CURRENT STATUS AND ECONOMIC PERSPECTIVES USA-MEXICO

March 2024

Executive Summary

- **Growth stabilization in Mexico, investment and construction.**

- **Investment and exports indicators.**

- **Employment and inflation.**

- **Real Estate Market in the USA.**

- **Primary Fiscal Deficit in the USA.**

- **Mexicans' mood and life perception.**

- **Manufacturing and business expectations.**

Growth Stabilization in Mexico, Investment and Construction

Mexico's Economic Status

Growth in Mexico is slowing across all economic sectors. Yet there's a notable surge in construction, primarily driven by government investment in projects like the *Mayan Train* (highly focused in the south of the country and with a short investment lifespan).
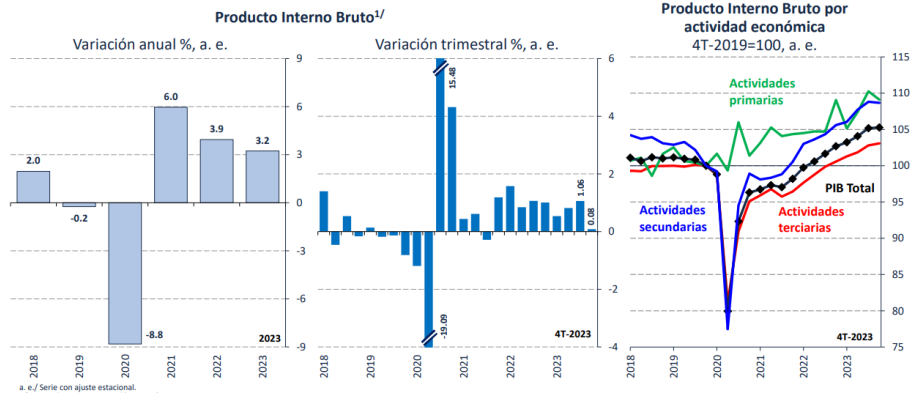
Investment in imported machinery and equipment remains high, benefiting from a strong peso, which could favor growth in the medium and long terms.

Automotive exports are declining, affected by high-interest rates and the peso's appreciation.
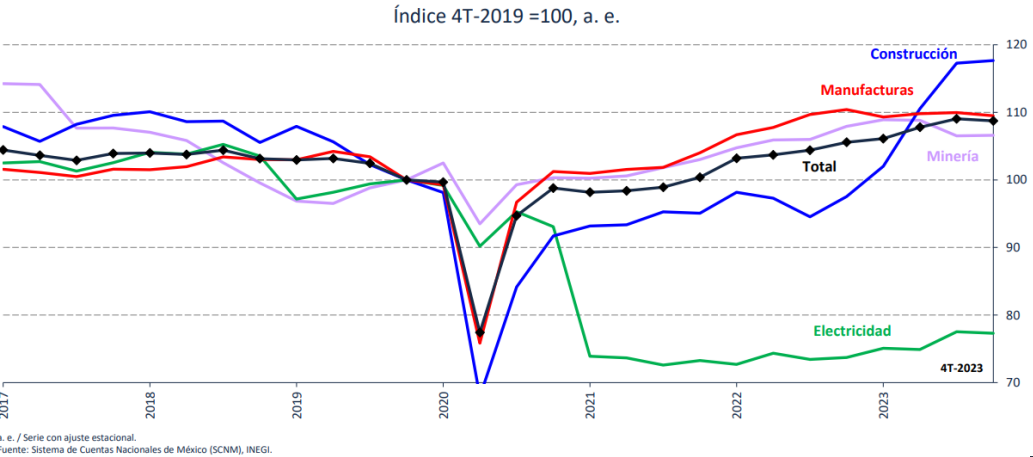
Employment remains strong with increases in the occupied population and IMSS affiliation, despite a historically high national unemployment rate and a high labor participation rate.

BAXICO's inflation forecasts have slightly increased, but the expectation of reaching inflation below 4% in 2024 remains.

