Creating Opportunities

Mexico Regional Sectoral Outlook

Second half 2019

Index

Closing date: October 31, 2019

1. Summary

During the first half of 2019, there was a slowdown in economic activity in Mexico, with tertiary activities contributing 87.4% of GDP growth. Manufacturing industries also slowed down during 2018, growing by 1.7% after growing 3.0% in 2017, and the trend is expected to continue to close the year with a growth of 0.6%.

The sectoral situation showed a change in its dynamics. We can see that the Business Support sector had the highest expected growth rate in 2019, at 4.8%, followed by the financial and insurance services sector, with 3.4% estimated growth during the year. As in recent years, we can see that Mining had a reduced share of economic activity, with an estimated contraction of 5.1%, a trend that the recent change in energy policy has failed to reverse. The oil platform is lower than anticipated in the budget, and therefore hydrocarbon production has contracted. By 2020, a much smaller contraction is expected and, if the government's energy policy objectives are implemented, oil activities could achieve growth in the medium term. The mass media sector reversed its trend from one of the most dynamic sectors to a shrinking sector, with an estimated fall of 4.4%. We also estimate that construction will close 2019 with a 3.2% drop.

Regionally, we can see strong inertia in growth patterns and a generalized slowdown, leading to an expected contraction in 11 federal states, including those intensive in oil mining. The growth rates forecast for 2019 were adjusted downward for several states, a result of the adjustment in expectations of progress in the national economy and the changes in sectoral activity observed during the year. However, the existing concentration of economic activity, as well as foreign direct investment and loan portfolio, remains high. With regard to employment indicators, there are very different patterns in terms of formality and growth of occupation. Two important effects we should stress are: 1) the northern border states of the country have the highest expected growth rates, even higher than the Bajío region; and 2) there is a lag in the south and southeast of the country in terms of economic activity growth, with no expectation of a significant change in the short or medium term. This could be reversed by specific infrastructure and social development projects, especially for regions with less activity and dynamism.

The Insurance and Financial Services sector remains strong and is growing, which will be maintained partly based on potential demand for greater financial inclusion. In addition, we present the dynamics of lending and borrowing rates, as well as the brokerage margin and, in particular, the financial margin of commercial banks, the main branch of activity within the sector. We then reviewed the situation of some subsectors in production chains, both forward and backward, described by the material-product matrix. The employment dynamics within the sector, as well as the main financial performance indicators for banking, underpin growth forecasts of 3.4% and 5.7% for 2019 and 2020, respectively.

The automotive industry in Mexico spent the first half of the year with two contrasting results. Exports continued to grow thanks to international appetite, but the domestic market continued to fall in the face of lower demand. Lower domestic purchases for new cars are attributed to the high cost of acquisition, maintenance and uncertainty about the consumption of durable goods in the face of an environment of low or no economic growth. By the second half of the year, both results had aligned, but not positively. Exports also fell from July, mainly due to lower sales to the US. Other countries such as Germany and Japan also saw their sales to the US fall. Still, we have a cautiously positive expectation for 2020 based on an improvement in international demand for ratification of the USMCA.

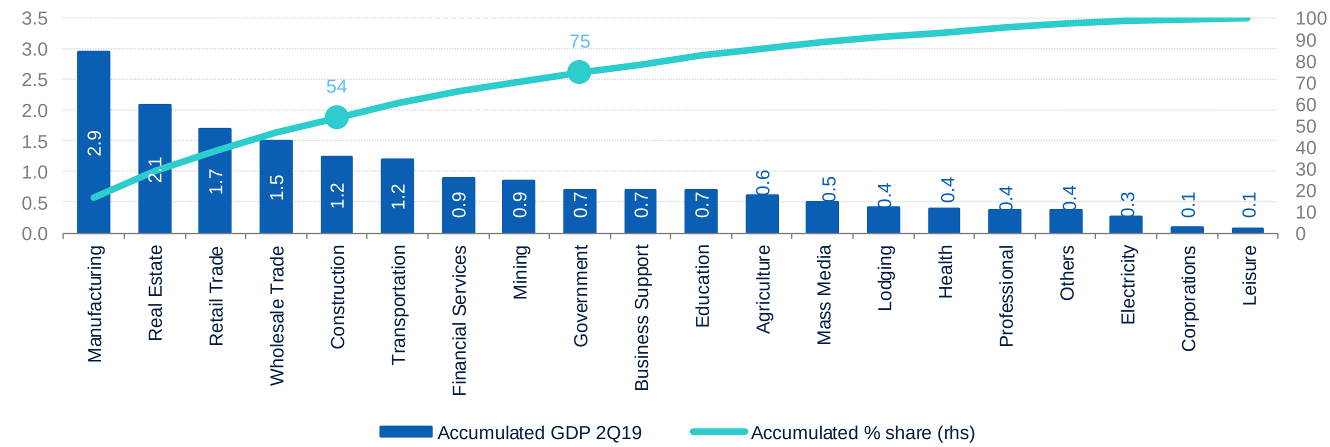
2. Sectoral and regional analysis

2a. Most sectors have slowed markedly

Only 4 sectors improved their performance by the middle of 2019

The cumulative growth of the economy in the second quarter of 2019 (2Q19) was only 0.2% in annual rates. The Mexican economy is virtually stagnant at the sectoral level. As mentioned in previous analyses, there is a high concentration of activity in the economic sectors. A total of 50% of total GDP has been accounted for by the same five sectors in recent years. Manufacturing contributed almost 17%, Real Estate Services 11.8%, Wholesale and Retail 9.6% and 8.5% respectively, while Transport contributed 6.9%.

Figure 2a.1 **SECTORAL GDP ACCUMULATED AT 2Q19** (BILLIONS OF MXN AND % SHARE)

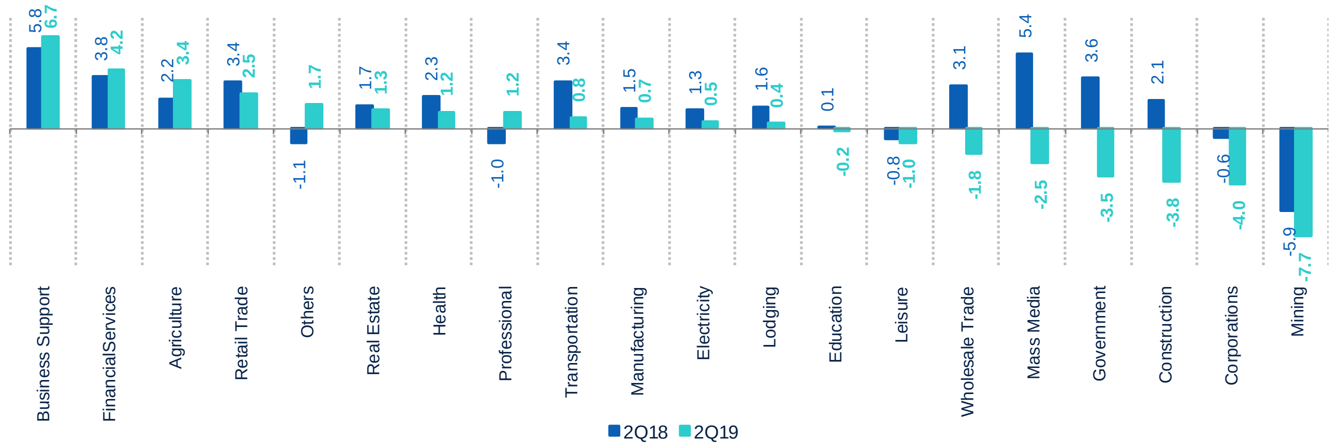


Source: BBVA Research based on data from SCNM and INEGI

In this analysis period, the most relevant sectoral change was that Mining continued to lose ground against other activities and now only contributes 4.8% to the economy as a whole, dropping from fifth position to be the eighth sector in terms of GDP. This is the result of the continued fall in oil activity, although a decline in mineral extraction has also contributed in the past year. Recalling the discussion on our previous analysis, it is now confirmed that the energy policy in terms of hydrocarbons has not borne fruit, at least during the last year.

At the close of the first half of the current year, we can see that only four sectors increased their growth rate over the previous year, and only two of these have a significant effect on the total economy. Business support services tops this list, with a cumulative growth of 6.7% in 2Q19, an improvement on the rate of 5.8% in the same quarter in 2018. This case is not surprising, as in the most recent quarters, this type of service has been among the sectors with the highest growth rates. At the end of 2018, its growth was 5.1%, the third largest based on this indicator, behind only Financial Services and Mass Media Information. Now Financial Services is second, with an annual growth of 4.2%, followed by the Agricultural sector with 3.4%; the latter is surprising. Retail Trade continued to grow, this time with an annual rate of 2.5%. The last activity with positive performance is Other Services, but its contribution is only 0.4%, so it has no impact on the economy as a whole.

Figure 2a.2 **SECTORAL GDP ACCUMULATED TO 2Q19** (YoY % CHANGE)



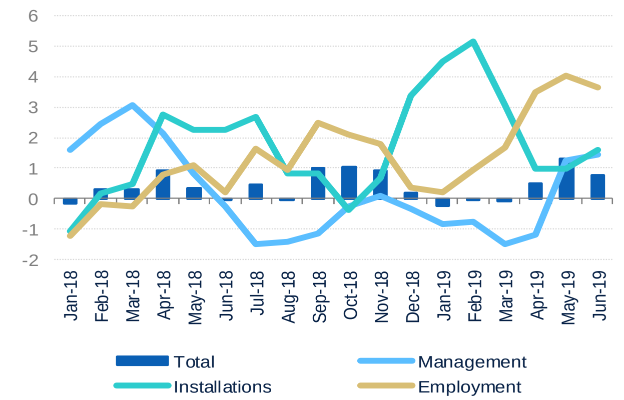
Source: BBVA Research based on data from SCNM and INEGI

The rest of the sectors slowed down or fell. Real estate, Transport and Manufacturing services are among the most significant that are in full slowdown. The first two are mainly due to lower investment because of uncertainty, while Manufacturing is due to lower foreign trade and strike stoppages during the first part of 2019, which in turn affects the first two sectors. Within those falling, Mass Media Information and Wholesale Trade are the ones with the most impact on the combined effect because of their greater importance. The first has decreased at a rate of 1.8% and the second by 2.5%, up to 2Q19. Mining is the sector that has dropped the most at 7.7%; almost twice as much as Corporations, which is in second to last position.

Business Support progress suggests a change in the economy

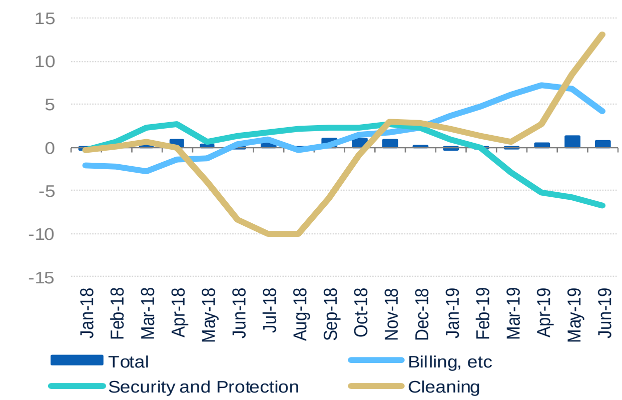
As we have pointed out in previous reports, business support services has made steady progress in recent years. From 2011 to 2018, its average growth rate was 3.1%, without no downturn since 2010. This is the result of the increasing outsourcing of some of their procedures or services adjacent to their main activity. Within this sector, activities such as Facilities Support and Employment Services are those that continuously improve their margins, measured through the income and expenditure indexes of the Monthly Survey of Services published by the INEGI. Other activities that reported improvements in their income-to-expenditure ratio were Collection Services, Research and Others, as well as Cleaning. An activity on an upward track for several years was the Protection and Security Service, but in 2019 its expenses increased substantially. Based on these indicators, the lower margin is due to an increase in costs and not to a lower income, as demand for this service persists.

Figure 2a.3 **BUSINESS SUPPORT MARGIN** (ANNUAL % VAR., 12-MONTH MOVING AVG.)



Source: BBVA Research based on data from EMS and INEGI

Figure 2a.4. **BUSINESS SUPPORT MARGIN** (ANNUAL % VAR., 12-MONTH MOVING AVG.)



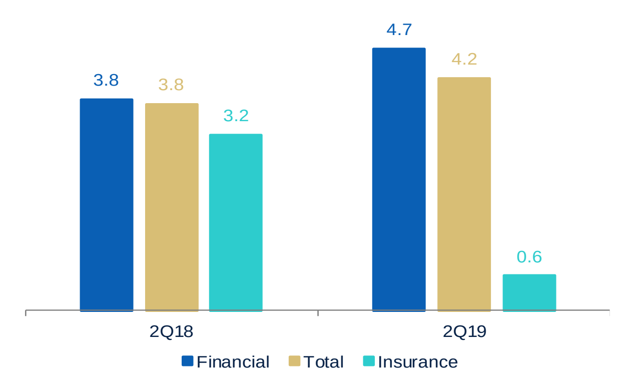
Source: BBVA Research based on data from EMS and INEGI

We believe that this trend will continue, as long as there is no generalized economic contraction. Demand for specialized services will continue to grow along with economic activity. However, growth in this sector is likely to be more discreet in future periods.

Financial Services continues to progress well

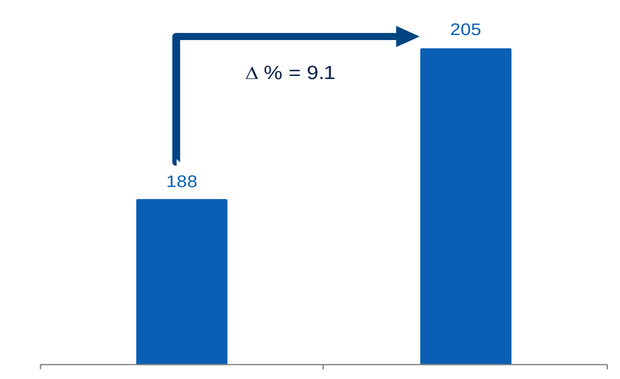
Until the middle of 2019, Financial Services and Insurance was the second largest sector, led by the financial side and with a slowdown in its insurance and pension counterpart. Cumulative growth at 2Q19 was 4.2%, with its financial component growing by 4.7%. This result was basically due to the greater financial margin. However, we estimate that the sector will slow down for the second half of this year, as the financial margin should decrease due to the fall in short-term rates as a result of monetary policy, which, combined with lower economic activity, will not restore demand for financial services.

Figure 2a.5 **FINANCIAL AND INSURANCE GDP** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.6. **FINANCIAL MARGIN** (BILLIONS OF MXN AND % ANNUAL VAR.)



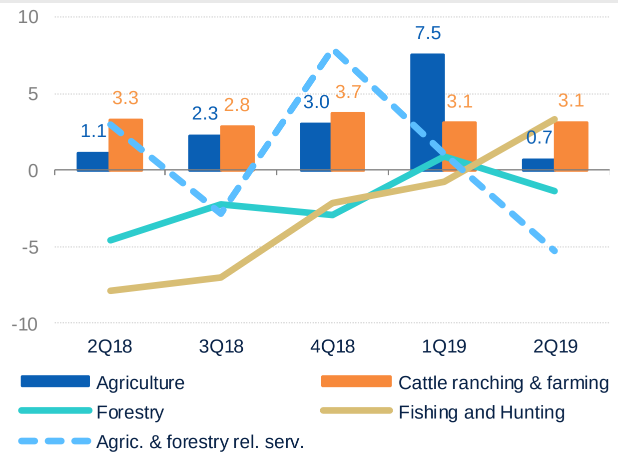
Source: BBVA Research based on CNBV data

The insurance and pension subsector reflects the effect of the cancellation of insurance and pension benefits to public sector workers, as well as insurance associated with the contracting of other services such as short- and long-term consumer loan products. Another phenomenon that had an impact was the drop in the rate of formal employment generation, through which insurance and retirement contributions also grew at a lower rate.

Agriculture stands out despite a stalling economy

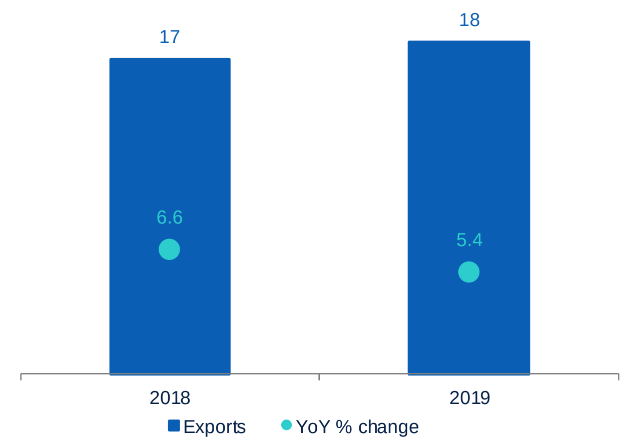
We have previously emphasized the acyclic character of the agricultural sector, and this can be seen once more in this year, but in a positive sense. While the economy as a whole stalled, agriculture grew by 3.4% in accumulated GDP at 2Q19. The two most relevant subsectors that contributed to this, Agriculture and Cattle Ranching and Farming, have shown positive rates since 2017, and in the 4 most recent quarters even above the economy as a whole. Forestry Exploitation, as well as Fishing, Hunting and Trapping show combined results, but their share was below 7% historically.

Figure 2a.7 **AGRICULTURAL GDP** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.8. **AGRICULTURAL EXPORT** (BILLIONS OF USD AND % ANNUAL VAR.)



Source: BBVA Research based on data from INEGI

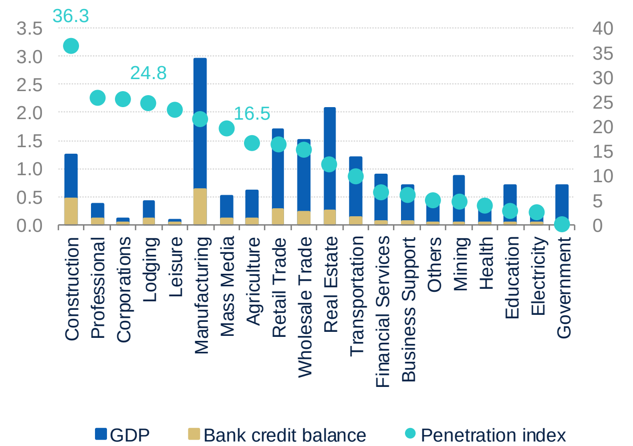
We associate this positive trend with the growing exports in agriculture. During the first half of 2018, these exports were about 17 billion dollars, and for the same period of the current year, they exceeded 18 billion dollars, an increase of 5.4%. In addition, exports of manufactured food and beverages have also contributed favorably, as well as continued food consumption. In part, trade frictions at the international level, as well as lower production in other countries due to disease, among other factors, have given an opportunity to Mexican agricultural exports.

Even with less activity, credit quality is maintained at the sectoral level

The potential for the Financial Services sector remains broad, and this is also true specifically in terms of business loans. For example, based on World Bank data, the proportion of total credit to other sectors of the economy as a proportion of GDP in Mexico was 38% to 2018; a very high level compared to other markets: Chile (118%), Japan (210%) and the US (196%). This indicator considers all sources of credit and not just commercial banking. In a review of the level of penetration of bank credit to companies in relation to sectoral GDP, it is confirmed that this item in particular still has a high potential to grow, but also that there is no direct relationship between the performance and size of the sector and this level of penetration. While this is not an in-depth study, it is clear that these penetration indicators point to a great potential for further progress.

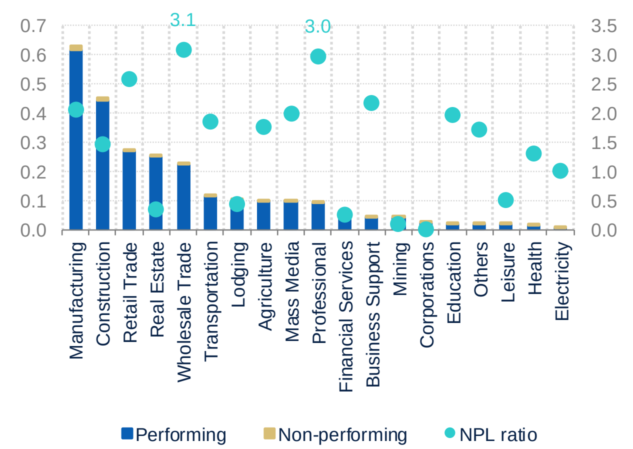
Again, with a sectoral perspective, it is remarkable that the quality level of the portfolio of bank credit to companies is at high levels. Up to June 2019, the delinquency of bank credit to each sector has remained low and without substantial increases. This is despite the economic downturn in most sectors. The highest delinquency rates (non-performing portfolio as a proportion of the total portfolio) can be seen in the Wholesale Trade and Professional Services sectors, 3.1% and 3.0% respectively, but in no case can they be considered high. The sectors with lower delinquency are Real Estate and Mining Services, but the latter is due to the wide diversification of financing sources, even in international markets, and therefore the penetration of domestic bank credit is low. Construction, which is one of the worst performing sectors in terms of GDP, and which in turn is the most penetrating, reduced its delinquency rate to less than 2%.

Figure 2a.9 **BANK CREDIT PENETRATION (BILLIONS OF MXN AND %)**



Source: BBVA Research based on data from Banco de México and INEGI

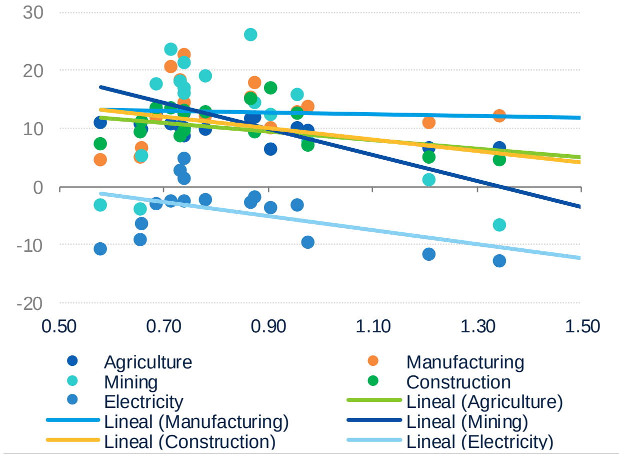
Figure 2a.10. **SECTORAL CREDIT BALANCE (BILLIONS OF MXN AND %)**



Source: BBVA Research based on data from Banco de México

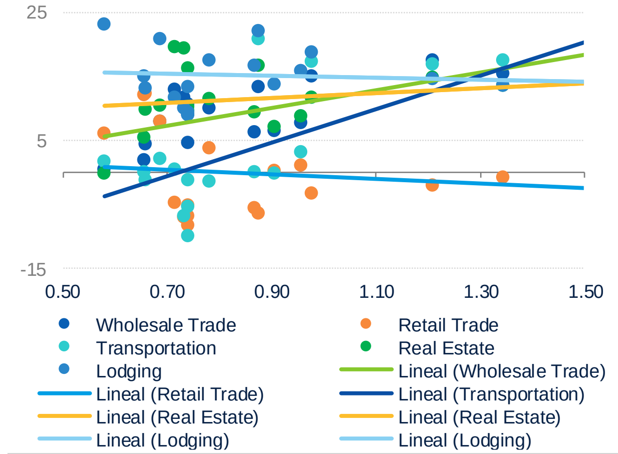
A review from January 2018 to June 2019 of the effect of interest rates on the balance of bank credit at sectoral level also showed no significant effect. In the vast majority of sectors, interbank interest rate (TIIE) changes, which are immediately affected by monetary policy, have no explanatory power. In the primary and secondary sectors, their marginal effect is negative in a smaller proportion; therefore, a change in monetary policy would increase demand for credit in these sectors, but also marginally, even more so with an economic slowdown. In the most important services, the effect is practically nil, although it is also influenced by the lower dynamism of these sectors. The counterexample is found in Retail Trade, which is among the few sectors that is growing, but with a large proportion of the informal economy.

