

Mexico Regional Sectoral Outlook

First half 2020



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Closing date: February 29, 2020

1. Summary

During 2019, economic activity in Mexico experienced a contraction of 0.1%, with primary activities growing by 1.9%, while secondary activities fell by 1.8% and tertiary activities grew by only 0.4%. The sectoral situation showed a change in sectoral dynamics. We observed that the Business Support Sector had the highest growth rate during 2019, with 4.9%, in line with the forecast described in the previous version of this report. In contrast, the Financial and Insurance Services sector contracted during the year. The credit and acquisition dynamics affected by the shrinking economic activity, as well as the decline in the financial margin of commercial banking due to the fall in interest rates are the main factors that explain the discrepancy with the expectations at the beginning of the year. Mining continued to have a reduced share of economic activity, with a contraction of 5.1%, and is now accompanied by construction – even with a very similar magnitude – which declined by 5.0%. The oil platform was less than anticipated in the budget. As for construction, the sector suffered a severe blow, moving it closer to the share in the economy of the transportation sector, at sixth place in terms of national production.

The regional situation points to a possible recovery in 2020, after contractions in 2019 in almost half of the federal states (14 of 32), including those intensive in oil mining and the Valle de México metropolitan area. The lowest growth rates in 2019 were in Tabasco, Baja California Sur, State of México, Zacatecas and Campeche, while Tlaxcala, Colima, Chihuahua, Nuevo León and Baja California led national growth. In terms of employment, unlike other occasions, it is noted that there is no general trend toward the formalization of the labor force. Querétaro stands out as the state with a contraction of the total number of employed people, but with a significant increase in formal employment. An opposite case is Guerrero, where the increase in employment that was even above the national average, but with a decrease in the number of workers affiliated to the IMSS (Mexican Social Security Institute).

The agricultural sector, which could grow 4.6% in 2020, does not have a dynamic related to the economic cycle, and is therefore considered acyclical. The agricultural sector is dependent on external demand, mainly agricultural products exported to the USA, but also livestock products, such as pork, exported to countries of the Far East. In addition, the composition of exports is analyzed, with avocado as the main product, with a 15.7% share, followed by vegetables and legumes, with 14.5%. In addition, the main state markets to which Mexican agricultural exports are sent have been observed; border states and Florida were the leaders in importing goods from Mexico.

The second special topic is dedicated to small and medium-sized enterprises (SMEs); in particular, commercial SMEs and their comparison in terms of economic dynamics and processes with the total universe of companies or with other SMEs, such as manufacturing. INEGI's Economic Censuses of 2014 and 2019 were also used to analyze the growth of indicators, such as the number of companies, employment in them and income generated by the supply of goods and services. In addition, their distribution patterns in the national territory were analyzed. Finally, with data from the National Survey on the Productivity and Competitiveness of Micro, Small and Medium Enterprises (ENAPROCE) 2018, the main sources of financing for SMEs and the uses of financing described by them were analyzed.

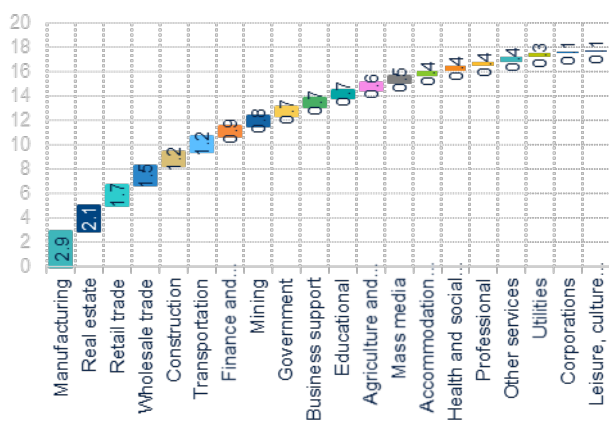
2. Sectoral and regional analysis

2a. Services decelerate and industry falls in 2019

Most sectors grow, but some significant sectors fall

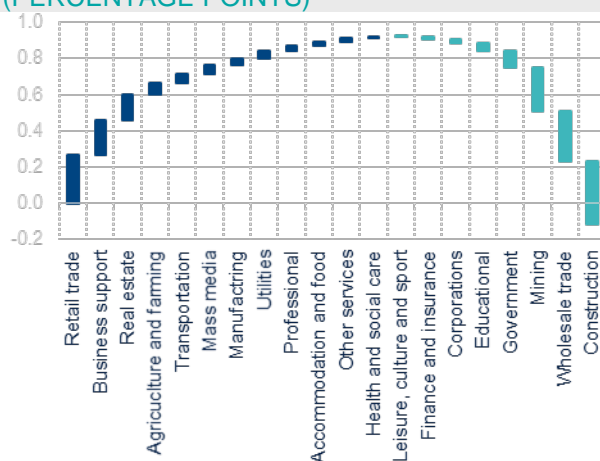
At 2019 year-end, the sectoral structure of the Mexican economy did not show any major changes, except for the relative position of Mining. As it has been since the base change of the 2013 National Accounts System of Mexico (SCNM), just five sectors concentrate 50% of the value added. With year-end data, Financial Services has been consolidated as the sixth sector and Mining moved to seventh place, despite its GDP falling from the previous year. Thus, Oil Mining is bringing less and less to the Mexican economy, confirming the failure of the oil policy. In a similar sense, the constant fall in Construction pushed it toward the same level as the Transportation sector, which could result in it dropping from the fifth position if this dynamic is maintained in 2020.

Figure 2a.1 **SECTORAL GDP 2019**
(BILLIONS OF PESOS)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.2 **CONTRIBUTION TO GROWTH**
(PERCENTAGE POINTS)



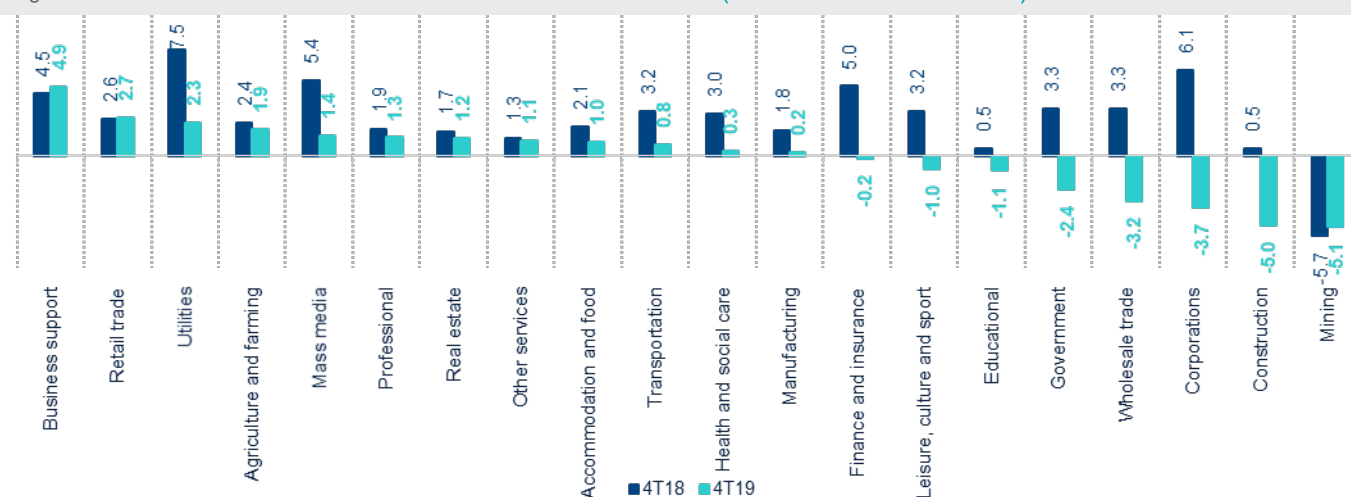
Source: BBVA Research based on data from SCNM and INEGI

In 2019, the sectors that grew the most were again on the services side; the notable exceptions were the Electricity and Agricultural sectors. Business Support and Retail Trade grew in annual terms of 4.9% and 2.7% respectively, showing the highest rates. As for their marginal contribution to the economy, these two sectors changed positions: Retail Trade had the largest positive contribution, followed by Business Support in terms of their share of the economy as a whole. Real Estate Services was the sector that contributed third most in 2019, which is no surprise because of its performance and weight. However, it was surprising that Agriculture finished fourth, since its share is only about 3%. The above was due to the constant growth that this activity has had, as we detailed in a particular section of this edition.

On the negative side—which was the prevailing tone as the economy closed down by 0.1%—Construction led the fall with an annual rate of -5%, followed by Wholesale Trade, which decreased by 3.2%; and Mining fell even more (5.1%). In general, industry had a bad year. In addition to Construction and Mining with losses, Manufacturing decelerated and had progress of only 0.2%, practically zero. Coupled with the contraction of industry, major services such as Wholesale Trade and Financial Services are falling along with a slowdown of the others. The result is an economy without progress.

With regard to the perspective presented in the previous edition, two sectors stand out for not meeting our forecast and having just the opposite result. Financial Services ended 2019 with a contraction of 0.2%, far from the estimated 3.4. In contrast, we expected a -4.4% rate for the Mass Media sector and it ended the year by growing 1.4%.

Figure 2a.3 **SECTORAL GDP ACCUMULATED AS OF 4Q19 (% ANNUAL VARIATION)**

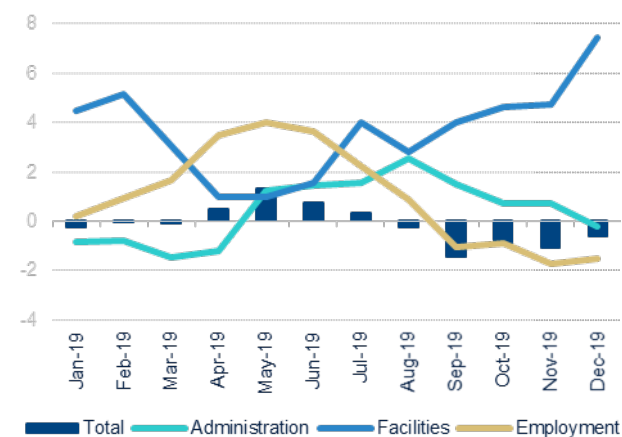


Source: BBVA Research based on data from INEGI

Margin indicators explain the results of services

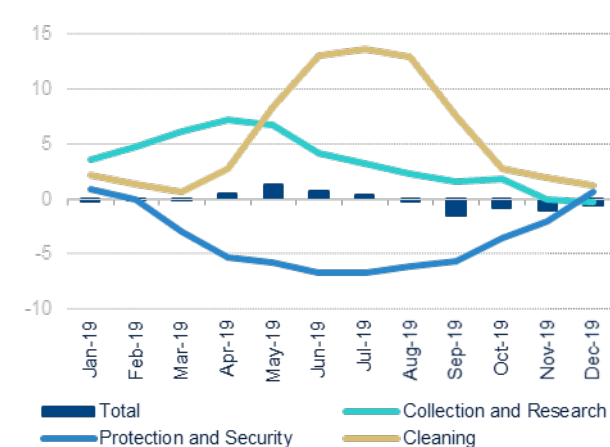
Business Support is the service that grew most in 2019, at a rate of 4.9% similar to the 4.8% we estimated. As we have explained, this is due to an improvement in the margins measured as the ratio between the income and expenditure indices of most of their subsectors during most of the year. However, in the last quarter, these margins decreased, pointing to a slowdown in the sector. The Employment, Collection and Research subsectors are the ones that dropped most sharply. Only in the case of Facilities was there accelerated progress. On the other hand, Protection and Security stopped their decline and pointed toward a recovery by 2020, probably based on increased demand for the security conditions observed as we noted earlier.

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



Source: BBVA Research based on data from EMS and INEGI

Figure 2a.5. **BUSINESS SUPPORT MARGIN**
(% ANNUAL VAR., 12-MONTH MOVING AVERAGE)



Source: BBVA Research based on data from EMS and INEGI

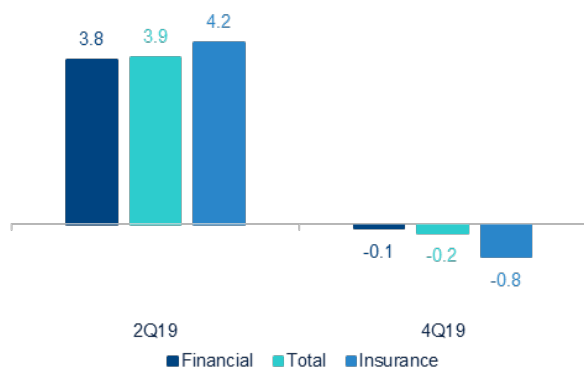
In 2020, Business Support could again be the sector that grows more than the demand for its services as companies specialize more in their nuclear activities and choose to contract services associated with other companies that specifically dedicate themselves to those issues. In this regard, legislative changes aimed at subcontracting companies and the tax regime that could affect this result will have to remain pending.

As we established above, the Financial Services sector fell by 0.2% in 2019 when we estimated a growth of 3.4%. This loss is mainly explained by the fall in the financial margin and the risk-adjusted margin. While the insurance subsector fell further, most of the effect observed can be attributed to the financial part. The first continues to suffer the elimination of these benefits in the public sector, especially medical, contingency and life insurance.

However, the explanation is based more on the lower risk-adjusted financial margin of banking institutions, which fell 3.3% in the last half of 2019, to the year-end value. This margin fell due to lower interest rates, as the monetary policy has been lowering the benchmark rate and there has been less economic activity, bringing down revenue in general. Given that in the macroeconomic scenario, we had already included lower benchmark rates, and therefore, with a lower TIIE (interbank equilibrium interest rate), a downward trend in this indicator was to be expected.

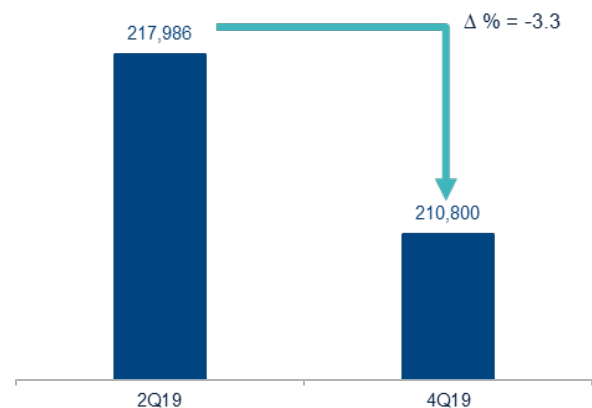
This sector could recover in 2020 and reach a rate of 2.3% once economic activity has stabilized and the base effect of the fall in insurance benefits has already passed. The factors that could lead to the failure to meet the forecast are the continued decline in economic activity, the revenue from premiums continue to fall in light of less formal private employment being generated, and an increase in risk.

Figure 2a.6 **FINANCIAL AND INSURANCE GDP**
(% ANNUAL VARIATION)



Source: BBVA Research based on data from SCNM and INEGI

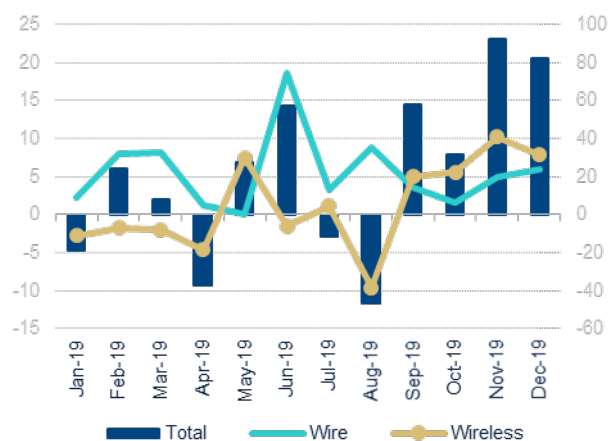
Figure 2a.7 **FINANCIAL MARGIN**
(BILLIONS OF PESOS)



Source: BBVA Research based on data from CNBV and Banxico

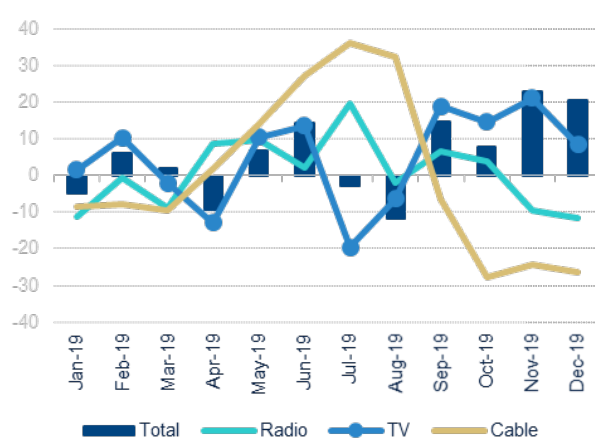
The pleasant surprise was the change in GDP in the Mass Media sector as estimated at the beginning of last year. While we expected the sector to fall by more than 4%, it ended the year with a 1.4% YoY increase, which is significant in a context where the economy contracted 0.1%. The improvement is mainly due to the positive results on the telecommunications side and to a lesser extent on broadcasting, since the latter has a very limited weight in the sector. Telecommunications services improved markedly, both landline and wireless telecommunications services. Based on the margin index we built on the information published by INEGI on income and expenditure, we can see that even this indicator accelerated at the end of the year. Both margins were positive for most of the year, but they also grew in the last quarter. The story is similar for TV service in Broadcasting, but its contribution is small compared to telecommunications. The opposite is true for all other Broadcasting services, where Radio and Cable fell just in the last quarter.

Figure 2a.8 **TELECOMMUNICATIONS MARGIN**
(2013 INDEX = 100)



Source: BBVA Research based on data from EMS and INEGI

Figure 2a.9 **BROADCASTING MARGIN**
(2013 INDEX = 100)



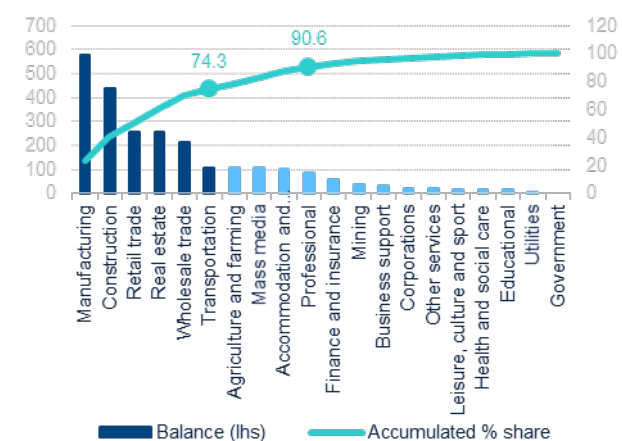
Source: BBVA Research based on data from EMS and INEGI

We estimate that in 2020, the Mass Media sector could grow again, this time at a rate of 4.3%. As in other sectors, this forecast is based on the stabilization of economic activity; that is, the economy will return to growing again. A sector-specific factor that could bear fruit is the investments announced in the Infrastructure Agreement signed at the end of 2019, which includes projects for both 2020 and 2021. Some of the concepts covered are fixed and mobile telephony investments, transmission and the wholesale service of the Shared Network.

