

NOVEMBER



ECONOMIC NEWSLETTER

2022 EDITION

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

With two months to go until the end of the year, the direction that the global economy could take is becoming increasingly clear. With the outlook for the United States painting a recession, and with the current situation in the energy and food markets given the Russian-Ukrainian conflict, the growth expectations are precarious.

Most of the year, we lived worried about inflation that didn't seem to want to stop climbing. However, the month of September registered the same level of interannual variation as that seen in August, being the first respite given by Mexico, though agricultural and merchandise prices continue to present tensions. We'll have to see what direction prices take in the following months, considering the government measures that have been accorded, such as the expansion of the PACIC with the intervention of the main food and trade companies.

In October, events such as the delivery of the Economic Package 2023 (*document that includes the economic criteria, policy proposals, the initiative of the income law, and the draft budget spending of the federation for the following fiscal year in Mexico*), the restructuring of the Ministry of Economy and the Tax Administration Service after the resignation of former secretary Tatiana Clouthier (*in the framework of the USMCA consultations, among others pending*), the progress of the labor reform for the increase in vacations and the elimination of Summer Time for a large part of the country, were highlighted.

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 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**
- 5) Companies**

SECTION 1. ECONOMIC INDICATORS

INDICATORS	SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
Inflation	8.70	8.70	6.00
Underlying Inflation	8.28	8.05	8.70
Target Rate	9.25	9.25	4.50
Average Exchange Rate	20.07	20.12	20.04



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 8.70% 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 8.28% since September 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.

For September, the exchange rate averaged 20.07 pesos per dollar, a decrease of 5 cents from the previous month.

EMPLOYMENT	SEPTEMBER 2022	AUGUST 2022	SEPTEMBER 2021
Unemployment Rate	3.1	3.2	3.9
Salaried workers registered in IMSS	21,409,356	21,236,866 (+0.8%)	20,420,823 (+4.0%)
Active Population (Labour force)	59,476,562	59,722,752 (-0.4%)	57,524,049 (+3.8%)
Minimum Wage 2022 ¹	GENERAL 172.87	ZLFN 260.34	Equivalent \$US* General: 8.61 ZLFN: 12.97

¹Pesos por día.

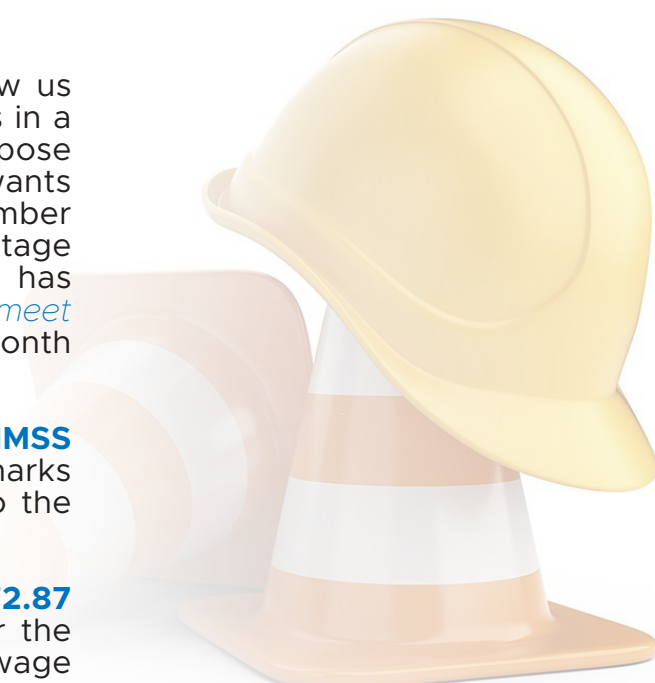
Mexican pesos per day. In Mexico, the minimum wage is regionalized. Since the creation of the Northern Border Free Zone (NBFZ, ZLFN in Spanish), some of the municipalities from the states of Baja California, Sonora, Chihuahua, Coahuila, Nuevo León, and Tamaulipas, have a higher minimum wage than the 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, September presents a difference from August of 0.2 percentage points, which means that unemployment has decreased. **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 172,490 as of September, which marks a rise of 0.8% in formal workers compared to the previous month.

The minimum wage for this year was fixed at 172.87 pesos per day (*about 8.61 dollars*), except for the northern border states, which have a higher wage because of the Free Zone, **being 260.34 pesos** (*about 12.97 dollars*).



