

DECEMBER



ECONOMIC NEWSLETTER

EDITION 2022

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

Already closing 2022, the institutions have made the last adjustments to the growth estimates, and experts have rearranged the expectations about the economic outlook for the following year.

The performance of Mexico has surprised the specialists, who have modified their revisions upwards, and together, with the deceleration of inflation (which went to 8.41% in October), they end up painting a positive picture for the end of the year in the country. However, merchandise prices continue to pressure the index since they have not shown any decline since August 2021.

This is linked to another of the main concerns for the Mexican economy, which is the looming recession in the United States for next year. Analysts agree that it could manifest itself in mid-2023 as a result of the latest ravages caused by the pandemic, complications in supply chains, geopolitical conflicts, and the effects of the restrictive policies imposed by the FED. However, there is still no clear consensus about the depth or duration of the recession because it depends on the measures that the reserve continues to adopt.

We must be attentive to the signs and decisions made in the macroeconomic sphere both in the United States and in Mexico, even with the optimism that dismisses the impact of the recession for our country derived from the heavy investments that it has attracted thanks to nearshoring. Although this last phenomenon promotes growth and the generation of jobs for Mexicans, the authorities must address some crucial issues (such as the lack of workforce, industrial land, energy, and water in some regions of the country), so:

1) the companies that arrive do not experience operational problems.

2) more investments can be attracted.

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 complex chains and commercial relationships that the firm has. 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 5 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**
- 5) Companies**

SECTION 1. ECONOMIC INDICATORS

INDICATORS	OCTOBER 2022	SEPTEMBER 2021	OCTOBER 2021
Inflation	8.41	8.70	6.24
Underlying Inflation	8.42	8.05	5.19
Target Rate	9.25	9.25	4.75
Average Exchange Rate	19.98	20.07	20.46

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 September, the inflation didn't rise, so the price increase remained at 8.41% year-on-year. 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 did continue to climb, so they have increased by **8.42% since October 2021**.

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 and remained at that level throughout September and October.

For October, the exchange rate averaged 19.98 pesos per dollar, a decrease of 9 cents from the previous month.

EMPLOYMENT	OCTOBER 2022	SEPTEMBER 2022	OCTOBER 2021
Unemployment Rate	3.2	3.1	3.9
Salaried workers registered in IMSS³	21,617,326	21,409,356 (+1.0%)	20,767,587 (+4.1%)
Active Population (Labour force)	60,411,528	59,476,562 (+1.6%)	58,686,373 (+2.9%)
Minimum Wage 2022¹	General 172.87	ZLFN 260.34	Equivalent \$US* General: 8.65 ZLFN: 13.03
Minimum Wage 2023¹	General 207.44 (+20%)	ZLFN 312.41 (+20%)	Equivalent \$US* General: 10.38 ZLFN: 15.64

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), 43 municipalities from the states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, and Tamaulipas, have a higher minimum wage than the rest of the country.

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

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, October presents an addition of 0.1 percentage points from the previous month, which means that unemployment has increased. **The active population** (*people that meet the age and ability to work*) has increased this month by 1.6%.

The new salaried workers registered in IMSS amounted to 210,970 as of October, which marks a rise of 1% in formal workers compared to the previous month.

On December 1, the National Commission for **Minimum Wages** announced that the minimum wage for 2023 would have a nominal growth of 20%. It would go from 172.87 to 207.44 pesos per day (*in equivalent, from 8.65 to 10.38 dollars, approximately*), except for the northern border states, which have a higher salary given the creation of the Free Zone, going from 260.34 to 312.41 pesos (*from 13.03 to 15.64 dollars*).

ECONOMIC ACTIVITY			
Quarterly GDP ¹	Q3 2022 18,479,018	Q2 2022 18,224,695 (+0.9%)	Q3 2021 17,714,251 (+4.9%)
Economic Units	November 2022: 5,530,925 November 2021: 5,529,201 (+1,724 units)		
Global Indicator of Economic Activity	September 2022 113.1	August 2022 +0.7%	September 2021 +5.1%
Exports ²	October 2022 49,275.3	September 2022 52,338.0 (-5.9%)	October 2021 41,859.3 (+17.7%)
Imports ²	51,287.2	53,233.4 (-3.7%)	44,658.1 (+14.8%)
Trade Balance ²	-2,011.8	-895.4 (+124.7%)	-2,798.8 (-28.1%)

¹Million pesos in 2013 prices, the data for the third quarter belongs to the EOPIBT, which only reports the variation between periods.

