BBVA Research

Creating Opportunities

Mexico Regional Sectoral Outlook

Second Half 2020

Contents

Closing date: August 31, 2020

1. Summary

Economic activity in Mexico experienced a contraction of 0.3% during 2019, with primary activities growing 0.4%, while secondary activities fell by 1.7% and tertiary activities grew only 0.2%. At the sectoral level, few activities performed positively during the first half of the year, with Agriculture and Information in Mass Media standing out. In contrast, the most important sectors shrunk, such as Manufacturing, Real Estate Services, Trade, Construction and Transportation. All of these are closely linked to each other, but not completely. Even so, there are aspects within each sector that allow us to think about growth opportunities in the short term, within the framework of a slow recovery. Bank lending to businesses has stagnated because of lower economic activity, despite the lower cost of financing resulting from the relaxation of the monetary policy. For now, it will be more important to maintain the quality of the credit portfolios in the face of growing balances and penetration.

The regional situation emphasizes the federal states' pattern of contraction and subsequent recovery, as a function of the sectoral composition of the state economies. During 2019, the lowest growth rates were seen in Baja California Sur, Tabasco, Oaxaca, Zacatecas and Campeche, while Tlaxcala, Colima, Chihuahua, Baja California and Nuevo León led in growth. The concentration of flows of foreign direct investment and commercial lending to the states remains high, reflecting the concentration of production activities. In terms of employment, an average contraction of 1.1% was observed during 1H20. The greatest contractions occurred in Quintana Roo and Baja California Sur, a pattern consistent with the contraction in tourism activities and their high share in production in these states.

A special topic covered in this issue of ***Mexico Regional Sectoral Outlook*** is the analysis of the automotive industry, which has experienced its strongest slowdown since 1994. This slowdown, while accentuated by the stoppage of production due to the pandemic, began in 4Q19 in response to the decline in global demand. The pattern is the same for capacity used and employment in that industry. In addition, exports during the January-June period fell by more than 25% in annual terms. In addition, domestic sales exacerbated the contraction in total sales, with a 31.4% drop from January to August. The automotive subsector is expected to shrink by 25% by the end of 2020, with the effects of the pandemic overshadowing the potential impact of the USMCA in terms of supply and demand patterns, which have now been delayed until the end of 2020 or even 2021.

The second special topic describes the economic processes that characterize small and medium-sized enterprises (SMEs), using the final results of the 2014 and 2019 Economic Censuses as a basis for the analysis. The analysis focuses on the concentration and scale of operation of the various production sectors, emphasizing the change between censuses in these indicators and establishing the trade sector as the main sector inhabited by these companies. Subsequently, we look at the distribution of gross output by sector in each state and its differences between SMEs and total firms. In addition, the sources and uses of financing in commercial SMEs are analyzed, based on data from the National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises (ENAPROCE) 2018, emphasizing the relative importance of banking financing for commercial SMEs.

2. Sectoral and regional analysis

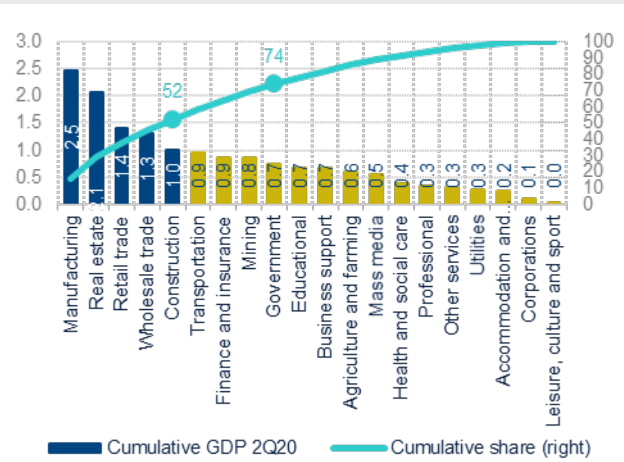
2a. A generalized fall, but still with opportunities

The sectoral structure has been maintained despite the economic contraction

The sharp economic contraction we have seen during 2020 detracts attention from how the economy closed the previous year. However, in the final quarter of 2019, months before the pandemic began, most economic sectors were already in full decline. In the fourth quarter of 2019 (4Q19), less than half of the sectors were growing. Thus, nine of the twenty sectors ended 2019 with a drop in their GDP in annual terms.

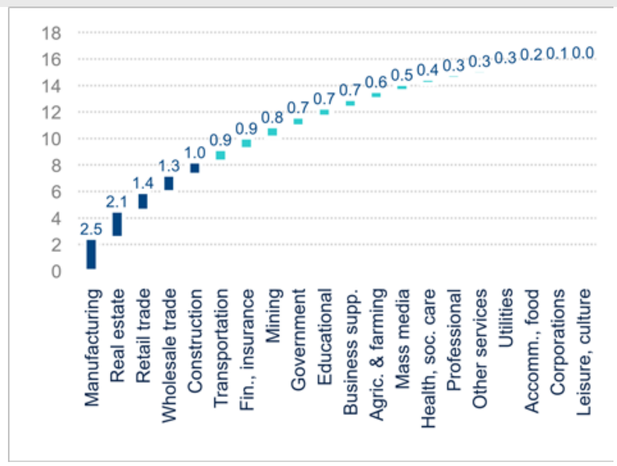
The situation deteriorated at the beginning of 2020. In 1Q20, only eight sectors saw an increase in their GDP, but the pandemic that led to the stoppage of much of the activity did not begin until the end of this quarter. In 2Q20, 18 of the 20 sectors shrunk economically. The decline in the economy during this second quarter is so sharp that it overshadows the negative results seen in the previous quarters. However, a number of economic sectors entered the lower part of the economic cycle in the second half of 2019. While most economic activities hit rock bottom in 2Q20, recovery is still far away. This negative result is so widespread that the sectoral structure of the Mexican economy has remained unchanged.

Figure 2a.1 **CUMULATIVE SECTORAL GDP IN 2Q20** (MXN TRILLIONS AND %)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.2 **CUMULATIVE SECTORAL GDP IN 2Q20** (MXN TRILLIONS)

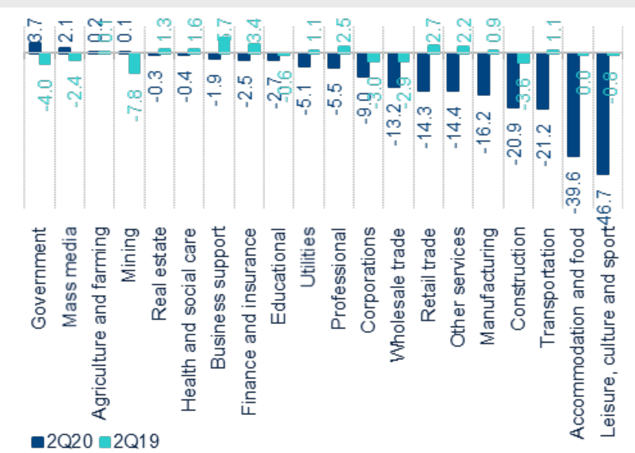


Source: BBVA Research based on data from SCNM and INEGI

By the middle of this year, the economy was still highly concentrated from a sectoral perspective, despite sharp falls in the main sectors. Five sectors account for 52% of the added value and just 9 of the 20 account for 74%. The order of relevance remains unchanged. Manufacturing and Real Estate Services still hold the top two places, followed by Retail and Wholesale Trade, while Construction remains in fifth place. The position of Manufacturing and Construction is unchanged despite them being among the sectors with the greatest drops in GDP; and in the second case, the downward trend had already been in place for several quarters. Conversely, Accommodation and Food Preparation services (Tourism), which is one of the hardest hit by the lockdown, fell from 14th to 18th place. This suggests that the sectoral structure of the Mexican economy is unlikely to change at the top of the rankings, but that it is very sensitive in sectors such as Mining and Tourism.

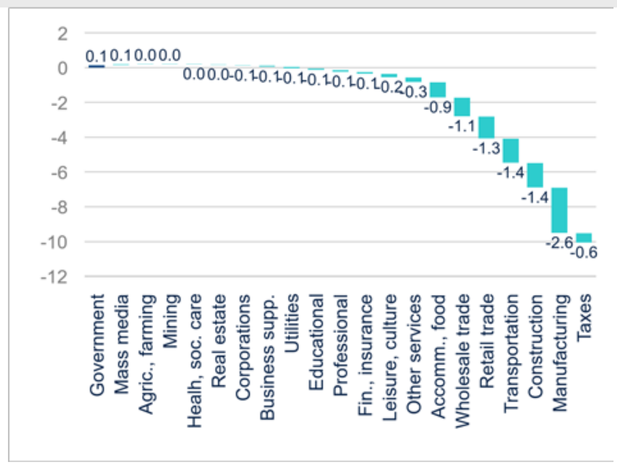
By the middle of the year, four sectors had shown growth, and this was only marginal. Government activities improved substantially in terms of cumulative GDP as of 2Q20, growing at an annual rate of 3.7%, well above the -4.0% seen a year earlier. Second, Information in Mass Media saw growth of 2.1%, an improvement that we forecast in our previous analysis. The Agricultural and Mining sectors also grew 0.2% and 0.1%, respectively, during this period. In the former case, this was due to a slight improvement in exports, and in the latter case, to the higher production during the first quarter of the year, which was overshadowed by the contraction in the following quarter. The decline in economic activity is led by Leisure, culture and sport services, as well as by Accommodation and Food Preparation, with rates of -46.7% and -39.6%, respectively. In these cases, there was an almost total halt in activity. This was due to restrictions on providing services imposed as part of the pandemic contingency plans. In addition, demand was contained by the measures restricting mobility, but also by health and job uncertainties.

Figure 2a.3 **CUMULATIVE SECTORAL GDP (YoY % CHANGE)**



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.4 **CONTRIBUTION TO GROWTH, 2Q20 (PERCENTAGE POINTS)**



Source: BBVA Research based on data from SCNM and INEGI

However, because of their greater share in the economy, the GDP changes that contributed most to the negative 2Q20 result were those of the Manufacturing, Construction, Transportation and Trade (both retail and wholesale) sectors. During this period, Transportation, Construction and Manufacturing fell at annual rates of 21.2%, 20.9% and 16.2%, respectively. The contraction in trade was slightly lower, with Retail falling by 14.3% and Wholesale by 13.2%. This is because, at the start of the pandemic, sales of food and hygiene products rose in response to health concerns.

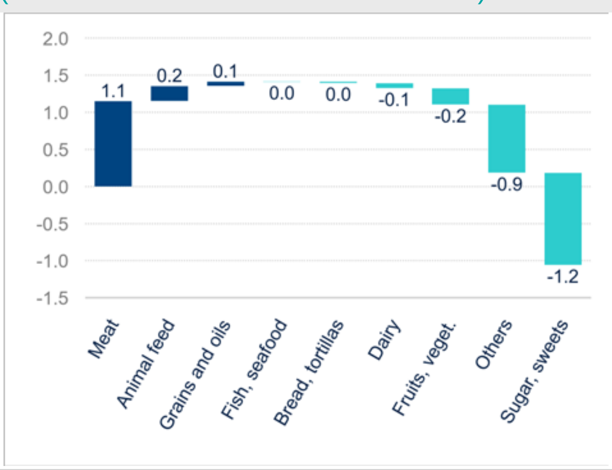
Declining sectors with hints of opportunity

Due to their high contribution to the economy, we will look in more detail at Manufacturing, Transportation, and Accommodation and Food Preparation. In each sector, however, there are opportunities for economic conditions to improve.

Manufacturing continues to be the activity adding most value to the Mexican economy. Its performance is linked to both the domestic and international markets, mainly to the manufacturing cycle of the United States of America (USA) because of the high integration of their value chains, as is the case with the automotive industry. The subsectors with the greatest share within Manufacturing are the Food Industry and Transportation Equipment. From 1993 to the middle of 2020, the former had an average share of 22.6% of the total benefit of manufacturing, while the latter averaged at 13.5%. This figure has not changed much for the Food Industry, but it has for Transportation Equipment. In 2019, it reached its largest share, at 21.2%; but in 2Q20, it fell sharply to 16.5%. Even so, these are still the two manufacturing sectors with the greatest share.

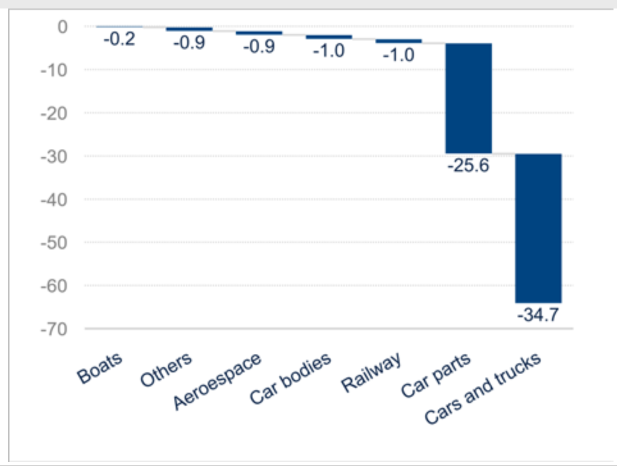
The GDP performance of these two subsectors during 2Q20 is negative in both cases, but there are aspects that separate them. The Food Industry shrunk by 1.1%, while the manufacturing of Transportation Equipment did so by 64.2%, both on at an annual rate. The discrepancy is huge if we look at the year-on-year changes. However, it is worth noting that in the latter case, all branches of activity shrank, while in the former three activities grew.

Figure 2a.5 **FOOD INDUSTRY GDP 2Q20** (PERCENTAGE POINTS YoY CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.6 **TRANSPORTATION EQUIPMENT GDP, 2Q20** (PERCENTAGE POINTS YoY CHANGE)

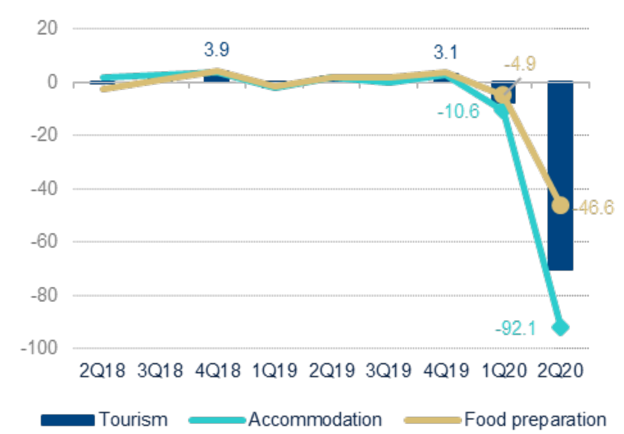


Source: BBVA Research based on data from SCNM and INEGI

In the Food Industry, Meat Processing, Animal Feed, Grain Milling and Oil Production grew marginally during the period being analyzed, by 1.1%, 0.2% and 0.1%, respectively. This subsector serves the domestic market first, but also international demand. The main branch of activity within this industry is the production of Baked Goods and Tortillas, clearly for sale in the domestic market; and the second one is the processing of different types of meat, where some is sold to foreign markets, which improved slightly in these months. We estimate that this trend will continue for the rest of the year, but processed food exports are likely to moderate their growth in 2021 with the resumption of activities in client countries. Domestic demand will improve as daily life returns to normal and employment recovers.

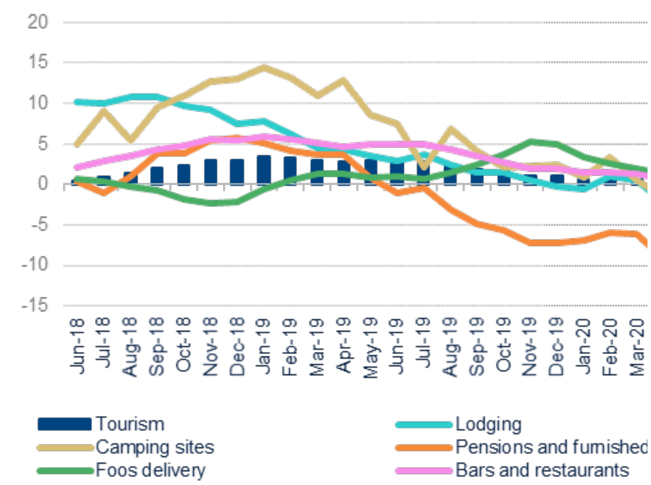
In contrast, the production of Transportation Equipment saw negative results across all of its different activities, particularly in the most significant ones, which are Auto Parts and the manufacturing of Cars and Trucks. Just as this type of manufacturing was about to catch up to the Food Industry in terms of added value, the production of Auto Parts and the manufacture of Cars and Trucks stopped. These two branches of activity in the subsector are the ones that contribute most to the GDP (43% and 46% historical average, respectively), and they are also among the largest sources of employment in the country. As of 2Q20, the former shrunk by 62.5%, while the latter did so by 71.6%, both in annual terms. While the Mexican automotive industry was already on a path of contraction in response to lower global demand for cars and the poor manufacturing performance in the US, it is true that the effect is due in greater part to the stoppage of activities caused by the pandemic. As we discuss in the automotive industry section in this edition of ***Mexico Regional Sectoral Outlook***, we expect limited improvement until international demand recovers, since the domestic market cannot offset the foreign market.

Figure 2a.7 **ACCOMMODATION AND FOOD GDP** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.8 **ACCOMMODATION AND FOOD MARGIN** (YoY % CHANGE, 12-MONTH MOVING AVERAGE)

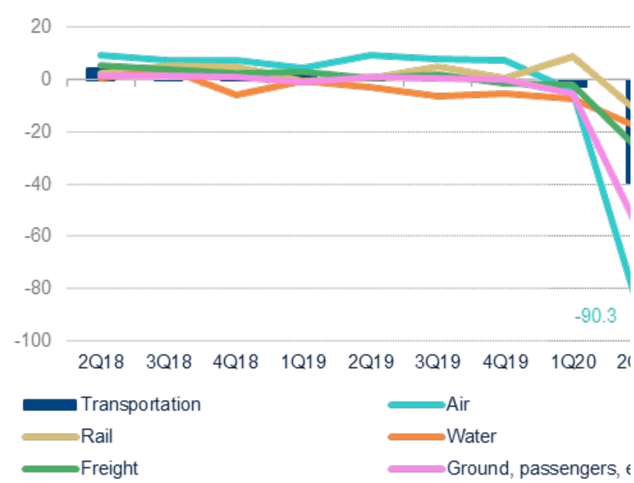


Source: BBVA Research based on data from EMS, INEGI

One of the sectors hit the hardest by the pandemic is Accommodation and Food Preparation, or Tourism. In 2018 and 2019, the sector showed annual growth of more than 3%, but in 1Q20, it fell by 7.9% and in 2Q20, it plunged at an annual rate of 70.4%. In particular, Temporary Accommodation was the hardest hit by lockdown measures and the reduction in demand caused by uncertainty. The GDP in this subsector fell 10.6% and 92.1% in 1Q20 and 2Q20, respectively. The added value of Food Preparation also decreased, but the impact was less severe. In 1Q20, its GDP deteriorated by 4.9% and in 2Q20 it dropped to 46.6%. We see that all branches of activity declined significantly in 2Q20 (some even before), except for Food Preparation for Delivery. This activity even slightly improved its operating margin, which is the ratio of income to expenditure, as it was one of the options that could continue to provide services during the pandemic. We estimate that Tourism will be one of the sectors needing the most time to recover, and it will be the end of 2021 or even 2022 before we can clearly notice a return to previous levels. However, some particular tourist spots are likely to recover sooner, as the connection with international tourism normalizes.

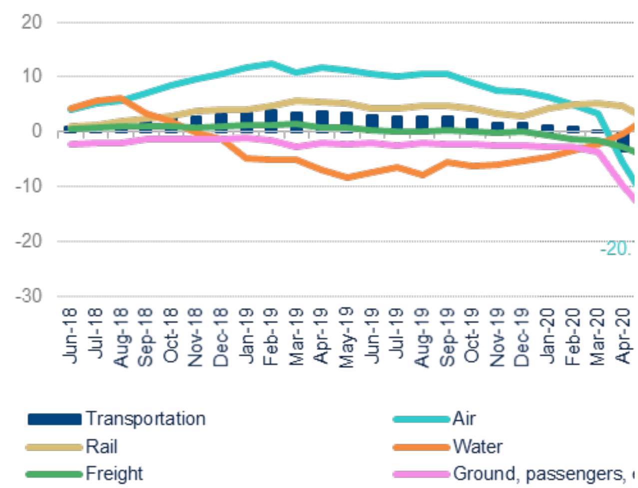
Transportation services have gained ground in the Mexican economy over the past few years. Now, like the vast majority, they are also contracting in the face of limited mobility of people and goods. The Transportation sector has a strong connection with Manufacturing for the distribution of its products in both the domestic and international markets. Similarly, around 30% of the GDP is accounted for by the export of goods, for which Freight Transportation is required. In addition, the mobility of people requires Passenger Transportation; but this is clearly the most affected by the pandemic prevention measures.

Figure 2a.9 **TRANSPORTATION GDP** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Figure 2a.10 **TRANSPORTATION REVENUE** (YoY % CHANGE, 12-MONTH MOVING AVERAGE)



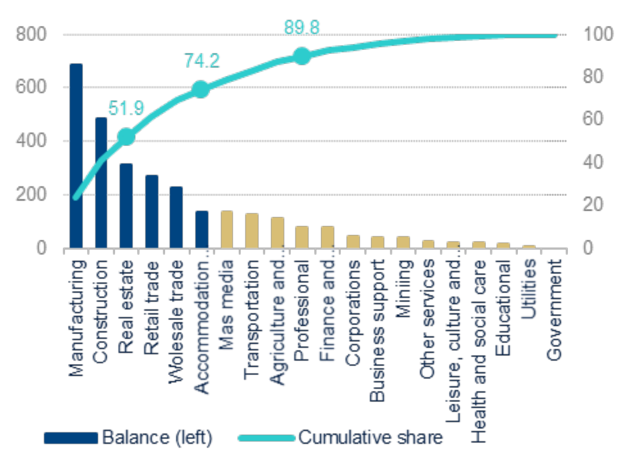
Source: BBVA Research based on data from EMS, INEGI

The Transportation sector had performed modestly but positively over the previous two years. This is in line with Tourism, and linked to it. In 1Q20, it began its downward cycle with a GDP change of -2.7%, and in 2Q20, this worsened with a year-on-year decline of 27.3%. Air Transportation is notable for showing the biggest drop over these quarters. In 1Q20, its GDP fell by 4.6% and in 2Q20, the impact reached -90.3%. However, its share in the sector is minimal, at only 2.7% on average historically. The second subsector most adversely affected by the lack of mobility is Land Passenger Transportation, with drops of 5.4% and 58.7% in 1Q20 and 2Q20. This subsector is second in terms of the greatest share (around 36%). Road Freight Transportation contributes most to the sector, with a historical average of 46.2%, and fell at the rates of 1.9% and 27.3%. Revenue from these three types of Transportation also fell during this first half of 2020. However, we estimate that recovery will be seen first in Road Freight Transportation, based on the return of Manufacturing activities, international trade and structural change brought about by greater movement of goods in response to the reduced mobility of people.