Figure 2a.11 **TIIE AND CREDIT BALANCE (YoY % CHANGE)**



Source: BBVA Research based on data from Banco de México and INEGI

Figure 2a.12. **TIIE AND CREDIT BALANCE (YoY % CHANGE)**



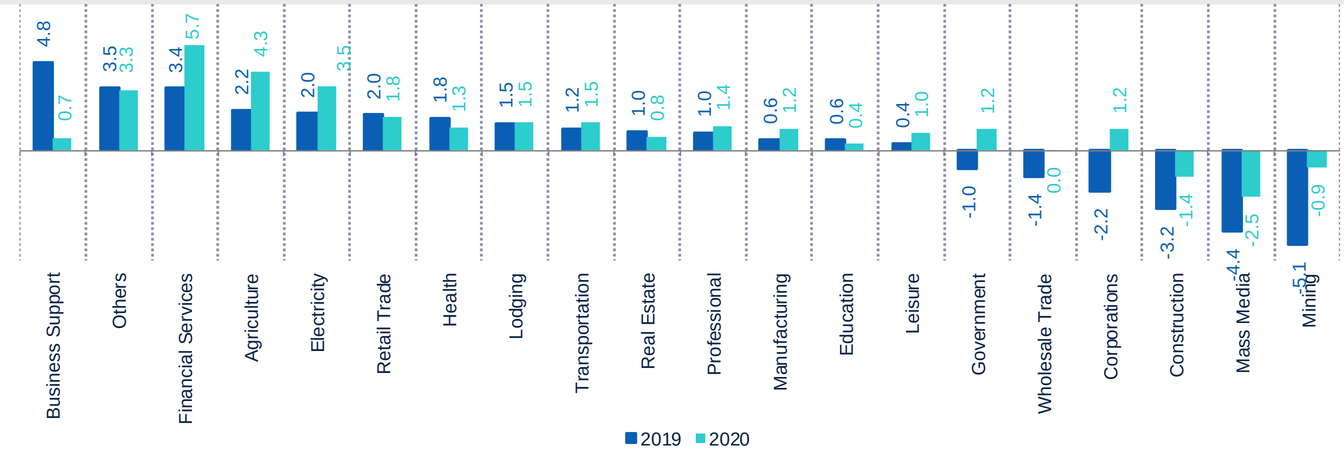
Source: BBVA Research based on data from Banco de México

We estimate that, at the sectoral level, bank credit will continue to flow. Lower interest rates, because of a more relaxed monetary policy, will favor demand for financing, but this shall be restricted by the activity of each sector that will be moderate in the short term.

We remain optimistic in most sectors

Our expectation for 2019, having analyzed the first six months, is that over half of the sectors will grow. However, some very influential sectors will contract. We estimate an improvement by 2020, and we expect that only four sectors will show a drop in their GDP. At the end of this year, the Business Support Service will have the highest rate, followed by Financial Services and the Agricultural Sector. Mining will grow the least, despite announcements of strengthening energy policy in terms of hydrocarbons. The negative surprise could be Information on Mass Media, which after being one of the most dynamic sectors, would be the second with the greatest drop, mainly explained by lower investment. Likewise, Construction will close 2019 with a negative rate; its recovery could benefit the combined result of the economy because of its high share and its effect on other sectors. Finally, although manufacturing continues to grow, it is slowing down. Its high share in GDP, employment, foreign direct investment and foreign exchange flows requires attention in order to improve.

Figure 2a.13 **SECTORAL GDP FORECAST** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

2b. Sectoral forecasts

Table 2b.1 **MEXICO SECTORAL INDICATORS AND FORECASTS.** SECTORAL GDP BASE 2013

	YoY % change											
	2017	2018	2019	2020	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20
Total GDP	2.1	2.0	0.2	1.3	0.9	-1.1	0.4	0.5	1.1	1.5	1.1	1.4
Primary	3.4	2.4	2.2	4.3	5.7	1.4	14.1	-8.1	7.3	3.9	5.9	0.6
Secondary	-0.3	0.2	-1.2	0.4	-0.6	-3.0	-1.3	0.3	-0.3	0.5	0.2	1.1
Mining	-8.3	-5.5	-5.1	-0.9	-7.6	-7.8	-4.2	-0.3	-1.6	0.7	-1.5	-1.1
Electricity, water and gas supply	-0.4	2.1	2.0	3.5	0.2	0.7	3.2	3.7	5.0	4.7	2.0	2.6
Construction	-0.9	0.6	-3.2	-1.4	-0.7	-6.9	-2.1	-3.1	-4.5	-1.1	-1.0	1.0
Manufacturing	3.0	1.7	0.6	1.2	1.6	-0.2	-0.5	1.6	1.4	0.7	1.1	1.6
Tertiary	3.1	2.8	0.9	1.3	1.8	0.0	1.2	0.8	0.9	1.4	1.2	1.6
Wholesale trade	4.1	2.4	-1.4	0.0	0.5	-4.0	-1.2	-0.9	0.0	0.6	-0.6	0.0
Retail trade	3.0	3.8	2.0	1.8	2.9	2.1	3.1	0.0	1.2	0.0	2.9	3.1
Transport, mail and storage	4.1	3.1	1.2	1.5	1.1	0.5	1.6	1.7	1.9	1.4	1.3	1.5
Mass media information	8.4	6.0	-4.4	-2.5	0.1	-5.0	-4.8	-7.2	-3.2	-1.7	-2.6	-2.6
Financial and insurance services	5.8	6.3	3.4	5.7	6.3	2.1	1.5	3.8	2.7	10.6	4.2	5.7
Real estate & rental services	1.6	1.9	1.0	0.8	1.7	1.0	0.6	0.9	-0.1	0.0	1.6	1.7
Prof., scientific & tech. services	0.4	1.3	1.0	1.4	5.6	-2.7	1.6	0.1	-0.9	2.8	0.9	2.5
Corporate & business mgt.	1.5	-0.4	-2.2	1.2	-3.0	-5.0	-1.0	0.3	2.4	2.4	-0.6	0.8
Business support services	5.9	5.1	4.8	0.7	7.7	5.8	3.8	2.3	1.0	1.0	0.3	0.5
Educational services	1.2	0.2	0.6	0.4	1.4	-1.7	2.0	0.8	0.0	0.6	0.9	0.1
Health and social services	1.4	2.5	1.8	1.3	1.2	1.2	1.7	3.0	1.9	1.6	0.4	1.4
Leisure, culture & sport services	2.0	0.2	0.4	1.0	-2.4	0.3	0.7	3.0	-0.2	-1.1	2.3	2.6
Temp. accomm. & food & drink	4.2	1.0	1.5	1.5	-1.3	2.1	2.6	2.6	2.6	1.8	0.4	1.3
Other services excl. gvt.	-0.2	-1.1	3.5	3.3	-0.1	3.6	5.2	5.1	4.4	3.9	2.6	2.4
Government activities	0.2	1.8	-1.0	1.2	-3.1	-3.8	0.8	2.3	2.5	1.1	0.5	0.7

	Structure, %				Contribution to growth, pp			
	2017	2018	2019	2020	2017	2018	2019	2020
Total GDP	100.0	100.0	100.0	100.0	2.1	2.0	0.2	1.3
Primary	3.2	3.2	3.3	3.4	0.1	0.1	0.1	0.1
Secondary	29.7	29.2	28.8	28.5	-0.1	0.1	-0.3	0.1
Mining	5.2	4.8	4.6	4.5	-0.5	-0.3	-0.2	0.0
Electricity, water and gas supply	1.5	1.5	1.5	1.5	0.0	0.0	0.0	0.1
Construction	7.1	7.0	6.8	6.6	-0.1	0.0	-0.2	-0.1
Manufacturing	15.9	15.9	15.9	15.9	0.5	0.3	0.1	0.2
Tertiary	62.8	63.2	63.7	63.7	1.9	1.7	0.6	0.8
Wholesale trade	8.4	8.4	8.3	8.2	0.3	0.2	-0.1	0.0
Retail trade	9.0	9.1	9.3	9.3	0.3	0.3	0.2	0.2
Transport, mail and storage	6.4	6.5	6.6	6.6	0.3	0.2	0.1	0.1
Mass media information	2.8	2.9	2.8	2.7	0.2	0.2	-0.1	-0.1
Financial and insurance services	4.6	4.8	5.0	5.2	0.3	0.3	0.2	0.3
Real estate and rental services	11.0	11.0	11.1	11.1	0.2	0.2	0.1	0.1
Professional, scientific & technical serv.	2.0	1.9	2.0	2.0	0.0	0.0	0.0	0.0
Corporate & business mgt.	0.6	0.6	0.5	0.5	0.0	0.0	0.0	0.0
Business support services	3.5	3.7	3.8	3.8	0.2	0.2	0.2	0.0
Educational services	3.8	3.7	3.7	3.7	0.0	0.0	0.0	0.0
Health and social services	2.1	2.1	2.1	2.1	0.0	0.1	0.0	0.0
Leisure, culture and sport services	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
Temp. accomm. & food & drink prep. serv.	2.3	2.2	2.3	2.3	0.1	0.0	0.0	0.0
Other services excl. gvt. Activities	2.0	1.9	2.0	2.0	0.0	0.0	0.1	0.1
Government activities	3.9	3.9	3.8	3.8	0.0	0.1	0.0	0.0

All figures subject to review by the Institute: GDP in original series; pp: percentage points
Source: BBVA Research with INEGI data

Table 2b.2 **MEXICO SECTORAL INDICATORS AND FORECASTS,** MANUFACTURING GDP BASE 2013

	YoY % change											
	2017	**2018**	**2019**	**2020**	**1Q19**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2Q20**	**3Q20**	**4Q20**
Total	3.0	1.7	0.6	1.2	1.6	-0.2	-0.5	1.6	1.4	0.7	1.1	1.6
Food	2.0	1.8	2.1	2.3	2.9	1.4	1.1	3.1	3.3	2.0	2.2	1.5
Beverages and tobacco	1.8	5.6	1.0	2.3	1.9	0.5	0.4	1.4	3.8	1.5	1.7	2.4
Textile inputs	-1.5	2.0	-2.2	-1.0	-1.2	-4.4	-2.6	-0.3	1.3	-2.6	-1.2	-1.4
Manufacture of textile products	-10.6	6.6	-1.7	0.0	2.8	-1.6	-4.4	-3.1	3.6	-0.1	-1.6	-1.5
Clothing	0.6	0.8	-5.6	-2.8	-3.0	-6.6	-7.7	-4.9	-2.7	-3.8	-3.3	-1.4
Leather and fur products	-1.2	-1.9	-5.3	-3.2	-3.0	-5.6	-8.8	-3.5	-1.7	-5.0	-3.4	-2.6
Timber industry	5.6	-2.1	0.0	2.0	-0.9	-0.3	-1.0	2.3	3.4	0.9	1.1	2.7
Paper industry	2.1	1.2	-0.3	0.8	2.1	-1.6	-1.9	0.3	0.2	0.7	1.6	0.7
Printing and related industries	-2.1	7.4	-11.5	-0.5	-8.2	-18.4	-9.3	-9.3	-1.1	-1.2	-0.7	0.7
Petroleum derivatives	-18.3	-16.9	-5.6	0.3	-6.4	-12.7	-8.4	7.8	7.0	-3.5	-0.3	-1.6
Chemicals	-1.4	-0.5	-1.8	-1.8	-2.8	-3.2	-2.5	1.5	-1.0	-2.5	-2.3	-1.6
Plastic and rubber	2.9	1.3	-1.6	2.7	0.9	-4.6	-0.2	-2.5	2.8	4.1	2.6	1.4
Non-metallic mineral products	2.5	0.8	-2.7	0.6	-3.0	-3.7	-3.7	-0.2	0.8	0.5	0.3	0.7
Basic metals	1.1	-1.6	-0.3	1.8	-0.5	-5.5	0.2	4.8	0.7	2.2	1.9	2.5
Metal products	0.7	1.4	-8.2	-2.9	-4.6	-11.9	-10.3	-5.7	-5.1	-4.6	-1.6	-0.3
Machinery and equipment	8.8	1.4	0.6	-0.4	4.0	-3.7	-0.5	2.7	-1.6	-1.8	0.9	0.9
Computers and electronics	6.3	3.7	3.1	2.1	6.1	7.0	-1.9	1.5	-1.9	1.7	2.1	6.3
Electrical equipment	1.0	1.8	-0.8	1.1	2.2	-1.5	-3.1	-0.4	1.9	0.4	1.1	1.0
Transport equipment	9.3	3.8	3.7	2.1	3.9	5.1	3.0	3.0	3.1	1.1	1.8	2.4
Furniture and related	-4.8	6.4	-3.7	1.0	-2.4	-5.3	3.4	-9.0	1.1	3.0	-1.9	2.1
Other manufacturing industries	6.1	-2.9	1.6	-0.5	1.9	0.9	2.7	0.9	0.7	0.9	0.0	-3.2

	Structure, %				Contribution to growth, pp			
	2017	**2018**	**2019**	**2020**	**2017**	**2018**	**2019**	**2020**
Total	100.0	100.0	100.0	100.0	3.0	1.7	0.6	1.2
Food	22.5	22.5	22.9	23.1	0.5	0.4	0.5	0.5
Beverages and tobacco	5.6	5.8	5.8	5.9	0.1	0.3	0.1	0.1
Textile inputs	0.9	0.9	0.9	0.8	0.0	0.0	0.0	0.0
Manufacture of textile products	0.5	0.5	0.5	0.5	-0.1	0.0	0.0	0.0
Clothing	2.1	2.0	1.9	1.8	0.0	0.0	-0.1	-0.1
Leather and fur products	0.8	0.8	0.7	0.7	0.0	0.0	0.0	0.0
Timber industry	0.9	0.9	0.9	0.9	0.0	0.0	0.0	0.0
Paper industry	1.8	1.8	1.7	1.7	0.0	0.0	0.0	0.0
Printing and related industries	0.6	0.7	0.6	0.6	0.0	0.0	-0.1	0.0
Petroleum derivatives	1.7	1.4	1.3	1.3	-0.4	-0.3	-0.1	0.0
Chemicals	8.5	8.3	8.1	7.9	-0.1	0.0	-0.2	-0.1
Plastic and rubber	2.7	2.7	2.6	2.7	0.1	0.0	0.0	0.1
Non-metallic mineral products	2.6	2.6	2.5	2.5	0.1	0.0	-0.1	0.0
Basic metals	6.6	6.3	6.3	6.3	0.1	-0.1	0.0	0.1
Metal products	3.4	3.4	3.1	3.0	0.0	0.0	-0.3	-0.1
Machinery and equipment	4.4	4.4	4.4	4.3	0.4	0.1	0.0	0.0
Computers and electronics	8.4	8.6	8.8	8.9	0.5	0.3	0.3	0.2
Electrical equipment	3.1	3.1	3.1	3.0	0.0	0.1	0.0	0.0
Transport equipment	19.7	20.1	20.7	20.9	1.7	0.7	0.7	0.4
Furniture and related	1.0	1.1	1.1	1.0	-0.1	0.1	0.0	0.0
Other manufacturing industries	2.3	2.2	2.2	2.2	0.1	-0.1	0.0	0.0

All figures subject to review by the Institute: GDP in original series; pp: percentage points
Source: BBVA Research with INEGI data

2c. Lower growth in 1H19, inertia defines the pattern of state performance

During 2018, as in previous years, tertiary activities were the engine of economic performance seen at the national level. Despite the contraction in secondary activities in the first quarter of 2018 (1Q18) and its moderate growth of only 0.2% during the year, a pattern of reactivation of manufacturing was observed, which reached a growth of 1.7% in 2018. Consequently, there was greater growth in the states that are part of the industrial corridor focused on export manufacturing, such as the Bajío region, Puebla and the northern border of the country. The focus on regional policies announced by the current administration would lead to further development of the southeast in the coming years, an effect not expected to be significant in 2019.[1] In addition, the uncertainty resulting from the signing of the trade treaty between Mexico, the United States and Canada, now USMCA, was significantly dissipated by the signing of a preliminary agreement (still subject to ratification by the US and Canada congresses), reinforcing the prediction of higher growth rates in states focused on export manufacturing.

However, the announcements on economic and social policy of the current administration are beginning to redefine the patterns of growth and the flow of investment - public and private, national and foreign - to influence the relative growth expectations of federal states. Growth forecasts for 2019 do not predict significant changes during the year, because the impact of regional policies has a medium-/long-term implementation horizon. In other words, during 2019, the north is still expected to have higher growth rates than the south of the country, and states with an export manufacturing industry are expected to grow on average at higher rates than the rest of the country.

The inflation rate decreased during 2018, with an average annual monthly inflation of 4.9%, compared to 6.0% in 2017, and thus presenting a lower annual decline in purchasing power. Despite this, there was a slowdown in private consumption, which closed 2018 with 2.2% growth, compared to 3.4% in 2017. In addition, a recovery in public consumption was seen, growing at an average rate of 1.4% during the year compared to 1.0% in 2017, while investment showed a growth rate of 0.6%, returning to positive territory after a 1.6% drop in 2017. Good export performance was also observed, with growth of 5.7% in 2018. The immediate reflection of this increase is the highest activity recorded in export manufacturing and, therefore, in the states that are heavy in production.

In 2018, the number of workers insured in the Mexican Social Security Institute (IMSS) grew 4.1% in annual terms, compared to 4.4% in 2017, which could explain part of the slowdown in private consumption during the year. In fact, using data from 1H19, an even stronger slowdown is observed, with the number of insured workers growing at only 2.7% year on year. As regards commercial credit for federal states, the average balance showed a real growth rate of 5.0%, compared with 10.1% in 2017. On the other hand, remittances experienced a growth of 10.5%, a rate lower than the 12.2% that occurred in 2017, confirming the slowdown in consumption despite growth in remittances.

In 2018, the gross value added of the federal states was estimated to have amounted to MXN 17,710 billion, which, together with MXN 815.8 billion of net taxes, resulted in a total GDP of MXN 18,525.9 billion.[2] For 2018, the calculation of state GDP – the gross value added generated in federal states – was based on the Quarterly Indicator of State Economic Activity (ITAEE). For 2019, the growth forecast is based on a growth estimate of 0.2% of total GDP, equivalent to growth of 0.3% of gross value added and a contraction of 3.3% of net subsidy taxes. They are expected

1:For example, FONREGION and regional infrastructure projects in the NDP

2: In addition to gross value added, national GDP includes net subsidy taxes, which cannot be allocated specifically to states.

to grow again in 2019 at a rate of 4.8%. With an estimated gross value added of MXN 17,770.3 billion, the above would result in MXN 18,559.1 billion of total GDP expected for 2019.

State perspective

With a distribution of production still uneven and very small changes in regional growth patterns, the concentration of production activities in Mexico was still very high. The seven states with the highest economic activity (Mexico City, the State of Mexico, Nuevo León, Jalisco, Veracruz, Guanajuato and Coahuila) together represented 50.9% of the value added at national level. Campeche, as we had anticipated, closed 2018 as the 12th state economy, losing an additional place during the year because of the performance of oil mining, 80.1% of the state's GDP and in which Campeche has a share of over 55% of the sector's GDP. In addition, it is estimated that only seven state economies contracted in 2018; these states are (in descending order of size of the drop in GDP): Tabasco (-7.1%), Tlaxcala (-2.3%), Campeche (-0.9%), Morelos (-0.6%), Chiapas (-0.6%), Nayarit (-0.2%) and Durango (-0.04). In general, and unlike previous years, Tabasco's economy was affected not only by oil mining, but also by most production activities in the state. Moreover, the fall in the oil sector is greater than in Campeche, due to the spillage generated by the higher production in wells in Campeche and in exploration activities.

State GDP in 2018 was estimated based on the Quarterly Indicator of State Economic Activity (ITAEE), published by the INEGI up to the end of this study. The state of Baja California Sur resumed growth during 2018 with record growth of 13.7%, a rate only exceeded in the last decade by Coahuila, with 16.3% in 2010. Construction—especially private works—is the main sector that boosted the state, followed by trade and hotel services, temporary housing and food processing. Baja California Sur is expected to contract during 2019 with an estimated growth of -5.5%, mainly due to the reduction of tourist activities and the reduction of construction in the state in the face of a significant drop in public works.

Aguascalientes, Quintana Roo, Oaxaca and Jalisco grew in 2018 at rates of 4.4%, 4.2%, 3.9% and 3.7%, occupying the second, third, fourth and fifth place respectively in terms of growth. A common feature of three of the states is the dynamism of their manufacturing industries, especially the automotive industry in the case of Jalisco and Aguascalientes. Manufacturing in Oaxaca was also very dynamic, despite being behind other states, while the growth of Quintana Roo was more attributable to activities related to tourism (hospitality), trade and, to a lesser extent, real estate services.

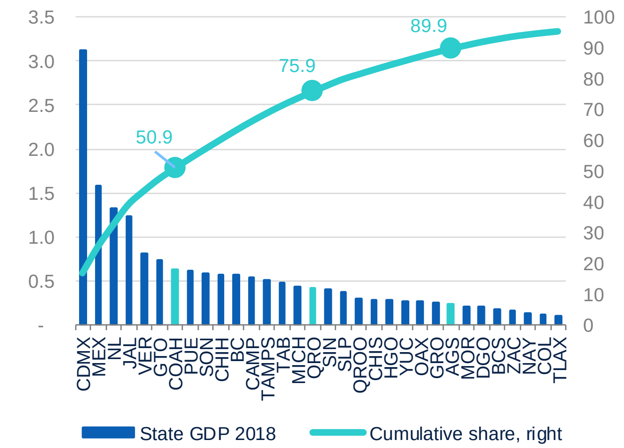
The strong performance of export manufacturers and the tourism sector has been crucial for the positioning of these states, as the large generators of added value at national level. We estimate that these states will slow down in 2019, consistent with the lower dynamism forecast for 2019, either for internal reasons such as a slowdown in consumption or due to the fall in external demand for lower manufacturing activity in the US.

Particularly in the case of Quintana Roo, the influx of gulfweed in 2019 could have had a major effect on the state economy, greatly reducing the arrival of tourists (especially from the US) and the income of sectors related to hospitality activities, real estate services and commercial activities. The measures taken to combat the influx of this macroalgae on the Quintana Roo coast[3] led to a brake in the potential effects on the state economy, which closed the year with an estimated growth of 2.2%.

3: Such as the operation of boats to remove gulfweed, beach cleaning programs and the construction of anti-gulfweed barriers.