Bank credit to sectors flows despite lower activity

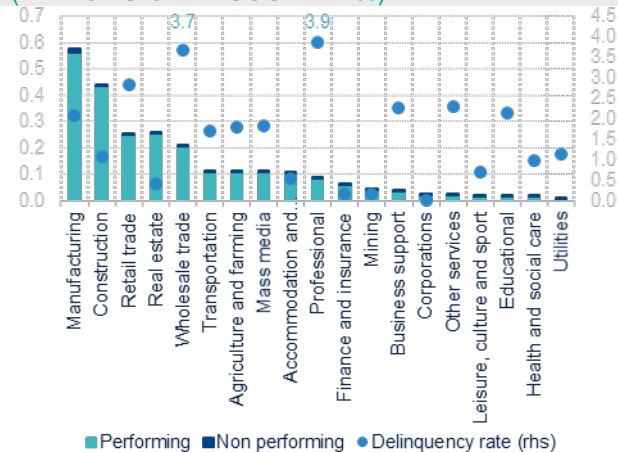
The bank lending balance to the various sectors grew 1% despite the fact that economic activity contracted 0.1% during 2019. Six sectors concentrated 75% of the portfolio, only the largest ones measured by their GDP, but not in the same order. Manufacturing is the sector with the most lending, and the sector that contributes most to the Mexican economy, with low delinquency like in most sectors, barely above 2%. In real terms, however, this balance fell 3.4% in part due to the slowdown in the sector and the uncertainty caused by the terms of the T-MEC negotiation as well as the increase in regional content. In addition, the automotive sector, which is the main manufacturing sector and that demands from others, experienced lower domestic and international demand. Construction is the second largest sector in terms of balance, and number one in terms of penetration. Despite the contraction of activity, the quality of the Construction portfolio is likely to be maintained by widespread good origination. In structural terms, there were no significant changes in the sector distribution of bank credit and the portfolio is healthy with low levels of delinquency. Only two sectors exceeded 3% of arrears, namely Wholesale Trade and Professional Services, but it is not a concern to be below 4%. In sectors with low performance, such as Construction, Mining, and Wholesale Trade, there also were no worrying delinquency rates.

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



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

Figure 2a.11 **SECTORAL CREDIT BALANCE**
(BILLIONS OF PESOS AND %)

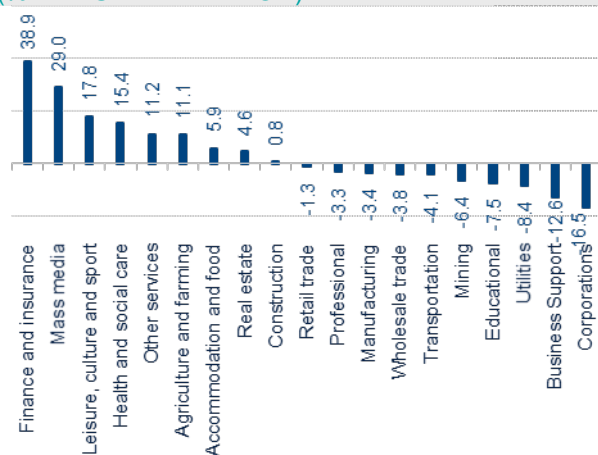


Source: BBVA Research based on data from Banco de México

The bank credit portfolios that grew most at the sectoral level were Mass Media, Recreation, Health and Agriculture. With the exception of Recreation, the rest presented growth in terms of the GDP they generated. Most notable were Mass Media and Agriculture with accelerated dynamics in GDP and credit. With this, both improved their penetration and already exceed 18% in the comparison of the credit balance to GDP. There is still much to do in the Health sector,

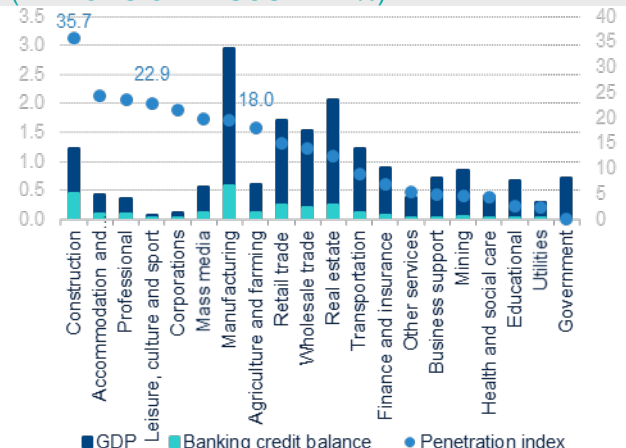
as penetration is low compared to other sectors. However, it must be taken into account that the sector generates a lot of liquidity and in part, its high capital requirements are financed by itself or through credit from suppliers. However, together with Educational services, which have a similar structure from the financial perspective, they are among the sectors with the greatest potential for credit.

Figure 2a.12 **SECTORAL CREDIT BALANCE**
(% ANNUAL VARIATION)



Source: BBVA Research based on data from Banco de México

Figure 2a.13 **BANK CREDIT PENETRATION**
(BILLIONS OF PESOS AND %)



Source: BBVA Research based on data from Banco de México

In contrast, the sectors that presented decreases in their actual balances were Corporate Services, Business Support, Education and Transportation. In addition, some industrial sectors such as Mining and Electricity decreased their balances during 2019. In some of these, it was due to lower activity within their sectors, and in others to the greater availability of own financing sources or those alternative from the banking sector.

In 2020, most sectors will grow, especially services

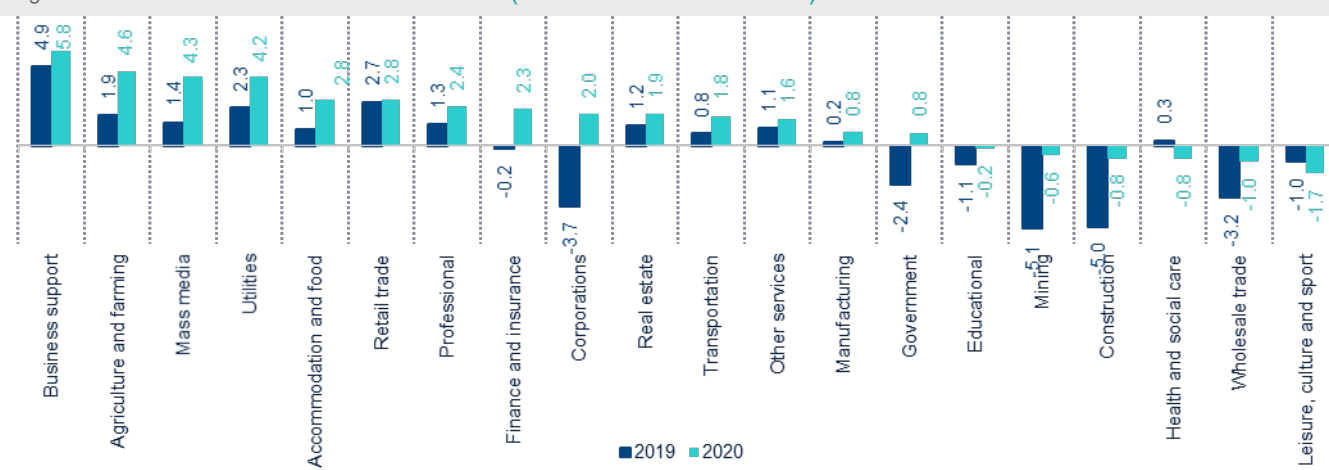
Economic dynamics will again be dictated by services, while the industrial sector will continue to lag behind. We estimate that in 2020, Business Support, Mass Media, Accommodation and Retail Trade services will guide the growth of the economy. In addition, as it has been in recent years, the Agricultural sector will have a positive performance based on international trade; it could even accelerate by shifting from a rate of 1.9% to 4.6% if non-tariff barriers to trade are not erected. In the industrial sector, only the Electricity, Water and Gas sector will have a significant increase and could grow to 4.2% as long as the supply of inputs for generation and higher revenue from transmission due to higher tariffs are maintained.

Unfortunately, the lack of public information makes analysis difficult and therefore we give a higher variance to this forecast. The growth in Business Support services is based on increased demand and Mass Media, along with the investments announced as we explained earlier. We also give Accommodation services a positive outlook in light of an increase in leisure and business tourism, which could lead to a 2.8% increase in annual terms. The threat to this sector will be the scope of the preventive and corrective measures of governments because of Covid-19, because it depends not only on domestic measures, but also on international measures.

On the opposite side, Wholesale Trade, Construction and Mining will headline losses, with falls of 1.0%, 0.8% and 0.6%, respectively. Mining in Mexico mostly depends on oil. Although the fall of the platform has stopped, in 2019 the production expectation estimated by the Federal Government was not met. This could be repeated in 2020 in the absence of effective measures by Pemex. In addition to the above, the fall in oil prices will further reduce the revenues of Pemex and the Federal Government. We hope this will lead to bringing back farmouts to revive the sector. On the Construction side, the contraction will continue in light of lower demand for new housing, a slowdown in productive construction and a fall in civil works due to less infrastructure. The Health Sector will also be adversely affected by the reduced flow of inputs for the production of medicines and medical materials.

In all cases, we expect the ratification of the T-MEC to improve the outlook for the Mexican economy and key sectors that can drive the rest, such as Manufacturing and services such as Transportation, Mass Media, Financial Services and Accommodation.

Figure 2a.14 **SECTORAL GDP FORECAST (% ANNUAL VARIATION)**



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											
	2018	2019	2020	2021	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Total GDP	2.1	-0.1	1.5	2.0	-0.3	-0.5	0.5	1.1	1.7	2.5	2.5	2.0
Primary	2.4	1.9	4.6	2.8	5.4	1.6	2.8	8.8	10.1	-1.7	8.5	-0.1
Secondary	0.5	-1.8	0.4	1.3	-1.5	-2.1	-1.0	0.0	0.0	2.8	1.4	1.4
Mining	-5.7	-5.1	-0.6	-0.5	-4.2	-0.4	-0.3	0.1	-1.1	-1.1	-0.8	-0.3
Electricity, water and gas supply	7.5	2.3	4.2	3.9	2.5	4.7	4.8	4.1	4.1	4.0	4.3	4.0
Construction	0.5	-5.0	-0.8	1.1	-6.9	-5.8	-4.5	-1.6	1.1	2.3	1.5	1.3
Manufacturing	1.8	0.2	0.8	1.6	1.3	-1.7	-0.2	0.2	-0.5	3.9	1.7	1.7
Tertiary	2.9	0.4	1.8	2.3	0.1	0.0	1.1	1.1	2.2	2.6	2.8	2.4
Wholesale trade	3.3	-3.2	-1.0	-0.4	-3.5	-5.7	-2.8	-2.3	-0.6	1.7	0.7	-0.3
Retail trade	2.6	2.7	2.8	2.8	3.0	3.1	3.0	1.7	3.6	2.9	4.2	2.9
Transport, mail and storage	3.2	0.8	1.8	1.7	1.3	-0.5	0.8	0.9	2.3	3.2	2.1	1.6
Mass media information	5.4	1.4	4.3	7.3	4.1	6.5	3.5	6.4	4.2	3.2	8.4	9.1
Financial and insurance services	5.0	-0.2	2.3	6.6	-3.6	-4.3	-1.2	2.5	3.1	4.8	5.6	6.8
Real estate & rental services	1.7	1.2	1.9	1.6	0.9	1.4	2.5	1.1	2.0	2.1	1.6	1.6
Prof., scientific & tech. services	1.9	1.3	2.4	2.4	0.7	1.2	2.5	2.2	2.6	2.5	2.8	2.5
Corporate & business mgt.	6.1	-3.7	2.0	3.3	-2.5	-6.3	-0.6	1.3	2.2	5.0	4.2	3.6
Business support services	4.5	4.9	5.8	5.6	2.7	4.0	5.8	5.9	5.9	5.6	5.9	5.9
Educational services	0.5	-1.1	-0.2	0.6	-2.0	-1.3	-1.0	-0.1	0.6	-0.2	0.3	0.8
Health and social services	3.0	0.3	-0.8	0.0	-0.8	-0.8	-1.7	-1.2	-0.8	0.5	0.2	-0.1
Leisure, culture & sport services	3.2	-1.0	-1.7	-1.3	-1.5	-2.2	-1.8	-1.9	-2.2	-0.9	-0.8	-1.1
Temp. accomm. & food & drink	2.1	1.0	2.8	1.9	0.6	2.8	4.1	1.7	3.0	2.5	3.4	1.7
Other services excl. gvt.	1.3	1.1	1.6	1.9	1.1	-1.5	-1.3	-0.5	3.5	5.0	2.8	0.7
Government activities	3.3	-2.4	0.8	0.9	-1.9	0.4	1.1	-0.3	1.9	0.5	1.5	0.7

	Structure, %				Contribution to growth, pp			
	2018	2019	2020	2021	2018	2019	2020	2021
Total GDP	100.0	100.0	100.0	100.0	2.1	-0.1	1.5	2.0
Primary	3.2	3.3	3.4	3.4	0.1	0.1	0.1	0.1
Secondary	29.2	28.7	28.4	28.2	0.1	-0.5	0.1	0.4
Mining	4.8	4.6	4.5	4.4	-0.3	-0.2	0.0	0.0
Electricity, water and gas supply	1.6	1.6	1.6	1.7	0.1	0.0	0.1	0.1
Construction	7.0	6.6	6.5	6.4	0.0	-0.3	-0.1	0.1
Manufacturing	15.9	15.9	15.8	15.8	0.3	0.0	0.1	0.3
Tertiary	63.2	63.6	63.8	64.0	1.8	0.3	1.1	1.5
Wholesale trade	8.5	8.2	8.0	7.9	0.3	-0.3	-0.1	0.0
Retail trade	9.0	9.3	9.4	9.5	0.2	0.2	0.3	0.3
Transport, mail and storage	6.5	6.5	6.6	6.5	0.2	0.0	0.1	0.1
Mass media information	2.9	3.0	3.0	3.2	0.2	0.0	0.1	0.2
Financial and insurance services	4.8	4.8	4.8	5.0	0.2	0.0	0.1	0.3
Real estate & rental services	11.0	11.1	11.2	11.1	0.2	0.1	0.2	0.2
Prof., scientific & tech. services	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0
Corporate & business mgt.	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Business support services	3.6	3.8	4.0	4.1	0.2	0.2	0.2	0.2
Educational services	3.7	3.7	3.6	3.5	0.0	0.0	0.0	0.0
Health and social services	2.1	2.1	2.1	2.0	0.1	0.0	0.0	0.0
Leisure, culture & sport services	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
Temp. accomm. & food & drink	2.3	2.3	2.3	2.3	0.0	0.0	0.1	0.0
Other services excl. gvt.	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0
Government activities	3.9	3.8	3.8	3.8	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

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

	YoY % change											
	2018	2019	2020	2021	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Total	1.8	0.2	0.8	1.6	1.3	-1.7	-0.2	0.2	-0.5	3.9	1.7	1.7
Food	3.0	1.7	2.5	2.6	2.4	2.2	2.8	2.8	1.4	3.0	3.2	2.5
Beverages and tobacco	5.5	2.4	4.0	3.8	3.2	2.6	5.5	4.9	3.3	2.5	5.2	4.5
Textile inputs	1.7	-4.0	-3.8	-0.6	-5.7	-7.2	-6.7	-6.0	-3.2	1.0	-1.7	-1.6
Manufacture of textile products	6.4	-4.0	-2.2	-1.1	-7.7	-6.4	-1.3	-4.1	-1.4	-2.0	-1.9	-0.9
Clothing	1.2	-4.7	-2.5	0.2	-2.1	-6.7	-2.3	-2.6	-4.7	-0.1	1.7	0.5
Leather and fur products	-1.4	-2.1	-2.4	-1.0	-2.2	-2.9	-2.4	-3.3	-3.2	-0.7	-1.3	-1.1
Timber industry	-1.9	0.3	0.1	0.1	-0.8	2.2	0.7	-1.0	-1.1	1.8	-0.1	-1.0
Paper industry	1.5	-0.5	0.9	2.5	-1.7	-1.4	-1.6	0.8	1.5	3.2	2.2	2.3
Printing and related industries	8.3	-10.7	-2.0	0.1	-5.4	-10.8	-4.3	0.1	-6.5	2.7	4.6	-1.0
Petroleum derivatives	-16.9	-2.7	-0.6	0.1	1.1	7.9	3.5	-3.3	-4.3	2.5	2.4	-0.8
Chemicals	-2.7	-1.5	-0.3	0.3	-0.4	1.0	0.4	-0.8	-1.4	0.5	0.2	0.6
Plastic and rubber	2.6	-2.1	3.4	2.7	-1.5	-1.4	1.1	3.4	6.2	3.0	2.0	3.5
Non-metallic mineral products	-1.9	-2.5	0.0	2.4	-0.8	-0.6	-1.4	-0.2	-1.4	2.9	1.7	2.6
Basic metals	-1.9	-1.7	-0.6	2.3	0.8	-1.7	-4.2	-1.5	-2.7	6.5	1.3	3.3
Metal products	1.0	-5.6	-0.6	1.6	-4.5	-6.5	-0.9	-0.2	-1.6	0.6	2.5	2.2
Machinery and equipment	1.9	-1.3	-6.0	-0.8	6.1	-11.3	-9.7	-4.2	-11.1	2.8	-1.7	-0.7
Computers and electronics	2.2	4.8	0.9	0.8	4.6	1.4	3.4	-0.9	-2.7	3.9	-0.8	0.5
Electrical equipment	1.5	-0.9	-0.8	-0.7	-2.4	1.0	-0.8	0.2	-1.3	-1.2	-0.8	-0.5
Transport equipment	4.5	1.3	1.2	1.2	2.3	-6.6	-2.9	-1.6	0.3	10.0	1.6	0.9
Furniture and related	6.4	-3.6	1.3	1.7	-6.7	-1.4	-1.4	1.7	8.1	-2.3	3.3	2.5
Other manufacturing industries	2.3	0.2	2.6	4.1	-0.2	-3.8	1.7	4.2	3.7	1.0	4.3	5.8

	Structure, %				Contribution to growth, pp			
	2018	2019	2020	2021	2018	2019	2020	2021
Total	100.0	100.0	100.0	100.0	1.8	0.2	0.8	1.6
Food	22.8	23.1	23.5	23.7	0.7	0.4	0.6	0.6
Beverages and tobacco	5.8	5.9	6.1	6.2	0.3	0.1	0.2	0.2
Textile inputs	0.9	0.9	0.8	0.8	0.0	0.0	0.0	0.0
Manufacture of textile products	0.5	0.5	0.4	0.4	0.0	0.0	0.0	0.0
Clothing	2.0	1.9	1.9	1.8	0.0	-0.1	0.0	0.0
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	0.8	0.0	0.0	0.0	0.0
Paper industry	1.8	1.7	1.8	1.8	0.0	0.0	0.0	0.0
Printing and related industries	0.7	0.6	0.6	0.6	0.1	-0.1	0.0	0.0
Petroleum derivatives	1.4	1.3	1.3	1.3	-0.3	0.0	0.0	0.0
Chemicals	8.1	8.0	7.9	7.8	-0.2	-0.1	0.0	0.0
Plastic and rubber	2.7	2.7	2.7	2.8	0.1	-0.1	0.1	0.1
Non-metallic mineral products	2.5	2.4	2.4	2.4	0.0	-0.1	0.0	0.1
Basic metals	6.3	6.2	6.1	6.1	-0.1	-0.1	0.0	0.1
Metal products	3.4	3.2	3.2	3.2	0.0	-0.2	0.0	0.1
Machinery and equipment	4.4	4.4	4.1	4.0	0.1	-0.1	-0.3	0.0
Computers and electronics	8.5	8.9	8.9	8.8	0.2	0.4	0.1	0.1
Electrical equipment	3.1	3.0	3.0	2.9	0.0	0.0	0.0	0.0
Transport equipment	20.2	20.4	20.5	20.4	0.9	0.3	0.3	0.3
Furniture and related	1.1	1.1	1.1	1.1	0.1	0.0	0.0	0.0
Other manufacturing industries	2.3	2.3	2.3	2.4	0.1	0.0	0.1	0.1

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

2c. FDI in the Southeast, T-MEC will boost Bajío and North

National uncertainty and stagnation in 2019

In 2019, uncertainty dominated Mexico's national economic landscape, despite macroeconomic stability. Combined with this, total GDP growth has been zero and, therefore, the population average has not experienced convergence toward higher living standards, in terms of income level. One of the main reasons for the stagnation of the total activity observed is the low level of investment that was recorded during the year.

