

Mexico: Insights 2022

Economics Research Mexico

Scotiabank Mexico

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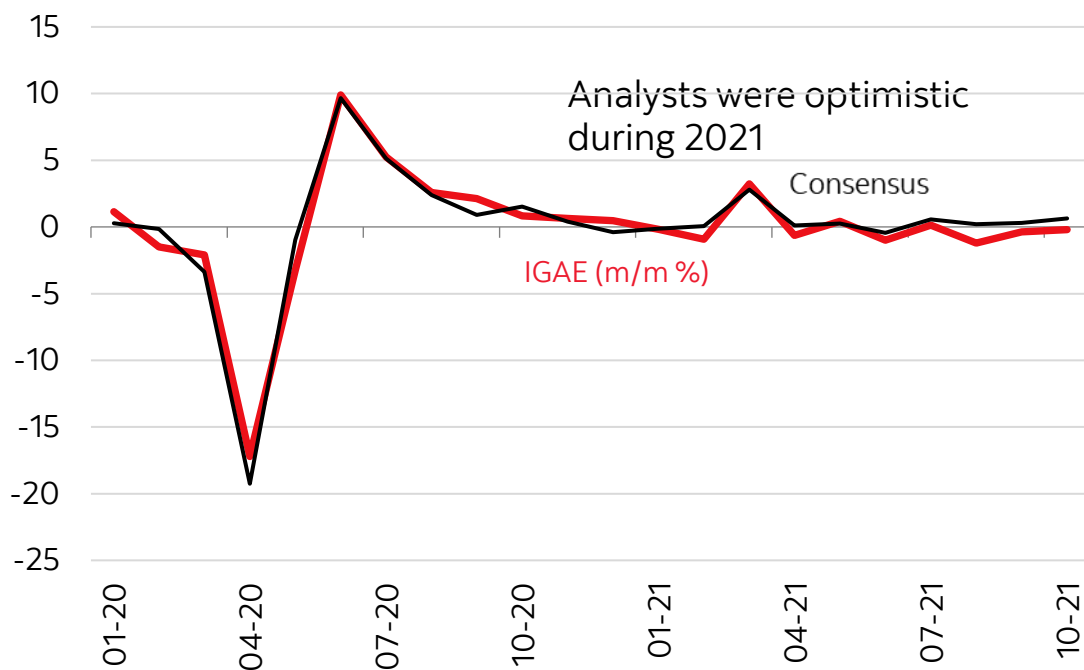
01

Economic Recovery Update

Economic activity has lost momentum since August 2021, still below pre-pandemic levels. Investment remains the long-term risk.

ECONOMIC ACTIVITY IN MEXICO

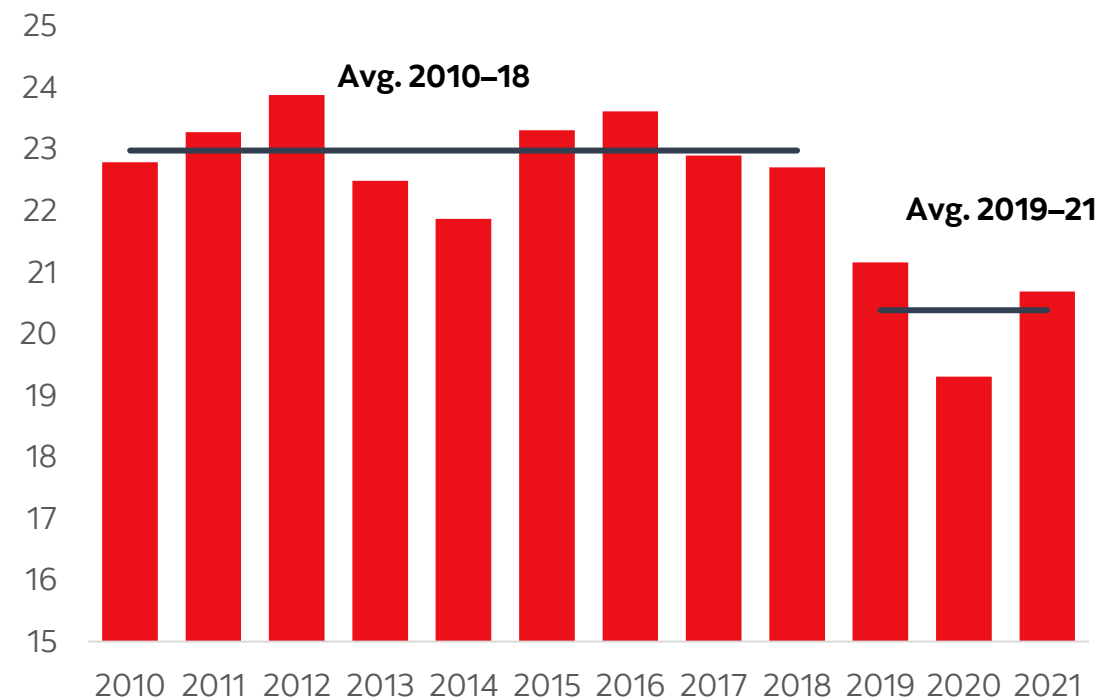
(IGAE, m/m%)



Sources: Scotiabank Economics, Bloomberg.

GROSS FIXED INVESTMENT

(% of GDP)



Sources: Scotiabank Economics, INEGI.

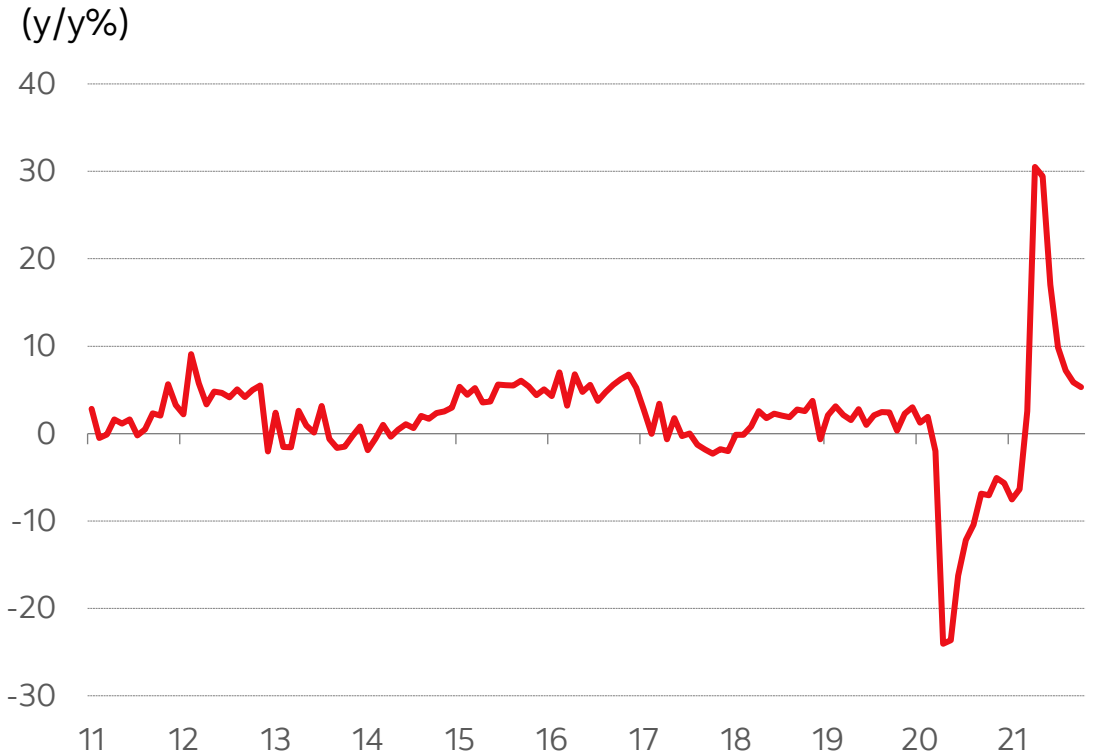
Consumption recovery is ongoing.

CONSUMER CONFIDENCE



Sources: Scotiabank Economics, INEGI.

RETAIL SALES

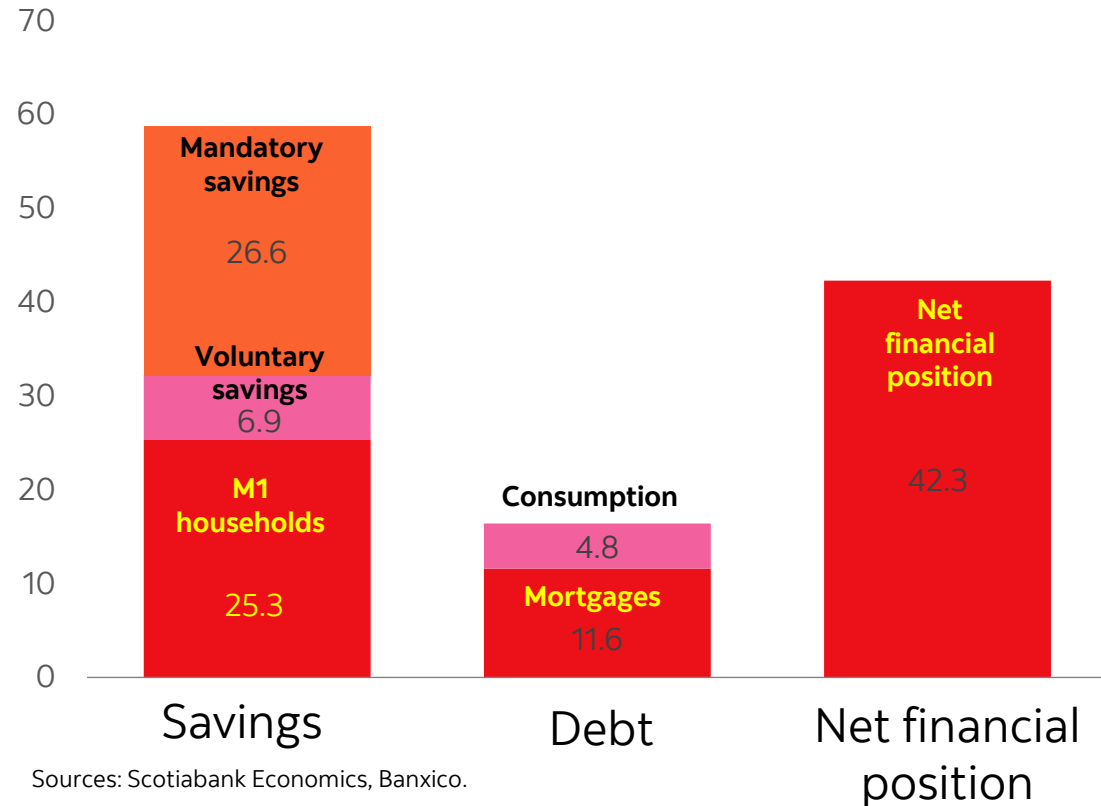


Sources: Scotiabank Economics, Bloomberg.