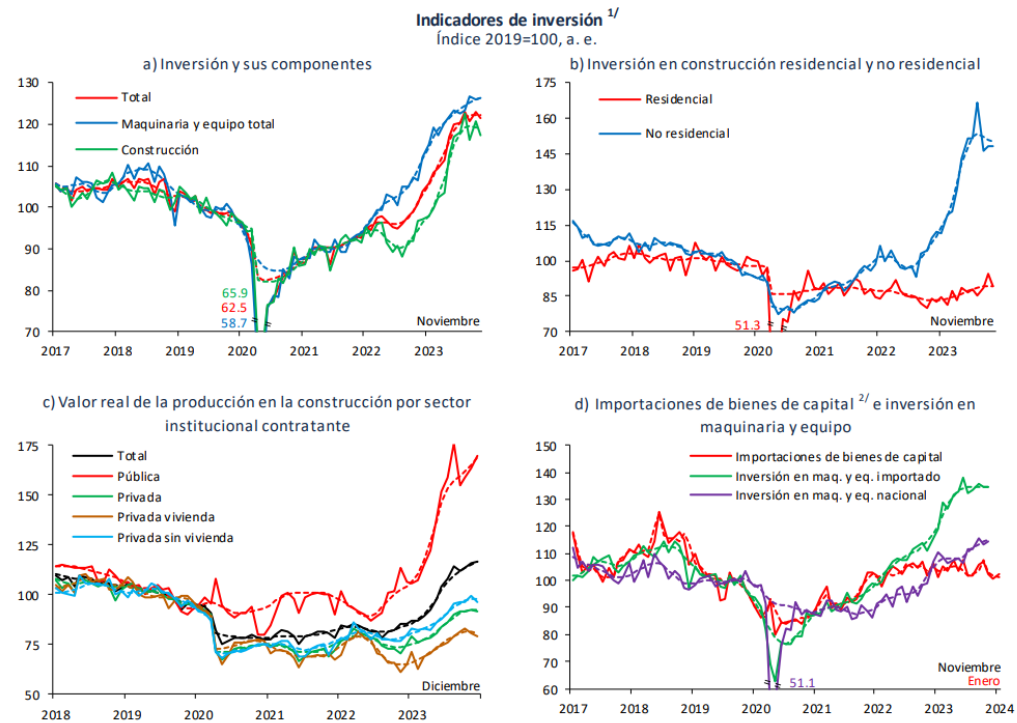## Mexico's Gross Domestic Product (GDP)
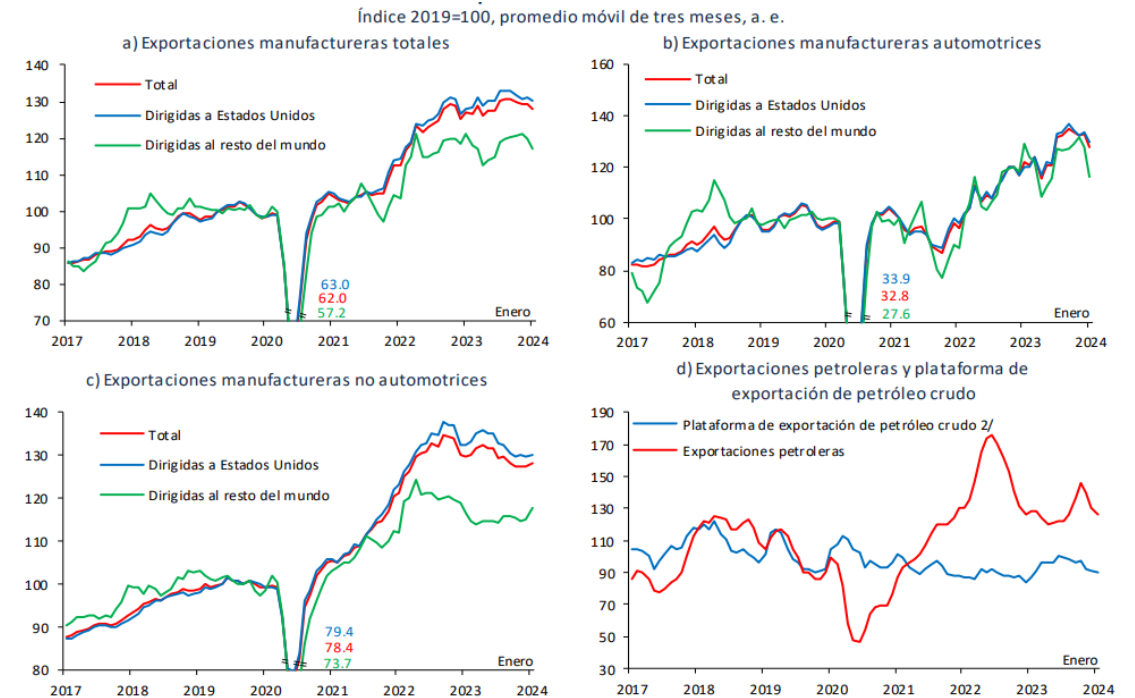

