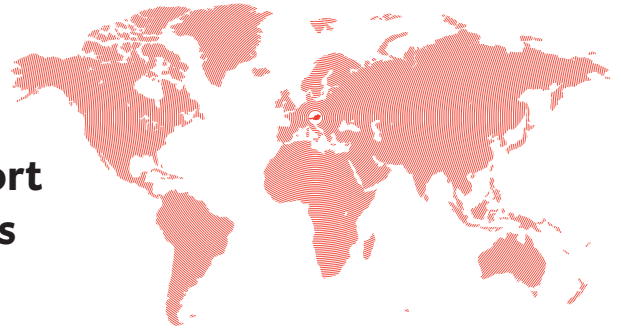


# Oberbank

## Economic and Banking Report

### Global Financial Institutions



## Mexico

### Economic situation

> GDP 2021 +6.4 %

Mexico - a nation between success and criminal clutches. The emerging market is consolidating its position as **Latin America's most important exporter** and is the second-largest economy after Brazil. In contrast to other Latin American countries, Mexico is considered an open economy that is comparatively less dependent on raw materials. In addition, more than **50 free trade agreements** support the economic attractiveness of the country.

*Latin America's most important exporter*

In contrast there are major challenges in terms of rising organised crime, corruption and violent crime, as well as advancing poverty. Almost 50 % of the population already live in poor conditions. The Covid-19-pandemic is expected to exacerbate the unemployment and poverty situation among the informally employed population and fuel crime. The economic policy of the current president, Andrés Manuel López Obrador, is currently regarded as one of the greatest risk factors for business activities in Mexico. Various changes, such as the reform presented at the end of September 2021 regarding the

nation's energy supply, are unsettling business people and investors. This reform includes profound changes in the energy sector. The state-owned electricity company CFE relies on fossil fuels for 80 % and holds a dominant market share of 54 %.

As a consequence, it would push back private suppliers from their previous 60 % market share to 46 % and could lead to two problems for companies. On the one hand, electricity costs are likely to rise due to higher CFE generation prices. On the other hand, the globally promised switch to renewable energies will become a distant prospect for many companies. A vote on the above-mentioned reform is scheduled for the beginning of 2022.

Away from this, the **nation does 80 % of its export and 50 % of its import business with the neighbouring USA**. In general, the nation benefits from the economic stability of its northern neighbour, as the Covid-19-pandemic once again proved. The consequences of Mexico's little to no Covid-19 protection packages were indirectly cushioned by continued US demand. In the medium term, economic interconnectedness could be further expanded due to the pandemic-related trend of nearshoring fuelled by international supply chain issues.

Despite many advantages of intensive interdependence, there is a strong dependency that could put a huge damper on the Mexican economy if the US economy cools down.

In addition to GDP growth of **6.4 % in 2021, private consumption increased by 8.7 %**. Purchases of durable goods such as cars, furniture or household electronics are of particular interest, as they have been postponed due to the pandemic situation. **Inflation** in 2021 is 5.9 %, almost double the forecast by the central bank Banxico. This increase can be explained by higher international energy costs and supply chain issues.

### Summary:

- 6.4 % GDP growth 2021
- 50 % live in poverty
- 80 % of exports to the USA
- Most important exporter in Latin America
- Energy reform to nationalise power supply
- Profit from nearshoring trend
- Low labour costs with good expertise

## The Economic Delegate of Mexico, Central America & Cuba gives detailed insights

> Interview with Nella Hengstler (November 2021)

Many companies are in the process of moving their production sites from China to Mexico. The wage level is similar to that of China, at the same time the workers are well trained and a reliable infrastructure is available. Nearshoring, already mentioned above, is mainly used by the United States, whose

economic development is always a yardstick, especially for Mexico.

As far as Covid-19 is concerned, there have only been extremely short lockdown phases in Mexico and hardly any support for business or private individuals. The vaccination rate varies great-

ly from region to region. In the metropolitan region of Mexico City, the rate is around 90% whereas the rural regions are characterised by very low vaccination coverage rates. In the total population, this means a full immunisation of about 50 % of the inhabitants.

