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Mexican Economic Outlook
Executive summary

April 2024

Econosignal

This quarterly report from Econosignal analyzes the Mexican economy from a macroeconomic, industrial and regional perspective. Additionally, it provides forecasts for a wide range of variables, which will assist you in enhancing the financial and strategic planning of your business. This version is the executive summary.

If you are trying to reduce uncertainty for improved planning and budgeting, we offer the extended version of this report, which covers 5-year forecasts for over 400 economic variables. Please, contact us: econosignal@deloittemx.com.

The complete version is only in Spanish. But if you were interested in the forecasts, they are also in English.

🕐 **This is a five-minute read.**

Contents

Summary

Slower growth, but balanced outlook

The Mexican economy is expected to moderate its growth in 2024 to 2.2%, a one-percentage-point decline from 2023's GDP expansion. Despite this slowdown, factors such as increased public spending due to the electoral context and the continued momentum of consumption will provide a counterbalance. Among the economic sectors expected to advance the most this year are construction -supported by spending on the federal administration's flagship projects and the nearshoring trend-, and telecommunications -driven by an increase in the number of users and operators' revenue-. From a regional perspective, these factors are expected to have a greater impact on Oaxaca and Quintana Roo, which will lead the growth ranking.

Macro overview

Mexico's **GDP** is projected to grow by **2.2% in 2024** and **1.4% in 2025.**

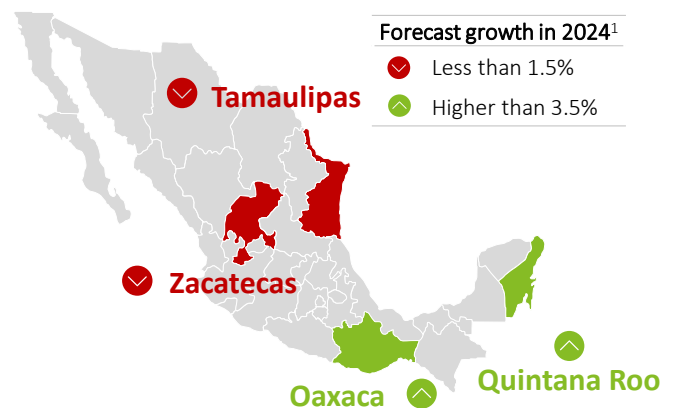**Headline inflation** would end 2024 at **4.3%,** while the **core** would be at **4.0%.**

The exchange rate is expected to reach **$17.6** towards the end of the year.

The Bank of Mexico would cut the **interest rate** towards **9.75% by December.**

States[1]

Forecast growth in 2024[1]
- ⌄ Less than 1.5%
- ⌃ Higher than 3.5%

Tamaulipas
Zacatecas
Oaxaca
Quintana Roo

Industries
Forecasts for 2024[1]

Fastest growth

Construction	Telecom	Tourism
+5.0%	**+4.6%**	**+3.4%**

Slowest growth

Health care	Mining	Food ind.
+1.2%	**+0.6%**	**+0.4%**

1. The states and the industries with the best and worst expected performance for 2024 are shown; to see details about the forecasts for 2023, please refer to each corresponding section. |
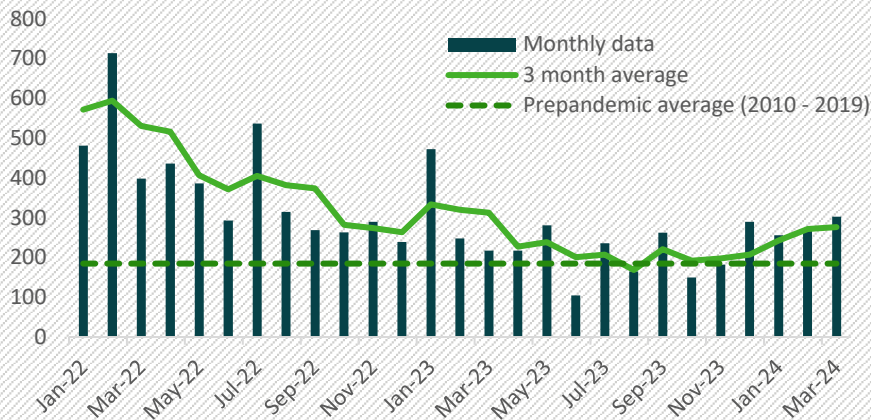**Sources:** National Institute of Statistics and Geography (INEGI) and the Central Bank of Mexico.

Macro overview

Global outlook

Figure 1. Economic activity still shows resilience
Monthly change in US employment, thousands of people

Legend:
- Monthly data
- 3 month average
- Prepandemic average (2010 - 2019)

Source: BLS.

Figure 2. Interest rates in developed countries
%

Legend:
- US
- UK
- EU

Source: Bloomberg.

Although there are factors that could slow down global economic growth, the numbers have shown good performance at the beginning of 2024 and no strong changes are seen in the short term.
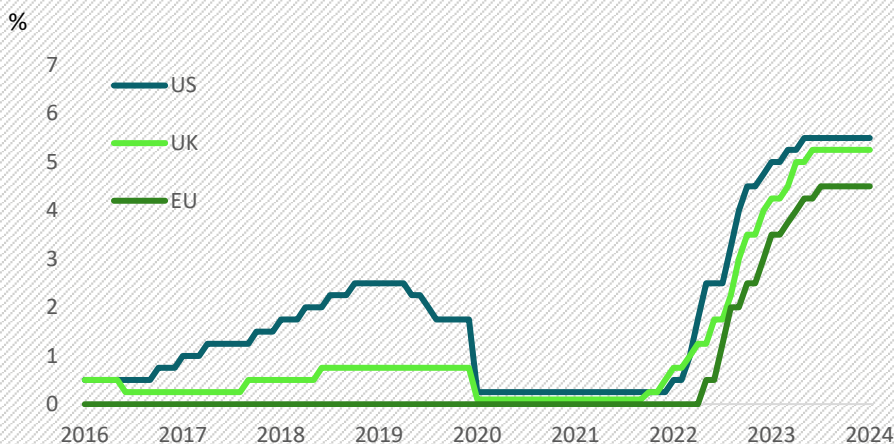
The global economy has shown resilience in the face of restrictive monetary policy pressures and displayed signs of vitality in major European, Asian, and American markets. For instance, in China, retail sales continue to grow at annual rates of over 5%, while industrial production runs above 7%. In the United States, monthly job creation is 50% stronger than pre pandemic 10-year average. This resilience has prevented inflation from resuming its downward trajectory towards central bank targets and instead price increases have adopted a sideways trend that is certainly uncomfortable.

In the case of the United States, inflation stood at 3.4% by the end of March and has remained within the 3-4% range for the past 10 months. This combination of dynamic economic growth and persistent inflation is beginning to shake expectations about what the year holds, especially regarding the interest rate cut cycle in advanced economies. It is now increasingly likely that the cuts will be shorter than thought.