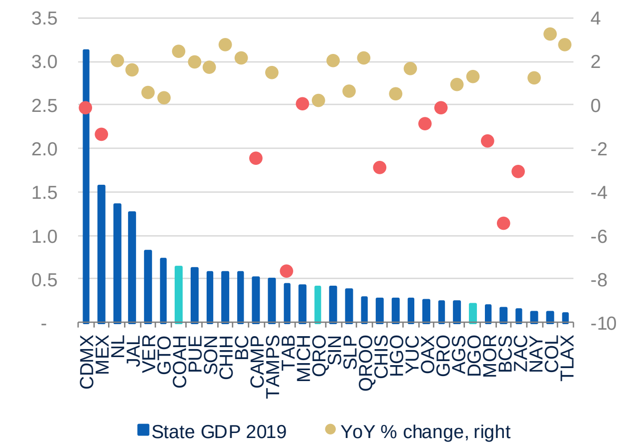
Therefore, we do not expect the five largest states to grow above the national average during 2019; in fact, in the case of Mexico City and the State of Mexico, we predict a contraction. Meanwhile, Nuevo León, Jalisco and Veracruz will increase their share in the mix of production activities at national level.

Figure 2c.1 **ESTIMATION OF STATE GDP 2018** (BILLIONS OF CONSTANT PESOS AND CUMULATIVE % SHARE)



Source: BBVA Research, estimates based on INEGI data

Figure 2c.2. **STATE GDP FORECAST 2019** (BILLIONS OF CONSTANT PESOS AND YoY % CHANGE)



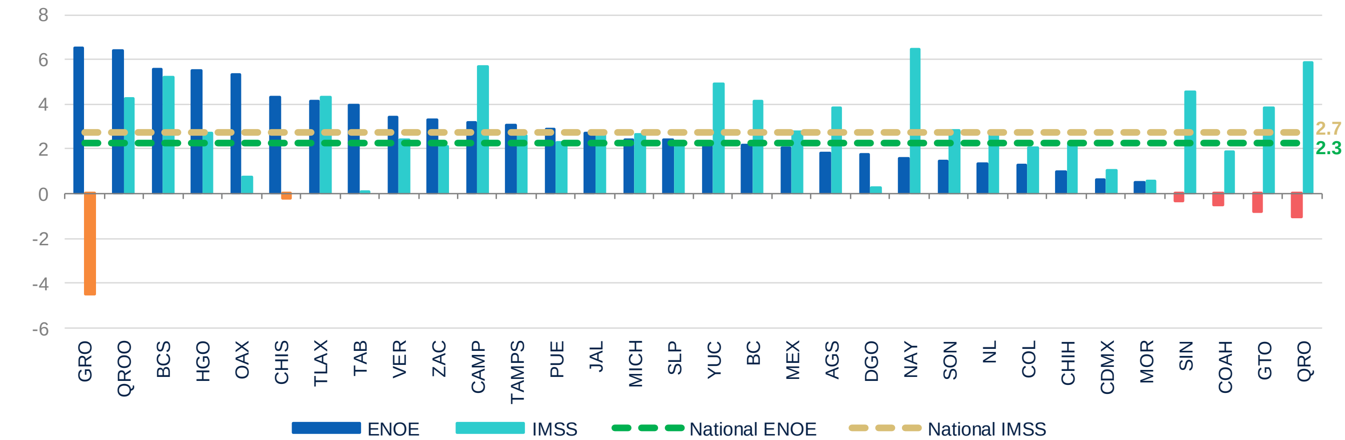
Source: BBVA Research, estimates based on INEGI data

To analyze employment dynamics, data were taken from the insured workers at the IMSS and the National Survey of Occupation and Employment (ENOE) carried out by the INEGI.[4] The comparison of the growth rates of both employment indicators makes it possible to infer the change in informal labor by federal state and at national level. As illustrated in Figure 3, employment grew nationally at a rate of 2.3%, lower than the rate of 2.6% observed in 2018. Likewise, formal employment grew at a rate of 2.7%, lower than the rate of 4.1% observed in 2018. In view of the above, and with the due reservations, we infer that production activities continued to formalize in 2018, but in 2019 it appears that the composition of the labor force was more static.

Again, the phenomenon of formalization has not been presented equally among federal states. In Chiapas and Guerrero, IMSS employment also experienced a fall, while employment had growth rates well above the national average. The case is similar in Oaxaca and Tabasco, although with a slight growth in formal employment and an increase in employment significantly above the national average. In both cases, growth rates point to an increase in the informal labor market in these states.

4: It should be noted that the IMSS figures only reflect a subset of employment, namely private formal employment.

Figure 2c.3 **STATE EVOLUTION OF TOTAL EMPLOYMENT (EMPLOYED, ENOE) AND FORMAL EMPLOYMENT (TOTAL INSURED, IMSS) DURING 1H19** (YoY % CHANGE)



Source: BBVA Research based on IMSS, ENOE and INEGI data

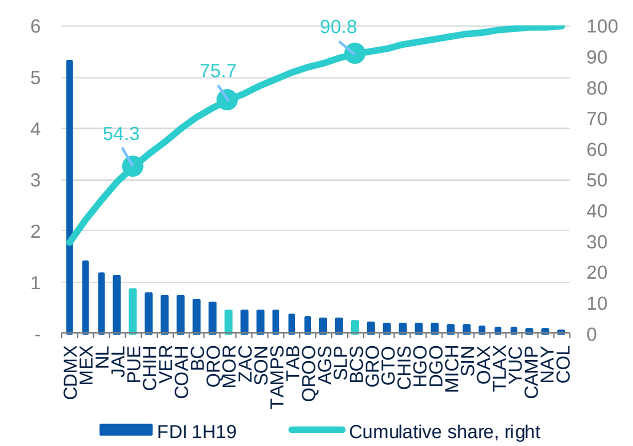
In addition, the USMCA was renegotiated in 2018 and, as was the case in the fourth quarter of 2018 and in 1H19, the Bajío and northern regions of the country are expected to benefit from the integration of their production into value chains with the US, due to the better growth expectations of its major industries. This is the result of the extensive share of manufacturing in Mexico's international trade being closely related to the US manufacturing cycle, due to cross-border value chains between the two countries.

Therefore, the expectation of slowdown in the US manufacturing sector implies a parallel slowdown in manufacturing in Mexico, consistent with a slowdown in Mexico's exports, with a growth of 2.6% compared to 5.6% in 2018. [5] In addition, less activity is expected in sectors such as trade, which would be affected by the contraction in private consumption and the expected decline in purchasing power. The above would mean that states based on commercial activities would also see diminished growth, and no significant change in the distribution of growth observed in previous years.

When analyzing the dynamics of foreign direct investment (FDI), five federal states in 2018 shared over 54%: Mexico City, State of Mexico, Nuevo León, Jalisco and Puebla. Colima had the lowest share of FDI at national level. An additional phenomenon that reaffirms growth estimates for 2019 is the distribution of FDI. In fact, in 1H19, 90.8% of FDI was concentrated in 19 federal states, mainly large metropolitan areas and export manufacturing states.

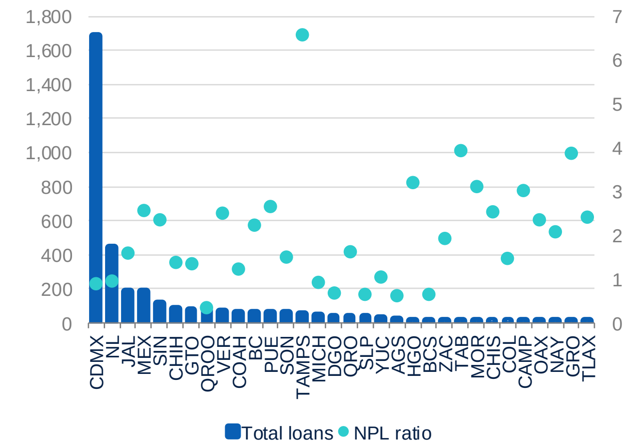
5: Annual percentage change of original series.

Figure 2c.4 **FOREIGN DIRECT INVESTMENT, 1H19** (BILLIONS OF USD AND % CUMULATIVE SHARE)



Source: BBVA Research based on data from INEGI

Figure 2c.5. **CREDIT BALANCE IN COMMERCIAL BANKING, 2Q19** (BILLIONS OF PESOS AND NPL)

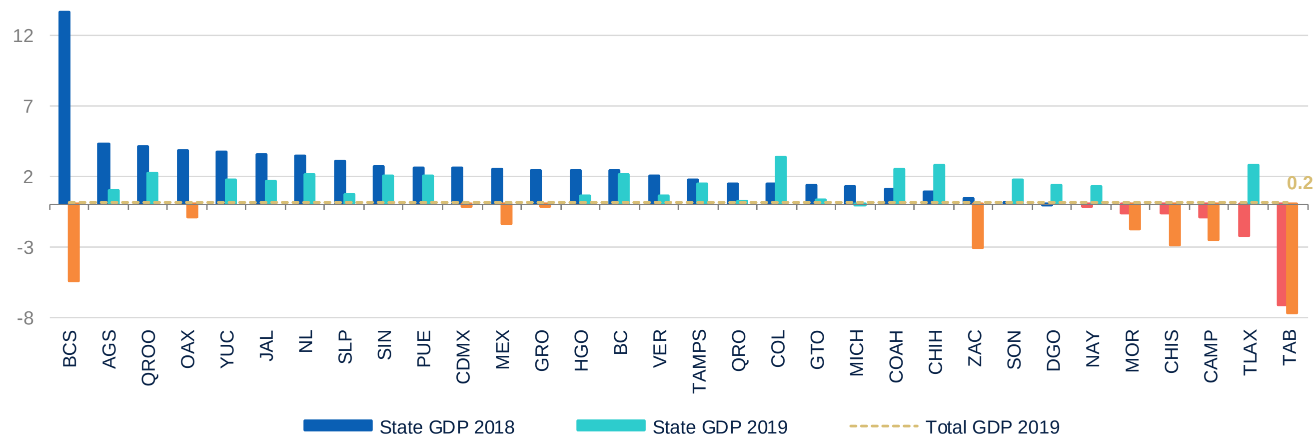


Source: BBVA Research based on data from Banco de México

Analyzing the commercial banking portfolio by federal state, Mexico City continues to lead nationwide, with a balance in its commercial portfolio of MXN 1,684.5 billion as of June 2019, 32.8% of the total credit balance to the states, which was MXN 5,137.2 billion. Nuevo León, Jalisco and Mexico came second, third and fourth in balances, accumulating 48.4% of the balance together with Mexico City.[6] In terms of non-performing loans (NPL), Tamaulipas is the only state with an outstanding index at 6.6, a slight improvement on 7.2 in 1Q19, with the non-performing portfolio belonging to the industrial sector. For its part, the national average delinquency rate of 2.0 rose slightly during 2Q19 compared to 1Q19, as can be seen in Figure 5.

6: It should be noted that the above indicator refers to the total portfolio including companies, the public sector and the financial sector. Therefore, it relates to the real balance of commercial credit per federal state

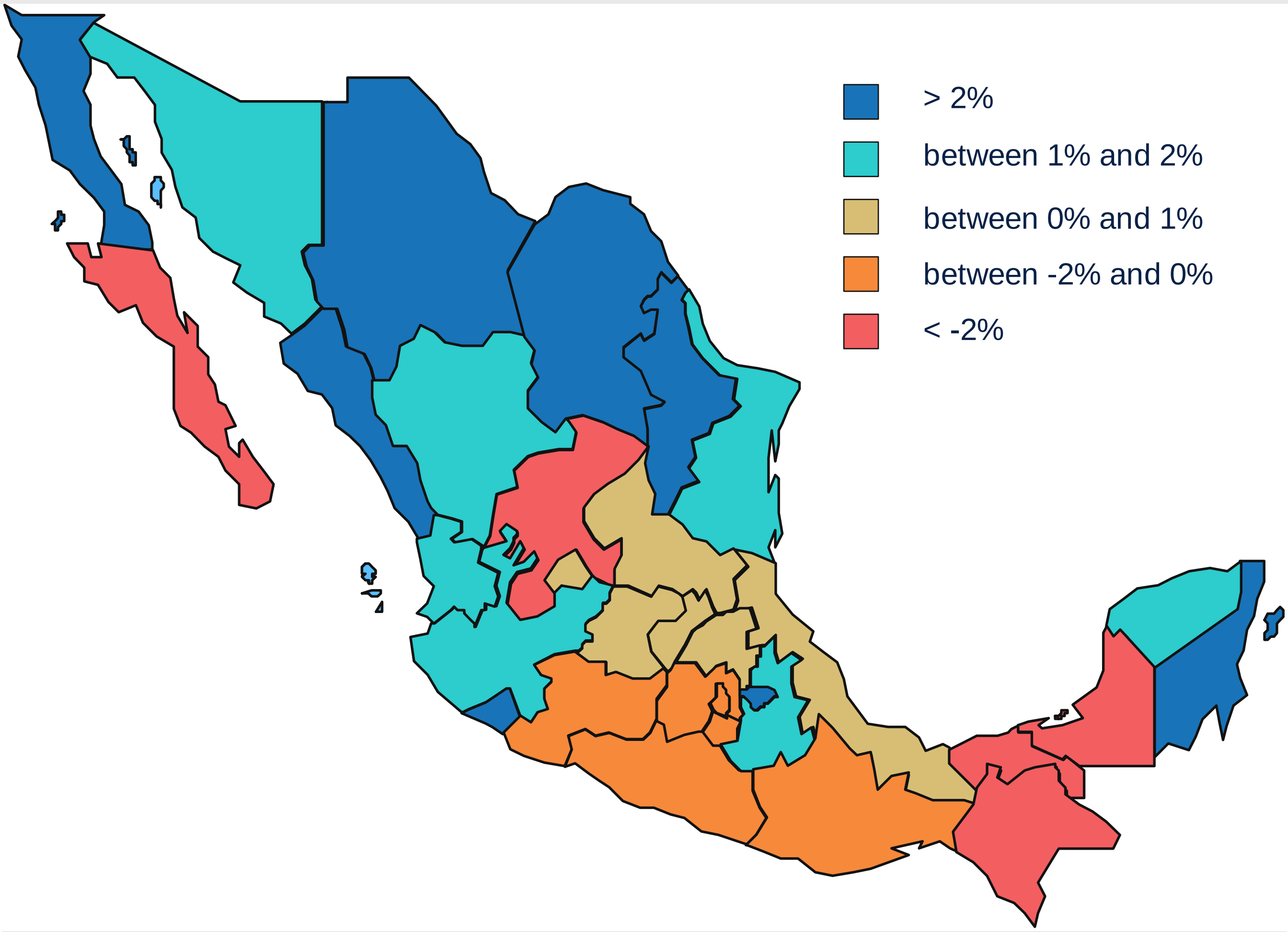
Figure 2c.6 **ESTIMATION OF STATE GDP 2018 AND 2019 (YoY % CHANGE)**



Source: BBVA Research based on data from INEGI

The state GDP for 2019 is based on an estimate using own models, unlike the state GDP of 2018, which is based on the ITAEE. The lower oil activity mainly affected Campeche and Tabasco, where the contraction is expected to be more pronounced due to the performance of the primary sector and local trade, as well as the reactivation of oil wells in Campeche, which means that a better performance of the state during the year is expected. On the other hand, Baja California, Chihuahua, Coahuila and Nuevo León will see their economies driven by manufacturing dynamism, strengthening their position as some of the fastest growing states in 2019 (mainly export manufacturing, such as automotive), with relatively optimistic expected growths in the face of the new commercial landscape, particularly with regard to the United States and Canada. For 2019, we expect significantly lower growth compared to 2018 nationally, with a GDP growth rate of 0.2% and with 11 states (Baja California Sur, Campeche, Chiapas, Mexico City, Guerrero, State of Mexico, Michoacán, Morelos, Oaxaca, Tabasco and Zacatecas) suffering a drop during the year, reaching contractions of -7.7% in the case of Tabasco.

Figure 2c.7 **EXPECTED GROWTH OF THE STATES' GDP 2019**
(YoY % CHANGE)



Source: BBVA Research, own estimates based on INEGI data

Table 2c.1 **STATE GDP 2018 AND 2019**
(BILLIONS OF CONSTANT PESOS AND YoY % CHANGE)

State	GDP 2018 (MXN BILLION)	Estimated growth 2018	GDP 2019 (MXN BILLION)	Estimated growth 2019
Aguascalientes	234,495.3	4.3	236,794.2	1.0
Baja California	557,927.8	2.4	570,006.3	2.2
Baja California Sur	170,054.8	13.7	160,764.6	-5.5
Campeche	533,566.8	-0.9	520,223.4	-2.5
Coahuila	618,916.0	1.0	634,550.2	2.5
Colima	107,245.4	1.4	110,790.2	3.3
Chiapas	280,398.3	-0.6	272,201.3	-2.9
Chihuahua	563,720.3	0.9	579,610.6	2.8
Mexico City	3,126,057.6	2.6	3,121,269.3	-0.2
Durango	199,790.2	0.0	202,444.6	1.3
Guanajuato	731,675.4	1.4	734,192.7	0.3
Guerrero	243,036.9	2.4	242,678.4	-0.1
Hidalgo	270,647.5	2.4	272,200.1	0.6
Jalisco	1,235,102.2	3.6	1,255,049.9	1.6
State of Mexico	1,582,202.1	2.5	1,560,168.0	-1.4
Michoacán	426,614.4	1.3	426,599.8	0.0
Morelos	201,232.0	-0.6	197,784.1	-1.7
Nayarit	121,624.1	-0.2	123,202.6	1.3
Nuevo León	1,322,653.0	3.4	1,350,340.4	2.1
Oaxaca	257,521.4	3.8	255,259.3	-0.9
Puebla	603,800.2	2.6	615,767.4	2.0
Querétaro	407,190.0	1.4	408,180.3	0.2
Quintana Roo	285,983.4	4.1	292,220.2	2.2
San Luis Potosí	369,195.8	3.0	371,648.6	0.7
Sinaloa	395,632.9	2.7	403,786.2	2.1
Sonora	573,250.5	0.1	583,274.5	1.7
Tabasco	469,028.2	-7.1	433,035.1	-7.7
Tamaulipas	499,256.0	1.7	506,747.3	1.5
Tlaxcala	93,880.5	-2.3	96,531.0	2.8
Veracruz	812,066.7	2.0	817,184.6	0.6
Yucatán	259,416.3	3.7	263,826.6	1.7
Zacatecas	156,851.3	0.4	151,988.3	-3.1
NATIONAL GDP	**18,525.9**	**2.0**	**18,559.1**	**0.9**

Note: The sum of state GDP relates to total gross value added and differs from national GDP because it does not include net subsidy taxes.
Source: BBVA Research, own estimates based on INEGI data

The scenario implies a lower performance of the economy as a whole than in 2018. Although the USMCA has meant a rise in expectations for states intensive in export manufacturing production, the slowdown in demand in the US, as well as domestic consumption, coupled with the contraction in investment, meant lower growth and contractions in 2019 in more than a third of the federal states. In anticipation of sustained export growth, manufacturing states have a better perspective than states intensive in other sectors such as trade or mining. A contraction is estimated in 11 federal states in 2019, compared to 7 contracting states in 2018.

From a regional perspective, we could expect growth rates that suggest a long-term convergence of the country's south/southeast economies only in the medium or long term, as projects that have not yet shown results, especially in terms of infrastructure, have now been implemented. At present, 2019 seems to be a year of economic slowdown and contractions in more than a third of states, even with inertial patterns in the distribution of state growth, consolidating manufacturing—particularly in exports—as a driver of regional development, while oil mining continues to affect states in which economies are highly dependent on it.

3. Subjects for analysis

3a. The two sides of the automotive industry in Mexico

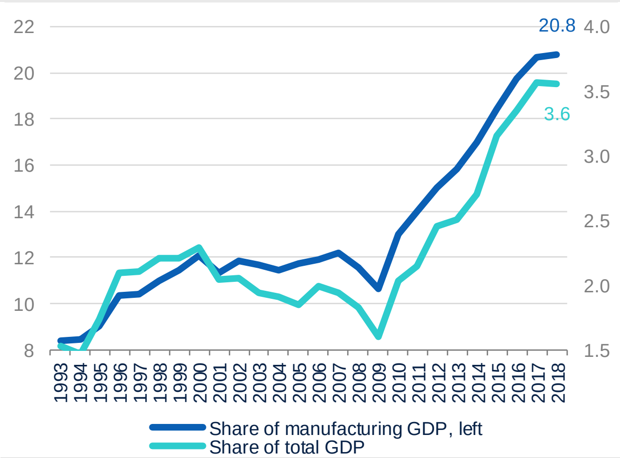
Introduction

As usual, in this installment we will review the latest developments in the automotive industry established in Mexico. In the first section we will see that this industry continues to gain importance at national and international levels. In the second and third sections, we will review the situation of the light and heavy vehicle industry, respectively. In the latter, the consolidation of Mexico as an export platform to the US will be highlighted, as will the continued weakening of the domestic market for light and heavy vehicles constrained by low personal incomes and weakened economic growth expectations.

A) The automotive industry in Mexico continues to gain importance in the economy

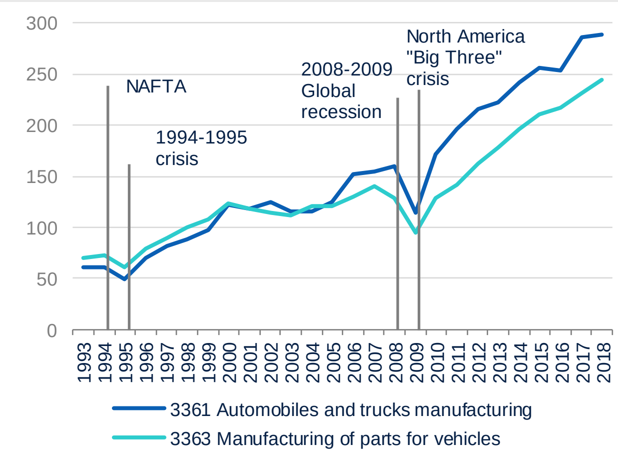
In 2018, the GDP of the automotive industry at current prices was composed of the manufacture of light and heavy cars (54.1% of the total), followed by parts for motor vehicles (43.7%) and carriages and trailers (2.1%). Since the signing of the NAFTA, the automotive industry has made a growing contribution to GDP, with the exception of the crisis of the three largest companies in North America and the global recession of 2008-2009. In 2018 it reached a 3.6% share in total GDP and 20.8% in manufacturing, the highest since the signing of the NAFTA. In current terms, the automotive industry was the main manufacturing activity, followed by the food industry.

Figure 3a.1 **IMPORTANCE OF THE AUTOMOTIVE INDUSTRY** (% OF TOTAL GDP AND MANUFACTURING GDP)



Source: BBVA Research based on data from INEGI

Figure 3a.2 **GDP AUTOMOTIVE INDUSTRY** (BILLIONS OF CONSTANT PESOS)



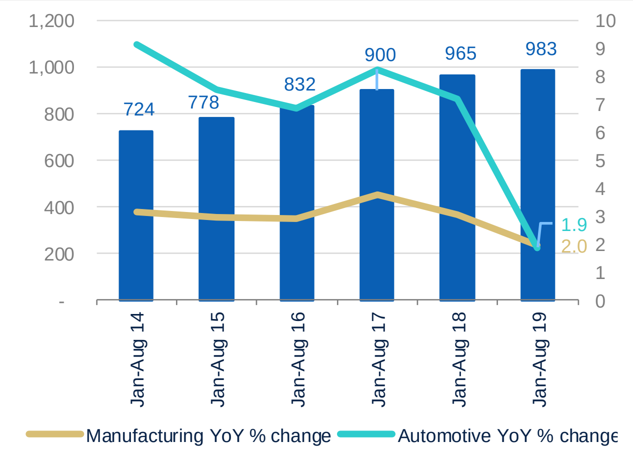
Source: BBVA Research based on data from INEGI

In terms of dynamism, since the NAFTA the automotive industry has shown two periods of expansion, the most significant being 2010-2018. During this period, the average growth was 6.8% for the manufacture of light cars and heavy trucks and 8.4% for the manufacture of parts for motor vehicles; both figures contrast with the average growth of the total GDP of 2.7% and of the manufacturing GDP of 2.6%. This development was based on the significant flow of foreign direct investment (FDI) that made it possible to increase the production capacity of vehicles and auto parts.