Growth during 2019 is the lowest that Mexico has experienced since the 2009 financial crisis. Secondary activities continued to weaken, contracting 1.8% during the year (mainly due to the performance of construction and oil mining), while tertiary activities showed growth of 0.4% as a whole. For its part, the primary sector presented the highest rate per type of activity, with 1.9% progress during the year.

Low or no state growth due to uncertainty

Economic activity at the regional level still presents productive, and therefore, distributive inertia. However, there has been a change in growth patterns, especially because of investment flows and the performance of large sectors of the national economy.

In fact, the concentration is even greater, with seven states – Mexico City, State of Mexico, Nuevo León, Jalisco, Veracruz, Guanajuato and Coahuila – representing 53.1% of gross aggregate value at the national level.

State GDP in 2019 was estimated based on the Quarterly Indicator of State Economic Activity (ITAE), with the third quarter of 2019 (3Q19) observed at the closing date of this edition. In terms of growth, Tlaxcala (7.2%), Colima (3.2%) and Chihuahua (2.6%) led growth during the year, followed by Nuevo León, Baja California and Yucatán with rates of 2.2%, 2.1% and 2.1%, respectively.

It can also be observed that the Bajío area contracted, mainly due to the general contraction of manufacturing (both due to a fall in private consumption and export manufacturing). According to the industrial activity indicator by federal state, the growth rates of manufacturing in the region as of October 2019 are (in descending order): Querétaro, 0.5%; Aguascalientes, 0.5%; Hidalgo, 0.3%; San Luis Potosí, 0.0%; Guanajuato, -1.7%; and Zacatecas, -5.4%, consistent with the contraction in manufacturing and the total activity of the region.

As had been forecast, these states showed less dynamism in 2019. For 2020, with an estimated total activity growth of 1.5% and the reactivation of manufacturing, a recovery of Bajío is expected, with rates higher than the national average in almost all the states that form part of it – only Zacatecas, with 0.6%, would be below the national average.

The economy of Quintana Roo, with a change in the composition of the countries of origin of the tourists in the state, as well as with a relative efficiency of the measures to fight sargassum (seaweed) in the state, mitigating the negative effects on the activities of the hotel and food and beverage sub-sectors in the state, closed the year with an estimated growth of 1.3%. This slowdown is mainly the result of the lower dynamism of commercial activities and the real estate services sector.

Overall, during 2019, a contraction is estimated in 14 state economies, which are (in order from largest to smallest magnitude of the contraction): Tabasco (-8.0%), Baja California Sur (-5.8%), State of Mexico (-2.9%), Zacatecas (-2.7%), Campeche (-2.5%), Chiapas (-2.1%), Oaxaca (-1.7%), Mexico City (-0.9%), Michoacán (-0.6%), Hidalgo (-0.5%), San Luis Potosí (-0.3%), Morelos (-0.2%), Guanajuato (-0.2%) and Sonora (-0.1%). The fall, therefore, was experienced in 14 of the 32 federal states.

Campeche closed 2019 as the 12th largest state economy, maintaining its position among the states; however, it is expected to fall one position in 2020, to thirteenth. In theory, this decline is a result of the oil mining performance—79.4% of state GDP—and Campeche is involved in 59.5% of the sectoral GDP. Because of the contraction of oil mining, Tabasco also presented a contraction, with its activity falling 8.2%. Although oil mining in Tabasco accounts for 49.5%, the fall in state activity is more pronounced than in Campeche because of the composition of state manufacturing. In Tabasco, the industries highly linked to oil mining (oil and coal derivatives, along with the chemical, plastic and rubber industries) accounted for 75.6% of the state industry, while in Campeche they accounted for only 4.5%.

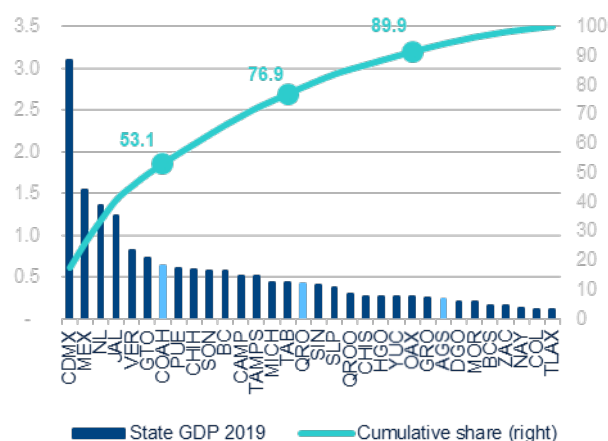
In the case of Baja California Sur, construction – especially private construction – was the main sector that caused the contraction of state activity that was estimated, followed by trade and hospitality services – temporary accommodation and food processing. Baja California Sur is expected to return to growth in 2020, with better construction performance and tourist activities with a slight improvement.

In the case of Mexico City and the State of Mexico, construction represented a severe blow to the activity, especially during the first half of 2019 (1H19), while state manufacturing in the State of Mexico and the weak dynamism of the trade and financial and insurance services sector in Mexico City, pronounced the contraction of these economies. During 2020, both states are expected to return to positive rates of growth.

Similarly, in the case of Oaxaca and Chiapas, 2020 could also bring the growth of state economic activity to both states, consistent with the first phase of implementation of strategic projects. This would be reflected in an increase in the construction sector, with this investment generating sectoral linkages via consumption, which could lead to higher growth in trade and real estate services in those states.

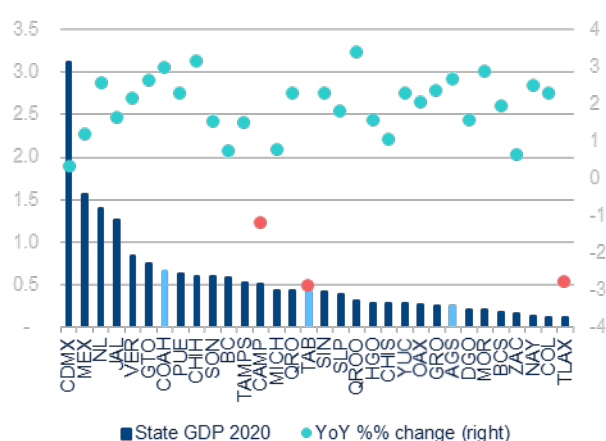
In principle, large infrastructure projects can directly mark increased state growth through construction. In addition, infrastructure development is expected to change each state's potential growth, eliminating divergences in growth and raising the potential of the economy as a whole.

Figure 2c.1 **2019 ESTIMATED STATE GDP**
(BILLIONS OF CONSTANT PESOS AND
CUMULATIVE % SHARE)



Source: BBVA Research, estimates based on INEGI data

Figure 2c.2 **2020 STATE GDP FORECAST**
(BILLIONS OF CONSTANT PESOS AND %
ANNUAL VARIATION)



Source: BBVA Research, estimates based on INEGI data

FDI flows to the Southeast could be aligned with strategic projects

The dynamics of direct foreign investment have shown a pattern similar to that of previous years in terms of holdings by federal state. However, during 2019, some states had extraordinary growth, such as Chiapas, with an FDI growth of 268.0%.

In the Southeast, there was also a growth of the indicator in Quintana Roo, with 125.9% and Yucatan, with 118.0% of growth, followed by Campeche with 30.9%. The lowest performing state was Tabasco, with a contraction in the FDI of 6.4%. In total, the amount of foreign investment earmarked for these five states increased \$1.0471 billion in 2018 to \$1.6546 billion in 2019, with a total annual growth of 58.0%, and consolidated as one of the regions with the greatest contribution to FDI growth during the year.

The alignment of foreign investment with some of the strategic projects of the current administration in Mexico may be one of the possible explanations for the increase in flows to the region. Projects such as the Trans-Isthmian Railroad have already been evaluated in previous versions of the **Regional Situation – Mexico Sector Report** as large generators of value in power; also, the Maya Train plans to increase the mobility and tourism activity of the region as a whole.

However, the concentration is imminent, with five states – Mexico City, Nuevo León, Mexico State, Puebla and Tamaulipas – concentrating 52.9% of the total flows, and with 11 states comprising 75.8% of the flows.

The growth of foreign investment flows to our country is also an important sign of confidence for national investors and a means of identifying the regional growth patterns that partially define the economic activity that the country will experience over the next few years.

Figure 1 is a combined bar and line chart titled 'FDI in Mexico by state, 2019'. The x-axis lists 32 Mexican states in descending order of FDI in 2019. The left y-axis represents FDI in millions of USD, ranging from 0 to 9. The right y-axis represents the cumulative share of total FDI, ranging from 0 to 100. Dark blue bars represent the FDI for each state in 2019. A teal line with circular markers represents the cumulative share of total FDI. The line is labeled with specific values: 52.9 for TAMP, 75.8 for VER, and 89.9 for AGN. The legend at the bottom identifies the dark blue bar as 'FDI 2019' and the teal line as 'Cumulative share (right)'.

State	FDI 2019 (Millions of USD)	Cumulative share (%)
CDMX	8.0	
NLE	3.0	
MEX	2.9	
PUE	1.8	
TAMP	1.5	52.9
JAL	1.5	
CHT	1.4	
COAH	1.3	
QRO	1.2	
VER	1.1	75.8
BCT	1.0	
GTO	0.9	
ZAC	0.8	
SUR	0.7	
MOR	0.6	
QRO	0.5	
BCT	0.4	
AGN	0.3	89.9
TLX	0.2	
SON	0.2	
MIC	0.2	
HGO	0.2	
SIN	0.2	
CHS	0.2	
CDGO	0.2	
NAY	0.2	
YUC	0.2	
CAMP	0.2	
COL	0.2	

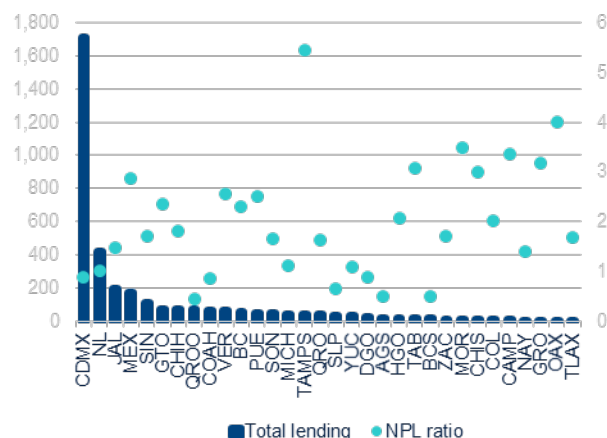
A choropleth map of Mexico showing the National YoY % change in 2019. The map is color-coded according to the following legend:

- > 40% (Dark Blue)
- between 20% and 40% (Medium Blue)
- between 0% and 20% (Light Blue)
- between - 30% and 0% (Yellow)
- between - 40% and - 30% (Orange)
- < - 40% (Red)

The map shows a high concentration of states in the northern and central regions with positive growth (blue shades), while the southern and central regions show more significant declines (red and orange shades). The national average is 4.2%.

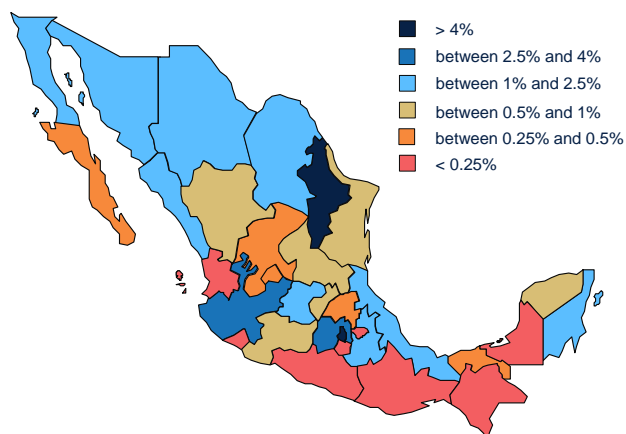
16

Figure 2c.5 **BANK CREDIT BALANCE 4Q19**
(BILLIONS OF PESOS AND %)



Source: BBVA Research based on data from Banco de México

Figure 2c.6 **BANK CREDIT BALANCE 4Q19**
(% SHARE)



Source: BBVA Research based on data from Banco de México

T-MEC implies a boost to exporting manufacturing states

The ratification of the free trade agreement between Mexico, the United States of America and Canada (T-MEC) reinforces existing value chains in the region, as well as the integration of several manufacturing branches, such as the manufacturing of transportation equipment, mainly automotive.

The fiscal momentum in the northern border states generated lower inflation in these states in 2019, losing that base effect in 2020, with a slight rebound in border prices. With T-MEC, economic activity during 2020 will benefit from another component: international trade. Similarly, in the case of Bajío, the economic benefit of the signing of the T-MEC is expected to be significant. In other words, in case of manufacturing momentum and a projected fall in oil activity, state performance patterns can return to those of previous years, with manufacturing states leading the growth.

Likewise, the terms of trade in the current exchange-rate forecast favor growth in trade volume and expansion of the trade surplus with the United States. The fall in oil prices, as well as a lack of stability in the spread of Coronavirus COVID-19, could result in panic sales of Mexican pesos, but without a greater effect on the competitiveness of Mexican exports. However, if the dynamics of expectations and prices are such that aggregate demand – or for Mexican exports – is significantly contracting in the United States, the outlook for manufacturing states in Mexico could be less encouraging.

For states with strong agricultural exports, such as Michoacán, the outlook is very similar, although the implications are more direct and not as a component of a value chain as complex as the manufacture of transportation equipment.

Slowdown of employment, with significant regional divergences

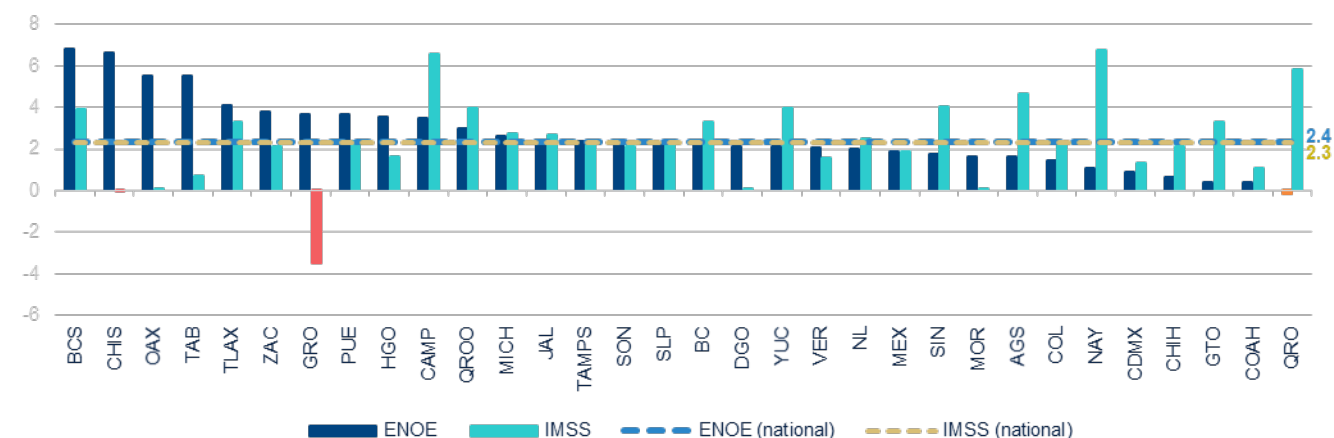
The comparison of the growth rates of insured workers at the Mexican Social Security Institute (IMSS) and the number of employed people in the National Employment and Occupation Survey (ENOE) that INEGI carries out shows us a convergence in the dynamics of formal employment toward that of total employment.

Such convergence, however, has divergent regional components, with states such as Guerrero and Chiapas in which there are clear indications of increased labor informality, as well as in Baja California Sur, Oaxaca, Tabasco, Tlaxcala, Zacatecas, Puebla, Hidalgo, Durango, Veracruz and Morelos.

On the other hand, in Campeche, Quintana Roo, Baja California, Yucatán, Sinaloa, Aguascalientes, Nayarit, Chihuahua, Guanajuato, Coahuila and Querétaro, the total employment grew less than formal employment, indicating an increase in formal employment in these states. At the national level, the result is that total employment grew 2.4%, while IMSS employment grew at a rate of 2.3%.

Previously, it could be said that formalization had not been evenly distributed among federal states, although the overall effect at the national level was an increase in it. In this case, this total effect was zero, with the change in patterns of labor formality involving a redistribution of it between federal states.

Figure 2c.7 **STATE EVOLUTION OF TOTAL EMPLOYMENT (EMPLOYED, ENOE) AND FORMAL EMPLOYMENT (TOTAL INSURED, IMSS) DURING 2019 (% ANNUAL VARIATION)**



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

At the national level, there was a growth in total employment but there was no indication of greater formality in employment. One possible implication of such a situation would be to look at policies of employment formalization at the state level or to redefine federal formalization programs, since, according to what we see in Figure 2c.5, the response to existing programs is no longer significant.

The scenario of recovery could be interrupted by external shocks

The recovery represented by a scenario of growth of 1.5% of domestic product is based on forecasts of growth at the state level based on both external demand, and the simultaneous recovery of the domestic market after a 2019 with uncertainty that directly affected investment and consumption in Mexico. The materialization of such an economic recovery, however, depends mainly on external factors.

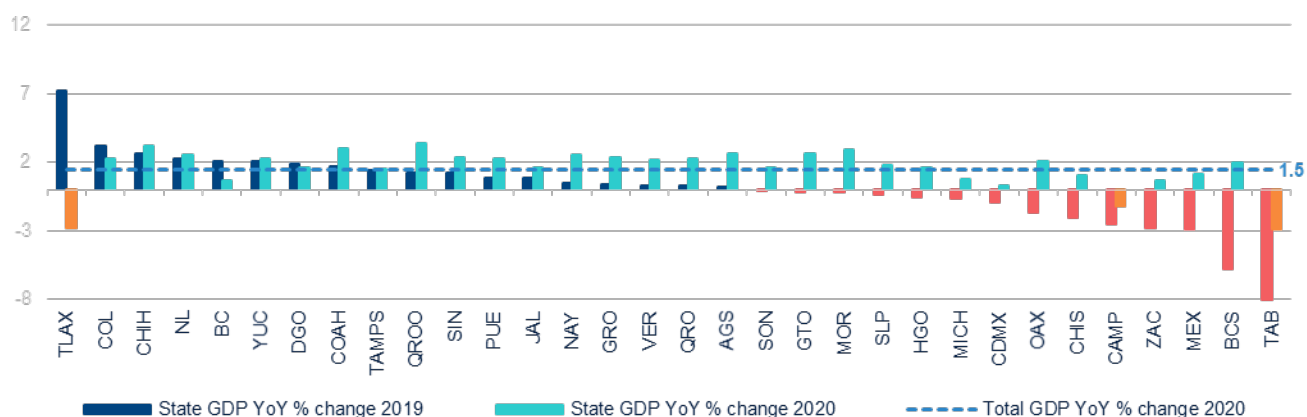
One of these factors is the outbreak and spread of Coronavirus COVID-19, which is presenting a stronger picture than anticipated, in terms of duration, spread and effects on global economic activity.

