

SEPTEMBER



ECONOMIC NEWSLETTER

EDITION 2022

*MONITORING THE NATIONAL ECONOMIC ACTIVITY TO SHIELD THE
OPERATIONS OF YOUR COMPANY.*

Foreign trade is an economic activity that has advanced rapidly on the global scene over the years. Most countries have been able to gradually open their economies through cooperation and international agreements, finding a source of sustenance and growth in trade. Mexico is no exception, currently, foreign trade generates about 70% of the annual Gross Domestic Product. However, due to the nature of the activity, trade is highly vulnerable to constant changes in the economic, political, and social spheres, which can cause disruptions at the national and international levels.

Being still in a post-pandemic global recovery process, in which there are new outbreaks and logistical problems, complications have been added, such as those derived from the Russian-Ukrainian conflict, which is still latent. The sanitary measures and the cessation of activities that some countries like China have had to apply have caused delays in the supply of industries, affecting supply chains. In addition, the Russian invasion had a critical impact on the prices of energy and food, contributing to levels of inflation not seen for many years in the countries

However, thanks to this scenario, there's an important change in the relocation trends of production processes, where nearshoring is becoming the preference, with our country being one of the principal beneficiaries.

Although it is not possible to measure or quantify the exact effects of the phenomena, it is possible to observe the behavior of different economic indicators that reflect the impact of these events.

Even if the case is about a phenomenon that could look unrelated to the company's activities or involves actors distant from it, in reality, it's almost impossible for any event not to cause direct or indirect repercussions on any activity due to the complex chains and commercial relationships that have been built.

Having punctual and synthesized information gives us a very realistic notion of the current scenario, allowing us to generate strategies that maximize income, reduce expenses or even safeguard against a future contingency.



As a firm specialized in the different areas of foreign trade (foreign direct investment, legal, fiscal, customs, among others), it's crucial to be updated with the most recent and relevant data on macroeconomics and foreign trade and to share this with our clients to facilitate them on taking crucial decision at a management level.

Therefore, this brief newsletter aims to monitor the country's principal indicators, giving a monthly scenario of economic activity focused on the industry, through 4 sections that compile updated data on;

- 1) The most relevant indicators of the national macroeconomics,**
- 2) Manufacturing industry,**
- 3) Agro-industry, and**
- 4) Foreign direct investment in the country.**



SECTION 1. ECONOMIC INDICATORS

INDICATORS	JULY 2022	JUNE 2022	JULY 2021
Inflation	8.15	7.99	5.81
Underlying Inflation	7.65	7.49	4.66
Target Rate	7.75	7.00	4.25
Average Exchange Rate	20.55	20.02	19.97



Inflation is the sustained increase in the prices of goods and services in the economy, measured through the variation in the **National Consumer Price Index (INPC in Spanish)**. As of June, prices have increased 8.15% since June 2021. For its part, **the underlying inflation is the one that excludes variations in prices in the energy sector and unfinished goods**. In this case, prices have increased 7.65% in the same period. **The target rate is the interest rate set by the central bank (BANXICO) as a reference for financial entities, currently at 7.75%.** For July, the exchange rate averaged 20.55 pesos per dollar, an increase of 53 cents from the previous month.



EMPLOYMENT	JULY 2022	JUNE 2022	JULY 2021
Unemployment Rate	3.2	3.3	4.2
Salaried workers registered in IMSS³	21,079,434	21,068,708 (+0.1%)	20,291,923 (+3.9%)
Active Population (Labour force)	59,477,824	59,416,433 (+0.1%)	58,986,686 (+0.8%)
Minimum Wage¹ 2022	GENERAL 172.87	ZLFN 260.34	Equivalent \$US* General: 8.41 ZLFN: 12.67

^{1/} Mexican pesos per day.

In Mexico, the minimum wage is regionalized. Since the creation of the Northern Border Free Zone (NBFZ, ZLFN in Spanish), some of the municipalities from the states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, and Tamaulipas, have a higher wage than the rest of the country.

*The equivalent in dollars is calculated in terms of the average exchange rate of the month.