ECONOMIC ACTIVITY			
Quarterly GDP ¹	Q3 2022 n.d	Q2 2022 18,224,695 (+1.0%)	Q3 2021 17,798,621 (+4.3%)
Economic Units	May 2022: 5,528,698 November 2021: 5,529,201 (-503 units)		
Global Indicator of Economic Activity	August 2022 113.0	July 2022 +1.0%	August 2021 +4.7%
Exports ²	September 2022 52,338.0	August 2022 50,670.0 (+3.3%)	September 2021 41,754.7 (+25.3%)
Imports ²	53,233.4	56,168.2 (-5.2%)	44,078.5 (+20.8%)
Trade Balance ²	-895.4	-5,498.2 (-83.7%)	-2,323.8 (-61.5%)

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

² Million dollars.

³IMMS 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. Quarterly, the GDP increased by 0.9% between the first two quarters of 2022. At the end of October, it was published the Timely Estimate of the Quarterly Gross Domestic Product (EOIPT by its initials in Spanish), **which projects a preliminary real growth of 1% for the GDP of the third quarter 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 July to August, it increased by 1%. As a result of the **country's exports and imports during September**, there was a **deficit trade balance of 83.7%** less than the previous month since international sales increased by 3.3% and purchases decreased by 5.2%.

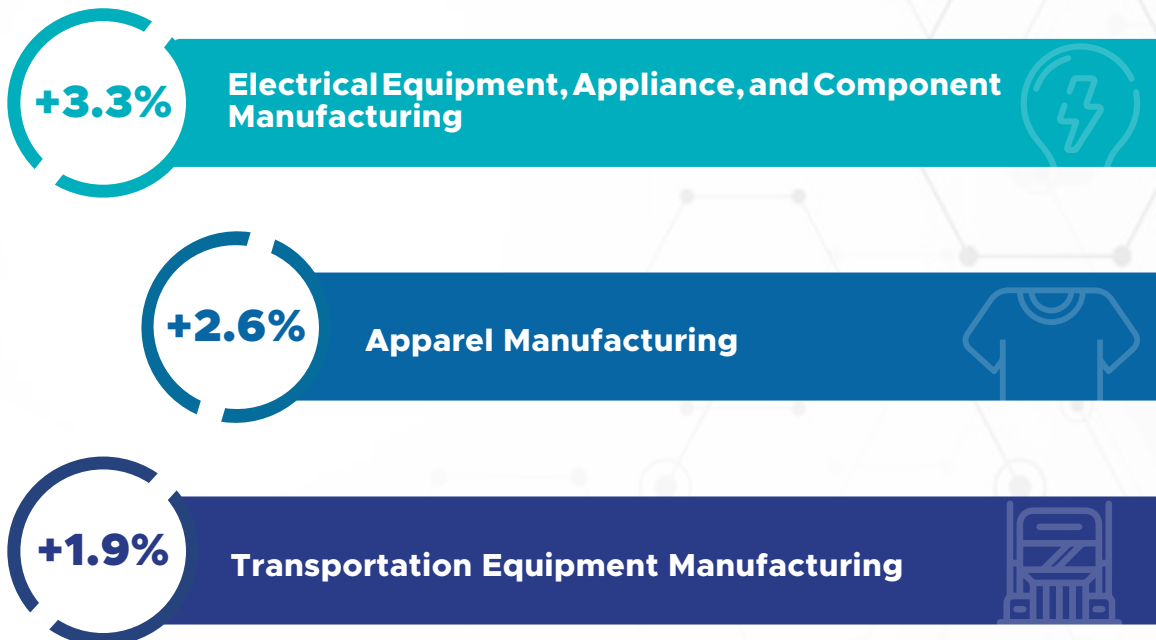
SECTION 2. MANUFACTURING INDUSTRY

Indicator of the Manufacturing Production

AUGUST 2022	JULY 2022	AUGUST 2021
119.9	-0.1%	+0.4%

¹Mensual Indicator of the Industrial Activity for the manufacturing industry, seasonally adjusted.