Mexican households are in a strong financial position.

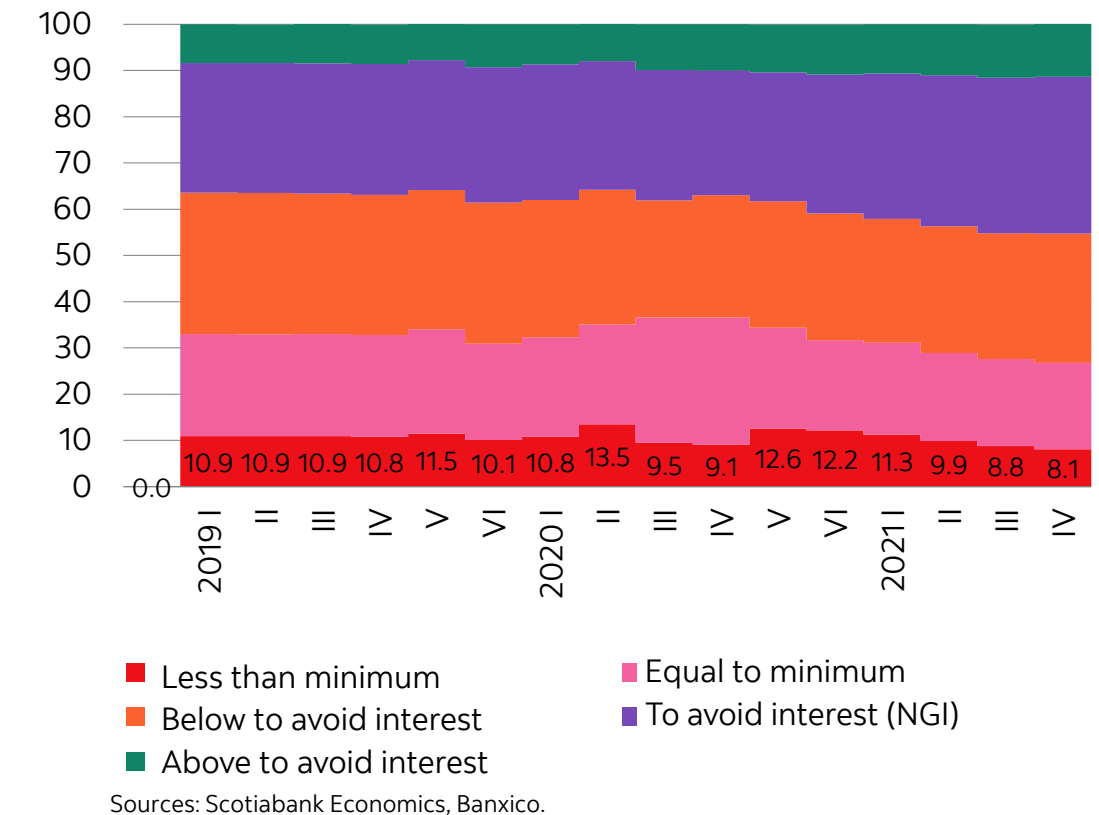
HOUSEHOLD FINANCIAL POSITION

(% of GDP)



PAYMENTS MADE BY USERS ON CREDIT CARDS

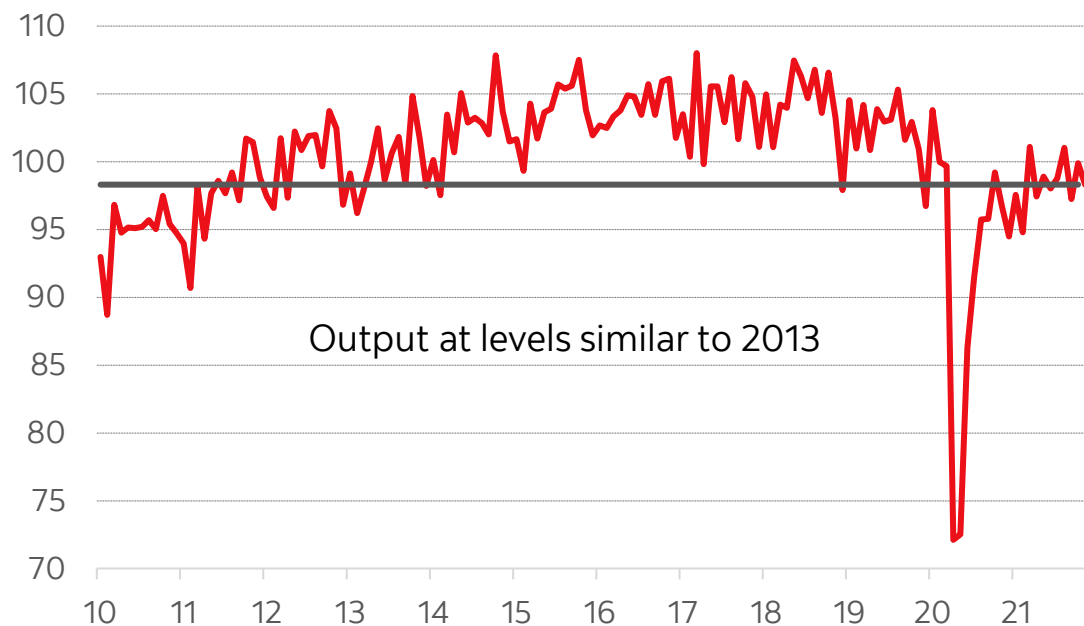
(%)



Volatility in industrial production: strong growth in manufacturing and utilities, but weakness in construction and mining.

MEXICO, INDUSTRIAL PRODUCTION TOTAL

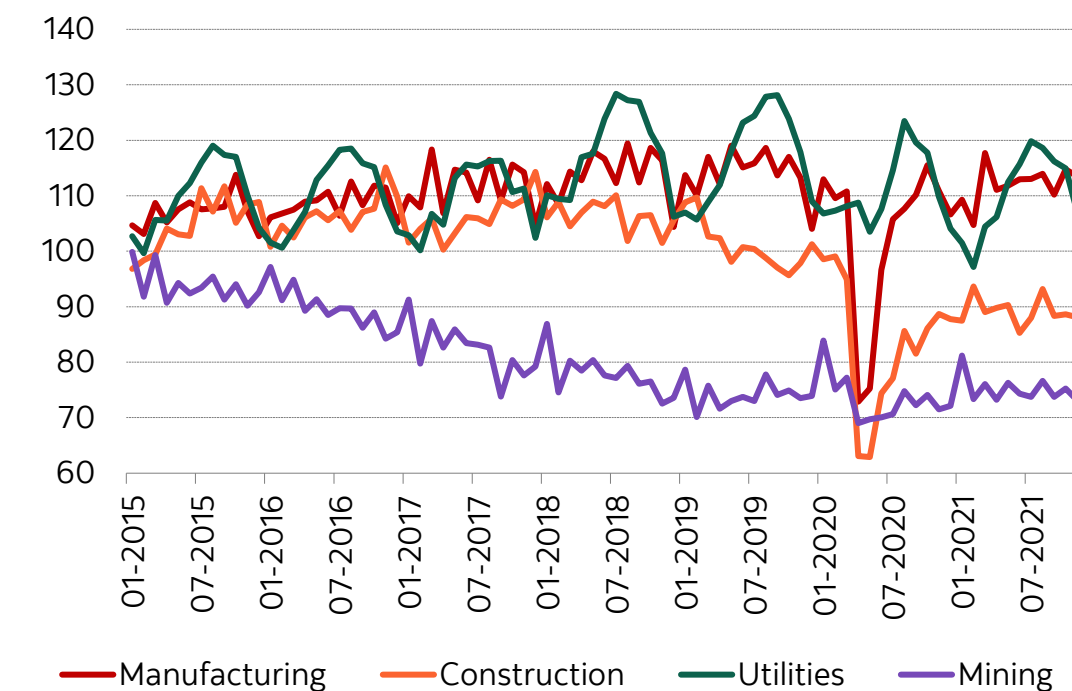
(Index 2013=100)



Sources: Scotiabank Economics, INEGI.