Mexican outlook

Mexican economic activity is facing challenging times as the IGAE has registered declines since October 2023, with the worst performance of the post-pandemic period occurring in January of this year (-0.63% MoM, +1.1% YoY). While maintaining the view that favorable winds will prevail due to increased public spending, higher wages, and the inertia of nearshoring, this bumpy start to the year has led us to slightly adjust our growth forecast to 2.2%, from the 2.5% previously estimated.

> The economy has slowed significantly in recent months, as a result we have adjusted our growth forecast to 2.2%.

The other notable change in the current situation has been the appreciation of the Mexican peso, which, after having stabilized in the second half of 2023, resumed its appreciation rally in March (the steepest movement in the last 18 years) and has reached levels of $16.25, something not seen since August 2015. The highly speculative nature of our currency continues to be favored by the regime of high interest rates, as well as the consistency of flows linked to economic activity -remittances and exports, mostly-. We continue to believe that this pattern wont last for the rest of the year, but we have decided to reduce our estimated exchange rate for the end of the year from $18.10 to $17.60.

Figure 3. We expect 2024 growth at 2.2%
IGAE real, annual percentage variation
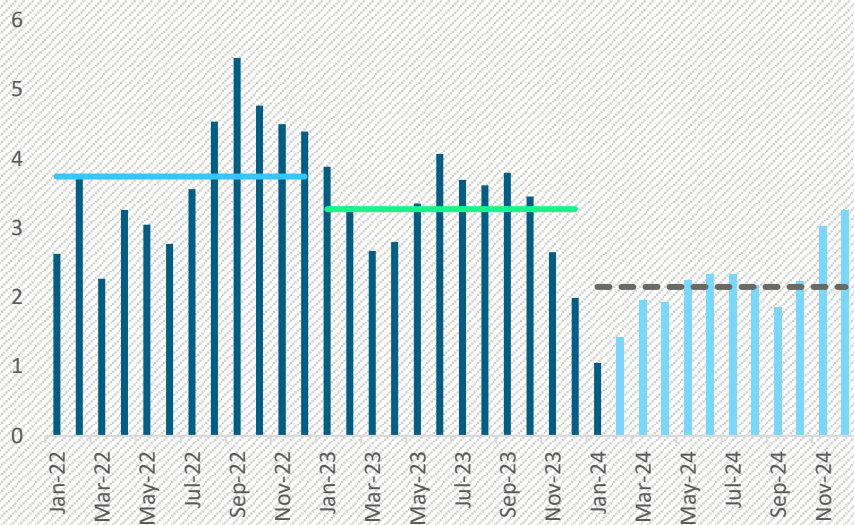
Source: INEGI. Econosignal's forecasts starting feb-24.

Figure 4. Recent appreciation cycles of the Mexican Peso
%

Legend: 2006-2008 | 2009-2011 | 2017 | 2020 | 2021-2024

Months passed since beginning of the rally
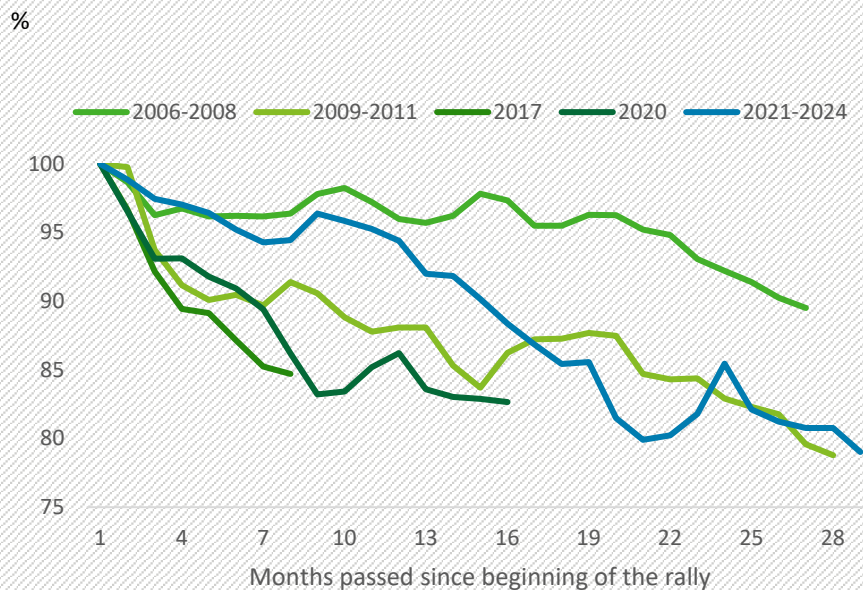
Source: Econosignal with data from Banco de Mexico.

Finally, our expectations regarding inflation and interest rates have changed little, since we believe that the first has adopted a balanced behavior in the range between 4% and 5% (Chart 5), which will lead the Bank of Mexico to Proceed with caution in its cutting cycle. The Governing Board has already started with a 25 basis points cut at the March 21 meeting, but the minutes of the discussion suggest that a pause could be considered in May, which makes sense especially if the Federal Reserve does not decide to begin its own cycle until the second half of the year. Our forecast for inflation is 4.3% and for the reference rate 9.75% as of December.

Figure 5. Inflation remains stagnates
Annual rates, %
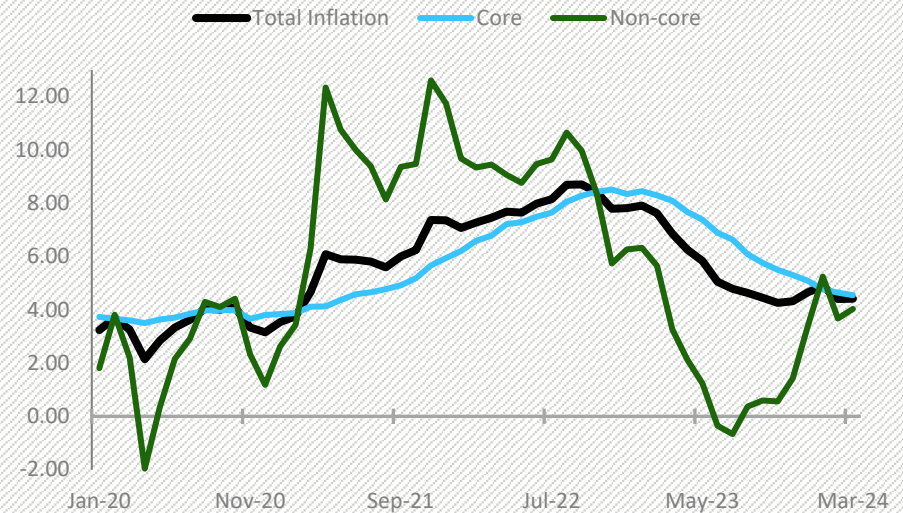
Source: INEGI.

