Mexico Macroeconomic Report

Economic Profile	
Country	**Mexico**
Currency	**Mexican peso**
Population	**128 million**
Economy	**Emerging market**
Total GDP (2020)	**$1.08 trillion**
GDP Per Capita	**$8,500**
Largest Trading Partner	**United States**
Market Outlook	
Point in Business Cycle	**Right of Peak**
Outlook	**Bullish**

GDP Growth (by %)

Source: Statista

Macroeconomic Thesis:

Given the meticulous research conducted to formulate this report, it has been concluded that the Mexican economy is right of peak with a cautious outlook of bullish. Shown graphically below, the economic outlook for 2021 and 2022 shows a downward trend reflecting the effects of COVID-19 but is expected to plateau and grow as Mexico's vaccination campaign makes progress.

The Coronavirus pandemic has triggered a very slow recovery for the Mexican economy causing the largest quarter-on-quarter GDP fall in its history of 17.3% in the second quarter of 2020. In the summer of 2021, along with the relaxation of COVID-19 restrictions, the consumer spending sector of the Mexican economy carried much of the economy out of its recession.
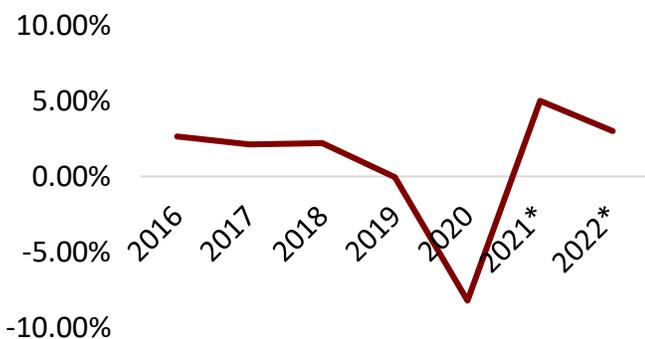
In 2019, thanks to the implementation of the United States-Mexico-Canada Agreement (USMCA), Mexico surpassed China as the largest trading partner of the United States. The USMCA will fundamentally change the Mexican economy while concurrently improving relations with the United States, providing trade, friendly diplomacy, and national security to both countries.

As for economic recovery moving forward, the Mexican economy is tied to an increase in consumer spending, which is directly correlated to the distribution and rollout of the COVID-19 vaccine. Like many economies around the world, much of the economic growth to be experienced will be tied with combatting waves of different Coronavirus strains, especially the Delta variant.

In all, the outlook of the market is cautiously bullish on the basis that Mexico's economic recovery depends heavily on COVID-19 mitigation. In the past, the Mexican government has done little to enforce regulations regarding COVID-19; if the economy is to rebound, it is imperative that the government effectively handle vaccine distribution and other COVID-19 transmission mitigation efforts.
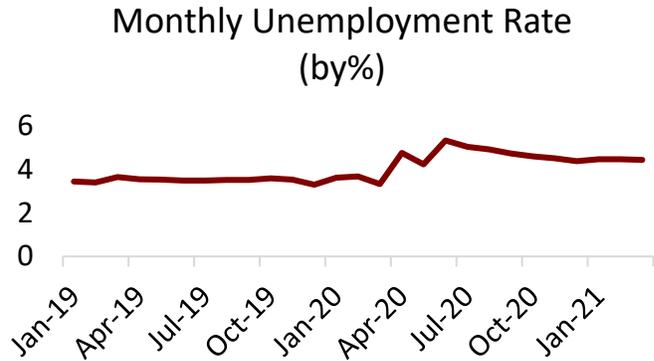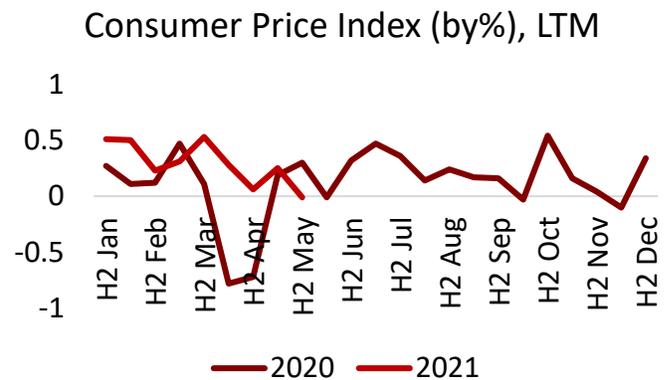
Economic Indicators

Unemployment Rate:

The unemployment rate is a simple yet complex calculation that indicates the overall health of the labor market in any economy. Mexico's labor market, like many around the world, struggles to regain footing amidst the COVID-19 pandemic. The rate is likely to plateau as the vaccination campaign in Mexico takes off in the coming months and decrease once COVID-19 measure are completely relaxed.