Employment is one of the variables that allow us to determine the labor situation of the citizens in a country. The unemployment rate has the purpose of measuring the level of the population that wants to work and doesn't find employment, July presents a difference from June of -0.1 percentage points, which means that the unemployment has decreased. The active population (people that meet the age and ability to work) has increased this month by 0.1%.



The new salaried workers registered in IMSS amounted to 10,726 as of July, which marks a rise of 0.1% in formal workers compared to the previous month. **The minimum wage** for this year was fixed at \$172.87 pesos per day (about 8.41 dollars), except for the northern border states, which have a higher wage because of the Free Zone, being of **\$260.34 pesos (about 12.67 dollars)**.

ECONOMIC ACTIVITY	JUNIO 2022	MAYO 2022	JUNIO 2021
Quarterly GDP¹	Q2 2022 18,224,695	Q1 2022 18,057,774 (+0.9%)	Q2 2021 17,893,268 (+1.9%)
Economic Units	May 2022: 5,528,698 November 2021: 5,529,201 (-503 units)		
Global Indicator of Economic Activity	June 2022 111.0	May 2022 111.3 (-0.3%)	June 2021 109.0 (+1.8%)
Exports²	46,504.5	51,234.1 (-9.2%)	40,953.0 (+13.6%)
Imports²	52,464.0	55,191.3 (-5%)	44,950.6 (+16.7%)
Trade Balance²	-5,959.0	-3,957.2 (+50.6%)	-3,997.6

^{1/} Million pesos in 2013 prices.

^{2/} Million dollars.

^{3/} IMMS is the acronym for Instituto Mexicano del Seguro Social (Mexican Social Security Institute).

*** The percentages represent the variation between the month of reference and previous periods.

Sources: BANXICO, INEGI, IMSS.



The Gross Domestic Product (GDP) is a macroeconomic measure that reflects the total production of goods and services produced in a country during a given period. Its increase represents a rise in its economic activity. Quarterly, the GDP increased 0.9% between the first two quarters of 2022.

With greater precision, the Global Indicator of Economic Activity allows the monitoring of the evolution of the real sector of the economy, showing that from May to June, it decreased by 0.3%.

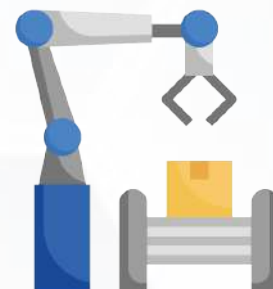
As a result of the country's exports and imports during June, there was a **deficit trade balance of 50.6% more than the previous month since international sales increased by 4.9% but purchases rose almost double (9.2%).**



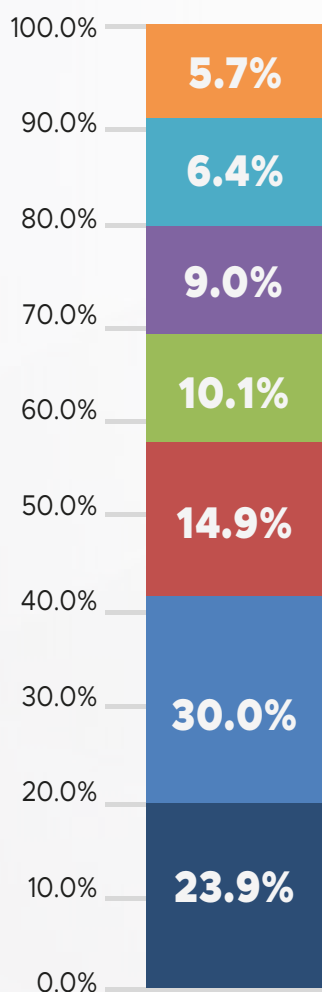
SECTION 2. MANUFACTURING INDUSTRY

Indicator of the Industrial Activity

JUNE 2022	MAY 2022	JUNE 2021
117.7	117.8 (+0.0%)	111.9 (+5.2%)