Key macroeconomic forecasts

Table 1. Forecast macroeconomic

	2024	2025
Real GDP (ann. var. %)	2.2%	1.4%
Inflation (CPI, ann. var. %, eop)	4.3%	3.7%
Exchange rate (MXN per USD, eop)	$17.6	$19.2
Target rate (%, eop)	9.75%	7.00%

We produce many other macroeconomic forecasts that are essential for a complete financial planning.

Would you like to know more?

States' performance

Last year was characterized by the construction of major public works, announcements of investment projects due to nearshoring, and high levels of inflation.

By the Q3, the states that exhibited the most significant growth were **Oaxaca** (10.0% YoY), driven by the development of the Interoceanic Corridor; **Quintana Roo** (9.6% YoY), thanks to the construction of the Maya Train; and

San Luis Potosi (9.2% YoY), spurred by the expansion of manufacturing, particularly in the automotive sector.

Conversely, **Zacatecas** experienced a modest annual growth of 0.5%, due to a decline in its secondary activities, notably mining (14.2% YoY). **Nayarit** and **Tamaulipas** saw their economies contract by 0.5% and 1.3% YoY, respectively. The former was affected by a setback in agricultural production

and a slowdown in tourism, while the latter suffered from a downturn in manufacturing.

For **2024**, despite economic deceleration, we anticipate that over 80% of the states will surpass their pre-pandemic levels: some states from the Bajio region, which will benefit from nearshoring, and those in the southeast of Mexico, driven by the construction and commencement of public works.

Map 1. Evolution of states' economic activity
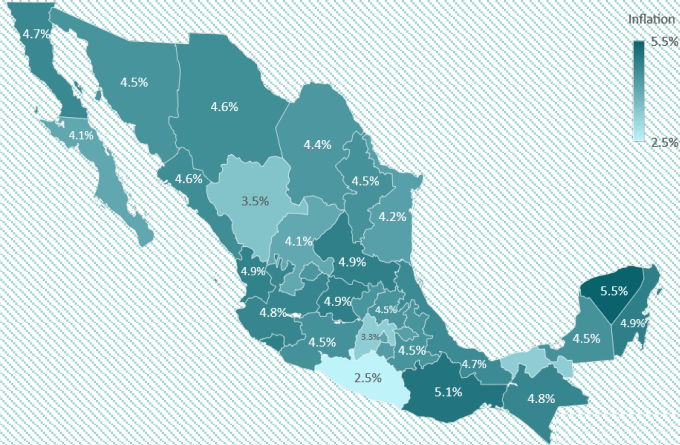Annual percentage change to Q3 2023[1]
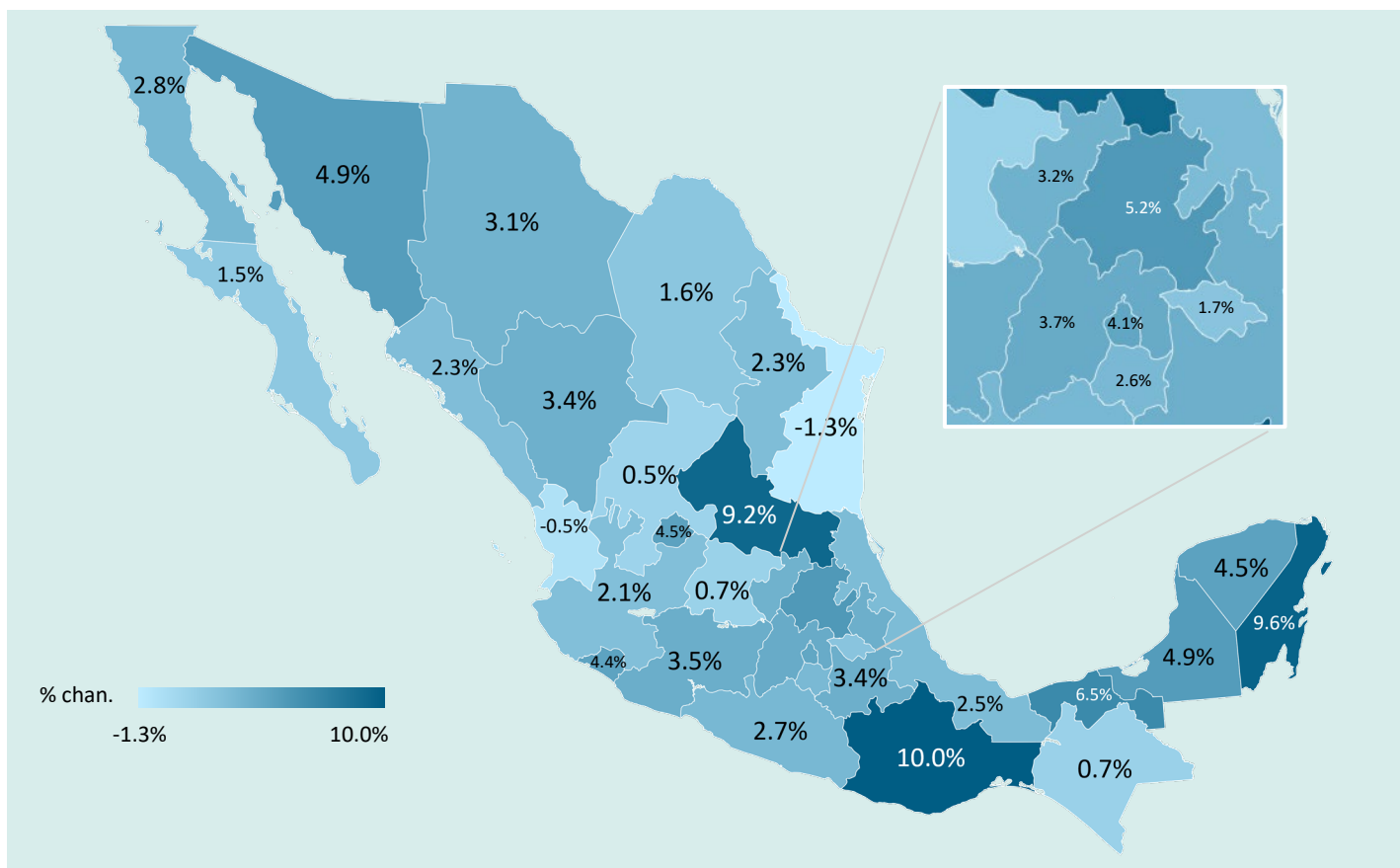
1. Based on the Quarterly State Economic Activity Indicator (ITAEE) in constant values at 2018 prices . Latest available information. | **Source:** INEGI.
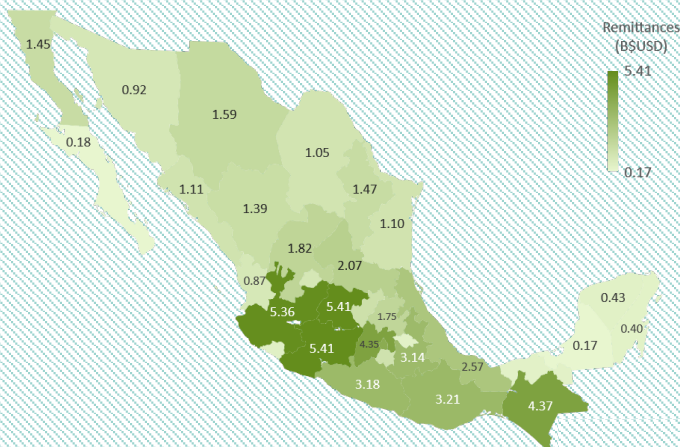
Map 2. Inflation
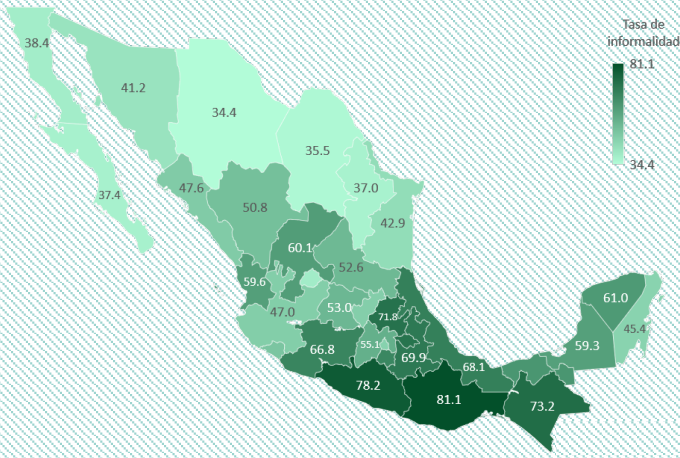CPI, annual percentage change, April 2024