Lower sectoral activity has still not deteriorated the credit portfolio

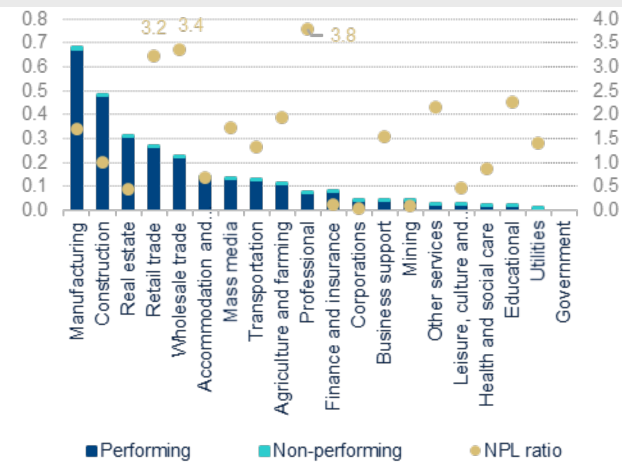
As of June 2020, the balance of the bank credit portfolio to the various sectors of the economy grew 6.3% in real terms compared to June of the previous year. This is a very slight increase in keeping with lower economic activity. From a sectoral perspective, the portfolio's concentration has continued. Three sectors account for 52% of credit, and 74% is accounted for by just six out of twenty. The only significant change in this period is the rise of Tourism in this ranking, moving from ninth to sixth. The balance of this sector grew 27% from June 2019 to June 2020. In fact, the strongest growth was during 2Q20. The increased demand for financing from companies in this sector is due to the search for liquidity in order to survive the pandemic. With information as of 2Q20, no sector has seen a significant decline in its portfolio. However, this result has been positively influenced by the support programs that the financial sector is implementing in conjunction with the regulatory authorities. To date, Retail and Wholesale Trade are the most affected, after Professional services, with delinquency rates of 3.2% and 3.4%, respectively. In part, this is explained by the fact that these sectors account for a greater number of micro, small and medium-sized enterprises, which are the hardest hit by the pandemic. An increase in portfolio delinquency is to be expected as the period of economic contraction extends and in the absence of fiscal support for companies. However, this deterioration will be limited by sound credit origination and the preventive measures that the banking system has implemented, such as the increase in provisions, and by support programs.

Figure 2a.11 **SECTORAL CREDIT BALANCE, 2Q20 (MXN BILLIONS AND %)**



Source: BBVA Research based on data from INEGI and the Bank of Mexico

Figure 2a.12 **SECTORAL CREDIT BALANCE, 2Q20 (MXN BILLIONS AND %)**

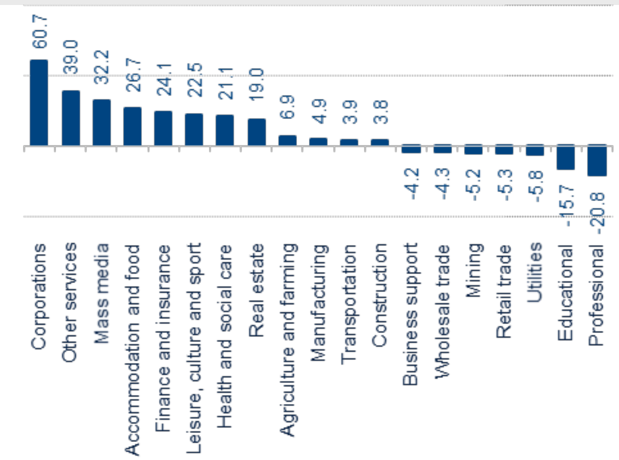


Source: BBVA Research based on data from the Bank of Mexico

The sectors that increased their demand for bank financing most were on the service side, such as Corporations, Mass Media, Accommodation (Tourism), Finance and Leisure, culture and sport. Conversely, among the largest sectors in terms of GDP, Retail and Wholesale Trade reduced their financing during this period. From the first group, Mass Media is one of the few that grew and increased its financing. This is a capital-intensive sector and its long-term growth depends largely on the investment made. We estimate that this is one of the sectors with the best medium- to long-term outlook. In contrast, both Accommodation and Leisure, culture and sport have been among those hardest hit by the pandemic, therefore their increased demand for credit is related to the need to increase their liquidity to support the viability of their business.

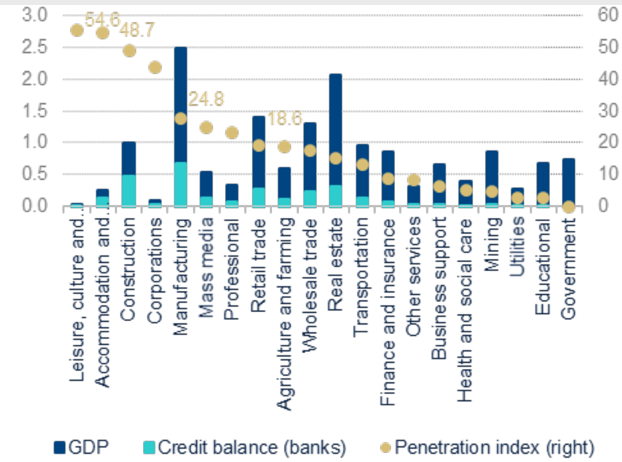
In terms of bank credit penetration in relation to the GDP, we see a significant change in the Accommodation and Leisure, culture and sport sectors. Faced with higher demand for credit and a lower GDP, this ratio increased and they are now the two sectors with the greatest penetration, surpassing Construction, which had previously held the top position for several years. While the latter is a sector that structurally tends to have more penetration, as it has more guarantees for its loans, in the case of Accommodation and Leisure, culture and sport, there are also alternatives to use as collateral in order to increase their credit capacity. While the balance of bank financing grew marginally, the greater penetration is due to the contraction of the GDP. Therefore, any substantial improvement in this indicator will have to wait for the economy to recover. However, it is clear that there is plenty of room for improvement.

Figure 2a.13 **SECTORAL CREDIT BALANCE, 2Q20 (YoY % CHANGE)**



Source: BBVA Research based on data from the Bank of Mexico

Figure 2a.14 **CREDIT PENETRATION IN GDP, 2Q20 (MXN BILLIONS and %)**



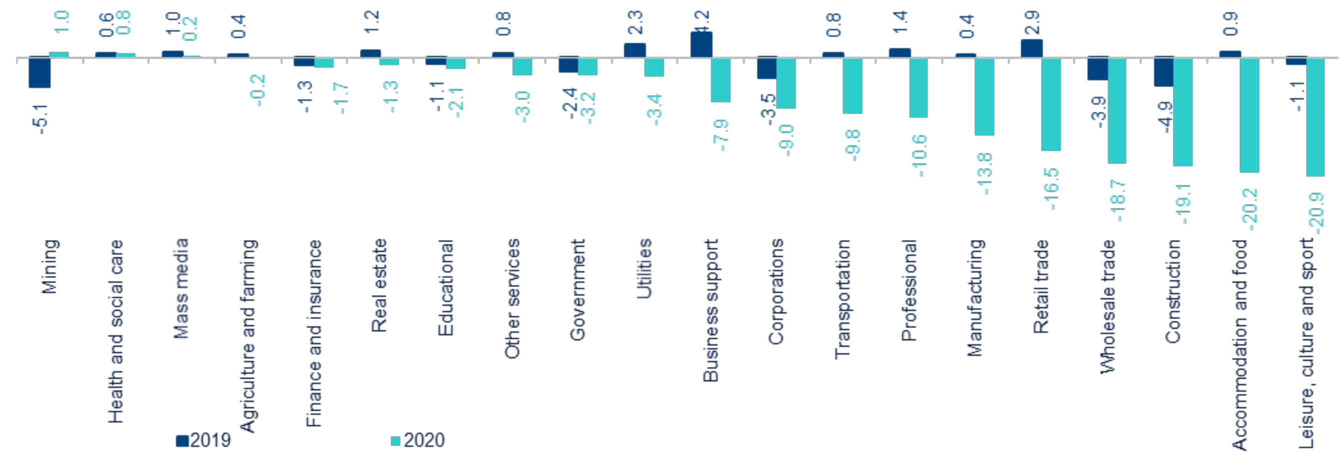
Source: BBVA Research based on data from the Bank of Mexico

Recovery will be slow, but there are opportunities

Due to the strong economic impact of the pandemic, relatively little attention has been paid to the fact that for several sectors, the beginning of the lower part of the economic cycle began in the second half of 2019. In addition to the duration of the pandemic, we have uncertainty about investment and a lack of anti-cyclical policies. As a result, the period required for recovery will be longer than in previous economic crises. We expect virtually all sectors to have decreased their contribution to the economy by the end of 2020, and the few that grow will do so at very low and declining rates.

Manufacturing could recover in 2021, although the Automotive sector will take longer than the rest of industry. Activities such as Road Freight Transportation, Industrial Ships, Retail Trade, Mass Media and Business Support should perform better. In the case of Agriculture, although it has had a good year, it could see a moderation in its growth once the production of our main trading partners normalizes. The lower Bank of Mexico interest rate has had the effect of lowering the cost of financing for companies, but we could now be in a "liquidity trap," since this has not been reflected in growth of the economy. This can be seen from the lower demand for credit despite its lower cost. Financing will increase once the economy is back on a growth path and, in the meantime, maintaining portfolio quality will be paramount to allow credit to flow once economic recovery is in sight.

Figure 2a.15 **SECTORAL GDP FORECAST** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

2b. Sectoral forecasts

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

	YoY % change											
	2018	2019	2020	2021	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Total GDP	2.2	-0.3	-10.0	3.7	-1.3	-18.7	-11.1	-8.9	-7.0	12.8	5.5	5.3
Primary	2.3	0.4	-0.2	5.3	0.9	-0.5	17.8	-13.3	8.9	5.6	-2.4	9.0
Secondary	0.5	-1.7	-12.1	2.2	-2.6	-25.7	-9.8	-10.3	-10.6	20.6	0.8	2.4
Mining	-5.6	-5.1	1.0	5.5	4.7	-4.8	1.6	2.3	-1.9	14.6	5.2	4.9
Electricity, water and gas supply	7.5	2.3	-3.4	1.9	0.2	-10.0	-2.3	-1.4	-1.5	8.7	0.3	0.8
Construction	0.4	-4.9	-19.1	-8.8	-8.2	-34.2	-13.1	-21.3	-18.0	12.7	-11.8	-12.0
Manufacturing	1.9	0.4	-13.8	5.5	-2.6	-29.6	-12.5	-10.3	-11.0	27.3	4.5	7.1
Tertiary	2.9	0.2	-8.3	2.8	-0.7	-16.2	-8.0	-8.1	-6.7	9.9	4.0	5.0
Wholesale trade	3.6	-3.9	-18.7	5.2	-4.4	-21.7	-25.9	-22.2	-14.1	4.3	17.6	17.0
Retail trade	2.6	2.9	-16.5	3.3	0.8	-28.9	-19.4	-17.9	-16.0	17.1	10.1	7.0
Transportation and warehousing	3.2	0.8	-9.8	4.0	-2.7	-39.3	1.1	1.9	-4.5	51.8	-6.7	-6.0
Mass media information	5.4	1.0	0.2	-1.0	4.7	-0.4	6.3	-8.7	-6.4	-0.8	-6.4	9.9
Finance and insurance	5.0	-1.3	-1.7	8.0	-2.0	-3.0	-2.2	0.3	3.5	7.8	10.5	10.3
Real estate & rental services	1.7	1.2	-1.3	0.7	1.0	-1.5	-1.3	-3.3	-1.6	-1.2	1.7	4.1
Prof., scientific & tech. services	1.9	1.4	-10.6	7.4	-2.9	-8.0	-17.0	-14.5	-10.1	-2.1	23.1	21.2
Corporate & business mgt.	6.2	-3.5	-9.0	-1.6	-0.6	-16.8	-9.6	-8.3	-10.0	6.8	-1.7	-0.6
Business support services	4.5	4.2	-7.9	3.5	1.3	-4.9	-14.3	-13.0	-6.3	-3.0	12.8	12.0
Educational services	0.5	-1.1	-2.1	5.3	-1.2	-4.2	-0.5	-2.4	2.0	8.5	5.8	5.2
Health and social services	3.0	0.6	0.8	-2.1	-1.9	1.1	1.2	2.7	-0.5	-3.3	-2.7	-1.8
Leisure, culture & sport services	1.1	-1.1	-20.9	19.8	-14.1	-76.9	3.7	4.4	5.5	299.1	-6.8	-5.0
Accommodation & food services	2.2	0.9	-20.2	-0.4	-7.9	-70.4	-2.1	0.3	-14.6	168.5	-18.5	-20.1
Other services excl. gvt.	1.1	0.8	-3.0	0.6	-2.4	-26.1	7.8	8.9	-0.5	30.6	-9.4	-9.0
Government activities	3.3	-2.4	-3.2	-2.7	6.5	1.0	-10.0	-10.5	-11.3	-9.1	6.4	6.0

	Structure, %				Contribution to growth, pp			
	2018	2019	2020	2021	2018	2019	2020	2021
Total GDP	100.0	100.0	100.0	100.0	2.2	-0.3	-10.0	3.7
Primary	3.2	3.2	3.6	3.6	0.1	0.0	0.0	0.2
Secondary	29.2	28.8	28.1	27.7	0.2	-0.5	-3.5	0.6
Mining	4.8	4.6	5.2	5.3	-0.3	-0.2	0.0	0.3
Electricity, water and gas supply	1.6	1.6	1.7	1.7	0.1	0.0	-0.1	0.0
Construction	7.0	6.6	6.0	5.3	0.0	-0.3	-1.3	-0.5
Manufacturing	15.8	16.0	15.3	15.6	0.3	0.1	-2.2	0.8
Tertiary	63.2	63.5	64.7	64.1	1.8	0.1	-5.3	1.8
Wholesale trade	8.5	8.2	7.4	7.5	0.3	-0.3	-1.5	0.4
Retail trade	9.0	9.3	8.6	8.6	0.2	0.3	-1.5	0.3
Transportation, mail and storage	6.5	6.6	6.6	6.6	0.2	0.0	-0.6	0.3
Mass media information	3.0	3.0	3.4	3.2	0.2	0.0	0.0	0.0
Financial and insurance services	4.8	4.7	5.1	5.4	0.2	-0.1	-0.1	0.4
Real estate & rental services	11.0	11.2	12.3	11.9	0.2	0.1	-0.1	0.1
Prof., scientific & tech. services	1.9	1.9	1.9	2.0	0.0	0.0	-0.2	0.1
Corporate & business mgt.	0.6	0.6	0.6	0.5	0.0	0.0	-0.1	0.0
Business support services	3.6	3.8	3.8	3.8	0.2	0.2	-0.3	0.1
Educational services	3.7	3.7	4.0	4.1	0.0	0.0	-0.1	0.2
Health and social services	2.1	2.1	2.4	2.3	0.1	0.0	0.0	-0.1
Leisure, culture & sport services	0.4	0.4	0.4	0.4	0.0	0.0	-0.1	0.1
Temp. accomm. & food & drink	2.2	2.2	2.0	1.9	0.0	0.0	-0.4	0.0
Other services excl. gvt.	2.0	2.0	2.1	2.1	0.0	0.0	-0.1	0.0
Government activities	3.9	3.8	4.1	3.9	0.1	-0.1	-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

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

	YoY % change											
	2018	2019	2020	2021	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21	3Q21	4Q21
Total	1.9	0.4	-13.8	5.5	-2.6	-29.6	-12.5	-10.3	-11.0	27.3	4.5	7.1
Food	2.9	1.6	2.3	6.4	3.2	-1.1	8.6	-1.3	6.5	10.8	0.3	8.5
Beverages and tobacco	4.5	2.5	-13.7	-0.6	0.2	-30.2	-8.6	-14.4	-10.8	18.0	-6.4	0.8
Textile inputs	2.4	-3.7	-37.9	-17.7	-13.9	-68.2	-48.5	-18.0	-47.5	36.2	8.9	-25.8
Manufacture of textile products	7.8	-3.8	-23.6	3.1	-0.4	-49.4	-31.3	-14.2	-21.1	43.2	15.5	-1.2
Clothing	1.5	-4.7	-43.1	-6.3	-7.2	-70.7	-43.1	-50.5	-43.1	54.3	-0.8	18.3
Leather and fur products	-1.3	-2.5	-48.5	-19.4	-10.2	-76.7	-53.8	-51.8	-51.8	47.0	-7.4	-4.2
Timber industry	-1.9	0.1	-19.6	-12.0	-6.4	-36.1	-17.0	-19.2	-29.4	7.6	-11.0	-7.7
Paper industry	2.1	-0.6	-3.8	2.2	-1.5	-16.5	4.0	-1.1	-7.1	17.9	-1.3	1.6
Printing and related industries	3.4	-10.1	-23.8	-1.7	-2.3	-37.3	-26.9	-28.3	-27.2	13.7	-1.6	18.4
Petroleum derivatives	-16.7	-2.8	-3.0	0.3	-4.1	-5.8	-1.3	-1.0	9.9	2.6	-7.2	-2.7
Chemicals	-2.1	-1.6	1.2	2.7	0.2	-10.5	10.0	4.7	1.8	16.6	-4.8	-0.1
Plastic and rubber	3.0	-1.8	-13.7	6.8	-3.2	-32.7	-9.8	-8.9	-17.2	42.9	7.8	4.0
Non-metallic mineral products	0.0	-2.3	-9.4	6.6	0.5	-29.5	-7.6	-1.2	-15.6	43.8	7.3	2.1
Basic metals	-2.0	-2.6	-6.0	12.3	-3.1	-22.5	-3.2	5.1	-5.6	43.2	12.1	6.5
Metal products	-1.6	-5.5	-20.1	-1.7	-5.0	-37.3	-18.8	-19.2	-26.9	23.2	4.0	3.3
Machinery and equipment	3.5	-1.3	-22.5	-2.9	-10.6	-37.7	-24.9	-15.5	-26.9	18.2	-0.6	5.9
Computers and electronics	-0.2	6.0	-17.9	-2.5	-4.4	-22.1	-26.6	-18.4	-22.0	2.1	3.5	10.7
Electrical equipment	1.3	-0.4	-6.0	-3.7	2.1	-16.9	-3.3	-6.1	-15.2	9.1	-4.1	-2.1
Transportation equipment	5.3	2.0	-32.5	19.2	-7.3	-64.2	-35.2	-21.7	-20.9	111.2	25.5	18.5
Furniture and related	4.6	-3.6	-26.2	8.4	-5.3	-51.6	-27.4	-21.5	-17.1	43.2	19.9	7.2
Other manufacturing industries	7.1	0.7	-9.5	-5.3	-2.2	-26.2	-7.7	-2.9	-17.5	14.1	-4.8	-7.6

	Structure, %				Contribution to growth, pp			
	2018	2019	2020	2021	2018	2019	2020	2021
Total	100.0	100.0	100.0	100.0	1.9	0.4	-13.8	5.5
Food	23.0	23.3	27.6	27.9	0.7	0.4	0.5	1.8
Beverages and tobacco	5.8	5.9	5.9	5.6	0.3	0.1	-0.8	0.0
Textile inputs	0.9	0.9	0.6	0.5	0.0	0.0	-0.3	-0.1
Manufacture of textile products	0.5	0.5	0.4	0.4	0.0	0.0	-0.1	0.0
Clothing	2.1	2.0	1.3	1.2	0.0	-0.1	-0.8	-0.1
Leather and fur products	0.8	0.7	0.4	0.3	0.0	0.0	-0.4	-0.1
Timber industry	0.8	0.8	0.8	0.7	0.0	0.0	-0.2	-0.1
Paper industry	1.9	1.8	2.0	2.0	0.0	0.0	-0.1	0.0
Printing and related industries	0.7	0.6	0.5	0.5	0.0	-0.1	-0.1	0.0
Petroleum derivatives	1.4	1.3	1.5	1.4	-0.3	0.0	0.0	0.0
Chemicals	8.0	7.8	9.2	9.0	-0.2	-0.1	0.1	0.2
Plastic and rubber	2.9	2.8	2.8	2.9	0.1	-0.1	-0.4	0.2
Non-metallic mineral products	2.6	2.5	2.6	2.7	0.0	-0.1	-0.2	0.2
Basic metals	6.1	6.0	6.5	6.9	-0.1	-0.2	-0.4	0.8
Metal products	3.2	3.0	2.8	2.6	-0.1	-0.2	-0.6	0.0
Machinery and equipment	4.1	4.0	3.6	3.3	0.1	-0.1	-0.9	-0.1
Computers and electronics	7.9	8.4	8.0	7.4	0.0	0.5	-1.5	-0.2
Electrical equipment	3.0	3.0	3.3	3.0	0.0	0.0	-0.2	-0.1
Transportation equipment	20.8	21.2	16.6	18.7	1.1	0.4	-6.9	3.2
Furniture and related	1.1	1.0	0.9	0.9	0.0	0.0	-0.3	0.1
Other manufacturing industries	2.4	2.4	2.5	2.3	0.2	0.0	-0.2	-0.1

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

2c. Sectoral mix sets the tone for state performance

The slight contraction in 2019 has been magnified by the pandemic

The first half of 2020 (1H20), saw one of the greatest challenges in the economic history of the world and of our country. The COVID-19 pandemic has caused, in addition to a health crisis – reflected in the statistics on infections and deaths – unprecedented economic havoc. Restrictions on the mobility of people, together with stoppages of business, have strongly affected the supply and demand patterns in the markets that make up the national economy.

As early as the second quarter of 2020 (2Q20), the definition of certain activities as essential, and the subsequent addition of others as priority, was causing different growth patterns in the national economy than those seen in previous years. From a regional perspective, this pattern began to forge a new reality in terms of activity and forecasts for economic recovery in the various states of the country.

In order to analyze the effects and forecasts for the federal states, we must to describe the scenario before the current situation, that is, the state of the national economy at the end of 2019. As analyzed in the ***Mexico Regional Sectoral Outlook*** report for 1H20, uncertainty dominated the economic landscape in Mexico during 2019, but with relative stability in macroeconomic terms. During the year, total GDP contracted and investment was low.

The contraction during 2019 was the result of a 1.7% drop in secondary activities and modest performance by tertiary activities, which grew 0.2%. The primary sector, with the highest rate by type of activity, grew 0.4%. However, its share in the mix of production activities meant that its growth was not sufficient to prevent the 0.3% contraction of the total GDP.

Regional patterns have changed due to restrictions and partial reopening

Lower investment flows, as well as the contraction of large sectors of the national economy, resulted in a contraction in more than half of the federal states.

To estimate state GDP in 2019, the Quarterly Indicator of State Economic Activity (ITAEE) was used. This leading indicator had only been published up to the first quarter of 2020 (1Q20) as of the closing date of this publication. Tlaxcala (6.4%), Colima (4.1%) and Chihuahua (1.9%) led growth during 2019, followed by Baja California, Nuevo León and Yucatán with rates of 1.8%, 1.7% and 1.5%, respectively.

In terms of distribution, the concentration of production was even greater at the end of 2019, with seven states – Mexico City, State of Mexico, Nuevo León, Jalisco, Veracruz, Guanajuato and Coahuila – representing 53.3% of gross added value (GAV) at the national level. These states accounted for 53.2% of the activity at the end of 2018.

The Southeast region – Campeche, Chiapas, Quintana Roo, Tabasco and Yucatán – experienced the largest contraction, at -2.2%, while the Northeast region – Coahuila, Durango, Nuevo León and Tamaulipas – showed the highest growth (1.4%), mainly based on export manufacturing. However, the observed growth patterns were interrupted by the pandemic.

In terms of the states with a large share of oil mining, Campeche closed 2019 as the twelfth largest state economy, although it is expected to jump one position during 2020 to 11th place. In principle, this improvement, in relative terms, is a result of the performance of oil mining, which accounts for almost 80% of state GDP.

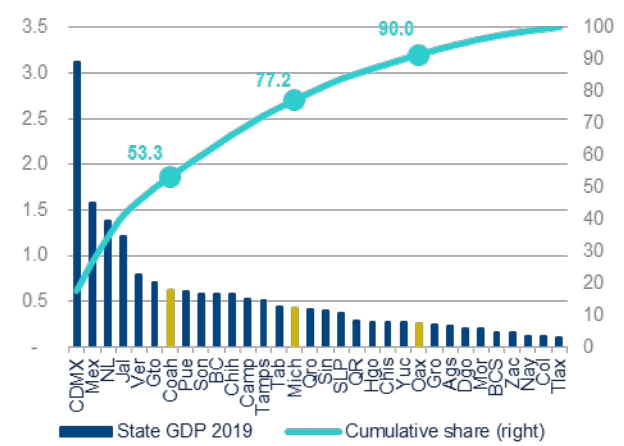
Because of a smaller contraction in oil mining, Tabasco will have an even smaller contraction than in 2019, its activity falling by 1.4%. While in Tabasco, oil mining represents half of the state GDP, the state manufacturing that is highly linked to oil mining (oil and coal derivatives, along with the chemical, plastic and rubber industries) account for 75% of the state's industry, while in Campeche they account for less than 5%.