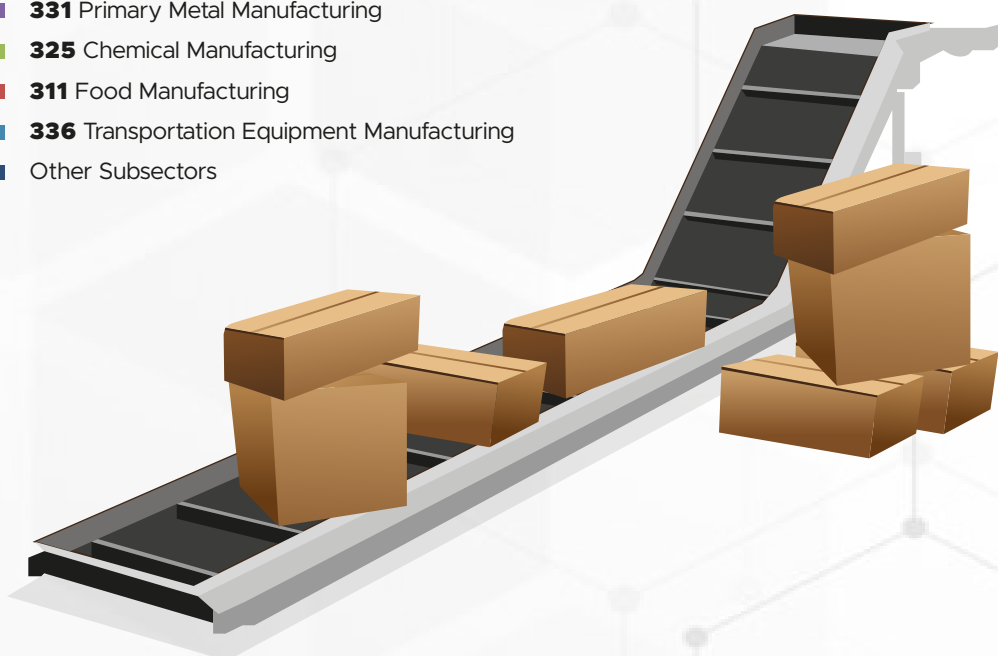


The sub sectors that showed a bigger increase in activity between May and June were:



PRODUCTION VALUE BY SUB SECTORS (JUNE 2022)

- **312** Beverage and Tobacco Product Manufacturing
- **324** Petroleum and Coal Products Manufacturing
- **331** Primary Metal Manufacturing
- **325** Chemical Manufacturing
- **311** Food Manufacturing
- **336** Transportation Equipment Manufacturing
- Other Subsectors



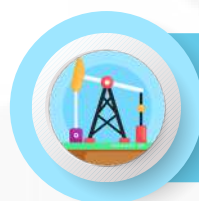
Production Value

JUNE 2022	MAY 2022	JUNE 2021
883,892.9	905,760.8 (-2.4%)	757,504.4 (+16.7%)

^{1/}Million pesos.



The sub sectors that had the highest year on year

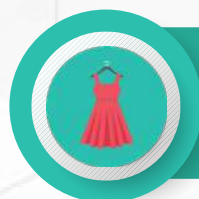


**Petroleum and Coal Products
Manufacturing**

(+67.8%)

(+29.8%)

Chemical Manufacturing



Apparel Manufacturing

(+24.1%)

MANUFACTURING EXPORTS

	JUNE 2022	MAY 2022	JUNE 2021
	44,796.3	43,346.0 (+20.3%)	37,364.0 (+19.9%)
Automotive	14,450.2	13,877.8 (+4.1%)	11,965.8 (+20.8%)
Machinery and Special Equipment for Various Industries	7,813.7	7,607.7 (+2.7%)	6,270.1 (+24.6%)
Electrical and Electronic Equipment	7,281.7	6,918.5 (+5.3%)	6,299.0 (+15.6%)
Food, Beverages and Tobacco	2,476.7	2,480.7 (-0.2%)	2,149.3 (+15.2%)
Manufacturing Imports	44,047.6	43,190.3 (+2%)	35,665.1 (+23.5%)
Manufacturing Balance	748.6	155.6 (+381%)	1,699.0 (-55.9%)

^{1/}Million Dollars.