In the automotive industry, employed personnel stood at 985,000 people on average as at August 2019, with the majority as laborers (86%) and the remaining 14% as office workers. The high dynamism of employment generation is notable in recent years, except for 2019. As at August 2019, manufacturing showed an annual increase of 2% and in the automotive industry it was 1.9% annually, the lowest growth in recent years. In the same period, one out of every four jobs in the manufacturing industry was created by the automobile sector. The activity that led employment generation within the automobile sector was the manufacture of parts for motor vehicles, which was 87.4% at August 2019. This is more labor intensive than the manufacture of cars and trucks.

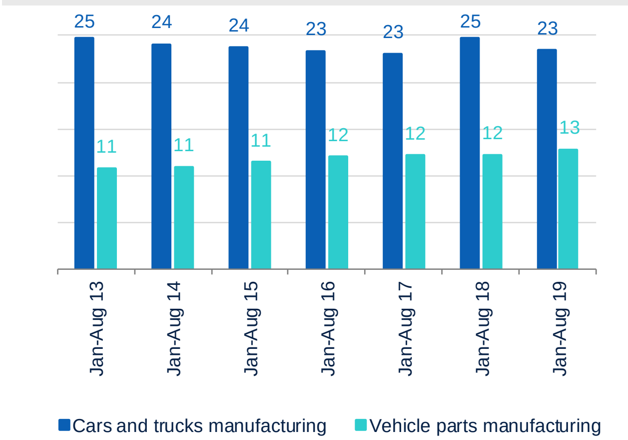
As of August 2019, the average remuneration of the automotive industry stood at 23,400 constant pesos per month and the manufacture of parts for vehicles at 12,800 constant pesos per month. The manufacture of cars and trucks was 1.8 times higher than the figure for the manufacture of vehicle parts.

Figure 3a.3 **PERSONNEL EMPLOYED IN THE AUTOMOTIVE INDUSTRY** (THOUSANDS OF PEOPLE AND % ANNUAL VAR.)



Source: BBVA Research based on data from EMIM and INEGI

Figure 3a.4 **REMUNERATIONS IN THE AUTOMOTIVE INDUSTRY** (THOUSANDS OF CONSTANT PESOS)



Source: BBVA Research based on data from EMIM and INEGI

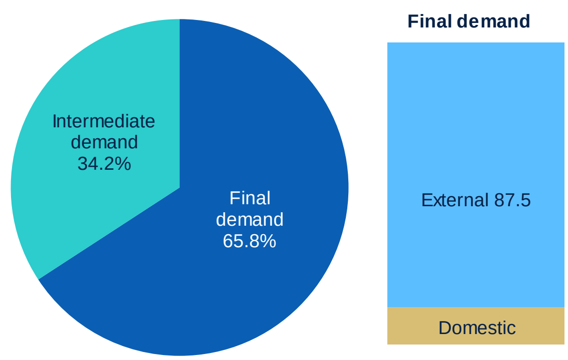
The automotive industry has multiple impacts on the economy. On the one hand, it demands domestic and imported materials for its production and on the other hand a destination for production (clients). This industry demands domestic and imported materials to generate its production. The most commonly used 35.7% are parts for motor vehicles.

Table 3a.1 **MAIN MATERIALS (% SHARE)**

NAICS code	Total	Dom.	Imp.
Total	**100.0**	**41.5**	**58.5**
3363 Parts for vehicles	35.7	32.4	67.6
3261 Plastic products	4.4	52.7	47.3
3336 Internal combustion engines, etc.	3.8	0.0	100.0
3311 Basic iron and steel	3.6	72.7	27.3
3329 Other metal products	3.3	21.9	78.1
3359 Other electric equip. & accessories	3.2	1.1	98.9
3262 Rubber products	3.0	26.1	73.9
3362 Bodies and trailers	2.9	85.1	14.9
3312 Iron and steel products	2.7	85.0	15.0
Rest of the activities	37.4		

Note: Branch 3336 mostly contains heavy truck engines and branch 3363 light vehicle engines
Source: BBVA Research based on data from IPM 2013 and INEGI

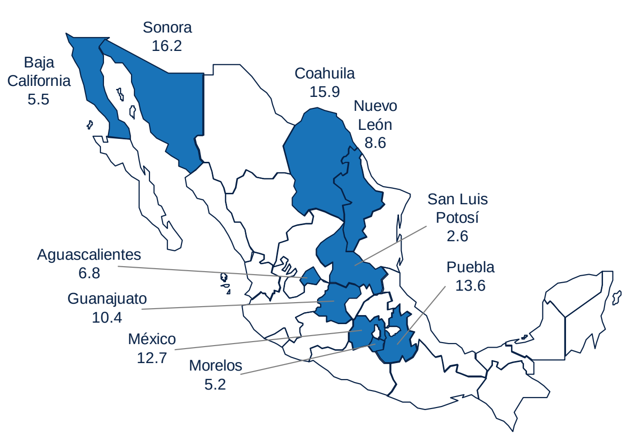
Figure 3a.5 **PRODUCTION DESTINATION (% OF TOTAL)**



Source: BBVA Research based on data from IPM 2013 and INEGI

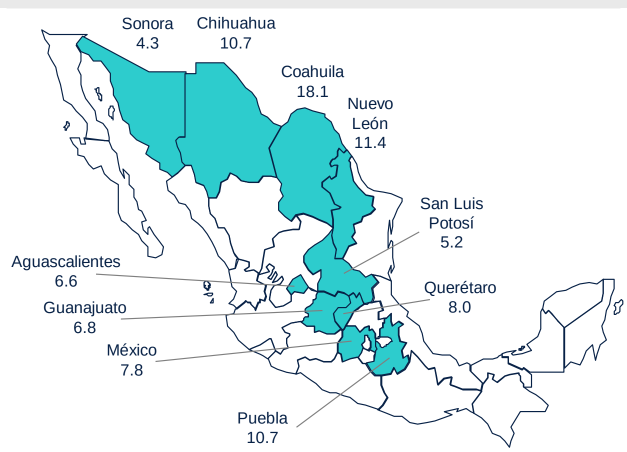
Of the total materials used by the industry, the majority are imported (58.5%) and the remaining (41.5%) are domestic. The industry that demands the most domestic materials is that of iron and steel. Those that use the most imported materials are parts for vehicles, and electrical and electronic products. Out of what is produced in the automotive industry, 34.2% is integrated into the production process of automotive and other industries as material (intermediate demand) and the remaining 65.8% is mostly intended for export markets, with only a small part for domestic final consumption (consumption, investment).

Figure 3a.6 **VEHICLE PRODUCING STATES** (% SHARE OF PRODUCTION VALUE)



Source: BBVA Research based on data from the report 'Conociendo a la industria automotriz,' 2018, INEGI

Figure 3a.7 **AUTO PARTS PRODUCING STATES** (% SHARE OF PRODUCTION VALUE)



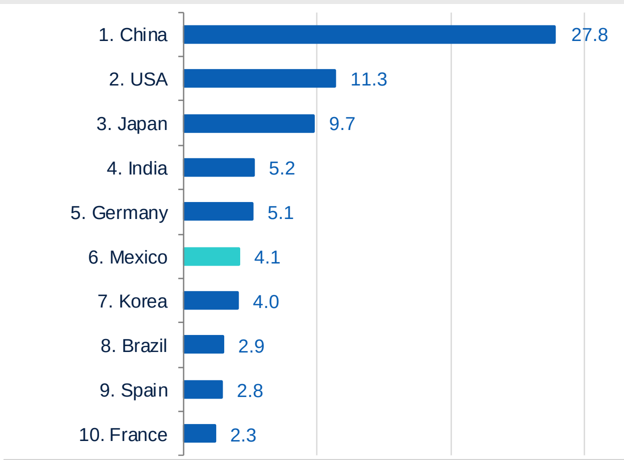
Source: BBVA Research based on data from the report 'Conociendo a la industria automotriz,' 2018, INEGI

The automotive industry has a significant presence in the country. A total of 97.5% of the production of light vehicles and heavy trucks in Mexico is concentrated in 10 states. According to the Economic Census of 2014, Sonora concentrated 16.2% of the value of the country's total production. Coahuila followed with 15.9%, Puebla with 13.6% and the State of Mexico with 12.7%. Together these regions accounted for 58.4% of the total value of the country's production. As regards the manufacture of vehicle parts, five states accounted for 58.9% of the total production value: Coahuila with 18.1%, Nuevo León with 11.4%, Chihuahua with 10.7%, Puebla with 10.7%, and Querétaro with 8%**.**

The Mexican automotive industry is a leader in the production and export of vehicles worldwide

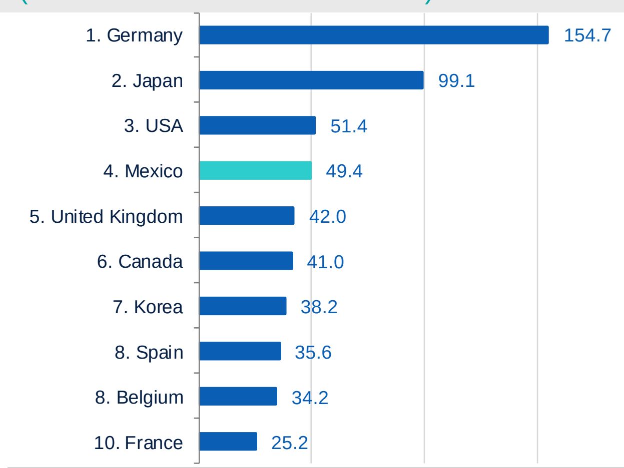
In 2018, Mexico manufactured 4.1 million vehicles, placing it in 6th position as a world vehicle producer; in 2017, it was in 7th place. With regard to the main light vehicle exporting countries, Mexico ranked 4th, rising two positions compared to 2017. The uncertainty caused by Brexit in the United Kingdom and the elimination of some production lines in Canada favored this result.

Figure 3a.8 **MAIN VEHICLE PRODUCERS** (POSITION IN MILLIONS OF UNITS)



Source: BBVA Research based on data from EMIM and INEGI

Figure 3a.9 **MAIN LIGHT VEHICLE EXPORTERS** (POSITION IN BILLIONS OF USD)



Source: BBVA Research based on data from EMIM and INEGI

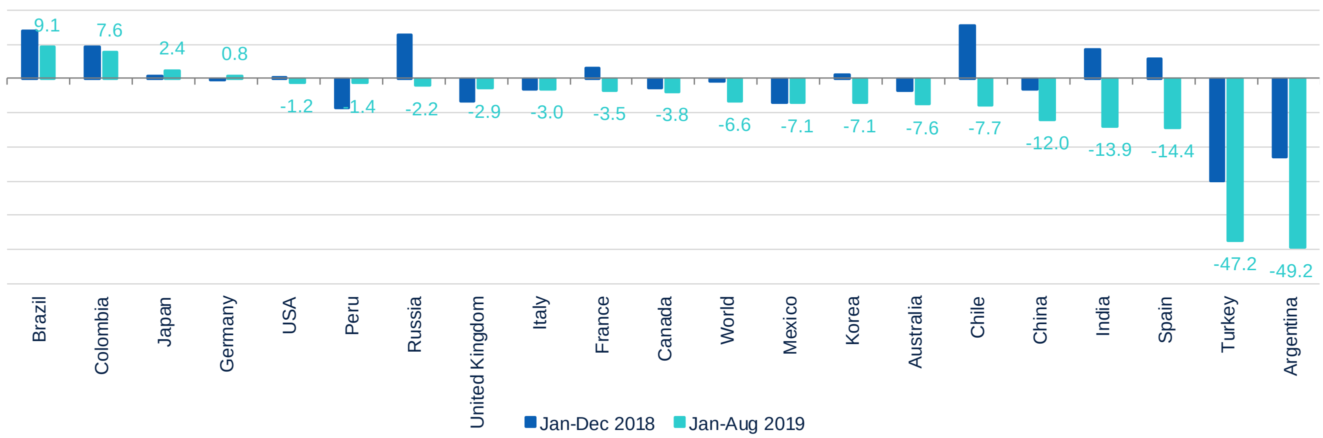
B) The light vehicle industry in Mexico

Global demand for vehicles is shrinking for the first time in nine years

In 2018, 86 million vehicles were sold, representing a 0.7% drop from the previous year, the first negative figure since 2009. This situation deepened in the period from January to August 2019, with an accumulated drop of 6.6%. Trade tensions between the world's largest economies and the political uncertainty of the European market resulting from Brexit have affected the global automotive industry to a certain extent. The global slowdown in sales of light vehicles was led by the Chinese market, which for the first time in nine years showed a 3.1% decrease in 2018. This decline is significant when we consider that this market accounts for 30% of global sales. From January to August 2019, the slowdown deepened with a 12% annual drop.

In general, there was a more pronounced fall in sales of light vehicles in the markets of advanced economies, including the US. As of August 2019, US sales decreased 2.2% compared to 0.4% for all of 2018. In this market, higher vehicle prices (due to safety and built-in technology) and high interest rates continued to weigh on sales, compromising their accessibility. By segment, 30 million SUVs were sold globally, 35% of total passenger car sales in 2018. Compact SUVs continued to be preferred among consumers (12.3 million in 2018) followed by medium-sized SUVs with sales of 7.2 million and large SUVs with sales of 3.7 million; all sizes recorded positive growth rates. The higher demand of SUVs came at the expense of traditional car sales, which lost ground in almost all markets globally.

Figure 3a.10 **SALES OF MAIN LIGHT VEHICLES MARKETS** (% ANNUAL VAR.)

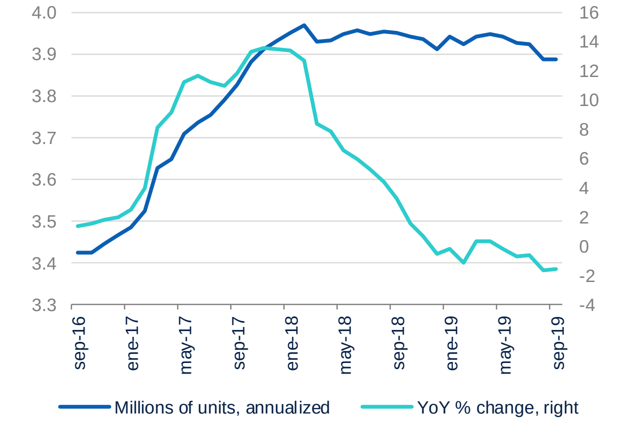


Source: BBVA Research based on data from Ward's.

The production of light vehicles in Mexico has slowed down since the beginning of 2018

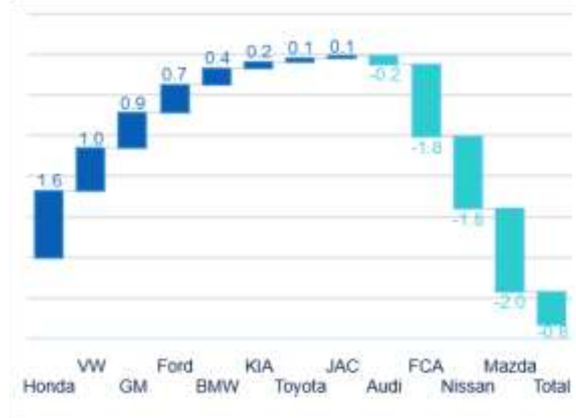
In line with the slowdown in world demand in major markets, production of light vehicles in Mexico has been moderate. From January to September 2019, annual assembly decreased by 0.8% compared to a 0.6% drop for all of 2018, to 3.9 million units. This slowdown in production was accentuated by two major events.

Figure 3a.11 **PRODUCTION OF LIGHT VEHICLES IN MEXICO** (MILLIONS OF ANNUALIZED UNITS AND % ANNUAL VAR.)



Source: BBVA Research based on data from INEGI

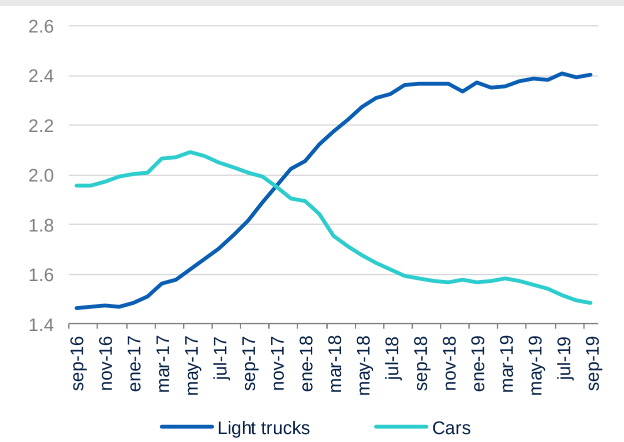
Figure 3a.12 **PRODUCTION OF LIGHT VEHICLES BY BRAND JANUARY-SEPTEMBER 2019** (CONTRIBUTION TO GROWTH, PP)



The Chinese vehicles manufacturer JAC was established in Ciudad Sahagún, Hidalgo for the domestic market only.
Source: BBVA Research based on data from INEGI

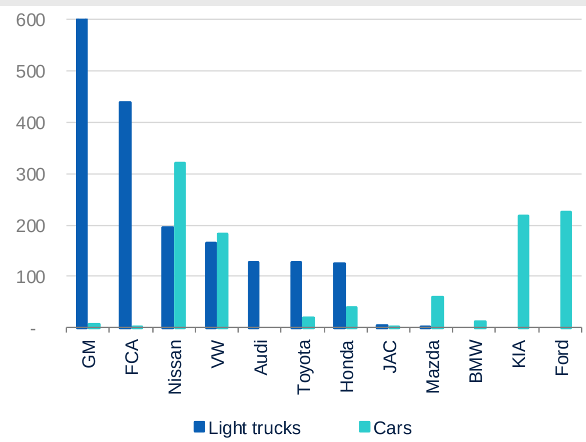
The first concerned the flooding during the rainy season of the Honda plant in Celaya, Guanajuato, where the Fit subcompact and SUV HR-V and CVT transmission are manufactured. The plant was restored and reconditioned from June to November 2018. The second factor was attributed to Japan's Mazda adapting its plant for the new generation of its Mazda 3 sedan and the SUV CX-30. The transfer of production of the Mazda 3 hatchback to a plant in Japan also had an impact. From January to August 2019, all companies contributed to the growth of production with the exception of Audi, FCA, Nissan and Mazda.

Figure 3a.13 **PRODUCTION OF LIGHT VEHICLES** (MILLIONS OF ANNUALIZED UNITS)



Source: BBVA Research based on data from INEGI

Figure 3a.14 **PRODUCTION OF LIGHT VEHICLES, JANUARY-SEPTEMBER 2019** (THOUSANDS OF UNITS)



*In the case of Mexico only pickups and SUVs are produced
Source: BBVA Research based on data from INEGI

In line with the higher demand of SUVs globally, most firms in Mexico focused more on light trucks (pickups and SUVs) than cars. In Mexico, the proportion between the two was 61% and 39%, respectively, from January to September 2019. By brand, those most exposed to a greater adjustment in demand for cars are Ford, Kia, Mazda and BMW.

The forecast for production in 2019 has deteriorated slightly more than initially estimated. The strike over negotiations between GMC and the union in the US led to the total shutdown of the plants in Silao, Guanajuato from October 1 to 25 and Coahuila from October 18 to 25. This was a result of the lack of parts from the USA. The other two plants in San Luis Potosí and the State of Mexico were not affected.

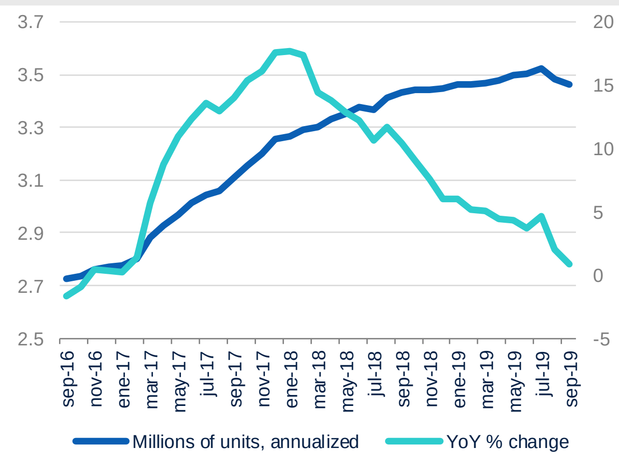
The start of normal operation has affected production for a whole month at the Silao plant and a week in Coahuila. The assembly of monthly pickups represents for Guanajuato just over half of the total produced (about 28,600 units), without having an impact on the auto parts industry in the states of Sonora, Chihuahua, Coahuila, Nuevo León, Guanajuato, San Luis Potosí, Querétaro, Puebla and the State of Mexico.

It is difficult to know if they will recover the losses in what remains of 2019. We consider that this is an opportunity to reduce inventories in the face of a complex future, and estimate a 2.7% drop in light vehicle production in 2019 and a 1% advance in 2020.

Exports of light vehicles slow down, but are still growing

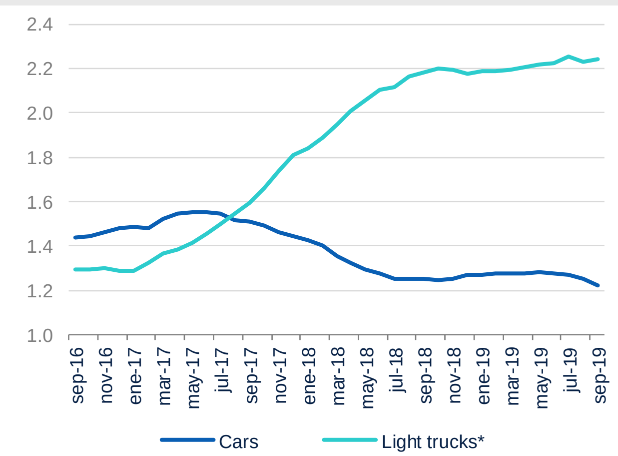
From January to September 2019, automotive exports (in units) registered an annual growth of 0.5%, resulting from a 5.2% drop in auto shipments and a 3.8% increase in light trucks. In 2018, exports increased 6% from a 11.9% drop in cars and a 20.3% growth in light trucks. As of September 2019, exports accounted for 88% of total vehicle production; the remaining 12% went to the domestic market.

Figure 3a.15 **LIGHT VEHICLE EXPORTS** (MILLIONS OF ANNUALIZED UNITS AND % ANNUAL VAR.)