Among the states with a large share of their GDP accounted for by tourism-related activities, such as temporary accommodation and food and beverage preparation, we find Baja California Sur, Nayarit and Quintana Roo. The last two of these states respectively saw contractions of 7.8% and 0.2% in 2019. In particular, it can be observed that in the case of Quintana Roo, this implies a contraction of 15.2% in the state's production during 2020, the sharpest fall among the states and consistent with the sectoral composition of the state, based mainly on tourism.

In the case of Mexico City (CDMX) and the State of Mexico, the downward trend in construction continued during the second half of 2019 (2H19) in the case of CDMX, while it showed a better relative performance in the State of Mexico. However, a fall in state manufacturing exacerbated the contraction in the State of Mexico. During 2020, smaller contractions than the national average are expected, with a sectoral composition that favors early recovery.

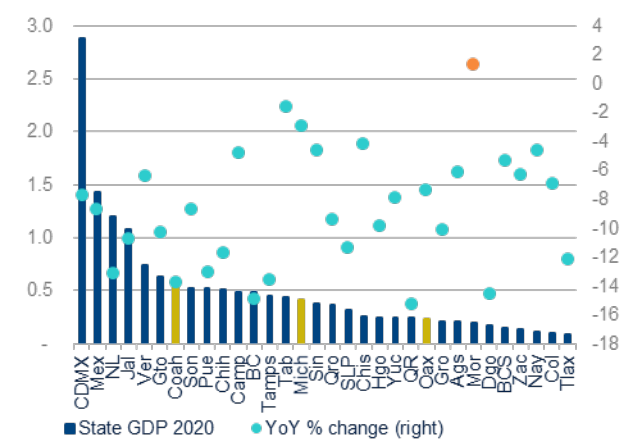
For the more industrialized states, some alleviation of activity contraction is expected due to the definition of manufacturing sectors, such as the automotive and aerospace sector, as priority activities, as well as due to food processing, which has been less affected since the onset of the pandemic, and can minimize the impact in these states.

Figure 2c.1 **STATE GDP ESTIMATE, 2019** (MXN TRILLIONS AND %)



Source: BBVA Research, estimates based on INEGI data

Figure 2c.2 **STATE GDP FORECAST, 2020** (MXN TRILLIONS and YoY % CHANGE)



Source: BBVA Research, estimates based on INEGI data

However, to calculate the total impact on state economic activity, the rest of the production sectors should be considered, as should the efforts made through economic support programs and investment flows. Consideration should also be given to the entry into force of the USMCA, although the economic effects that such a launch entails, may be temporarily overshadowed due to its taking place in the middle of the pandemic. This is especially true for activities integrated into cross-border value chains, in industries such as the automotive, electrical and electronics sectors.

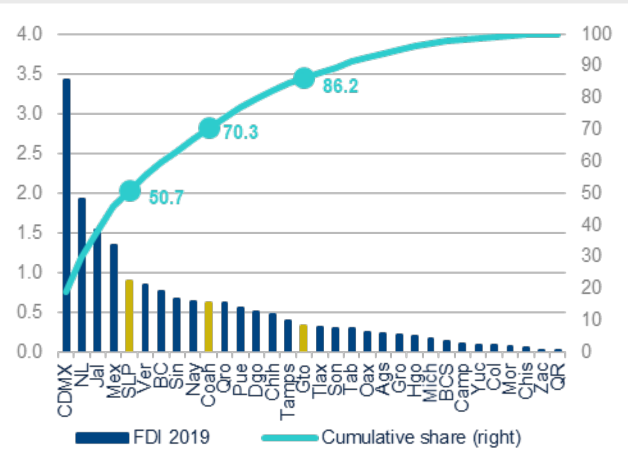
Large infrastructure projects can directly lead to greater state growth through construction, as is the case with Tabasco and the Dos Bocas refinery in the municipality of Paraíso. There are other projects on standby that, once implemented, could trigger considerable regional growth, such as the Trans-Isthmus Corridor and the Mayan Train. Of course, this is if they are finally completed.

Fifty percent of FDI flows are accounted for by five states, and there is a sharp fall in the Southeast

Foreign direct investment (FDI) flows have changed substantially during the first half of 2020. Total FDI in the states fell 0.7% compared to 1H19, showing a different pattern across the various states receiving it. In spite of the contraction in the total figure, states such as Nayarit, Sinaloa and Durango showed growth of 625.9%, 342.7% and 310.7%, respectively. In contrast, in 19 states, this type of investment fell during 2019, with Quintana Roo seeing the largest drop of -99.5% and becoming the state with the lowest FDI flow in 1H20.

For the rest of the states in the Southeast, Chiapas saw a drop of 70.5%; Yucatan showed a decrease of 22.6% followed by Tabasco with a drop of 20.8%. Campeche, the only state in the Southeast in positive territory, showed an FDI growth of 14.5%. In total, the amount of foreign investment going to these five states amounted to nearly 1.12 billion USD in 1H19 and 526 million USD in 1H20, representing an annual decline during the six-month period of 53%, reversing the growth trend in 2019.

Figure 2c.3 **FDI FLOW 1H20**
(USD BILLIONS AND %)



Source: BBVA Research with data from the Ministry of Economy.

Figure 2c.4 **STATE ECONOMIC STIMULUS**
(NUMBER OF MEASURES)

Source: BBVA Research with data from *Federalismo en COVID*, CIDE

The concentration of FDI is still large, with five states – Mexico City, Nuevo León, Jalisco, State of Mexico and San Luis Potosí – accounting for 50.7% of the total flows. Just ten states attracted 70.3% of the investment flows from abroad. This indicator, as mentioned previously, is a sign of confidence for domestic investors and a means of identifying the regional growth patterns that partly define the economic activity that the country will experience.

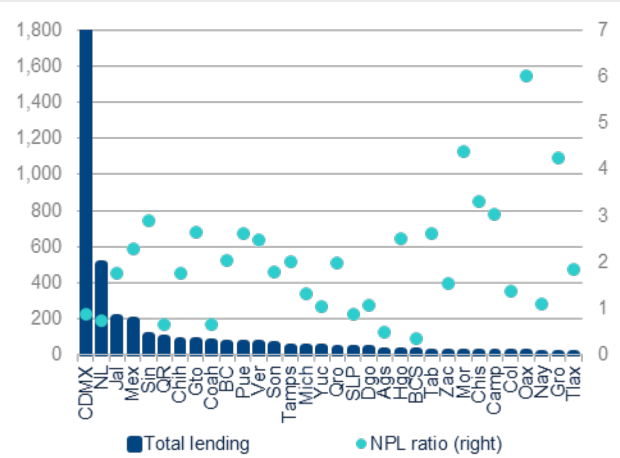
Since the beginning of the pandemic, and following prevention measures in terms of mobility restrictions and the stoppage of activities, state governments have announced a series of support measures in response to the crisis, including social assistance, tax measures, economic support and food support, among others. With regard to the economic support measures, it can be seen that the number of measures taken by the states ranges from none, in the case of Chiapas, to eighteen, in the cases of Tabasco and Yucatán. The breakdown of states by the number of measures adopted as of the end of July 2020 is shown in Figure 2c.4.

The commercial portfolio in federal states grew at a real rate of 6.3%

Data from the Bank of Mexico as of June 2020 confirms that the high concentration of the balances of the total portfolio of commercial banks – companies, the public sector, the financial system, consumption, housing, and other resident sectors – has continued. The credit balances of just five states – Mexico City, Nuevo León, Jalisco, Mexico and Sinaloa – account for half of the balance of this portfolio.

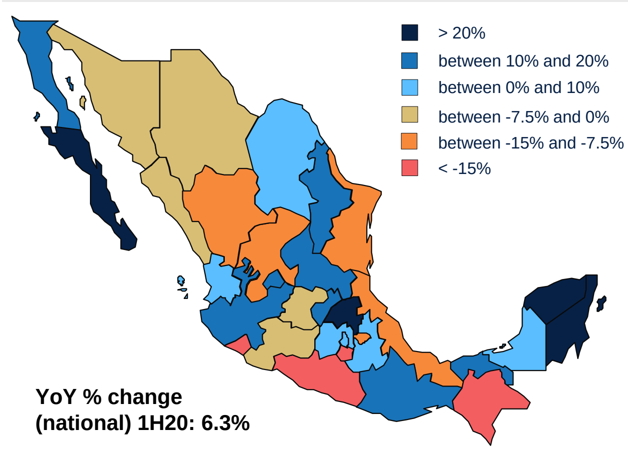
If just the behavior of commercial credit (companies, the public sector and the financial system) is analyzed, the national balance in June 2020 was nearly MXN 3.52 billion. CDMX leads the way with a total portfolio of MXN 1.709 billion, 48.6% of the total balance of commercial credit to the states. The registration of company names in Mexico City skews the credit registered in the state upward, since it does not necessarily correspond to the resources based there. In addition, the integration of the metropolitan area can shift financial operations to CDMX.

Figure 2c.5 **CREDIT BALANCE IN COMMERCIAL BANKING AS OF 2Q20** (MXN BILLIONS AND DELINQUENCY)



Source: BBVA Research based on data from the Bank of Mexico

Figure 2c.6 **CREDIT BALANCE IN COMMERCIAL BANKING, JUNE 2020** (YoY % CHANGE)



Source: BBVA Research based on data from the Bank of Mexico

If we look at delinquency rates (Imor) as of June 2020, we can see that the commercial portfolio continues to be healthy in almost all states, with a delinquency rate of 1.2 at the national level. Oaxaca stands out, with a delinquency rate of 6.0, rising from 4.0 at the end of 2019 and 1.9 in December 2018. In general, 19 states have a delinquency rate of less than 2.0, while at the close of 2019, 21 states met this criterion.

The data considered here is designed for an analysis that includes the commercial portfolio (non-financial private sector, financial sector and public sector). Including mortgage loans, consumption, and other resident sectors would give the total balance in the Mexican Republic; however, the regional analysis was performed on the commercial credit part.

Primary activities and some industries will drive recovery

The ratification of the free trade agreement between Mexico, the United States of America and Canada (USMCA) 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. Even during the pandemic, the effort to continue manufacturing production in these industries has provided an impetus for the states in which they are based.

The economic benefit of the integration into global value chains would result in an immediate economic boost in the border regions, as well as in the Bajío area and some South-Central states, such as the State of Mexico and Puebla. However, the current pandemic is preventing this boost from having an effect of the magnitude that it would have had under other circumstances. Nevertheless, manufacturing sectors such as food could represent another driving force for the state economies, with these industries being subject to the least amount of stoppages during 1H20.

Primary activities, with a better growth outlook, can in turn reduce the economic declines of states such as Michoacán, Nayarit, Sonora and Jalisco. As states with strong agricultural exports, they could drive a demand that has been affected by the restriction of the movement of goods that, although less severe than the restriction on the movement of people, has been imposed during the pandemic.

Employment is falling and still with significant regional differences

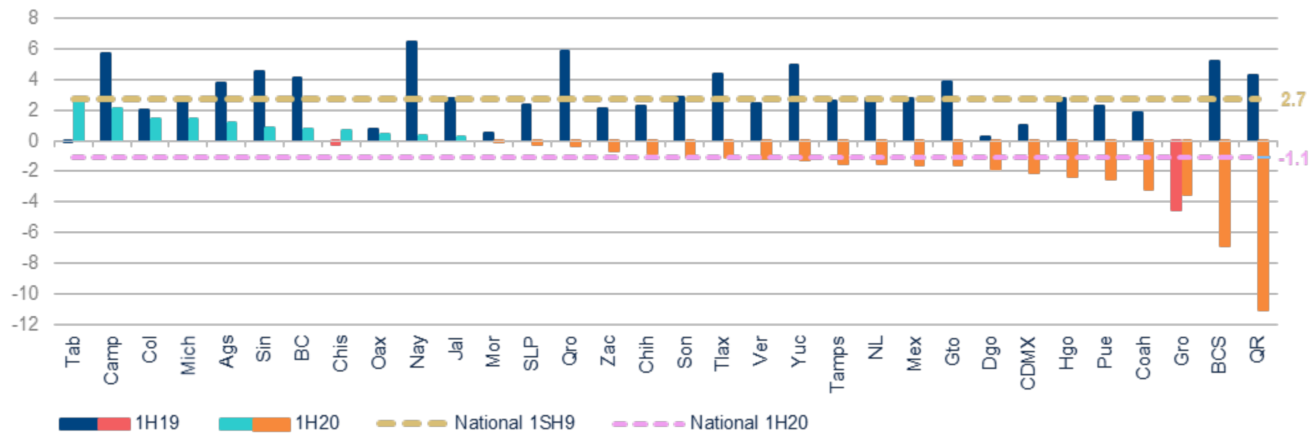
On average from January to June, the number of workers insured by the Mexican Social Security Institute (IMSS) fell -1.1% during 2020 in annual terms. During the same period in 2019, this indicator grew 2.7%. The effect of the pandemic on the labor market is imminent, although employment patterns are very different among the federal states.

Analyzing the regional components, 21 states are found to have a reduction in the number of workers insured during the first half of the year; while only three states were in this situation during 1H19. It should also be noted that the oil states showed the largest increases during 1H20, with Tabasco leading the formal labor indicators, followed by Campeche, Colima, Michoacán, Aguascalientes, Sinaloa, Baja California, Chiapas, Oaxaca, Nayarit and Jalisco. All eleven states had positive figures.

The pattern of informal employment, which is included in the National Occupation and Employment Survey (ENOE), has not been published for the second quarter, therefore the effects of any changes in the redistribution between formal and informal employment will be analyzed in a later issue. However, it is important to note that the states in which the retail and wholesale trade sector plays a more important role in the mix of production activities are subject to an addition impact due to the lack of legal coverage for income and occupation characterized as informal. Within these states is CDMX, with a contraction of a greater magnitude than the national average.

Supporting the discussion on sectoral performance by examining patterns of state growth, we can see that the biggest falls during 1H20 took place in states where tourism activities represent a significant share of gross added value.

Figure 2c.7 **EVOLUTION OF FORMAL EMPLOYMENT (TOTAL INSURED BY IMSS) DURING 1H20** (YoY % CHANGE)



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

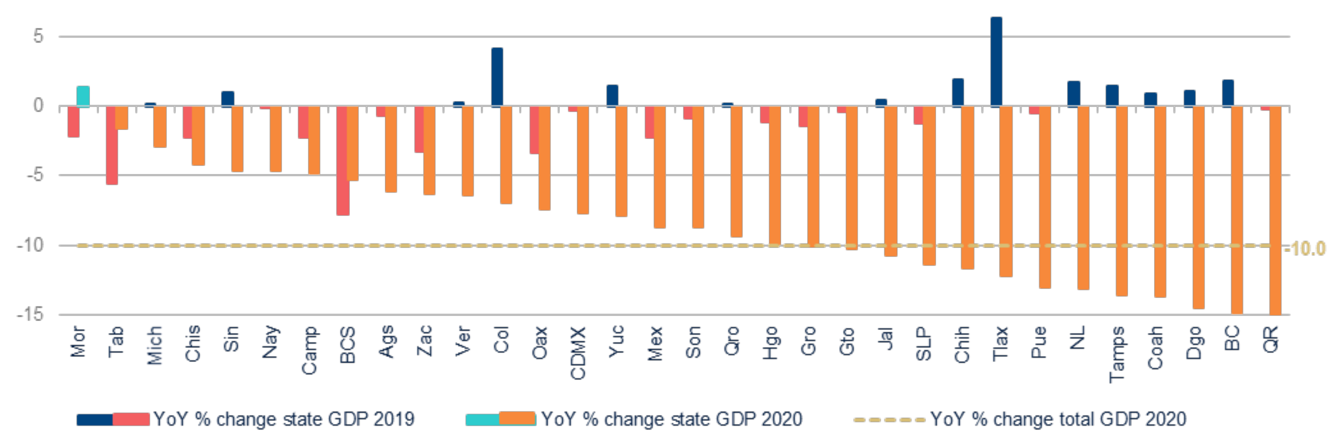
The recovery scenario will be determined by sectoral performance

The economic history chapter of the world and Mexico that includes the current pandemic has not reached its end. However, 1H20 data can point to a redefinition of structural relationships, as well as to different recovery patterns in each of the production sectors. Accordingly, the regional analysis shows that such sectoral trends will set the tone for recovery across the states.

Consequently, states with a large share of sectors considered essential or priority will tend to recover earlier than states that depend on activities whose recovery horizon is still far off, as is the case with tourism. Potential outbreaks, as well as uncertainty as to the production and availability of a vaccine to fight COVID-19, are generating ever-present uncertainty at the national and international levels.

The pattern of the pandemic is not the same in each state, and nor are the state governments' economic stimulus measures. Considering a total GDP contraction of 10% in the original series, the forecast for 2020 is negative for almost all states, even with a relative revival of the economy toward the end of the year.

Figure 2c.8 **STATE GDP, 2019 AND 2020** (YoY % CHANGE)

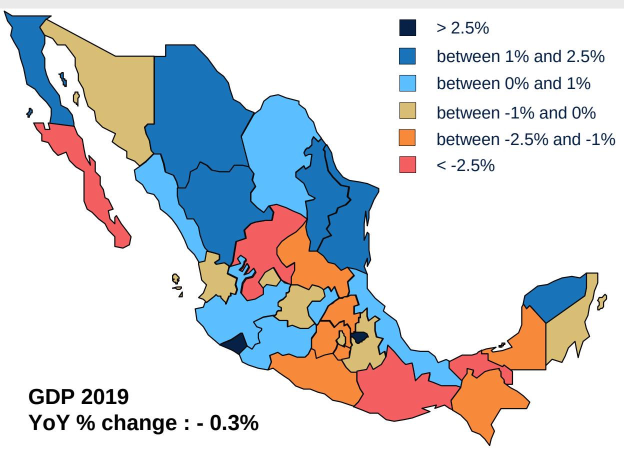


Source: BBVA Research, estimates based on INEGI data

Given the expected contraction, the economic situation before the pandemic already showed a decline in activity, and the lack of investment was undeniable. When this crisis comes to an end, these problems will remain and, therefore, an economic recovery will require more than just overcoming the damage the pandemic alone has caused.

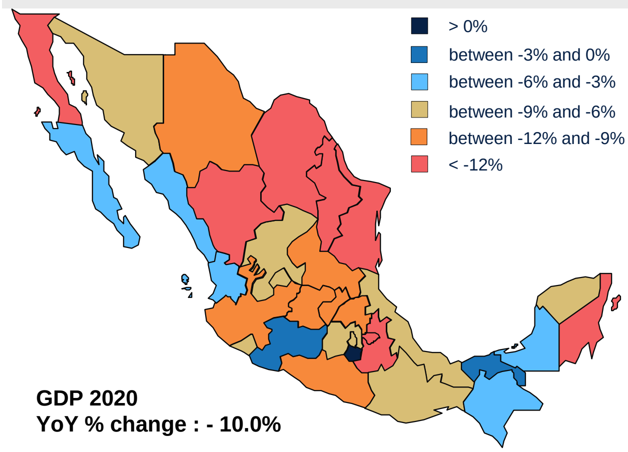
The path to recovery does not seem easy, but through state support programs, investment flows, and credit from commercial banks, as the providers of resources for economic revival at the sectoral and regional levels, the path may be easier to take.

Figure 2c.9 **STATE GDP, 2019** (YoY % CHANGE**)**



Source: BBVA Research, estimates based on INEGI data

Figure 2c.10 **STATE GDP, 2020** (YoY % CHANGE**)**



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	2019 GDP (MXN billion)	2019 estimated growth	2020 GDP (MXN billion)	2020 forecasted growth
Aguascalientes	223.3	-0.7	209.7	-6.1
Baja California	576.0	1.8	490.1	-14.9
Baja California Sur	159.5	-7.8	151.1	-5.3
Campeche	517.7	-2.2	492.9	-4.8
Chiapas	265.6	-2.2	254.6	-4.2
Chihuahua	573.2	1.9	506.4	-11.7
Coahuila	614.7	0.9	530.6	-13.7
Colima	108.8	4.1	101.3	-6.9
Durango	204.6	1.0	174.9	-14.5
Guanajuato	710.2	-0.4	637.5	-10.2
Guerrero	237.6	-1.4	213.6	-10.1
Hidalgo	274.2	-1.1	247.1	-9.8
Jalisco	1,213.5	0.5	1,083.4	-10.7
Mexico City	3,118.0	-0.3	2,878.4	-7.7
Michoacán	424.8	0.1	412.4	-2.9
Morelos	197.1	-2.1	199.7	1.3
Nayarit	120.3	-0.2	114.8	-4.6
Nuevo León	1,376.9	1.7	1,196.7	-13.1
Oaxaca	251.7	-3.4	233.1	-7.4
Puebla	600.6	-0.5	522.2	-13.0
Querétaro	407.2	0.1	369.2	-9.3
Quintana Roo	285.6	-0.2	242.2	-15.2
San Luis Potosí	365.5	-1.2	323.9	-11.4
Sinaloa	394.2	1.0	376.1	-4.6
Sonora	576.7	-0.8	526.2	-8.7
State of Mexico	1,569.9	-2.2	1,433.8	-8.7
Tabasco	442.4	-5.6	435.4	-1.6
Tamaulipas	515.1	1.4	445.2	-13.6
Tlaxcala	105.3	6.4	92.5	-12.2
Veracruz	796.5	0.3	745.8	-6.4
Yucatán	264.3	1.5	243.5	-7.9
Zacatecas	151.7	-3.2	142.1	-6.3
NATIONAL GDP	**18,465.0**	**-0.3**	**16,615.5**	**-10.0**

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

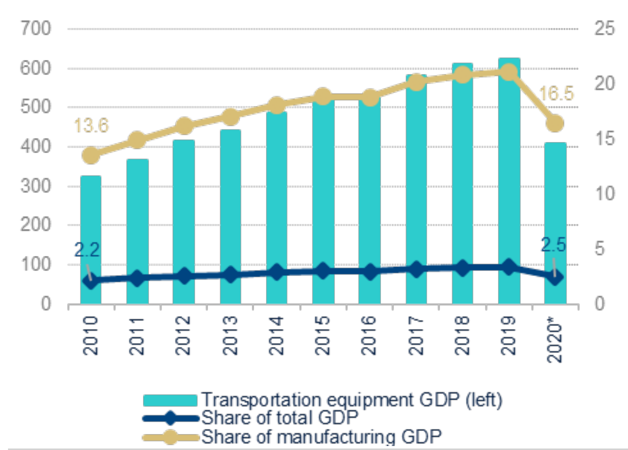
3a. The automotive industry is experiencing its biggest slump

The automotive sector has retained its importance in the Mexican economy

From 1993 to 2020, Manufacturing accounted for an average of 16.6% of Mexico's GDP. This makes it the main sector in the Mexican economy, even during the first half of 2020 when its contribution fell to 15%. The importance of this sector is also reflected in other indicators such as employment, exports and foreign direct investment (FDI). In the first case, it accounted for 16.4% of employment in 1Q20; in the second, it accounted for 88.1% of exports in 2Q20 and in the third, it accounted for 48.5% of FDI in 2Q20.[1]

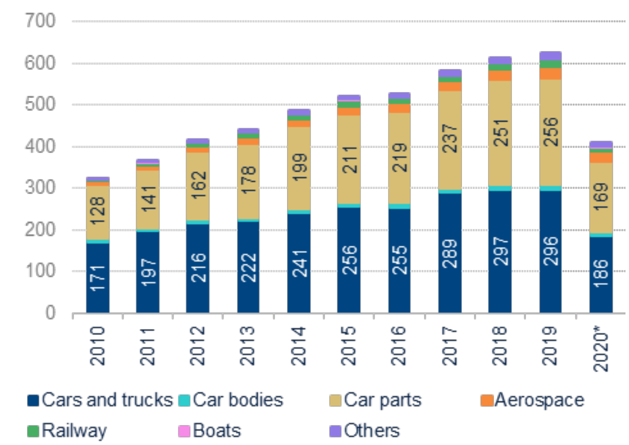
Within manufacturing, the Transportation Equipment subsector contributes the most in all these indicators, in particular through the Automobile and Truck Manufacturing (Automobiles) branches of activity, as well as through Parts Manufacturing for Automotive Vehicles (Auto Parts). Since 2010, once the crisis of 2009 had passed, this subsector has shown sustained growth. It has had an average annual growth rate of 10.3%, well above the average for the economy as a whole during the same period.

