381	**
	(0.094)		(1.436)	(0.391)		(0.132)	
Two quarters	-0.016		0.446	0.627		-0.070	
	(0.128)		(1.591)	(0.435)		(0.068)	
Three quarters	0.045		0.533	0.940		-0.145	
	(0.306)		(0.625)	(0.736)		(0.226)	
Four quarters	-0.218		1.384	0.499		-0.302	**
	(0.287)		(1.395)	(0.863)		(0.123)	
Fixed time effects	Yes		Yes	Yes		Yes	
Fixed state effects	Yes		Yes	Yes		Yes	
Linear trend by state	Yes		Yes	Yes		Yes	
Number of observations	884		884	884		884	
Number of entities	17		17	17		17	

Note: Standard errors in parenthesis. *** denotes significance at 1%, p<0.01; ** at 5% , p<0.05; and * at 10%, p<0.1.
Source: Estimated by Banco de México using data from IBTrACS, SMN and INEGI.

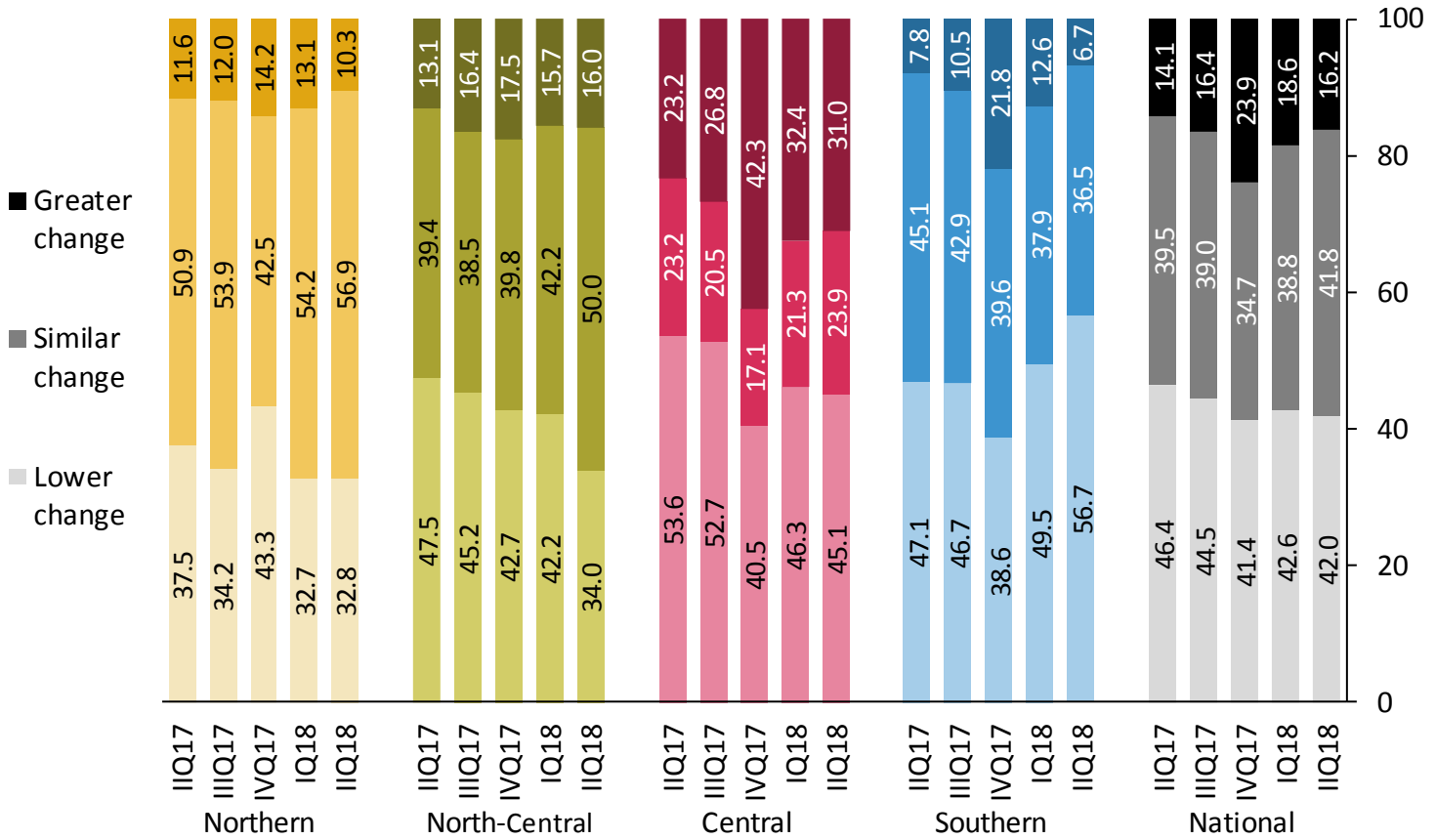
Box:
Impact of Tropical Cyclones on Regional Economic Activity

- This Box identified the states with the highest exposure to TC. On the Pacific side, they are Baja California Sur, Jalisco, Colima, Michoacán and Guerrero, while, on the side of the Atlantic, they are Veracruz, Tabasco, Campeche and Quintana Roo.
- The results of this Box suggest that the **exposure to TC negatively affects the economic activity of the coastal states.** However, this impact is short-lived, it is heterogeneous across sectors, and tends to fade around the second quarter after the TC occurrence.
- In light of these results and the recent increase in the severity of TC, it is key to continue strengthening the mechanisms of adaptation to climate change.
- In particular, it is necessary to implement actions that would reduce the vulnerability of the population and the productive sectors, and that would develop stronger strategic infrastructure capable of resisting TC in order to boost the resilience of the regions most exposed to these weather phenomena.