Source: BBVA Research based on data from INEGI

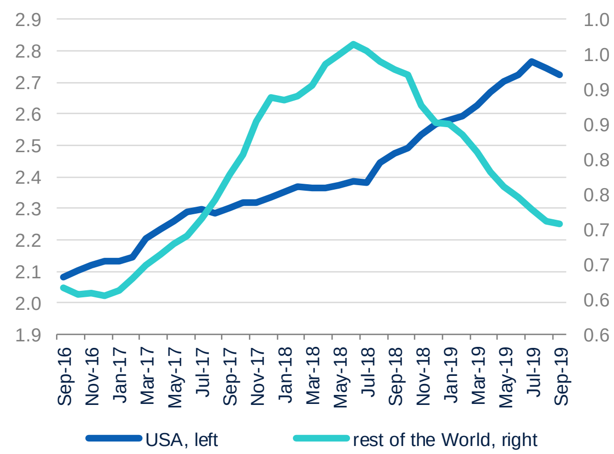
Figure 3a.16 **LIGHT VEHICLE EXPORTS** (% ANNUAL VAR. WITH ANNUALIZED FIGURES)



*For Mexico, most are SUVs at 68.3% and the remaining 31.7% are pickups.
Source: BBVA Research based on data from INEGI

The main destination for vehicle exports was the USA (79% of the total), which registered an 8.4% increase from January to September 2019, a rate that compares favorably with the 9.9% shown throughout 2018. Vehicles exported from Mexico are affordable for the US consumer, and although domestic sales in the US showed a 1.2% drop over the same period, those from Mexico to the US continued to gain penetration. From January to September 2019, Mexican vehicles accounted for 16% of total sales of light vehicles in the US; in the same period of 2018, the figure was 14.6%.

Figure 3a.17 **LIGHT VEHICLE EXPORTS** (MILLIONS OF ANNUALIZED UNITS)



Source: BBVA Research based on data from INEGI

Table 3a.2 **EXPORT OF LIGHT VEHICLES BY DESTINATION** (THOUSANDS OF UNITS, % SHARE AND YoY % CHANGE)

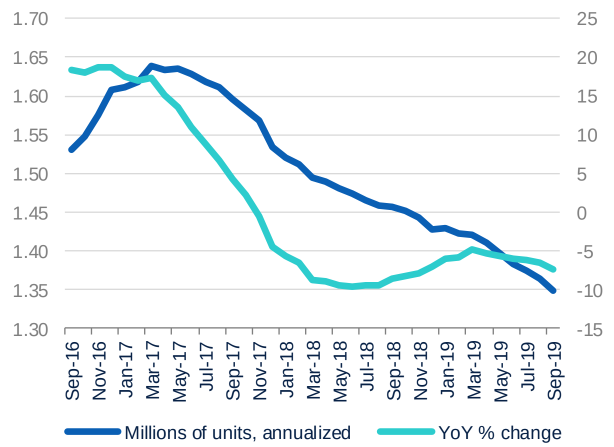
	January - September			
	2018	2019	% share	YoY % change
USA	1,880.5	2,038.5	78.9	8.4
Canada	199.3	175.3	6.8	-12.0
Germany	119.0	107.1	4.1	-10.0
Brazil	58.2	40.6	1.6	-30.3
Colombia	41.6	34.1	1.3	-18.0
Italy	30.6	27.9	1.1	-9.0
Puerto Rico	16.9	19.2	0.7	13.8
Chile	28.4	17.9	0.7	-37.1
China	13.6	11.3	0.4	-16.8
Ecuador	10.5	9.0	0.3	-13.9
Rest of the World	172.3	103.1	4.0	-40.2
Total	**2,570.7**	**2,583.8**	**100.0**	**0.5**

Source: BBVA Research based on data from INEGI

The fall in domestic sales deepens, with no end to the decline in sight

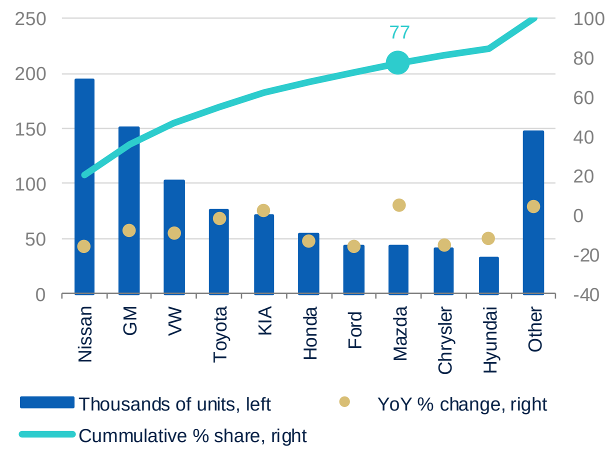
The negative trend of domestic vehicle sales that started in April 2017 continued throughout 2019, resulting in 28 months of drops except for May 2017 and January 2019. In the short term, there is no sign of the stabilization of this fall. From January to September 2019, sales of light vehicles registered a 7.5% drop compared to -7% in all of 2018. By brand, as of September 2019 the fall was widespread with the exception of some firms that managed to position themselves with an attractive offer or which cater to specific niches. The largest two-digit drops are: Ford -15.4%; Nissan -15.5%; Chrysler -15.4%. Meanwhile the brands that are growing are: Mazda 5.5% and Kia 2.1%.

Figure 3a.18 **INTERNAL SALES OF LIGHT VEHICLES** (MILLIONS OF ANNUALIZED UNITS AND % ANNUAL VAR.)



Source: BBVA Research based on data from INEGI

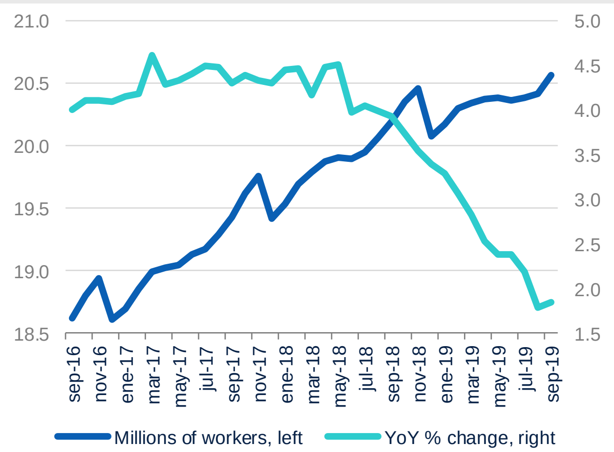
Figure 3a.19 **INTERNAL SALES OF LIGHT VEHICLES, JANUARY-SEPTEMBER** (THOUSANDS OF UNITS AND % ANNUAL VAR.)



Source: BBVA Research based on data from INEGI

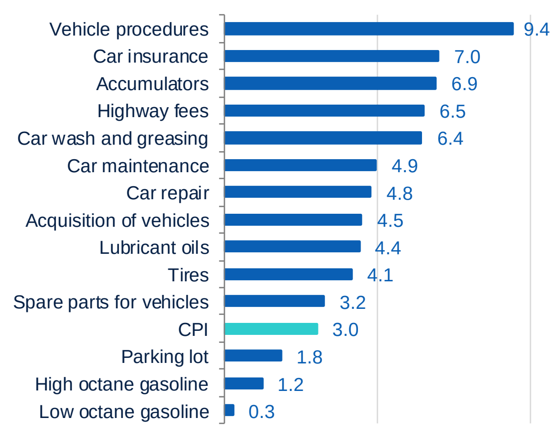
The economic slowdown has been reflected in lower employment growth. In September 2018, workers affiliated with the IMSS grew 3.9% annually; one year later the advance is 1.9% annually. Vehicle prices, already high, continued to show significant increases, as the technology and security measures incorporated have made prices more expensive. In addition, maintenance costs continued to grow, many of them above headline inflation. These factors have weighed heavily on consumers, weakening domestic sales of light vehicles.

Figure 3a.20 **WORKERS INSURED BY THE IMSS** (MILLIONS OF PEOPLE AND % ANNUAL VAR.)



Source: BBVA Research based on data from INEGI

Figure 3a.21 **INFLATION OF NEW VEHICLES AND MAINTENANCE, SEPTEMBER 2019** (% ANNUAL VAR.)



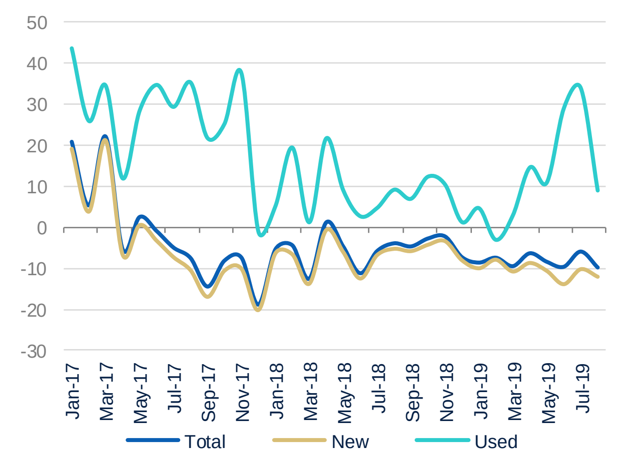
Source: BBVA Research based on data from INEGI

In this environment, it is difficult for internal sales of light vehicles to stop their fall in what remains of 2019. We estimate that sales of light vehicles will decrease 7.9% by the end of 2019 (approximately 1.3 million units); by 2020 we predict that recovery will begin, although the year will close with a 2% drop. As a result, we will be seeing an internal market with four years of continuous declines.

Auto financing is shrinking; by institution, BBVA is almost the only one growing

Total auto financing continued to decline, accumulating in 27 months of continuous falls up to August 2019; from January to August 2019, it fell 8.2%. The amount of loans for new vehicles has the highest volume (88% of the total), while used vehicles made up only 12% of the total. Financing for new vehicles fell from 10.6% as at August 2019, representing 60% penetration with respect to new sales. In the same period, the 12.4% growth for used vehicles has partially mitigated the fall in the demand for the financing of new vehicles, both for brand financing and for banking. By institution, brand financing continued to allocate most of the loans (63.2% of the total up to August 2019). In contrast, banking is increasing its contribution, reaching 33% of the market in the same period.

Figure 3a.22 **FINANCING OF NEW AND USED VEHICLES** (% ANNUAL VAR.)



Source: BBVA Research based on data from Jatco

Table 3a.3 **FINANCING OF NEW AND USED VEHICLES, JANUARY-AUGUST 2019**

	New	Used	Total
	Thousands of units		
Brand financing	337.0	33.0	370.0
Banks	153.0	38.5	191.4
Autofinancing	20.5	-	20.5
Total	**510.4**	**71.5**	**581.9**
	YoY % change		
Brand financing	-14.9	9.7	-13.2
Banks	-0.3	9.4	1.5
Autofinancing	1.6	-	1.6
Total	**-9.7**	**5.9**	**-8.1**
	Structure, %		
Brand financing	66.0	46.2	63.6
Banks	30.0	53.8	32.9
Autofinancing	4.0	-	3.5
Total	**100.0**	**100.0**	**100.0**

Source: BBVA Research based on data from Jatco

From January to August 2019, banking increased financed units by 1.5%, resulting in a 0.3% decrease in credit to new vehicles and a 9.4% increase to used vehicles. Of all participants, BBVA's financing stands out not only for its high growth in new (14.2%) and used vehicles (29.4%) until August 2019, but also for its high share of the credit banking market, 40% of the total; the closest competitor had a contribution of 17.4%.

Table 3a.4 **AUTOMOTIVE BANK FINANCING, JANUARY-AUGUST 2019**

	Thousands of units			YoY% change		
Bank	**New**	**Used**	**Total**	**New**	**Used**	**Total**
BBVA	52.2	24.3	76.4	14.2	29.4	18.6
Scotiabank	29.2	4.2	33.4	-14.9	-18.7	-15.4
Banorte	36.5	4.4	40.9	-17.0	17.3	-14.4
Banregio	14.7	3.2	17.9	3.1	33.7	7.5
HSBC	13.7	1.3	15.0	16.8	-39.5	8.0
Autofin	0.3	0.5	0.8	-28.8	12.7	-6.1
Inbursa	1.3	0.3	1.6	-36.7	-79.9	-54.1
Cetelem	3.4	0.2	3.7	-20.8	4.2	-19.4
Santander	1.8	0.0	1.8	--	-- --	
Total	**153.0**	**38.5**	**191.4**	**-2.4**	**9.4**	**1.5**

Source: BBVA Research based on data from Jatco

Table 3a.5 **AUTOMOTIVE BRAND FINANCING, JANUARY-AUGUST 2019**

	Thousands of units			YoY% change		
Bank	**New**	**Used**	**Total**	**New**	**Used**	**Total**
FC Financial	17.9	0.8	18.6	-34.7	100.0	-31.9
Ford	16.2	0.6	16.7	-27.0	64.2	-25.6
GM	73.9	5.3	79.2	-19.7	2.6	-18.5
Hyundai	18.3	1.4	19.7	2.4	44.9	4.6
KIA	27.8	0.7	28.5	-0.9	107.6	0.4
NR Finance	88.9	12.3	101.2	-17.9	0.8	-16.0
PSA	1.6	0.0	1.7	--	--	--
Suzuki	1.2	0.0	1.2	--	--	--
Toyota	31.9	3.3	35.3	-1.5	9.3	-0.6
VW	59.4	9.4	68.8	-9.5	18.9	-6.4
Total	**337.0**	**33.9**	**370.9**	**-14.4**	**12.9**	**-12.5**

Source: BBVA Research based on data from Jatco

As a result of President Trump's climate of continuing trade threats to Mexico, and weak economic growth and domestic policy changes, consumers with sufficient income and who qualify for credit are reluctant to incur debt due to fear that such tensions could result in possible labor instability. Added to this are still high interest rates and rising maintenance costs.

C) The heavy vehicle industry

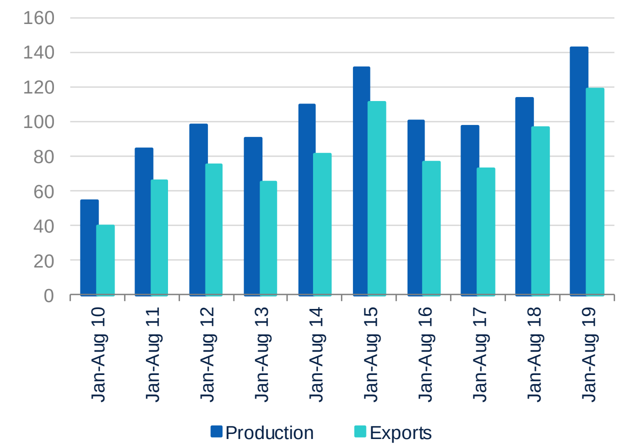
The production and export of heavy vehicles are at their highest point of the last 10 years

In the Mexican automotive industry, the production of light vehicles and auto parts often monopolize attention and little mention is made of heavy vehicles. The contribution of heavy vehicles was 1.2% of manufacturing GDP, and although this share is small in relation to light vehicles (8.6% of manufacturing GDP), its importance stems from the fact that it has become a large exporter of heavy vehicles to North America.

Eleven of the world's most important manufacturers are installed in Mexico. Only DINA uses Mexican capital; the others (Freightliner, Hino, International Navistar, Isuzu, Kenworth, Mack, Scania, Volvo, MAN and Mercedes Benz) come from the United States, Sweden, Germany and Japan. It also has two engine remanufacturing plants. The plants are located in eight states of the country: Baja California, Coahuila, Nuevo León, San Luis Potosí, Guanajuato, Hidalgo, Querétaro and the State of Mexico. Ford, Chrysler, VW, FAW (China) and Hyundai (Korea) trucks are also manufactured and imported.

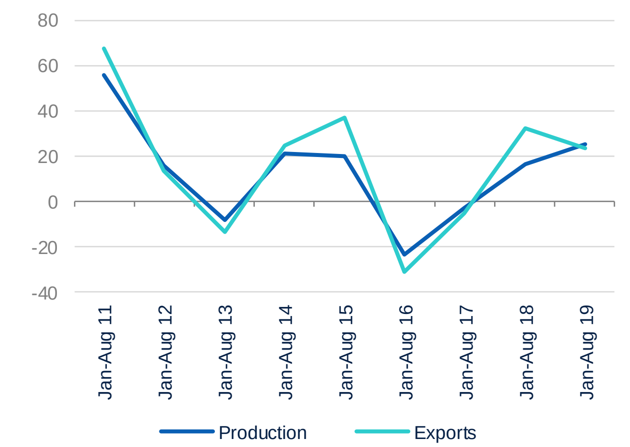
According to the National Association of Bus, Truck and Tractor Truck Producers (ANPACT), from January to August 2019, heavy vehicle production in Mexico totaled 142,300 units, equivalent to a 25.4% annual increase. This rate is the second highest in the last 10 years, and the strong surge came from a growth of 23.5% of exports, which represented 83.6% of total production (119,000 units). The main export destination was the USA (94%), followed by Brazil, Canada, Chile and Colombia, which together accounted for 3%, with the remaining 3% from Central and South America. The favorable trend in the production and exports of heavy vehicles began in 2018, after stagnation in 2016 and 2017.

Figure 3a.23 **PRODUCTION AND EXPORT OF HEAVY VEHICLES** (THOUSANDS OF UNITS)



Source: BBVA Research based on data from ANPACT

Figure 3a.24 **PRODUCTION AND EXPORT OF HEAVY VEHICLES** (% ANNUAL VAR.)



Source: BBVA Research based on data from ANPACT

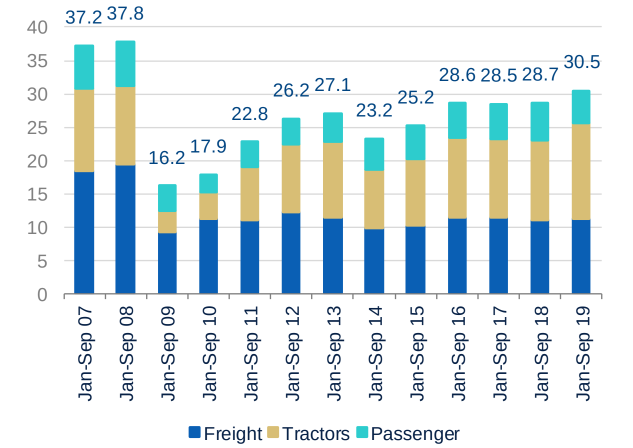
From January to September 2019, domestic demand for heavy vehicles grew 6.3% year on year, adding 30,400 units, which compared favorably with the 0.6% year on year observed in the same period of 2018. The structure of retail sales for heavy vehicles was 47% tractors, 37% cargo and 16% passenger. From January to September 2019, tractor and truck sales grew 20.4% and 1.4% year on year, respectively; passenger sales fell 14% year on year.

The main factor explaining the increase in domestic sales of heavy vehicles was the purchase of pipes to transport gasoline by the government and to a lesser extent the effect of pre-purchasing in response to environmental regulatory change. A fleet is renewed with vehicles in line with the current standards, because they are cheaper. The incorporation of environmental standard 044 obliges producers and importers to distribute vehicles with the new standard in Mexico[7]. Both factors are one-off or until the inventory is exhausted.

Finally, if we consider that the main factor that drives the movement of cargo is trade and manufacturing, and both will grow little in 2019 and 2020, incentives to invest in renewing or increasing a fleet of trucks and tractor trucks will be scarce.

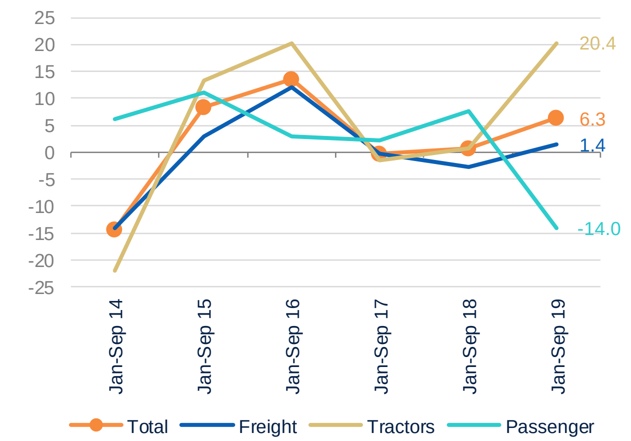
7: The regulations stipulate that from July 1, 2019 and until December 31, 2020, heavy vehicle manufacturers will be able to import and produce engine units with Euro V/EPA 07 technology. Thereafter, from January 2021, only vehicles with the Euro VI/EPA 10 standard may be imported and produced. These technologies have been available on the market since January 2019.

Figure 3a.25 **RETAIL SALES OF HEAVY VEHICLES (THOUSANDS OF UNITS)**



Source: BBVA Research based on data from ANPACT

Figure 3a.26 **RETAIL SALES OF HEAVY VEHICLES (% ANNUAL VAR.)**



Source: BBVA Research based on data from ANPACT

Summary

Based on the above, it is clear that the automotive industry plays a central role in Mexico's economy and foreign trade. When the North American Free Trade Agreement (NAFTA) was launched, the automotive industry accounted for 1.5% of GDP. By 2018, this share had increased to 3.6%. This key role is also reflected in employment statistics. As of July 2019, there were an average one million people working directly in the automotive industry, 10% in vehicle manufacturing and 90% in the auto parts sector. In terms of total manufacturing, automotive production accounted for 20.8% of total manufacturing production in 2018.

Because of this evolution, Mexico has become the sixth largest vehicle producer in the world and the largest in Latin America. More than 80% of vehicles produced are exported, making it the world's fourth largest vehicle exporter, behind Germany, Japan and the United States. In 2018, Mexico was the leading supplier of vehicles to the USA followed by Japan and Canada.

The automotive industry in Mexico will continue to consolidate as one of the most important export platforms in the world, with high production in both light and heavy vehicles to serve the external market, especially the USA. This consolidation will have to be accompanied by early ratification of the USMCA by the US Congress. Domestic sales of light vehicles, however, continue to fall, a trend that is expected to continue in the remainder of the year. Factors such as a slowdown in the generation of formal employment, less affordable car prices, rising maintenance costs and continually high interest rates are conditions that will remain, increasing the fall in sales.

For its part, growth in the sales of heavy vehicles from January to September 2019 was very high, due to the effect of the purchase of gasoline pipes at the beginning of the year. In fact, we believe that the trend is already negative, reflecting little investor confidence in the future evolution of the growth of the economy as a whole.

3b. Commercial banks are consolidated as a driver of growth

Mexico's financial and insurance services sector already accounts for about 5% of GDP. Their share has increased significantly, from just 1.1% in 1993 to 2.1% in 2008. The penetration of the financial system into the national economy, as well as the soundness of the financial system in terms of regulatory compliance,[8] have built up a sector that is heavily bound to national production.

The Mexican financial system as a means of transferring resources between economic agents, as well as between periods, has contributed to a high percentage of national growth; in particular, the sector contributed to 14.5% of the growth of the national economy in 2018. As can be seen in Figure 1, the growth rates presented by the sector have been consistently higher than those of the overall economy, even in periods of crisis, resulting in its greater share in the mix of production activities at national level. Growth was 6.3% in 2018, and 4.2% in the first half of 2019 (1H19).[9]

The main subsectors involved are: non-market credit and financial intermediation institutions, with a sector share of 81%, as well as bond, insurance and pension companies, with 15%.[10] The securities, foreign exchange and financial investment subsector, as well as the central banking sector, constitute 2% of the sector.

Financial services facilitate the transfer of resources between different economic actors, periods and locations at a global level. In parallel, Insurance and commodity contracts are defined as activities that guarantee the maintenance of the value of goods in different scenarios, which is also the case for retirement, with regard to pensions and retirement funds.

In this edition of ***Mexico Regional Sectoral Outlook***, we shall present the structure of the insurance and financial services sector, as well as the main determinants of supply and demand for these areas. The performance and prospects of the relevant subsectors are also subject to a general analysis, with an emphasis on the commercial banks subsector due to its large share of sectoral GDP.

