

OCTOBER



ECONOMIC NEWSLETTER

2022 EDITION

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

Even though international organisms projected a global recovery after the worst phase of the pandemic, the growth expectations have been deteriorating since its consequences have turned more complex than expected. The sanitary measures and the cessation of activities that some countries such as China have had to apply have caused delays in the supply of industries, affecting supply chains and dragging dependent sectors and countries with them. In addition, the Russia-Ukraine conflict triggered social and economic instability in the world again. Besides violence, the war had a massive impact on the price of energy and food.

Other factors derived from both the pandemic and the war, such as the measures to contain the crisis and the economic sanctions imposed on Russia, unwittingly contributed to the increase in inflationary pressures, leading to the current scenario: inflation levels not seen for decades in the countries. In the case of Mexico, inflation has been rising for eight months straight since January (except for May, which seemed to be the brake on the constant increase).

The increases in the interest rate and the launch of the anti-inflation package (PACIC) have not shown total effectiveness in stopping the rise in prices, however, it's not a very different situation in other countries.

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 it 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 high interdependence of countries in their supply chain and trade relations.

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 specialized firm in the different areas of foreign trade (foreign direct investment, legal, fiscal, and 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 decisions 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; the most relevant indicators of the;

- 1) National macroeconomics.**
- 2) Manufacturing industry.**
- 3) Agro-industry.**
- 4) Foreign direct investment in the country.**
- 5) Business.**



SECTION 1. ECONOMIC INDICATORS

INDICATORS	AUGUST 2022	JULY 2022	AUGUST 2021
Inflation	8.70	8.15	5.59
Underlying Inflation	8.05	7.65	4.78
Target Rate	9.25	7.75	4.25 / 4.50
Average Exchange Rate	20.12	20.55	20.08



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). Since August the trend is clearly upward prices have increased 8.70% since August 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 8.05% in the same period.

The target rate is the interest rate set by the central bank (BANXICO) as a reference for financial entities. Towards August, the bank raised the rate to 9.25% to reinforce anti-inflationary measures.

For August, the exchange rate averaged 20.12 pesos per dollar, an increase of 43 cents from the previous month.





EMPLOYMENT	AUGUST 2022	JULY 2022	AUGUST 2021
Unemployment Rate	3.3	3.2	4.0
Salaried workers registered in IMSS³	21,236,866	21,079,434 (+0.7%)	20,420,823 (+4.0%)
Active Population (Labour force)	59,722,752	59,477,824 (+0.4%)	58,178,003 (+2.7%)
Minimum Wage¹ 2022	GENERAL 172.87	ZLFN 260.34	Equivalent \$US* General: 8.59 ZLFN: 12.94

^{1/}Mexico 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**, August presents a difference from July of 0.1 percentage points, which means that the unemployment has increased. **The active population (people that meet the age and ability to work) has increased this month by 0.4%.**

The new salaried workers registered in IMSS amounted to 157,432 as of August, which marks a rise of 0.7% in formal workers compared to the previous month.

The minimum wage for this year was fixed at \$172.87 pesos per day (about 8.59 dollars), except for the northern border states, which have a higher wage because of the Free Zone, being of \$260.34 pesos (about 12.94 dollars).



ECONOMIC ACTIVITY

Quarterly GDP¹	2Q 2022 18,224,695	1Q 2022 18,057,774 (+0.9%)	2Q 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	July 2022 111.6	June 2022 +0.3%	July 2021 +2.2%
Exports²	August 2022 50,670.0	July 2022 46,504.5 (+9.0%)	August 2022 44,215.6 (+14.6%)
Imports²	56,168.2	52,464.0 (+7.1%)	40,471.4 (+38.8%)
Trade Balance²	-5,498.2	-5,959.0 (-7.7%)	3,744.2 (-246.8%)

¹ Million pesos in 2013 prices.

² Million dollars.

³ IMSS 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 June to July, it decreased by 0.3%.