Inflation
5.5%

2.5%

Map 3. Remittances
Billions dollars, accum. 2023

Remittances
(B$USD)
5.41

0.17

Map 4. Informal employment
% of employment, Q4 2023

Tasa de
informalidad
81.1

34.4

Figure 6. Exports, 2023

|	billions USD	ann. % change
CHIH	69.9	-8.7
COAH	65.4	9.0
NL	56.0	5.5
BC	54.2	3.2
TAM	34.3	-3.2
GTO	33.4	5.2
JAL	27.2	1.4
SON	26.6	11.3
SLP	22.9	28.7
MEX	22.9	11.7
PUE	19.7	-0.9
QRO	18.2	9.0
AGU	12.8	15.3
CAM	11.7	-17.7
TAB	11.1	-1.9
VER	7.5	-14.6
MICH	5.9	-11.2
CDMX	3.9	10.1
HGO	3.8	15.2
MOR	3.2	10.7
SIN	3.1	5.6
DGO	3.1	1.3
ZAC	2.8	-21.0
TLAX	1.9	-11.1
YUC	1.7	1.9
COL	1.3	15.4
CHIS	1.3	-12.9
OAX	1.2	-4.6
GRO	1.2	6.4
BCS	0.5	-2.6
NAY	0.3	5.7
QROO	0.0	-45.9
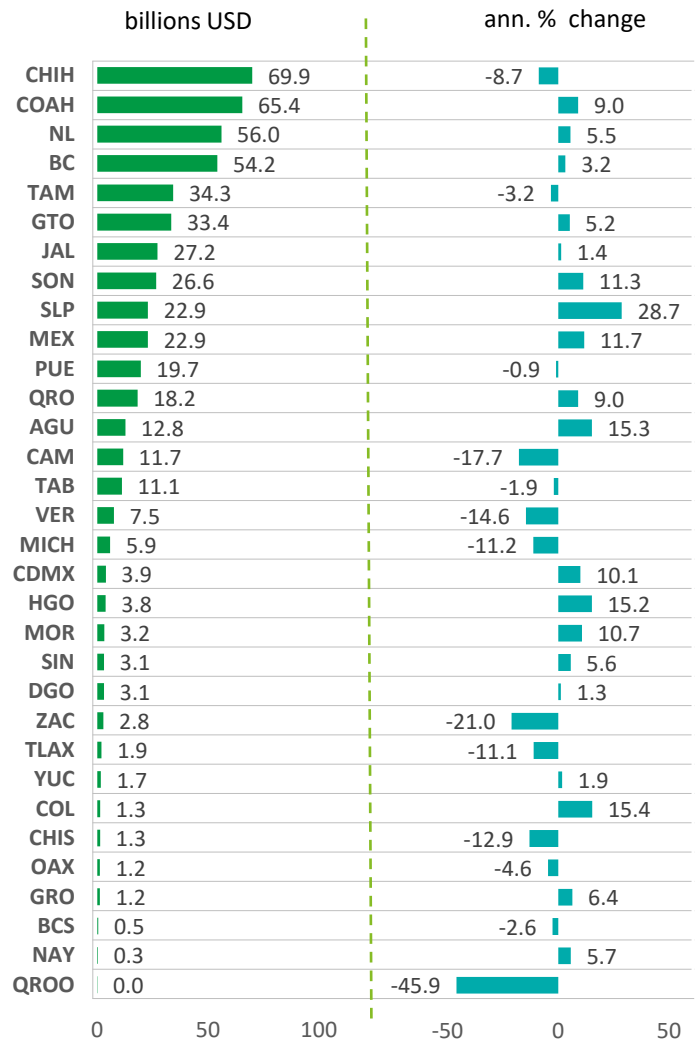
Figure 7. Unemployment rate and underemployment rate
% of economically active population and % of employment, Q4 2023
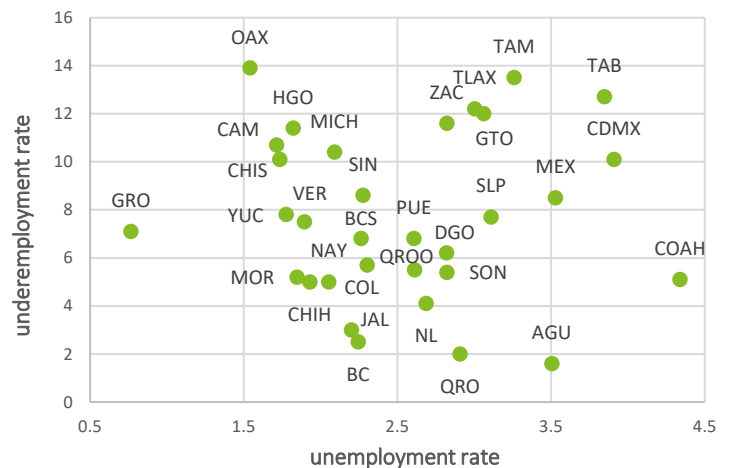
Sources: INEGI, Economy Ministry of Mexico and The Central Bank of Mexico.