The access of individuals or companies to the financial system has been a constant topic of debate and an axis on which national development policies have been promoted. With regard to this article, only the sectoral impact of past or future financial inclusion policies will be discussed as a means of increasing the exchange value of financial products or services.

Finance and Insurance contributed with 14.5% of GDP growth in 2018

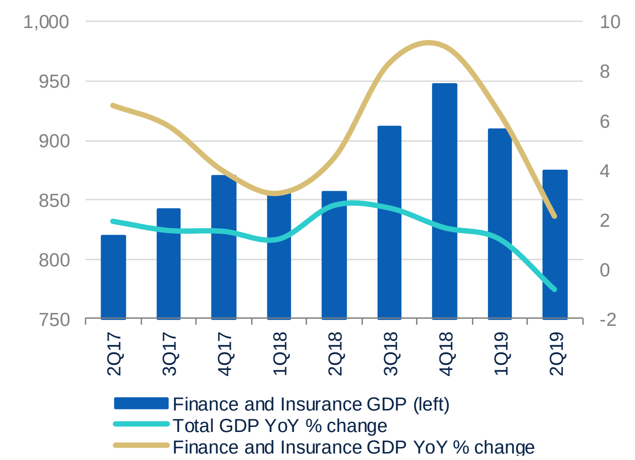
In 2018, the sector experienced real growth of 6.3%, the highest across all sectors. In the same period, it contributed 0.29 points to the 1.74 percentage points explained by tertiary activities; in other words, the insurance and financial services sector accounted for 16.6% of the growth in services, only exceeded by retail trade, as shown in Figure 2.

Because tertiary activities contributed 87.4% of GDP growth, this implies that 14.5% of total economic activity growth in 2018 can be explained by the performance of the insurance and financial services sector.

8: Such as compliance with the Basel III guidelines
9: GDP in original figures, INEGI.
10: According to data from goods and services accounts 2018, INEGI.

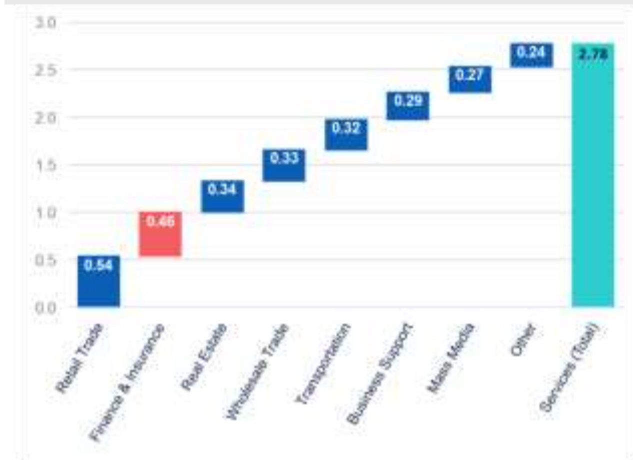
From a regional perspective, it is one of the sectors with the highest concentration, mainly due to the recording of activity in the central offices of the financial institutions. In fact, the geographical distribution of sectoral activity shows that the four states with the highest participation (Mexico City with 44.3%, Nuevo León with 9.9%, the State of Mexico with 6.2%, and Jalisco with 5.5%) concentrate around 65% of the sector's GDP, while half of the country's states with the lowest share account for just over 11% of activity.

Figure 3b.1 **GDP FINANCIAL SERVICES AND TOTAL GDP** (BILLIONS OF PESOS AND YoY % CHANGE)



Source: BBVA Research based on data from INEGI

Figure 3b.2. **CONTRIBUTION TO TERTIARY ACTIVITIES** (PERCENTAGE POINTS)

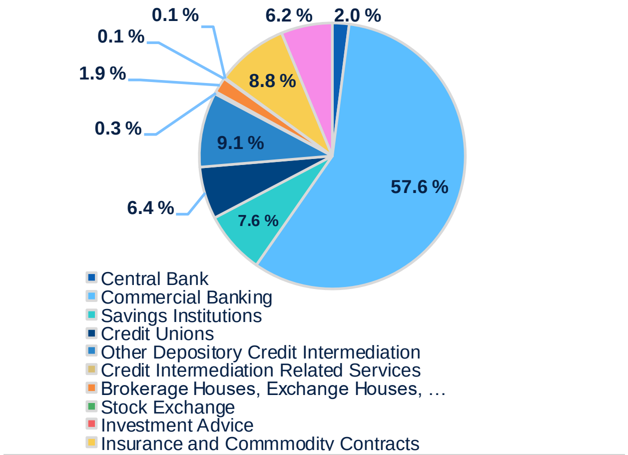


Source: BBVA Research based on data from INEGI

The sector is composed of five subsectors: central banking; non-market credit and financial intermediation; securities, foreign exchange and financial investment activities; retirement fund management, securities and insurance companies; and investment companies specializing in retirement funds and investment funds.

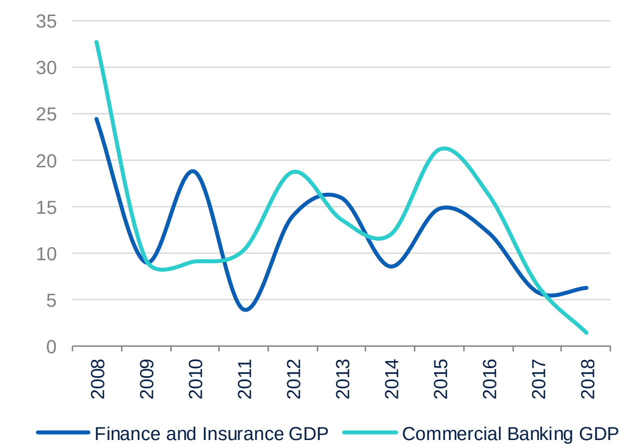
In order to analyze the sectoral composition, we reviewed economic activities at the branch level of the North American Industrial Classification System (NAICS) 2018. In this report, we do not separate activities of the retirement fund management branch and investment companies specializing in retirement funds and investment funds, because these data have not been published separately in the goods and services accounts in the Mexican System of National Accounts (SCNM) as at the closing date of this report.

Figure 3b.3 **FINANCE AND INSURANCE (%)**



Source: BBVA Research based on data from INEGI

Figure 3b.4. **FINANCE AND INSURANCE (YoY % CHANGE)**



Source: BBVA Research based on data from INEGI

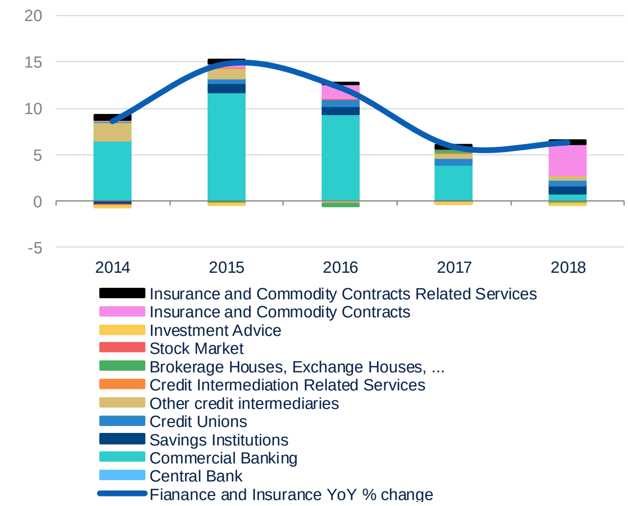
Furthermore, it should always be noted that, according to the methodology of the SCNM and the INEGI, the GDP of financial services is calculated based on the financial margin of the institutions that are part of the sector, or an indicator equivalent to it; namely, the difference between income and interest costs. This means that interest rate dynamics are an indicator that can explain the performance of the value added recorded in the sector.

Consequently, the differential between lending and borrowing rates is closely related to sectoral activity, as can be seen in Figure 3. In addition, other components, such as commission income in the case of financial intermediation institutions, whether market or non-market, and sales earnings in the case of securities, are included in the sectoral GDP calculation. In the case of insurance companies, it is calculated from the value added in the sector taking into account the number of policies in each period.

Households, businesses and government are the main requesters in the sector, and they determine the dynamics of credit and deposits in financial institutions. In fact, in the case of commercial banks, these processes are reflected in the net financial margin within the financial statements of the various banking institutions.

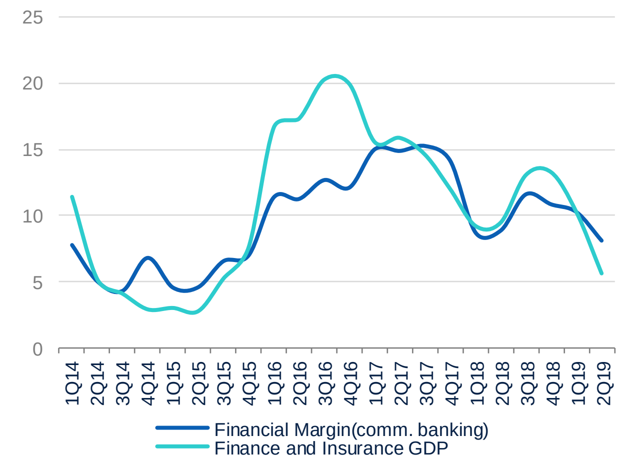
As we can see from Figure 6, sectoral GDP is closely related to the net financial margin of commercial banks. The above correlation is altered in periods where other credit intermediation institutions show outstanding performance, such as development banking during 2015 and 2016, as can be seen in Figures 5 and 6.

Figure 3b.5 **FINANCE AND INSURANCE GDP: COMPOSITION** (%)



Source: BBVA Research based on data from INEGI

Figure 3b.6. **FINANCE AND INSURANCE** (YoY % CHANGE)



Source: BBVA Research based on data from INEGI and the CNBV

The sectoral composition has remained relatively static, although central banking and securities and foreign exchange activities have reduced their participation in recent years, mainly due to the growth rates of Insurance and commodity contracts and non-market financial intermediation institutions, which have earned a share in the mix of value-added generators in the sector.

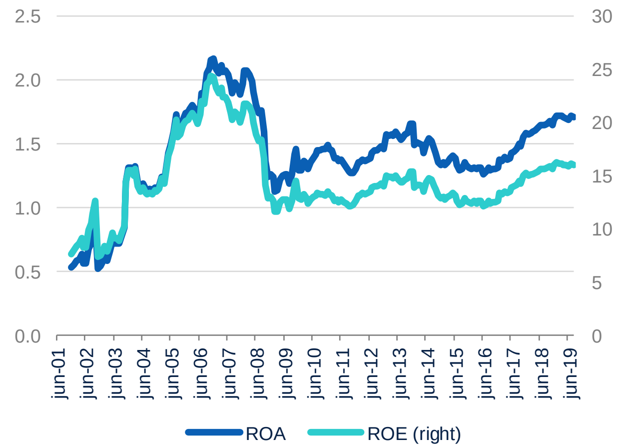
Despite the sector's relatively good performance in terms of growth, its potential (taking into account demand for financial services, as well as the costs of providing them) has not been fully utilized. The government is making an effort to promote financial inclusion, which could increase the client base of the financial system as a whole.

Access to the financial system by digital means, as well as the standardization of means of payment through the digital collection platform (CoDi) are the main inclusion actions, which could generate an expansion of the financial system's customer base. This would give access to credit and other financial products to part of the population for the first time. However, inclusion efforts with conclusive figures have not yet materialized, and therefore no significant change in the current demand base has been observed.

We estimate that commercial banks, as the largest participant in sectoral activity, will show growth in 2019, although lower than in previous years due to a contraction in activity along with the expected dynamics of savings and investment at national level. In response to an economic slowdown in 2019, and particularly consumption, the dynamics of lending and savings will also result in a slowdown in commercial banks.

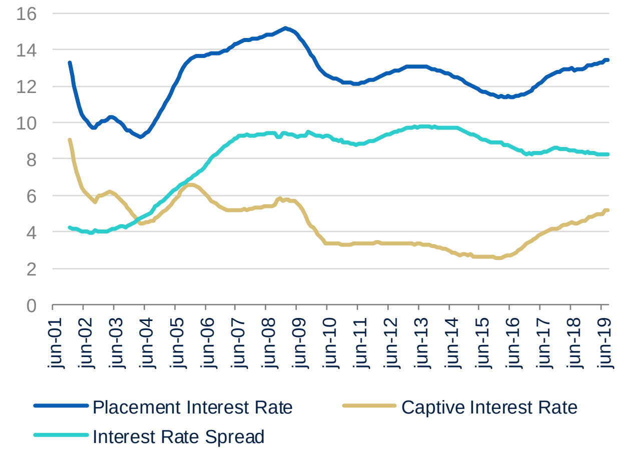
Indeed, if the dynamics of profitability or return on assets (ROA) and equity (ROE) are analyzed, financial reasons have continued to grow, albeit at a lower rate than in previous years, as can be seen in Figure 6. With regard to rates, the difference between implied rates, or intermediation margin, has shown a downward trend, even with the upward trend in rates.

Figure 3b.7 **COMMERCIAL BANKS (CB) RETURNS (%)**



Source: BBVA Research based on CNBV data

Figure 3b.8. **CB INTEREST RATES (YoY % CHANGE)**



Source: BBVA Research based on CNBV data

The sector could regain its dynamism in 2020, with the activity of commercial banks recovering from the slowdown experienced in 2019, meaning, together with other subsectors, a higher forecast growth rate for the coming year.

The share of the insurance and financial sectors in GDP increases

Insurance and financial services have steadily increased their percentage share in the Mexican economy, and currently stand at sixth place for their contribution to GDP. The dynamism of the sector has been driven mainly by commercial banks and insurance and commodity contracts institutions, the subsectors with the greatest share in the GDP of insurance and financial services.

The financial system in Mexico, despite not having high penetration, is a solid system that complies with international regulatory guidelines.[11] Likewise, as will be shown in the next section, its subsectors are strongly bound to national production, according to the INEGI material-product tables.

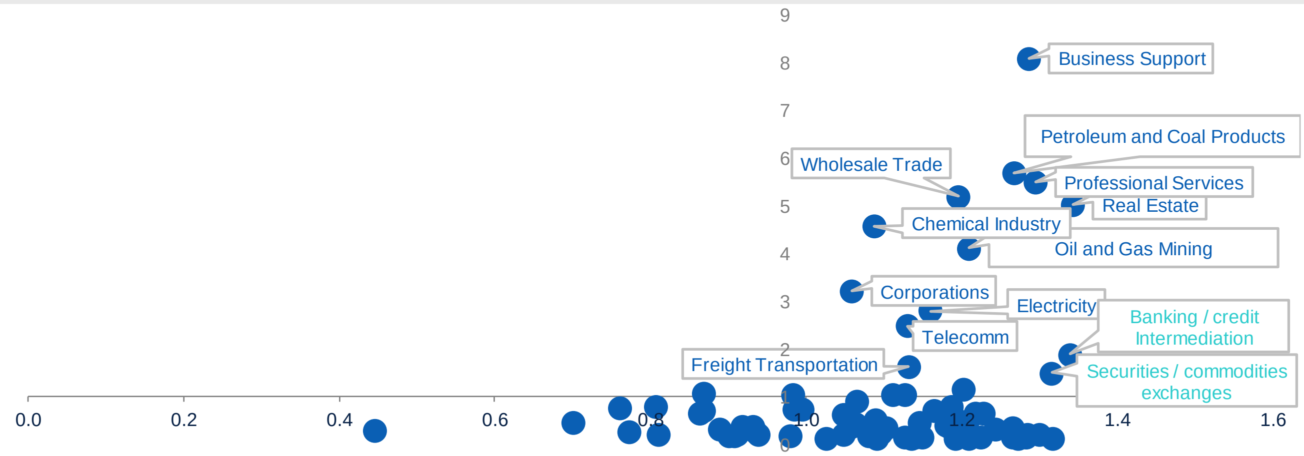
Strong production chains in financial subsectors

The production chains have been analyzed in other ***Mexico Regional Sectoral Outlook*** reports. Based on the material-product matrix, we can calculate measures by subsector of linkages similar to those described in a study by the Ministry of Communication and Internal Affairs of Japan.[12]

11: As defined in the international regulatory framework of Basel III.
12: The Japanese Economy and the 2005 Input – Output tables.

By analyzing the backward linkages, also called dispersion power, as well as the forward linkages, also called dispersion sensitivity, we can see that the subsectors of non-market financial intermediation and securities and foreign exchange activities are strongly linked.

Figure 3b.9 **BACKWARD AND FORWARD LINKAGES**
(DISPERSION POWER INDEX AND DISPERSION SENSITIVITY INDEX, RESPECTIVELY)



Source: BBVA Research, compiled based on INEGI data

Regarding backward linkages, non-market financial intermediation and securities and foreign exchange activities come second and third out of the 78 subsectors modeled, after real estate services.

Likewise, if we analyze forward linkages, we can see that out of the 78 subsectors analyzed in the model, non-market financial intermediation is the 11th subsector in this respect, while securities activities are 13th.

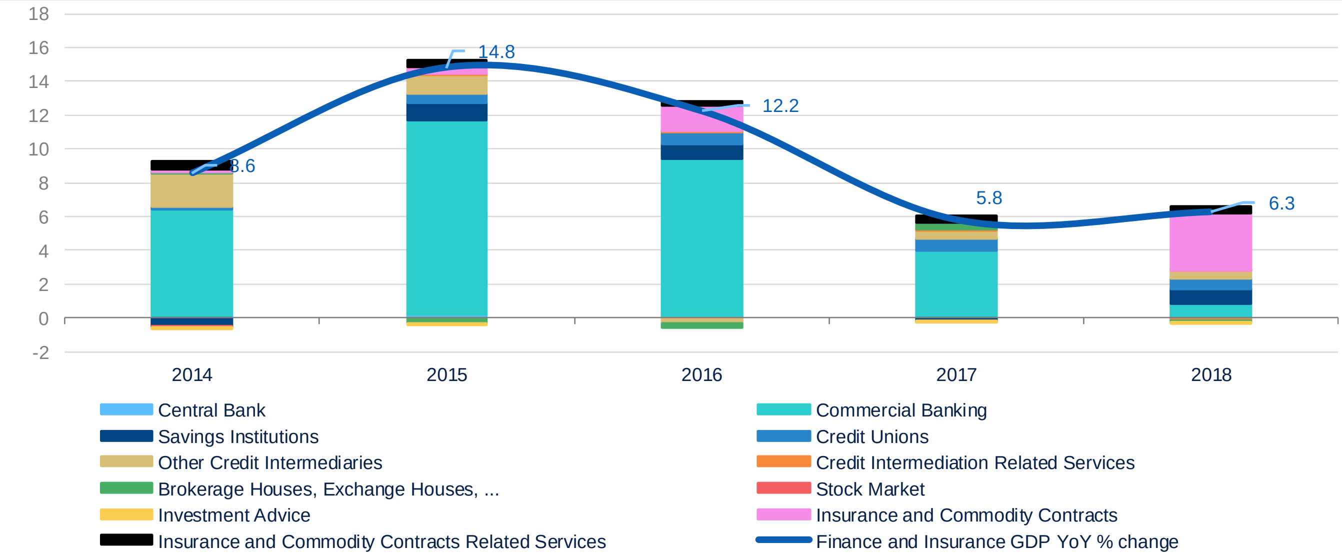
The above demonstrates the importance of the financial subsectors, in terms of both requesters as well as being one of the most in demand by other production subsectors.

Insurance and commodity contracts provide the greatest contribution to the sector in 2018

In the financial services sector in 2018, we saw a change in the contribution to growth over previous years. During the year, commercial banks did not provide the majority of sectoral growth, but rather it was the insurance and commodity contracts institutions that were the main promoters of growth.

Although Insurance and commodity contracts have a share of almost 15%, compared to 57.6% for commercial banks, the subsector provided 60% of growth in 2018. Within the activities recorded for Insurance and commodity contracts, during 1H19 the subsector experienced a growth of 0.6%, resulting in a slowdown due in part to the cancellation of insurance and benefits by public states.

Figure 3b.10 **AVERAGE CONTRIBUTION TO THE REAL GROWTH RATE OF TERTIARY ACTIVITIES IN 2017 (%)**



Source: BBVA Research based on data from INEGI

Within this increase, Table 1 shows that damage insurance premiums (without cars in particular) grew the most in the first half of the year. In contrast, bonds experienced a 7.4% contraction. It should be noted that this table reflects the dynamics of one part of the subsector's income, and is only one ingredient in the calculation of Insurance and commodity contracts GDP.

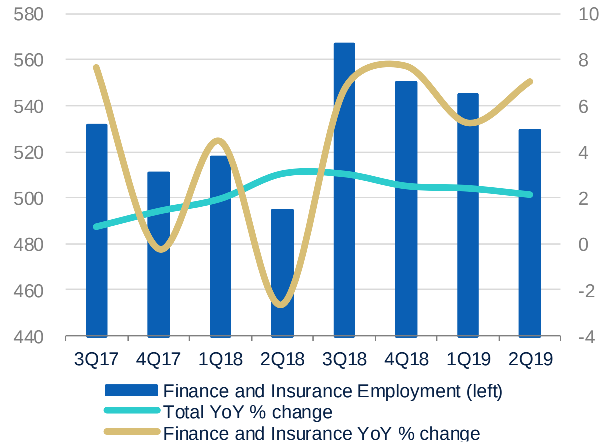
Above-average employment growth in financial services

As a result of the growth in the financial services sector, and of the campaigns for the formalization of employment, the number of workers employed in the sector (in comparison with the figures from one year earlier), has seen a constant increase in the past few years. In most periods, it shows a growth above employment as a whole, according to ENOE data.[13]

Furthermore, in 1H19, the number of employed workers had annual growth rates of around 6% in the sector, as can be seen in Figure 10. It is important to emphasize that the insurance and financial services sector has one of the lowest rates of informal labor in the economy.

13: National Survey of Occupation and Employment

Figure 3b.11 **WORKERS IN THE FINANCIAL SECTOR**
(THOUSANDS OF WORKERS AND YoY % CHANGE)



Source: BBVA Research based on data from ENOE and INEGI

Table 3b.1. **INSURANCE & COMMODITY CONTRACTS**
(MILLIONS OF PESOS, % AND YoY % CHANGE)

Type	Premia (Millions of pesos)	Share (%)	Growth (YoY % change)
Life	127,162	40.7	7.2
Pensions	13,251	4.2	3.8
Accidents / sickness	45,302	14.5	1.8
Damages	121,383	38.9	13.5
Damages w/o Car	64,124	20.5	26.4
Car	57,259	18.3	1.8
Insurance	307,099	98.4	8.6
Sureties	5,034	1.6	-7.4
Total	312,133	100	8.3

Source: BBVA Research based on data from the CNSF

The existing paradigm of infrastructure requirements and regulatory burden may be close to breaking point with the emergence of financial technology companies, or Fintech, as well as regulatory sandboxes set out in the Fintech Act.[14] The emergence of these companies, the law to regulate them and the resulting abundant and potential secondary regulation could boost the offering of lending and savings financial products, as well as introduce small players who could compete with certain segments with already established financial institutions.

In the case of electronic means of payment, within the Fintech companies, the existing companies do not reflect the gross value added they generate in the insurance and financial services sector, but rather in the business support services sector – the sector that is expected to grow the most in 2019.

The insurance and financial services sector will grow 3.4% in 2019

Additionally, we estimate that the insurance and financial services sector will grow by 3.4% in 2019, a higher-than-estimated growth rate for the economy as a whole. As a result, the share of the financial sector in GDP shall increase again; its contribution toward the mix of tertiary activities will also increase. The dynamics of lending and savings in the rest of the year are key indicators for determining sectoral activity.