Economic Units

May 2022: 608,253
Noviembre 2021: 608,212 (+41 units)



Occupation

JUNE 2022	MAY 2022	JUNE 2021
118.1	117.9 (+0.2%)	115.4 (+2.4%)

^{1/} Occupation Index, the variation is seasonally adjusted.

Manufacturing and Maquiladora Export Industry Statistics

	JUNE 2022	MAY 2022	JUNE 2021
Economic Units ¹	6,473	6,466	6,446
Authorizations ²	5,823 (+21 nuevas)	6,090 (+24 nuevas)	5,748 (+16 nuevas)
Workers ³	3,239,406	3,242,868 (+0.4%)	2,764,458 (+4.3%)
Hours Worked ⁴	641,943	617,677 (+0.3%)	533,388 (+5.0%)
National Incomes ⁵	254,038.8	257,131.2 (-1.2%)	209,732.5 (+21.2%)
Foreign Incomes ⁵	376,913.6	377,678.1 (-0.2%)	333,140.8 (+13.1%)

^{1/} Establishments with economic activity during the month of reference.

^{2/} Authorized programs in the IMMEX Directory of the month of reference.

^{3/} Percentage change according to seasonally adjusted figures.

^{4/} Thousand of hours, percentage change according to seasonally adjusted figures.

^{5/} Million pesos.

Source: INEGI.

The establishments with the highest YoY growth rate (june 2021 - june 2022) in their foreign incomes, were the ones in the states of:



Manufacturers

1. Puebla (+64.8%)
2. Sonora (+42.2%)
3. Durango (+33.9%)



No manufacturers

1. Coahuila (+46.7%)
2. CDMX (+33.8%)
3. Sinaloa (+25.3%)

On the other hand, in the same terms, the sub sectors with bigger increases were:

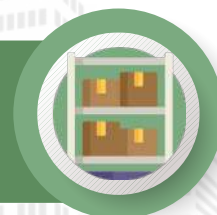


Merchant Wholesalers, Nondurable Goods

(+83.5%)

(+34.1%)

Storage Services



Paper Manufacturing

(+30.9%)

SECTION 3. AGRO-INDUSTRY

	JUNE 2022	JANUARY - JUNE 2022	JUNIO 2021
Agrid-food Exports²	4,212.0	25,956.3 (+14.6%)	3,831.9 (+9.9%)
Share in total exports³	8.2%	9.2%	9.1%
Agrid-food Imports²	4,098.4	21,198.4 (+19.6%)	3,243.7 (+26.3%)
Agrid-food Balance²	113.6	4,757.9 (-3.4%)	588.2 (-80.7%)

^{1/} Accumulated in january-june period, the percentage is the YoY comparison.

^{2/} The agri-food trade is integrated by the agricultural and agroindustry sectors, amounts in millions of dollars.

^{3/} Share of the agri-food exports in the total national exports.

Source: SIAP.

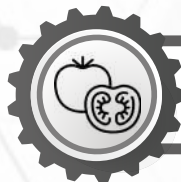
Within the top 5 of the main products that were exported in June 2022, with their respective amount in millions of dollars and year-on-year variation, we have the following:



Beer made from malt
\$567.3 mdd (+19.6%)



Tequila and mezcal
\$422.7 mdd (+39.6%)



Fresh or refrigerated tomato
\$228 mdd (+11.8%)

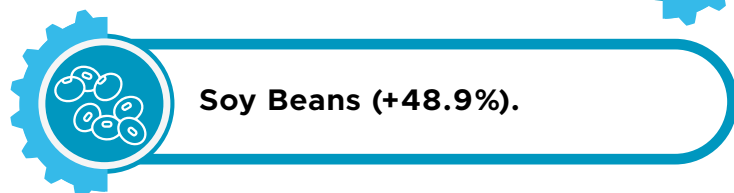


Avocado \$199 mdd (-1.7%)