²Million dollars.

³IMSS is the acronym for Instituto Mexicano del Seguro Social (Mexican Social Security Institute).

***The percentages represent the variation between the reference month 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. The GDP increased by 0.9% between the second and third quarters of 2022, showing a year-on-year increase of 4.9% for the last one.

Likewise, on December 7, INEGI released preliminary GDP figures by state for 2021. According to its report, **the total GDP per state at basic prices was 24,225,440 million current pesos**, where the entities with the most contribution were:



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 August to September, it increased by 0.7%.

As a result of the country's **exports and imports during October, there was a deficit trade balance** of 124.7% more than the previous month since international sales decreased by 5.9%, but purchases did too by 3.7%.



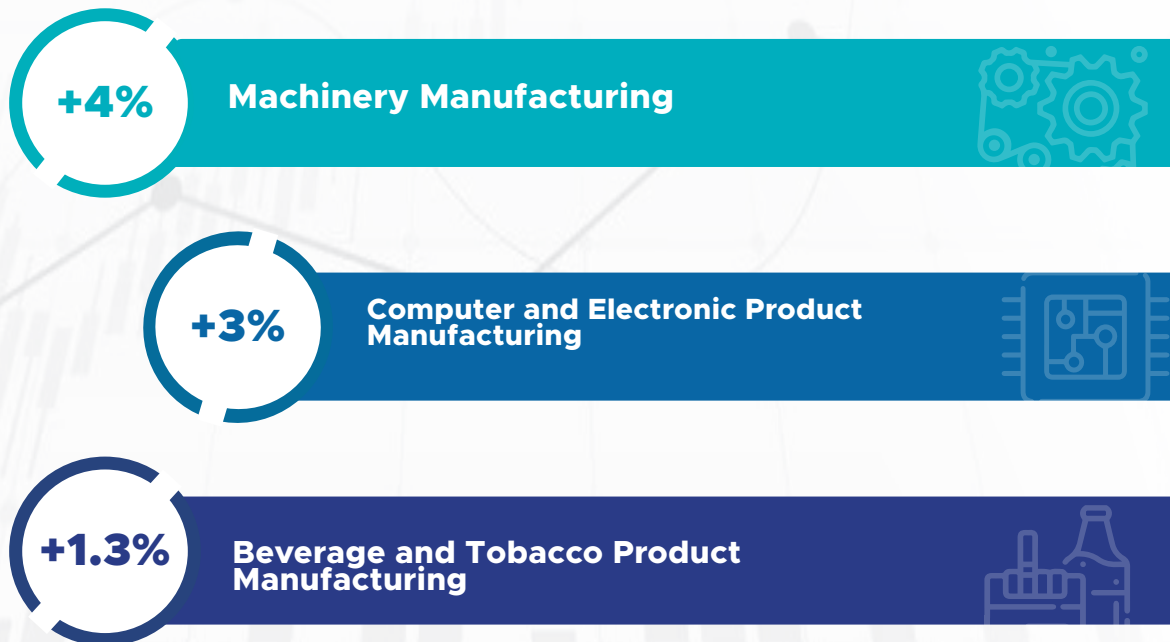
SECTION 2. MANUFACTURING INDUSTRY

Indicator of the Manufacturing Production

SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
119.5	-0.3%	+8.3%

^v Mensual Indicator of the Industrial Activity for the manufacturing industry, seasonally adjusted.

The sub-sectors that showed a bigger increase in activity between August and September were:



Production Value

SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
876,710.2	931,924.1 (-5.9%)	742,790.9 (+18%)

^vMillon pesos

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



MANUFACTURING EXPORTS	SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
	47,229.7	45,211.9 (+4.5%)	37,364.6 (+26.4%)
Automotive	16,062.1	15,245.6 (+5.4%)	11,299.8 (+42.1%)
Machinery and Special Equipment for Various Industries	8,599.9	7,675.2 (+12.0%)	6,389.2 (+34.6%)
Electrical and Electronic Equipment	8,188.6	7,252.7 (+12.9%)	7,172.8 (+14.2%)
Food, Beverages and Tobacco	2,462.3	2,575.8 (-4.4%)	2,067.3 (+19.1%)
Manufacturing Imports	44,434.3	46,350.7 (-4.1%)	37,773.9 (+17.6%)
Manufacturing Balance	2,795.4	-1,138.8 (-354.5%)	-409.3 (-783.0%)

¹Million dollars.