With regard to the dynamics that determine demand for financial services, a recovery in economic activity is envisaged in 2020, which could be a boost to lending dynamics.

14: A sandbox is an isolated test environment that allows users to run programs or run files without affecting the application, system, or platform on which they run.

With regard to savings, a drop in rates would motivate a recomposition of deposits in the opposite direction to the dynamics shown through the increase in rates, moving the deposits toward demand deposits.

On the other hand, encouraging savings, coupled with an increase in per capita GDP and efficiently implementing redistribution policies, would push that potential demand for financial services, or part of it, to be consolidated in the form of new clients for credit intermediation institutions. The increase in the amounts exchanged as such would generate well-being at an aggregated level.

The financial services sector has the potential to continue to grow in the country. At present, it is expected that 2019 will show a growth of 3.4%, mainly based on the dynamics of Insurance and commodity contracts, as well as non-market intermediation.

Both in 2019 and 2020, the share of insurance and financial services in GDP is expected to rise. An improvement in the indicators that determine market access and the demand by companies, households and government for financial services is expected. Thus, for 2020, the current forecast for sectoral growth is 5.7%, in response to the latter and to a recovery in economic activity as a whole.

4. Statistical annex

4a. State economic performance indicators

Table 4a.1 **SELECTED INDICATORS**

	Real GDP[1] 2018	Popula-tion[2] 2018	Real GDP 2018 USD[3]	Real GDP per capita 2018[4]	AAGR[5], % 2010-2018			Place in the National					
					Real GDP	Popu lation	Real GDP per capita	Real GDP 2018[6]	Real GDP per capita 2018[7]	FDI 2018[8]	Employ ment 2018[9]	Fed. cont. 2018[10]	Public debt 2018[11]
National	**18,525.9**	**125.3**	**962.7**	**7.7**	**3.0**	**1.2**	**1.7**						
Aguascalientes	234.5	1.4	12.2	8.7	5.7	1.9	3.7	25	10	9	16	27	24
Baja California	557.9	3.5	29.0	8.2	3.6	1.3	2.2	11	11	6	7	11	8
Baja California Sur	170.1	0.8	8.8	11.5	5.3	2.5	2.8	28	4	16	20	31	26
Campeche	533.6	1.0	27.7	28.7	-4.1	1.8	-5.9	12	**1**	26	29	28	20
Chiapas	280.4	5.6	14.6	2.6	1.0	1.5	-0.5	20	32	32	27	8	12
Chihuahua	563.7	3.7	29.3	7.9	3.9	1.9	2.0	10	12	10	13	12	3
Coahuila	618.9	3.1	32.2	10.3	4.5	0.9	3.5	7	5	3	8	18	2
Colima	107.2	0.8	5.6	7.3	3.9	0.1	3.7	31	14	28	26	32	13
Durango	199.8	1.8	10.4	5.7	2.3	1.3	1.0	27	20	24	24	24	14
Guanajuato	731.7	6.1	38.0	6.2	4.8	1.3	3.5	6	18	5	5	7	29
Guerrero	243.0	3.6	12.6	3.5	2.1	0.8	1.4	24	30	19	31	17	27
Hidalgo	270.6	3.0	14.1	4.7	3.7	1.5	2.2	21	27	25	22	20	22
Jalisco	1,235.1	8.2	64.2	7.8	4.0	1.3	2.7	4	13	12	3	3	19
Mexico	1,582.2	17.1	82.2	4.8	3.7	1.3	2.4	2	26	4	2	**1**	18
Mexico City	3,126.1	9.0	162.4	18.0	3.2	1.7	1.4	**1**	2	**1**	**1**	2	11
Michoacán	426.6	4.8	22.2	4.7	3.4	1.0	2.3	15	28	17	12	9	7
Morelos	201.2	2.0	10.5	5.2	2.0	1.4	0.6	26	21	22	25	25	17
Nayarit	121.6	1.3	6.3	5.0	3.0	1.7	1.3	30	22	29	30	30	9
Nuevo León	1,322.7	5.5	68.7	12.6	3.7	1.8	1.9	3	3	2	4	5	**1**
Oaxaca	257.5	4.1	13.4	3.3	1.6	0.8	0.7	23	31	18	23	15	15
Puebla	603.8	6.5	31.4	4.8	3.8	1.2	2.6	8	25	14	11	6	30
Querétaro	407.2	2.2	21.2	9.6	4.7	2.2	2.5	16	8	11	9	21	31
Quintana Roo	286.0	1.6	14.9	9.0	4.9	2.7	2.2	19	9	21	6	23	4
San Luis Potosí	369.2	2.8	19.2	6.8	4.2	1.0	3.2	18	16	8	14	19	28
Sinaloa	395.6	3.1	20.6	6.6	3.0	1.3	1.8	17	17	20	15	16	21
Sonora	573.3	3.0	29.8	9.9	3.8	1.4	2.4	9	6	30	17	14	5
Tabasco	469.0	2.5	24.4	9.7	-0.5	1.4	-2.0	14	7	15	32	13	25
Tamaulipas	499.3	3.6	25.9	7.2	1.4	1.1	0.4	13	15	7	10	10	16
Tlaxcala	93.9	1.3	4.9	3.6	1.6	1.6	0.0	32	29	27	28	29	32
Veracruz	812.1	8.4	42.2	5.0	1.9	1.1	0.8	5	24	13	18	4	6
Yucatán	259.4	2.2	13.5	6.1	3.6	1.4	2.2	22	19	31	19	22	23
Zacatecas	156.9	1.6	8.2	5.0	2.1	1.1	1.0	29	23	23	21	26	10

1: Estimates. Figures in billions of 2013 pesos The sum of state GDPs is not equal to national GDP, because the latter includes taxes net of subsidies in addition to the gross aggregate value. **2**: Estimates and projections of the population by state. 2010-2050. Conapo. Figures in millions of people. **3**: US$ billions (average exchange rate for 2018). **4**: US$ thousands (average exchange rate for 2018). **5**: Average annual growth rate (%). **6**: Position based on real GDP 2018. **7**: Position based on real GDP per capita 2018. **8**: Position based on Foreign Direct Investment captured by the state in 2018. **9**: Position based on the change in the number of workers insured with the IMSS in 2018. **10**: Position based on the federal government contributions shown in branch 28 of the State Budget (PEF) in 2018. **11**: Position based solely on financial obligations registered with the SHCP as a percentage of total state income (contributions and federal transfers, taxes, rights, products and exploitations)
Source: BBVA Research based on INEGI, Conapo, Banxico, STPS, SE and SHCP data

4b. Indicators by state

Table 4b.2 **ECONOMIC INDICATORS**

	Aguascalientes						Baja California					
	2017	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**2017**	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**
Economic Activity (ITAEE)**	4.2	4.3	4.8	8.2	0.1	1.4	3.2	2.4	1.9	1.4	2.7	1.1
Primary Sector	4.8	3.2	1.9	-0.4	4.9	3.7	7.7	-3.0	-17.9	-4.9	13.8	-5.7
Secondary Sector	2.4	3.0	2.5	8.3	-7.0	1.3	3.3	3.7	3.3	1.9	5.9	1.8
Tertiary Sector	5.5	5.3	6.8	8.8	5.3	1.2	3.0	1.7	1.7	1.4	0.2	1.1
Industrial Activity	2.4	3.0	2.5	8.3	-7.0	1.3	3.3	3.7	3.3	1.9	5.9	1.8
Manufacturing Production	3.4	4.1	4.2	12.0	-6.2	6.1	3.4	6.4	7.4	8.5	11.7	4.5
Construction	3.7	-3.2	-2.1	24.7	36.1	-24.8	17.2	0.7	-11.7	-15.8	-11.9	12.4
Private Sector Works	2.6	1.5	5.9	48.3	56.7	-13.4	19.6	2.4	-6.3	1.1	-2.6	32.8
Public Works	15.3	-8.1	-21.6	-16.5	-12.0	-51.5	14.1	-0.4	-19.1	-38.7	-25.4	-13.6
Retail sales	-1.2	4.1	5.4	3.1	-0.5	0.6	1.5	2.5	2.2	2.0	10.1	13.0
Wholesale sales	2.1	2.1	1.0	7.1	0.8	-1.3	4.1	4.2	7.8	5.6	-1.5	-0.5
Employed population (ENOE*)[1]**	0.6	2.5	3.4	3.4	2.6	1.0	3.0	3.7	2.6	4.4	2.2	2.1
Insured workers (IMSS)	5.3	6.1	6.5	5.3	4.3	3.3	5.0	5.2	5.7	4.9	4.7	3.6
Permanent	6.3	6.5	6.5	5.4	4.8	3.3	5.3	4.5	4.2	5.0	4.8	3.8
Casual labor, urban	-4.3	-3.2	-0.8	3.6	6.8	8.0	2.6	2.6	2.9	2.2	2.2	-0.4
Federal contributions (Branch 28)	-0.5	7.2	9.9	7.2	1.0	-4.2	10.6	3.6	3.1	17.4	-1.1	4.2
FDI (US$ millions)	1,577	1,136	73	209	169	112	1,479	1,423	193	354	482	154

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Baja California Sur						Campeche					
	2017	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**2017**	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**
Economic Activity (ITAEE)**	11.3	14.2	5.5	8.8	2.1	-7.5	-10.4	-0.8	4.6	-0.7	-2.4	-2.6
Primary Sector	-1.1	-0.7	5.0	3.7	8.2	-0.6	0.2	3.7	5.4	2.4	4.0	3.0
Secondary Sector	25.2	46.4	8.7	20.6	0.9	-25.1	-12.0	-1.2	5.1	-0.8	-3.2	-2.6
Tertiary Sector	6.3	2.8	3.6	2.3	2.6	3.8	-0.7	1.7	1.8	-0.5	2.0	-2.9
Industrial Activity	25.2	46.4	8.7	20.6	0.9	-25.2	-12.0	-1.2	5.1	-0.8	-3.2	-2.6
Manufacturing Production	0.0	-0.4	0.1	1.5	-0.9	1.0	-4.3	1.7	-0.4	3.0	-4.5	3.0
Construction	19.7	36.1	-24.5	95.2	-58.3	-70.3	-29.3	-18.2	-13.2	-23.8	5.5	11.5
Private Sector Works	8.3	2.1	-41.3	14.4	-36.5	-62.6	6.5	-4.9	-17.6	-71.4	-32.9	26.5
Public Works	69.8	122.2	30.0	287.5	-88.9	-86.3	-30.6	-18.6	-12.9	-20.5	10.2	10.5
Retail sales	8.1	4.1	1.3	0.4	-1.4	2.9	-8.0	1.8	3.9	1.1	3.3	0.5
Wholesale sales	3.8	14.3	26.0	12.1	10.1	7.1	6.1	16.0	-9.6	-3.9	-6.5	-10.9
Employed population (ENOE*)[1]**	4.2	5.2	5.2	6.3	6.5	4.6	1.1	2.8	3.4	3.6	2.9	3.4
Insured workers (IMSS)	9.2	8.4	9.1	6.5	6.5	3.9	-5.2	3.0	4.4	4.4	5.4	5.9
Permanent	6.9	5.0	4.6	5.2	6.5	6.3	-5.0	1.3	1.8	3.3	4.1	5.7
Casual labor, urban	20.8	16.0	17.2	11.2	4.7	-0.6	-4.7	7.6	9.5	4.9	7.5	2.7
Federal contributions (Branch 28)	14.3	8.6	18.2	9.2	11.7	11.3	-14.5	19.7	8.7	13.4	10.2	8.7
FDI (US$ millions)	569	414	96	86	131	103	325	117	5	74	35	32

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Chiapas						Chihuahua					
	2017	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**2017**	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**
Economic Activity (ITAEE)**	-2.9	-0.6	3.1	-1.4	-1.6	-3.8	3.4	0.9	1.4	2.4	4.2	2.8
Primary Sector	-5.8	5.1	7.8	8.0	-1.6	3.4	15.5	-1.8	2.4	0.4	10.1	6.5
Secondary Sector	-14.4	-6.7	-0.1	-6.8	-8.2	-18.2	2.3	-2.5	-2.2	0.4	5.4	7.2
Tertiary Sector	1.3	0.6	3.7	-0.8	0.0	-0.1	3.1	3.7	4.1	4.3	3.2	-0.6
Industrial Activity	-14.4	-6.7	-0.1	-6.8	-8.2	-18.2	2.3	-2.5	-2.2	0.4	5.4	7.2
Manufacturing Production	-12.0	-5.3	-3.3	-3.8	0.9	-7.6	4.5	-0.2	0.5	2.6	3.5	2.5
Construction	-19.5	-19.4	-3.9	-7.1	-30.5	-35.8	12.5	-36.2	-36.7	-38.6	23.0	-6.3
Private Sector Works	-47.2	-5.0	-12.0	90.8	25.0	-12.2	20.6	-40.8	-45.1	-39.5	43.7	3.1
Public Works	-9.3	-20.8	-0.9	-26.9	-40.4	-40.3	-14.2	-14.6	5.6	-34.2	-32.6	-40.9
Retail sales	0.2	0.5	3.1	0.7	0.1	0.6	0.4	5.9	7.8	0.8	2.8	-3.8
Wholesale sales	-0.4	-0.3	1.2	-2.3	-10.4	-12.3	-1.3	0.7	1.6	2.9	4.3	-1.2
Employed population (ENOE*)[1]**	-1.9	0.9	2.1	2.2	-0.8	9.5	1.2	4.7	6.8	6.2	2.3	-0.3
Insured workers (IMSS)	-0.2	2.3	3.4	2.2	0.3	-0.7	3.3	2.8	3.2	2.7	2.6	1.9
Permanent	-0.2	2.1	2.8	2.0	0.6	-1.4	3.2	3.0	2.8	3.1	3.2	2.4
Casual labor, urban	1.0	-0.1	1.4	1.5	1.3	4.2	4.8	-1.4	0.5	1.4	0.8	-2.6
Federal contributions (Branch 28)	4.8	2.9	16.1	-13.9	0.3	-3.4	8.8	0.6	4.2	4.2	5.3	2.7
FDI (US$ millions)	214	68	-16	-18	148	29	1,767	1,148	212	163	544	219

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Coahuila						Colima					
	2017	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**2017**	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**
Economic Activity (ITAEE)**	5.1	1.1	0.6	-0.3	0.8	-1.3	4.5	1.5	2.2	-2.1	2.7	2.7
Primary Sector	2.3	2.6	-0.9	6.8	-1.4	5.5	5.8	6.9	14.0	-14.5	7.8	-2.2
Secondary Sector	6.4	-0.3	-1.0	-2.0	0.2	-7.3	-1.5	-5.8	-3.6	-9.3	12.5	11.4
Tertiary Sector	3.8	2.5	2.6	1.2	1.6	-0.7	6.5	3.7	3.5	1.3	-0.4	0.3
Industrial Activity	6.4	-0.3	-1.0	-2.0	0.2	-7.3	-1.5	-5.8	-3.6	-9.3	12.5	11.4
Manufacturing Production	3.8	2.5	3.3	-0.6	-0.4	-5.5	0.9	-2.7	0.7	-0.5	-1.7	1.0
Construction	16.5	1.1	-1.3	-5.3	-4.0	-8.4	29.0	-45.8	-49.1	-53.0	74.3	48.7
Private Sector Works	6.8	17.6	5.8	-10.1	-8.2	37.1	26.1	-37.0	-42.1	-65.4	48.4	-20.6
Public Works	41.3	-18.1	-14.5	8.2	6.3	-32.2	35.0	-49.1	-58.6	-28.9	105.8	160.0
Retail sales	2.2	2.9	0.2	1.5	4.6	-1.5	9.6	4.0	5.0	4.2	5.9	3.1
Wholesale sales	-0.3	0.2	0.3	-2.3	-3.9	-7.1	10.5	5.1	6.5	-2.1	-4.2	-1.2
Employed population (ENOE*)[1]**	1.4	2.0	1.8	3.1	-0.1	0.3	2.6	4.2	5.0	4.2	2.7	-0.1
Insured workers (IMSS)	3.5	4.9	5.0	3.8	2.2	0.9	5.2	3.7	3.9	2.9	2.5	1.6
Permanent	4.0	4.6	4.2	4.1	2.8	2.1	5.3	3.8	3.6	2.8	1.6	1.9
Casual labor, urban	0.3	3.6	4.4	3.2	2.0	-5.2	4.6	4.3	5.9	3.9	7.3	1.9
Federal contributions (Branch 28)	5.1	0.4	-0.3	4.5	8.0	-6.4	2.3	5.9	8.1	7.8	-6.9	-5.8
FDI (US$ millions)	2,684	3,180	927	679	376	2,263	144	97	11	20	36	10

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Durango						Guanajuato					
	2017	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**2017**	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**
Economic Activity (ITAEE)**	-1.0	-0.1	0.7	2.4	2.8	1.6	4.8	1.4	0.4	1.3	0.2	-1.4
Primary Sector	0.5	0.9	0.6	4.7	2.1	3.0	6.1	6.2	-7.7	7.4	1.1	-2.6
Secondary Sector	-0.2	-5.7	-7.1	1.4	2.7	4.4	3.8	-2.6	-0.7	-2.8	-3.9	-5.0
Tertiary Sector	-1.7	2.7	4.8	2.5	2.8	0.1	5.4	3.6	1.5	3.3	2.7	0.9
Industrial Activity	-0.2	-5.7	-7.1	1.4	2.7	4.5	3.8	-2.6	-0.7	-2.8	-3.9	-5.1
Manufacturing Production	3.6	0.3	-0.6	-0.2	1.5	6.7	2.0	-3.0	-2.3	-4.3	-5.0	-5.5
Construction	11.6	-23.2	-20.8	-0.1	-4.9	17.3	-2.5	-11.9	-6.2	-16.3	29.7	0.2
Private Sector Works	15.1	-14.6	-9.2	-14.6	6.0	46.0	-7.7	17.3	10.4	6.1	8.3	-16.7
Public Works	9.7	-29.2	-31.7	16.2	-20.1	-26.3	4.1	-30.1	-18.7	-33.6	54.6	17.4
Retail sales	0.7	1.0	0.6	-0.4	-1.2	1.0	5.8	2.3	3.9	2.3	-0.5	1.8
Wholesale sales	-4.3	2.5	8.1	1.1	0.6	-3.9	11.3	14.4	5.8	5.2	3.4	-0.6
Employed population (ENOE*)[1]**	-0.3	2.4	-0.2	2.5	3.4	0.1	0.4	3.0	2.1	1.0	0.0	-1.5
Insured workers (IMSS)	2.6	3.6	4.1	2.2	0.8	-0.2	6.2	5.8	5.3	4.8	4.4	3.2
Permanent	3.0	3.1	3.2	2.4	1.4	0.1	7.0	5.0	4.3	4.1	4.3	3.6
Casual labor, urban	-1.9	5.9	8.2	4.5	1.1	-3.4	0.3	6.0	7.2	6.9	6.3	3.3
Federal contributions (Branch 28)	8.4	5.0	-1.6	9.6	4.2	-7.4	5.1	3.8	3.4	17.8	13.6	15.0
FDI (US$ millions)	108	191	-24	60	114	54	1,750	2,399	539	512	-49	231

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Guerrero						Hidalgo					
	2017	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**	**2017**	**2018**	**3Q18**	**4Q18**	**1Q19**	**2Q19**
Economic Activity (ITAEE)**	0.1	2.5	2.0	1.5	1.3	-1.4	0.1	2.4	3.1	0.4	1.9	-2.9
Primary Sector	3.4	1.9	2.0	1.8	-0.6	-9.3	2.6	4.1	5.5	1.8	7.5	-2.6
Secondary Sector	-4.4	4.1	-2.1	6.3	4.5	-5.7	-4.2	-2.6	-2.9	-8.9	0.1	-8.4
Tertiary Sector	1.1	2.1	3.0	0.5	0.8	0.2	2.5	4.9	6.2	5.1	2.5	-0.1
Industrial Activity	-4.4	4.1	-2.1	6.3	4.5	-5.6	-4.2	-2.6	-2.9	-8.9	0.1	-8.4
Manufacturing Production	-2.9	2.4	3.1	2.4	5.3	9.4	3.5	0.2	1.4	-0.8	2.3	-3.1
Construction	-27.1	8.4	16.3	30.1	7.7	-59.2	-27.5	14.8	14.5	23.5	9.2	-45.3
Private Sector Works	-43.5	12.5	-7.5	-49.2	-9.2	-49.4	-25.9	8.5	9.6	26.1	55.1	-58.1
Public Works	-22.4	11.8	21.0	55.5	12.1	-61.7	-29.3	28.7	21.5	21.1	-17.0	-15.0
Retail sales	-2.9	-8.1	-7.1	-15.8	-5.7	-11.8	1.4	3.6	-1.8	9.7	3.7	-5.4
Wholesale sales	3.1	15.5	11.0	8.1	0.6	0.1	6.1	2.5	5.2	2.9	-3.0	-5.4
Employed population (ENOE*)[1]**	1.0	1.0	3.3	4.6	7.9	5.2	-0.9	6.4	7.5	5.8	6.4	4.7
Insured workers (IMSS)	2.5	0.7	0.0	-2.4	-4.7	-4.3	2.8	5.1	6.6	3.8	3.2	2.3
Permanent	3.6	0.0	0.0	-2.5	-4.3	-4.1	3.7	5.1	4.8	4.2	3.1	3.0
Casual labor, urban	-0.9	3.9	6.2	0.7	-5.5	-2.7	-0.2	3.7	6.5	6.7	4.9	-0.1
Federal contributions (Branch 28)	0.9	13.4	16.2	20.8	7.1	2.2	6.0	2.0	5.8	9.8	10.5	19.6
FDI (US$ millions)	409	418	374	-31	179	15	354	181	-28	7	116	55

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Jalisco						Mexico					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	2.7	3.6	2.3	3.5	1.6	1.0	4.2	2.6	3.3	-1.0	-1.3	-2.7
Primary Sector	6.8	5.4	2.0	8.0	-2.4	5.5	-0.2	-4.0	-3.2	1.1	2.6	-3.4
Secondary Sector	2.5	2.4	2.3	3.4	1.5	0.4	7.1	2.6	1.1	-6.7	-4.0	-9.2
Tertiary Sector	2.4	4.0	2.2	3.2	2.0	1.0	3.3	2.8	4.2	1.0	-0.3	-0.3
Industrial Activity	2.5	2.4	2.3	3.4	1.5	0.4	7.1	2.6	1.1	-6.7	-4.0	-9.2
Manufacturing Production	2.6	3.4	2.5	1.1	-1.2	1.5	5.6	1.9	1.3	-1.9	-1.4	-5.3
Construction	10.4	5.7	24.3	8.1	25.8	-5.4	-16.2	-12.5	-21.2	-7.3	-12.5	25.2
Private Sector Works	12.7	8.4	32.0	11.9	41.5	1.2	-1.4	-32.9	-36.0	-17.7	-31.5	17.8
Public Works	3.1	-3.7	-4.8	-6.4	-45.2	-35.0	-20.7	18.6	-4.7	2.6	3.7	30.3
Retail sales	1.5	3.7	5.2	3.0	3.4	2.5	8.7	2.6	1.2	1.0	-2.0	-3.8
Wholesale sales	0.3	7.1	8.4	8.1	3.6	-0.6	4.8	3.5	0.4	-0.6	-1.4	-0.1
Employed population (ENOE*)[1]**	3.1	0.7	0.4	1.5	3.0	2.4	3.1	3.5	4.2	2.3	2.1	2.0
Insured workers (IMSS)	6.0	4.7	4.8	2.9	3.0	2.6	4.5	5.8	6.0	4.6	3.2	2.3
Permanent	5.2	3.8	3.6	2.5	2.4	1.9	4.4	5.9	5.8	6.0	4.6	3.6
Casual labor, urban	10.8	7.2	6.9	3.6	5.4	5.1	5.1	3.1	2.6	0.2	-1.3	-1.3
Federal contributions (Branch 28)	6.9	1.3	0.3	12.7	4.8	-0.4	9.1	8.6	5.3	22.6	9.5	7.7
FDI (US$ millions)	1,520	954	242	136	714	384	3,769	2,253	240	258	1,306	99