Figure 8. Foreign Direct Investment[1]
Annual percentage change and percentage share of FDI, accum. Q4 2023*
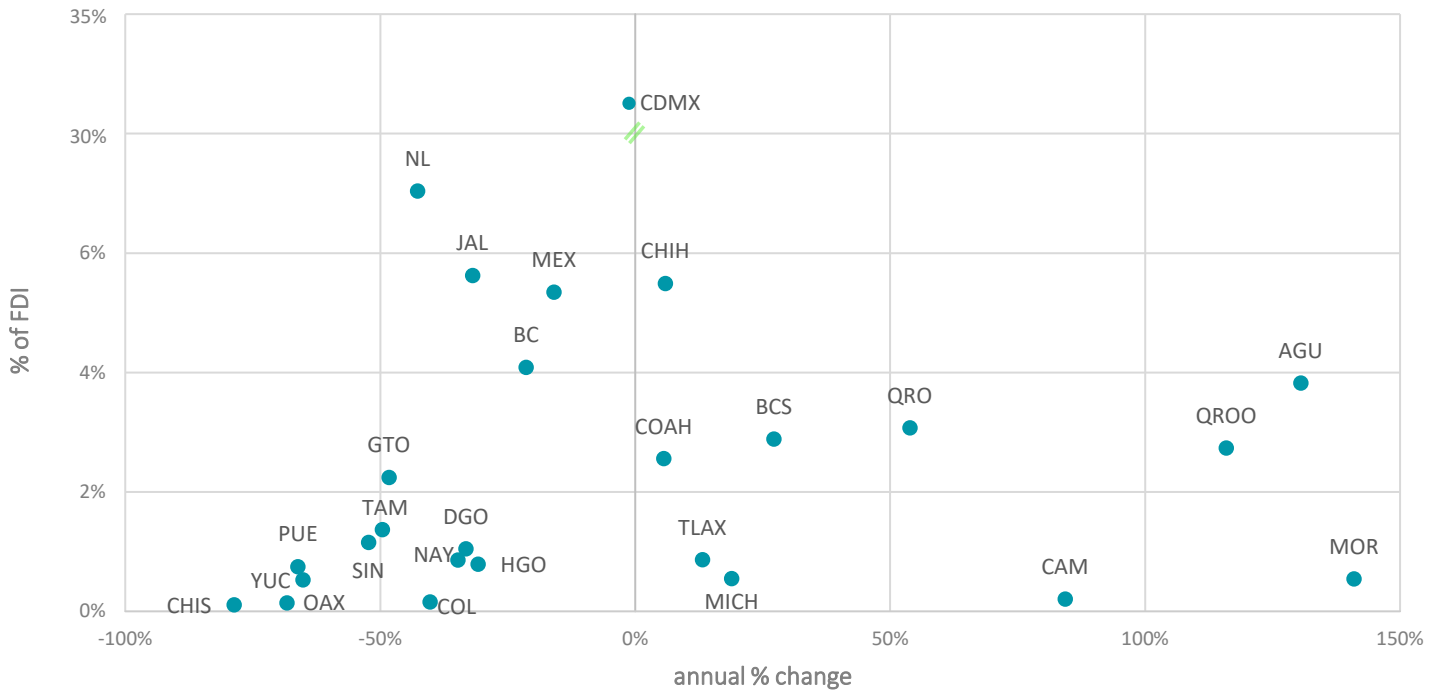
Table 2. Industries with the highest FDI in each state, accum. Q4 2023
Millions dollars

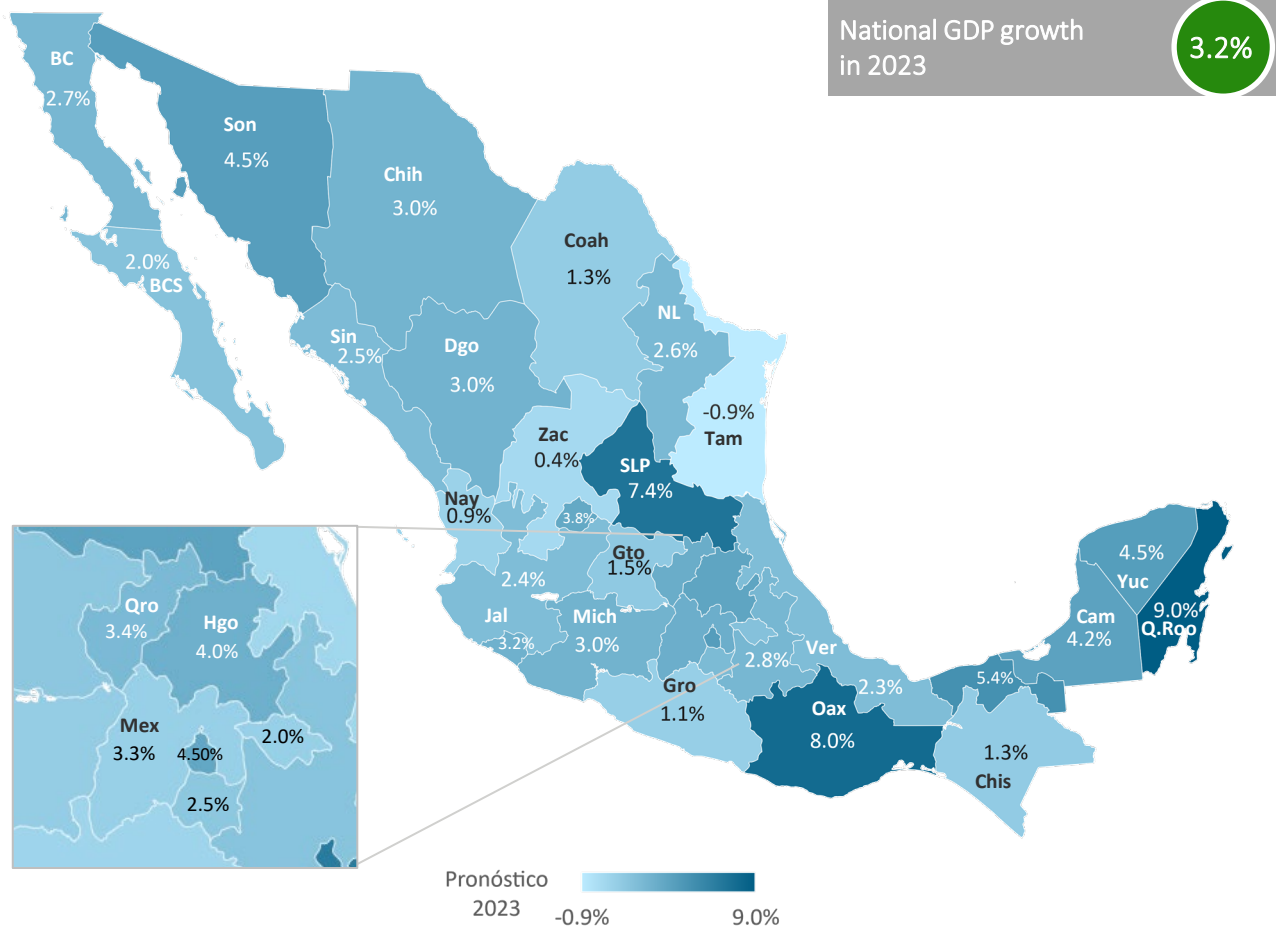| Industries / states	M$USD	Industries / states	M$USD
Transportation equipment manufacturing	**7,384**	**Credit intermediation and related activities**	**6,332**
Aguascalientes	1,132	Ciudad de Mexico	4,600
Mexico	1,119	Chiapas	33
Chihuahua	799	Tabasco	31
Guanajuato	704	Colima	14
Coahuila	680	Campeche	12
San Luis Potosi	671	**Beverage and tobacco product manufacturing**	**2,605**
Baja California	422	Jalisco	544
Queretaro	173	Hidalgo	50
Tamaulipas	150	Guerrero	28
Chemical manufacturing	**1,448**	**Primary metal manufacturing**	**2,283**
Puebla	313	Nuevo Leon	1,405
Morelos	105	Veracruz	269
Tlaxcala	40	**Accommodation**	**2,455**
Mining, except Oil and Gas	**2,108**	Baja California Sur	921
Sonora	1,978	Quintana Roo	753
Zacatecas	540	Nayarit	241
Durango	50	Yucatan	78
Support Activities for Transportation	**328**	Sinaloa	62
Michoacan	71	Oaxaca	31