Regarding the sales' prices of own goods and services, most business agents interviewed in different Mexican regions continue expecting similar or lower annual percentage changes, as compared to those observed over the previous 12 months.

Business Agents' Expectations: Annual Change of Sales' Prices, Next 12 Months [1/]

Percentage of responses

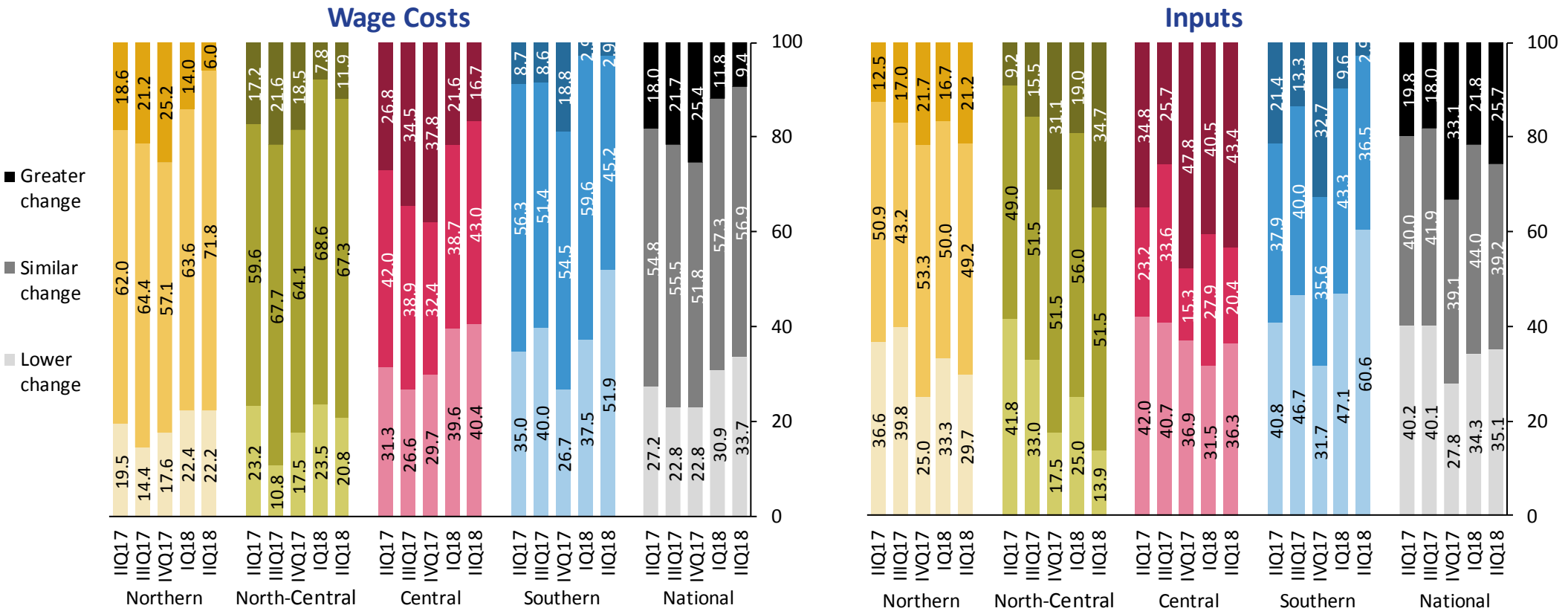


1/ Results obtained from responses to the question: "With respect to the previous 12 months, how do you anticipate sales' prices in your sector to change over the next 12 months?", from interviews conducted by Banco de México.

Congruent with the expected evolution of sales' prices, most business contacts interviewed in all regions estimate that both wage costs and input prices will grow at a rate similar or lower than that registered over the previous twelve months.

Business Agents' Expectations: Annual Change of Wage Costs and Input Prices, Next 12 Months [1/]

Response rate



1/ Results obtained from responses to the question: "With respect to the previous 12 months, how do you expect wages of your sector's workers to change in the next 12 months?", and "With respect to the previous 12 months, how do you anticipate input prices (goods and services) used in your sector to change over the following 12 months?", from interviews conducted by Banco de México.

Outline

I. Regional Economic Report

II. Results April – June 2018

A. Economic Activity

B. Inflation

C. Economic Outlook

III. Final Remarks

Final Remarks

- To take on the challenges that may arise in the complex domestic and international environment, it is essential to promote the resilience and the competitiveness of the Mexican regional economies.
- To do so, it is necessary to continue strengthening the country's macroeconomic framework and keep implementing measures that contribute to raise productivity. This would allow economic activities to take place in a framework of incentives that imply a more efficient allocation of available resources, which, in turn, would lead to an improved welfare of the population across all Mexican regions.



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