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

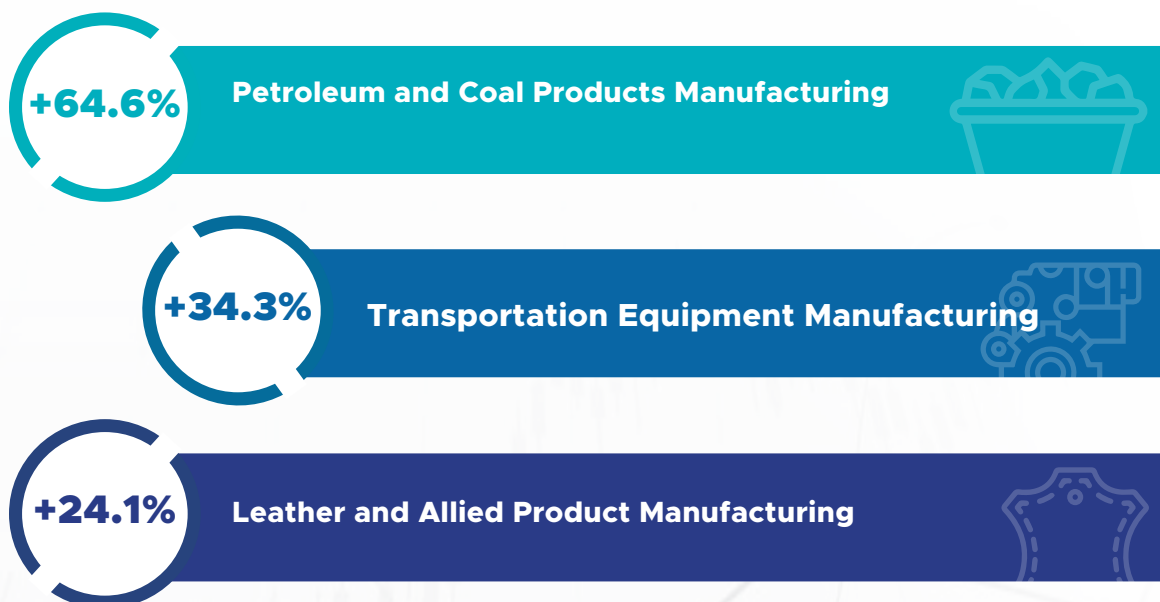


Production Value

AUGUST 2022	JULY 2022	AUGUST 2021
931,924.1	882,588.6 (+5.6%)	768,303.2 (+21.3%)

¹Million pesos.

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



MANUFACTURING EXPORTS	AUGUST 2022	JULY 2022	AUGUST 2021
	45,211.9	40,200.1 (+12.5%)	35,560.4 (+27.1%)
Automotive	15,245.6	11,751.2 (+29.7%)	10,702.3 (+42.5%)
Machinery and Special Equipment for Various Industries	7,675.2	7,185.9 (+6.8%)	5,795.2 (+32.4%)
Electrical and Electronic Equipment	7,252.7	7,025.6 (+3.2%)	6,689.7 (+8.4%)
Food, Beverages and Tobacco	2,575.8	2,400.9 (+7.3%)	2,114.4 (+21.8%)
Manufacturing Imports	46,350.7	42,324.0 (+9.5%)	37,354.1 (+24.1%)
Manufacturing Balance	-1,138.8	-2,123.9 (-46.4%)	-1,793.7 (-36.5%)

¹Million dollars.

Economic Units

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

Occupation

AUGUST 2022	JULY 2022	AUGUST 2021
118	+0.2%	+1.7%

^vOccupation Index, the variation is seasonally adjusted.

Manufacturing and Maquiladora Export Industry

	AUGUST 2022	JULY 2022	AUGUST 2021
Economic Units¹	6,465	6,462	6,474
Authorizations²	5,937 (+22 news)	5,923 (+17 news)	5,880 (+14 news)
Workers³	3,248,677	3,229,293 (+0.3%)	3,121,536 (+4.1%)
Hours Worked⁴	638,201	616,788 (+0.3%)	599,128 (+4.7%)
National Incomes⁵	270,032.2	249,323.8 (+8.3%)	215,927.4 (+25.1%)
Foreign Incomes⁵	399,627.2	381,369.1 (+4.8%)	329,856.7 (+21.2%)

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.

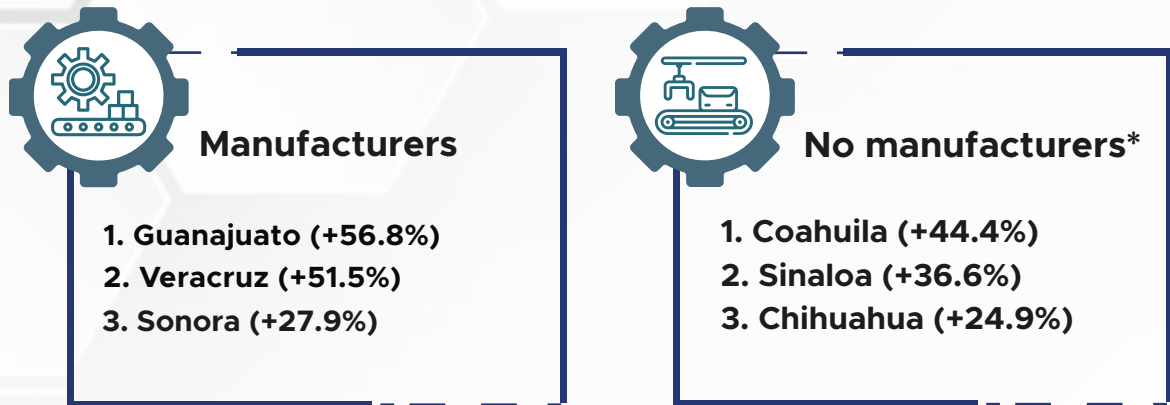
³Percentage change according to seasonally adjusted figures.