Figure 3a.1 **TRANSPORTATION EQUIPMENT GDP (MXN BILLIONS AND %)**



Source: BBVA Research based on data from SCNM and INEGI

Figure 3a.2 **TRANSPORTATION EQUIPMENT GDP (MXN BILLIONS)**



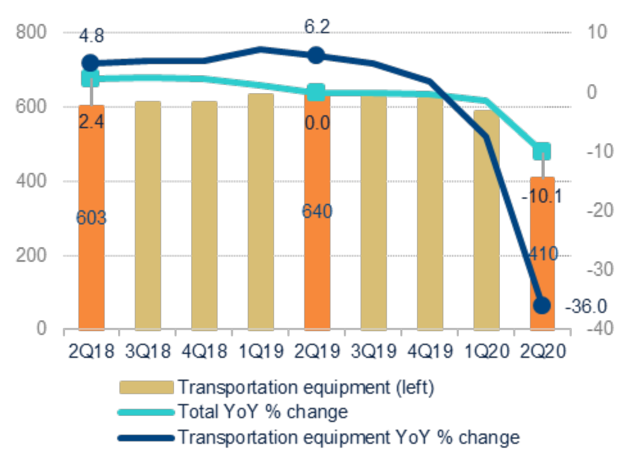
Source: BBVA Research based on data from SCNM and INEGI

1: When considering Wholesale and Retail Trade together, they outperform Manufacturing in terms of GDP and employment, but not in FDI.

Thus, at the sectoral level, the performance of these economic activities has a large impact on the Mexican economy. During the first half of 2020, we have seen the greatest ever drop in these figures, largely because of the pandemic. However, it is also true that the cycle of decline began in the final quarter of 2019. The recovery of the economy will depend largely on its improvement, not only because of its direct contribution, but also because of its connection with other sectors.

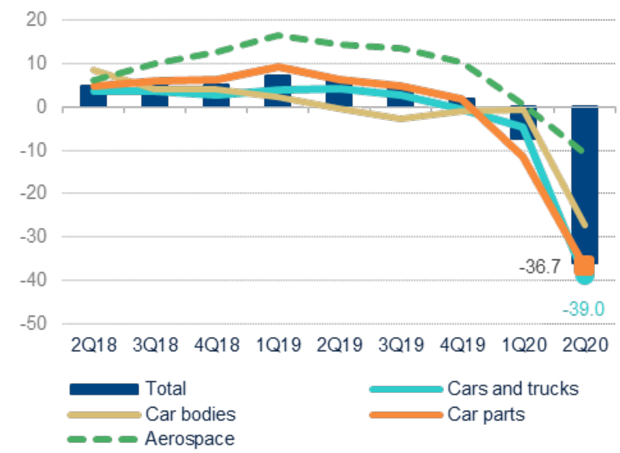
The cumulative GDP of Transportation Equipment was MXN 410 billion as f 2Q20. Meanwhile, the manufacturing of Automobiles and Auto Parts contributed MXN 186 billion and MXN 169 billion each, a share of 86.6%. During 1Q20, the subsector fell at an annual rate of 7.3% and in 2Q20, in the middle of the pandemic, the impact was -64.2% in annual terms. In both quarters, the GDP of Automobiles had annual rates of -4.5% and -71.6% (-39% cumulative as of 2Q20), while the GDP of Auto Parts fell at annual rates of 11.3% and 62.5% (-36.7% cumulative as of 2Q20), respectively. These results are mainly associated with closures due to the pandemic; in contrast, in the same quarters of 2019, the subsector grew by 7.4% and 5.0%. While these numbers represent a slowdown compared to previous periods, this growth was high compared to the rest of the economy.

Figure 3a.3 **TOTAL GDP AND TRANSPORTATION EQUIPMENT GDP** (MXN BILLIONS and YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Figure 3a.4 **TRANSPORTATION EQUIPMENT GDP** (YoY % CHANGE)



Source: BBVA Research based on data from SCNM and INEGI

Since the North American Free Trade Agreement, the manufacturing industry, and in particular the automotive industry, has grown steadily with very specific periods of negative results. In all cases, the manufacturing of Transportation Equipment has contracted in periods of economic recession, showing the most significant declines during the crises of 1995, 2009 and now in 2020. The latter has seen the greatest contraction since 1994. In 2Q20, the subsector fell at an annual rate of 64.2%; while its Automobile and Auto Parts manufacturing components contracted 71.6% and 62.5% respectively during the same period. While these activities had begun a downward cycle in 4Q19, before the pandemic, it is clear that the stoppage of activities worsened this effect.

At the end of 2019, production in the automotive sector was lower due to weak international demand, the main destination of these goods. Now, the effect of weaker global demand is exacerbated by the stoppage of activity, as this was not initially defined as an essential activity. Given that this subsector began to decline two quarters before the start of the pandemic, we could see the longest ever period of recession for the automotive industry. With demand-side and supply-side impacts, the effect is expected to be greater than in other periods of economic crisis.

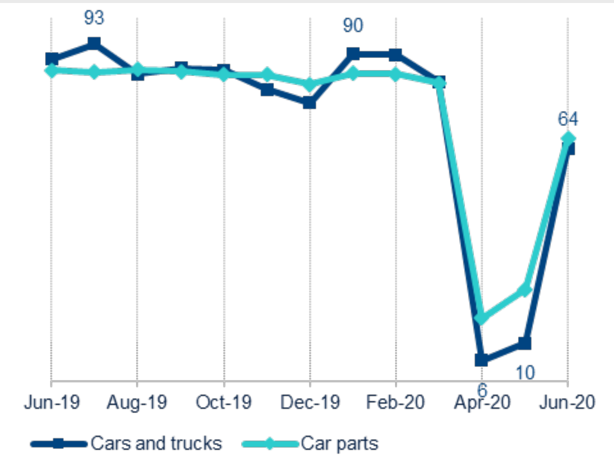
Figure 3a.5 **TOTAL GDP AND TRANSPORTATION EQUIPMENT GDP** (YoY % CHANGE)

Source: BBVA Research based on data from SCNM and INEGI

During 4Q19, when the decline in the subsector began, the average used capacity of the plants was 82.5%, whereas in the specific Automobile and Auto Parts manufacturing sectors, it was 81% and 83.6% each. These figures fell dramatically during the months of April and May. In the Automobile area, it hit rock bottom with 5.6% and 10.4% utilization; in the case of Auto Parts, the impact was slightly less severe, but minimum levels of 17.2% and 25.3% were still reached. In both cases, recovery was observed by June, exceeding 60% of installed capacity, because of these activities being classified as essential. This incipient recovery would not be possible without the same measures being implemented by our main trading partner, given the huge degree of vertical integration between these industries in Mexico and the United States of America (USA).

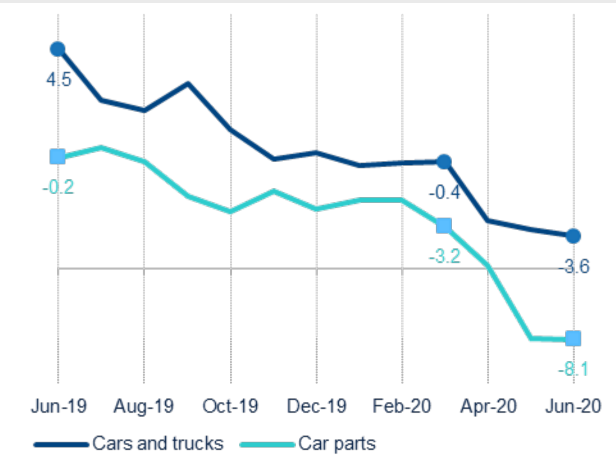
With regard to the demand for labor by the automotive industry, we can see that the biggest contraction was also in 2Q20. In the case of Automobiles, the generation of employment began to slow down in 2019, and in 2020, it became negative. Moreover, the manufacturing of Auto Parts has seen a sustained fall in its demand for labor since 2Q19, and this worsened during 2020. The entire automotive industry is capital intensive, but the auto parts industry has a greater labor component and, in fact, one of the factors behind Mexico's competitiveness in these branches of economic activity is precisely its lower labor cost. This means that it is more sensitive to variations in demand for its products. This trend could change if more investment in the sector were to be received due to the USMCA, and if there were an improvement in global demand. However, in both cases this would only happen once the pandemic is over.

Figure 3a.6 **CAPACITY USED** (PERCENTAGE)



Source: BBVA Research based on data from EMIM, INEGI

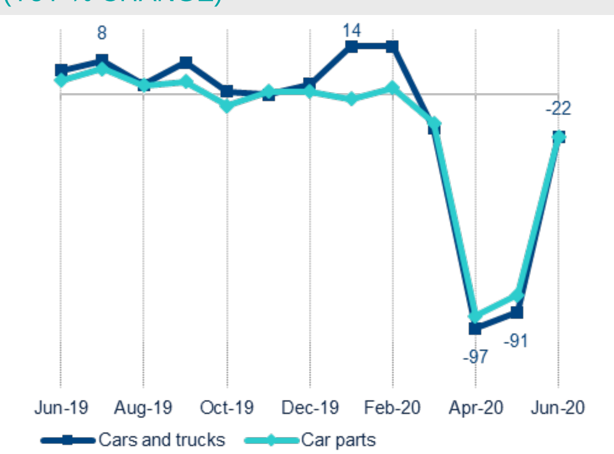
Figure 3a.7 **PERSONNEL EMPLOYED** (YoY % CHANGE)



Source: BBVA Research based on data from EMIM, INEGI

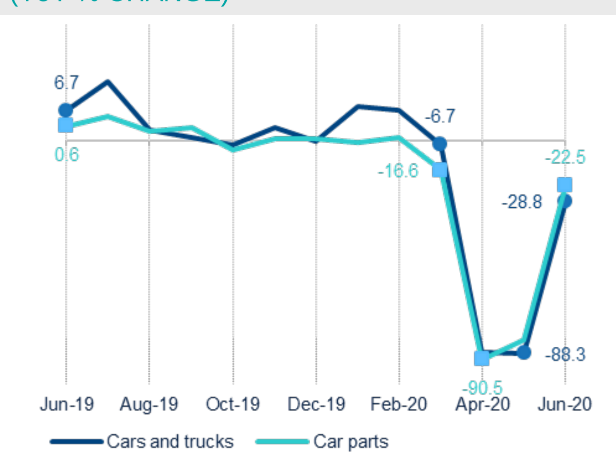
Because of the stoppage of activity, the value of production and sales hit rock bottom during the same months. In April, the value of Automobile production fell by 97% and Auto Parts by 92%, at constant prices compared to the previous year. This same comparison for sales in real terms shows contractions of 87.7% for the former and 90% for the latter in the same month. Both activities began to show a decline in these indicators in 3Q19, but at rates below 10%. The high correlation between the various indicators also reflects the highly evolved nature of this industry and its synchronization with the market. Despite the incipient recovery in production, its value, as well as the value of sales, remains in negative territory, although at a less drastic level, being located in the negative range of 20% to 30%. We estimate that we will see positive rates toward the end of this year or at the start of 2021. These will not mean a recovery, but rather a statistical effect due to the low comparison base.

Figure 3a.8 **VALUE OF PRODUCTION** (YoY % CHANGE)



Source: BBVA Research based on data from EMIM, INEGI

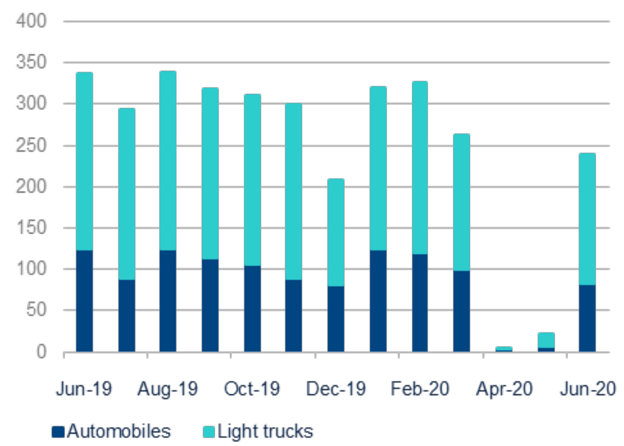
Figure 3a.9 **VALUE OF SALES** (YoY % CHANGE)



Source: BBVA Research based on data from EMIM, INEGI

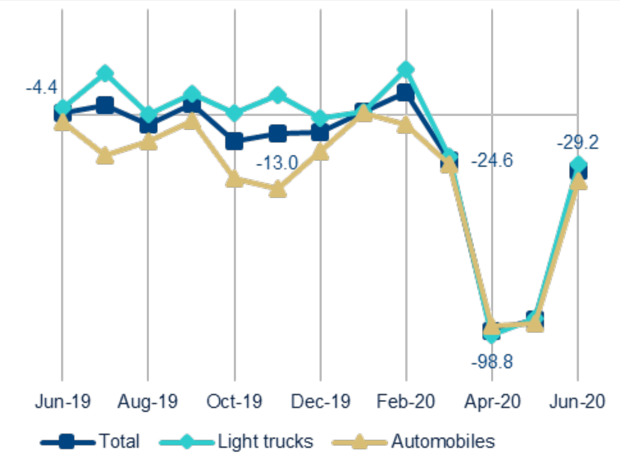
The pattern described for the change in the value of production at constant prices is also observed in terms of units. In April and May 2020, the minimum number of both vehicle and light truck units was produced. In April, production was 3705 cars and only 17 light trucks based on INEGI administrative records. The following month, 6369 cars and 15,268 light trucks were produced. These figures represent declines of more than 95% in their annual comparison. As of June, the fall is less dramatic: a total of 29.2%, similar to that observed during the months of 4Q19. In cumulative figures, the contraction is 43.7% for the first half of 2020 compared to the first half of 2019. In July, the total number of units produced increased by 0.7%, and in August the drop was only 13.2%, with production of just over 293,000 units, close to reaching the 300,000-unit barrier.

Figure 3a.10 **AUTOMOTIVE PRODUCTION (THOUSANDS OF UNITS)**



Source: BBVA Research based on administrative records from INEGI.

Figure 3a.11 **AUTOMOTIVE PRODUCTION (YoY % CHANGE)**

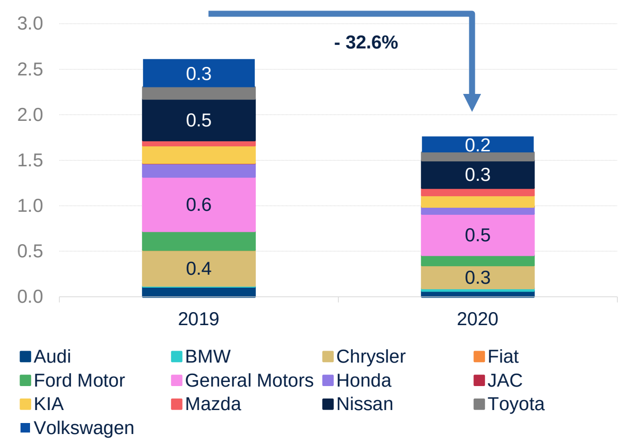


Source: BBVA Research based on administrative records from INEGI.

By brand, only BMW and Mazda increased their cumulative production from January to August 2020 compared to the same period in 2019. However, the share of both is very low, so this has little impact on the market trend. In 2019, their share was only 0.3% and 2.1%, respectively, while in 2020 they reached 1.7% and 4.7%, respectively, both in terms of cumulative January to August figures. By contrast, major producers such as General Motors, Nissan and Chrysler saw drops of 24.5%, 34% and 36% respectively during the same comparison period. These three brands, along with Volkswagen, Ford and Honda, led in the contraction of production with marginal contributions of more than 2%.

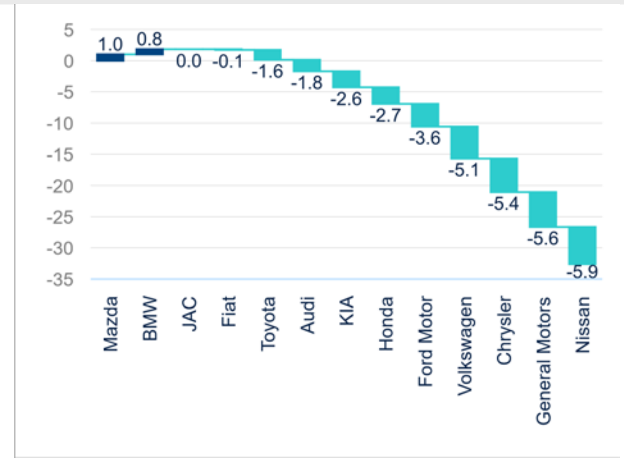
This result will no doubt change in the second half of 2020 with the resumption of activity, leading to slight improvements in production. In addition, as we mentioned earlier, this is driven more by international trade and the US manufacturing cycle than by the domestic market. However, there will be no dramatic shift in the trend toward recovery, at least not during this year and probably not during next year either.

Figure 3a.12 **AUTOMOTIVE PRODUCTION** (MILLIONS OF CUMULATIVE UNITS)



Source: BBVA Research based on data from EMIM, INEGI
Note: Cumulative units from January to August

Figure 3a.13 **AUTOMOTIVE PRODUCTION** (PERCENTAGE POINTS)



Source: BBVA Research based on data from EMIM, INEGI
Note: Cumulative units from January to August

The weakening of global demand has worsened with the economic crisis

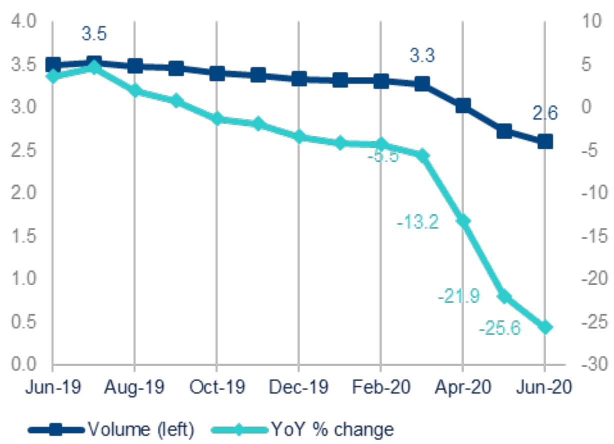
The trends in the Mexican automotive sector are determined by foreign trade. This includes both international demand for automobiles and auto parts and the performance of this industry in the North American region, due to the integration of the value chains. These are the factors that determine the direction of national production.

In annualized figures, as of June 2020, 2.6 million units had been exported, representing a contraction of 25.6% in annual terms. Based on this indicator, the drop below the barrier of 3 million units exported has been seen since May. As we explained in the previous section, this is due to two factors, namely the decline in global demand and the stoppage of activities due to the global pandemic. Evidence of the fall in demand can be seen in the fewer exports observed since October 2019, almost six months before the plants were closed as a result of global health measures. The second case is obvious.

From January to August of this year, cumulative exports were slightly above 1.5 million units. Of these, 467,000 were cars and just over one million were light trucks. As with production, the months with the lowest figures were April and May; but in July and August, the figure of 250,000 units has already been exceeded as the industry resumes its activity in the North American region.

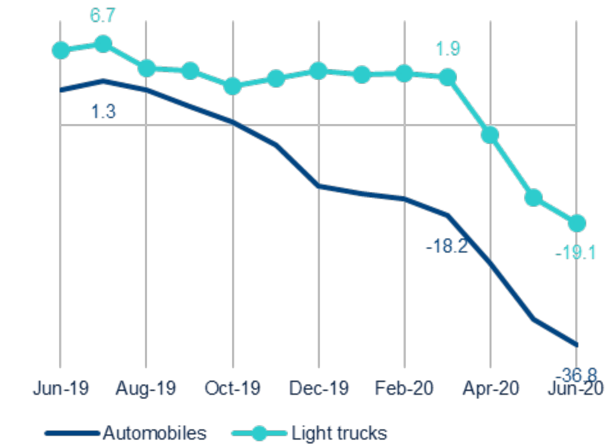
In monetary terms, automotive exports accounted for USD 59 billion from January to July. This figure, when compared to the USD 85 billion exported in the same period of the previous year, represents a 30.6% drop. Even so, the main Mexican export continues to be automobiles, with a share of 27% during this period, almost seven times larger than that of the oil companies and five times that of the agricultural ones. In addition, from January to June 2020, exports of vehicle parts and accessories stood at a cumulative figure of USD 10.3 billion, 30.9% less than the USD 14.9 billion seen during the same period in 2019. Although exports of this type exceeded USD one billion in June alone, after strong declines in April and May, they are still far from the more than USD two billion that were exported each month during 2019.

Figure 3a.14 **AUTOMOTIVE EXPORTS (MILLIONS OF ANNUALIZED UNITS)**



Source: BBVA Research based on data from INEGI

Figure 3a.15 **AUTOMOTIVE EXPORTS (YoY % CHANGE, ANNUALIZED FIGURES)**



Source: BBVA Research based on data from INEGI

The main destination for Mexican auto exports remains the USA, which is a structural matter due to the integration of these markets both through final demand and through intermediate demand in its manufacturing industry. About 82% of the units exported from January to August this year went to the US, whose demand fell 31%. In second and third places, we have Canada and Germany, countries that also decreased their purchases of units from Mexico during the period under review. Together, these three countries received 1.4 million units during this period, 31% fewer than in the previous year when just over 2 million units were sent to these three countries alone. Conversely, the United Arab Emirates doubled its demand for Mexican cars from 3800 to 7800 units. This was the only destination that grew, but its low share means that it is far from offsetting the reductions seen in the major destinations.

Figure 3a.16 **AUTOMOTIVE EXPORTS (DESTINATION COUNTRY)**

Source: BBVA Research based on data from INEGI
Note: Cumulative units from January to August

Table 3a.1 **AUTOMOTIVE EXPORTS (UNITS, SHARE AND YoY. % CHANGE)**

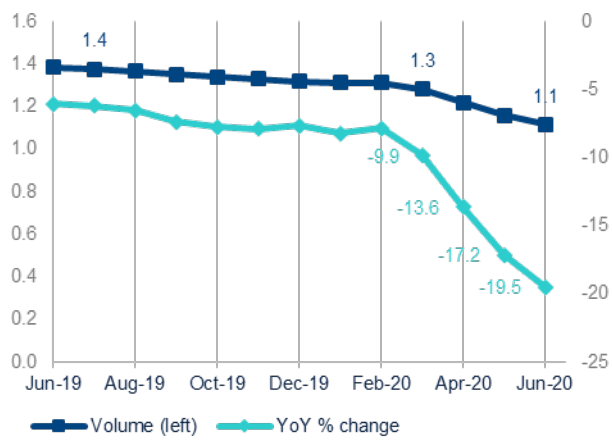
Country	2019	2020	Share	∆ %
United States	1,818,948	1,252,437	81.7	-31.1
Canada	159,945	95,860	6.3	-40.1
Germany	86,329	61,118	4.0	-29.2
Colombia	29,545	20,562	1.3	-30.4
Italy	22,917	9,969	0.7	-56.5
United Arab Emirates	3,843	7,835	0.5	103.9
Puerto Rico	16,107	7,723	0.5	-52.1
Brazil	38,188	7,644	0.5	-80.0
Chile	15,892	6,521	0.4	-59.0
Saudi Arabia	6,100	4,406	0.3	-27.8
Rest	101,714	58,052	3.8	-42.9
Total	**2,299,528**	**1,532,127**	**100.0**	**-33.4**

Source: BBVA Research based on data from INEGI
Note: Cumulative units from January to August

The domestic market is seeing a faster decline

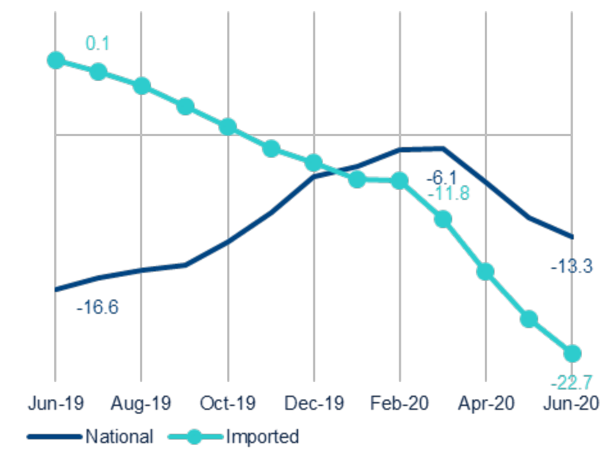
The internal market is not bottoming out. After three years of falling sales, it has still not reached the bottom of the slope. On the contrary, the speed of decline is increasing, like a car whose brakes have failed. Considering annualized figures to eliminate possible seasonal effects, domestic sales declined steadily from December 2017 to August 2020. Before February of this year, the rate of decline in sales was not in the double digits. It was in March when 10% contraction was reached, and since then it has increased every month to reach -23% in August. With data as of 1Q20, it appeared that the fall in domestic car sales in the domestic market was beginning to slow due to the effect of imported cars being replaced by domestic cars. However, at the start of 2Q20, in the middle of the pandemic, both types of cars saw their sales fall by double-digits, with imported cars dropping at the highest rate despite the relative stability of the exchange rate.