In addition, while real activity in the sector and mining states is not affected by the fall in oil prices experienced in early March, it increases pressure on Pemex and public finances in Mexico, raising the likelihood of a decline in investor expectations at the country level.

Therefore, either due to a nominal shock via oil prices, which generates an inflection in the expectations of national and foreign capitals in 2020, or due to a shock of supply and demand from the spread of Coronavirus COVID-19, it seems that the journey is winding; the cusp of economic growth exists and is attainable, but reaching it seems more difficult with the newly added obstacles in the path of growth.

Considering a growth rate of 1.5% of GDP with a recovery in consumption and a reversal in the investment trend in the second half of 2020 (2H20), the state scenario – in terms of growth rates – can be summarized in Figure 2c.8.

Figure 2c.8 **2019 AND 2020 STATE GDP (% ANNUAL VARIATION)**

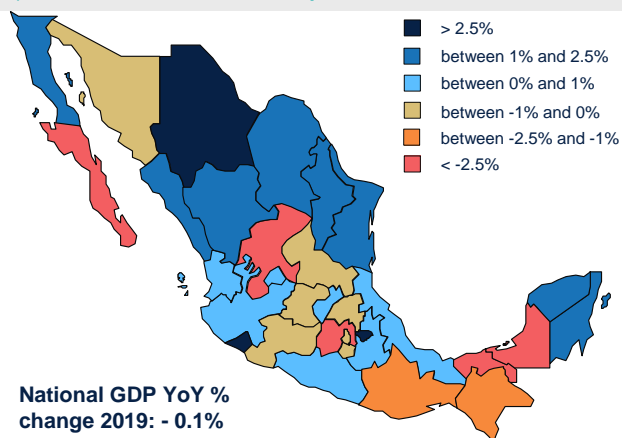


Source: BBVA Research, estimates based on INEGI data

Given the expected overall recovery, the outlook in 2020 seems encouraging, with a recovery in growth for 12 of the 14 states that contracted during 2019. A lower fall in construction, as well as a recovery in manufacturing, mainly exports, are two of the sectoral dynamics that would characterize this rebound in economic activity.

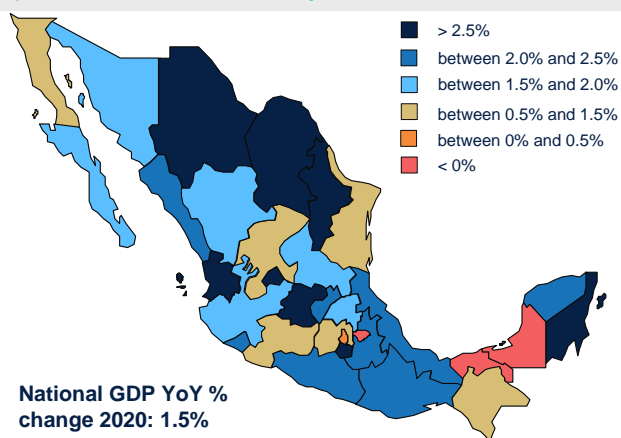
At the regional level, we can expect a recovery in the growth rates of the Bajío region and the northern border above the national average. Likewise, the inertia in Tabasco and Campeche as oil states and Chiapas seems to continue during the year, reaffirming an already long divergence in growth even within the southeast region.

Figure 2c.9 **2019 STATE GDP**
(% ANNUAL VARIATION)



Source: BBVA Research, estimates based on INEGI data

Figure 2c.10 **2020 STATE GDP**
(% ANNUAL VARIATION)



Source: BBVA Research, estimates based on INEGI data

2d. Regional forecasts

Table 2d.1 **STATE GDP 2019 AND 2020**
(BILLIONS OF CONSTANT PESOS AND YoY % CHANGE)

State	GDP 2019 (MXN billion)	Estimated growth 2019	GDP 2020 (MXN billion)	Forecasted growth 2020
Aguascalientes	233.0	0.2	239.2	2.7
Baja California	569.6	2.1	573.7	0.7
Baja California Sur	164.2	-5.8	167.4	1.9
Campeche	515.6	-2.5	509.4	-1.2
Chiapas	271.1	-2.1	273.9	1.0
Chihuahua	582.1	2.6	600.4	3.2
Coahuila	632.3	1.7	651.2	3.0
Colima	111.6	3.2	114.1	2.3
Durango	204.9	1.8	208.1	1.6
Guanajuato	728.6	-0.2	748.0	2.7
Guerrero	244.0	0.4	249.7	2.4
Hidalgo	271.1	-0.5	275.3	1.6
Jalisco	1,237.1	0.9	1,257.1	1.6
Mexico City	3,101.8	-0.9	3,112.1	0.3
Michoacán	427.7	-0.6	431.0	0.8
Morelos	200.9	-0.2	206.7	2.9
Nayarit	121.0	0.5	124.1	2.5
Nuevo León	1,354.1	2.2	1,388.8	2.6
Oaxaca	257.7	-1.7	263.0	2.0
Puebla	606.4	0.9	620.2	2.3
Querétaro	414.9	0.3	424.4	2.3
Quintana Roo	292.2	1.3	302.2	3.4
San Luis Potosí	372.9	-0.3	379.6	1.8
Sinaloa	400.5	1.2	409.8	2.3
Sonora	578.3	-0.1	587.3	1.6
State of Mexico	1,538.4	-2.9	1,556.5	1.2
Tabasco	426.6	-8.0	414.2	-2.9
Tamaulipas	508.2	1.4	515.6	1.5
Tlaxcala	106.7	7.2	103.7	-2.8
Veracruz	817.5	0.3	835.1	2.2
Yucatán	264.3	2.1	270.3	2.3
Zacatecas	151.7	-2.7	152.6	0.6
National GDP	18,524.6	-0.1	18,794.8	1.5

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

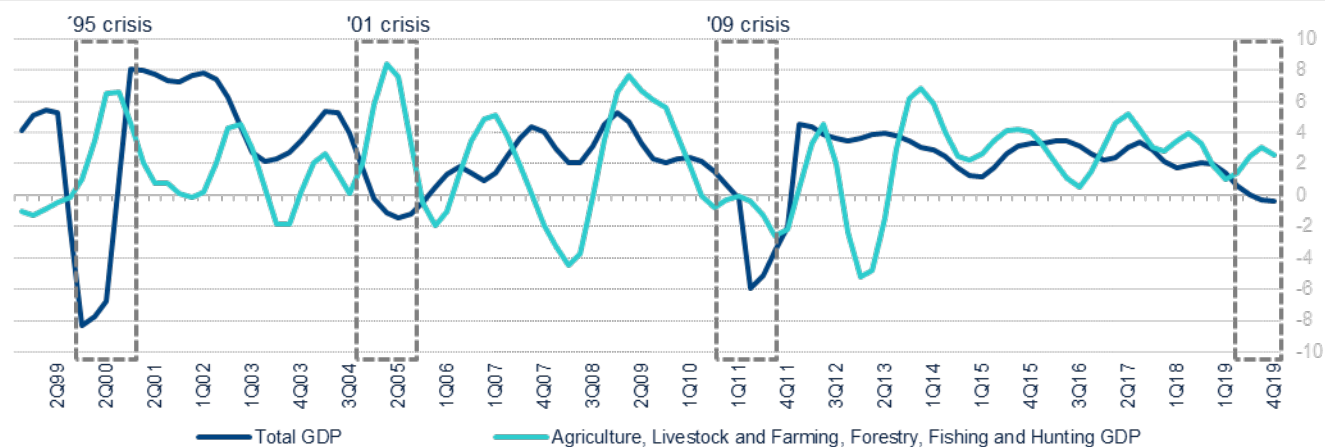
3. Subjects for analysis

3a. Agricultural sector harvest trade agreements

Agricultural GDP barely related to total GDP

For just over 25 years, the dynamics of agricultural GDP do not appear to be directly related to the performance of the economy as a whole. Sometimes they grow or fall together, but in most cases, they go in opposite directions. In periods when the agricultural economy falls, total GDP grows, as was the case in 2005 and 2011. In the three most recent crises, there is no clear pattern either, given that in the first two, the agricultural sector grew as the economy contracted; but in 2009, both fell. At the end of 2019, the economy again closed in negative territory, while agricultural GDP grew 1.9% annually. The correlation between the two series from 1994 to 2019 is just over 20%.

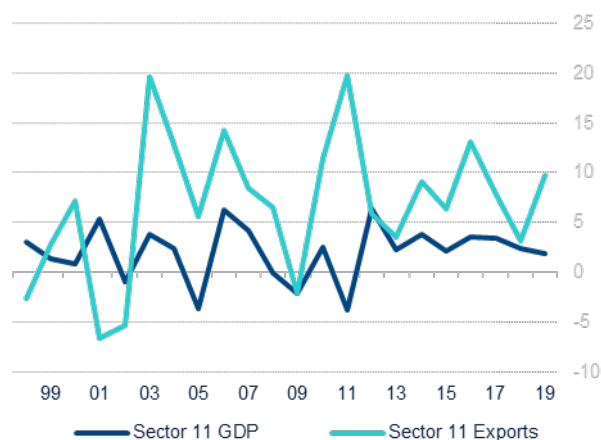
Figure 3a.1 **TOTAL AND AGRICULTURAL GDP, CYCLICAL TREND (% ANNUAL VARIATION)**



Source: BBVA Research based on data from SCN and INEGI

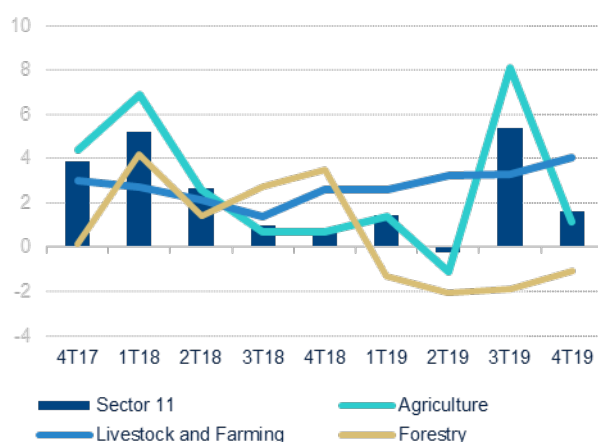
By contrast, comparing GDP and agricultural export variations shows a closer relationship, most notably since 2003. As agricultural exports grow, GDP in this sector improves and vice versa. By subsector, agriculture, as well as animal breeding and production, have had the best performance. They have grown steadily over the past three years. Historically, agriculture accounts for about 60%, while animal breeding and production account for 33%, both of which define the result of the sector. In the same vein, agricultural exports are in first place, while livestock are second.

Figure 3a.2 **GDP AND AGRO EXPORTS**
(% ANNUAL VARIATION)



Source: BBVA Research based on data from SCNM and INEGI

Figure 3a.3 **AGRO GDP PER SUBSECTOR**
(% ANNUAL VARIATION)



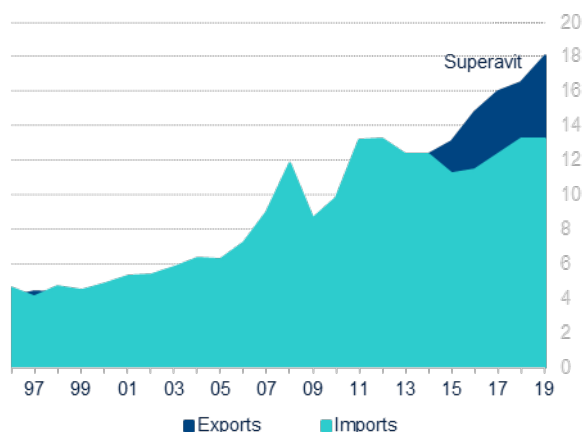
Source: BBVA Research based on data from SCNM and INEGI

Agricultural exports are growing despite the adverse trade climate

Agricultural trade has increased significantly over the past ten years. In 2010, the sum of exports and imports was just \$18.5 billion; by 2019, the activity reached \$31.3 billion. Since 2015, Mexico's trade balance in this sector is a surplus; it also grew until 2019, reaching \$4.9 billion. The surplus obtained in 2015 was due to the combination of export growth and a decrease in imports, although the former had been growing since 2010. The average annual growth rate of agricultural exports from 2015 to 2019 was 7.9%. At the end of 2019, these exports grew 9.7%, reaching for the first time an amount of \$18 billion. This was despite the policy against international trade of our main trading partner.

The vast majority of agricultural exports were agricultural products, followed by livestock, but far off in terms of share; and thirdly, fisheries, which even declined. Within agricultural products, the most notable were fruits, legumes and vegetables. Avocado is currently the main export product, followed by legumes and vegetables, as well as tomatoes. Among these, they account for just over 40% of the total internationally traded value in this sector. Just ten products of the total accumulated 75% of the amount exported, which showed a high concentration. Livestock and fishery products contributed just over 10% of the total during 2019.

Figure 3a.4 **AGRICULTURAL TRADE BALANCE**
(BILLIONS OF DOLLARS)



Source: BBVA Research based on data from INEGI

Figure 3a.5 **AGRICULTURAL EXPORTS**
(USD & % ANNUAL VARIATION)



Source: BBVA Research based on data from INEGI

Strawberry exports grew the most in the last year, followed by legumes and vegetables, whose rates were 41.5% and 29.1%, respectively. Avocados also made remarkable progress, as their international sales rose at an annual rate of 16%. The negative case was that of tomatoes, which due to commercial disputes with the USA decreased their sales by almost 4%. From 2015 to 2019, virtually all products have had a positive average annual growth rate, except for cattle and onions, as well as garlic. The good performance of these exports was largely due to increasing international demand, mainly from the USA, country to which the bulk of agricultural exports were directed.

Figure 3a.1 **2019 AGRICULTURAL EXPORTS**
(MILLIONS OF USD AND PERCENTAGE)

Product	USD	Share
Avocados	2,893	15.7
Legumes and vegetables	2,661	14.5
Tomatoes	1,969	10.7
Fruits	1,565	8.5
Bell peppers	1,374	7.5
Other products	829	4.5
Cattle	823	4.5
Fish and shellfish	679	3.7
Strawberries	584	3.2
Citrus fruits	573	3.1
Cucumbers	542	3.0
Melons, watermelons and papayas	521	2.8
Mangoes	450	2.5
Frozen shrimp	414	2.3
Onions and garlic	394	2.1
Grapes and raisins	294	1.6
Other	1,814	9.9
Total	18,379	100

Source: BBVA Research based on data from the US Census

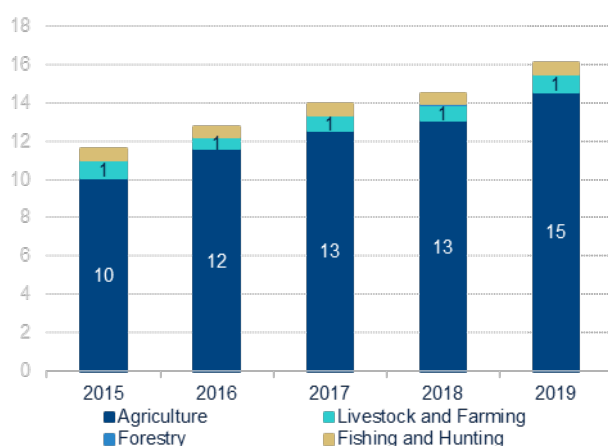
Figure 3a.2 **2019 AGRICULTURAL EXPORTS**
(% ANNUAL VARIATION)

Product	2019	2015-19 Average annual growth rate
Avocados	16.0	12.1
Legumes and vegetables	29.1	11.4
Tomatoes	-3.9	3.2
Fruits	12.9	12.2
Bell peppers	17.9	8.2
Other products	-5.0	3.8
Cattle	8.9	-1.1
Fish and shellfish	-9.9	4.5
Strawberries	41.5	21.0
Citrus fruits	-3.9	8.2
Cucumbers	4.8	4.4
Melons, watermelons and papayas	12.9	0.3
Mangoes	6.5	6.5
Frozen shrimp	10.4	3.3
Onions and garlic	0.4	-2.8
Grapes and raisins	46.9	12.8
Other	-0.6	1.0
Total	9.8	6.6

Source: BBVA Research based on data from the US Census

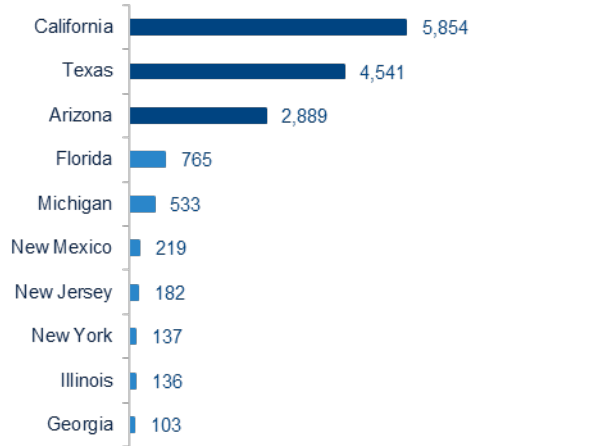
US demand for agricultural products from Mexico has grown steadily in terms of value over the last five years. In 2019, US imports from Mexico totaled more than \$16 billion, 89% of total Mexican agricultural exports. Ninety percent of these exports to the US are of agricultural origin, 5.6% from livestock and the remainder are from forestry exploitation and fishing. The geographical distribution of these exports within the US territory is concentrated in the large border states: California, Texas, Arizona and Florida, even though they are also high-output agricultural regions. This phenomenon is due to the specialization of products according to the conditions of scale, climate and competitive advantages, which in relative terms generates opportunities for Mexican production in a market as productive as that of the USA.

Figure 3a.6 **US IMPORTS FROM MEXICO**
(BILLIONS OF USD)



Source: BBVA Research based on data from the US Census

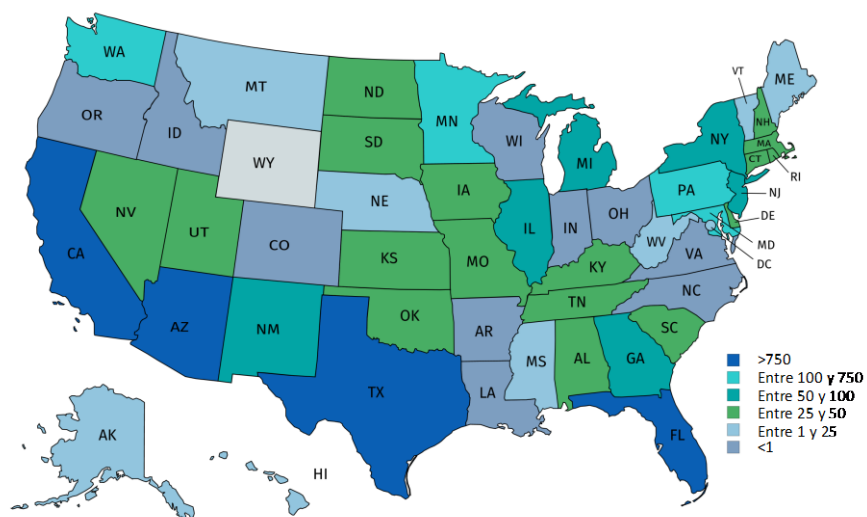
Figure 3a.7 **2019 US IMPORTS FROM MEXICO**
(BILLIONS OF USD)



Source: BBVA Research based on data from the US Census

State-level demand in the US is also highly concentrated, with only five states receiving 90% of Mexican exports. California purchased 36.4% of Mexican exports in 2019; from 2015 to 2019, the annual average growth rate was slightly above 10%. In second and third place were Texas and Arizona with 28.2% and 18% of total Mexican agricultural exports, respectively, with an annual average growth rate of 8.4% for the former and 5.6% for the latter. In general, there has been a growing and sustained demand during this period, although it is often affected by trade disputes, such as the case with tomatoes.