As a result of the country's exports and imports during August, there was a deficit trade **balance of 7.7% more than the previous month since international sales increased by 9.0% but purchases did too by 7.1%.**

SECCIÓN 2. MANUFACTURING INDUSTRY



Indicator of the Manufacturing Production

JULY 2022	JUNE 2022	JULY 2021
120.2	+1.6%	+6.7%

^{1/} / Mensual Indicator of the Industrial Activity for the manufacturing industry, seasonally adjusted.

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



Petroleum and Coal Products Manufacturing

(+18%)

Textile Product Mills

(+8%)



Transportation Equipment Manufacturing

(+6%)

Production Value

JULY 2022	JUNE 2022	JULY 2021
882,588.6	883,892.9 (-0.1%)	746,925.2 (+18.2%)

^{1/} Million pesos



The sub-sectors that had the highest year-on-year increase were:



**Petroleum and Coal
Products Manufacturing**

(+94.8%)

**Printing and Related
Support Activities**

(+34.3%)



Machinery Manufacturing

(+23.3%)

MANUFACTURING EXPORTS	JULY 2022	JUNE 2022	JULY 2021
	40,200.1	44,796.3 (-10.3%)	35,963.8 (+11.8%)
Automotive	11,751.2	14,450.2 (-18.7%)	10,442.7 (+12.5%)
Machinery and Special Equipment for Various Industries	7,185.9	7,813.7 (-8.0%)	6,173.1 (+16.4%)
Electrical and Electronic Equipment	7,025.6	7,281.7 (-3.5%)	6,572.8 (+6.9%)
Food, Beverages and Tobacco	2,400.9	2,476.7 (-3.1%)	2,164.2 (+10.9%)
Manufacturing Imports	42,324.0	44,047.6 (-3.9%)	38,048.1 (+11.4%)
Manufacturing Balance	-2,123.9	748.6 (-383.7%)	-2,084.3 (+1.9%)

^{1/}Million dollars.

Economic Units

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



Occupation

JULY 2022	JUNE 2022	JULY 2021
117.8	-0.2%	+1.6%

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

Manufacturing and Maquiladora Export Industry Statistics

	JULY 2022	JUNE 2022	JULY 2021
Economic Units ¹	6,462	6,473	6,468
Authorizations ²	5,923 (+17 new)	5,823 (+21 new)	5,842 (+19 new)
Workers ³	3,229,293	3,239,406 (-0.2%)	3,121,552 (+3.4%)
Hours Worked ⁴	616,788	641,943 (-0.2%)	612,602 (+4.0%)
National Incomes ⁵	249,323.8	254,038.8 (-1.9%)	210,303.4 (+18.6%)
Foreign Incomes ⁵	381,369.1	376,913.6 (+1.2%)	317,792 (+20.0%)

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

^{2/} Authorized programs in the IMMEX Directory of the month of reference, the variation corresponds to the new authorizations against the previous month.

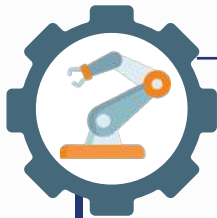
^{3/} Percentage change according to seasonally adjusted figures.

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

^{5/} Million pesos.

Source: INEGI.

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



Manufacturers

1. Puebla (+51.0%)
2. Estado de México (+45.0%)
3. Sonora (+32.1%)



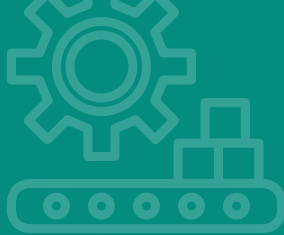
No manufacturers*

1. Michoacán (-3.7%)
2. Tamaulipas (-7.7%)
3. Chihuahua (-10.3%)

**In the case of non-manufacturing establishments, all the states presented a decrease, so the entities with the lowest decrease rates are listed.*

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

Manufacturers



1. Apparel Manufacturing (+30.2%)
2. Paper Manufacturing (+28.8%)
3. Printing and Related Support Activities (+28.2%)

1. Wholesale Trade of Agricultural and Forestry Raw Materials for Industry and Waste Materials (+73.4%)
2. Storage Services (+29.3%)
3. Business Support Services (+18.8%)