Figure 3a.17 **INTERNAL SALES**
(MILLIONS OF ANNUALIZED UNITS)



Source: BBVA Research based on data from INEGI

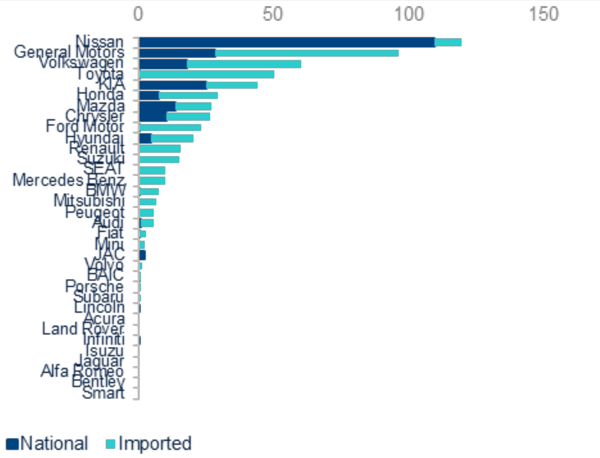
Figure 3a.18 **INTERNAL SALES**
(YoY % CHANGE, ANNUALIZED FIGURES)



Source: BBVA Research based on data from INEGI

Even with lower sales, Nissan remains the leader in sales measured by annualized units, mainly of domestic production. In contrast, General Motors, second in sales, has a larger component of imported cars based on INEGI's administrative records. Volkswagen, Toyota and Kia round out the top five positions. In all cases, we see declines of more than 20% and in total, annualized sales have fallen 31.4%. From January to August, 586,000 units were sold, a decrease of 268,000 units compared to the previous year. This variation is explained by 55,000 fewer units sold by Nissan, which leads the impact, followed by General Motors and Volkswagen with 37,700 and 31,600 fewer units sold respectively. The positive figures are in the domestic auto market, in which General Motors, Mazda and BMW increased their sales, but this could not compensate for the declines in the rest. The first sold 11,500 more units, while Mazda and BMW sold 5600 and 400 more units respectively.

Figure 3a.19 **DOMESTIC SALES**
(MILLIONS OF UNITS, ANNUALIZED FIGURES)



Source: BBVA Research based on data from INEGI
Note: Cumulative units from January to August

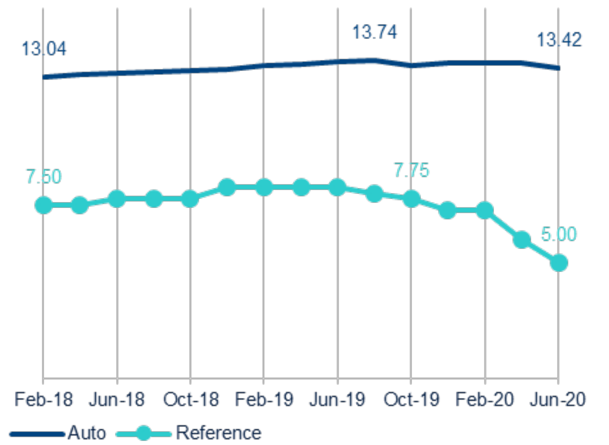
Table 3a.2 **DOMESTIC SALES**
(YoY % CHANGE, ANNUALIZED FIGURES)

Brand	2019	2020	Share	∆ %
Nissan	174,706	119,612	7.8	-31.5
General Motors	133,823	96,081	6.3	-28.2
Volkswagen	91,758	60,142	3.9	-34.5
Toyota	67,670	50,081	3.3	-26.0
KIA	62,762	43,952	2.9	-30.0
Honda	48,937	29,562	1.9	-39.6
Mazda	39,040	26,989	1.8	-30.9
Chrysler	36,059	26,667	1.7	-26.0
Ford Motor	39,731	23,419	1.5	-41.1
Hyundai	29,018	20,473	1.3	-29.4
Rest	131,152	89,432	5.8	-31.8
Total	**854,656**	**586,410**	**38.3**	**-31.4**

Source: BBVA Research based on data from INEGI
Note: Cumulative units from January to August

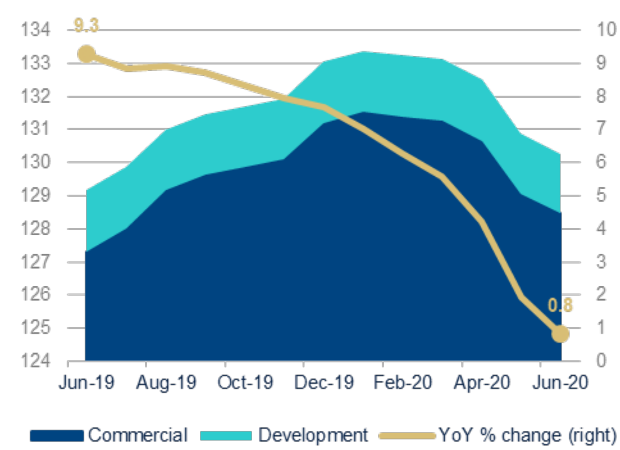
In contrast, sales of electric and hybrid cars improved marginally. In cumulative figures from January to June 2020, 10,500 units were sold, 1.6% more than in the same half of 2019. Hybrid units led these sales, with just over 1000 being plug-in and over 9200 being non-plug-in. Sales of fully electric cars stood at just 157 during this half year, an improvement of only 2.6% from the previous year. Sales could have been negatively affected by the recent decree eliminating import tariffs on these vehicles, published on September 3, 2020 in the Official Journal of the Federation.

Figure 3a.20 **INTEREST RATES**
(ANNUAL NOMINAL RATE)



Source: BBVA Research based on data from the Bank of Mexico

Figure 3a.21 **AUTOMOTIVE LOANS BALANCE**
(MXN BILLIONS AND YoY % CHANGE)



Source: BBVA Research based on data from the Bank of Mexico

As we have explained in previous editions of ***Mexico Regional Sectoral Outlook***, domestic demand for new vehicles has fallen due to different factors such as higher prices, an increase in maintenance costs, and a decrease in employment and wage levels. Coupled with all this, job losses and uncertainty are now further affecting demand for non-essential goods, particularly durable goods such as new cars. In addition, the cost of financing has only declined marginally. The weighted average interest rate for car loans has fallen by less than 50 basis points since 2019, despite the lower funding cost resulting from the Bank of Mexico's monetary policy. The balance of the car loan portfolio has even fallen sharply during 2Q20 after reaching a peak of MXN 133 billion. Different types of financing can again boost demand for new and used units, mainly by lowering the cost of credit. However, two factors must be taken into account: first, ensuring high quality credit origination in order not to expose the portfolio to high risk, even more so in times of economic recession; second, avoiding cross-subsidies and lower financing costs being paid through higher vehicle prices.

The automotive subsector will contract by around 25% during 2020

We forecast that the automotive market would improve in the second half of 2019, based on the foreign market, even if domestic sales remained stagnant in the face of lower demand. Our expectation of an improvement in global demand was based in part on a statistical effect due to having a lower base for comparison, since it was already in the lower part of its economic cycle and also on an incipient recovery from the creation of the USMCA. However, the pandemic put a halt to both sides of the market. Demand fell further in the face of job losses and global uncertainty due to the contraction of different economies in response to contingency plans imposed around the world. Supply also contracted in the face of the stoppage imposed by those measures. While the automotive industry has been allowed to resume its activity in the second half of 2020, the impact in 2Q20 was so profound that it will not be able to recover in the remainder of the year, and perhaps not even during 2021. However, recovering the growth of this industry is paramount for the Mexican economy because of its direct contribution and its contribution to other sectors.

3b. SMEs: sectoral profitability and efficiency of scale

SMEs account for 30.7% of gross added value at the national level

In July 2020, INEGI released the final results of the 2019 Economic Census (with figures on economic activity in 2018), enhancing the information and breakdown level of the information presented in December 2019, which was used as the input for an analysis in the ***Mexico Regional Sectoral Outlook*** report for the first half of 2020 (1H20).

We begin this section by analyzing in detail the similarities and differences between the data from the Economic Censuses from 2014 and 2019. With a breakdown of activity by sector based on the North American Industry Classification System (NAICS), the second part reviews the characteristics of the scale of production in the various sectors, as well as their profit margins. Finally, the analysis will focus on SMEs in the wholesale and retail trade sectors, as well as the sources and uses of financing in retail and wholesale trade SMEs. Unless otherwise indicated, the analysis will focus on companies with 11 to 50 employees (small) or 51 to 250 employees (medium), according to the definitions used by INEGI in the 2019 Economic Census.

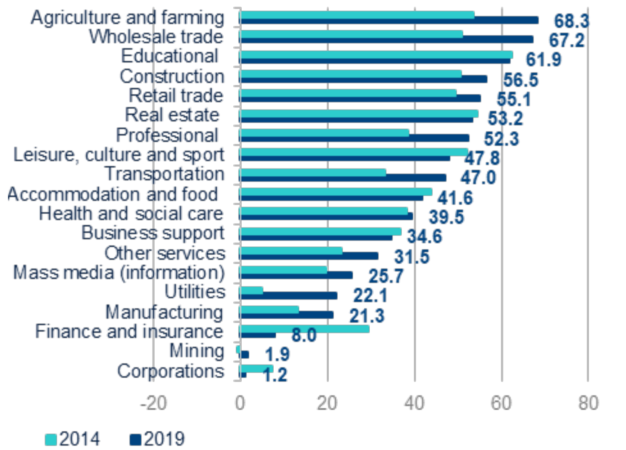
The data from the Economic Censuses allow for an analysis by NAICS sector, with the gross census added value as an indicator of economic activity. By analyzing gross added value by sector, we can examine sectors such as agriculture and wholesale trade, in which SMEs account for more than two thirds of the sector's added value. In contrast, in sectors with relatively high minimum operating scale levels – such as mass media, electricity, water and gas generation, transmission and distribution, manufacturing, financial and insurance services, and mining – SMEs have lower than average shares of sectoral gross added value. In addition, corporations possess the lowest SME share in sectoral gross added value.

If the analysis is carried out by the share of the economic sectors in the gross added value of SMEs as a whole, we can see that 60.4% of this is made up of retail and wholesale trade and manufacturing activities, as shown in Figure 3b.2. If we add the Transportation, business support, accommodation and food preparation, and construction sectors, we see that the seven sectors make up 80% of the gross added value for SMEs as a whole.

While the share of SMEs increased in most sectors between 2013 and 2018, this did not take place across the board. In fact, SMEs' share of GAV dropped in the case of education services, real estate services, Leisure, culture and sport, accommodation and food preparation, financial and insurance services, and corporate services.

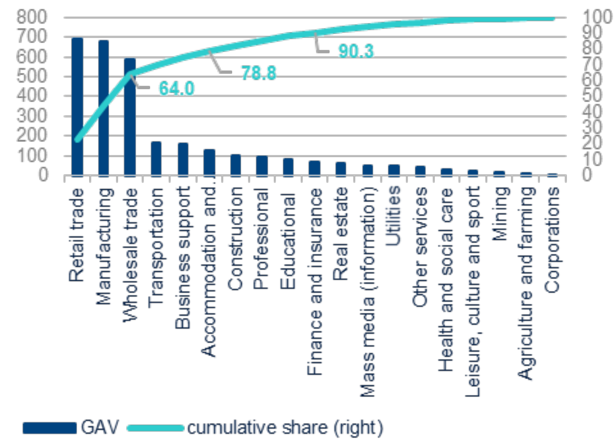
For the particular case of trade activities, it is worth highlighting the simultaneous impact of three factors: the share increased in the period between the two censuses; SMEs account for a significant share of the sector (67.2% of wholesalers and 55.1% of retailers); and trade activities make up a significant share of the activity of SMEs as a whole, representing more than 40.1%. Consequently, the analysis of trade SMEs needs to be completed in more depth, which will be done at the end of this article.

Figure 3b.1 **SME GROSS ADDED VALUE (% SHARE)**



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

Figure 3b.2 **SME GROSS ADDED VALUE, 2019 (MXN BILLIONS AND CUMULATIVE % SHARE)**



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

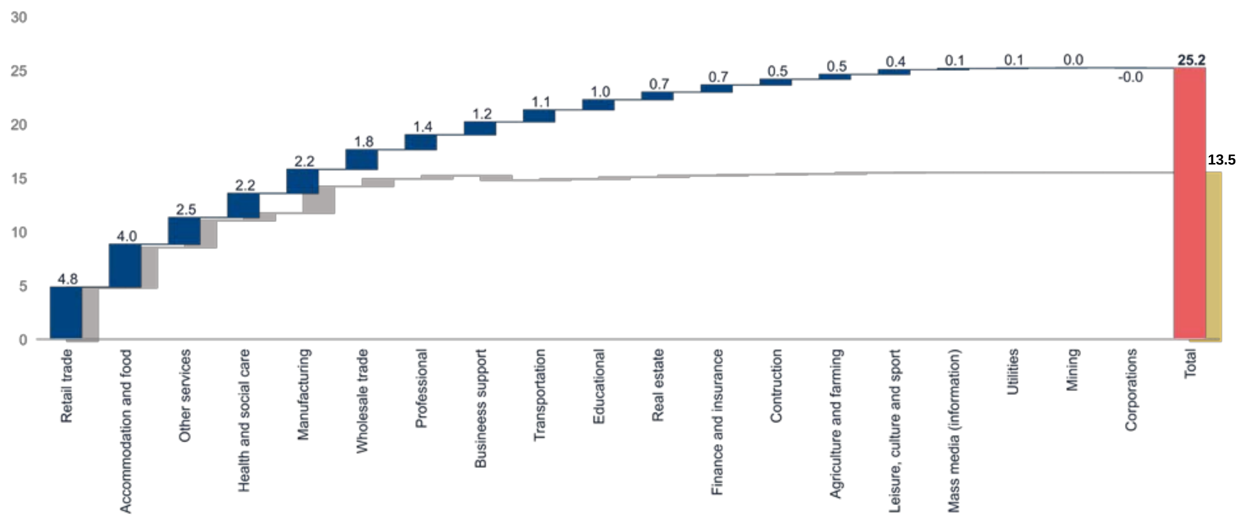
In the first instance, and supplementing the analysis of the large sectors carried out in the ***Mexico Regional Sectoral Outlook*** report in 1H20, growth is analyzed in terms of the economic units of SMEs and companies as a whole in the period between the 2014 and 2019 censuses (data from 2013 and 2018). The number of total economic units grew 13.5% for companies as a whole during the five years in question, while for SMEs the increase was 25.2%.

The retail trade sector contributed most to the increase in economic units, both for companies as a whole (4.3 of 13.5 percentage points (pp)) and for SMEs (4.8 of 25.2 pp). The temporary accommodation and food and beverage preparation sector ranks second in terms of contribution, contributing 3.2 pp for companies as a whole and 4.0 pp for SMEs. The economic units offering health services increased significantly for SMEs, while their contribution to companies as a whole was lower. The phenomenon is similar in terms of relative figures for most production activities, as shown in Figure 3b.3.

However, an increase in the number of economic units does not in itself imply greater activity in the sector. One way of measuring activity in economic sectors is by means of the production factors employed in the generation of value. Employment, measured in terms of personnel employed by the economic units in each sector, also experienced a different pattern in production activity for SMEs compared to companies as a whole.

In the case of SMEs, the growth in personnel employed was only 12.9%, while for companies as a whole it was 25.8%, the opposite pattern seen in the analysis of economic units. In fact, a direct implication of this is that the number of personnel employed per economic unit decreased in the case of SMEs, while it increased in the case of companies as a whole. The increased activity of micro-enterprises, as well as the efficient allocation of resources, may be some of the factors explaining the lower number of employees in the 2018 data.

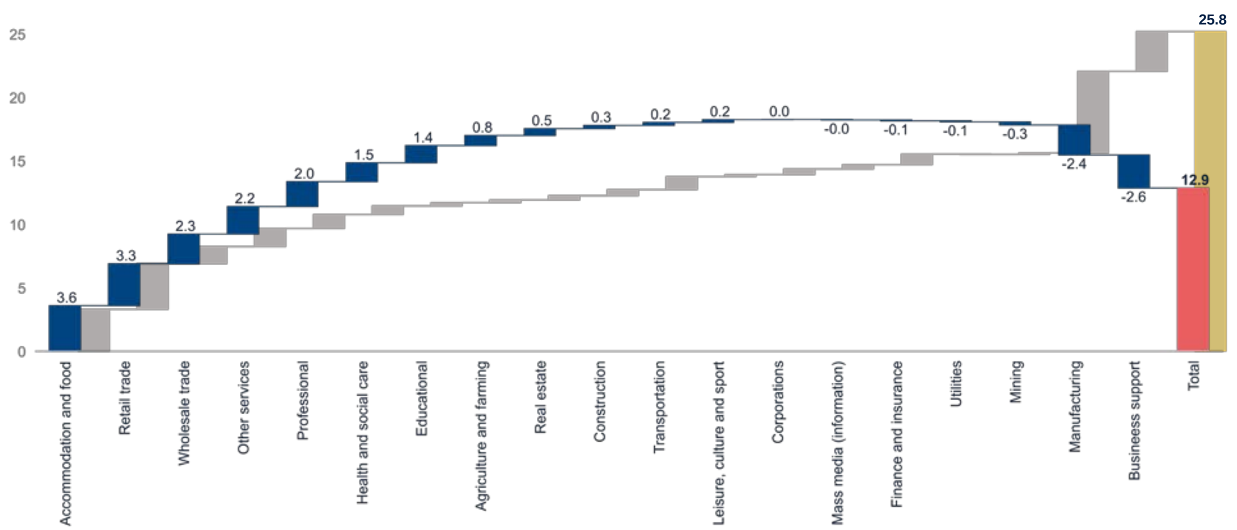
Figure 3b.3 **CONTRIBUTION TO INTER-CENSAL GROWTH OF ECONOMIC UNITS**
(PERCENTAGE POINTS; BLUE: SMEs, GRAY: COMPANIES AS A WHOLE)



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

The opposing trend for employment and the number of economic units in SMEs suggests that there has been a shift in the operational scale of at least some of them.

Figure 3b.4 **CONTRIBUTION TO INTER-CENSAL GROWTH OF EMPLOYEES**
(PERCENTAGE POINTS; BLUE: SMEs, GRAY: COMPANIES AS A WHOLE)



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

Companies seem to have efficiently adjusted their operating scale...

The sectoral breakdown of the final results in the 2019 Economic Census allows us to compare characteristics such as the profitability and the operating scale of companies in different production activities, using variables such as their income and operating expenses, as well as the concentration in each specific sector in 2013 and 2018, as published in both censuses.

By analyzing the changes in these characteristics for companies as a whole, we can reach conclusions about efficiency through the restructuring of the size of companies depending on the sector in question. Based on the analysis, it is possible to identify the sectors in which profitability has decreased in the period between the two censuses and those in which it has increased.

To carry out this analysis, two indices were constructed. The first is a scale index defined as $\theta^q = \sum_{i=1}^{I} N_i^q \left[100 S_i^q / N_i^q\right]^2$, where $i = \{micro, small, medium, large\}$ represents the different company sizes, $S_i^q \in [0,1]$ represents the share of the companies of size i in the gross output of the sector q and N_i^q represents the number of companies of the size i in the sector q.

The second, a profitability index, was constructed as a measure of the margin relative to total revenue in each sector, specifically $\varphi^q = (Income^q - Expenses^q)/Income^q$. Both indices were constructed for all sectors of the NAICS for the 2013 and 2018 data included in EC 2014 and EC 2019.

In Figures 3b.5 and 3b.6, we can see that the sectors that have high capital requirements for their operation, such as mining, electricity, mass media (telecommunications) and financial and insurance services have a higher scale index than sectors such as retail, accommodation and food, and real estate, among others.

It can also be seen that the scale index has fallen in most production sectors in the period between the two censuses, although the relative position does not change significantly. A notable exception is the case of corporations, which, by definition, are present when the scale of operation is greater.[2]

If we look at profitability and its changes over the period, we can see that wholesale and retail trade companies, as well as manufacturing companies, had lower profitability rates. This suggests a more competitive market structure than that of sectors with high fixed costs or other distortions in their market structure that allow for extraordinary economic profits.

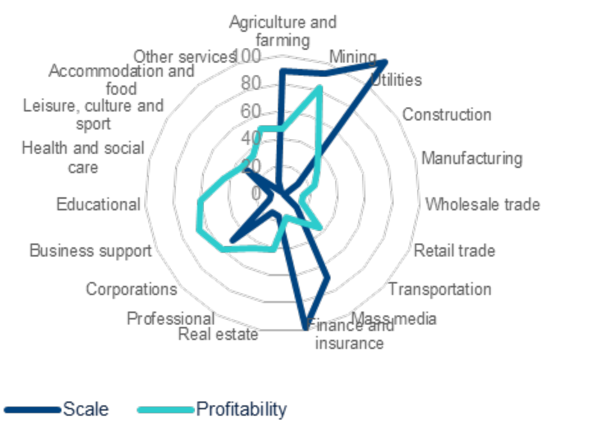
As mentioned in previous issues, commercial activities represent the last links of one or more supply chains (and in the case of wholesale trade, the penultimate ones), so their centrality in the generation network of supply of a product is much smaller than that of the manufacturing industries.

Another characteristic that differentiates trade is its relatively intensive use of labor, which, together with its position in the supply chain, could partially explain the relative magnitude of the indices for these activities.

2: The Royal Spanish Academy (*RAE*) defines a corporation as a "company, usually of large dimensions, especially if it groups together smaller ones."

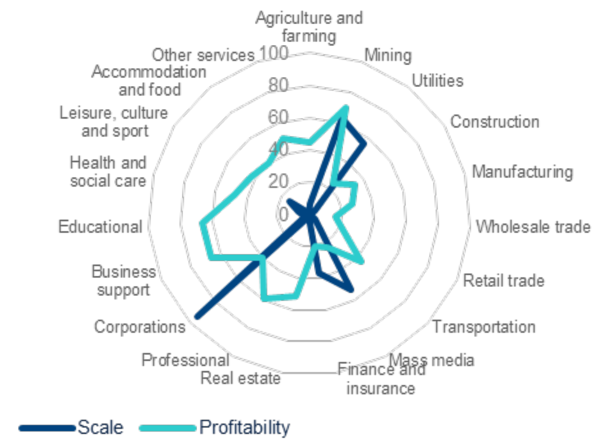
One variable that is directly related to the scale and profitability of companies is investment. In this case, the census data allows us to analyze the intercensal pattern of investment by sector for SMEs and companies as a whole in both periods.