Figure 3a.8 **2019 US AGRICULTURAL IMPORTS FROM MEXICO (MILLIONS OF USD)**



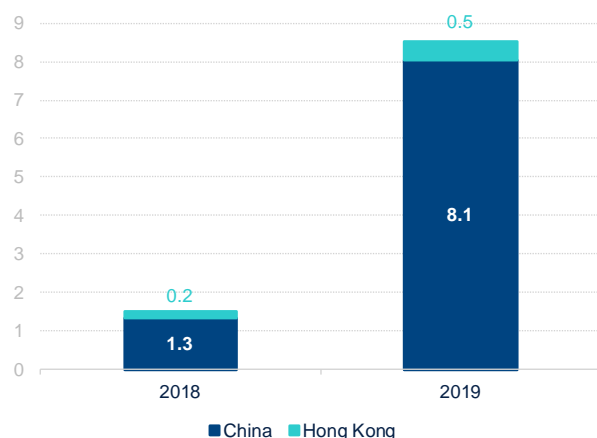
Source: BBVA Research based on data from the US Census

Livestock exports have barely any share of the US market, the main reason being the low competitiveness in the scale and efficiency of US producers. However, the global market has provided space for Mexican livestock exports. This is the case for pork, which has found its largest market in Asia. North America is the target for about 11% of total Mexican pork exports, while Asia was about 85% according to figures from 2018 and the first half of 2019.¹ Japan is the main country demanding this type of meat, with a share of 78%.

In addition to being the region of the world that buys most Mexican pork products, its demand is growing. For example, 2018 exports to China grew by 1.3% and to Hong Kong by 0.2%, but by 2019, they increased by 8.1% and 0.5%, respectively. Due to the distance, demand is higher for frozen meat than fresh, but demand grew for both during the period of analysis.

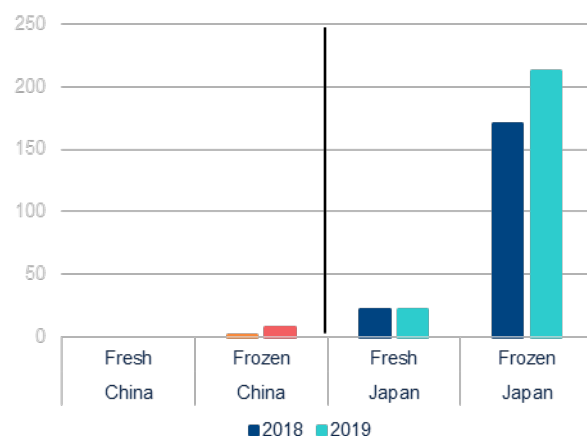
1: The figures used for this section cover the period until June 2019 with annualized figures, since the data source—the SIAVI of the Ministry of Economy—was not available on the date of the closure of this edition due to IT problems of that unit.

Figure 3a.9 **PORK EXPORTS 1H19 (% ANNUAL VARIATION)**



Source: BBVA Research based on data from SIAVI, Economy

Figure 3a.10 **PORK EXPORTS 1H19 (MILLIONS OF DOLLARS)**



Source: BBVA Research based on data from SIAVI, Economy

Pork exports to China are a special case, as it is the country that most produces this meat in the world, although it is not enough to satisfy its domestic demand. In this country, the meat most consumed is pork, but they have also suffered from the African fever that has led to sacrificing much of their production, so we can see a growing demand from this country. Its share of Mexican exports rose from 0.5% to 2.7% of the total. We estimate that China's demand will remain on the rise over the medium term due to this fever, but also due to a structural shift in the Chinese economy, in which its primary activities are expected to have a lower share of its GDP.

Figure 3a.11 **2018 PORK EXPORTS (% SHARE)**



Source: BBVA Research based on data from SIAVI, Ministry of Economy

Figure 3a.12 **2019 PORK EXPORTS (% SHARE)**



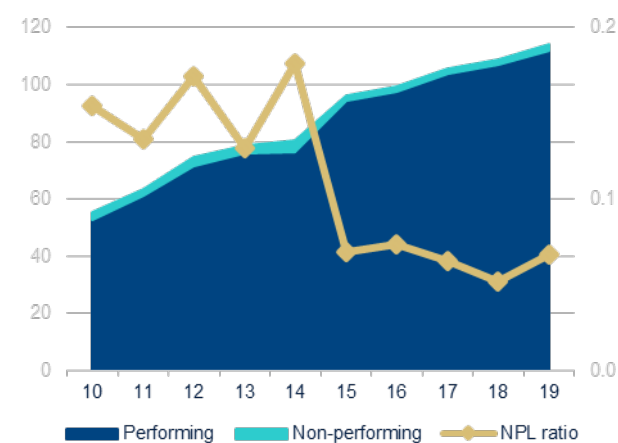
Source: BBVA Research based on data from SIAVI, Ministry of Economy

Bank credit feeds the agricultural sector

The bank credit balance, both commercial and development, reached 114 billion pesos, a rising balance in real terms of 4.7% from 2019 to 2018, well above sectoral GDP and even more so from the economy as a whole. The increase in credit to this sector has led to a decrease in the delinquency rate of this portfolio, which is already below 0.1%; although since the beginning of the current decade, it has not exceeded half a percentage point. This indicator shows us that the high quality of this portfolio has remained in sync with the good performance of the real activity.

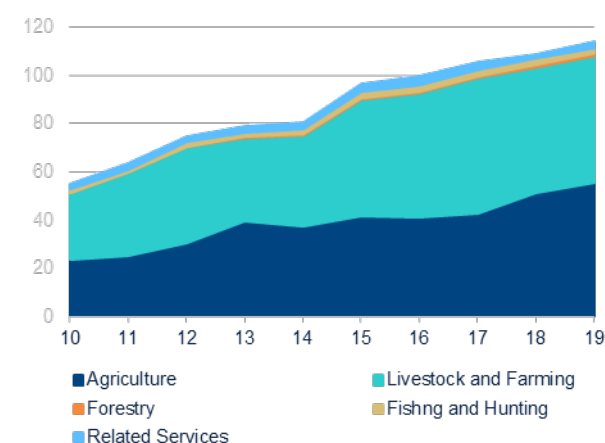
Most of the bank credit to the sector has been received by the agricultural subsector at the end of 2019. However, at the beginning of the decade, credit focused more on the livestock subsector despite the fact that activity has always been greater in the agricultural part. This ratio changed starting in 2013, the year immediately prior exports from this sector accelerated and a couple of years after the surplus was first obtained.

Figure 3a.13 **AGRICULTURAL CREDIT BALANCE**
(BILLIONS OF PESOS AND %)



Source: BBVA Research based on data from Banco de México

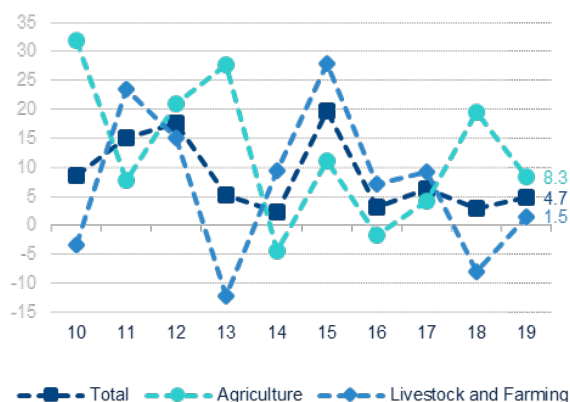
Figure 3a.14 **AGRICULTURAL CREDIT BALANCE**
(BILLIONS OF PESOS)



Source: BBVA Research based on data from Banco de México

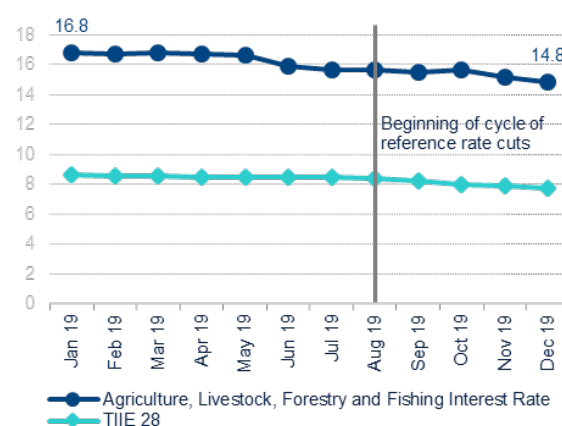
From 2010 to 2019, bank credit for agricultural activity has grown steadily, real growth rates have been positive for each year. Though the financing of this kind to the agricultural or livestock subsector has presented both gains and losses, the total has been increasing during the period of analysis. The most significant explanation is the increase in international trade production and income from such production. We estimate that the flow of financing to the sector will be maintained due to a positive estimate of the sector's growth based on increased international demand, but also because of the improvement of the cost of financing, by lowering interest rates to the sector. This is based on a less restrictive monetary policy that has lowered the cost of funding. We can even see that banking has lowered the weighted average interest rate to the sector before the central bank's policy change in August 2019.

Figure 3a.15 **AGRICULTURAL CREDIT BALANCE**
(% ANNUAL VARIATION)



Source: BBVA Research based on data from Banco de México

Figure 3a.16 **INTEREST RATES**
(% ANNUAL RATE)



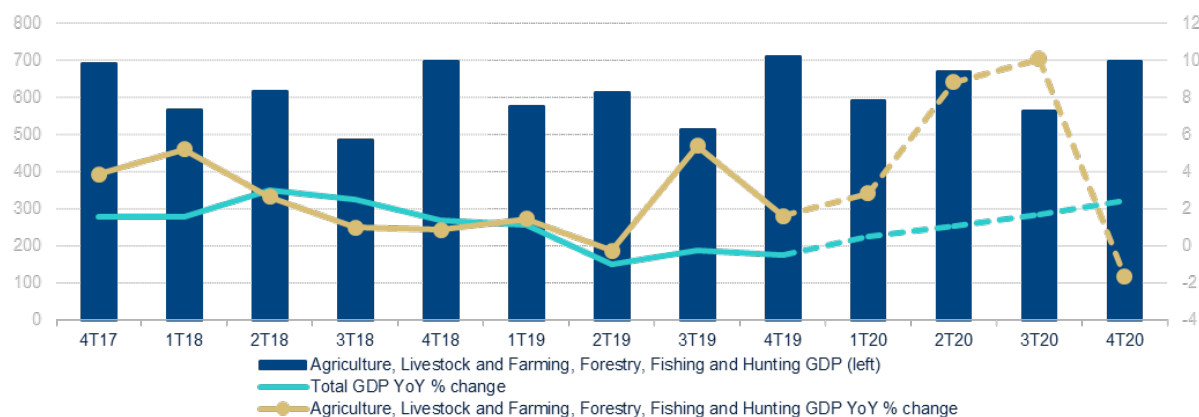
Source: BBVA Research based on CNBV data

Agricultural sector will reap the fruits of international trade

We estimate that the agricultural sector will grow in 2020 at a rate of 4.6% to keep pace with exports and without further variations in international prices for these products. The agricultural subsector will continue to lead the sector and exports, followed by livestock products. The ratification of the trade agreement between the US, Canada and Mexico maintains a better position of the Mexican economy compared to other countries outside the region to maintain its share in the US market.

The challenge for the Mexican market will be to increase its productivity, improve quality and cover niche markets in terms of specialization and quality, in response to demand from the new generations. Population growth ensures that the need for food will continue to rise; however, international competition is also increasing.

Figure 3a.17 **FORECAST OF AGRICULTURAL GDP (% ANNUAL VARIATION)**



Source: BBVA Research based on data from SCNM and INEGI

3b. SMEs: potential for development in Mexico

SMEs account for 3.3% of the total number of commercial enterprises...

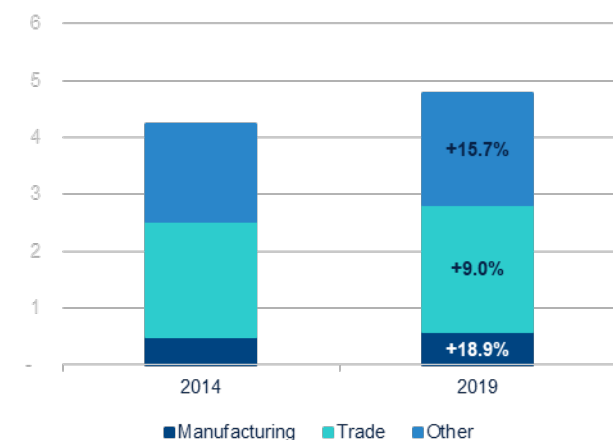
In December 2019, INEGI released the results of the 2019 Economic Censuses (corresponding to business activity in 2018), in which the results of the companies' activity can be found according to their size. This article analyzes the similarities and differences between these data and those of the 2014 Economic Censuses, in order to illustrate the patterns that define the dynamics of small and medium-sized enterprises in our country, emphasizing the economic characteristics of small and medium-sized enterprises. In general, we will be focusing on companies from 11 to 50 (small) and 51 to 250 (medium) employees.

In Mexico, SMEs are concentrated mainly in commercial activities – whether wholesale or retail – and, to a lesser extent, in manufacturing industries. SMEs in the trade sector account for 33.6%, while those in manufacturing account for 14.1% and the rest of the productive sectors account for 53.7%.

It can also be seen that the growth of commercial SMEs in the 2014-2019 intercensal period was 16.7%, much higher than the growth of the total commercial enterprises, which was 9.0%. In addition, this increase was higher than in manufacturing SMEs, which grew 15.7%.

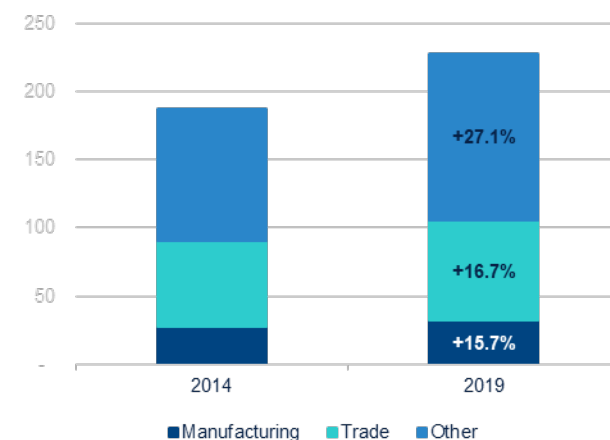
In order to establish a comparable basis in sectoral terms, the wholesale and retail trade indicators were unified, given that the data available from the results of INEGI's 2019 Economic Censuses do not present a breakdown of commercial activity.

Figure 3b.1 **COMPANIES IN 2014 AND 2019**
(MILLIONS OF ECONOMIC UNITS AND %
INTERCENSAL VARIATION)



Source: BBVA Research, estimates based on INEGI data

Figure 3b.2 **SMEs IN 2014 AND 2019**
(THOUSANDS OF ECONOMIC UNITS AND %
INTERCENSAL VARIATION)



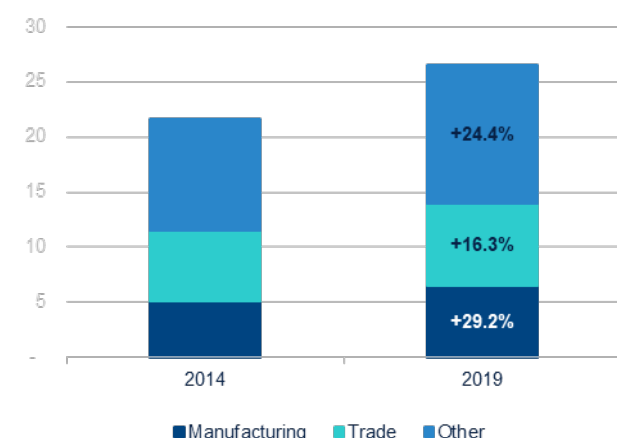
Source: BBVA Research, estimates based on INEGI data

... although they occupy 33.4% of workers in the trade sector

Despite representing only 3.3% of total commercial enterprises (73,395 of 2,227,058), SMEs account for 33.4% of workers in commercial enterprises (2,479,821 employed out of a total of 7,429,463 in the trade sector).

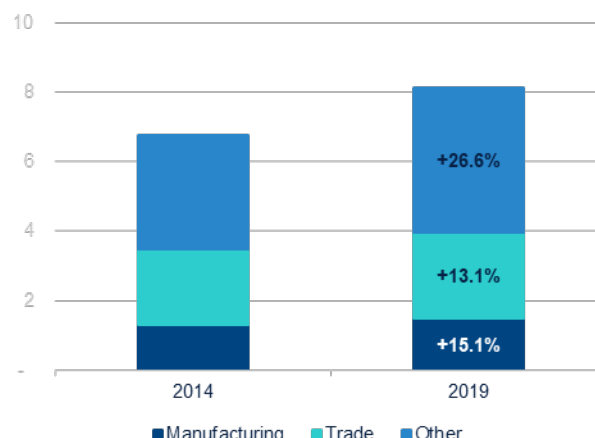
In addition, 30.5% of employees in SMEs at the national level are in the trade sector, while employment in manufacturing SMEs represents 18.4%. An immediate comparison with the total realm of companies shows us that employment in commercial SMEs grew 13.1%, less than the total employment in the trade sector, which increased 16.3%; for manufacturing, the effect is even more intense, with an increase of 15.1% in SMEs compared to 29.2% in all companies.

Figure 3b.3 **EMPLOYMENT: TOTAL COMPANIES**
(MILLIONS OF PEOPLE EMPLOYED AND %
INTERCENSAL VARIATION)



Source: BBVA Research with data from the Ministry of Economy

Figure 3b.4 **EMPLOYMENT: SMES**
(MILLIONS OF PEOPLE EMPLOYED AND %
INTERCENSAL VARIATION)



Source: BBVA Research with data from the Ministry of Economy

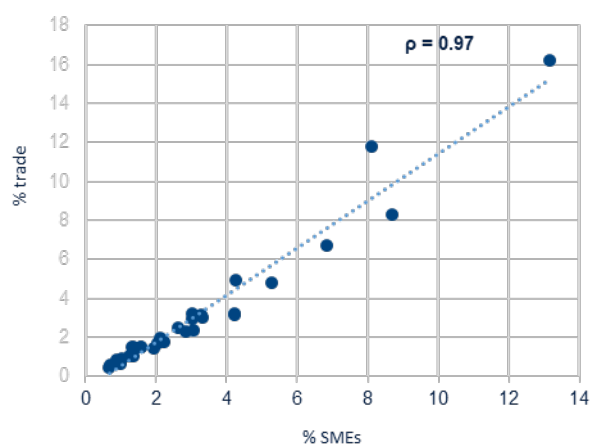
This implies that, in the case of commercial SMEs, the average company has fewer staff than in 2014. In the case of manufacturing, this effect exists, but is dramatically lower, with growth rates of economic units and employees at 15.7% and 15.1%, respectively. This is consistent with the complementarities between the people employed and the other productive factors in the case of manufacturing activities. In other words, manufacturing has relatively constant proportions between the use of raw materials or machinery and the workforce in the production function, a phenomenon consistent with the observed intercensal growths.

In the case of trade, the substitutability characteristic is more present and the trend to reduce the number of employees per economic unit is a result of this phenomenon. In addition, commercial activities represent the last links of one or more supply chains (and in the case of wholesale trade, the penultimate ones), so their centrality in the generation network of supply of a product is much smaller than that of the manufacturing industries.