Industrial Activity

The slowdown in manufacturing and the sustained increase in construction stands out.

Source: Banxico, Fourth quarter 2023.

Growth Stabilization in Mexico, Investment and Construction

Investment Indicators

Indicadores de inversión [1]
Índice 2019=100, a. e.

a) Inversión y sus componentes

b) Inversión en construcción residencial y no residencial

c) Valor real de la producción en la construcción por sector institucional contratante

d) Importaciones de bienes de capital [2] e inversión en maquinaria y equipo

Mexican Exports

Índice 2019=100, promedio móvil de tres meses, a. e.

a) Exportaciones manufactureras totales

b) Exportaciones manufactureras automotrices

c) Exportaciones manufactureras no automotrices

d) Exportaciones petroleras y plataforma de exportación de petróleo crudo

Source: Banxico, Fourth quarter 2023.

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Employment and Inflation

Jobs, Disengagement Rates and Labor Participation Rates

Puestos de trabajo afiliados al IMSS y población ocupada
Índice 2019=100, a. e.

Puestos de trabajo afiliados al IMSS [1]

Población Ocupada

enero
4T-2023

a. e./ Serie con ajuste estacional.
1/ Permanentes y eventuales urbanos. Desestacionalización de Banco de México.
Fuente: Elaboración de Banco de México con información del IMSS y de la ENOE, INEGI.

Tasa de desocupación nacional
%, a. e.

2.79

diciembre

a. e./ Serie con ajuste estacional.
Fuente: Elaboración de Banco de México con información de la ENOE, INEGI.

Tasas de participación laboral nacional [2]
Promedio móvil de tres meses, %, a. e.

46.33
75.76

Mujeres ← Hombres →

diciembre

a. e./ Serie con ajuste estacional.
2/ Porcentaje de la población económicamente activa (PEA) respecto de la de 15 y más años de edad.
Fuente: Elaboración de Banco de México con información de la ENOE, INEGI.

Annual Inflation Forecast

General

Observado

1T-2024

IT 4T-2023 =
DPM feb. 2024 [1]

IT 3T-2023 =
DPM nov. 2023 [2]

DPM dic. 2023 [2]

Informe Trimestral 4T-2023[1]	4.6	4.4	4.7	4.3	3.9	3.5	3.2	3.1	3.1	3.1
Informe Trimestral 3T-2023[2]	4.6	4.4	4.3	4.0	3.7	3.4	3.2	3.1	3.1	

Subyacente

Observado

1T-2024

IT 4T-2023 =
DPM feb. 2024 [1]

IT 3T-2023 =
DPM nov. 2023 [2]

DPM dic. 2024 [2]

Informe Trimestral 4T-2023[1]	6.2	5.3	4.6	4.1	3.7	3.5	3.2	3.1	3.1	3.1
Informe Trimestral 3T-2023[2]	6.2	5.3	4.5	3.9	3.5	3.3	3.2	3.1	3.1	

Fuente: INEGI para datos observados de la variación anual y Banco de México para pronósticos. 1/ Pronóstico a partir de febrero de 2024. Corresponde al pronóstico publicado en el Anuncio de Política Monetaria del 8 de febrero de 2024. 2/ Pronóstico a partir de diciembre 2023. Corresponde al pronóstico publicado en el Anuncio de Política Monetaria del 14 de diciembre de 2023.