MEXICO, INDUSTRIAL PRODUCTION BY SUB-SECTOR

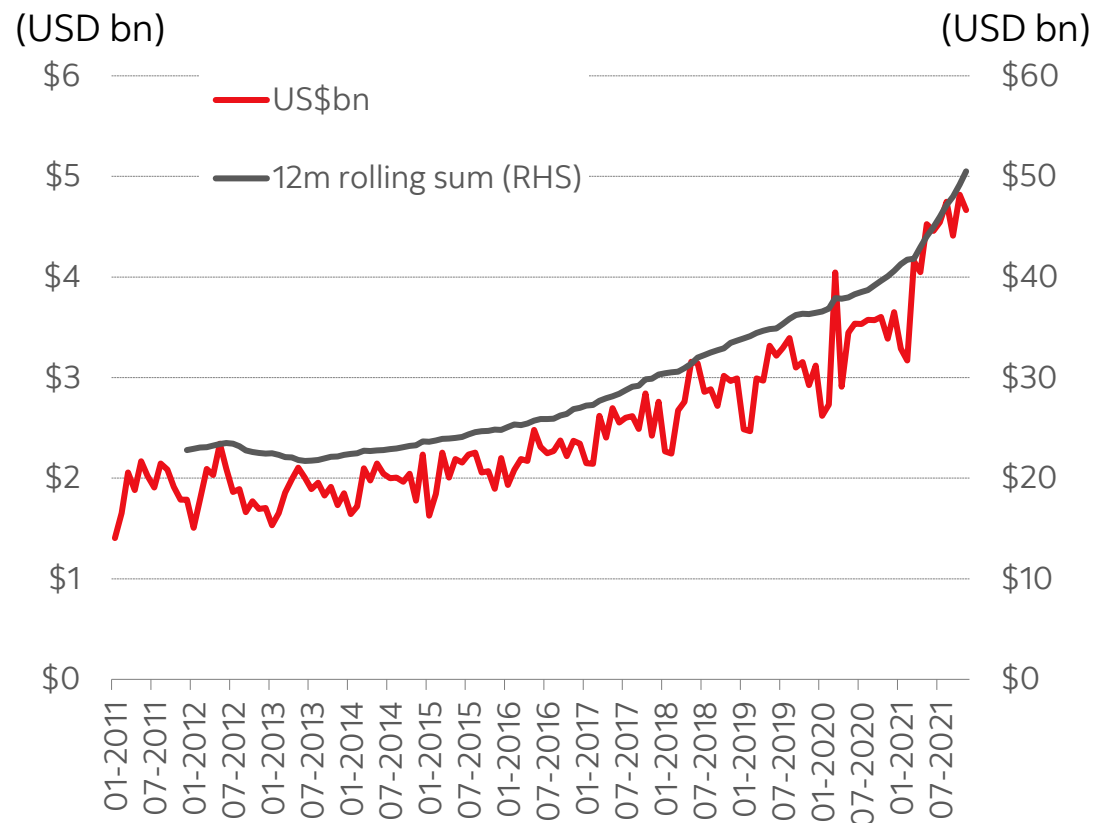
(Volumes, Index 2013=100)



Sources: Scotiabank Economics, INEGI.

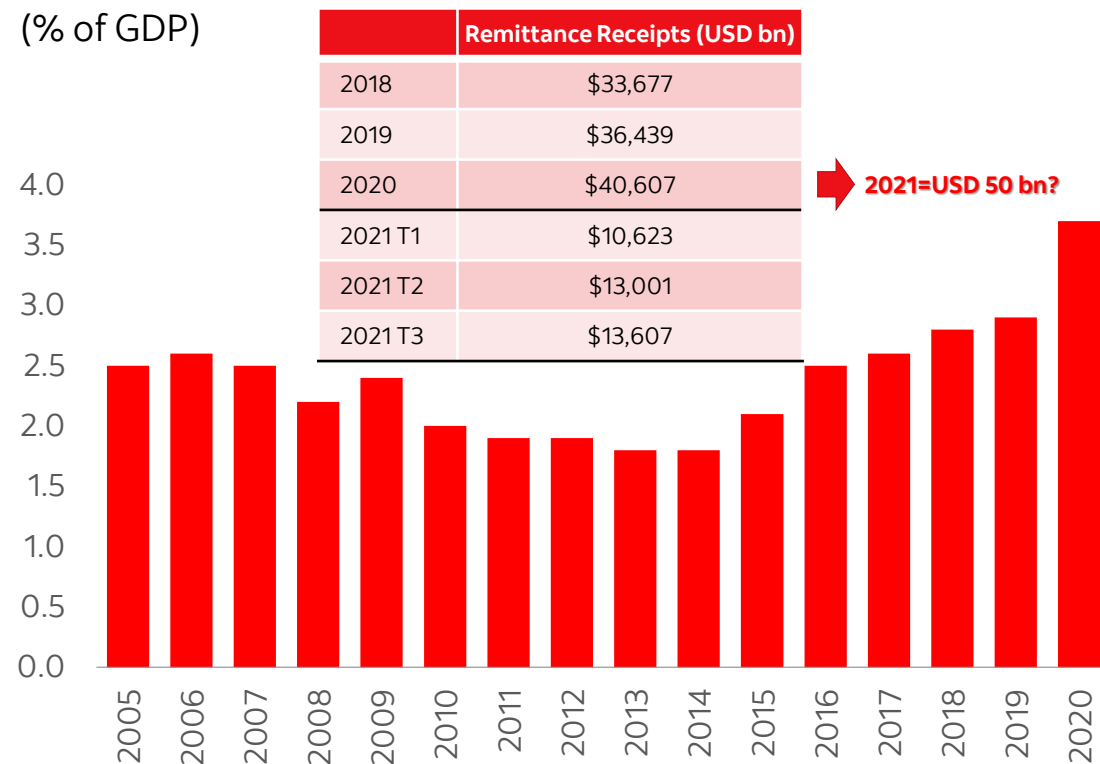
Foreign receipts support consumption and the peso.

FOREIGN RECEIPTS



Sources: Scotiabank Economics, Bloomberg.

REMITTANCE RECEIPTS

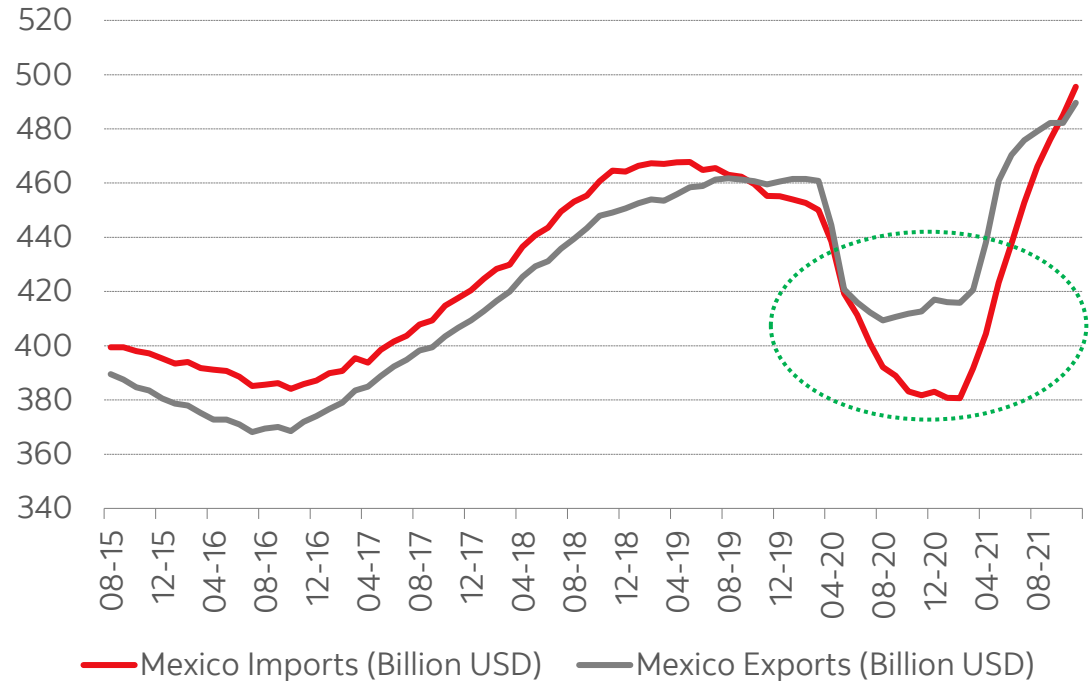


Sources: Scotiabank Economics, Banxico.

Trade deficits in recent months reversed the surpluses of H2-2020.

MEXICAN IMPORTS & EXPORTS

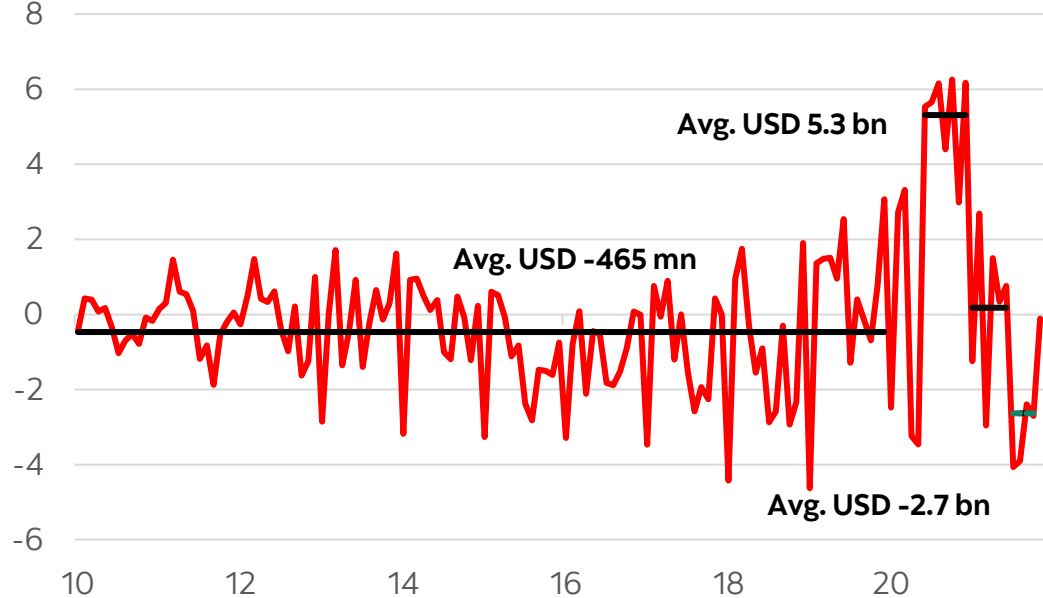
(12-mos rolling sum)



Sources: Scotiabank Economics, Bloomberg.