For the purposes of potential analysis in a given market, and as an additional point of comparison between commercial and manufacturing SMEs, we can observe the geographical distribution of total SMEs and manufacturing and

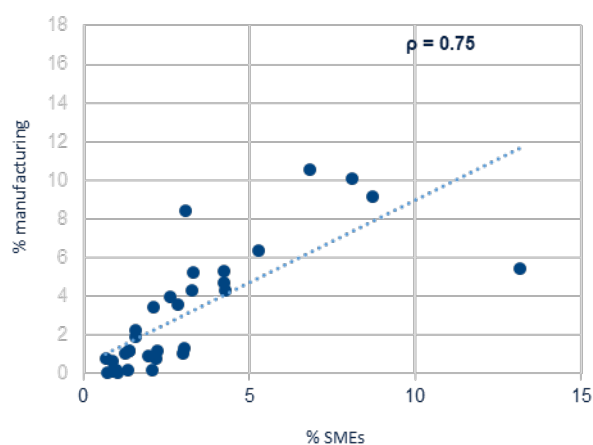
commercial GDP. As expected, the relationship between the number of economic units and aggregate value is positive, both in the case of trade and in the case of manufacturing. However, we can see that, in the case of commercial activities, the correlation is very strong, whereas, in the case of manufacturing, this effect is not as strong, as illustrated in Figures 3b.5 and 3b.6.

Figure 3b.5 **SMES AND GDP COMMERCE BY FEDERAL STATE (% SHARE)**



Source: BBVA Research based on data from Banco de México

Figure 3b.6 **SMES AND GDP FROM MANUFACTURING BY FEDERAL STATE (% SHARE)**



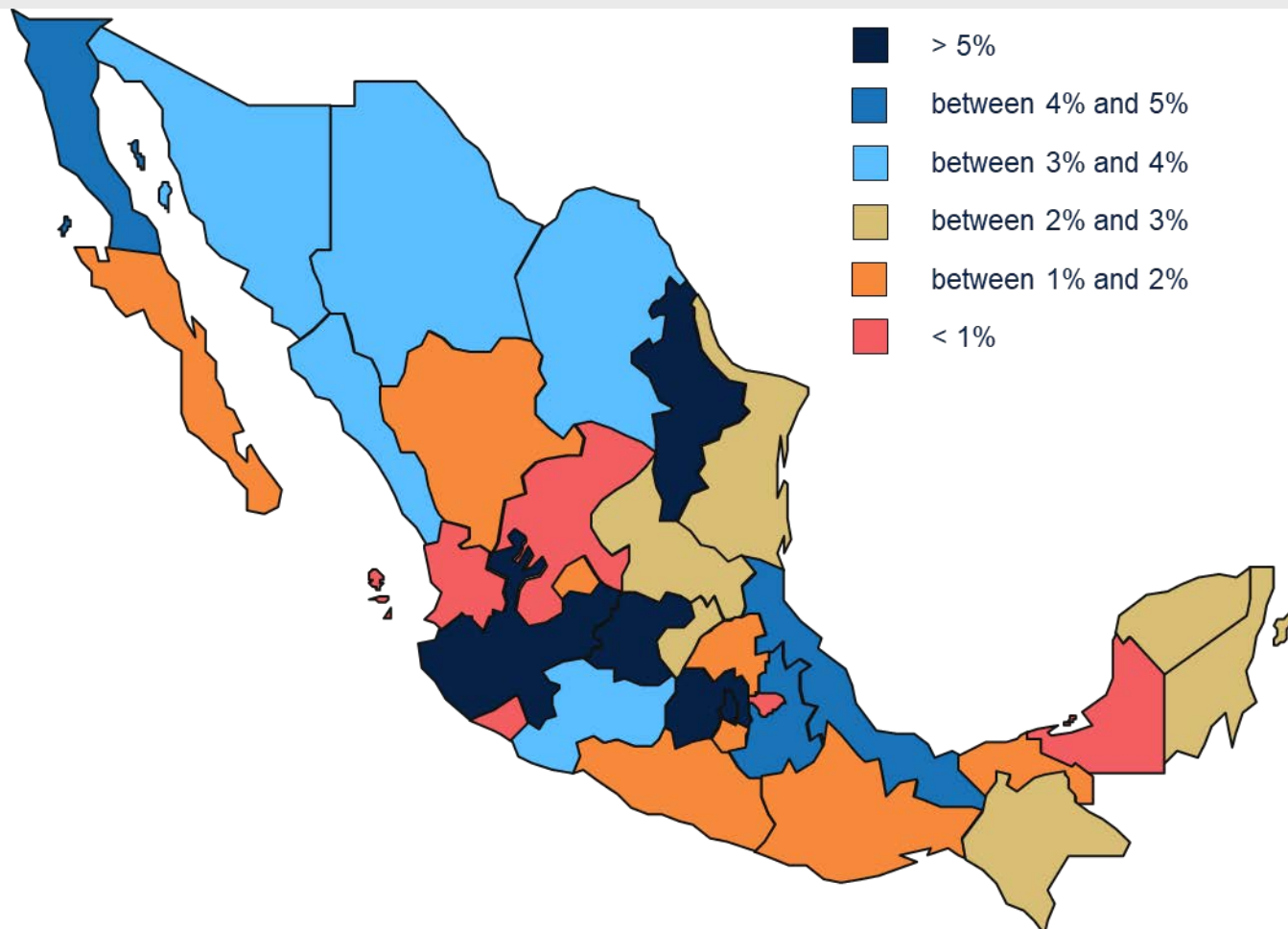
Source: BBVA Research based on data from Banco de México

The above relationship can be clarified by considering, for example, a spurious variable, such as population – and its respective distribution – and thus the geographical patterns marked by private consumption. In the case of manufacturing activities, as has already been mentioned in previous versions of the **Mexico Regional-Sectoral Situation Report**, the distribution of production is not strictly consistent with that of the population.

In conclusion, it can be said that the distribution of SMEs is due to population patterns and that the geographical distribution of economic units can serve as an advance indicator to infer the geographical distribution of GDP from trade.

With data from the 2019 Economic Census, we can see that the states with the highest percentage of SMEs are: Mexico City (13.2%), Jalisco (8.7%), Mexico State (8.1%), Nuevo León (6.8%) and Guanajuato (5.3%). In contrast, we find the states with the lowest share in the number of SMEs are: Nayarit (1.0%), Colima (0.9%), Zacatecas (0.9%), Campeche (0.7%) and Tlaxcala (0.7%).

Figure 3b.7 **SMES BY FEDERAL STATE (% SHARE)**



Source: BBVA Research based on data from INEGI (2019 Economic Census)

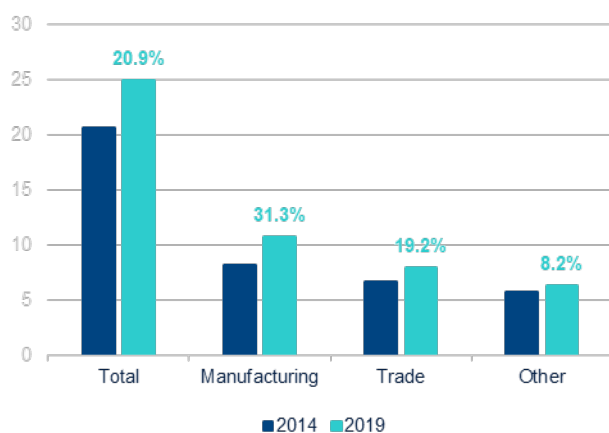
Commercial SME revenues increased 18.0% in 5 years...

In order to approximate the value generated by SMEs, data on income from the supply of goods and services are available, both in the 2014 Economic Census and in 2019 classified by size of the economic unit. Expenditure data will only be available once the final results are published, so only income comparisons are presented in the analysis.

Analyzing the total number of companies in the intercensal period, the revenues of the total number of companies increased by 20.9%, while for SMEs, the increase was 25.1%, considerably higher. If we made the same comparison only for manufacturing companies, we observed that the overall increase in revenues was 31.3%, while for SMEs it was 13.7%.

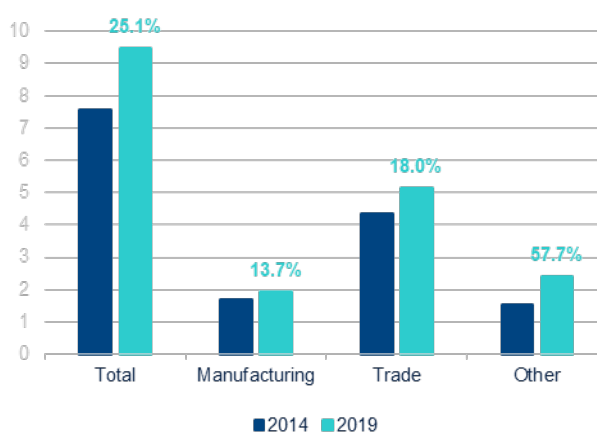
The difference was significantly lower in the case of total revenues from commercial enterprises—19.7% compared to an 18.0% increase in commercial SMEs. In the case of the rest of the economic activities, SMEs stand out with a 57.7% increase in income, compared with 8.2% of the total number of companies in these productive sectors.

Figure 3b.8 **INCOME: TOTAL COMPANIES**
(BILLIONS OF PESOS AND % INTERCENSAL VARIATION)



Source: BBVA Research, estimates based on INEGI data

Figure 3b.9 **INCOME: SMES**
(BILLIONS OF PESOS AND % INTERCENSAL VARIATION)



Source: BBVA Research, estimates based on INEGI data

Metal or automotive manufacturing, for example, large value concentrators are also manufactured on a much larger scale of operation. In fact, the fixed costs that the company faces involve a certain size of scale, and, therefore, a minimum number of staff for the operation of the industry. In the case of manufacturing SMEs, which account for only 17.9% of total manufacturing revenues, the fixed costs incurred are much lower due to the mere definition of the size of the economic unit.

The story is different for commercial enterprises, where SMEs account for 64.4% of sectoral revenues and, together with the number of economic units, this sectoral composition implies a smaller average scale of operation and therefore greater ease of covering fixed costs and reaching their point of balance. Economically, under an intertemporal optimization scheme in production, this may mean less obligatory permanence in the market to obtain positive benefits.

In terms of industrial organization, fixed costs also represent a barrier to entry that is most present in large manufacturers, the main generators of value in the sector, compared to SMEs, which are for commercial activities. Coupled with the reduced need for cost-coverage permanence in the market, this implies a higher business turnover in the trade sector than in manufacturing industries.

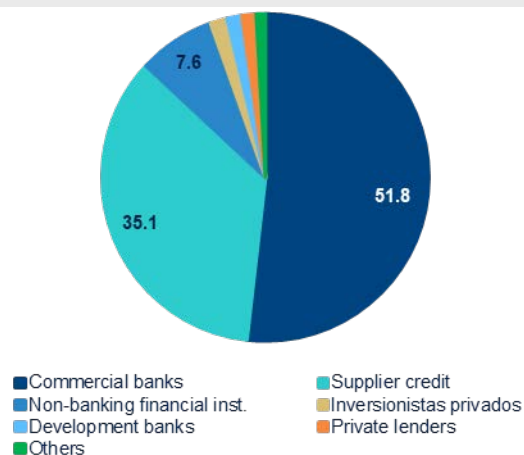
Commercial SMEs finance inputs via commercial banking...

According to the National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises (ENAPROCE 2018)², 79.1% of companies use the financing obtained for the purchase of inputs, while 20.8% use it to pay other credits and 20.0% to purchase machinery.

Data from the main sources of financing for commercial SMEs are available in the ENAPROCE 2018, but with data on amounts received up to 2017. Despite the delay in information, commercial banking is seen as the main source of business financing.

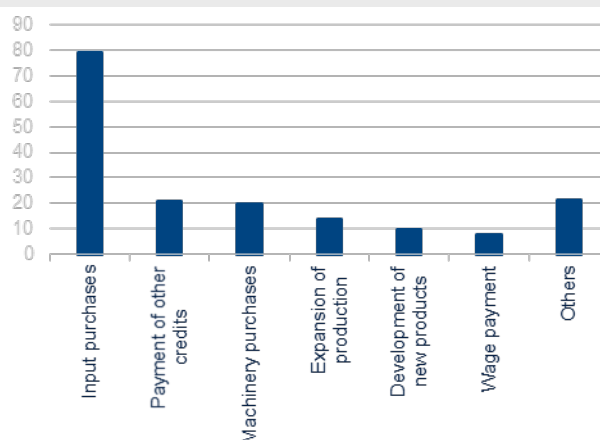
With a total financing amount of 141.7 billion pesos, banking participates with 51.8%, while the supplier credit occupies second place, with a 35.1% stake. In general, the formal financial system, according to the INEGI definition in ENAPROCE, represents 60.9% of the financing, while private investors, private lenders and others, together with suppliers, make up the remaining 39.1%.

Figure 3b.10 **COMMERCIAL MSMEs:**
SOURCES OF FINANCING
(% SHARE IN THE AMOUNT)



Source: BBVA Research, estimates based on INEGI data

Figure 3b.11 **COMMERCIAL MSMEs:**
USES OF FINANCING
(% OF COMPANIES)



Source: BBVA Research, estimates based on INEGI data

... and they could increase their activity in 2020 by over 1.0%

However, Coronavirus COVID-19 has already wreaked havoc in countries such as China and Italy, and, if these conditions continue and proliferate, it would have a direct impact on the global trade sector and Mexico.

Some branches of retail trade, such as food, beverages and tobacco, could suffer less from falling demand, because of the indispensable factors that result in the baskets of consumers. However, other commercial branches such as

2: ENAPROCE expands the realm of the study including micro-enterprises, with 10 or fewer people employed in the economic unit.

department stores would be affected by their activity. The final effect on the change in the quantity exchanged will depend on the elasticity of demand for the products and the binding operating restrictions for the bidders.

In the case of SMEs, conditions could be very serious if the quarantine is implemented at the national level or with mandatory activity closures, as was the case in China.

On the other hand, retail trade over the Internet could be a platform for small and medium-sized entrepreneurs to boost their commercial activity. Digital media in the financial sector, particularly in payment methods, favors commercial enterprises in terms of responding to demand and reducing transactional costs.

In short, 2020 could represent a year of opportunities in the trade sector for SMEs, though mitigating the external risks faced by national economic activity. In Mexico, the economy in the 2014-2019 intercensal period showed signs of the increasing participation by SMEs in the economy.

The future challenge is to ensure that, as in most developed countries, SMEs are consolidated as a livelihood for economic activity, adapted to the advantages of the current technology, as providers of a broad spectrum of diversified goods and as multisectoral suppliers; in particular, users of financial services as a gateway to the benefits of the digital age in business processes.

4. Statistical annex

4a. State economic performance indicators

 Cuadro 4a.1 **SELECTED INDICATORS**

	Real GDP ¹ 2019	Popula- tion ² 2019	Real GDP 2019 USD ³	Real GDP per capita 2019 ⁴	AAGR ⁵ , % 2010-2019			National ranking					
					Real GDP	Pop.	Real GDP per capita	Real GDP 2019 ⁶	Real GDP per capita 2019 ⁷	FDI 2019 ⁸	Emple- ment 2019 ⁹	Fed cont. 2019 ¹⁰	Public debt 2019 ¹¹
Nacional	18,524.6	126.6	961.9	7.6	2.7	1.1	1.6						
Aguascalientes	233.0	1.4	12.1	8.5	5.7	1.7	3.9	25	10	19	12	28	23
Baja California	569.6	3.6	29.6	8.3	3.6	1.4	2.2	11	11	11	7	13	10
Baja California Sur	164.2	0.8	8.5	10.8	5.3	2.3	2.9	28	4	17	22	31	22
Campeche	515.6	1.0	26.8	27.2	-4.1	1.8	-5.9	12	1	30	21	27	20
Chiapas	271.1	5.6	14.1	2.5	1.0	1.4	-0.4	20	32	26	31	8	15
Chihuahua	582.1	3.8	30.2	8.0	3.9	1.8	2.1	9	12	7	9	12	3
Coahuila	632.3	3.2	32.8	10.3	4.5	0.9	3.5	7	5	8	20	17	2
Colima	111.6	0.8	5.8	7.5	3.9	0.0	3.9	31	14	32	26	32	18
Durango	204.9	1.9	10.6	5.7	2.3	1.1	1.2	26	20	27	28	26	11
Guanajuato	728.6	6.2	37.8	6.1	4.8	1.1	3.7	6	19	12	1	6	28
Guerrero	244.0	3.6	12.7	3.5	2.1	0.6	1.6	24	30	24	32	18	30
Hidalgo	271.1	3.1	14.1	4.6	3.7	1.3	2.4	21	28	23	24	20	24
Jalisco	1,237.1	8.3	64.2	7.7	4.0	1.2	2.8	4	13	6	2	3	16
México	1,538.4	17.2	79.9	4.6	3.7	1.2	2.5	2	27	3	6	1	19
Mexico City	3,101.8	9.0	161.1	17.8	3.2	1.6	1.6	1	2	1	3	2	7
Michoacán	427.7	4.8	22.2	4.6	3.4	0.9	2.5	14	26	22	16	9	12
Morelos	200.9	2.0	10.4	5.2	2.0	1.2	0.8	27	21	15	29	23	14
Nayarit	121.0	1.3	6.3	4.9	3.0	1.6	1.5	30	23	28	19	29	9
Nuevo León	1,354.1	5.5	70.3	12.7	3.7	1.7	2.1	3	3	2	4	5	1
Oaxaca	257.7	4.1	13.4	3.2	1.6	0.7	0.9	23	31	31	30	15	17
Puebla	606.4	6.5	31.5	4.8	3.8	1.1	2.7	8	24	4	13	7	29
Querétaro	414.9	2.2	21.5	9.6	4.7	2.1	2.6	16	7	9	5	21	31
Quintana Roo	292.2	1.7	15.2	9.0	4.9	2.6	2.3	19	8	16	10	24	4
San Luis Potosí	372.9	2.8	19.4	6.8	4.2	0.8	3.3	18	16	14	18	19	27
Sinaloa	400.5	3.1	20.8	6.6	3.0	1.1	1.9	17	17	25	8	16	21
Sonora	578.3	3.0	30.0	9.9	3.8	1.3	2.5	10	6	20	15	14	5
Tabasco	426.6	2.5	22.2	8.7	-0.5	1.3	-1.8	15	9	18	27	11	25
Tamaulipas	508.2	3.6	26.4	7.3	1.4	0.9	0.5	13	15	5	11	10	8
Tlaxcala	106.7	1.4	5.5	4.1	1.6	1.4	0.2	32	29	21	25	30	32
Veracruz	817.5	8.5	42.5	5.0	1.9	0.9	1.0	5	22	10	17	4	6
Yucatán	264.3	2.2	13.7	6.1	3.6	1.3	2.3	22	18	29	14	22	26
Zacatecas	151.7	1.7	7.9	4.8	2.1	0.9	1.2	29	25	13	23	25	13