Source: Banxico, Fourth quarter 2023.

Real Estate Market in the USA

Status

The increase in reference interest rates in 2022 significantly impacted housing acquisition costs in the USA, where the spread in secured loans is low. This caused the average rate for a thirty-year mortgage to rise from 3% in 2020 to about 7% currently. This has increased the median monthly payment from under $1,200.00 to approximately $2,000.00 by 2024, a 70% surge in monthly payments.

On one hand, a robust job market, the trend of using homes as remote offices, and an increase in cash home purchases have driven demand. On the other hand, construction costs, influenced by capital costs, limited supply. Despite a slowdown in home price growth due to high interest rates, prices have recently risen again, staying near historic highs.

Many homeowners chose to stay in their current houses to keep the low mortgage rates obtained during 2020 and 2021, resulting in an unusually thin market for existing homes.
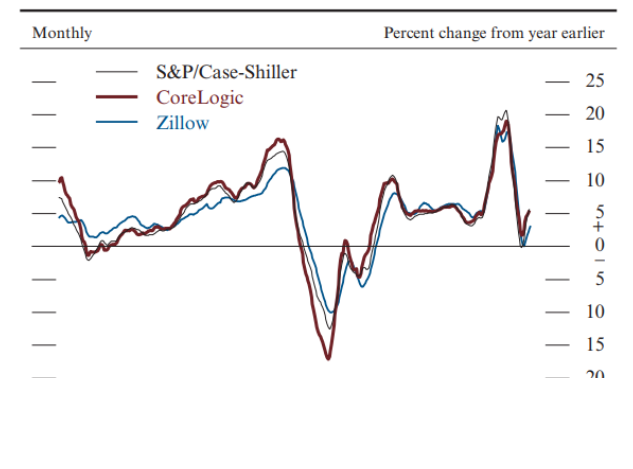
Mortgage Interest Rates
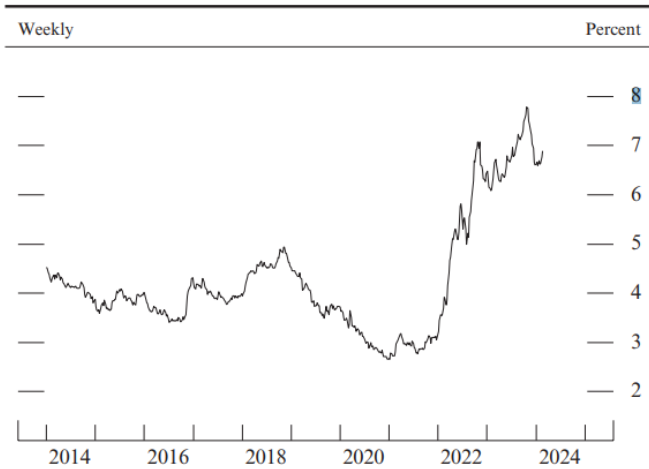
NOTE: The data are contract rates on 30-year, fixed-rate conventional home mortgage commitments and extend through February 22, 2024.
SOURCE: Freddie Mac Primary Mortgage Market Survey via Haver Analytics.