Economic Units	November 2022: 608,484 November 2021: 608,212 (+231 units)
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Occupation			
	SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
	118	+0.2%	+1.5

¹Occupation Index, the variation is seasonally adjusted.

Manufacturing and Maquiladora Export Industry

	SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
Economic Units¹	6,405	6,465	6,447
Authorizations²	6,029 (+23 new)	5,937 (+22 new)	5,924 (+15 new)
Workers³	3,263,778	3,248,677(+0.3%)	3,123,995 (+4.5%)
Hours Worked⁴	640,554	638,201 (+0.6%)	604,437 (+6.1%)
National Incomes⁵	250,429.0	270,032.2 (-7.3%)	215,114.6 (+16.4%)
Foreign Incomes⁵	388,569.2	399,627.2 (-2.8%)	318,670.7(+21.9%)



¹Establishments with economic activity during the month of reference.

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

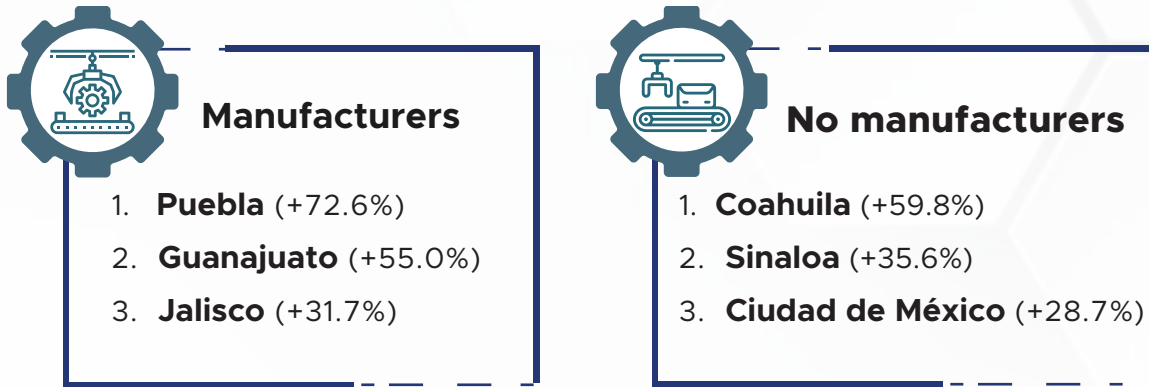
³Percentage change according to seasonally adjusted figures.

⁴Thousand hours, percentage change according to seasonally adjusted figures.