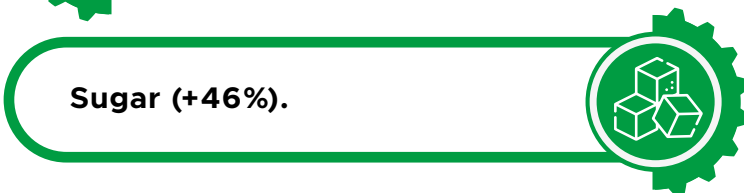
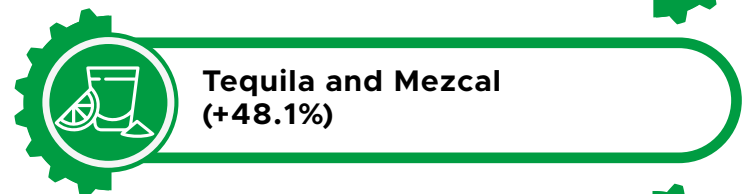
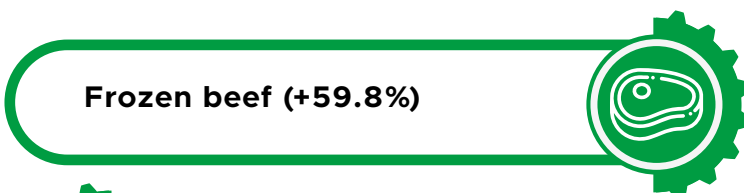
Grapes, fresh or dried, raisins
\$184.9 mdd (-17.1%)

Together, these 5 products have a 38% share of the total agri-food exports in June, equivalent to 1,602 million dollars.



The agricultural exports with higher growth rate between the periods jan-may 2021 and jan-may 2022

On the other hand, **the agroindustrial products** with the bigger YoY growth rate



SECTION 4. FOREIGN DIRECT INVESTMENT



Foreign Direct Investment (FDI) represents a source of employment and commercial opportunities for the receptor countries, among many other benefits. Historically, **from 1999 to date, our country has received investments of \$666,401.4 million.** Since the data for the second quarter of the year is usually published in August, we can make a more significant analysis contrasting the variation of the flows between semesters.

It's worth mentioning that they are all preliminary figures because they are updated every quarter, subject to information from the National Registry of Foreign Investments (RNIE in Spanish) and confidential data.

IED TOTAL		
S1 2022	S2 2021	S1 2021
27,511.6	9,424.6 (+192%)	22,092.6 (+25%)



¹/Million Dollars

Source: Secretaría de Economía.

BY TYPE OF INVESTMENT

New Investments

S1 2022 - 11,836.5 **(+97.6%)**

S1 2021 - 5,989.4

In the first half of 2022, **FDI was composed of new investments and reinvestments in more than 80%**, almost in equal parts.

Profits Reinvestments

S1 2022 - 11,655.6 **(-7.0%)**

S1 2021 - 12,528.2

Intercompany Movements

S1 2022 - 4,019.5 **(+12.4%)**

S1 2021 - 3,575.0





*Figures in million dollars..





By Country of Origin

Top of the main countries that invested in Mexico in the first semester of 2022.

		S1 2022	S1 2021
	1 United States of America	10,964.2	9,800.0 (+11.9%)
	2 Canada	2,839.4	1,842.7 (+54.0%)
	3 Spain	1,884.5	3,804.7 (-50.5%)
	4 Argentina	1,612.6	265.8 (+506.7%)
	5 United Kingdom	903.9	1,101.0 (-17.9%)
	6 Germany	718.5	1,242.2 (-42.2%)
	7 France	688.3	168.2 (+309.2%)
	8 Japan	640.9	421.8 (+51.9%)
	9 South Korea	531.2	273.4 (+94.3%)
	10 Hong Kong	384.1	-2.3 (n.s.)
	11 Brazil	221.9	79.0 (+180.9%)
	12 Other Countries	1,079.1	1,994.7 (-45.9%)

^{1/}Million dollars.