TRADE BALANCE

(USD bn)



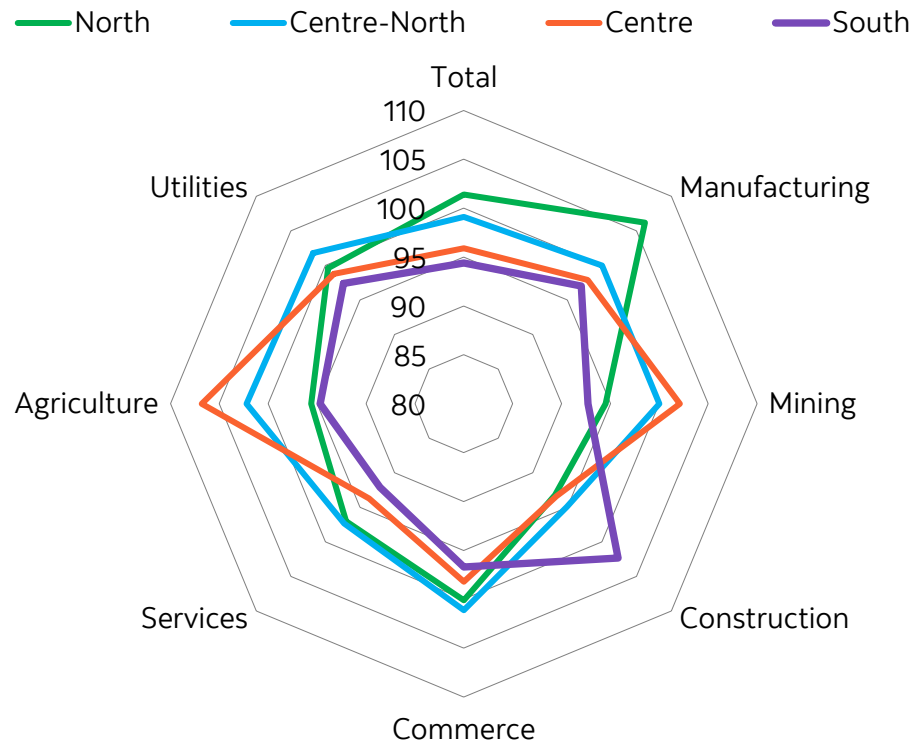
Sources: Scotiabank Economics, Bloomberg.

02

Labour Market Evolution

Labour market is recovering, but under-employment remains.

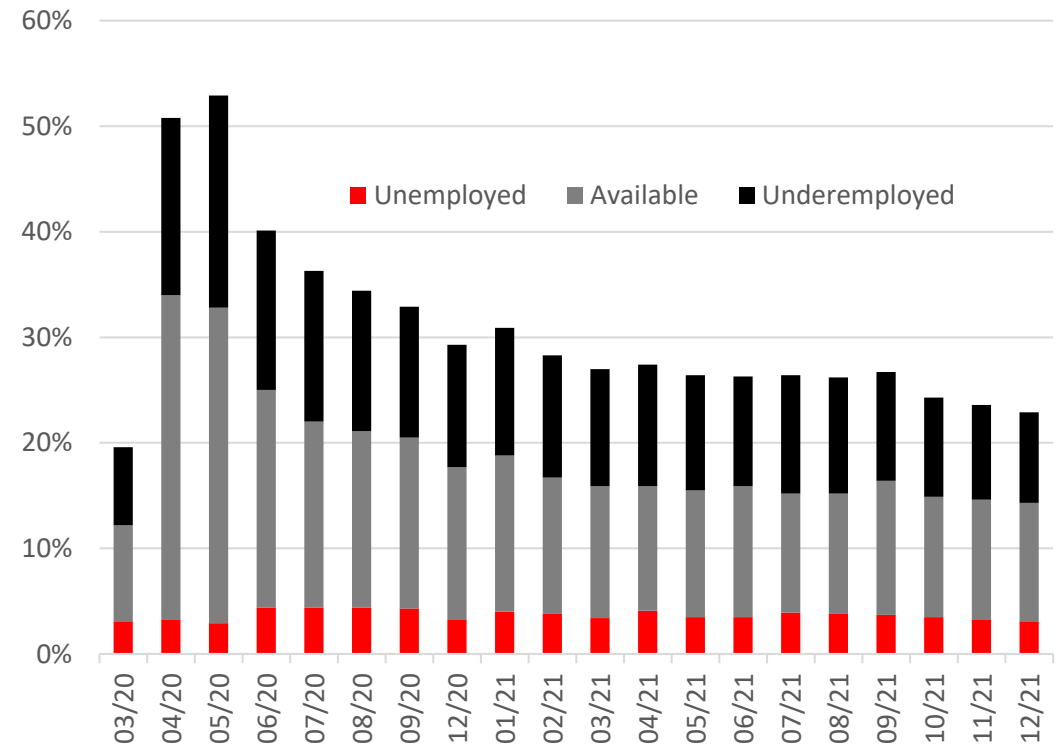
NUMBER OF SOCIAL-SECURITY-INSTITUTE AFFILIATED FORMAL JOBS (Q2-2021, as % of their Feb-2020 levels)



Sources: Scotiabank Economics, Banxico.

MEXICAN EMPLOYMENT GAP

(% of the economically active population)

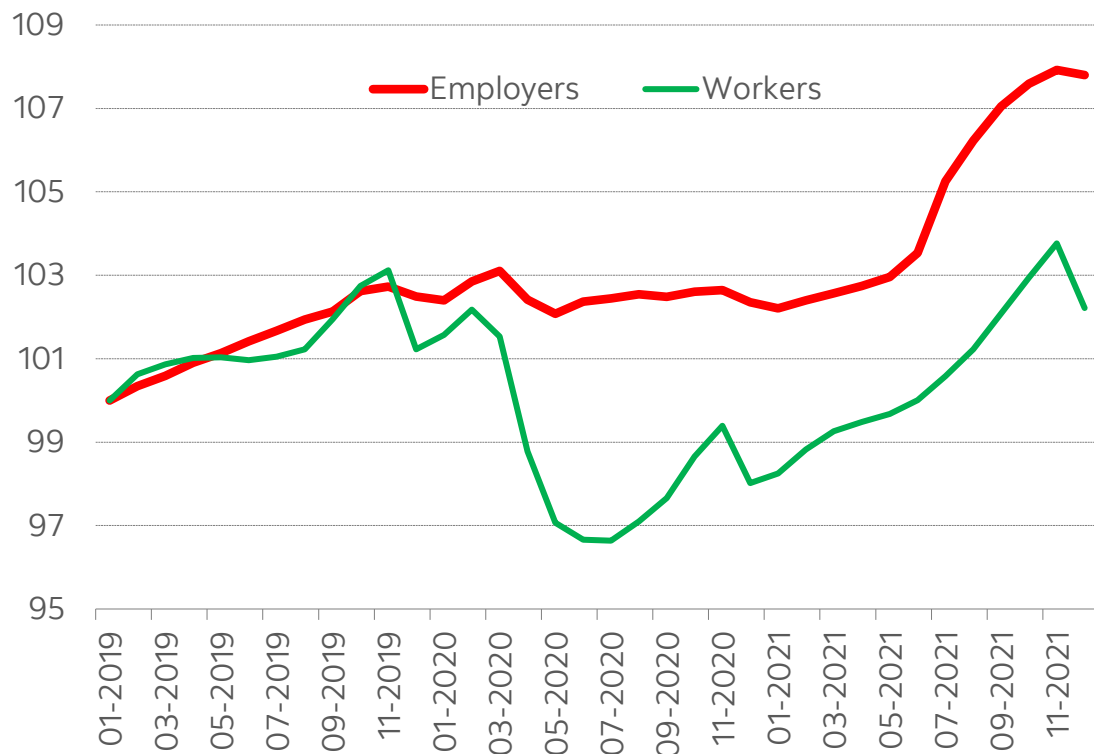


Sources: Scotiabank Economics, INEGI, IMCO.

Recovery is taking place in both formal and informal sectors, with an increase in self-employment.