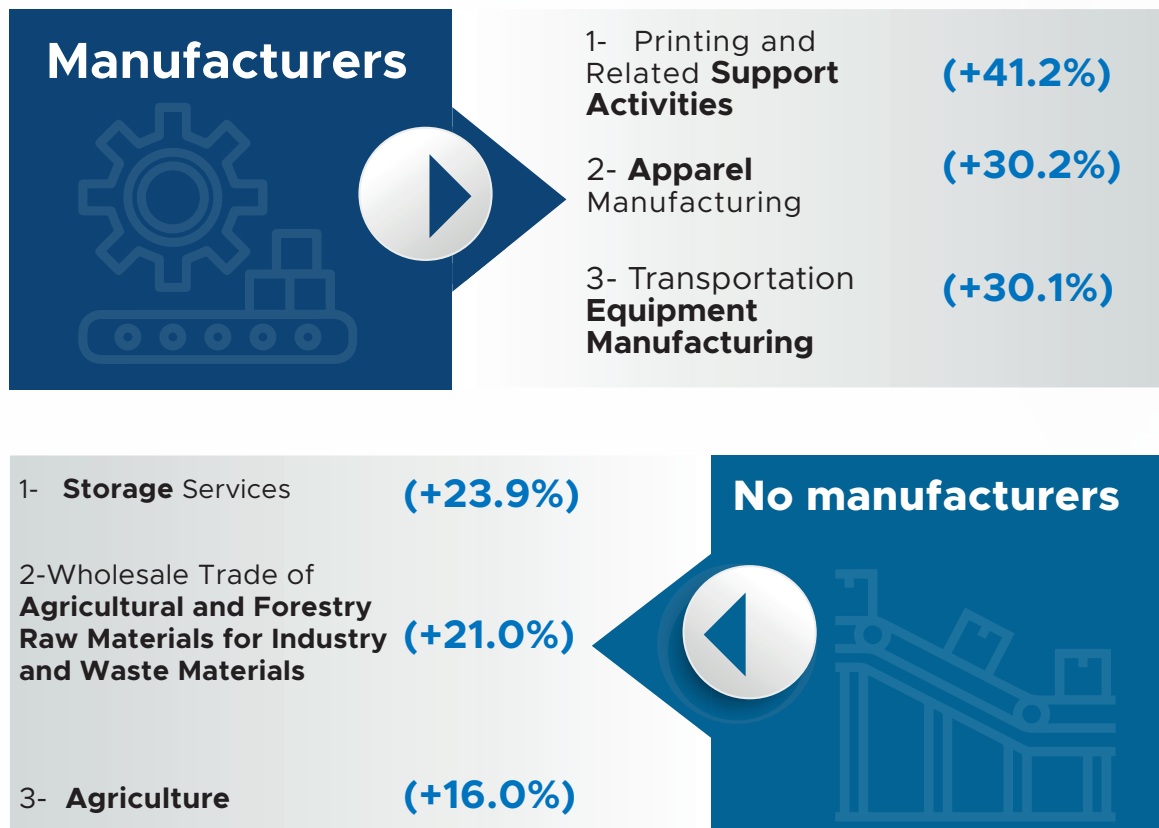
⁵Million pesos.

Source: INEGI.

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



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



SECTION 3. AGRO-INDUSTRY

Although agro-industrial exports presented a decrease of 10.6% between August and September, **the accumulated sales from January to September broke a record** since it's the highest value reported in 30 years. Also, the surplus obtained from the accumulated balance in the first 9 months of 2022 was **the fourth-largest positive balance in 30 years**.

	SEPTEMBER 2022	SEPTEMBER 2021	JAN - SEP 2022 ¹
Agri-food Exports ²	3,719.0	3,381.0 (+10.0%)	37,842.3 (+14.9%)
Share in total exports ³	7.1%	8.1%	8.8%
Agri-food Imports ²	3,726.9	3,205 (+25.2 %)	32,563.8 (+19.1%)
Agri-food Balance ²	-7.9	268.6 (-102.9%)	5,278.5 (-5.7%)

¹Accumulated in January-September period, the percentage is the YoY comparison.

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

³Share of the agri-food exports in the total national exports.

Source: SIAP.