Figure 3b.5 **SCALE AND PROFITABILITY, 2014** (INDICES)



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

Figure 3b.6 **SCALE AND PROFITABILITY, 2019** (INDICES)

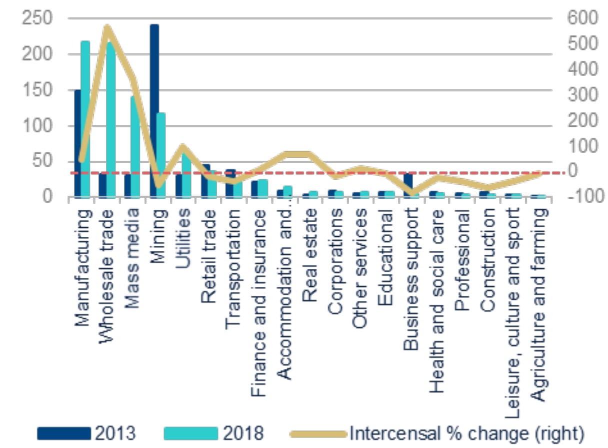


Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

In the case of SMEs, following the same trend as seen for companies as a whole, wholesale trade activities showed the largest increase in terms of amount and one of the largest in terms of change (429% for companies as a whole and 566.8% for SMEs, corresponding to average annual growth rates of 3.4% and 3.6%, respectively).

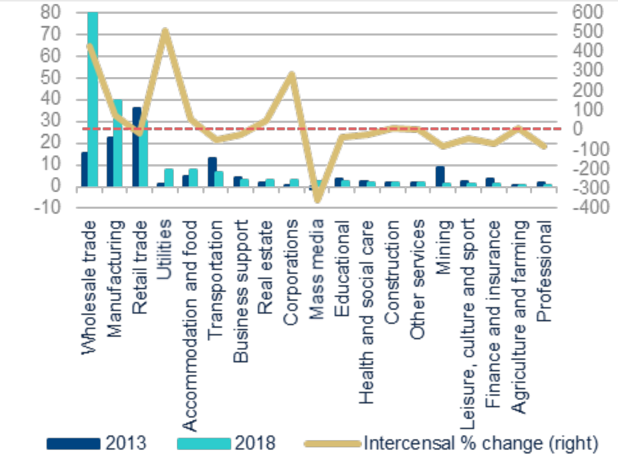
Investment in retail companies fell for both company size segments (-19.3% for companies as a whole and -15.9% for SMEs). In addition to trade and manufacturing activities, the pattern seen for mining stands out, having experienced a sharp fall in the period between the two censuses (-51.4% for companies as a whole and -84.9% for SMEs).

Figure 3b.7 **INVESTMENT BY SECTOR: TOTAL** (MXN BILLIONS AND INTER-CENSAL % CHANGE)



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

Figure 3b.8 **INVESTMENT BY SECTOR: SMEs** (MXN BILLIONS AND INTER-CENSAL % CHANGE)



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

… and the gross output of SMEs is more evenly distributed

If gross output is analyzed by state, we can see that in most of the states, its distribution between the sectors exhibits a lower kurtosis for SMEs than for companies as a whole. This is particularly notable for manufacturing-based states, with trade SMEs that are in production or complementary chains with manufacturing activity.

The same is true for states with a greater presence of tourist activities, with the share of gross output accounted for by trade activities being much higher for SMEs than for companies as a whole.

It can be said that the distribution of SMEs is due in part to population patterns and that the geographical distribution of economic units can serve as a leading indicator to infer the geographical distribution of GDP from trade. In addition, it is useful to analyze the relative importance of the sectors between federal states, in a cross-sectional manner.

Figure 3b.9 **SECTORAL SHARE IN STATE GROSS OUTPUT: TOTAL** (% SHARE)

	Ags	BC	BCS	Camp	Coah	Col	Chis	Chih	CDMX	Dgo	Gto	Gro	Hgo	Jal	Mex
Agriculture and farming	0.04	0.58	2.14	0.27	0.02	0.92	0.84	0.26	0.00	0.03	0.02	0.48	0.01	0.07	0.01
Mining	2.05	0.27	5.89	88.22	2.47	7.45	10.86	3.54	0.15	14.97	0.19	8.65	0.78	0.20	0.16
Utilities	0.47	1.06	1.33	0.22	0.31	1.17	0.56	0.64	7.48	4.48	0.66	1.93	0.29	3.18	0.36
Construction	1.86	2.45	7.10	0.86	1.72	4.79	3.53	4.48	2.75	3.16	1.56	2.31	1.79	3.12	1.34
Manufacturing	77.47	59.30	7.42	1.06	80.24	19.19	30.67	54.90	11.08	44.11	76.99	12.81	76.26	53.58	64.57
Wholesale trade	3.99	6.22	9.12	1.10	2.46	17.02	11.19	7.74	5.23	7.59	4.36	12.56	5.81	9.08	6.28
Retail trade	5.15	10.82	19.01	2.32	4.46	15.17	20.65	11.71	5.14	10.37	5.38	23.57	6.57	9.49	10.50
Transportation	1.56	2.43	3.02	1.84	1.37	14.49	3.17	2.67	6.10	2.79	1.99	3.28	1.59	2.86	4.72
Mass media	0.20	1.03	0.68	0.24	0.30	0.73	0.75	1.00	11.47	0.41	0.23	1.02	0.26	2.10	0.63
Finance and insurance	0.29	0.72	0.57	0.20	0.92	1.06	2.53	0.90	24.70	1.31	1.60	1.95	0.52	1.16	0.62
Real estate	0.48	1.21	3.49	0.51	0.29	1.09	0.47	0.86	1.48	0.47	0.56	6.28	0.27	1.10	0.68
Professional	0.74	1.24	1.51	0.47	0.46	1.47	0.84	1.07	2.97	0.82	0.57	0.89	0.43	1.61	0.89
Corporations	-	0.01	-	0.07	0.14	-	0.02	0.15	9.99	0.60	0.02	-	-	0.31	0.07
Business support	1.78	2.97	7.37	0.77	2.14	3.31	2.30	2.76	5.05	3.38	1.97	2.56	0.88	3.59	2.60
Educational	0.59	0.98	0.82	0.13	0.42	1.05	1.68	0.69	0.95	0.59	0.57	1.25	0.71	1.15	1.23
Health and social care	0.61	1.38	1.21	0.11	0.40	1.45	1.21	1.39	1.01	0.59	0.49	1.19	0.54	1.19	0.85
Leisure, culture and sport	0.27	1.19	2.05	0.04	0.13	0.47	0.19	0.38	0.80	0.20	0.22	0.79	0.38	0.63	0.44
Accommodation and food	1.62	4.17	25.01	0.89	1.06	6.63	6.10	3.09	2.64	2.46	1.77	15.24	1.87	3.79	2.62
Other services	0.83	1.96	2.27	0.68	0.68	2.55	2.43	1.77	1.01	1.67	0.86	3.25	1.04	1.78	1.43

	Mich	Mor	Nay	NL	Oax	Pue	Qro	QR	SLP	Sin	Son	Tab	Tamps	Tlax	Ver	Yuc	Zac
Agriculture and farming	0.48	0.03	1.96	0.01	0.33	0.07	0.02	0.13	0.00	3.09	1.56	0.24	0.30	0.02	0.17	0.90	0.03
Mining	0.87	0.03	0.72	0.11	1.19	0.17	0.44	0.59	2.25	1.18	16.79	61.85	5.84	0.08	6.99	0.32	22.48
Utilities	0.53	1.29	1.04	3.92	0.97	0.49	0.36	1.05	0.63	0.82	7.56	0.10	0.91	0.68	7.69	3.27	0.60
Construction	2.64	1.68	3.66	2.35	1.23	1.68	2.30	2.35	1.74	6.59	3.03	2.93	1.95	0.56	1.99	6.64	2.75
Manufacturing	44.45	64.71	18.16	60.42	68.87	70.47	70.61	4.86	75.61	26.57	45.92	12.10	60.65	76.76	52.31	36.11	40.51
Wholesale trade	11.61	5.89	8.88	4.39	5.53	4.73	5.04	5.58	3.80	14.40	5.35	2.91	4.82	3.13	5.72	13.26	7.84
Retail trade	15.42	10.62	21.00	5.94	10.04	8.96	5.80	18.35	5.25	18.04	7.54	8.78	9.53	8.71	9.85	15.49	12.50
Transportation	3.59	2.45	1.78	3.32	1.47	1.95	2.39	2.13	1.85	4.73	1.78	4.48	5.40	1.71	5.43	3.07	1.52
Mass media	1.19	0.71	0.45	1.09	0.32	0.45	0.29	1.19	0.32	0.95	0.46	0.42	1.28	0.21	0.48	1.10	1.81
Finance and insurance	3.67	0.70	4.02	5.95	1.21	0.62	0.82	0.59	1.61	1.22	0.53	0.41	0.47	0.95	0.76	1.57	0.78
Real estate	0.83	0.49	1.87	0.97	0.24	0.45	0.82	4.09	0.42	1.97	0.67	0.70	0.46	0.26	0.44	1.55	0.37
Professional	0.99	0.74	1.31	1.24	0.73	1.11	1.31	1.86	0.72	2.26	0.82	0.66	0.59	0.57	0.58	1.91	0.72
Corporations	0.13	-	0.01	2.31	-	0.19	0.27	0.07	0.01	0.74	0.08	0.00	0.26	-	0.11	0.07	1.61
Business support	2.78	2.46	5.64	3.07	1.01	2.35	4.15	9.97	1.81	3.94	2.75	0.78	1.73	1.82	1.60	3.53	0.65
Educational	1.33	1.32	1.30	1.06	0.50	1.44	1.06	1.26	0.59	1.35	0.63	0.42	0.98	0.57	0.67	1.75	0.68
Health and social care	1.41	0.95	1.69	0.75	0.60	0.72	0.82	1.24	0.64	1.44	0.75	0.37	0.77	0.49	0.52	1.27	0.18
Leisure, culture and sport	0.51	0.46	0.68	0.58	0.15	0.27	0.19	4.77	0.16	0.84	0.29	0.10	0.16	0.09	0.31	0.46	3.40
Accommodation and food	4.79	3.98	22.18	1.60	4.35	2.64	2.33	38.11	1.70	7.06	2.22	1.83	2.48	2.17	2.75	5.64	1.56
Other services	2.79	1.51	3.65	0.93	1.26	1.24	0.96	1.80	0.88	2.80	1.27	0.91	1.43	1.22	1.63	2.08	-

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

Figure 3b.10 **SECTORAL SHARE IN STATE GROSS OUTPUT: SMEs** (% SHARE)

	Ags	BC	BCS	Camp	Coah	Col	Chis	Chih	CDMX	Dgo	Gto	Gro	Hgo	Jal	Mex
Agriculture and farming	-	1.07	3.62	2.23	0.10	0.59	1.83	0.72	-	0.01	0.03	0.81	0.02	0.09	0.01
Mining	0.04	0.06	1.79	0.06	2.08	0.31	0.09	0.56	0.04	1.67	0.20	0.39	1.01	0.26	0.09
Utilities	-	-	-	-	0.44	-	0.68	0.56	8.46	5.59	0.96	0.21	0.47	0.33	0.21
Construction	7.10	5.42	9.42	8.85	6.86	5.34	7.39	6.34	3.46	6.30	3.90	3.85	6.52	5.39	2.62
Manufacturing	43.42	31.73	5.90	5.76	43.23	17.30	19.48	28.49	16.91	41.78	50.65	5.61	40.13	41.40	46.58
Wholesale trade	14.98	14.76	15.66	11.82	11.29	26.92	17.54	18.55	11.33	15.79	14.05	22.42	21.53	15.32	12.84
Retail trade	14.90	18.39	26.07	16.87	14.64	15.05	28.87	20.84	11.34	13.43	12.40	23.92	13.61	13.12	18.10
Transportation	3.92	4.82	5.06	23.89	5.54	19.72	6.55	4.27	5.94	4.12	3.68	6.12	3.86	3.69	4.05
Mass media	0.82	1.29	1.26	3.26	0.97	1.27	1.45	1.51	2.94	0.61	0.69	1.94	0.71	1.22	1.45
Finance and insurance	0.61	0.28	0.21	0.67	0.90	0.96	2.43	1.11	6.33	2.02	1.24	1.70	1.06	1.51	0.55
Real estate	1.68	1.97	3.31	5.83	0.36	0.96	0.39	1.04	2.83	0.72	0.99	13.19	0.72	1.54	1.09
Professional	1.85	1.84	1.31	4.35	1.08	0.71	0.42	1.98	6.97	0.58	1.25	0.53	0.80	2.29	1.49
Corporations	-	-	-	-	-	-	-	-	3.41	-	-	-	-	-	0.03
Business support	2.85	4.21	6.77	4.50	4.16	3.12	3.53	3.57	7.60	2.37	2.89	3.58	2.18	4.00	2.80
Educational	2.48	1.93	1.23	1.71	1.89	1.21	3.08	1.78	2.20	1.17	1.78	1.96	1.87	1.85	1.91
Health and social care	0.76	1.98	1.62	0.19	0.70	1.66	0.68	1.45	1.27	0.76	0.84	0.76	0.95	1.30	1.00
Leisure, culture and sport	0.37	1.59	3.33	0.36	0.63	0.48	0.10	0.52	1.55	0.17	0.35	0.66	1.44	0.90	0.72
Accommodation and food	3.10	6.92	12.50	5.63	3.41	3.56	4.58	4.85	5.72	2.04	2.99	10.50	2.46	4.19	3.38
Other services	1.13	1.74	0.93	4.01	1.70	0.85	0.91	1.86	1.69	0.85	1.11	1.88	0.67	1.61	1.08

	Mich	Mor	Nay	NL	Oax	Pue	Qro	QR	SLP	Sin	Son	Tab	Tamps	Tlax	Ver	Yuc	Zac
Agriculture and farming	1.12	0.02	2.97	-	1.18	0.03	0.04	0.31	0.00	3.99	3.66	0.61	0.81	0.00	0.35	1.31	0.06
Mining	-	-	-	0.33	-	0.52	0.19	-	2.40	1.90	3.01	0.51	-	-	2.01	0.40	1.92
Utilities	0.76	0.54	1.15	-	1.08	0.57	0.29	0.20	1.51	0.25	2.18	0.33	1.49	1.72	1.01	0.35	1.02
Construction	4.98	2.92	6.46	5.08	5.50	4.39	5.39	4.45	5.33	7.59	6.86	5.59	4.78	1.34	4.30	9.57	5.44
Manufacturing	23.81	42.44	21.06	41.30	7.76	44.39	54.97	5.80	46.58	20.37	34.43	13.35	37.00	73.37	32.07	27.04	29.01
Wholesale trade	20.90	13.36	14.88	11.57	25.70	12.48	9.54	8.82	10.97	21.58	14.08	11.23	11.94	4.43	14.41	21.17	22.96
Retail trade	20.77	18.14	25.55	12.26	31.71	17.01	9.54	26.99	11.71	18.39	15.38	26.66	18.19	10.21	19.67	16.41	21.66
Transportation	5.65	3.92	3.70	6.07	5.36	4.14	3.65	2.03	4.81	4.99	4.20	24.05	9.54	1.86	10.31	3.92	3.44
Mass media	1.21	1.51	0.97	1.34	1.65	1.00	0.70	2.68	1.07	1.54	0.94	1.62	1.68	0.05	1.18	1.80	1.16
Finance and insurance	6.50	0.61	1.41	2.80	4.13	0.87	0.80	0.46	5.02	1.05	0.86	0.88	0.52	0.53	1.09	1.07	1.13
Real estate	1.28	0.69	2.36	1.96	0.40	0.75	0.81	5.12	0.90	1.38	1.37	1.34	0.65	0.10	0.91	1.17	0.44
Professional	0.68	0.96	0.82	2.61	0.96	2.25	1.93	2.46	1.40	2.09	1.42	1.89	0.96	0.25	0.83	1.99	0.87
Corporations	-	-	-	1.57	-	-	-	-	-	0.20	-	-	-	-	-	-	-
Business support	2.57	3.88	3.74	3.90	3.42	2.97	4.76	12.43	2.28	2.56	3.53	3.67	3.24	1.83	2.90	3.64	2.47
Educational	2.74	2.63	2.85	1.89	2.06	2.61	1.70	2.52	1.47	1.98	1.70	1.66	2.42	1.20	1.84	2.33	1.94
Health and social care	1.51	1.46	1.11	0.82	0.72	0.86	0.57	1.48	0.55	1.29	1.02	0.53	1.26	0.69	0.62	0.78	0.61
Leisure, culture and sport	0.91	0.73	1.24	1.37	0.31	0.49	0.42	3.36	0.44	1.02	0.63	0.18	0.31	0.03	0.87	0.64	0.10
Accommodation and food	3.46	4.97	7.98	3.76	6.93	3.60	3.80	20.08	2.62	6.22	3.45	4.23	3.89	1.84	3.76	5.53	4.44
Other services	1.14	1.22	1.76	1.37	1.12	1.05	0.92	0.81	0.95	1.61	1.27	1.65	1.33	0.54	1.86	0.88	1.34

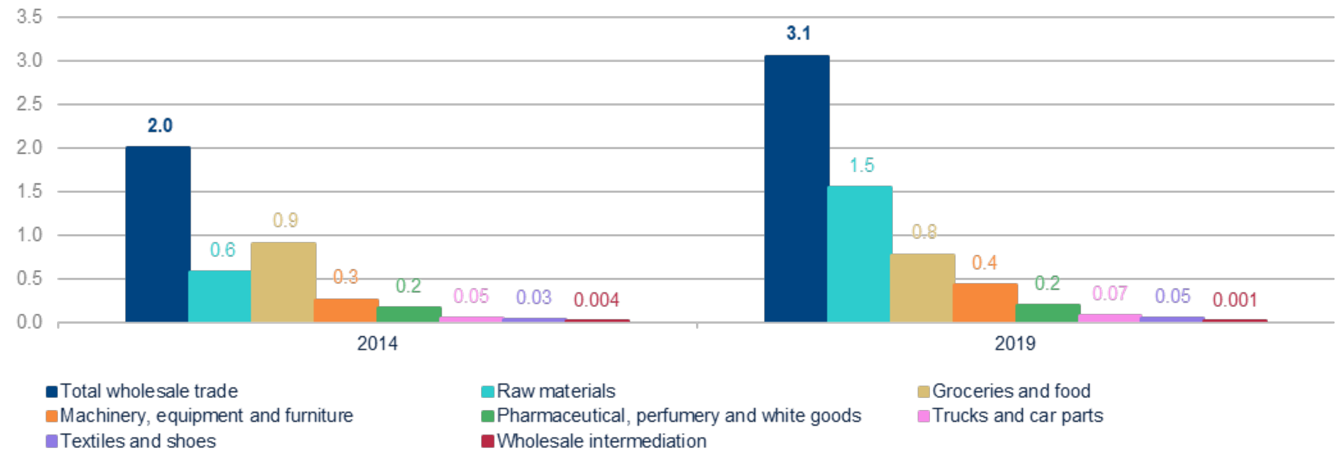
Source: BBVA Research based on data from INEGI (2019 Economic Census)

The states with the highest percentage of SMEs are: Mexico City (13.2%), Jalisco (8.7%), State of Mexico (8.1%), Nuevo León (6.8%) and Guanajuato (5.3%). In contrast, those 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%).

Figures 2a.9 and 2a.10 illustrate the share of the sectors in gross output by federal state, for companies as a whole and for SMEs, respectively. The relative importance of trade activities in SMEs is common to all states; therefore, a detailed analysis of the trade patterns involves gaining a greater understanding of SMEs.

In the case of wholesale trade, almost all subsectors showed growth in the period between the two censuses, with the exception of wholesale food and groceries and wholesale trade intermediation. Total revenue in the sector rose by 52.8%, with the greatest variation occurring in the agricultural and industrial raw materials subsector, with a 165.6% change between the censuses (2.8% average annual growth rate), both in real terms.

Figure 3b.11 **REVENUE OF WHOLESALE TRADE SMEs** (MXN TRILLIONS)

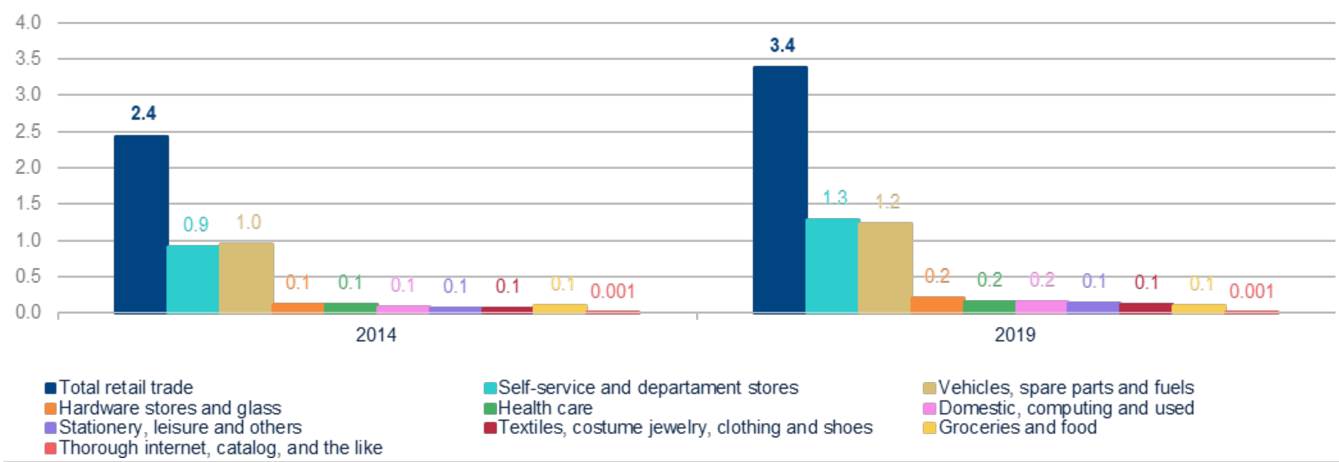


Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

In the case of retail trade, total revenue growth was 38.4% in the period between the censuses, with drops only being seen in food and groceries, with a contraction of 4.6%, and in retail sales through the Internet, television, catalogs and the like, with a drop of 17.9%.

SMEs in the subsectors of self-service and department stores, as well as the sale of vehicles, parts and fuel, constitute 74.7% of sector revenue, and experienced significant growth in the period of 40.8% and 29.4%, respectively.

Figure 3b.12 **REVENUE OF RETAIL TRADE SMEs** (MXN TRILLIONS)



Source: BBVA Research with data from INEGI (EC 2014 and EC 2019)

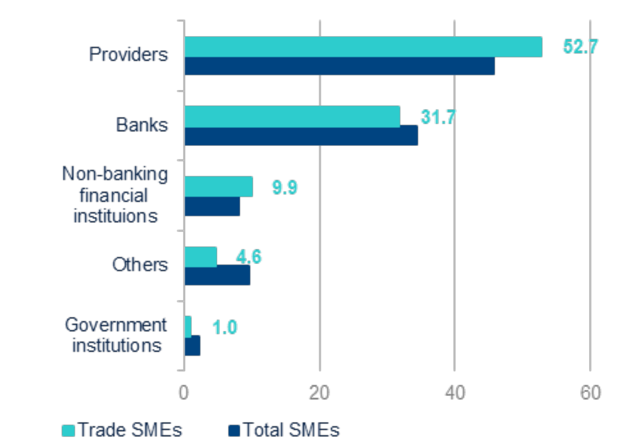
The amount granted by banks represents only 31.7% of financing…

In the National Survey on Productivity and Competitiveness of Micro, Small and Medium Enterprises (ENAPROCE 2018)[3], 79.1% of companies use financing for the purchase of supplies, while 20.8% use it to pay other loans and 20% to purchase machinery.

The ENAPROCE figures on the main sources of financing for trade SMEs are shown in Figure 2a.13, and correspond to the recorded amounts received in 2017. In terms of the amount, and consistent with the use of the financing, 52.7% is obtained from suppliers, while 31.7% is obtained from banks as a whole and 9.9% from non-bank financial institutions, such as multiple-purpose financial institutions (Sofomes), savings banks, credit unions, etc.