FORMAL EMPLOYERS & EMPLOYEES

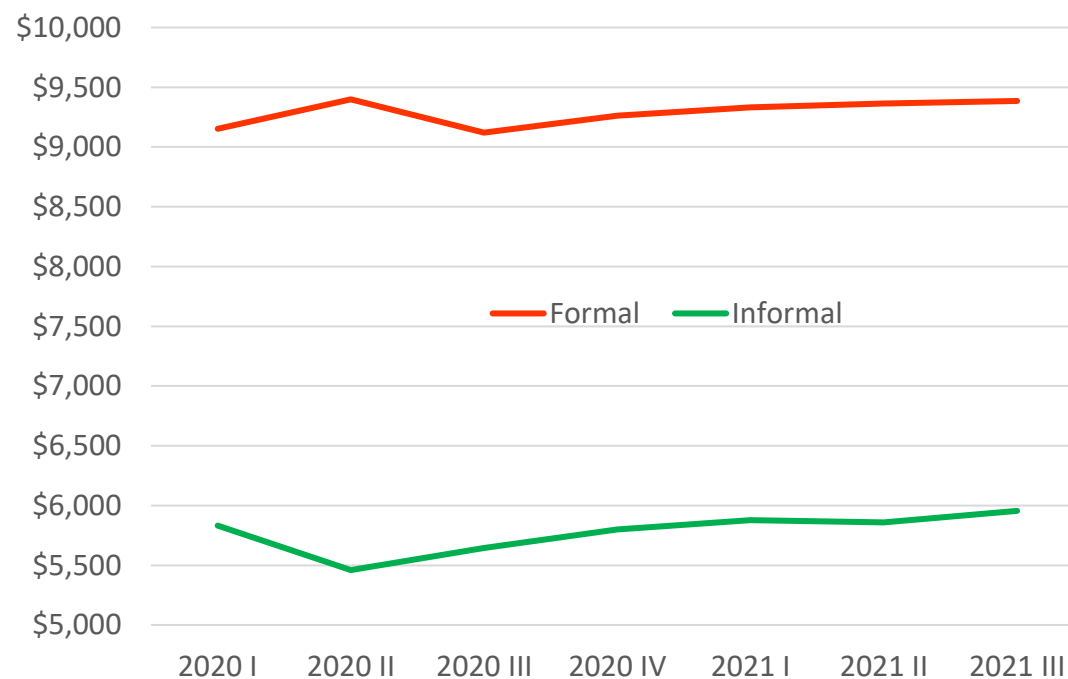
(Index January-2019=100)



Sources: Scotiabank Economics, IMSS.

COMPENSATION BY TYPE OF WORKER

(Avg. monthly MXN)

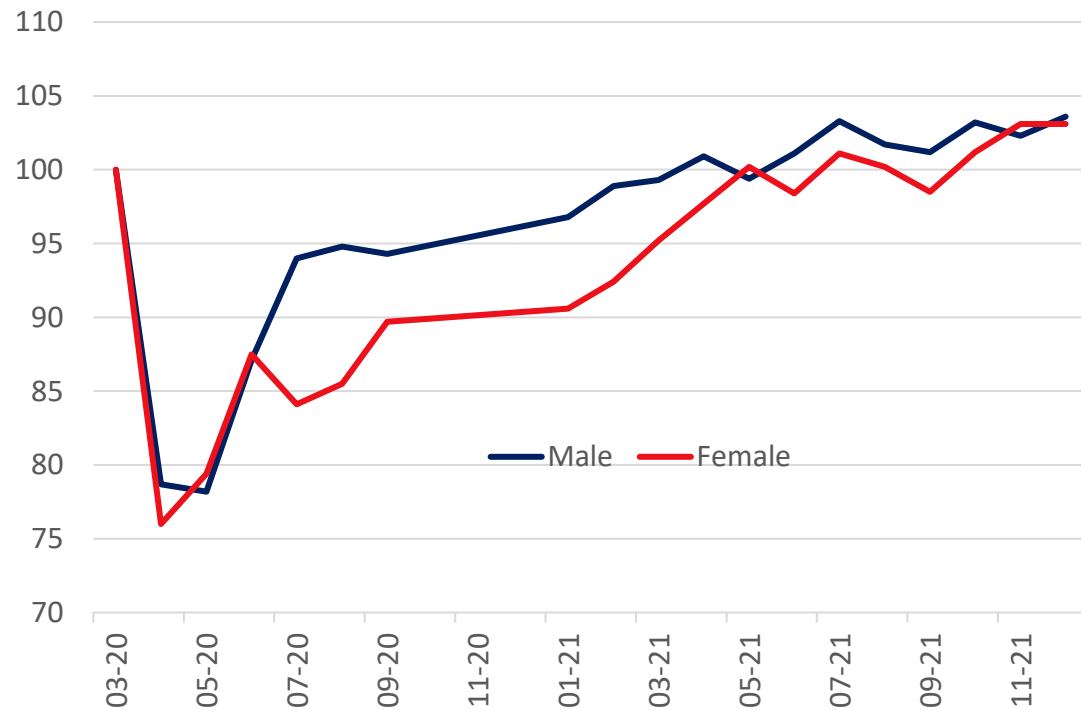


Sources: Scotiabank Economics, INEGI, IMCO.

Gender gap on the rise during pandemic.

EVOLUTION OF EMPLOYMENT BY GENDER

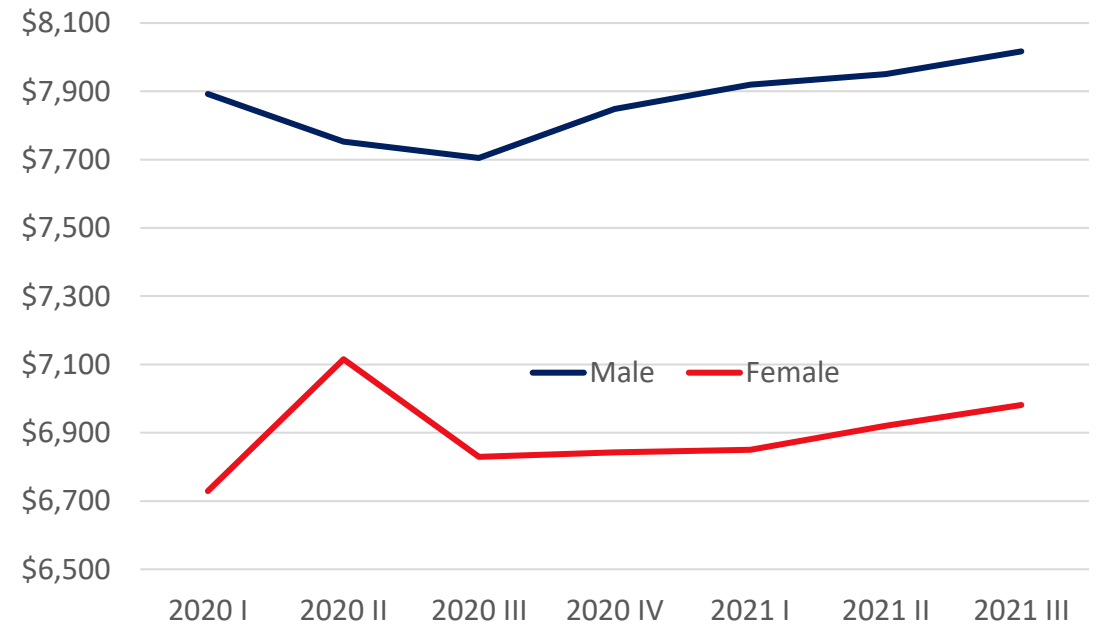
(Index, March-2020=100)



Sources: Scotiabank Economics, INEGI, IMCO.

COMPENSATION BY GENDER OF WORKER

(Avg. monthly MXN)

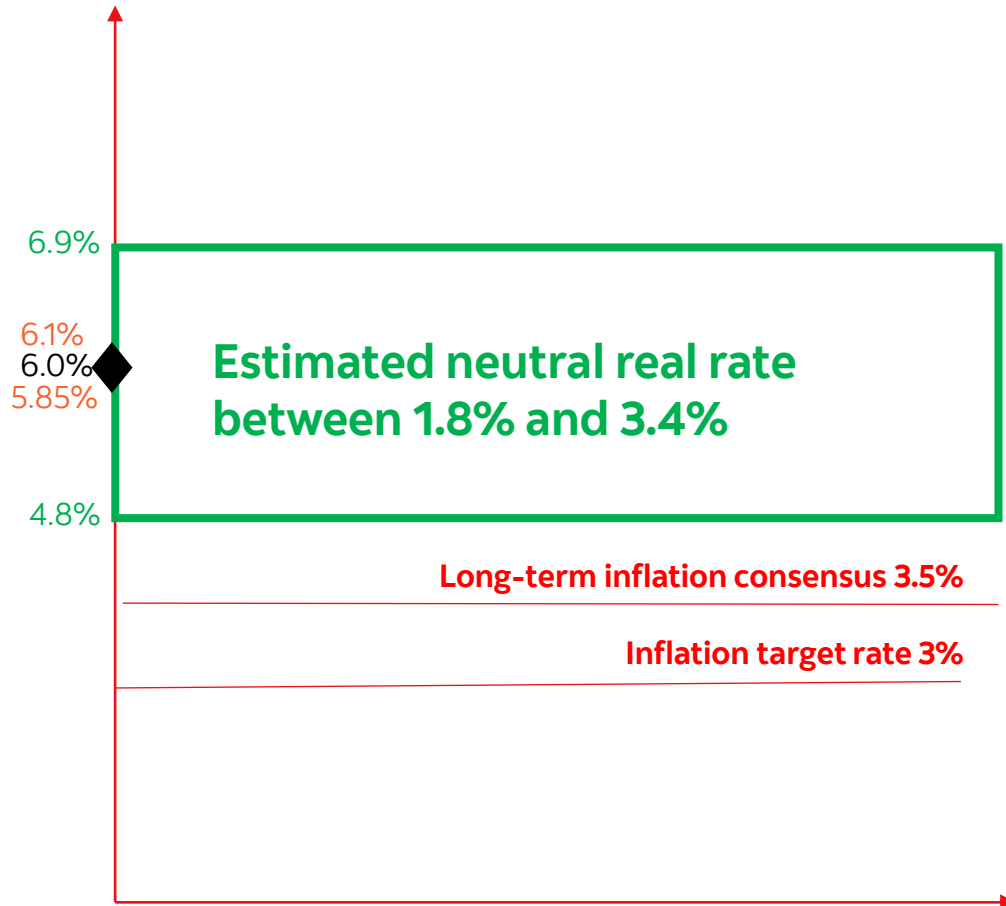


Sources: Scotiabank Economics, INEGI, IMCO.

03

Inflation could be driven by
more than supply-side shocks

Markets pricing a terminal rate above 7%, but neutral rate is close to 6% and analyst surveys expect just above 6%.