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

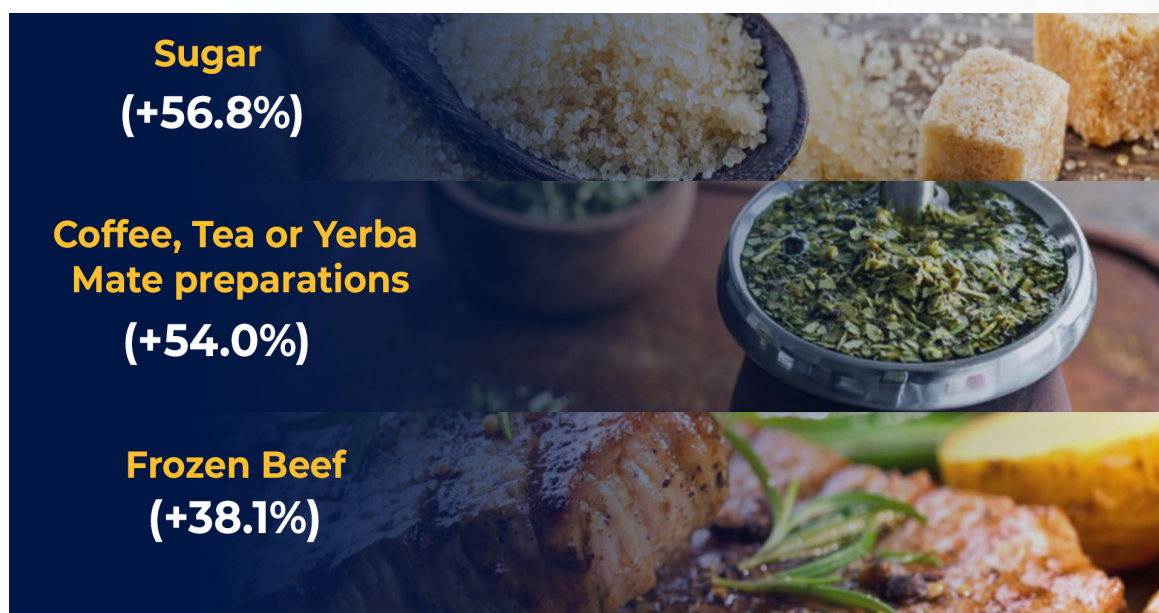


Together, these **5 products** have a **43.6% share of the total agri-food exports in September**, equivalent to 1,620.3 million dollars.

The agricultural exports with higher growth rate between the periods Jan-Sep 2021 and Jan-Sep 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 **\$671,139.6 million**. During November, the Secretary of Economy published the data referring to the third quarter of the year, so the statistics are the most recent to contrast the variation of the flows between quarters.

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		
3Q 2022	1Q-3Q 2022	1Q-3Q 2021
3,443.0	32,147.4	28,441.1 (+13%)

Million dollars.

By Type of Investment

New Investments

Q1-Q3 2022 - 14,519.9 **(+45%)**

Q1-Q3 2021 - 13,587.6

Profits Reinvestments

Q1-Q3 2022 - 14,052.2 **(+7%)**

Q1-Q3 2021 - 12,606.7

Intercompany Movements

Q1-Q3 2022 - 3,575.4 **(-32%)**

Q1-Q3 2021 - 5,231.4



At the third quarter of 2022, FDI was composed of new investments and reinvestments in more **than 70%**, **almost in equal parts**.

Figures in million dollars.

By Country of Origin

Top of the main countries that invested in Mexico in the third quarter of 2022.

		3Q 2022 ²	1Q-3Q 2022 ³
	1 United States of America	866.0 (-74.0%)	12,576.1 (-4.0%)
	2 Japan	526.8 (-52.0%)	1,267.6 (-17.0%)
	3 Spain	388.0 (+45.0%)	2,283.0 (-44.0%)
	4 United Kingdom	294.4 (N/S)	1,207.2 (+10.0%)
	5 Germany	203.2 (-26.0%)	921.5 (-39%)
	6 Canada	183.4 (-15.0%)	3,051.5 (+48.0%)
	7 South Korea	117.9 (-51.0%)	652.4 (+28.0%)
	8 Australia	98.5 (n.s.)	145.7 (+478.0%)
	9 China	90.1 (+148.0%)	166.6 (+19.0%)
	10 Sweden	88.5 (n.s.)	202.0 (-287.0%)
	11 Hong Kong	70.5 (-8.0%)	454.7 (+513.0%)
	12 Other Countries	515.8 (-39.0%)	9,219.1 (+108.0%)

¹Million dollars.

²Percentage is the YoY comparison (against 3Q 2021).

³Percentage is the YoY comparison (against 1Q-3Q 2021).

*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: Secretary of Economy.

By Sector

Top of the main sectors with most investment in the third quarter of 2022.

	3Q 2022 ²	1Q-3Q 2022 ³
31-33 Manufacturing industries	1,819.4 (-51.0%)	11,658.8 (-3.0%)
22 Electric power generation, transmission and distribution	485.7 (-372%)	1,076.6 (+144%)
51 Information in mass media	422.7 (+190.0%)	4,358.2(+672.0 %)
72 Temporary lodging and food and beverage preparation services	373.4 (-12%)	997.5 (+5.0 %)
21 Mining, Quarrying, and Oil and Gas Extraction	217.6 (-80.0%)	1,529.5 (-63.0%)
53 Real estate services and rental of movable and intangible assets	171.4 (70.0%)	245.9 (-21.0%)
43 y 46 Trade	117.6 (-70.0%)	1,856.4 (+15.0%)

¹Million dollars.