Median Monthly Mortgage Payments
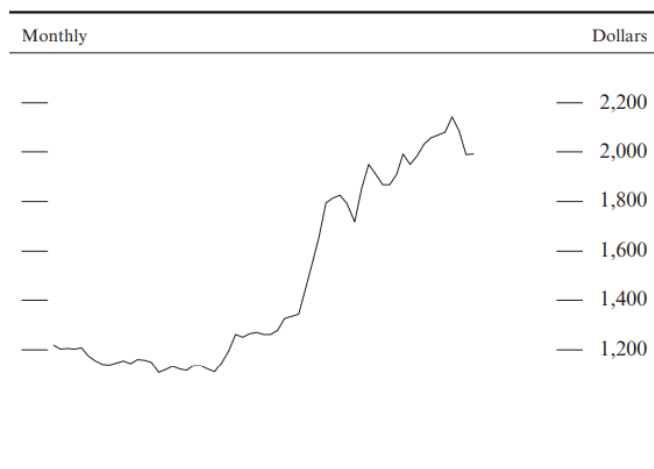
Growth Rate in House Prices

Source: Federal Reserve, Monetary Policy Report.

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Primary Fiscal Deficit in the USA

Primary Fiscal Deficit

The USA budget deficit remains elevated, decreasing from 15% of GDP in fiscal year 2020 to 6.3% in 2023. Federal debt reached 100% of GDP in 2020, the highest level since 1947. The deficit, along with the primary deficit, is expected to rise, increasing the debt-to-GDP ratio, according to the Congressional Budget Office.

Highlight: the cost of debt has risen due to both the FED's benchmark interest rate and its monthly reduction of $60 billion in Treasury securities as part of its asset decrease program. This situation keeps the nominal returns on Treasury securities at historically high levels, leading to high debt costs.

The combination of high yields and the FED's securities sales has resulted in public debt reaching nearly 100% of GDP, a ratio not seen since the 1940s, with debt maintenance costs nearing 2.5% of GDP and rising rapidly.

Federal Receipts and Expenditures
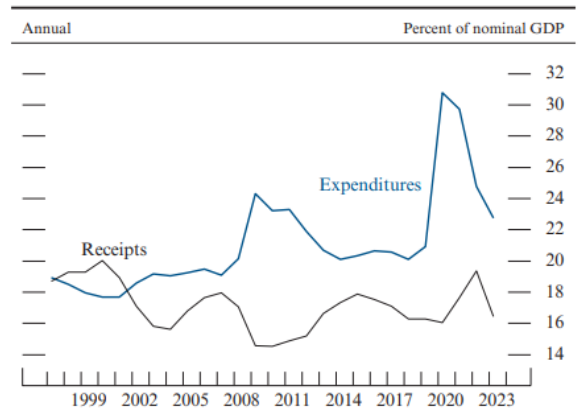
NOTE: The receipts and expenditures data are on a unified-budget basis and are for fiscal years (October through September); gross domestic product (GDP) data are on a 4-quarter basis ending in Q3.
SOURCE: Department of the Treasury, Financial Management Service; Office of Management and Budget and Bureau of Economic Analysis via Haver Analytics.