Sources: Scotiabank Economics, Banxico.

Scotiabank

	22Q1	22Q2	22Q3	22Q4
GDP(a/a %)	2.10%	1.60%	1.80%	2.30%
Inflation	6.30%	5.70%	5.30%	4.70%
Reference rate	6.00%	6.50%	6.75%	6.75%
USD/MXN	20.13	20.82	21.21	21.52

Consensus Banxico

	22Q1	22Q2	22Q3	22Q4
GDP(a/a %)	3.37%	2.33%	3.02%	2.60%
Inflation	6.30%	5.10%	4.70%	4.10%
Reference rate	5.75%	5.75%	6.00%	6.25%
USD/MXN	21.58	21.97	22.37	22.65



Highest headline inflation in 15 years, and second highest in the core component.

INFLATION

(y/y %)



— Headline

Sources: Scotiabank Economics, INEGI.

INFLATION

(y/y %)



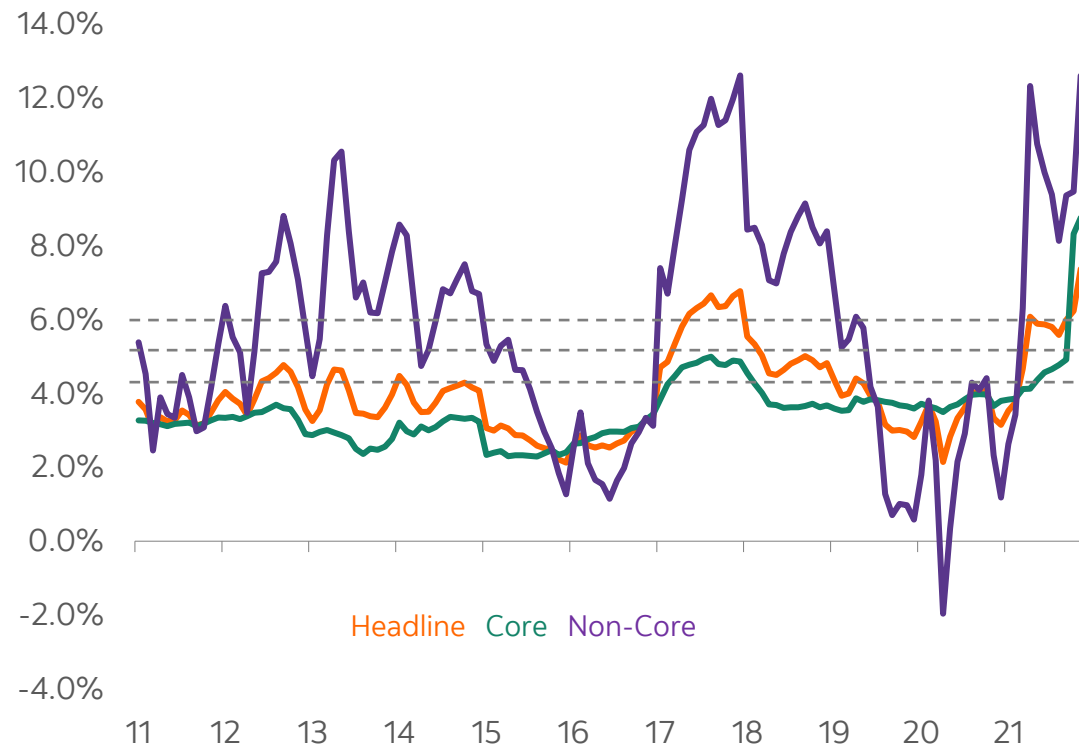
— Core

Sources: Scotiabank Economics, INEGI.

One of the strongest price shocks in the last decade.

INFLATION

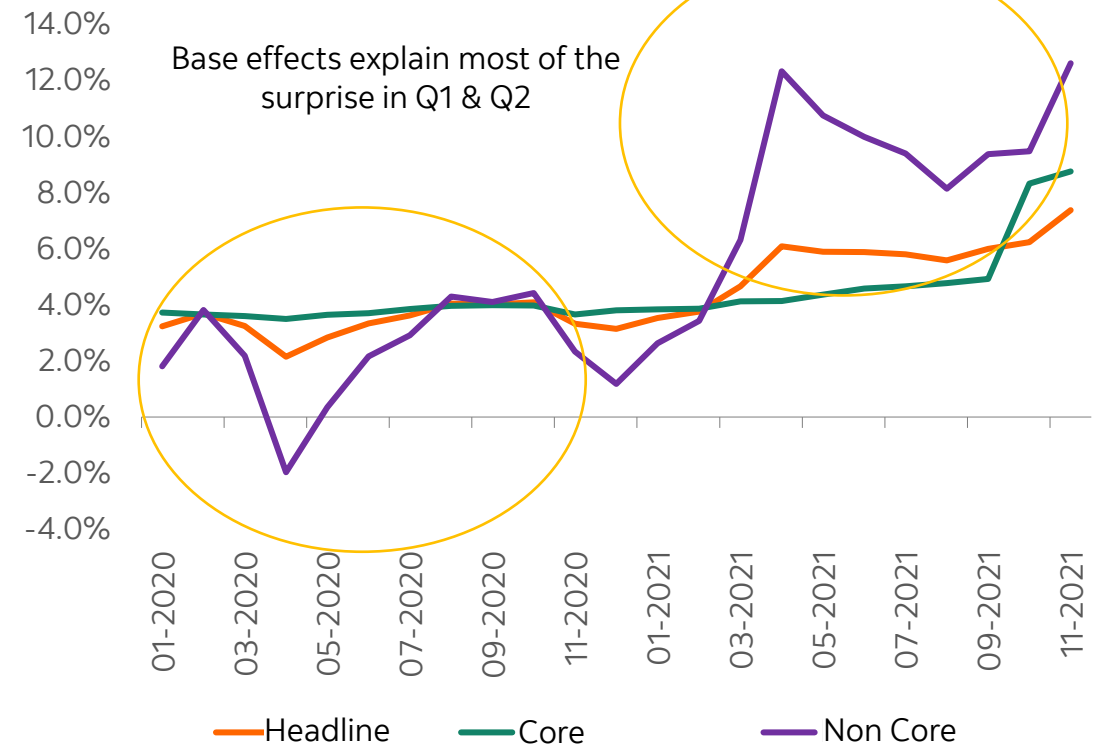
(y/y %)



Sources: Scotiabank Economics, INEGI.

INFLATION

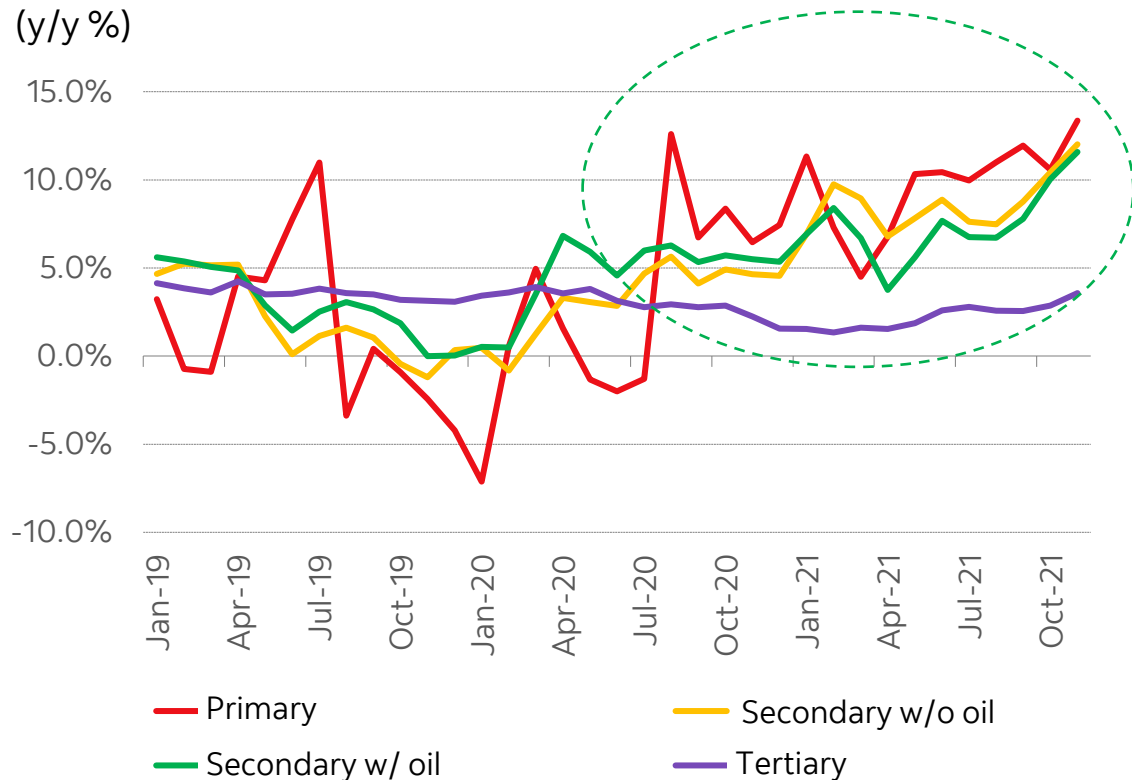
(y/y %)



Sources: Scotiabank Economics, INEGI.