Source: Secretary of Economy.

By State

Top of the main states with the most investment in the third quarter of 2022.

	3Q 2022 ²	1Q-3Q 2022 ³
Ciudad de México	788.7 (-13.0%)	10,296.3 (+105.0%)
Guanajuato	502.3 (-20%)	1,678.0 (-5.0%)
Chihuahua	482.0 (+320.0%)	1,683.0 (+18.0%)
Jalisco	430.7 (+108%)	2,396.1 (+79.0%)
Baja California	284.1 (+7.0%)	1,533.6 (-25.0%)

¹Million dollars.

Source: Secretary of Economy.

COMMERCIAL OVERVIEW

CHIHUAHUA

First Semester of 2022



Exports
\$35,568 million

- Computer and Electronic Product Manufacturing: **\$18,994.6 M**
- Transportation Equipment Manufacturing: **\$7,196.5 M**
- Miscellaneous Manufacturing: **\$2,777.4 M**
- Electrical Equipment, Appliance, and Component Manufacturing: **\$1,809.6 M**
- Machinery Manufacturing: **\$1,478.2 M**

2nd
National Place

Accumulated to the Third Quarter of 2022

Foreign Direct Investment
\$1,683 million

4th
National Place

- **Manufacturing:** **\$1,182.8 M**
- Transportation Equipment Manufacturing: **\$355.9 M**
- Computer and Electronic Product Manufacturing: **\$347.3 M**
- Food Manufacturing: **\$170.9 M**

Top Investor Countries:



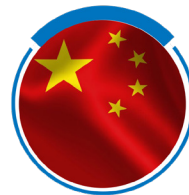
\$955.6 M



\$306.6 M



\$183.2 M



\$53.8 M



\$41.2 M

SECTION 5. COMPANIES


Investments Announcements:

During November, millionaire investments were confirmed, especially from the automotive and electromobility sector, standing out the following:




Nidec - Automotive Supplier / Electromobility | Japan

It plans to invest **715 million dollars** in the construction of a plant in Mexico to manufacture motors for electric cars.



Evergo - Electromobility | Dominican Republic

The charging stations' platform for electric vehicles will invest **200 million dollars** to install more than 15,000 new stations in Mexico by 2024. The expansion will begin in the central zone and metropolitan area, the northwest and northeast, as well as in the Riviera Maya.



Gold Data - Telecommunications | United States

The firm looks to construct a submarine cable to manage traffic between its data centers located in the cities of Mexico, Cancún and Querétaro with the one in Miami. It will entail an investment of **150 million dollars**, generating around 50,000 jobs in the next five years.

Daye - Machinery and Equipment | China

The company specialized in the production of electrical tools and intelligent products for the garden, will invest **120 million dollars for its first plant in our country**, settling in Salinas Victoria, Nuevo León, which will generate 2,000 jobs.



Solvay & Orbia - Automotive Supplier / Electromobility | Belgium / Mexico

Although it's not an investment in the national territory, it is worth noting the massive joint investment between the Belgian Solvay and the Mexican company Orbia. They will assign **850 million dollars** for a plant installation in Georgia, the United States, that provides materials for electric batteries in the North American market.

SOLVAY

orbia



Industrial Parks:

Likewise, private Mexican companies also announced significant investments for the construction of industrial parks:



Vesta - Logistics | Jalisco

The first phase of the Vesta Industrial Park was inaugurated in the municipality of El Salto, in the suburbs of Guadalajara, which contemplates an investment of **216 million dollars**. This first stage includes 30 hectares of surface and the second will cover another 36. It houses companies such as Mercado Libre, Amazon and O'Reilly auto parts.



Grupo Realix Estates - Storage | QueréStaro

More than **1,500 million pesos** were invested to start the construction of the Industrialix Industrial Park, which will serve as a complex of industrial warehouses in Corregidora, Querétaro. It will have an area of 122 hectares and an additional investment potential of **5,000 million pesos**.



Meor - Manufacturing & Logistics | Nuevo León

It inaugurated its HubsPark Apodaca, its first development in the northeast, with a surface area that extends over 35,000 square meters (m2). The project required an investment of **300 million pesos** and contributed to the company's plan to build 8 parks in Mexico for the next two years, under an investment of **3,800 million pesos**.



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