*The variations may not match due to the decimals contemplated.

n.s.: Not significant. The variation surpasses -1,000% because of the magnitude and sign of the figures.

Sources: Secretaría de Economía.





By Sector

Top of the main sectors with most investment in the first semester of 2022.

	S1 2022	S1 2021
31-33 Manufacturing industries	9,445.4	8,280.7 (+14.1%)
48-49 Transportation and Warehousing	4,494.7	2,369.4 (+89.7%)
51 Information	3,909.0	418.8 (+833.4%)
52 Finance and Insurance	3,575.5	4,483.0 (-20.2%)
43-46 Trade	1,213.4	1,686.1 (-28.0%)
21 Mining, Quarrying, and Oil and Gas Extraction	1,295.3	3,064.9 (-57.7%)
23 Construction	1,292.7	299.9 (+331.0%)

^{1/} Million dollars.
Source: Secretaría de Economía.



By State

Top of the main states with the most investment in the first semester of 2022.



	S1 2022	S1 2021
Mexico City	9,356.2	4,126.1 (+126.8%)
Nuevo León	2,661.3	1,835.8 (+45.0%)
Jalisco	1,904.6	1,157.8 (+64.5%)
Estado de México	1,401.6	976.9 (+43.5%)
Chihuahua	1,153.6	1,307.8 (-11.8%)

^{1/} Million dollars.
Source: Secretaría de Economía.



SECTION 5. COMPANIES

In August, some of the most notable inaugurations of production plants and expansions took place in the states of El Bajío and the Northern Border.

LEGO - Toys | Denmark



It inaugurated the expansion of its plant in Ciénega de Flores, Nuevo León, dedicated to decoration and assembly. **It's a 507 million dollars investment that created 1,000 new jobs.**



Man Wah - Furniture | Hong Kong



It laid the first stone for the expansion of its reclining chair manufacturing plant, located in Salinas Victoria, Nuevo León. **It's an investment of \$200 million that will generate 8,000 new jobs.**



Hisun - Automotive | United States



It inaugurated a new all-terrain vehicle assembly plant located in Saltillo, Coahuila. **It was an investment of \$105 million that generated 1,500 direct jobs.**



BCS Automotive Interface Solutions - Automotive | Germany



In the frame of its collaboration with Tesla on a wireless electric charger, it inaugurated a new plant located in El Marqués, Querétaro. **It's an investment of \$60 million that will generate 1,100 new jobs.**



Hilti - Tools | Liechtenstein



It inaugurated the expansion of its construction tools plant in Matamoros, Tamaulipas. **It was an investment of \$25 million that generated 350 direct jobs.**



GG Trailers - Automotive | United States - Mexico



It inaugurated a new plant dedicated to the manufacture of tank trucks and chassis for containers, located in Coahuila. **It was an investment of 16 million dollars that generated 450 direct jobs.**



Investments Announcements

During August, there were millionaire investments confirmed that will be starting activities soon, among which the following stand out:

Unilever - Consumer Goods | United Kingdom



It will expand its production capacity at its plants in Tultitlán and Lerma, in the State of Mexico. These are dedicated to the manufacture of food products. **It is an investment of \$275 million that will generate 2,700 new jobs.**



Nestlé - Food | Switzerland



It will invest around \$128 million to modernize its operations in Querétaro.



Donaldson Company - Industrial Filters | United States



It will invest \$75 million to install a new plant in León, Guanajuato, generating around 600 jobs.



Tetra Pak - Packaging | Sweden



It will invest almost \$22 million to expand its plant in Querétaro, creating 50 jobs.



Honeywell - Technology for Industry | United States



It will expand its Research and Development Center for Technological Solutions in Tecnoparque, Mexico City. With this expansion, **the company has invested more than \$8 million in the center since its creation and plans to make 200 additional contracts.**



Artha Capital - Bienes Raíces Industriales | México



It will invest 61 million dollars in the Frontier Toluca Industrial Park, in the State of Mexico, which will generate 15,600 sources of employment.



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800 626 01 55 | www.asesores-stratego.com | info@asesores-stratego.com
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