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 2019). 4: US\$ thousands (average exchange rate for 2019). 5: Average annual growth rate (%). 6: Position based on real GDP 2019. 7: Position based on real GDP per capita 2019. 8: Position based on Foreign Direct Investment captured by the state in 2019. 9: Position based on the change in the number of workers insured with the IMSS in 2019. 10: Position based on the federal government contributions shown in branch 28 of the State Budget (PEF) in 2019. 11: Position based solely on financial obligations registered with the SHCP as a percentage of total state income as of 3Q19 (contributions & federal transfers, taxes, rights, products & 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	4.2	3.4	5.6	0.1	1.3	-0.6	3.3	2.4	0.9	3.4	1.6	2.3
Primary Sector	4.8	3.6	-6.2	0.9	14.2	1.6	8.7	-0.8	27.3	-7.5	9.0	9.0
Secondary Sector	2.4	2.8	3.5	3.6	1.6	-2.1	3.3	3.9	11.3	9.9	8.5	7.8
Tertiary Sector	5.6	3.8	4.0	4.6	6.1	7.4	3.0	1.4	5.6	4.4	6.7	5.1
Industrial Activity	2.4	2.8	3.5	3.6	1.6	-2.1	3.3	3.9	11.3	9.9	8.5	7.8
Manufacturing Production	3.4	4.8	6.8	8.8	6.3	0.2	3.4	6.4	13.3	12.5	8.2	9.0
Construction	3.7	-3.2	11.4	12.5	-7.6	-10.5	17.2	0.7	23.9	-1.0	8.0	-16.3
Private Sector Works	2.6	1.5	-3.3	15.8	-5.8	14.8	19.6	2.4	20.9	-13.1	-1.2	-21.7
Public Works	15.3	-8.1	54.0	5.1	-12.0	-44.7	14.1	-0.4	28.0	15.7	19.4	-10.8
Retail sales	-1.2	4.1	4.4	3.3	7.5	7.3	1.5	2.5	14.6	11.0	13.9	12.5
Wholesale sales	2.1	2.1	2.2	15.6	7.5	21.1	4.1	4.2	3.3	4.1	13.9	4.6
Employed population (ENOE***)¹	0.6	2.5	2.7	2.8	3.3	3.7	3.0	3.7	3.5	1.3	3.4	2.7
Insured workers (IMSS)	5.3	6.1	6.1	5.5	5.2	5.7	5.0	5.2	7.7	7.9	7.0	5.3
Permanent	6.3	6.5	6.4	5.9	5.7	5.9	5.3	4.5	7.0	7.1	6.4	5.5
Casual labor, urban	-4.3	-3.2	2.6	2.5	0.6	4.6	2.6	2.6	13.3	10.5	3.8	0.7
Federal contributions (Branch 28)	-0.5	7.5	-2.5	14.0	8.6	6.9	10.6	3.3	-3.6	2.9	9.2	3.1
FDI (US\$ millions)	1,577	1,135	481	121	59	135	1,661	1,594	293	210	297	368

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

	Baja California Sur						Campeche					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	10.6	17.4	15.0	-2.3	-2.6	-9.4	-10.5	-1.5	-0.9	-2.2	-2.5	-2.2
Primary Sector	-0.8	3.5	-0.1	7.9	8.6	5.6	-0.4	8.6	-1.1	19.4	1.3	12.6
Secondary Sector	25.2	44.0	32.1	57.0	34.5	17.8	-12.0	-2.2	-6.7	-10.4	-6.8	-9.0
Tertiary Sector	5.1	7.2	5.6	5.4	4.6	9.5	-1.4	2.4	2.3	0.3	2.0	-0.5
Industrial Activity	25.2	44.0	32.1	57.0	34.5	17.8	-12.0	-2.2	-6.7	-10.4	-6.8	-9.0
Manufacturing Production	0.0	1.1	-8.7	-2.6	6.9	4.1	-4.3	1.6	10.2	-9.4	-8.2	-8.7
Construction	19.7	36.1	4.9	44.4	16.2	-3.7	-29.3	-18.2	2.8	-23.5	-10.7	-1.6
Private Sector Works	8.3	2.1	5.8	23.4	-2.5	-1.0	6.5	-4.9	-46.7	-28.7	156.6	24.9
Public Works	69.8	122.2	3.1	91.2	74.0	-8.2	-30.6	-18.6	8.6	-23.2	-20.6	-2.4
Retail sales	8.1	4.1	22.8	12.6	12.4	0.9	-8.0	1.8	7.5	9.8	18.4	12.9
Wholesale sales	3.8	14.3	8.3	6.5	12.4	0.6	6.1	16.0	28.1	6.1	18.4	8.0
Employed population (ENOE***)¹	4.2	5.2	3.0	4.4	5.5	4.0	1.1	2.8	0.2	2.6	1.7	2.4
Insured workers (IMSS)	9.2	8.4	3.3	3.9	5.5	10.4	-5.2	3.0	-0.7	-3.9	-7.9	-6.9
Permanent	6.9	5.0	2.3	2.9	3.1	6.6	-5.0	1.3	0.3	-4.0	-7.2	-6.6
Casual labor, urban	20.8	16.0	4.4	3.9	7.8	10.8	-4.7	7.6	-5.6	-4.2	-9.8	-7.5
Federal contributions (Branch 28)	14.3	9.5	2.2	7.3	1.5	0.4	-14.5	19.5	0.7	34.8	14.0	21.0
FDI (US\$ millions)	585	485	56	90	164	51	328	131	117	69	286	69

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	-2.7	-2.1	-4.1	-1.7	-2.9	-3.3	3.4	1.6	3.7	4.9	2.6	1.8
Primary Sector	-6.7	1.3	-3.6	-0.3	-2.0	3.4	15.6	0.8	17.5	-7.0	14.8	3.1
Secondary Sector	-14.3	-11.3	-15.3	-6.8	-3.3	-4.9	2.3	-0.6	7.9	2.4	5.4	10.2
Tertiary Sector	1.7	0.2	4.1	1.2	-2.0	0.6	3.0	3.1	7.0	4.1	5.2	5.3
Industrial Activity	-14.3	-11.3	-15.3	-6.8	-3.3	-4.9	2.3	-0.6	7.9	2.4	5.4	10.2
Manufacturing Production	-12.0	-9.4	-6.1	-4.4	-3.2	5.9	4.5	0.8	6.3	4.0	8.0	11.8
Construction	-19.5	-19.4	-21.2	-17.9	-6.8	-14.9	12.5	-36.2	-12.5	-3.4	4.4	15.3
Private Sector Works	-47.2	-5.0	-6.3	38.9	-25.4	-26.4	20.6	-40.8	-6.0	-4.1	3.9	19.5
Public Works	-9.3	-20.8	-24.9	-30.6	-1.3	-12.2	-14.2	-14.6	-36.1	-0.6	7.0	-2.3
Retail sales	0.2	0.5	3.6	1.1	0.2	2.1	0.4	5.9	13.4	11.2	11.0	7.5
Wholesale sales	-0.4	-0.3	6.5	6.5	0.2	3.8	-1.3	0.7	5.9	8.3	11.0	4.0
Employed population (ENOE***)¹	-1.9	0.9	-0.5	1.7	5.8	7.6	1.2	4.7	5.8	2.8	1.9	3.0
Insured workers (IMSS)	-0.2	2.3	1.4	2.1	3.3	2.0	3.3	2.8	5.7	5.7	6.1	6.3
Permanent	-0.2	2.1	0.8	2.1	3.4	2.8	3.2	3.0	5.6	6.4	7.2	7.2
Casual labor, urban	1.0	-0.1	10.4	8.2	6.7	0.6	4.8	-1.4	7.3	0.4	-3.6	-1.5
Federal contributions (Branch 28)	4.8	3.4	-5.0	6.0	2.0	1.0	8.8	0.9	-4.8	9.0	10.0	6.3
FDI (US\$ millions)	217	69	79	33	108	46	1,756	1,147	370	459	1,092	555

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

	Coahuila						Colima					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	5.3	1.3	-0.9	1.3	1.7	2.8	4.2	2.6	-1.4	4.5	2.2	4.9
Primary Sector	2.6	5.6	-7.7	-2.6	-8.9	-1.3	3.5	6.8	-2.4	-10.5	-14.6	21.6
Secondary Sector	6.4	-0.3	-0.6	-1.2	1.3	-1.8	-1.5	-1.5	-8.6	-2.9	10.3	10.3
Tertiary Sector	4.2	3.0	4.6	4.3	5.1	2.8	6.2	3.8	2.7	1.4	1.3	2.4
Industrial Activity	6.4	-0.3	-0.6	-1.2	1.3	-1.8	-1.5	-1.5	-8.6	-2.9	10.3	10.3
Manufacturing Production	3.8	3.8	1.0	-0.2	1.6	-3.2	0.9	1.8	-0.7	6.5	3.5	3.5
Construction	16.5	1.1	-13.0	-6.5	-21.1	-10.2	29.0	-45.8	-14.7	10.5	25.5	45.0
Private Sector Works	6.8	17.6	-21.2	-15.8	-12.6	-11.7	26.1	-37.0	-4.4	7.4	18.3	37.5
Public Works	41.3	-18.1	7.1	14.7	-34.7	-7.2	35.0	-49.1	-22.4	13.2	34.2	55.6
Retail sales	2.2	2.9	13.6	10.4	8.4	7.6	9.6	4.0	6.0	3.9	2.0	0.3
Wholesale sales	-0.3	0.2	4.6	4.1	8.4	-3.4	10.5	5.1	5.0	11.6	2.0	-0.2
Employed population (ENOE***)¹	1.4	2.0	2.6	0.5	-0.6	1.1	2.6	4.2	2.9	1.4	0.4	1.5
Insured workers (IMSS)	3.5	4.9	5.7	5.3	5.0	4.6	5.2	3.7	3.2	3.1	2.1	0.6
Permanent	4.0	4.6	5.0	4.9	5.0	4.6	5.3	3.8	2.6	2.0	1.7	0.2
Casual labor, urban	0.3	3.6	10.8	8.2	5.3	4.3	4.6	4.3	7.5	7.9	4.1	0.9
Federal contributions (Branch 28)	5.1	-0.1	-5.9	9.0	3.3	-1.9	2.3	5.5	-2.8	12.7	4.1	4.7
FDI (US\$ millions)	2,674	3,173	501	173	448	247	144	99	110	0	39	15

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	-1.2	0.8	2.2	4.7	2.5	0.7	4.8	1.2	0.3	0.8	-1.1	0.3
Primary Sector	0.5	-1.8	4.5	0.9	-3.2	-8.7	6.4	4.6	2.9	0.8	0.3	-11.9
Secondary Sector	-0.2	-0.4	-5.4	-5.8	1.9	-0.6	3.8	-3.8	13.0	17.6	5.9	2.0
Tertiary Sector	-2.0	2.0	3.4	4.6	4.1	0.2	5.3	4.1	5.9	9.5	3.4	2.8
Industrial Activity	-0.2	-0.4	-5.4	-5.8	1.9	-0.6	3.8	-3.8	13.0	17.6	5.9	2.0
Manufacturing Production	3.5	1.7	3.3	5.2	2.6	-0.3	2.0	-3.1	16.5	21.3	8.0	5.7
Construction	11.6	-23.2	-9.4	-49.5	9.0	12.4	-2.5	-11.9	15.6	-1.1	-3.3	-1.2
Private Sector Works	15.1	-14.6	-14.2	-55.2	11.6	15.6	-7.7	17.3	7.0	-1.4	-22.1	-13.6
Public Works	9.7	-29.2	-4.2	-43.8	6.6	9.9	4.1	-30.1	25.7	-0.6	19.0	11.5
Retail sales	0.7	1.0	2.9	4.2	5.5	4.5	5.8	2.3	11.0	9.3	9.9	9.6
Wholesale sales	-4.3	2.5	1.0	6.0	5.5	1.0	11.3	14.4	-1.5	1.6	9.9	4.0
Employed population (ENOE***)¹	-0.3	2.4	3.5	6.7	7.3	6.4	0.4	3.0	-1.0	2.6	-0.7	2.9
Insured workers (IMSS)	2.6	3.6	3.6	3.1	2.4	2.2	6.2	5.8	8.3	7.0	6.1	4.7
Permanent	3.0	3.1	3.2	3.1	2.5	3.0	7.0	5.0	6.9	6.2	5.6	4.8
Casual labor, urban	-1.9	5.9	7.2	2.8	2.6	-3.4	0.3	6.0	17.3	13.0	9.8	3.7
Federal contributions (Branch 28)	8.4	5.5	-1.8	11.0	6.9	6.3	5.1	3.4	-3.2	11.9	12.5	10.3
FDI (US\$ millions)	101	366	59	48	96	15	1,746	2,406	488	17	420	820

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

	Guerrero						Hidalgo					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	-0.4	3.0	1.2	1.9	-1.5	-1.1	0.0	3.2	0.5	2.1	-2.5	-1.3
Primary Sector	3.8	-0.5	23.3	-8.5	-5.8	-23.1	1.9	-0.6	-10.2	7.3	-16.7	4.9
Secondary Sector	-4.4	6.4	-2.5	1.1	-4.4	-19.3	-4.2	2.0	3.7	8.1	6.2	14.2
Tertiary Sector	0.3	2.5	2.8	4.6	2.9	5.5	2.4	4.2	3.5	6.7	5.2	3.9
Industrial Activity	-4.4	6.4	-2.5	1.1	-4.4	-19.3	-4.2	2.0	3.7	8.1	6.2	14.2
Manufacturing Production	-2.9	1.9	-3.0	-1.9	-0.6	-1.0	3.5	4.8	-2.0	1.0	-1.1	12.0
Construction	-27.1	8.4	-18.6	-31.8	-33.7	-64.1	-27.5	14.8	1.1	-6.3	-9.4	-19.1
Private Sector Works	-43.5	12.5	32.0	11.8	-17.1	-63.1	-25.9	8.5	10.0	-4.0	-3.2	-14.5
Public Works	-22.4	11.8	-26.5	-37.8	-36.9	-64.4	-29.3	28.7	-10.7	-9.4	-18.5	-27.4
Retail sales	-2.9	-8.1	8.3	5.7	3.0	17.9	1.4	3.6	32.1	26.6	28.1	26.3
Wholesale sales	3.1	15.5	-0.9	3.0	3.0	7.6	6.1	2.5	-1.9	2.5	28.1	4.6
Employed population (ENOE***)¹	1.0	1.0	1.4	-2.2	-3.2	1.3	-0.9	6.4	4.0	3.0	6.3	6.6
Insured workers (IMSS)	2.5	0.7	4.1	0.5	0.0	0.2	2.8	5.1	3.5	1.8	1.5	1.9
Permanent	3.6	0.0	2.2	-0.3	-0.1	0.6	3.7	5.1	2.7	1.7	2.1	2.7
Casual labor, urban	-0.9	3.9	12.8	3.7	0.3	-1.0	-0.2	3.7	6.1	2.0	-0.4	-0.3
Federal contributions (Branch 28)	0.9	15.4	-3.3	11.3	10.9	4.1	6.0	1.6	-5.3	3.1	7.1	6.6
FDI (US\$ millions)	409	408	72	57	20	18	357	203	231	75	16	199

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	2.6	2.9	2.8	1.4	0.6	0.2	4.1	2.8	-2.3	-2.8	-3.6	-2.5
Primary Sector	6.0	3.6	17.4	-6.6	-0.6	-0.2	-0.4	-12.2	-5.5	4.0	11.7	1.3
Secondary Sector	2.5	0.7	6.9	3.8	12.3	3.2	7.1	2.3	1.1	-1.0	3.0	-0.2
Tertiary Sector	2.4	3.9	4.0	5.1	4.6	0.2	3.2	3.3	4.8	2.2	2.2	2.6
Industrial Activity	2.5	0.7	6.9	3.8	12.3	3.2	7.1	2.3	1.1	-1.0	3.0	-0.2
Manufacturing Production	2.6	2.8	8.8	2.7	6.8	3.8	5.6	1.9	0.7	0.2	3.6	2.9
Construction	10.4	5.7	40.7	41.6	44.7	7.7	-16.2	-12.5	3.2	7.5	-15.6	1.7
Private Sector Works	12.7	8.4	28.5	31.9	51.8	20.9	-1.4	-32.9	42.2	20.5	-38.1	-39.8
Public Works	3.1	-3.7	93.3	84.5	21.2	-24.7	-20.7	18.6	-11.9	1.2	4.4	57.0
Retail sales	1.5	3.7	7.1	7.6	9.7	6.1	8.7	2.6	16.5	7.8	2.7	6.4
Wholesale sales	0.3	7.1	2.8	3.0	9.7	4.2	4.8	3.5	5.7	8.3	2.7	20.2
Employed population (ENOE***)¹	3.1	0.7	3.1	2.2	2.1	6.3	3.1	3.5	0.9	1.9	2.9	5.1
Insured workers (IMSS)	6.0	4.7	5.4	5.3	4.8	4.8	4.5	5.8	3.6	3.9	4.2	4.3
Permanent	5.2	3.8	4.9	4.5	3.9	4.1	4.4	5.9	3.2	3.4	4.1	4.3
Casual labor, urban	10.8	7.2	9.8	11.8	12.3	10.1	5.1	3.1	5.8	5.9	4.9	4.0
Federal contributions (Branch 28)	6.9	1.7	-2.5	10.7	13.4	9.6	9.1	9.4	-5.2	11.6	9.7	8.1
FDI (US\$ millions)	1,521	1,005	1,180	305	778	438	3,789	2,358	1,051	1,183	648	75

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

	Mexico City						Michoacán					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	3.0	2.7	3.9	1.0	-2.4	-0.7	3.4	2.0	-1.3	-0.1	-2.0	1.5
Primary Sector	-5.5	3.1	-7.1	-5.8	-0.2	3.1	7.0	3.8	-9.9	5.9	-2.2	-4.2
Secondary Sector	0.9	0.6	-2.7	-6.2	-5.3	-11.0	-2.1	-1.0	-15.8	-1.0	14.2	-2.3
Tertiary Sector	3.2	2.9	4.4	3.6	5.7	7.0	4.2	2.3	4.2	1.5	7.2	3.7
Industrial Activity	0.9	0.6	-2.7	-6.2	-5.3	-11.0	-2.1	-1.0	-15.8	-1.0	14.2	-2.3
Manufacturing Production	0.0	1.9	-3.9	-2.8	-1.4	-3.8	2.2	-3.8	-16.2	1.0	1.0	-11.4
Construction	3.6	-2.7	8.0	9.7	14.1	-6.5	-39.7	27.4	-30.1	-36.0	-2.9	50.5
Private Sector Works	5.0	-12.3	-6.1	-4.3	-19.8	-34.4	-33.8	2.2	-22.1	-32.2	8.1	83.2
Public Works	3.9	6.4	22.0	23.5	44.7	21.2	-43.2	61.8	-40.1	-40.5	-15.7	17.1
Retail sales	-0.7	1.3	3.2	3.8	2.5	3.9	2.5	-1.0	5.2	1.5	5.8	10.6
Wholesale sales	1.4	0.3	4.7	4.5	2.5	-5.1	11.7	2.8	1.2	-1.0	5.8	3.5
Employed population (ENOE***)¹	-0.4	2.5	-0.5	2.2	6.1	2.8	-0.9	2.6	4.1	3.7	4.3	1.5
Insured workers (IMSS)	3.3	2.8	4.9	4.6	4.7	4.0	7.0	5.8	3.9	4.3	4.9	4.1
Permanent	3.5	2.3	4.4	4.2	4.6	4.2	6.8	4.2	2.6	2.3	2.8	2.7
Casual labor, urban	2.2	4.5	7.8	7.3	5.3	2.2	4.7	9.7	10.0	13.6	12.4	7.8
Federal contributions (Branch 28)	1.7	-0.1	2.4	16.2	14.6	14.8	2.0	8.3	-3.3	11.8	3.8	1.5
FDI (US\$ millions)	4,681	5,358	3,180	1,333	825	807	294	431	152	55	50	161