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Mexico City						Michoacán					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	3.0	2.6	3.5	3.6	1.7	-1.3	3.2	1.3	-1.7	-0.9	-0.1	-1.6
Primary Sector	-6.5	4.9	6.9	26.3	6.3	5.5	6.0	-1.1	-8.8	0.3	5.8	-4.1
Secondary Sector	0.8	1.4	1.6	0.6	-1.2	-7.3	-2.1	-2.0	-5.8	-9.6	-2.5	-4.7
Tertiary Sector	3.2	2.7	3.7	3.9	2.1	-0.7	4.0	2.4	0.3	0.9	-0.6	-0.5
Industrial Activity	0.8	1.4	1.6	0.6	-1.2	-7.3	-2.1	-2.0	-5.8	-9.6	-2.5	-4.7
Manufacturing Production	0.0	1.0	2.2	-0.1	0.0	-5.5	2.2	-4.1	-5.6	-6.2	-8.2	1.2
Construction	3.6	-2.7	-6.3	-17.7	-14.2	-8.4	-39.7	27.4	0.1	-4.0	19.4	-41.9
Private Sector Works	5.0	-12.3	-12.7	5.6	21.2	37.1	-33.8	2.2	-19.4	-22.9	36.5	-7.5
Public Works	3.9	6.4	-1.7	-29.4	-29.8	-32.2	-43.2	61.8	28.0	22.8	4.6	-67.9
Retail sales	-0.7	1.3	2.7	2.6	1.4	-1.5	2.5	-1.0	0.3	-4.3	-2.9	-0.4
Wholesale sales	1.4	0.3	0.8	0.6	0.5	-7.1	11.7	2.8	-9.1	-10.2	-7.8	-1.1
Employed population (ENOE*)[1]**	-0.4	2.5	2.2	1.8	0.9	0.3	-0.9	2.6	2.8	0.6	3.0	1.8
Insured workers (IMSS)	3.3	2.8	3.1	1.9	1.2	0.9	7.0	5.8	5.8	3.5	2.8	2.5
Permanent	3.5	2.3	2.4	2.8	2.1	2.1	6.8	4.2	3.2	2.6	2.0	1.9
Casual labor, urban	2.2	4.5	4.1	2.4	-2.2	-5.2	4.7	9.7	11.0	9.2	5.7	5.7
Federal contributions (Branch 28)	1.7	1.4	0.5	3.5	-1.6	-6.4	2.0	9.6	6.4	11.8	5.6	-1.0
FDI (US$ millions)	4,933	6,084	309	1,002	3,042	2,263	294	432	71	73	133	21

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Morelos						Nayarit					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	5.3	-0.5	3.9	-4.0	0.5	-0.9	1.8	-0.2	0.7	0.1	1.1	1.0
Primary Sector	3.5	6.8	16.2	2.8	12.1	-8.0	3.0	-2.1	6.7	-2.6	0.0	17.7
Secondary Sector	11.6	-2.6	9.2	-5.1	4.5	0.4	-7.3	-3.3	1.6	2.3	12.4	2.6
Tertiary Sector	2.7	0.5	1.3	-3.8	-1.9	-1.1	4.3	1.0	0.1	-0.1	-1.3	-0.8
Industrial Activity	11.6	-2.6	9.2	-5.1	4.5	0.4	-7.3	-3.3	1.6	2.3	12.4	2.6
Manufacturing Production	-1.3	-2.1	1.4	0.2	-1.3	-5.2	2.9	-2.1	0.7	-7.1	-0.5	5.1
Construction	39.0	-13.9	67.2	3.9	-15.7	-50.1	-25.7	29.8	58.5	23.5	-36.5	-64.5
Private Sector Works	6.5	-8.2	27.2	39.2	-29.8	-43.8	-22.7	16.4	20.9	-0.9	-65.4	-80.2
Public Works	105.1	-0.1	179.8	-29.6	19.1	-58.5	-28.4	85.4	188.2	119.9	42.1	-18.4
Retail sales	-3.7	-1.8	0.9	-2.5	-4.6	-4.1	5.3	-2.6	-2.9	-1.6	1.9	0.1
Wholesale sales	0.7	3.6	-0.3	-0.3	-4.0	-3.0	7.0	-0.2	-7.3	-4.0	-8.1	1.9
Employed population (ENOE*)[1]**	2.1	2.2	3.3	-0.6	0.8	0.2	3.3	3.5	4.2	1.1	1.5	1.7
Insured workers (IMSS)	0.7	2.6	3.6	2.3	0.6	0.5	3.4	1.9	2.2	1.5	5.8	7.1
Permanent	0.7	2.3	2.4	2.7	1.4	0.8	1.9	1.8	3.1	0.8	1.8	5.8
Casual labor, urban	1.0	3.3	5.6	1.9	-0.4	-4.9	9.5	3.8	1.5	4.0	7.6	12.3
Federal contributions (Branch 28)	8.0	3.7	5.2	10.8	6.1	5.7	6.6	-1.6	-5.6	10.9	6.6	6.0
FDI (US$ millions)	603	245	-55	40	302	138	102	141	30	63	49	11

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Nuevo León						Oaxaca					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	3.2	3.4	4.7	4.3	4.0	1.5	-3.2	3.8	4.7	3.0	-1.4	-2.6
Primary Sector	1.7	1.7	12.4	5.0	11.8	15.9	2.7	5.4	3.0	6.5	7.5	-2.1
Secondary Sector	1.4	3.0	5.1	4.6	4.8	1.9	-16.1	11.0	11.9	10.6	-11.0	-13.7
Tertiary Sector	4.2	3.7	4.5	4.1	3.6	1.3	1.3	1.4	2.7	0.2	1.2	1.3
Industrial Activity	1.4	3.0	5.1	4.6	4.8	1.9	-16.1	11.0	11.9	10.6	-11.0	-13.7
Manufacturing Production	3.9	3.5	4.6	6.5	6.0	2.4	-15.9	12.0	27.4	24.8	1.1	-11.7
Construction	9.6	-5.1	-6.3	-5.0	-11.7	-2.8	-59.7	36.0	23.7	1.6	-42.7	-55.6
Private Sector Works	7.0	-9.5	-9.5	1.8	15.9	26.0	-47.4	113.3	83.1	142.1	-28.3	-44.0
Public Works	21.1	13.0	4.4	-25.4	-73.7	-76.5	-61.8	0.4	-3.1	-41.7	-64.8	-71.4
Retail sales	1.0	2.9	2.4	3.0	1.2	2.9	0.2	0.7	4.6	-1.2	0.8	5.7
Wholesale sales	1.3	2.2	2.3	3.1	1.6	-4.0	1.4	-0.3	-0.6	-3.2	-4.9	-3.9
Employed population (ENOE*)[1]**	2.3	2.3	2.6	1.3	2.8	-0.2	-1.3	3.5	3.5	3.9	5.2	5.4
Insured workers (IMSS)	4.7	4.4	4.5	3.4	3.1	2.5	3.0	3.9	3.9	0.9	0.0	1.5
Permanent	4.9	3.8	3.5	3.4	3.2	2.7	3.1	4.1	3.9	1.8	0.6	0.5
Casual labor, urban	3.0	6.2	5.7	5.6	4.7	3.0	1.9	3.7	0.1	-4.6	-5.5	-1.2
Federal contributions (Branch 28)	1.6	4.0	1.7	13.8	8.5	11.1	3.8	5.5	17.2	10.8	15.3	18.9
FDI (US$ millions)	2,042	4,431	1,432	841	1,234	-63	499	568	55	298	121	-11

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Puebla						Querétaro					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	6.4	2.6	3.2	0.1	4.3	-1.6	4.1	1.4	2.6	1.5	2.8	-0.4
Primary Sector	0.9	4.9	4.9	4.4	7.8	-1.1	11.2	-1.6	-1.4	-5.0	6.3	5.5
Secondary Sector	13.4	-0.3	0.2	-3.9	4.7	-1.1	7.0	-1.2	1.6	0.5	2.9	-1.5
Tertiary Sector	3.1	4.2	4.8	2.1	3.8	-2.0	2.0	3.5	3.6	2.5	2.6	0.0
Industrial Activity	13.4	-0.3	0.2	-3.9	4.7	-1.1	7.0	-1.2	1.6	0.5	2.9	-1.5
Manufacturing Production	24.7	-1.0	-0.5	-3.8	7.1	-3.1	5.8	1.9	2.7	2.6	3.2	-0.9
Construction	-12.5	-14.7	-9.0	-31.3	4.3	12.6	27.0	16.4	7.1	-12.8	-29.9	-23.9
Private Sector Works	-3.7	-20.6	-4.5	-39.2	36.8	-15.6	27.2	14.1	7.5	0.0	-16.4	-14.5
Public Works	-21.2	-7.4	-14.9	-21.7	-22.2	46.7	25.0	46.5	5.6	-51.5	-78.8	-60.9
Retail sales	0.4	1.2	2.6	-0.4	-0.7	-4.4	-0.8	4.3	3.2	2.3	1.6	1.2
Wholesale sales	3.4	2.1	3.1	-1.0	-6.0	-8.1	-1.1	2.9	5.9	5.8	6.8	2.0
Employed population (ENOE*)[1]**	3.2	0.6	2.6	-0.1	3.3	2.5	1.9	5.9	5.1	3.8	-0.7	-1.4
Insured workers (IMSS)	5.6	5.2	4.6	3.8	2.7	1.9	8.3	6.5	6.5	5.0	5.9	5.8
Permanent	4.6	6.0	6.0	5.0	4.6	3.5	8.6	6.8	6.6	5.9	6.4	6.8
Casual labor, urban	11.4	-1.3	-3.4	-3.2	-5.3	-6.2	7.5	3.2	2.0	3.0	3.1	4.1
Federal contributions (Branch 28)	7.6	2.8	0.3	11.5	6.4	8.0	4.6	5.5	4.5	21.6	8.0	4.4
FDI (US$ millions)	931	575	119	-3	450	403	991	1,060	51	182	476	101

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Quintana Roo						San Luis Potosí					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	4.3	4.1	3.6	3.6	1.7	0.4	4.7	3.1	3.8	0.0	0.0	-0.9
Primary Sector	8.8	19.9	12.1	31.6	17.0	-9.2	6.9	12.0	19.3	15.2	3.0	8.9
Secondary Sector	-9.0	2.6	4.7	3.9	4.0	4.8	6.6	2.2	2.1	-6.4	-2.4	-4.7
Tertiary Sector	6.4	4.2	3.4	3.3	1.3	0.0	3.2	3.1	3.9	3.1	1.6	1.0
Industrial Activity	-9.0	2.6	4.7	3.9	4.0	4.8	6.6	2.2	2.1	-6.4	-2.4	-4.6
Manufacturing Production	12.6	14.4	12.9	14.3	4.6	1.1	9.4	6.6	7.5	-3.6	1.1	-1.4
Construction	-51.0	14.4	-8.9	-1.6	-6.3	-14.1	26.9	15.7	7.9	24.6	-24.7	-18.9
Private Sector Works	-47.9	17.1	-7.7	6.7	-8.0	-14.7	17.5	16.1	12.8	9.0	-16.1	-27.8
Public Works	-57.7	5.5	-12.3	-28.0	0.8	-12.5	48.4	16.5	-0.9	54.2	-34.4	-1.2
Retail sales	6.4	6.5	6.0	4.4	3.3	5.5	0.4	3.2	3.5	1.8	0.4	-2.5
Wholesale sales	8.0	12.3	8.7	9.1	-5.7	-10.2	4.3	12.0	8.6	8.3	4.3	-4.2
Employed population (ENOE*)[1]**	1.4	5.0	5.7	6.4	8.4	4.4	0.9	1.3	2.9	0.4	3.5	1.3
Insured workers (IMSS)	10.4	11.2	11.1	8.6	5.6	3.0	7.2	5.1	5.2	2.9	2.6	2.1
Permanent	8.9	8.3	7.2	6.4	4.7	3.1	5.9	3.7	3.3	3.4	3.5	3.4
Casual labor, urban	14.5	15.9	19.2	14.6	11.4	7.0	12.9	11.3	10.5	7.6	-0.1	-2.3
Federal contributions (Branch 28)	8.5	6.5	6.2	2.4	3.9	-12.1	16.7	-1.5	7.3	2.6	3.7	11.9
FDI (US$ millions)	443	342	34	102	205	104	1,372	1,605	273	637	93	172

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Sinaloa						Sonora					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	1.0	2.6	0.0	4.7	6.8	-1.0	0.9	0.1	-0.7	1.6	0.8	-0.4
Primary Sector	-5.3	-1.6	-10.5	-3.5	21.1	4.4	6.2	2.8	11.0	0.3	11.6	-1.0
Secondary Sector	-1.8	4.9	3.7	6.4	7.0	-5.3	-1.5	-1.9	-3.9	1.8	0.1	1.9
Tertiary Sector	2.9	2.4	-0.3	5.9	3.5	-0.6	2.5	2.0	1.4	1.5	0.1	-2.3
Industrial Activity	-1.8	4.9	3.7	6.4	7.0	-5.2	-1.5	-1.9	-3.9	1.8	0.1	1.9
Manufacturing Production	4.4	3.0	4.0	5.6	7.0	3.2	-4.2	-0.8	-5.1	4.1	6.2	9.8
Construction	-25.2	10.2	14.1	11.9	-9.3	-36.4	8.8	-0.4	17.2	9.0	-9.2	-25.0
Private Sector Works	-24.7	2.4	14.2	2.0	-6.3	-37.5	1.1	-8.6	-0.4	1.2	-3.9	7.9
Public Works	-24.6	25.4	14.0	22.7	-13.7	-33.8	25.8	13.6	45.4	23.0	-19.0	-61.2
Retail sales	3.1	1.2	-2.2	-0.2	-0.6	-4.4	3.2	-1.1	-0.5	-1.1	1.7	4.8
Wholesale sales	4.3	2.0	-3.4	8.7	6.8	2.6	-6.8	-1.1	-2.7	-1.6	-5.7	-11.2
Employed population (ENOE*)[1]**	1.3	1.1	0.1	1.0	-2.9	2.3	1.9	2.4	2.9	2.9	1.0	1.9
Insured workers (IMSS)	4.3	4.3	5.4	4.3	4.0	5.1	4.6	3.1	3.7	2.5	3.2	2.5
Permanent	4.6	3.5	3.2	2.6	3.2	3.6	4.4	2.6	2.5	1.8	3.0	2.0
Casual labor, urban	-0.7	2.4	6.8	5.1	5.5	2.8	4.4	0.5	0.8	-0.5	0.2	0.1
Federal contributions (Branch 28)	7.5	6.7	13.3	12.3	7.1	5.3	8.4	3.7	1.9	8.5	5.9	0.8
FDI (US$ millions)	760	398	-84	45	143	5	380	198	-385	-183	276	158

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Tabasco						Tamaulipas					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	-4.6	-7.2	-6.8	-11.0	-10.7	-10.3	0.0	1.7	1.8	3.3	3.1	0.9
Primary Sector	13.2	0.7	0.2	4.2	-1.5	0.2	-5.4	3.5	9.6	12.3	8.7	13.4
Secondary Sector	-7.1	-10.9	-12.1	-17.1	-17.9	-18.6	-3.6	2.0	2.1	2.8	3.9	-1.1
Tertiary Sector	-0.1	-0.4	3.0	-0.8	3.2	4.1	2.6	1.6	1.4	3.1	2.1	1.6
Industrial Activity	-7.1	-10.9	-12.1	-17.1	-17.9	-18.6	-3.6	2.0	2.1	2.8	3.9	-1.1
Manufacturing Production	-1.5	-6.8	-11.4	-1.6	-10.5	-4.7	-1.1	1.2	1.2	4.8	4.4	1.7
Construction	-12.3	2.9	-41.3	-37.2	-50.9	-34.6	-22.3	25.6	20.4	21.2	66.0	15.7
Private Sector Works	-19.5	69.4	-30.9	-37.1	-79.8	-64.8	1.8	29.8	27.4	16.8	66.5	-1.9
Public Works	-10.0	-22.1	-44.2	-37.3	-14.2	-1.9	-33.3	22.2	14.9	25.3	65.5	32.1
Retail sales	-8.6	0.6	2.8	1.7	2.9	5.2	-1.1	1.9	5.7	-1.0	3.8	3.8
Wholesale sales	-7.3	-1.4	-3.2	-2.0	-1.0	6.9	4.5	-7.9	-5.5	-6.2	-6.0	8.5
Employed population (ENOE*)[1]**	-1.0	1.7	-0.7	1.8	3.1	4.8	0.8	3.4	4.0	3.2	3.8	2.3
Insured workers (IMSS)	-4.8	-2.0	-1.7	-1.9	-0.4	0.4	4.5	5.1	5.6	4.0	2.8	2.4
Permanent	-4.5	-3.0	-2.9	-2.6	-1.7	-0.3	4.4	4.6	4.8	4.5	3.6	2.8
Casual labor, urban	-6.7	1.5	1.8	1.2	4.9	3.7	6.0	6.6	6.1	2.4	0.7	2.5
Federal contributions (Branch 28)	-8.3	5.8	7.2	-0.3	7.1	1.7	2.9	4.8	-1.8	14.2	9.9	5.3
FDI (US$ millions)	395	521	15	282	314	30	1,545	1,474	134	442	261	170

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Tlaxcala						Veracruz					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	-1.2	-2.2	-2.6	-4.0	2.6	4.1	-0.9	2.1	5.1	3.2	2.4	0.1
Primary Sector	-2.2	4.6	9.9	11.0	-6.5	-1.9	5.1	2.7	3.7	4.7	1.9	3.9
Secondary Sector	-7.2	-8.2	-9.3	-13.7	7.1	10.7	-8.2	3.3	12.8	5.1	2.9	-0.8
Tertiary Sector	2.4	0.6	0.5	0.4	0.9	1.5	2.4	1.5	1.7	2.2	2.2	0.2
Industrial Activity	-7.2	-8.2	-9.3	-13.7	7.1	10.8	-8.2	3.3	12.8	5.1	2.9	-0.8
Manufacturing Production	-0.2	1.8	2.4	6.1	2.6	-2.3	-6.2	3.0	10.7	1.2	3.4	0.1
Construction	-26.0	-21.7	-36.6	-53.2	-30.0	-33.1	28.9	14.1	52.9	-15.7	32.9	24.9
Private Sector Works	-8.0	-40.7	-71.6	-35.0	-23.0	-45.5	102.3	25.1	35.5	-11.1	26.0	27.2
Public Works	-41.4	30.7	75.9	-64.2	-36.7	-24.7	-25.5	3.6	119.7	-26.0	55.9	14.1
Retail sales	-3.3	-0.5	0.2	1.3	6.9	10.3	-2.3	1.5	1.7	0.2	0.1	0.1
Wholesale sales	0.5	5.2	7.7	-1.2	-4.5	10.2	-1.9	-0.2	2.9	-0.3	2.9	-2.8
Employed population (ENOE*)[1]**	1.8	2.4	3.4	2.7	4.2	4.1	3.0	3.2	4.5	4.2	2.5	4.3
Insured workers (IMSS)	7.9	4.6	5.1	3.8	5.1	3.5	-0.1	2.2	3.4	2.5	2.3	2.6
Permanent	8.8	2.8	2.5	2.4	4.7	3.9	0.0	1.8	2.0	2.1	1.3	0.9
Casual labor, urban	5.5	7.4	10.6	7.0	5.0	4.0	-1.8	5.0	7.1	7.1	10.1	9.4
Federal contributions (Branch 28)	3.9	3.3	4.2	12.3	7.7	1.9	10.3	8.2	13.7	14.0	6.9	6.8
FDI (US$ millions)	159	120	-14	7	91	12	904	819	-12	203	628	95

Table 4b.2 **ECONOMIC INDICATORS** (continuation)

	Yucatán						Zacatecas					
	2017	2018	3Q18	4Q18	1Q19	2Q19	2017	2018	3Q18	4Q18	1Q19	2Q19
Economic Activity (ITAEE)**	3.3	3.7	4.6	3.3	3.5	0.2	-0.2	0.5	0.8	-1.8	-3.9	-3.4
Primary Sector	-1.1	3.7	6.3	4.4	14.3	3.9	1.1	1.0	16.0	0.5	-4.2	-4.9
Secondary Sector	5.5	2.7	6.1	0.0	-0.9	-1.6	-5.8	-0.6	-3.6	-3.8	-10.1	-7.8
Tertiary Sector	2.7	4.2	3.9	4.5	4.7	0.7	3.8	0.5	0.2	-1.2	0.0	-0.6
Industrial Activity	5.5	2.7	6.1	0.0	-0.9	-1.6	-5.8	-0.6	-3.6	-3.8	-10.1	-7.7
Manufacturing Production	6.3	2.4	2.8	6.6	8.0	1.2	-6.1	14.1	14.3	8.2	-6.3	-2.7
Construction	-9.0	24.1	19.1	-7.1	3.5	-14.0	-10.0	18.2	85.4	18.9	-1.7	-32.5
Private Sector Works	-7.9	54.9	58.9	16.8	0.1	-22.6	7.3	1.1	28.3	-33.4	-30.8	-53.8
Public Works	-9.9	-55.7	-63.7	-66.5	29.5	94.6	-20.1	61.0	202.2	103.3	39.7	-8.0
Retail sales	-1.2	5.9	8.0	3.9	6.1	6.1	-1.8	4.6	4.3	5.4	3.8	5.2
Wholesale sales	1.5	1.7	1.9	-0.3	0.6	-3.4	6.0	2.0	4.3	0.4	-3.2	-2.1
Employed population (ENOE*)[1]**	1.7	2.9	2.8	5.7	3.7	0.6	2.3	0.2	0.6	1.3	4.3	2.4
Insured workers (IMSS)	4.3	4.1	4.6	4.2	5.0	4.9	3.2	7.2	7.8	5.6	2.7	1.6
Permanent	4.1	4.0	4.0	4.3	4.4	4.5	3.1	6.6	7.8	6.8	4.7	2.5
Casual labor, urban	6.1	1.0	-0.2	1.5	3.5	7.3	3.8	7.6	3.1	2.2	-0.8	-1.9
Federal contributions (Branch 28)	7.7	5.2	7.7	6.5	10.4	-3.2	3.1	1.3	0.6	7.0	4.6	-4.6
FDI (US$ millions)	107	71	-1	14	86	6	552	486	34	-138	193	244

* All indicators except those of FDI are shown in annual percentage changes of real quantities
** Quarterly Indicator of State Economic Activity
*** National Occupation and Employment Survey
1: The employed pop. (over 15 years of age) includes as a sub-group workers insured with the IMSS and it is a more representative indicator of national employment
Source: INEGI, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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Creating Opportunities

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