Federal Government debt and net interest outlays
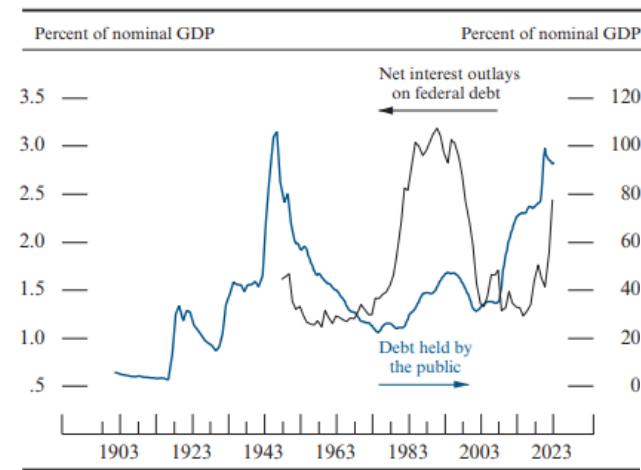
NOTE: The data for net interest outlays are annual, begin in 1948, and extend through 2023. Net interest outlays are the cost of servicing the debt held by the public. Federal debt held by the public equals federal debt less Treasury securities held in federal employee defined-benefit retirement accounts, evaluated at the end of the quarter. The data for federal debt are annual from 1901 to 1951 and a 4-quarter moving average thereafter and extend through 2023:Q3. GDP is gross domestic product.
SOURCE: For GDP, Bureau of Economic Analysis via Haver Analytics; for federal debt, Congressional Budget Office and Federal Reserve Board, Statistical Release Z.1, "Financial Accounts of the United States."
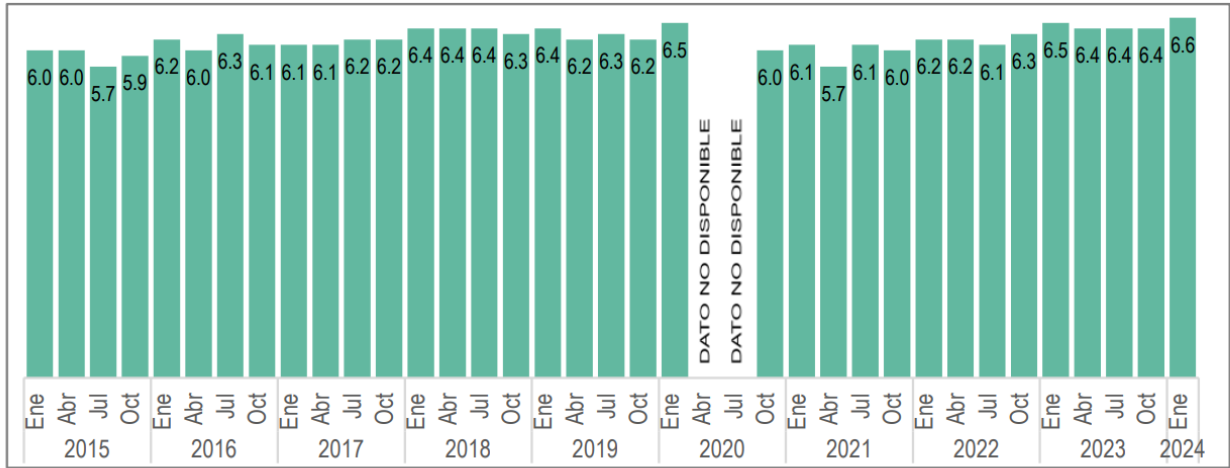
Mexicans' Mood and Life Perception

Mood Balance Measure (INEGI)

INEGI has developed a "mood balance" indicator for Mexico's urban population, covering 42.5 million people, based on a self-reported well-being survey. The findings indicate a general increase in well-being, peaking in January 2024.
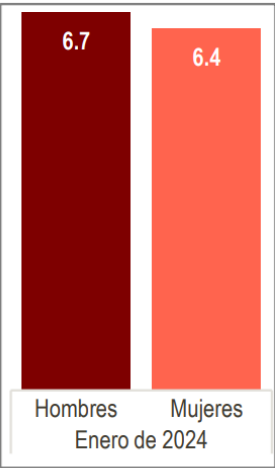
A gender gap is observed, with men reporting higher life satisfaction levels. Despite overall positive perceptions, satisfaction with public safety scores notably low.

Total General Mood Balance (2015 – 2024) and by Gender (2024)

Fuente: INEGI. BIARE Básico, 2024.

Satisfaction for Specific Areas

enero de 2023 y 2024
(promedio en escala de 0 a 10)