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	5.2	-0.4	-1.1	1.1	0.9	-2.5	1.6	-1.0	-0.8	2.7	1.3	-3.2
Primary Sector	4.1	8.8	34.8	-8.7	-31.7	-14.4	2.0	-4.9	-14.1	9.3	3.3	3.5
Secondary Sector	11.6	-3.4	7.9	-0.8	-0.8	-20.3	-7.3	-6.0	36.1	6.4	-9.5	-26.8
Tertiary Sector	2.5	0.9	2.1	3.7	5.1	6.4	4.1	0.8	6.6	9.1	6.9	7.9
Industrial Activity	11.6	-3.4	7.9	-0.8	-0.8	-20.3	-7.3	-6.0	36.1	6.4	-9.5	-26.8
Manufacturing Production	-1.3	-2.7	1.0	2.1	8.0	7.4	2.9	-0.9	2.3	-1.3	3.7	2.8
Construction	39.0	-13.9	-31.8	-36.5	-6.9	-45.3	-25.7	29.8	-35.6	-36.3	-34.5	-46.0
Private Sector Works	6.5	-8.2	-31.3	-19.0	30.4	-37.5	-22.7	16.4	-18.8	-28.4	-24.5	-40.5
Public Works	105.1	-0.1	-32.7	-55.6	-61.3	-57.9	-28.4	85.4	-53.5	-48.2	-46.5	-53.2
Retail sales	-3.7	-1.8	4.8	6.5	3.0	7.2	5.3	-2.6	8.1	8.5	8.5	9.8
Wholesale sales	0.7	3.6	-2.6	2.0	3.0	11.9	7.0	-0.2	2.3	3.9	8.5	4.9
Employed population (ENOE***)¹	2.1	2.2	2.8	0.2	-1.4	-2.5	3.3	3.5	2.4	4.3	2.3	5.4
Insured workers (IMSS)	0.7	2.6	1.0	1.6	2.2	1.3	3.4	1.9	4.9	3.3	3.5	4.3
Permanent	0.7	2.3	0.6	1.0	1.2	1.1	1.9	1.8	3.8	2.5	3.1	3.1
Casual labor, urban	1.0	3.3	5.5	11.1	10.1	4.9	9.5	3.8	10.4	5.3	6.2	3.9
Federal contributions (Branch 28)	8.0	3.5	-4.3	6.3	3.4	6.6	6.6	-1.8	-1.2	9.0	5.2	3.9
FDI (US\$ millions)	603	246	251	81	135	23	105	145	40	23	23	19

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

	Nuevo León						Oaxaca					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	3.2	3.6	4.0	4.1	2.0	1.9	-2.3	4.7	5.0	-0.1	-2.7	-2.5
Primary Sector	1.6	0.7	-3.4	-12.5	-11.3	-2.5	1.8	2.7	-3.6	-2.9	-0.1	2.8
Secondary Sector	1.4	4.0	4.5	5.7	10.3	9.5	-16.2	12.0	0.4	-2.9	11.0	2.5
Tertiary Sector	4.2	3.4	6.2	3.9	4.9	-0.4	2.7	2.6	4.7	5.7	5.8	3.7
Industrial Activity	1.4	4.0	4.5	5.7	10.3	9.5	-16.2	12.0	0.4	-2.9	11.0	2.5
Manufacturing Production	4.0	4.0	2.6	3.1	5.7	4.5	-16.1	12.0	-4.8	-9.0	1.8	3.8
Construction	9.6	-5.1	20.3	-11.0	-0.1	-6.6	-59.7	36.0	23.7	78.6	18.3	-9.1
Private Sector Works	7.0	-9.5	15.7	-6.4	17.6	6.2	-47.4	113.3	-34.6	49.8	-44.7	-21.2
Public Works	21.1	13.0	36.0	-27.1	-40.7	-40.6	-61.8	0.4	52.4	95.3	55.1	-4.9
Retail sales	1.0	2.9	6.5	5.0	10.4	6.4	0.2	0.7	10.1	7.1	8.0	8.4
Wholesale sales	1.3	2.2	5.8	3.3	10.4	-3.4	1.4	-0.3	-0.4	1.4	8.0	4.4
Employed population (ENOE***)¹	2.3	2.3	4.6	2.0	2.1	3.1	-1.3	3.5	-2.4	0.2	0.3	2.8
Insured workers (IMSS)	4.7	4.4	5.0	5.1	5.1	4.7	3.0	3.9	4.1	4.2	3.5	3.1
Permanent	4.9	3.8	4.8	5.2	5.4	5.5	3.1	4.1	3.7	3.2	3.8	4.3
Casual labor, urban	3.0	6.2	6.3	4.7	2.5	-1.1	1.9	3.7	6.2	7.4	1.2	-5.1
Federal contributions (Branch 28)	1.6	2.3	-1.7	10.0	6.2	5.8	3.8	6.6	-8.8	-4.0	2.1	2.1
FDI (US\$ millions)	2,030	4,539	1,379	495	1,018	464	500	481	-132	155	80	193

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	6.2	2.4	-1.1	5.4	-1.2	-1.3	4.2	3.0	1.8	3.0	-0.5	-0.6
Primary Sector	0.5	2.3	8.7	10.1	11.1	7.4	11.3	0.2	2.2	13.8	1.5	6.2
Secondary Sector	13.4	1.6	6.5	1.6	0.6	2.0	7.0	1.9	16.7	7.2	6.8	-1.8
Tertiary Sector	2.9	2.8	3.3	3.1	1.5	2.6	2.2	3.9	8.4	9.1	6.2	5.2
Industrial Activity	13.4	1.6	6.5	1.6	0.6	2.0	7.0	1.9	16.7	7.2	6.8	-1.8
Manufacturing Production	24.7	0.9	8.1	0.2	2.1	-1.8	5.8	3.2	11.2	8.0	8.2	5.3
Construction	-12.5	-14.7	-9.8	-13.8	-25.4	-7.6	27.0	16.4	-31.3	-14.3	-9.5	-4.9
Private Sector Works	-3.7	-20.6	-9.1	-25.3	-27.6	-3.0	27.2	14.1	-34.8	-13.3	-13.9	5.8
Public Works	-21.2	-7.4	-10.5	-0.1	-23.2	-11.6	25.0	46.5	-9.3	-18.8	13.4	-32.7
Retail sales	0.4	1.2	5.8	1.5	5.8	7.1	-0.8	4.3	15.0	9.9	14.0	8.8
Wholesale sales	3.4	2.1	4.5	1.9	5.8	-0.7	-1.1	2.9	11.7	9.2	14.0	6.3
Employed population (ENOE***)¹	3.2	0.6	-0.3	1.8	1.6	3.4	1.9	5.9	7.2	1.3	5.2	10.0
Insured workers (IMSS)	5.6	5.2	4.8	5.4	5.6	4.4	8.3	6.5	5.6	5.4	6.3	5.8
Permanent	4.6	6.0	3.7	3.9	4.5	4.6	8.6	6.8	5.1	5.2	6.2	6.0
Casual labor, urban	11.4	-1.3	11.2	15.1	10.1	3.3	7.5	3.2	8.2	7.0	7.2	5.2
Federal contributions (Branch 28)	7.6	2.3	-9.4	11.9	7.9	4.5	4.6	6.5	-3.3	14.4	11.7	4.0
FDI (US\$ millions)	937	620	266	197	175	160	992	1,092	323	184	633	293

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

	Quintana Roo						San Luis Potosí					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	4.3	5.1	4.5	4.6	0.5	-2.9	4.8	4.3	0.8	0.1	-1.0	0.0
Primary Sector	9.9	15.4	-9.0	17.2	30.3	-19.2	5.2	8.0	-6.7	0.8	-1.0	3.5
Secondary Sector	-9.1	6.0	-1.5	-8.4	-4.2	-5.9	6.6	4.1	2.3	0.1	12.6	4.6
Tertiary Sector	6.3	4.9	4.1	8.8	5.8	7.4	3.6	4.2	5.4	4.9	5.3	4.3
Industrial Activity	-9.1	6.0	-1.5	-8.4	-4.2	-5.9	6.6	4.1	2.3	0.1	12.6	4.6
Manufacturing Production	12.6	13.0	6.4	0.8	1.9	-0.6	9.4	6.2	2.7	-0.1	6.7	0.6
Construction	-51.0	14.4	10.7	0.6	22.5	-5.3	26.9	15.7	-2.3	2.0	2.2	3.7
Private Sector Works	-47.9	17.1	6.8	7.3	52.9	-8.6	17.5	16.1	10.3	-1.7	1.7	-9.2
Public Works	-57.7	5.5	18.8	-12.2	-36.8	3.9	48.4	16.5	-21.2	8.2	3.0	39.5
Retail sales	6.4	6.5	6.9	6.0	8.1	8.2	0.4	3.2	6.4	7.9	9.2	11.2
Wholesale sales	8.0	12.3	-2.8	1.9	8.1	1.8	4.3	12.0	0.5	-3.0	9.2	-3.4
Employed population (ENOE***)¹	1.4	5.0	4.5	4.1	5.0	6.6	0.9	1.3	2.1	2.4	2.8	3.3
Insured workers (IMSS)	10.4	11.2	6.6	7.1	8.3	8.8	7.2	5.1	3.4	4.3	4.9	4.9
Permanent	8.9	8.3	4.8	5.4	7.1	8.2	5.9	3.7	2.3	3.3	3.9	4.6
Casual labor, urban	14.5	15.9	12.3	12.2	12.0	10.6	12.9	11.3	7.5	10.6	10.3	8.0
Federal contributions (Branch 28)	8.5	6.7	-3.4	16.4	7.5	4.7	16.7	-1.2	-10.2	10.5	5.6	7.0
FDI (US\$ millions)	479	421	109	-5	173	51	1,406	1,739	362	559	358	621

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	0.9	2.7	3.5	3.5	-1.8	2.1	0.8	1.1	0.4	0.8	-1.8	1.1
Primary Sector	-3.6	4.9	33.9	15.9	-15.5	10.6	8.1	5.1	3.6	9.4	5.6	19.0
Secondary Sector	-1.7	5.2	1.5	3.2	4.9	13.9	-1.4	-0.5	5.5	3.4	6.6	6.6
Tertiary Sector	2.6	1.4	3.8	4.3	7.9	3.6	1.9	2.6	1.2	0.6	1.8	0.7
Industrial Activity	-1.7	5.2	1.5	3.2	4.9	13.9	-1.4	-0.5	5.5	3.4	6.6	6.6
Manufacturing Production	4.5	2.9	5.9	6.4	3.0	11.5	-4.3	-2.2	6.8	1.5	0.6	3.9
Construction	-25.2	10.2	-7.6	-4.6	19.1	2.8	8.8	-0.4	-11.0	-14.0	-16.7	-9.5
Private Sector Works	-24.7	2.4	-8.2	-5.2	56.8	17.4	1.1	-8.6	-11.7	-12.6	-22.8	2.7
Public Works	-24.6	25.4	-6.5	-3.7	-21.1	-18.4	25.8	13.6	-8.8	-18.2	4.4	-32.8
Retail sales	3.1	1.2	8.1	11.9	8.5	3.6	3.2	-1.1	4.9	4.7	6.5	6.1
Wholesale sales	4.3	2.0	4.1	-3.4	8.5	2.6	-6.8	-1.1	5.1	4.3	6.5	12.7
Employed population (ENOE***)¹	1.3	1.1	5.7	5.5	3.9	-1.3	1.9	2.4	1.4	1.1	3.2	1.5
Insured workers (IMSS)	4.3	4.3	6.1	5.5	4.6	4.7	4.6	3.1	1.0	2.0	3.5	3.0
Permanent	4.6	3.5	4.2	5.0	5.2	5.5	4.4	2.6	2.0	2.3	2.9	2.8
Casual labor, urban	-0.7	2.4	2.9	4.0	2.7	5.5	4.4	0.5	4.4	4.0	3.4	0.2
Federal contributions (Branch 28)	7.5	7.3	-5.3	2.2	4.4	0.4	8.4	3.8	-2.1	5.3	1.1	0.5
FDI (US\$ millions)	760	410	109	129	114	75	359	151	324	90	45	154

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

	Tabasco						Tamaulipas					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	-4.6	-8.2	-11.8	-9.5	-10.2	-3.9	-0.1	2.2	3.1	3.4	0.5	1.8
Primary Sector	13.7	2.9	4.0	8.9	0.2	-6.7	-6.7	-8.2	-11.5	-18.3	-6.4	4.6
Secondary Sector	-7.1	-13.0	-0.3	-1.9	-5.6	-1.8	-3.5	4.0	-1.5	-2.1	-1.8	9.6
Tertiary Sector	-0.1	0.2	2.3	3.6	4.4	2.9	2.4	1.7	4.0	5.2	4.8	3.1
Industrial Activity	-7.1	-13.0	-0.3	-1.9	-5.6	-1.8	-3.5	4.0	-1.5	-2.1	-1.8	9.6
Manufacturing Production	-1.5	-11.8	-7.4	-14.2	-12.6	-15.1	-1.1	-0.7	5.1	3.8	1.0	1.7
Construction	-12.3	2.9	-17.6	3.4	-14.7	-6.5	-22.3	25.6	-4.4	17.9	10.6	36.5
Private Sector Works	-19.5	69.4	-9.3	29.1	-14.4	23.5	1.8	29.8	-9.6	-1.1	-12.0	46.5
Public Works	-10.0	-22.1	-20.3	-2.5	-14.9	-14.6	-33.3	22.2	-1.2	29.0	22.7	30.5
Retail sales	-8.6	0.6	3.3	6.6	4.8	4.7	-1.1	1.9	10.9	5.8	3.7	4.2
Wholesale sales	-7.3	-1.4	4.5	14.1	4.8	5.4	4.5	-7.9	2.5	4.5	3.7	1.4
Employed population (ENOE***)¹	-1.0	1.7	-1.1	0.7	0.7	-1.4	0.8	3.4	-2.3	1.5	2.9	4.6
Insured workers (IMSS)	-4.8	-2.0	2.5	1.3	-1.0	-5.1	4.5	5.1	2.4	2.3	2.9	2.2
Permanent	-4.5	-3.0	2.1	-0.1	-1.1	-2.9	4.4	4.6	2.8	2.5	3.2	3.1
Casual labor, urban	-6.7	1.5	5.2	9.3	0.4	-14.5	6.0	6.6	-0.2	0.3	-1.0	-4.6
Federal contributions (Branch 28)	-8.3	5.4	-3.8	8.7	5.7	5.7	2.9	4.5	-3.5	8.4	5.4	7.2
FDI (US\$ millions)	398	522	77	31	269	353	1,545	1,463	211	182	375	338

* 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	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	-1.0	3.4	3.3	2.3	11.4	13.8	-0.8	2.3	1.5	1.4	-0.6	-0.6
Primary Sector	-1.8	2.1	39.1	-0.7	-5.9	-12.4	3.2	3.3	5.9	5.4	5.3	4.7
Secondary Sector	-7.1	8.0	17.1	36.0	11.9	-6.5	-8.2	3.6	-3.4	-6.5	2.9	-4.2
Tertiary Sector	2.6	1.3	2.1	1.0	5.4	6.1	2.8	1.6	2.2	5.2	5.4	3.2
Industrial Activity	-7.1	8.0	17.1	36.0	11.9	-6.5	-8.2	3.6	-3.4	-6.5	2.9	-4.2
Manufacturing Production	-0.2	2.4	7.1	3.0	0.7	-1.2	-6.2	1.2	-1.5	-3.2	0.7	-9.3
Construction	-26.0	-21.7	-0.7	80.2	-16.2	-39.8	28.9	14.1	-35.2	-21.6	-26.8	-29.3
Private Sector Works	-8.0	-40.7	20.5	105.3	23.6	-42.9	102.3	25.1	-25.8	-21.6	-31.4	-25.2
Public Works	-41.4	30.7	-16.1	61.6	-37.0	-37.1	-25.5	3.6	-47.9	-21.6	-20.8	-33.7
Retail sales	-3.3	-0.5	1.6	-0.1	2.2	2.3	-2.3	1.5	5.6	7.5	7.0	4.8
Wholesale sales	0.5	5.2	0.6	5.2	2.2	3.6	-1.9	-0.2	-5.1	7.1	7.0	4.9
Employed population (ENOE***)¹	1.8	2.4	3.3	5.3	1.7	3.4	3.0	3.2	-0.8	1.7	1.3	2.6
Insured workers (IMSS)	7.9	4.6	4.2	5.3	6.7	4.9	-0.1	2.2	0.3	-0.3	-0.3	-0.7
Permanent	8.8	2.8	3.1	4.3	4.2	2.6	0.0	1.8	0.0	-0.4	0.5	0.9
Casual labor, urban	5.5	7.4	8.3	9.1	8.5	12.1	-1.8	5.0	2.3	-1.6	-4.8	-8.7
Federal contributions (Branch 28)	3.9	3.3	-6.0	2.5	5.9	1.6	10.3	8.3	-10.2	-0.9	1.1	0.2
FDI (US\$ millions)	167	145	48	19	40	36	913	933	422	107	671	385

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

	Yucatán						Zacatecas					
	2017	2018	4Q18	1Q19	2Q19	3Q19	2017	2018	4Q18	1Q19	2Q19	3Q19
Economic Activity (ITAE**)	3.6	3.2	2.8	5.2	1.0	1.2	-0.2	-0.2	-0.4	-2.1	-1.9	-2.9
Primary Sector	-1.0	5.7	3.1	-3.6	8.1	-3.2	1.5	-0.2	-9.8	-4.0	-4.8	0.9
Secondary Sector	6.2	1.4	-3.6	6.3	4.1	0.3	-6.0	-2.2	5.8	2.4	2.0	-4.1
Tertiary Sector	2.9	3.8	3.8	9.9	5.6	1.7	3.8	0.6	-3.2	6.4	3.5	1.5
Industrial Activity	6.2	1.4	-3.6	6.3	4.1	0.3	-6.0	-2.2	5.8	2.4	2.0	-4.1
Manufacturing Production	7.7	2.9	2.9	9.0	13.1	7.9	-6.5	19.0	8.2	0.6	6.8	9.7
Construction	-9.0	24.1	-3.1	7.0	12.3	22.2	-10.0	18.2	-14.1	-24.6	-0.1	-15.8
Private Sector Works	-7.9	54.9	16.3	11.2	15.2	57.1	7.3	1.1	7.6	-30.5	59.8	7.6
Public Works	-9.9	-55.7	-14.1	4.3	10.4	-1.1	-20.1	61.0	-33.0	-20.1	-36.0	-34.3
Retail sales	-1.2	5.9	5.3	5.9	8.0	8.3	-1.8	4.6	9.8	4.8	8.1	8.2
Wholesale sales	1.5	1.7	2.4	8.6	8.0	0.7	6.0	2.0	4.2	12.1	8.1	6.2
Employed population (ENOE***)¹	1.7	2.9	2.2	2.9	1.9	1.7	2.3	0.2	1.6	4.9	1.7	1.3
Insured workers (IMSS)	4.3	4.1	3.7	3.6	4.3	4.3	3.2	7.2	5.7	5.2	4.6	3.9
Permanent	4.1	4.0	3.1	3.3	3.7	3.6	3.1	6.6	5.6	5.3	5.6	5.4
Casual labor, urban	6.1	1.0	10.1	7.0	9.7	11.2	3.8	7.6	7.0	4.7	0.1	-3.8
Federal contributions (Branch 28)	7.7	4.3	-4.4	9.2	10.2	4.1	3.1	0.9	-4.5	8.1	7.8	6.8
FDI (US\$ millions)	107	72	80	37	19	71	455	269	-117	129	107	-6

* 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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Clean electricity: stable growth via linkages
The light vehicle industry in Mexico, with changes that will define its future
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