Source: Economy Ministry of Mexico.

Map 5. Growth forecast of gross state product in 2023

Annual percent change

National GDP growth in 2023 — **3.2%**

BC 2.7%
Son 4.5%
Chih 3.0%
Coah 1.3%
2.0% BCS
NL 2.6%
Sin 2.5%
Dgo 3.0%
-0.9% Tam
Zac 0.4%
SLP 7.4%
Nay 0.9%
3.8%
Gto 1.5%
2.4%
Jal 3.2%
Mich 3.0%
2.8%
Ver 2.3%
Gro 1.1%
Oax 8.0%
5.4%
1.3% Chis
4.5% Yuc
Cam 4.2%
9.0% Q.Roo

Qro 3.4%
Hgo 4.0%
Mex 3.3%
4.50%
2.0%
2.5%

Pronóstico 2023   -0.9%   9.0%

The southeastern Mexican states are projected to experience the highest growth rates in 2023, buoyed by the construction of federal government projects such as the Maya Train, the Interoceanic Corridor, and the Dos Bocas Refinery.

The states with significant involvement in the tourism industry, particularly those that cater to international visitors, are expected to see the most substantial growth.

The progress of exporting states is set to remain positive, albeit with less vigor.

Nearshoring emerges as a growth opportunity for certain industrial states in the Bajio region and the northern part of the country, although foreign direct investment has exhibited a performance below expectations.

Forecasts and assumptions

Map 6. Growth forecast of gross state product in 2024
Annual percent change

National GDP growth in 2024	2.2%

Forecast range

Less tan 1.5%
From 1.5% to 2.5%
From 2.5% to 3.5%
Higher than 3.5%
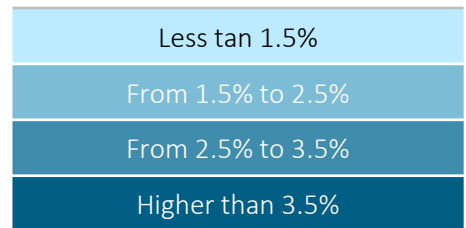
Investment driven by nearshoring will continue to serve as an economic catalyst for the industrial states (in the Bajio and northern regions) and Mexico City.

Elections for governors will take place in eight states (Chiapas, Guanajuato, Jalisco, Morelos, Puebla, Tabasco, Veracruz, and Yucatan) and Mexico City.

The export-oriented states might be affected by the global economic slowdown, specifically from the United States.

The southeastern region of Mexico will continue to experience robust growth due to construction projects, the inauguration of the Maya Train, and the reconstruction efforts following the disaster caused by the OTIS Hurricane (Guerrero). However, it is expected to experience a deceleration.

Considering moving or expanding your business?

We have five-year growth forecasts for each Mexican state.

Industry outlook

The Mexican economy experienced an annual growth of 3.2% in 2023. The **construction sector** emerged as the industry with the highest increase (15.6% YoY), spurred by the progress of federal government priority projects and the effects of nearshoring. We anticipate that this sector will maintain strong growth into the current year, though it is expected to decelerate due to a reduction in public investment.

Following behind were the telecommunications sector (6.4% YoY), driven by increased revenue among service operators, and the **tourism sector** (4.1% YoY), primarily boosted by the influx of international currency.

In contrast, the **healthcare sector** recorded the least progress (1.6% YoY), due to the underperformance of health and social assistance services and a slowdown in pharmaceutical production. This sector is expected to improve this year owing to pharmaceutical investment.

Meanwhile, the **food industry** and **mining** were the two sectors that experienced declines, with annual drops of 0.2% and 1.3%, respectively. The former was negatively impacted by environmental factors such as droughts and inflation. The latter saw a reduction in production and new projects amid uncertainty brought on by the mining reform.