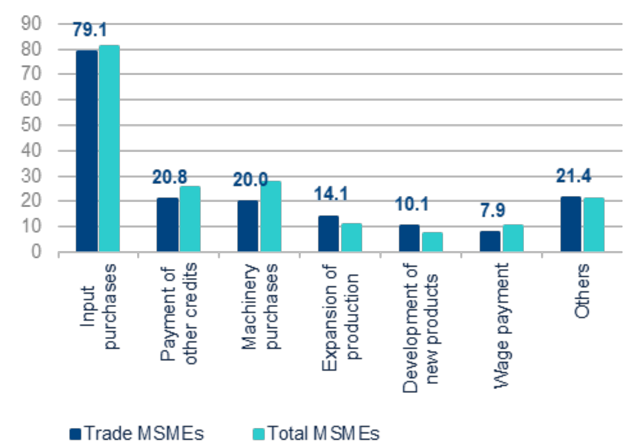
In general terms, suppliers can have an advantage in terms of establishing prices, because they can incorporate the price of the credit granted into the input price. In the case of banks and other financial institutions, an interest rate must be explicitly set. With regard to the uses of financing, it can also be seen that, for a little over 20% of companies, the resources obtained are used to pay off other loans or to purchase machinery. Finally, only 7.9% of companies use the financing to pay wages, as can be seen in Figure 2a.14.

Figure 3b.13 **DEBT BY TYPE OF CREDITOR (% OF TOTAL AMOUNT)**



Source: BBVA Research based on INEGI data (Enaproce)

Figure 3b.14 **USES OF FINANCING (% OF COMPANIES)**



Source: BBVA Research based on INEGI data (Enaproce)

3: In terms of the use of financing, ENAPROCE includes micro-enterprises, with ten or fewer employees in the economic unit.

SME growth is likely, but not immediate…

The COVID-19 pandemic has caused economic havoc worldwide, and Mexico is no exception. The supply-side shocks caused by the stoppage of economic activities and units during the lockdown and social distancing period are in addition to the demand shock due to consumer caution and lower disposable income in the economy as a result of business closures and job losses.

Even the branches of retail trade, such as food, beverages and tobacco, which were expected to suffer less from the fall in demand, given how indispensable they are in the consumer shopping basket, have been directly affected by the restructuring of consumption patterns and lower demand from other sectors, such as accommodation and food.

In the case of SMEs, and having seen that many of them are in the trade sector, as well as in the accommodation and food and beverage preparation sector, we can expect a relatively late recovery. This phenomenon is a consequence of expectations that recovery will happen in different time horizons, depending on the sector concerned.

As mentioned in the last issue, digitization, and particularly online retail trade, could provide a platform for SMEs to boost their business. In parallel, digital media in the financial sector, particularly in payment methods, helps trade companies in terms of responding to demand and reducing transaction costs.

The consolidation of SMEs as support for economic activity has suffered a significant setback due to the pandemic in 2020. However, the acceleration in adapting processes to take advantage of today's technology, and the search for supply channels in the new normal, could represent an important advantage in the mix of companies at the national level once there is a recovery in the economy and, particularly, in the sectors to which they belong.

4. Statistical annex

4a. State economic performance indicators

Table 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], % 2015-2019: Real GDP	AAGR[5], % 2015-2019: Popu-lation	AAGR[5], % 2015-2019: Real GDP per capita	National ranking: Real GDP 2019[6]	National ranking: Real GDP per capita 2019[7]	National ranking: FDI 2019[8]	National ranking: Employ-ment 2019[9]	National ranking: Labor income per capita 2019[10]	National ranking: Fed. cont.- 2019[11]	National ranking: Public debt 2019[12]
National	**18,465.0**	**126.6**	**958.9**	**7.6**	**2.1**	**1.1**	**1.0**							
Aguascalientes	223.3	1.4	11.6	8.2	3.3	1.6	1.6	25	11	19	12	17	28	24
Baja California	576.0	3.6	29.9	8.4	3.8	1.5	2.3	10	10	11	7	3	13	8
Baja California Sur	159.5	0.8	8.3	10.5	6.9	2.3	4.6	28	4	17	22	**1**	31	20
Campeche	517.7	1.0	26.9	27.3	-5.4	1.8	-7.2	12	**1**	30	21	16	27	22
Chiapas	265.6	5.6	13.8	2.4	-2.0	1.4	-3.4	21	32	26	31	32	8	16
Chihuahua	573.2	3.8	29.8	7.9	3.4	1.7	1.6	11	12	7	9	6	12	3
Coahuila	614.7	3.2	31.9	10.1	1.9	1.0	1.0	7	5	8	20	8	17	2
Colima	108.8	0.8	5.6	7.3	3.0	-0.1	3.1	31	15	32	26	7	32	18
Durango	204.6	1.9	10.6	5.7	1.2	1.1	0.1	26	20	27	28	19	26	12
Guanajuato	710.2	6.2	36.9	6.0	2.8	1.1	1.7	6	19	12	**1**	18	6	29
Guerrero	237.6	3.6	12.3	3.4	0.9	0.5	0.4	24	30	24	32	31	18	28
Hidalgo	274.2	3.1	14.2	4.7	2.5	1.3	1.2	20	27	23	24	26	20	25
Jalisco	1,213.5	8.3	63.0	7.6	2.6	1.1	1.5	4	13	6	2	10	3	15
Mexico	1,569.9	17.2	81.5	4.7	2.3	1.2	1.1	2	26	3	6	20	**1**	19
Mexico City	3,118.0	9.0	161.9	17.9	2.6	1.6	1.0	**1**	2	**1**	3	4	2	7
Michoacán	424.8	4.8	22.1	4.6	2.3	0.8	1.5	15	28	22	16	21	9	13
Morelos	197.1	2.0	10.2	5.1	1.2	1.2	0.0	27	21	15	29	29	23	14
Nayarit	120.3	1.3	6.2	4.9	2.0	1.6	0.5	30	22	28	19	14	29	11
Nuevo León	1,376.9	5.5	71.5	12.9	3.5	1.6	1.9	3	3	2	4	2	5	**1**
Oaxaca	251.7	4.1	13.1	3.2	0.2	0.6	-0.5	23	31	31	30	30	15	17
Puebla	600.6	6.5	31.2	4.8	2.7	1.1	1.6	8	24	4	13	24	7	30
Querétaro	407.2	2.2	21.1	9.4	3.5	2.0	1.5	16	7	9	5	15	21	31
Quintana Roo	285.6	1.7	14.8	8.8	4.2	2.5	1.6	19	9	16	10	5	24	4
San Luis Potosí	365.5	2.8	19.0	6.7	2.9	0.8	2.1	18	16	14	18	22	19	27
Sinaloa	394.2	3.1	20.5	6.5	3.0	1.0	2.0	17	17	25	8	11	16	23
Sonora	576.7	3.0	29.9	9.9	2.0	1.3	0.7	9	6	20	15	9	14	5
Tabasco	442.4	2.5	23.0	9.0	-4.7	1.2	-6.0	14	8	18	27	23	11	21
Tamaulipas	515.1	3.6	26.8	7.4	1.5	0.9	0.6	13	14	5	11	12	10	10
Tlaxcala	105.3	1.4	5.5	4.0	3.2	1.4	1.8	32	29	21	25	25	30	32
Veracruz	796.5	8.5	41.4	4.9	0.4	0.8	-0.4	5	23	10	17	28	4	6
Yucatán	264.3	2.2	13.7	6.1	3.4	1.2	2.1	22	18	29	14	13	22	26
Zacatecas	151.7	1.7	7.9	4.8	-0.6	0.9	-1.5	29	25	13	23	27	25	9

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 average labor income per capita in 2019. **11**: Position based on the federal government contributions shown in branch 28 of the State Budget (PEF) in 2019. **12**: Position based solely on financial obligations registered with the SHCP as a percentage of total state income as of 4Q19 (contributions & federal transfers, taxes, rights, products & exploitations)
Source: BBVA Research based on INEGI, Conapo, Coneval, Banxico, STPS, SE and SHCP data

4b. Indicators by state

Table 4b.2 **ECONOMIC INDICATORS**

	Aguascalientes						Baja California					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	3.7	0.0	1.9	0.0	-2.4	-3.3	2.3	2.1	1.1	2.7	0.8	-0.7
Primary Sector	3.7	2.9	2.4	5.8	-0.5	3.6	-0.2	4.6	3.4	9.6	-5.0	9.1
Secondary Sector	3.4	-0.9	2.6	0.9	-2.8	-6.3	3.5	3.4	0.9	3.4	0.9	-4.2
Tertiary Sector	4.0	0.4	1.3	-1.2	-2.2	-1.4	1.5	1.1	1.0	2.0	1.1	1.3
Industrial Activity	3.4	-0.9	2.6	0.9	-2.8	-6.3	3.5	3.4	0.9	3.4	0.9	-4.1
Manufacturing Production	6.0	1.5	6.9	4.9	0.2	-3.1	6.1	6.1	3.7	7.7	1.1	-3.3
Construction	-3.2	-19.8	-24.8	-40.5	-49.9	-49.8	0.7	-5.5	12.4	3.8	-26.2	-28.8
Private Sector Works	1.5	-13.0	-13.4	-44.4	-50.9	-55.6	2.4	0.6	32.8	5.0	-33.0	-34.5
Public Works	-8.1	-34.5	-51.5	-27.8	-46.8	-25.4	-0.4	-12.0	-13.6	1.9	-11.1	-17.9
Retail sales	4.1	0.5	0.6	-0.3	1.9	-0.7	2.5	12.6	13.0	13.5	13.8	7.0
Wholesale sales	2.1	-3.6	-1.3	-3.9	-9.8	-1.1	4.2	-0.3	-0.5	1.3	-0.6	8.5
Employed population (ENOE*)[1]**	2.5	1.6	1.0	-0.4	3.4	3.8	3.7	2.2	2.1	3.0	1.4	0.2
Insured workers (IMSS)	6.1	4.3	3.3	5.7	3.7	3.1	5.2	3.0	3.6	1.7	2.0	1.7
Permanent	6.5	4.6	3.3	6.5	3.9	3.8	4.5	3.1	3.8	2.4	1.5	1.5
Casual labor, urban	-3.2	5.2	8.0	5.2	0.5	-0.3	2.6	0.1	-0.4	0.2	-1.6	-0.2
Federal contributions (Branch 28)	7.2	-3.3	-4.2	-5.9	-3.9	3.4	3.6	-4.4	4.2	-6.6	-14.3	0.5
FDI (US$ millions)	1,197	452	103	95	86	220	1,634	1,068	211	207	46	567

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

	Baja California Sur						Campeche					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	16.8	-7.1	-5.1	-12.0	-8.1	-6.8	-1.4	-2.2	-2.5	-2.2	-1.5	0.2
Primary Sector	0.7	5.0	-2.3	21.7	0.2	6.3	9.1	2.6	-7.0	3.0	14.7	10.9
Secondary Sector	41.0	-25.4	-20.2	-33.0	-28.8	-27.7	-2.1	-2.5	-2.4	-2.5	-2.0	-0.3
Tertiary Sector	7.2	3.5	4.4	2.4	2.9	0.5	2.4	-0.6	-2.8	-0.3	0.1	2.2
Industrial Activity	41.0	-25.4	-20.2	-33.0	-28.8	-27.7	-2.1	-2.5	-2.4	-2.5	-2.0	-0.3
Manufacturing Production	0.3	2.4	0.1	5.1	5.2	7.9	0.9	2.8	3.1	4.3	6.1	0.8
Construction	36.1	-67.1	-70.3	-57.5	-82.3	-71.9	-18.2	4.2	11.5	22.0	-22.1	-22.6
Private Sector Works	2.1	-51.8	-62.6	-43.1	-65.1	-79.5	-4.9	20.4	26.5	8.2	79.9	-30.3
Public Works	122.2	-87.0	-86.3	-78.5	-94.4	-11.0	-18.6	4.8	10.5	23.0	-24.6	-22.0
Retail sales	4.1	3.5	2.9	7.3	5.3	3.0	1.8	1.3	0.5	-1.3	2.5	2.0
Wholesale sales	14.3	1.1	7.1	-8.2	-4.6	-4.1	16.0	0.3	-10.9	9.4	9.0	24.9
Employed population (ENOE*)[1]**	5.2	6.8	4.6	9.9	6.3	4.4	2.8	3.5	3.4	3.8	3.7	5.2
Insured workers (IMSS)	8.4	3.8	3.9	1.6	3.1	-1.7	3.0	6.1	5.9	6.3	6.7	4.2
Permanent	5.0	6.0	6.3	6.6	4.5	1.3	1.3	6.5	5.7	8.1	8.0	5.8
Casual labor, urban	16.0	-2.0	-0.6	-7.4	-4.8	-5.9	7.6	3.4	2.7	2.3	1.0	0.3
Federal contributions (Branch 28)	8.6	6.1	11.3	-6.7	8.0	0.2	19.7	5.6	8.7	3.4	0.2	-11.8
FDI (US$ millions)	488	622	137	173	155	92	140	152	35	60	10	59

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Chiapas						Chihuahua					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	-2.1	-2.4	-3.3	-4.2	-0.5	0.5	2.0	2.1	2.2	1.5	-0.9	-0.3
Primary Sector	1.4	2.0	3.0	4.6	2.3	3.9	0.6	-2.0	2.0	-6.8	-12.1	7.1
Secondary Sector	-10.7	-12.3	-20.5	-16.0	-5.3	-10.3	0.4	5.7	6.4	5.0	2.5	-1.7
Tertiary Sector	0.1	0.0	1.6	-1.7	0.3	2.7	3.1	0.3	-0.8	0.0	-0.9	0.5
Industrial Activity	-10.7	-12.3	-20.5	-16.0	-5.3	-10.3	0.4	5.7	6.4	5.0	2.5	-1.4
Manufacturing Production	-9.1	-8.6	-10.4	-13.3	-6.3	-16.3	2.0	3.8	3.7	4.8	0.6	-0.1
Construction	-19.4	-40.4	-35.8	-45.7	-49.6	-25.6	-36.2	19.8	-6.3	9.1	53.3	24.0
Private Sector Works	-5.0	-24.9	-12.2	-46.2	-66.2	-42.1	-40.8	27.7	3.1	26.3	37.8	13.2
Public Works	-20.8	-41.8	-40.3	-45.5	-41.0	-19.5	-14.6	2.5	-40.9	-36.0	119.4	85.5
Retail sales	0.5	0.6	0.6	0.3	1.2	3.2	5.9	1.1	-3.8	0.0	5.5	3.4
Wholesale sales	-0.3	-8.9	-12.3	-7.7	-5.3	0.4	0.7	-0.1	-1.2	-0.5	-3.2	1.3
Employed population (ENOE*)[1]**	0.9	6.7	9.5	6.9	11.1	7.3	4.7	0.6	-0.3	0.3	0.3	4.4
Insured workers (IMSS)	2.3	-0.3	-0.7	-1.5	0.6	1.4	2.8	1.8	1.9	0.9	1.7	0.5
Permanent	2.1	-0.7	-1.4	-1.7	-0.2	0.8	3.0	2.5	2.4	2.1	2.1	0.8
Casual labor, urban	-0.1	4.4	4.2	6.3	5.8	8.5	-1.4	-3.3	-2.6	-6.2	-5.0	-2.6
Federal contributions (Branch 28)	2.9	-3.9	-3.4	-11.3	-1.3	2.0	0.6	0.4	2.7	-3.6	-2.9	-1.0
FDI (US$ millions)	69	256	33	30	30	59	1,239	1,397	236	340	251	233

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

	Coahuila						Colima					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	1.2	0.2	0.5	2.0	-1.8	-5.8	2.5	4.3	2.1	4.9	5.6	2.6
Primary Sector	5.3	2.7	2.2	7.7	3.2	7.5	7.6	2.9	-3.5	14.3	-6.2	2.5
Secondary Sector	-0.5	-0.3	0.8	3.3	-4.0	-9.8	-1.6	20.1	8.0	20.9	32.2	10.0
Tertiary Sector	3.0	0.5	0.2	0.2	0.2	-2.1	3.7	-0.6	0.3	-0.6	-1.9	-0.1
Industrial Activity	-0.5	-0.3	0.8	3.3	-4.0	-10.0	-1.6	20.1	8.0	20.9	32.2	9.8
Manufacturing Production	3.8	0.5	1.1	4.6	-2.6	-7.9	1.6	-3.1	2.6	-4.7	-7.1	-1.6
Construction	1.1	-19.5	-21.7	-27.1	-25.2	-32.5	-45.8	65.5	48.7	71.7	67.5	-40.5
Private Sector Works	17.6	-21.2	-30.4	-25.2	-21.1	-35.3	-37.0	23.9	-20.6	2.6	65.1	-32.2
Public Works	-18.1	-13.9	4.4	-31.6	-34.9	-26.5	-49.1	134.7	160.0	203.2	69.7	-47.7
Retail sales	2.9	6.0	5.9	8.3	5.0	-0.3	4.0	3.3	3.1	2.1	1.9	-0.5
Wholesale sales	0.2	-3.7	-5.4	-2.0	-3.8	-2.7	5.1	-1.3	-1.2	0.7	-0.3	7.8
Employed population (ENOE*)[1]**	2.0	0.4	-0.9	2.4	0.1	0.4	4.2	1.5	-0.1	2.7	0.6	2.0
Insured workers (IMSS)	4.9	0.8	1.5	0.0	-0.5	-1.2	3.7	2.0	1.6	1.6	2.4	2.6
Permanent	4.6	1.4	1.7	1.0	-0.1	-0.2	3.8	2.0	1.9	1.9	2.5	2.7
Casual labor, urban	3.6	0.7	1.2	1.2	-1.6	-6.0	4.3	2.8	1.9	-0.6	2.5	0.5
Federal contributions (Branch 28)	0.4	2.7	6.5	-1.0	-2.9	-4.7	5.9	-6.2	-5.8	-4.1	-7.9	17.2
FDI (US$ millions)	3,272	1,446	254	280	327	227	98	52	8	6	-1	59

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Durango						Guanajuato					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	1.5	0.9	2.0	-0.4	-2.4	-3.3	1.2	-0.5	-1.3	0.0	-1.1	0.1
Primary Sector	-2.2	-0.9	1.5	-0.9	-7.0	-2.0	4.8	0.4	-2.3	6.6	-2.9	2.1
Secondary Sector	1.8	3.3	6.6	-0.8	-3.7	-7.6	-3.5	-2.0	-4.2	-0.6	-1.0	0.6
Tertiary Sector	2.0	0.2	-0.1	-0.1	-0.9	-1.3	4.1	0.4	0.5	0.1	-1.0	-0.4
Industrial Activity	1.8	3.3	6.6	-0.8	-3.7	-7.3	-3.5	-2.0	-4.2	-0.6	-1.0	0.6
Manufacturing Production	5.7	3.1	7.6	-1.1	2.3	-1.9	-2.8	-1.3	-4.6	1.5	1.2	5.3
Construction	-23.2	20.9	17.3	46.5	24.8	-5.9	-11.9	-0.2	0.2	-14.8	-15.8	-35.8
Private Sector Works	-14.6	49.8	46.0	91.2	56.2	-17.2	17.3	-5.9	-16.7	-2.6	-12.4	-18.3
Public Works	-29.2	-14.2	-26.3	-9.2	-1.2	14.7	-30.1	6.2	17.4	-27.3	-20.0	-50.0
Retail sales	1.0	0.1	1.0	0.2	0.6	5.2	2.3	1.3	1.8	1.7	2.1	2.0
Wholesale sales	2.5	-0.8	-3.9	-0.8	1.0	1.1	14.4	-1.1	-0.6	-3.4	-3.7	-2.0
Employed population (ENOE*)[1]**	2.4	2.1	0.1	3.5	1.6	-0.5	3.0	0.4	-1.5	1.6	1.5	1.5
Insured workers (IMSS)	3.6	0.0	-0.2	-0.9	0.1	-0.6	5.8	3.0	3.2	2.0	2.2	0.4
Permanent	3.1	0.4	0.1	0.2	0.1	-0.4	5.0	3.4	3.6	2.9	2.7	1.7
Casual labor, urban	5.9	-2.8	-3.4	-6.0	-3.0	-1.4	6.0	2.3	3.3	0.4	-0.8	-5.0
Federal contributions (Branch 28)	5.0	-6.1	-7.4	-10.8	-10.6	-3.5	3.8	4.6	15.0	-2.1	-8.1	-3.8
FDI (US$ millions)	384	180	32	75	-20	325	2,449	806	151	389	239	65

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

	Guerrero						Hidalgo					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	3.0	-1.4	-1.8	-1.4	-4.0	-3.1	2.7	-1.4	-3.5	-2.0	-2.1	-4.9
Primary Sector	-0.3	-2.7	-9.8	8.3	-8.6	8.4	-0.2	-2.9	-9.3	-1.7	-7.1	-15.0
Secondary Sector	6.4	-3.1	-8.8	-2.5	-9.1	-10.5	1.2	-3.3	-8.8	-5.3	-2.7	-8.4
Tertiary Sector	2.4	-0.8	0.5	-1.8	-2.5	-2.0	3.7	-0.2	-0.3	-0.3	-1.5	-2.9
Industrial Activity	6.4	-3.1	-8.8	-2.5	-9.1	-10.4	1.2	-3.3	-8.8	-5.3	-2.7	-8.4
Manufacturing Production	0.5	-0.3	2.4	-1.3	-4.6	-4.6	3.4	-2.2	-2.8	-4.5	-5.2	-6.6
Construction	8.4	-34.0	-59.2	-61.9	-22.7	-66.6	14.8	-15.8	-45.3	-9.1	-18.0	3.3
Private Sector Works	12.5	-37.6	-49.4	-68.5	-23.4	-74.9	8.5	-4.3	-58.1	-15.9	1.8	-1.7
Public Works	11.8	-33.3	-61.7	-60.9	-22.7	-64.9	28.7	-17.2	-15.0	-0.4	-36.6	8.6
Retail sales	-8.1	-8.4	-11.8	-8.1	-8.0	1.4	3.6	0.0	-5.4	2.9	-1.2	-5.2
Wholesale sales	15.5	-2.1	0.1	-5.4	-3.6	-3.6	2.5	-5.8	-5.4	-6.3	-8.5	-7.0
Employed population (ENOE*)[1]**	1.0	3.8	5.2	3.5	-1.4	4.3	6.4	3.6	4.7	2.7	0.6	0.6
Insured workers (IMSS)	0.7	-3.1	-4.3	-4.1	0.8	-0.2	5.1	1.4	2.3	-0.7	1.1	-0.2
Permanent	0.0	-3.1	-4.1	-4.6	0.4	2.4	5.1	2.7	3.0	2.1	2.5	2.8
Casual labor, urban	3.9	-5.3	-2.7	-7.9	-5.1	-7.9	3.7	-2.1	-0.1	-5.1	-8.0	-9.0
Federal contributions (Branch 28)	13.4	-3.9	2.2	-14.9	-9.9	0.6	2.0	5.4	19.6	-0.9	-7.5	-2.5
FDI (US$ millions)	402	275	18	33	39	203	190	289	87	22	57	58

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Jalisco						Mexico					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	2.7	0.5	0.6	0.4	0.2	-2.4	3.3	-2.2	-3.5	-2.9	0.0	-0.8
Primary Sector	3.7	2.4	5.2	-0.3	5.5	-4.3	-11.6	-0.8	-3.3	1.9	-6.0	18.1
Secondary Sector	0.3	-0.3	0.1	0.1	-0.1	-4.1	3.0	-7.5	-9.7	-8.9	-5.4	-5.9
Tertiary Sector	3.7	0.7	0.4	0.5	-0.1	-1.5	3.8	-0.2	-1.3	-0.8	1.9	0.8
Industrial Activity	0.3	-0.3	0.1	0.1	-0.1	-4.0	3.0	-7.5	-9.7	-8.9	-5.4	-5.9
Manufacturing Production	2.2	1.3	1.4	2.0	3.2	-2.2	2.4	-4.5	-5.7	-6.8	-5.8	-5.6
Construction	5.7	-5.8	-5.4	-22.7	-21.0	-24.1	-12.5	32.5	25.2	57.0	60.1	62.6
Private Sector Works	8.4	2.5	1.2	-20.8	-12.2	-30.7	-32.9	5.4	17.8	10.0	25.3	36.6
Public Works	-3.7	-43.4	-35.0	-32.7	-60.6	52.7	18.6	53.2	30.3	92.2	86.5	77.2
Retail sales	3.7	3.0	2.5	2.7	3.6	0.4	2.6	-1.9	-3.8	-1.4	-0.3	0.3
Wholesale sales	7.1	-0.4	-0.6	-1.5	-3.1	-1.3	3.5	1.2	-0.1	-1.1	7.5	9.7
Employed population (ENOE*)[1]**	0.7	2.4	2.4	2.3	2.0	0.6	3.5	1.9	2.0	0.8	2.7	1.7
Insured workers (IMSS)	4.7	2.5	2.6	1.6	2.8	2.0	5.8	1.6	2.3	0.4	0.7	0.2
Permanent	3.8	2.2	1.9	1.8	2.4	2.5	5.9	2.8	3.6	2.1	0.9	1.2
Casual labor, urban	7.2	4.2	5.1	3.3	3.1	0.5	3.1	-2.3	-1.3	-3.0	-3.6	-3.1
Federal contributions (Branch 28)	1.3	-0.7	-0.4	-2.0	-5.3	-0.9	8.6	0.8	7.7	-4.2	-10.0	-0.3
FDI (US$ millions)	937	1,558	408	274	-129	962	2,309	2,922	436	463	517	919