No manufacturers



SECTION 3. AGRO-INDUSTRY

	JULY 2022	JULY 2021	JAN - JUL 2022 ¹
Agrid-food Exports ²	4,006.4	4,212.0 (-4.9%)	29,962.7 (+14.8%)
Share in total exports ³	8.6%	8.2%	9.2%
Agrid-food Imports ²	3,623	4,098.4 (-11.8%)	24,821.3 (+18.1%)
Agrid-food Balance ²	383	113.6 (+237.5%)	5,141.3 (+1.1%)

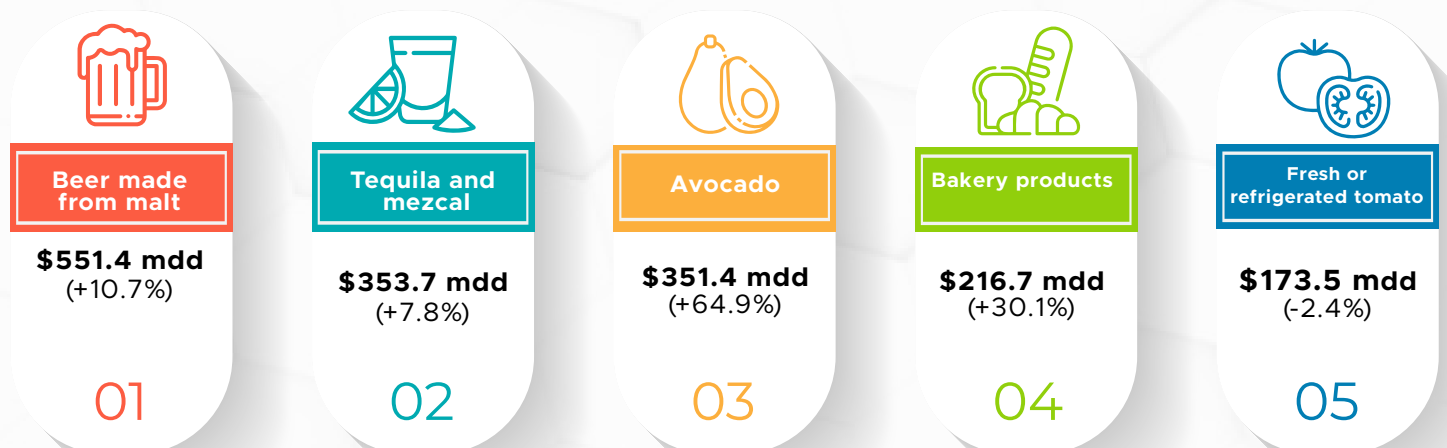
^{1/} Accumulated in January-July period, the percentage is the YoY comparison.