Figure 9. GDP by industry, 2023[1]
Annual percentage change

Construction	Telecom	Tourism	Consumer	Finance services	Services	Energy	Manufacturing	Health care	Food indurty	Minig
15.6%	6.4%	4.1%	4.0%	3.3%	2.3%	2.2%	1.8%	1.6%	-0.2%	-1.3%
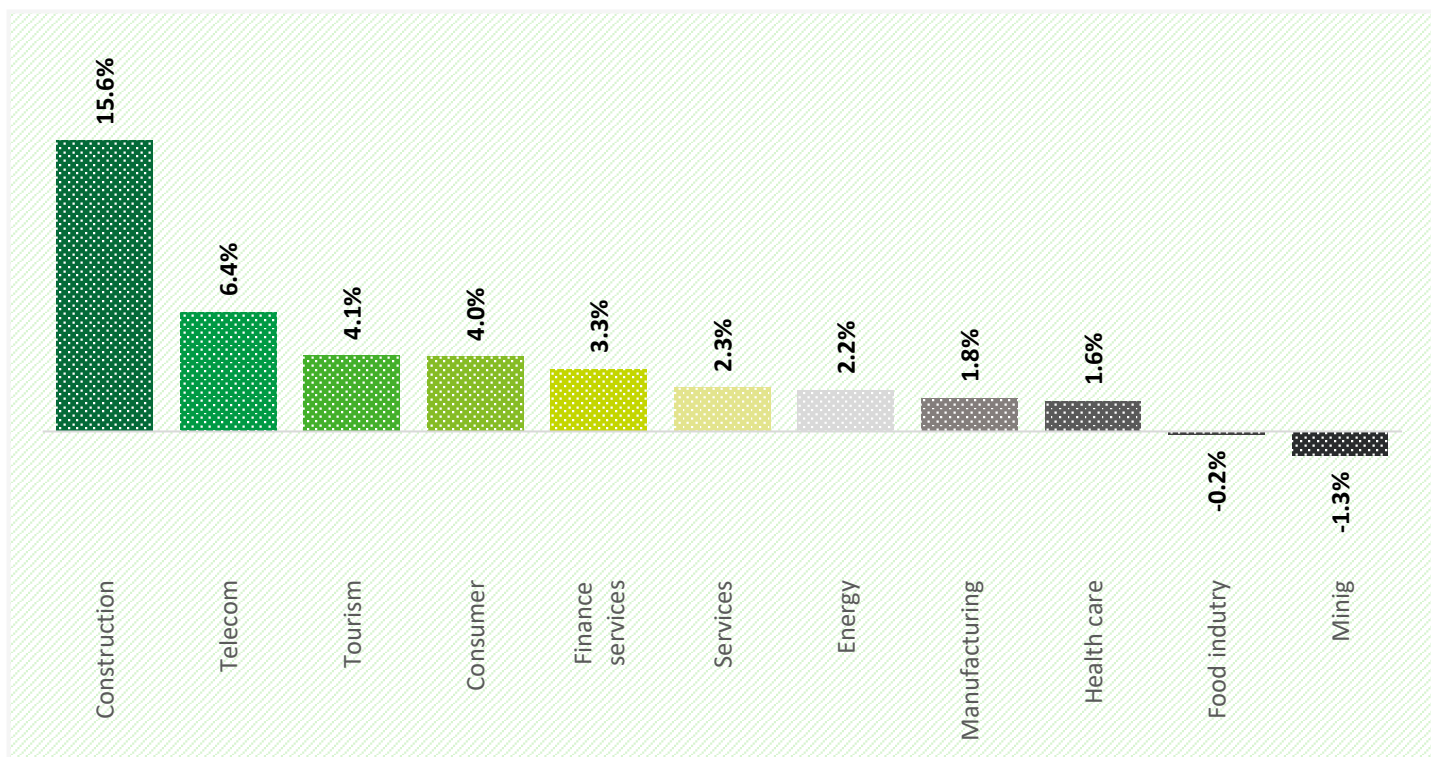
1. Due to the level of disaggregation employed in this report, non-seasonally adjusted series in constant values at 2018 prices should be used to measure the GDP variation of each industry. Please, refer to the appendix for the sector classification. | **Source:** INEGI.

Figure 10. Estimated output growth by industry in 2024
Annual percent change

Industry	Growth
Construction	5.0%
Telecom	4.6%
Tourism	3.4%
Finance services	3.1%
Consumer	3.0%
Manufacturing	2.0%
Services	1.8%
Energy	1.4%
Health care	1.2%
Minig	0.6%
Food indutry	0.4%
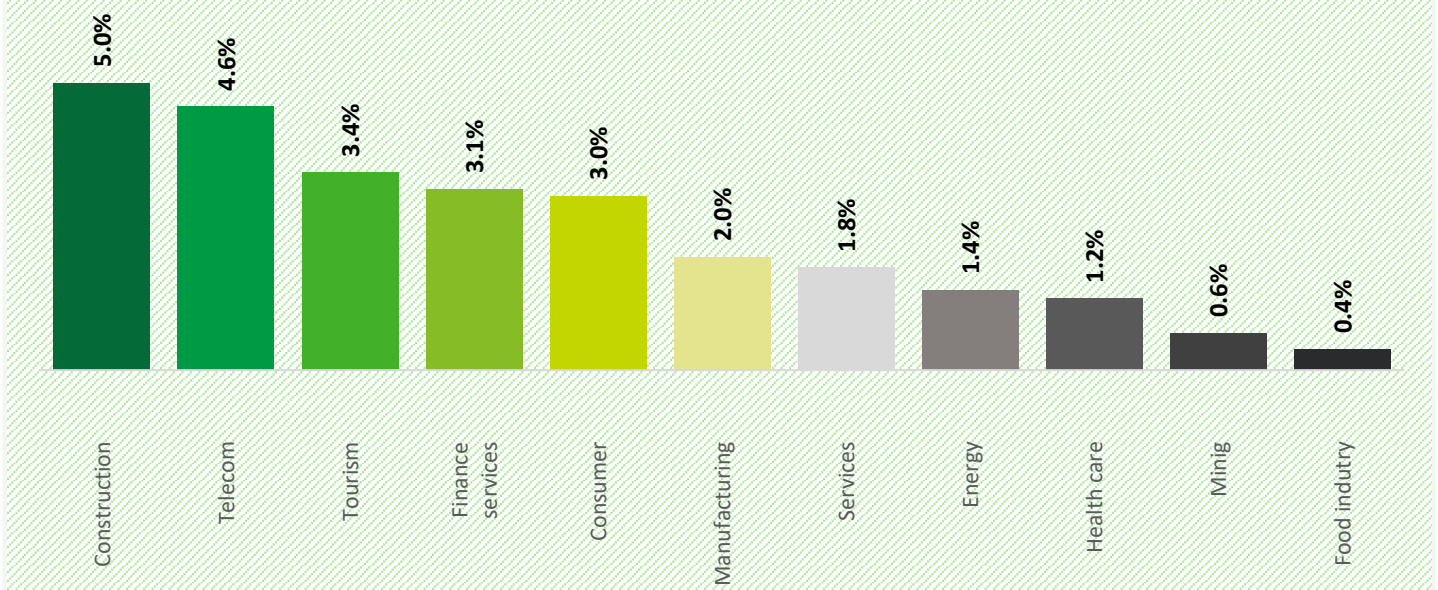
Source: Econosignal.

Opportunities and challenges for industries

Challenges		Opportunities	
	Mining		**Manufacturing**
	Regulatory and legal certainty.		*Leveraging nearshoring opportunities.*
	Food industry		**Energy**
	Environmental factors, such as drought.		*Refined oil products production and RE.*
	Health care		**Construction**
	Expanding access to healthcare services.		*Conclusion of flagship projects*

Would you like to know our five-year forecasts for all the industries in more disaggregated terms?

We can also forecast your industry growth rate and its impact on your financial statements.

Opinion of our lead partners

Food industry

"According to FAO figures, global food prices are showing a downward trend due to shortages of certain grains and fertilizers caused by global political conflicts. In addition, Mexico has still experienced some production complications, due to weather factors, highlighting the need for increased investment and legal certainty to enhance production in this industry."

Salvador Sanchez
Master Program, IMOS and Agribusiness Industry Lead Partner

Financial services

"The financial system, especially the banking sector, has reported record profits and a wide margin due to high interest rates. However, these high rates have also stagnated corporate credit, and mortgage lending has slowed down. In March, the Central Bank made the first cut in the target rate after nearly a year at 11.25%; this could indicate the beginning of a cycle of gradual rate cuts, so the main challenges will be exchange rate volatility and maintaining good profit margins."