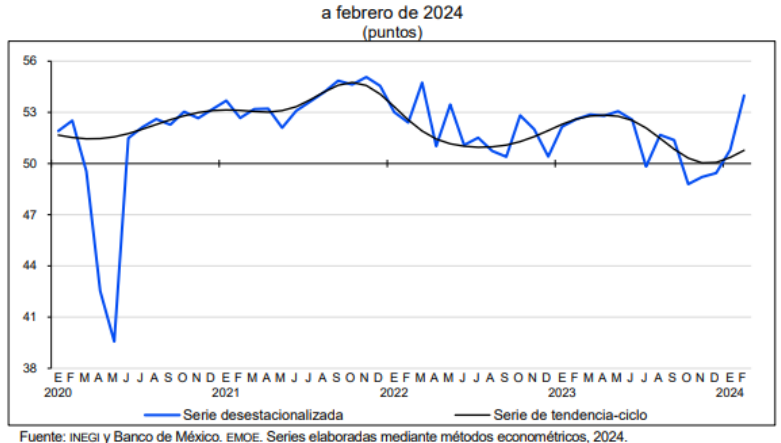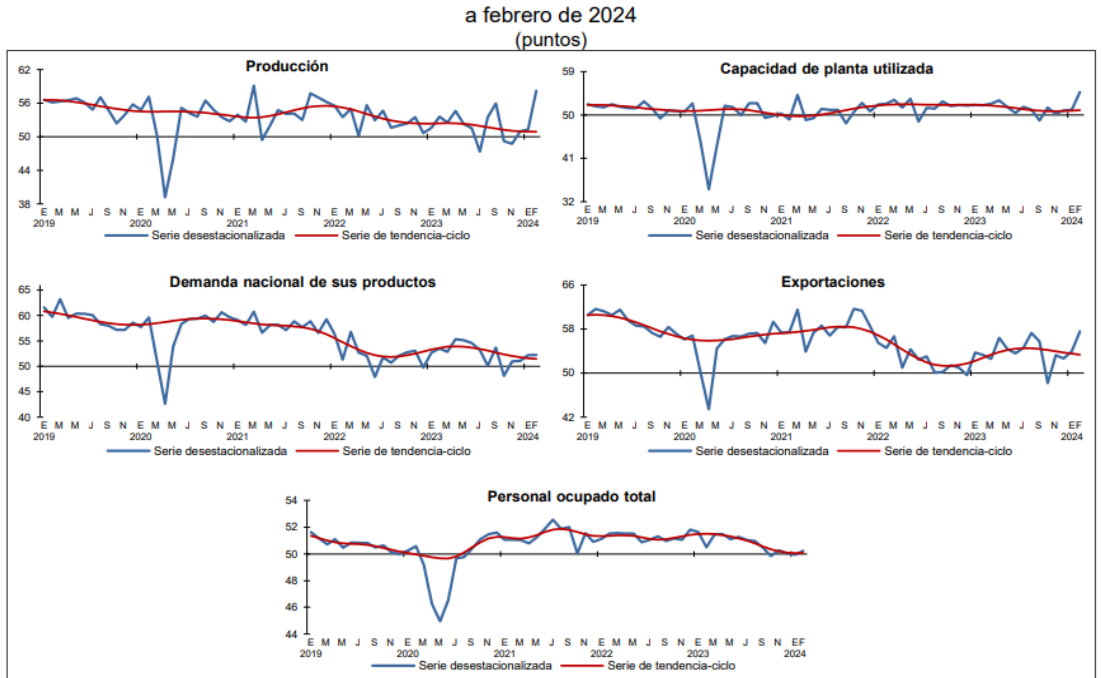| Dominios	Ene-23	Ene-24
Satisfacción con la vida	**8.4**	**8.4**
Relaciones personales	8.8	8.8
Vivienda	8.7	8.6
Actividad u ocupación	8.7	8.6
Logros en la vida	8.5	8.6
Perspectivas a futuro	8.5	8.5
Estado de salud	8.5	8.4
Nivel de vida	8.3	8.3
Vecindario	8.1	8.0
Tiempo libre	7.8	7.9
Ciudad	7.5	7.6
País	7.1	7.4
Seguridad ciudadana	5.4	5.4

Fuente: INEGI. BIARE Básico, 2024.

Manufacture Sector

From the Monthly Business Opinion Survey, the Manufacturing Sector Trend Aggregate Indicator is derived, showing an increase in expectations in February. This survey yields data on anticipated orders, production, employment, supply delivery and inventories in the manufacturing sector.

Notably, there are increases in production outlooks, plant capacity utilization, and exports.

Additionally, the INEGI compiles the Manufacturing Orders Indicator from the same survey, which also indicates significant growth in orders and production.