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

	Mexico City						Michoacán					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	2.7	-0.4	-2.2	-0.6	0.4	-1.5	2.4	-0.2	-2.2	1.8	0.0	-1.4
Primary Sector	3.3	8.0	7.0	8.0	5.6	5.9	3.3	1.6	-7.8	13.6	-1.2	-2.5
Secondary Sector	0.1	-2.1	-7.3	0.8	3.1	0.4	-0.1	-2.1	-5.3	1.7	-2.6	-2.3
Tertiary Sector	3.0	-0.2	-1.6	-0.7	0.2	-1.7	2.6	0.1	-0.5	0.4	0.9	-1.0
Industrial Activity	0.1	-2.1	-7.3	0.8	3.1	0.4	-0.1	-2.1	-5.3	1.7	-2.6	-2.3
Manufacturing Production	1.9	-1.4	-6.0	0.8	0.8	-0.4	-2.2	2.1	0.7	10.6	4.1	9.5
Construction	-2.7	-15.5	-8.4	-13.7	-25.6	-29.5	27.4	-18.4	-41.9	-20.9	-30.2	-65.0
Private Sector Works	-12.3	15.5	37.1	14.8	-11.0	-18.7	2.2	-0.3	-7.5	-7.1	-23.2	-69.0
Public Works	6.4	-32.7	-32.2	-32.2	-36.5	-37.7	61.8	-33.3	-67.9	-33.3	-36.4	-60.6
Retail sales	1.3	-1.4	-1.5	-3.0	-2.4	-5.4	-1.0	-0.5	-0.4	0.1	1.2	-0.2
Wholesale sales	0.3	-3.4	-7.1	-2.3	-4.5	-4.2	2.8	-0.8	-1.1	1.9	3.8	2.7
Employed population (ENOE*)[1]**	2.5	0.9	0.3	0.6	1.7	-0.9	2.6	2.6	1.8	2.1	3.7	2.0
Insured workers (IMSS)	2.8	1.3	0.9	0.7	2.4	0.5	5.8	2.4	2.5	1.6	2.8	2.2
Permanent	2.3	1.9	2.1	2.0	1.6	0.8	4.2	2.0	1.9	1.7	2.2	2.4
Casual labor, urban	4.5	-2.5	-5.2	-4.0	1.1	0.5	9.7	5.5	5.7	7.5	3.0	4.6
Federal contributions (Branch 28)	1.4	-3.3	-6.4	-2.8	-2.5	-2.5	9.6	1.5	-1.0	3.9	-2.3	0.1
FDI (US$ millions)	5,818	8,268	2,088	1,972	961	3,014	437	298	16	16	123	147

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Morelos						Nayarit					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	-0.8	-2.0	0.4	-2.9	-6.8	-3.5	-0.4	-0.4	1.0	-3.7	-1.9	-3.1
Primary Sector	8.6	0.4	-10.2	3.5	-1.0	-1.7	-2.8	5.7	17.5	1.0	3.3	8.2
Secondary Sector	-3.8	-3.0	3.6	-4.3	-18.2	-8.0	-5.4	0.6	3.1	-12.2	-9.0	-16.4
Tertiary Sector	0.6	-1.6	-0.6	-2.6	-1.6	-1.5	1.2	-1.1	-1.0	-1.8	-0.8	-0.8
Industrial Activity	-3.8	-3.0	3.6	-4.3	-18.2	-7.9	-5.4	0.6	3.1	-12.2	-9.0	-16.4
Manufacturing Production	-3.1	-5.1	-6.5	-4.5	-8.5	-5.2	-1.1	1.7	5.8	-0.4	4.1	-1.0
Construction	-13.9	-42.2	-50.1	-62.5	-40.4	-29.3	29.8	-47.9	-64.5	-57.3	-33.3	-2.7
Private Sector Works	-8.2	-44.7	-43.8	-54.2	-50.9	-32.5	16.4	-59.8	-80.2	-55.3	-38.3	84.8
Public Works	-0.1	-33.3	-58.5	-73.1	-20.6	-24.6	85.4	-15.3	-18.4	-60.2	-24.5	-60.8
Retail sales	-1.8	-3.1	-4.1	-3.1	-0.5	1.3	-2.6	5.0	0.1	9.3	9.0	4.6
Wholesale sales	3.6	-4.2	-3.0	-3.0	-6.9	-2.9	-0.2	-1.0	1.9	0.6	1.7	7.5
Employed population (ENOE*)[1]**	2.2	1.7	0.2	2.1	3.6	2.3	3.5	1.1	1.7	0.6	0.5	1.6
Insured workers (IMSS)	2.6	-0.3	0.5	-1.5	-0.6	0.8	1.9	7.4	7.1	7.4	9.4	5.6
Permanent	2.3	0.5	0.8	0.5	-0.6	0.4	1.8	5.4	5.8	5.3	8.6	6.8
Casual labor, urban	3.3	-3.4	-4.9	-7.6	-0.9	2.0	3.8	12.4	12.3	13.4	16.4	14.3
Federal contributions (Branch 28)	3.7	1.2	5.7	-4.2	-2.9	-2.5	-1.6	7.7	6.0	0.0	18.3	0.3
FDI (US$ millions)	252	655	155	57	136	105	196	174	36	26	60	61

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

	Nuevo León						Oaxaca					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	3.6	1.5	1.7	1.4	-1.3	-1.2	4.0	-3.2	-2.9	-2.3	-7.1	-2.1
Primary Sector	0.7	8.1	11.4	-3.6	21.1	15.4	2.9	-0.4	-5.1	1.2	-5.0	1.4
Secondary Sector	4.2	2.7	2.7	2.8	-0.4	-3.8	12.7	-14.4	-15.2	-10.6	-23.4	-8.7
Tertiary Sector	3.3	0.8	1.2	0.7	-2.0	0.1	1.4	0.4	1.5	0.2	-1.4	-0.4
Industrial Activity	4.2	2.7	2.7	2.8	-0.4	-3.7	12.7	-14.4	-15.2	-10.6	-23.4	-8.5
Manufacturing Production	4.7	3.0	3.0	2.3	-2.0	-3.2	11.3	-6.4	-12.1	-5.8	-8.3	-6.9
Construction	-5.1	-4.2	-2.8	-6.0	3.6	25.3	36.0	-42.9	-55.6	-48.6	-24.7	-11.6
Private Sector Works	-9.5	18.8	26.0	15.9	17.3	28.5	113.3	-26.3	-44.0	-27.5	-5.2	-9.8
Public Works	13.0	-68.3	-76.5	-70.2	-52.9	-6.5	0.4	-63.1	-71.4	-66.6	-49.6	-17.2
Retail sales	2.9	2.5	2.9	3.5	2.5	1.6	0.7	3.7	5.7	3.5	4.7	5.8
Wholesale sales	2.2	-3.5	-4.0	-4.8	-6.6	-4.6	-0.3	-3.6	-3.9	-4.9	-0.9	1.7
Employed population (ENOE*)[1]**	2.3	2.0	-0.2	1.7	3.7	3.9	3.5	5.5	5.4	4.8	6.6	1.6
Insured workers (IMSS)	4.4	2.3	2.5	1.5	2.0	0.8	3.9	0.1	1.5	-1.4	0.3	2.2
Permanent	3.8	2.5	2.7	2.3	1.7	1.2	4.1	0.0	0.5	-0.8	-0.4	1.7
Casual labor, urban	6.2	2.8	3.0	1.8	1.5	-0.4	3.7	-0.2	-1.2	-1.5	7.4	6.6
Federal contributions (Branch 28)	4.0	3.0	11.1	0.5	-8.3	-1.3	5.5	3.1	18.9	-13.7	-8.3	1.4
FDI (US$ millions)	3,449	3,259	147	1,390	236	1,433	486	57	-3	-122	50	188

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Puebla						Querétaro					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	2.5	-0.8	-2.0	-1.8	-4.4	-4.7	2.9	0.4	-0.2	-0.8	-0.9	-4.0
Primary Sector	2.6	0.6	-3.1	-0.5	-1.7	0.9	0.2	1.7	1.2	3.2	-1.4	-3.7
Secondary Sector	1.8	-0.9	-1.5	-0.3	-9.1	-11.2	2.3	-0.9	-2.0	-3.6	-2.4	-8.0
Tertiary Sector	2.9	-0.9	-2.2	-2.8	-1.9	-1.2	3.6	1.3	1.0	1.1	0.1	-1.1
Industrial Activity	1.8	-0.9	-1.5	-0.3	-9.1	-11.2	2.3	-0.9	-2.0	-3.6	-2.4	-7.9
Manufacturing Production	1.2	-3.7	-3.4	-6.0	-13.1	-13.9	3.5	0.1	-1.0	0.8	-2.7	-4.1
Construction	-14.7	3.9	12.6	-3.0	1.8	-47.1	16.4	-23.3	-23.9	-8.3	-31.0	-36.0
Private Sector Works	-20.6	-5.0	-15.6	-27.7	-13.5	-48.1	14.1	-18.1	-14.5	-7.5	-34.1	-40.9
Public Works	-7.4	18.4	46.7	33.1	15.9	-45.5	46.5	-40.7	-60.9	-11.2	-11.8	34.2
Retail sales	1.2	-2.3	-4.4	-2.5	-1.7	-2.7	4.3	1.9	1.2	2.4	2.5	-1.0
Wholesale sales	2.1	-5.8	-8.1	-6.1	-3.0	4.6	2.9	4.0	2.0	5.0	2.1	1.2
Employed population (ENOE*)[1]**	0.6	3.6	2.5	5.2	3.6	1.2	5.9	-0.1	-1.4	-0.5	2.0	5.6
Insured workers (IMSS)	5.2	2.1	1.9	1.9	1.8	0.1	6.5	5.6	5.8	5.2	5.5	2.7
Permanent	6.0	3.4	3.5	2.8	2.6	0.9	6.8	6.4	6.8	6.4	5.9	4.2
Casual labor, urban	-1.3	-4.7	-6.2	-3.9	-3.6	-3.5	3.2	3.4	4.1	4.8	1.8	1.0
Federal contributions (Branch 28)	2.8	1.9	8.0	0.0	-6.8	-1.8	5.5	0.8	4.4	-4.7	-4.6	1.3
FDI (US$ millions)	644	2,042	431	410	716	139	1,219	1,170	98	387	140	511

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

	Quintana Roo						San Luis Potosí					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	5.1	-0.1	0.4	-2.8	-2.2	-5.9	4.4	-0.8	-1.0	-0.3	-2.5	-2.4
Primary Sector	20.9	-20.6	-10.4	-36.2	-50.5	-23.0	8.1	-2.4	9.5	-8.7	-14.2	1.5
Secondary Sector	5.6	4.6	2.9	-4.0	-4.6	-16.5	4.5	-2.4	-5.2	-3.2	1.5	-4.1
Tertiary Sector	4.9	-0.5	0.2	-2.3	-1.4	-4.1	4.1	0.5	1.3	2.4	-4.1	-1.5
Industrial Activity	5.6	4.6	2.9	-4.0	-4.6	-16.3	4.5	-2.4	-5.2	-3.2	1.5	-4.1
Manufacturing Production	13.0	-0.4	1.7	0.4	-8.6	-5.2	5.8	1.4	-1.5	0.4	4.8	-2.6
Construction	14.4	3.4	-14.1	19.1	15.0	-1.4	15.7	-14.3	-18.9	8.1	-21.5	11.7
Private Sector Works	17.1	1.1	-14.7	20.6	6.3	10.7	16.1	-7.0	-27.8	12.6	3.2	55.6
Public Works	5.5	14.9	-12.5	14.6	56.8	-50.0	16.5	-22.8	-1.2	-1.0	-54.5	-51.1
Retail sales	6.5	3.8	5.5	3.4	3.0	-2.4	3.2	-1.9	-2.5	-2.1	-3.3	-2.7
Wholesale sales	12.3	-11.4	-10.2	-14.6	-15.1	-14.1	12.0	-2.6	-4.2	-4.9	-5.7	-3.2
Employed population (ENOE*)[1]**	5.0	3.1	4.4	-1.2	0.7	-1.5	1.3	2.2	1.3	1.6	2.5	3.5
Insured workers (IMSS)	11.2	3.5	3.0	2.4	3.0	-0.9	5.1	2.1	2.1	1.0	2.5	1.4
Permanent	8.3	3.1	3.1	2.8	1.6	2.6	3.7	3.1	3.4	2.6	2.7	2.5
Casual labor, urban	15.9	7.4	7.0	3.9	7.3	-8.0	11.3	-1.4	-2.3	-2.6	-0.5	2.3
Federal contributions (Branch 28)	6.5	-1.5	-12.1	3.9	-1.5	5.4	-1.5	3.5	11.9	1.6	-3.1	7.7
FDI (US$ millions)	580	636	138	103	165	-51	1,770	846	229	278	72	275

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Sinaloa						Sonora					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	2.5	1.0	-2.1	1.3	1.4	-0.7	0.9	-0.6	-2.1	1.8	-2.8	2.1
Primary Sector	3.6	4.0	-3.4	0.0	24.8	-10.0	4.7	4.4	-5.4	14.1	-3.6	6.7
Secondary Sector	5.0	-2.5	-5.4	-5.2	-7.8	-3.2	-1.3	-0.2	-0.9	3.7	-3.3	4.2
Tertiary Sector	1.4	1.4	-0.9	3.4	-0.9	2.2	2.8	-1.3	-2.5	-1.0	-2.3	-0.5
Industrial Activity	5.0	-2.5	-5.4	-5.2	-7.8	-3.2	-1.3	-0.2	-0.9	3.7	-3.3	4.3
Manufacturing Production	2.6	4.4	5.3	2.1	4.9	2.4	-3.8	3.8	7.6	13.6	-9.3	0.8
Construction	10.2	-32.0	-36.4	-41.0	-41.2	-20.3	-0.4	-12.1	-25.0	-16.6	2.2	12.2
Private Sector Works	2.4	-28.5	-37.5	-40.9	-29.5	-5.2	-8.6	-0.3	7.9	8.8	-14.1	-18.5
Public Works	25.4	-35.2	-33.8	-41.1	-52.0	-43.8	13.6	-24.6	-61.2	-44.4	26.1	79.9
Retail sales	1.2	-1.5	-4.4	-0.2	-1.0	-2.3	-1.1	5.0	4.8	6.6	6.8	5.5
Wholesale sales	2.0	10.8	2.6	25.9	8.1	13.0	-1.1	-2.6	-11.2	4.1	2.4	5.9
Employed population (ENOE*)[1]**	1.1	1.8	2.3	3.8	4.0	3.2	2.4	2.2	1.9	2.9	3.1	2.6
Insured workers (IMSS)	4.3	3.1	5.1	2.2	1.3	2.8	3.1	2.0	2.5	1.1	1.2	0.3
Permanent	3.5	3.6	3.6	4.2	3.6	3.0	2.6	2.0	2.0	1.6	1.4	0.6
Casual labor, urban	2.4	2.1	2.8	0.2	-0.1	0.6	0.5	1.6	0.1	2.8	3.4	4.0
Federal contributions (Branch 28)	6.7	-0.5	5.3	-6.6	-7.8	3.2	3.7	0.7	0.8	-2.1	-1.8	-3.0
FDI (US$ millions)	414	260	-10	63	48	110	161	468	129	-59	89	112

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

	Tabasco						Tamaulipas					
	2018	2019	2Q19	3Q19	4Q19	1Q20	2018	2019	2Q19	3Q19	4Q19	1Q20
Economic Activity (ITAEE)**	-8.0	-5.3	-10.8	-3.7	2.9	9.2	1.9	1.8	0.8	1.2	1.7	-0.9
Primary Sector	2.7	-2.4	-3.5	2.1	-3.8	2.4	-10.6	-7.3	-2.8	-18.8	-0.5	11.9
Secondary Sector	-12.7	-10.2	-19.8	-7.7	3.3	14.8	3.1	4.3	0.3	3.8	4.9	-3.8
Tertiary Sector	0.3	3.3	4.5	2.3	2.5	0.8	1.7	0.7	1.3	0.1	-0.1	-0.1
Industrial Activity	-12.7	-10.2	-19.8	-7.7	3.3	14.8	3.1	4.3	0.3	3.8	4.9	-3.8
Manufacturing Production	-10.6	-0.8	-5.1	7.1	6.1	12.1	-1.5	5.5	2.1	10.9	4.2	-2.9
Construction	2.9	-29.9	-34.6	-5.4	-28.8	-42.7	25.6	31.1	15.7	15.3	27.2	1.7
Private Sector Works	69.4	-45.2	-64.8	-1.8	-34.2	-52.8	29.8	35.4	-1.9	15.6	61.3	16.7
Public Works	-22.1	-12.5	-1.9	-6.6	-27.3	-39.7	22.2	27.6	32.1	15.1	-2.3	-13.1
Retail sales	0.6	4.9	5.2	5.6	5.7	3.5	1.9	5.6	3.8	3.5	11.2	3.6
Wholesale sales	-1.4	6.5	6.9	12.3	7.7	8.8	-7.9	0.0	8.5	-2.7	0.3	0.0
Employed population (ENOE*)[1]**	1.7	5.5	4.8	6.8	7.3	10.1	3.4	2.4	2.3	1.4	2.0	0.3
Insured workers (IMSS)	-2.0	0.9	0.4	0.2	3.4	3.6	5.1	1.9	2.4	1.3	1.1	0.4
Permanent	-3.0	0.3	-0.3	0.5	2.7	4.3	4.6	2.3	2.8	2.0	0.8	0.4
Casual labor, urban	1.5	4.2	3.7	3.0	5.4	4.9	6.6	1.7	2.5	2.4	1.1	-1.0
Federal contributions (Branch 28)	5.8	4.5	1.7	3.8	5.6	-3.2	4.8	2.7	5.3	0.2	-4.4	-1.7
FDI (US$ millions)	530	503	35	79	55	72	1,513	1,626	309	695	291	438

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

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

	Tlaxcala						Veracruz					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	3.6	6.3	10.3	13.9	-1.3	-2.5	2.4	0.7	0.1	-0.2	1.4	1.5
Primary Sector	2.2	5.2	-1.1	19.0	9.1	-10.0	3.4	1.5	0.6	3.3	1.1	4.6
Secondary Sector	9.1	15.5	26.3	35.2	-4.0	-5.3	3.6	-0.3	-0.3	-4.0	3.4	3.0
Tertiary Sector	0.9	1.3	1.7	2.3	-0.2	-0.6	1.8	1.2	0.3	1.5	0.6	0.4
Industrial Activity	9.1	15.5	26.3	35.2	-4.0	-5.3	3.6	-0.3	-0.3	-4.0	3.4	3.0
Manufacturing Production	4.0	-0.5	-2.3	1.5	-2.1	-1.2	1.2	0.8	0.8	-2.4	2.9	-0.9
Construction	-21.7	-2.4	-33.1	-10.3	63.9	55.0	14.1	14.9	24.9	-19.5	21.0	-10.4
Private Sector Works	-40.7	-21.7	-45.5	-1.5	-16.7	-42.0	25.1	17.8	27.2	-13.5	31.5	-2.6
Public Works	30.7	19.1	-24.7	-15.0	152.6	169.1	3.6	7.4	14.1	-33.6	-6.9	-31.2
Retail sales	-0.5	8.3	10.3	9.5	6.5	0.1	1.5	0.3	0.1	-0.1	1.2	2.4
Wholesale sales	5.2	10.6	10.2	16.9	19.7	7.8	-0.2	0.8	-2.8	0.3	2.8	-0.2
Employed population (ENOE*)[1]**	2.4	4.1	4.1	4.3	3.8	1.5	3.2	2.1	4.3	-1.2	2.7	5.1
Insured workers (IMSS)	4.6	3.2	3.5	1.9	2.4	0.9	2.2	1.4	2.6	0.2	0.6	0.9
Permanent	2.8	3.7	3.9	2.6	3.4	2.3	1.8	0.9	0.9	0.6	0.7	1.8
Casual labor, urban	7.4	1.6	4.0	0.9	-3.6	0.1	5.0	5.8	9.4	2.8	0.8	-2.5
Federal contributions (Branch 28)	3.3	0.3	1.9	-2.8	-5.5	4.0	8.2	0.4	6.8	-9.7	-2.1	6.4
FDI (US$ millions)	141	345	53	108	50	65	966	1,090	158	206	78	623

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

	Yucatán						Zacatecas					
	2018	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**	**2018**	**2019**	**2Q19**	**3Q19**	**4Q19**	**1Q20**
Economic Activity (ITAEE)**	3.2	1.5	0.6	1.1	-0.7	-0.5	-0.6	-3.3	-2.0	-4.8	-4.4	-1.0
Primary Sector	5.6	6.3	-1.2	14.1	-2.2	8.7	0.0	-9.1	-3.4	-15.9	-10.4	18.2
Secondary Sector	0.9	1.0	-0.1	1.7	-1.6	1.0	-3.5	-7.0	-4.3	-7.4	-8.9	-3.1
Tertiary Sector	4.0	1.4	0.9	0.1	-0.3	-1.5	0.7	0.0	-0.5	-0.4	-0.5	-0.8
Industrial Activity	0.9	1.0	-0.1	1.7	-1.6	1.0	-3.5	-7.0	-4.3	-7.4	-8.9	-2.2
Manufacturing Production	2.0	2.6	1.9	3.1	1.7	5.6	12.8	-3.9	-6.2	-3.4	-3.4	0.1
Construction	24.1	-2.6	-14.0	-11.3	11.3	-27.8	18.2	-29.9	-32.5	-38.1	-47.4	-58.4
Private Sector Works	54.9	-17.6	-22.6	-34.8	-13.2	-33.3	1.1	-41.6	-53.8	-50.0	-31.8	-57.5
Public Works	-55.7	137.7	94.6	203.4	223.3	5.2	61.0	-12.9	-8.0	-27.8	-55.6	-59.1
Retail sales	5.9	6.6	6.1	6.0	8.1	6.3	4.6	5.3	5.2	8.1	4.1	6.8
Wholesale sales	1.7	-1.9	-3.4	-4.5	-0.5	1.1	2.0	-3.1	-2.1	-6.3	-0.9	0.2
Employed population (ENOE*)[1]**	2.9	2.1	0.6	3.7	0.5	1.2	0.2	3.8	2.4	4.8	3.6	3.6
Insured workers (IMSS)	4.1	3.8	4.9	2.7	2.8	1.1	7.2	1.7	1.6	0.5	2.0	0.8
Permanent	4.0	3.7	4.5	3.4	2.6	1.7	6.6	2.6	2.5	1.4	1.8	1.1
Casual labor, urban	1.0	6.1	7.3	7.2	6.3	5.2	7.6	-0.1	-1.9	0.9	1.5	-1.2
Federal contributions (Branch 28)	5.2	-0.8	-3.2	-3.6	-6.7	-3.0	1.3	-2.4	-4.6	-4.6	-5.0	-1.3
FDI (US$ millions)	85	158	8	26	27	83	302	746	264	230	58	0

* 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, Coneval, STPS (Secretariat of Labor and Social Welfare), SHCP (Finance Ministry) and SE (Secretariat for the Economy)

5. Special topics included in previous issues

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