Gustavo Mendez
Financial Services Lead Partner

Energy

"The global oil demand outlook remains positive for 2024, thanks to improving economic prospects. Within Mexico, however, the outlook is somewhat more uncertain due to stagnation in hydrocarbon production, an increase in the share of imports in gasoline consumption, and regulatory framework instability. The presidential elections scheduled for this year could signal a change in direction in energy policy."

Valeria Vazquez Maulen
Energy and Natural Resources Industry Lead Partner

Telecommunications

"2024 will be a notable year for advancements in technology, media, and telecommunications, enabling companies to enhance their efficiency and productivity. However, this progress also entails risks, such as increased economic inequality, as the benefits of using generative Artificial Intelligence may become concentrated in larger companies and could potentially reduce the availability of job opportunities."

Germán Ortiz
TMT Lead Partner (Technology, Media and Telecommunications)

Construction

"The construction sector experienced significant growth of just over 15% in 2023, thanks to the construction of emblematic government projects. This year, the sector is off to a strong start, with a 17.6% annual increase in January, and it is expected to remain strong in the coming months until these projects are completed. Additionally, the construction of industrial, commercial, and service works continues to show double-digit growth, indicating that nearshoring is also playing an important role in the industry."

Manuel Nieblas
Industrial Products, Construction and Manufacturing Lead Partner

Consumer

"The inflation levels, which remain above the central bank's inflation targets, show certain signs of deceleration. This is allowing consumer outlooks to remain positive regarding their financial situation, albeit with moderate expectations regarding their consumption. This situation is expected to persist throughout the year."

Manuel Ostos
Consumption Industry
Lead Partner

Health care

"The healthcare system in Latin America, and specifically in our country, still has significant areas of opportunity that could be addressed if recent technological advancements are properly leveraged. The implementation of digital databases and the use of Artificial Intelligence would allow for the optimization of data analysis, risk prevention, and simultaneously improve healthcare delivery and the efficient use of resources."

Alexandro Arias
Life Sciences and Health care
Lead Partner

Tourism

"Tourism begins 2024 with record growth in international currency inflows, with arrivals of tourists primarily from the United States and Canada, heading towards beach and sun destinations mainly. Despite this progress, the strengthening of the peso since last year has posed one of the main challenges for the industry, by increasing costs of imported goods and improving price competitiveness for Mexico's direct competitors."

Claribel Sanchez
Hospitality Industry Lead Partner

Teresa Solis
Expert in the Tourism sector

Manufacturing

"Last year, the manufacturing industry experienced a slowdown, despite positive expectations surrounding the phenomenon of reshoring and favorable foreign investment figures. The challenges now facing the sector include the need for essential tools to enhance planning and logistics, as well as mitigating risks in supply chains. Additionally, the outcomes of the presidential elections in Mexico and the United States will play a significant role in strengthening commercial and investment ties."

Manuel Nieblas
Industrial Products, Construction and
Manufacturing Lead Partner

Mining

"The performance of the mining sector was negative in 2023, as the uncertainty generated by the reform of the Mining Law and the lack of regulation stemming from it led to the paralysis of some projects and legal loopholes. Nevertheless, foreign investment attracted by the industry was positive, indicating that existing projects may be expanding their operations. Now, in addition to legal certainty, the greatest challenge for companies will be to improve their energy, water, and environmental efficiency to enhance the competitiveness of the mining sector."

Valeria Vazquez Maulen
Energy and Natural Resources
Industry Lead Partner
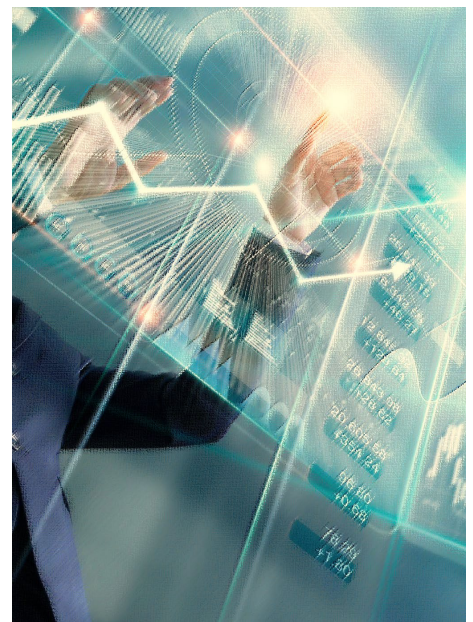
Appendix

Industries	North American Industry Classification System (NAICS)
Food industry	11 Agriculture, Forestry, Fishing and Hunting, except 113 Forestry and Logging; 311 Food Manufacturing; 3121 Beverage Manufacturing.
Finance services	52 Finance and Insurance.
Energy	211 Oil and Gas Extraction; 221 Electric Power Generation, Transmission and Distribution, Natural Gas Distribution and Water, Sewage and Other Systems; 324 Petroleum and Coal Products Manufacturing.
Telecommunications	515 Radio and Television Broadcasting Stations; 517 Telecommunications; 518 Computing Infrastructure Providers, Data Processing, Web Hosting, and Related Services.
Consumer	43 Wholesale Trade; 44 Retail Trade.
Construction	23 Construction.
Mining	212 Mining (except Oil and Gas); 213 Support Activities for Mining.
Health care	3254 Pharmaceutical and Medicine Manufacturing; 62 Health Care and Social Assistance.
Tourism	481 Air Transportation; 482 Rail Transportation (10.7%); 483 Water Transportation (43.4%); 485 Transit and Ground Passenger Transportation (49.0%); 487 Scenic and Sightseeing Transportation; 488 Support Activities for Transportation (19.2%); 71 Arts, Entertainment, and Recreation (53.1%); 72 Accommodation and Food Services; 56 Administrative and Support and Waste Management and Remediation Services (4.7%).
Manufacturing	31-33 Manufacturing; except 311, 3121, 324, 3254.
Services	482 Rail Transportation (89.3%); 483 Water Transportation (56.6%); 484 Truck Transportation; 486 Pipeline Transportation; 488 Support Activities for Transportation (89.8%); 491 Postal Service; 492 Couriers and Messengers; 493 Warehousing and Storage; 53 Real Estate and Rental and Leasing; 54 Professional, Scientific, and Technical Services; 55 Management of Companies and Enterprises; 56 Administrative and Support and Waste Management and Remediation Services (95.6%); 61 Educational Services, 71 Arts, Entertainment, and Recreation (46.9%); 81 Other Services (except Public Administration).

Fuente: North American Industry Classification System (NAICS).

Our publications

The complete version of this report provides forecasts for Mexico for the next five years of:

61 ▶ **Macroeconomic variables**

193 ▶ **Industrial variables**

160 ▶ **State variables**

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Contact us

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