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

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

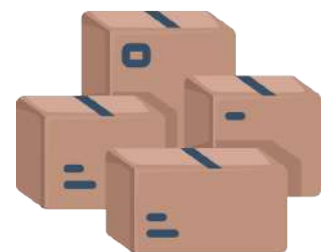
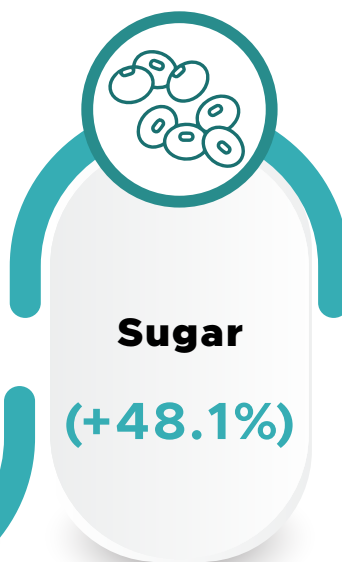
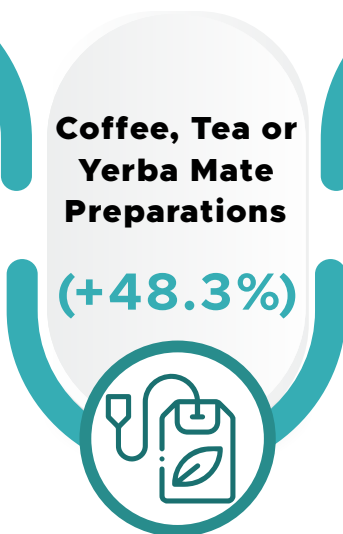
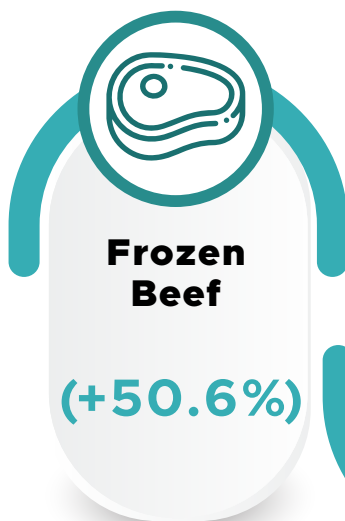
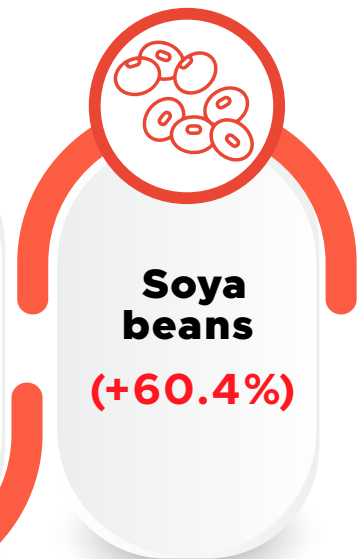
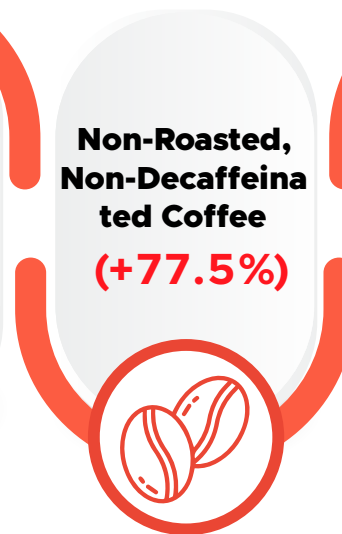
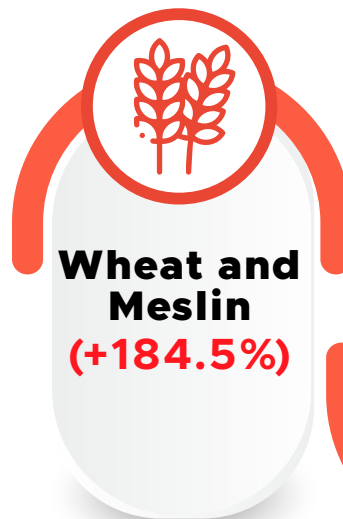
Source: SIAP.

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



Together, these 5 products have a 41% share of the total agri-food exports in July, equivalent to 1,646.7 million dollars.

The agricultural exports with higher growth rate between the periods **Jan-July 2021 and Jan-July 2022**, were:



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

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

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

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



*Figures in million dollars..



By Country of Origin

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

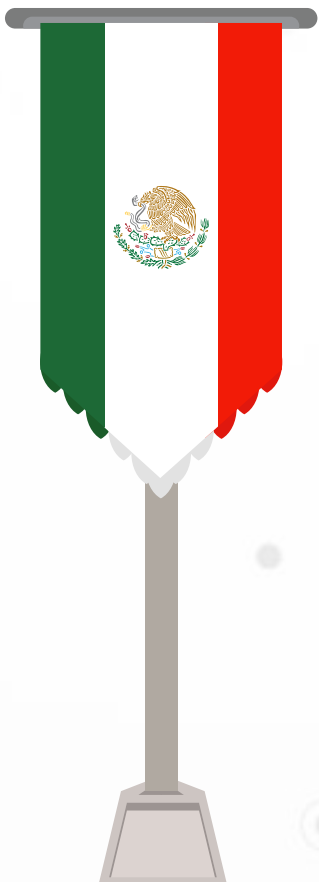
		S1 2022	S1 2021
	1 United States of America	10,964.2	9,800.0 (+11.9%)
	2 Canada	2,839.4	1,842.7 (+54.0%)
	3 Spain	1,884.5	3,804.7 (-50.5%)
	4 Argentina	1,612.6	265.8 (+506.7%)
	5 United Kingdom	903.9	1,101.0 (-17.9%)
	6 Germany	718.5	1,242.2 (-42.2%)
	7 France	688.3	168.2 (+309.2%)
	8 Japan	640.9	421.8 (+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%)