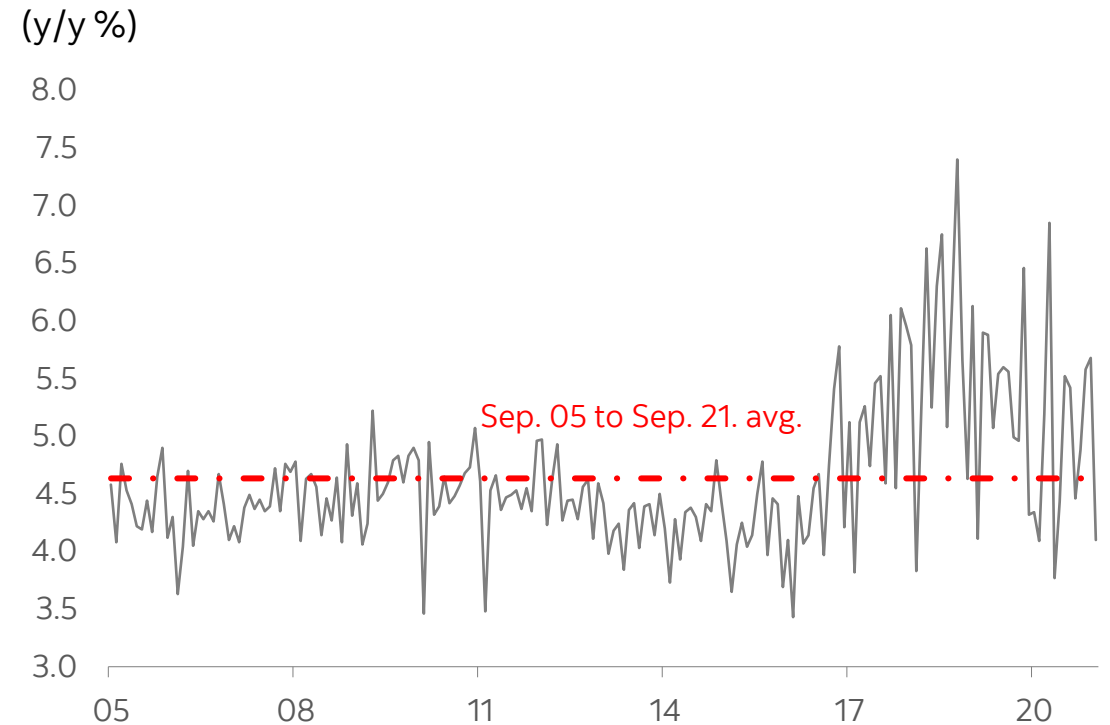
Producer prices also feature an important shock, partially explained by public-policy effects.

PRODUCER PRICES



Sources: Scotiabank Economics, INEGI.

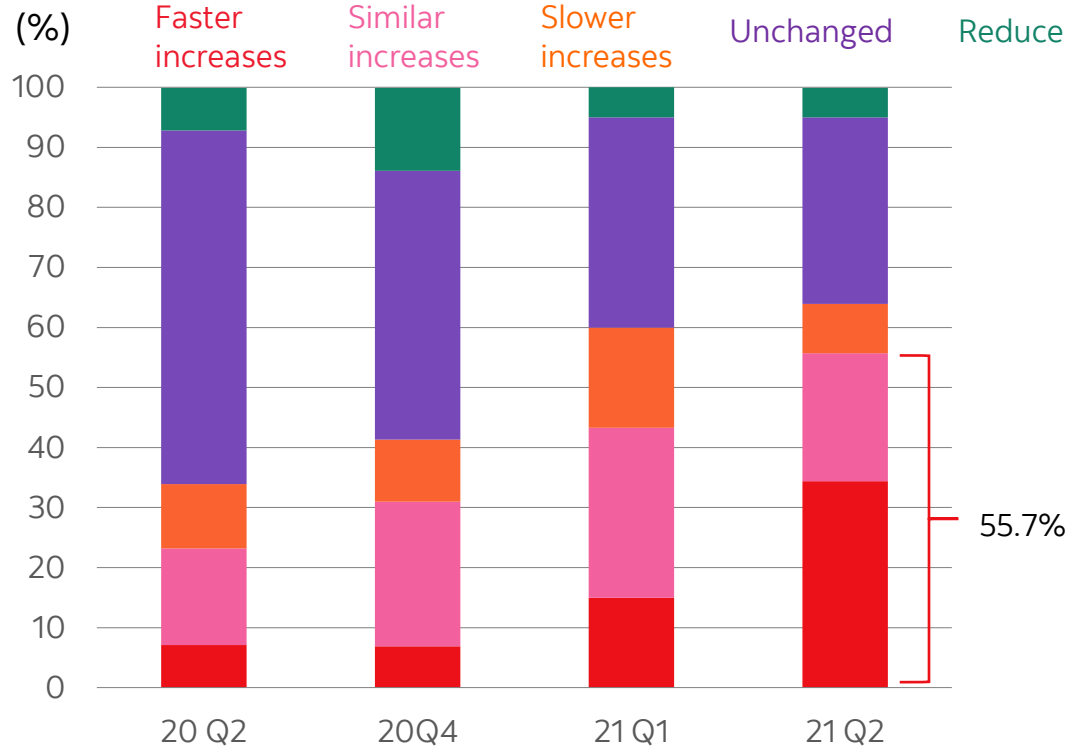
NOMINAL WAGES



Sources: Scotiabank Economics, Bloomberg.

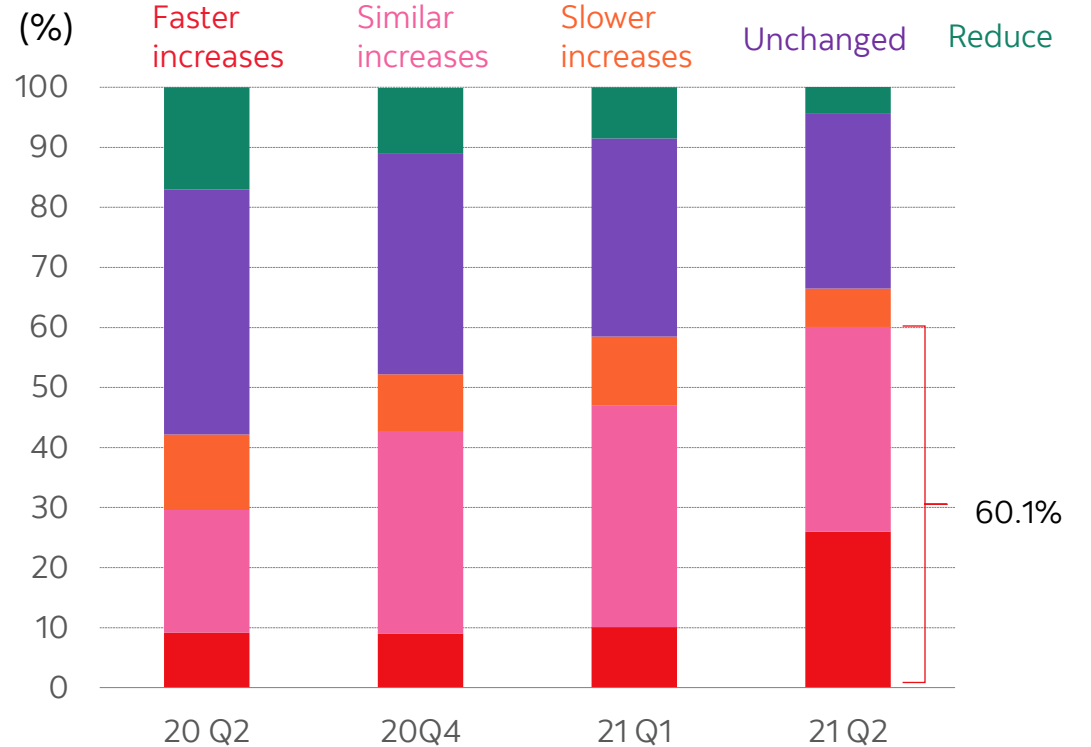
Rising producer prices could partly explain important planned final price hikes over the coming months.

MANUFACTURING CORPORATE LEADERS' EXPECTATIONS FOR THEIR PRICES IN THE COMING 12M



Sources: Scotiabank Economics, Banxico.

NON-MANUFACTURING CORPORATE LEADERS' EXPECTATIONS FOR THEIR PRICES IN THE COMING 12M

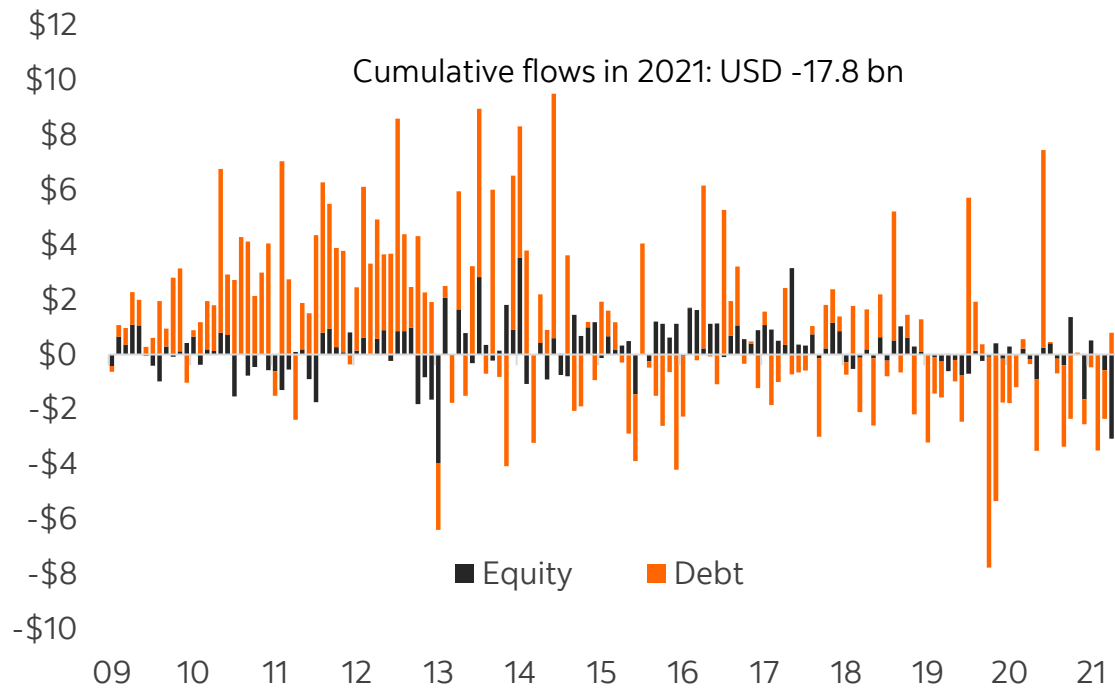


Sources: Scotiabank Economics, Banxico.