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

⁵Million pesos.

Source: INEGI.

The establishments with the highest YoY growth rate (*August 2021 - August 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

Agro-industrial exports slowed down between July and August, however, **the accumulated sales from January to August broke a record**, increasing 15.5% against the same period in 2021. The surplus obtained from the accumulated balance in the first 8 months of 2022 was the **fourth-largest positive balance in 30 years**.

	AUGUST 2022	AUGUST 2021	JANUARY - AUGUST 2022 ¹
Agrid-food Exports²	4,160.7	3,449.0 (+20.6%)	34,123.4 (+15.5%)
Share in total exports³	8.2%	8.5%	9.0%
Agrid-food Imports²	4,015.6	3,205 (+25.2%)	28,836.9 (+19.0%)
Agrid-food Balance²	145.2	244.2 (-40.5%)	5,286.5 (-0.8%)

¹Accumulated in January-August 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 August 2022**, with their respective amount in millions of dollars and year-on-year variation, we have the following:



Together, these 5 products have a 42% share of the total agri-food exports in August, equivalent to 1,750.4 million dollars.

The agricultural exports with higher growth rate between the periods Jan-Aug 2021 and Jan-Aug 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%)

By Type of Investment

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



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

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%)

^v 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%)

^v Millon 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%)

^v Millon de dollars.

Fuente: Secretaría de Economía.

**COMMERCIAL
OVERVIEW**

BAJA CALIFORNIA

First Semester of 2022



Exports
\$25,214.1 million dollars

- Computer and Electronic Product Manufacturing: **\$8,305.2 M**
- Transportation Equipment Manufacturing: **\$4,611.0 M**
- Miscellaneous Manufacturing: **\$3,865.6 M**
- Fabricated Metal Product Manufacturing: **\$1,471.3 M**
- Machinery Manufacturing: **\$1,369.9 M**

3rd
National Place

Foreign Direct Investment
1,133.4 million dollars

7th
National Place

- **Manufacturing:** **\$441.9 M**
- Plastics and Rubber Products Manufacturing: **\$100.3 M**
- Transportation Equipment Manufacturing: **\$94.3 M**
- Computer and Electronic Product Manufacturing: **\$83.6 M**

Top Investor Countries:



SECTION 5. COMPANIES

Investments Announcements

During October, millionaire investments were confirmed, especially from the automotive sector, standing out the following:



Ford - Automotive | United States

Inaugurated the Global Technology and Business Center in Estado de México to support the different key operations of the company in the world.

It was an investment of \$260 million. **The Center can host up to 9,000 collaborators.**

Molex - Electronic | United States

It opened its second state-of-the-art plant in Guadalajara, Jalisco, **with an investment of \$130 million.** Its purpose is to meet the demand for interconnection solutions for electric vehicles (EV), Advanced Driver Assistance Systems (ADAS), and connected vehicles.



Pirelli - Automotive Supplier | Italy

It will invest \$100 million to convert its factory in Silao, Guanajuato, into the logistics hub of North and Central America for the “cybernetic” tire manufacture for autonomous and electric vehicles. **It will generate 400 new jobs.**



Nemak - Proveedor automotriz / Electromovilidad | México

It will build a new plant in García, Nuevo León, to produce battery casings for electric cars. **It will allocate \$80 million and create 375 jobs.**



BRP Inc. - Electromobility | Canada

It started the construction of an electric motorcycle production plant in Querétaro. **It is an investment of \$70 million that will generate more than 500 new jobs.**

Long-Term Investments

Likewise, there were announcements of important investments that will be developed between 2022 and 2025.

Volkswagen - Automotive | Germany

It will invest \$763.5 million to expand its plant in Puebla. At the end of October, it laid the first stone of a warehouse that will modernize the application of paint to vehicles with new technology.

Continental - Automotive Supplier / Electromobility | Germany

It will invest 210 million euros to expand the operations of its plant in Silao, Guanajuato, dedicated to servo brakes and engine brakes manufacture. It will also inaugurate a new plant for electronic products in the same industrial park. It implies the contribution of 1,500 new direct jobs in the next three years.

Safran - Aerospace | France

It will invest \$120 million in Querétaro, of which 50 will be destined for the construction of a test bench, a test field for engines.

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