This can be further divided into subsectors, revealing substantial growth in the manufacturing of petroleum derivatives, coal, chemical industry, and non-metallic and basic metallic minerals, as well as a smaller increase in transportation equipment.

Unseasonally Trend-Cycle Series for the Manufacturing Sector Expectations

a febrero de 2024
(puntos)

Fuente: INEGI. EMOE. Series elaboradas mediante métodos econométricos, 2024.

Unseasonally Adjusted and Trend-Cycle Series of Manufacturing Orders

a febrero de 2024
(puntos)

Fuente: INEGI y Banco de México. EMOE. Series elaboradas mediante métodos econométricos, 2024.

Sourcee: INEGI, Aggregated trend indicators and business expectations. INEGI, Manufacturing Orders Indicators.

Manufacturing and Business Expectations

Manufacturing Order Indicators and Its Components

enero y febrero de 2024

Indicador y componentes	Enero de 2024	Febrero de 2024 p/	Diferencia en puntos 1/	Número de meses consecutivos por arriba o por debajo del umbral de 50 puntos	
Indicador de Pedidos Manufactureros	**50.8**	**54.0**	**3.19**	**2**	**por arriba**
a) Pedidos	52.0	56.2	4.26	2	por arriba
b) Producción	51.8	57.9	6.06	3	por arriba
c) Personal ocupado	49.8	50.8	0.97	1	por arriba
d) Oportunidad en la entrega de insumos de los proveedores	48.7	49.1	0.34	16	por debajo
e) Inventarios de insumos	48.7	50.1	1.37	1	por arriba

Nota: Los indicadores se generan con los datos referentes al mes de la entrevista.
1/   Las diferencias en puntos se obtienen de los respectivos indicadores considerando todos sus decimales.
Fuente: INEGI y Banco de México. EMOE. Cifras elaboradas mediante métodos econométricos, 2024.

Manufacturing Orders Indicators by Activity Subsectors

febrero de 2023 y 2024
(puntos)

Grupos	Febrero 2023	Febrero 2024 p/	Diferencia anual 1/
Indicador de Pedidos Manufactureros	**51.7**	**53.5**	**1.8**
Alimentos, bebidas y tabaco	51.1	51.9	0.8
Derivados del petróleo y del carbón, industria química, del plástico y del hule	51.3	56.3	5.1
Minerales no metálicos y metálicas básicas	47.9	50.6	2.7
Equipo de computación, accesorios electrónicos y aparatos eléctricos	51.7	51.5	-0.2
Equipo de transporte	53.5	54.3	0.8
Productos metálicos, maquinaria, equipo y muebles	51.3	50.8	-0.5
Textiles, prendas de vestir, cuero y piel, madera, papel y otras industrias	51.8	51.1	-0.7

Nota: Los indicadores se generan con los datos referentes al mes de la entrevista.
1/   Las diferencias en puntos se obtienen de los respectivos indicadores considerando todos sus decimales.
p/   Dato preliminar.
Fuente: INEGI y Banco de México. EMOE, 2024.

Sourcee: INEGI, Manufacturing Orders Indicators.

Sources

Bibliography:

- **Banco de México; Banxico, Fourth quarter 2023, published february 28, 2024:**

https://www.banxico.org.mx/publicaciones-y-prensa/informes-trimestrales/%7B5F48B898-BB10-1B95-1835-5B08793BD489%7D.pdf

- **Monetary Policy Report, published march 1, 2024:**

https://www.federalreserve.gov/publications/files/20240301_mprfullreport.pdf

- **INEGI, Mood Balance Indicators reported by urban population, published february 28, 2024:**

https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2024/biare/biare2024_Ene.pdf

- **INEGI, Manufacturing Orders Indicators, published march 1, 2024:**

https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2024/ipm/ipm2024_03.pdf

- **INEGI, Aggregated trend indicators and business expectations, published march 1, 2024:**

https://www.inegi.org.mx/contenidos/saladeprensa/boletines/2024/ee/ee2024_03.pdf