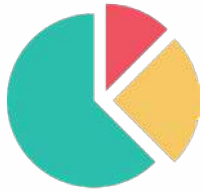
^{1/} Million dollars.

*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.

	2022 S1	2021 S1
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/}Millones de dólares.
Fuente: Secretaría de Economía.



By State

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

	2022 S1	2021 S1
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.

COMMERCIAL OVERVIEW | AGUASCALIENTES

First Semester of 2022



Exports \$5,791.2 million

15th National Place



- ☐ Transportation Equipment Manufacturing: **\$4,769.0 M**
- ☐ Computer and Electronic Product Manufacturing: **\$541.3 M**
- ☐ Apparel Manufacturing: **\$111.6 M**
- ☐ Food Manufacturing: **\$100.0 M**
- ☐ Machinery Manufacturing: **\$70.5 M**

Foreign Direct Investment

\$418.6 million



- ☐ Manufacturing: **\$353.5 M**
- ☐ Transportation Equipment Manufacturing: **\$189.1 M**
- ☐ Plastics and Rubber Products Manufacturing: **\$98.4 M**
- ☐ Computer and Electronic Product Manufacturing: **\$17.7 M**



16th National Place

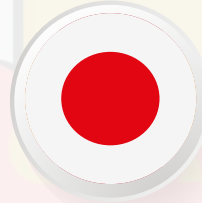
Top Investor Countries:



United States:
\$203.6 M



Germany:
\$123.5 M



Japan:
\$67.8 M



Spain:
\$9.5 M

SECTION 5. COMPANIES



Investments Announcements:

During September, there were millionaire investments confirmed that will be starting activities in the short-term, among which the following stand out:

KIA - Automotive | South Korea



By 2024, it will **invest 408 million dollars** to grow its operations in Pesquería, Nuevo León. It will build five new industrial buildings that will **generate 800 jobs**.



Daikin - HVAC | Japan



It added **\$70 million to the investment** for a new plant in San Luis Potosí, which will manufacture residential and commercial heating, ventilation, and air conditioning (HVAC) products. In total, **it's an investment of \$300 million that will generate 2,500 jobs**.



Bosch - Tecnology | Germany



It will build a new plant in Querétaro to manufacture components for mobile applications. **It will be an investment of \$215 million that will create 900 new jobs**.



Nestlé Purina - Food and products for animals | Swiss



It will **invest \$100 million** to open two new production lines at its plant in Silao, Guanajuato. **It will generate 150 new direct jobs**.



Hershey's - Food | USA



It will **invest \$90 million** to install new high-tech production lines at its plant in Escobedo, Nuevo León. **It will create 300 additional jobs**.





Industrial Parks

Likewise, some corporations announced significant investments to build industrial parks focused on different industries.

Solarever - Solar energy | China



It will create an industrial park of 100,000 square meters in Zacoalco de Torres, Jalisco, to integrate a supply chain for solar panel manufacturing. It will be an **investment of \$1,000 million that will generate more than 3,000 jobs.**



Consejo Lagunero de la Iniciativa Privada - Aerospace | Mexico



The private entrepreneurs will **invest \$700 million** in the Laguna Aerospace Park project, a park to develop the aerospace and aeronautical industry in the Laguna Region, located on the borders of Durango and Coahuila.



Meor - Logistics | Mexico



It laid the first stone for the HubsPark Northwestern in Tijuana, Baja California, which will attract companies from the logistics and manufacturing sectors. It is an investment of **54 million dollars estimated to generate between 1,500 and 1,800 direct and 2,500 indirect jobs.**



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