Consumer Price Index:

The consumer price index is used as a general indicator of inflation in the market. In the case of Mexico, CPI has been on the decline but is expected to increase with much of the western world. Due to its dependence of trade with the United States, rising consumer prices in the US may begin to effect consumer prices in Mexico. Although, it is important to note that the Mexican consumer is very different from the American consumer in that Americans purchase a significantly larger amount of goods compared to that of Mexicans.
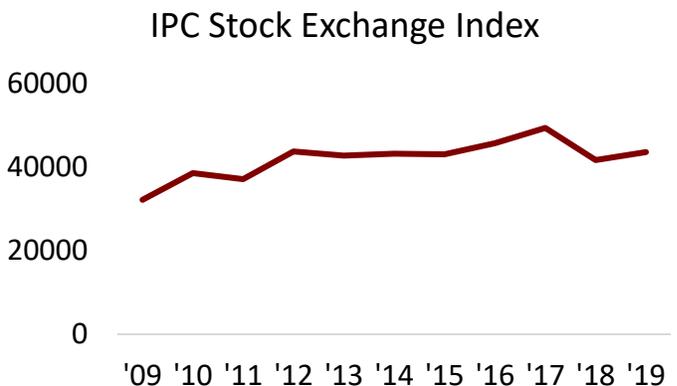
Consumer Confidence Index:

The consumer confidence index is an economic indicator of how much trust the citizens of a country place in their government and the overall health of the economy. While CCI is rising, and continues to rise, it is still below pre-pandemic levels seen in 2019. It is apparent that the people of Mexico, who have been receiving stimulus from the government, are beginning to feel a sense of normalcy regarding their overall economy. However, much like many of the economic indicators mentioned, its success is tied to mitigating the impact of COVID-19.

IPC Stock Exchange Index:

The IPC is the primary stock index in Mexico, reflecting the performance of the top traded companies on the Mexican Stock Exchange. It is composed of shares that represent the entire exchange from all sectors across the economy. In the last 10 years, the IPC has seen ~33% increase and continues to dominate in emerging markets around the world. By 2050, the Mexican economy is poised to move from 13th largest in the world to 7th largest in the world.

Monthly Unemployment Rate (by%)

Source: Statista

Consumer Price Index (by%), LTM

— 2020 — 2021

Source: Statista

Consumer Confidence Index

— 2020 — 2021

Source: Statista

IPC Stock Exchange Index

Source: Statista

Geopolitical Factors

COVID-19:
The overall government response to the global pandemic in Mexico was that of hesitation that led to widespread infections throughout the country. As of late September 2021, Mexico has had 3.62 million confirmed COVID-19 cases along with 275K deaths. To justify their hesitation in implementing widescale quarantine measures throughout the course of the pandemic, the AMLO administration sites that 60% of its overall economy relies on in-person interaction to be facilitated. Even when the government did institute a two-month long quarantine order, compliance of masks and socially distancing was not initially enforced. Additionally, prior to the start of the pandemic in Mexico, the government had effectively reorganized their entire healthcare system. The pandemic only continues to exacerbate the insufficient capacity of the healthcare system, putting the overall functionality of the economy at risk to surging COVID-19 cases.

The AMLO Administration:
As president of the 13th largest economy in the world, Andrés Manuel López Obrador is the most popular world leader in the Americas beating out Justin Trudeau of Canada and Joe Biden of the United States. The AMLO administration is well positioned to enact much needed reforms and plans to substantially increase investments in their oil industry as well as train a modern workforce through much needed educational programs. The AMLO administration, which campaigned initially on uprooting corruption in the government, has also instituted direct payments to millions of low-income Mexican citizens, raised the minimum wage, and enacted much needed labor reform.

Infrastructure and National Security:
Infrastructure in Mexico is arguably the largest deterrent towards the economy surging into the developed world. Due to its rugged and mountainous terrain, Mexico's infrastructure impedes its ability to efficiently manage and effectively regulate trade across its states and territories. Additionally, this lack of ease in transportation leaves Mexico vulnerable; more specifically in the port of Veracruz: the gateway to Mexico. The port alone is responsible for roughly 26 million metric tons of cargo trade and is the most vulnerable port to invasion in the country. If a country were to attempt to invade Mexico, this port alone would almost ensure victory with a direct path to the capitol, Mexico City. In order to better address this issue, the House of Representatives of the Mexican Congress passed and approved an amendment to the National Security Law allowing foreign agents to be temporarily allowed to enter Mexico in order to facilitate exchanges of goods and information.

Crime:
As arguably the deciding factor in electing the ALMO administration, crime, and more specifically organized crime and drug trafficking, is still the most important topic on the minds of the people of Mexico. Since 2015, the homicide rate in Mexico has increased by 84.1% and the organized crime rate has increased by 40.5%. On the other hand, the firearms crime rate has decreased by 35%. In 2018, the AMLO administration introduced the National Peace and Security Plan 2018-2024 to combat rising crime across the country through: anti-corruption measures, economic policies, ethics reforms, the establishment of a National Guard, and so much more. Crime still poses a threat to the overall economic outlook of Mexico, but from a policy standpoint, the government is doing all it can to decrease overall crime across the country.

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