Appetite for investment in Mexican markets was still subdued in late-2021.

CUMULATIVE FLOWS TO MEXICO

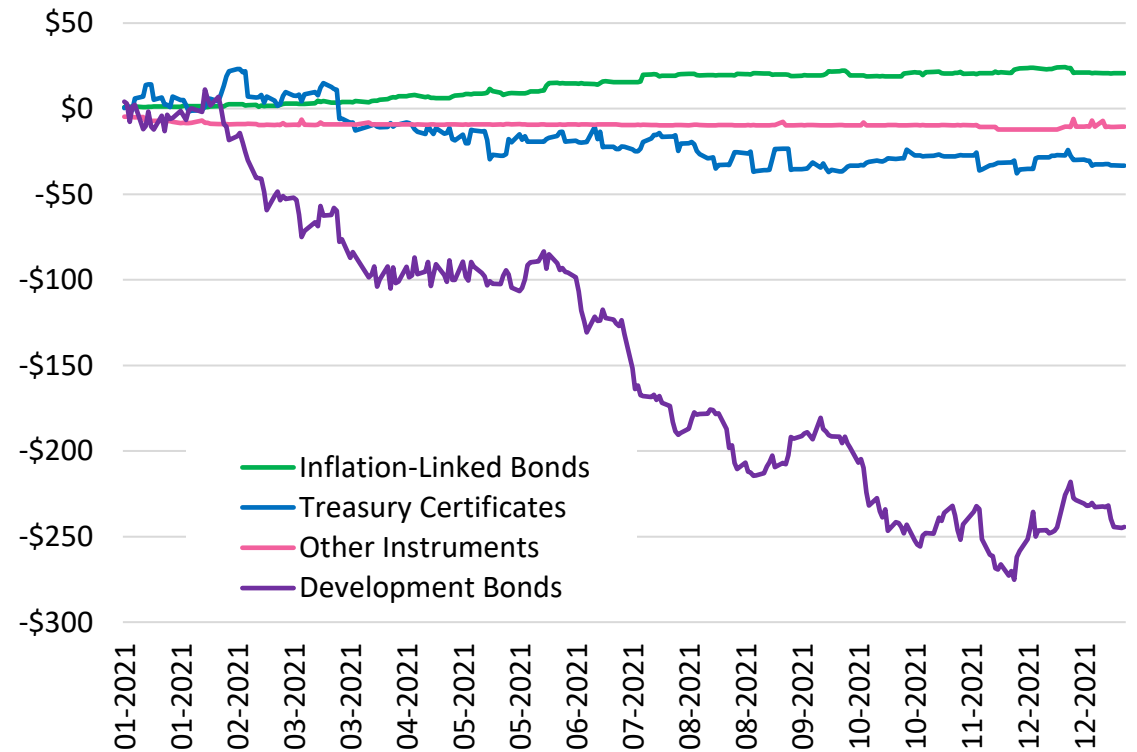
(BoP, USD bn)



Sources: Scotiabank Economics, IIF.

FOREIGN INVESTOR FLOWS INTO PUBLIC DEBT IN 2021

(MXN bn)



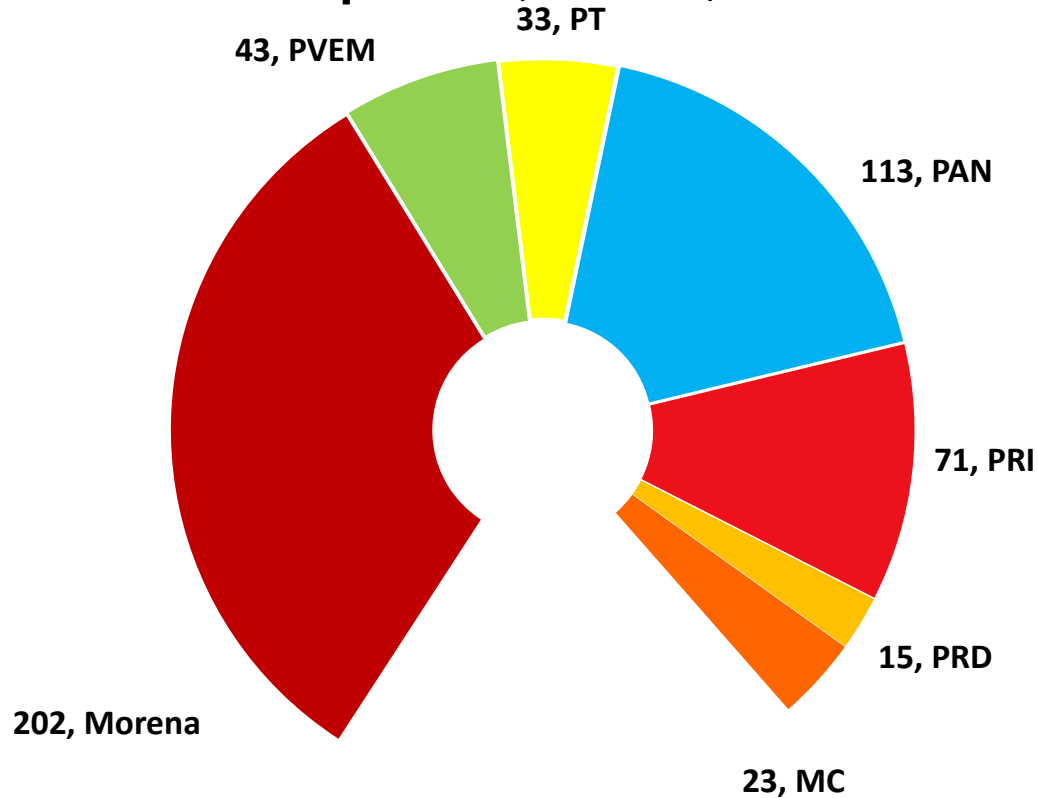
Sources: Scotiabank Economics, Banxico.

04

Political Dynamics

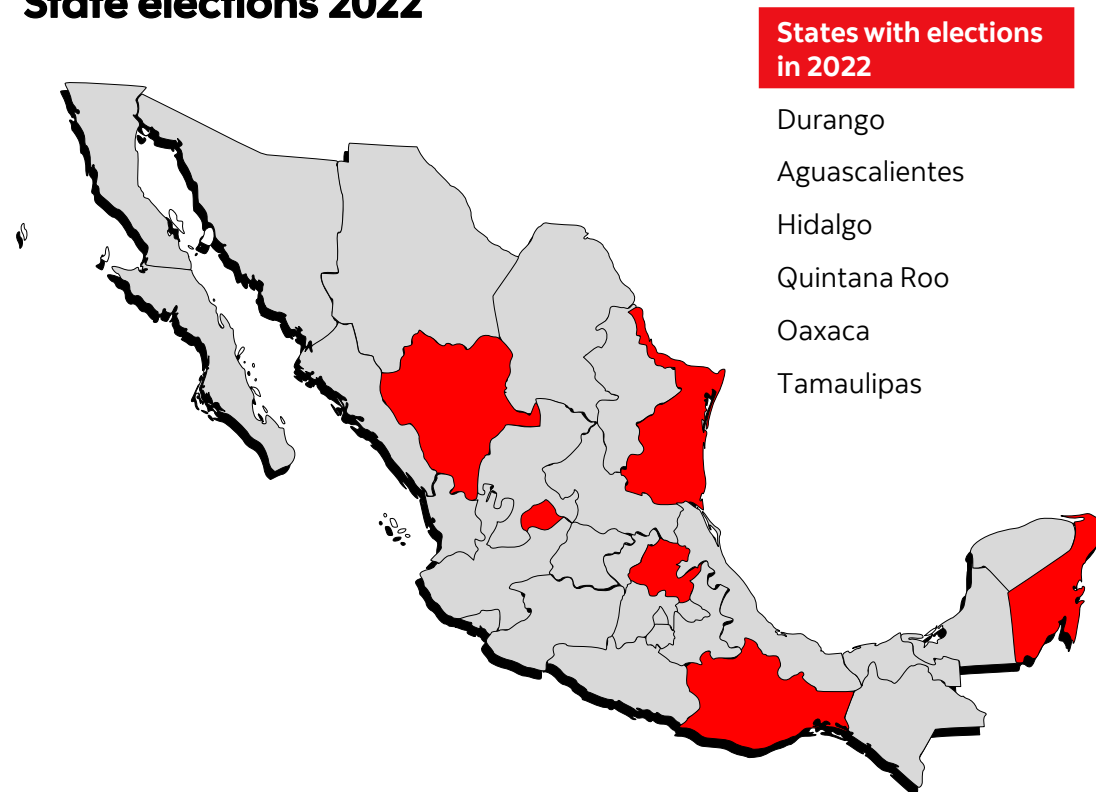
President AMLO's administration needs more support for constitutional reforms. Key elections could realign legislature: Presidential mandate referendum and six state elections will take place in 2022.

Lower House Composition (500 total)



Sources: Scotiabank Economics, Mexican Congress.

State elections 2022



Sources: Scotiabank Economics, INE (National Electoral Institute).

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