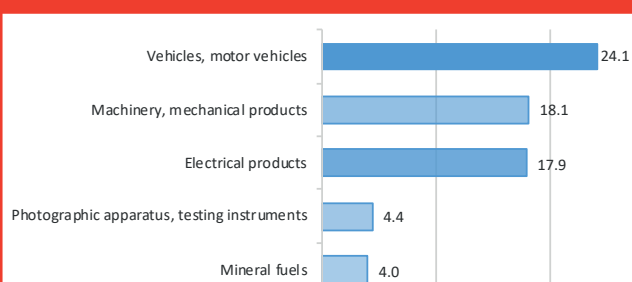
Key economic figures	2019	2020	2021	2022*
Nominal GDP in billion USD	1,270	1,073	1,248	1,339
GDP/capita at purchasing power parity in USD	24,462	23,046	25,017	26,588
Population in millions	127.6	128.9	130.3	131.6
Real economic growth in %	-0.2	-8.3	6.4	2.8
Inflation rate (%)	2.8	3.2	5.9	3.7
Unemployment rate in %	3.5	4.4	4.0	3.5
Exchange rate 100 Peso = EUR	4.45	4.08	4.18	4.30
Goods exports of the country in billion USD	461	417	489	528
Goods imports of the country in billion USD	456	383	472	515

\* Preliminary forecast; Source: WKO, Wirtschaftsbericht, October 2021

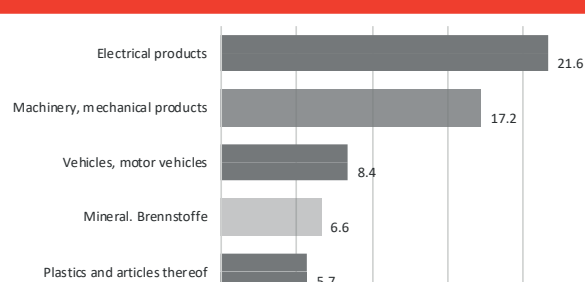
## Exports/Imports

The most important trading partner continues to be the USA. As already mentioned, this is clearly noticeable through high shares of imports and exports. With a 19.2 % share of Mexican imports, China ranks second, followed by South Korea (3.8 %), Japan and Germany (3.6 % each).

### Top 5 Exports



### Top 5 Imports



Source: Federal Statistical Office, Länderprofil 2021; 2020, in %.

## Economic relations with Austria

As one of the fastest-growing overseas markets from an Austrian perspective, Mexico is establishing itself as an increasingly attractive business location. In terms of sales market, the nation occupies the leading role in Latin America.

Mexico thus ranks 21st among the most important consumer countries. There are special opportunities for Austrian companies in the automotive sector. Almost half of the 100 branches of Austrian companies supply this industry.

Apart from this, there are opportunities in the consumer goods and food industry, the plastics and packaging sector as well as in the technology and plant sector.

### > Imports to Austria

Imports from Mexico recorded an increase of 15 % in the first half of 2021. More than half of the imported goods were classified as machinery and vehicles.

**Imports of goods 1st HY 2021: +15 %**

### > Exports from Austria

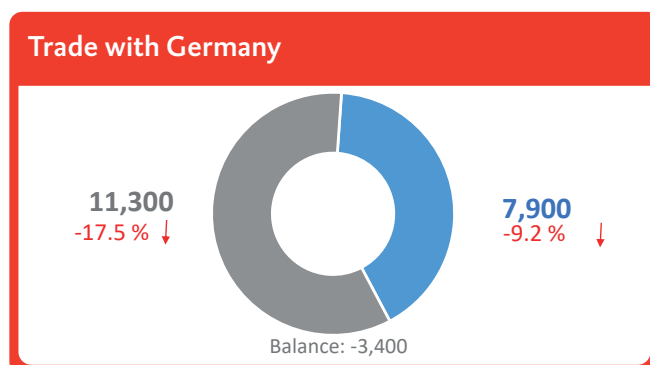
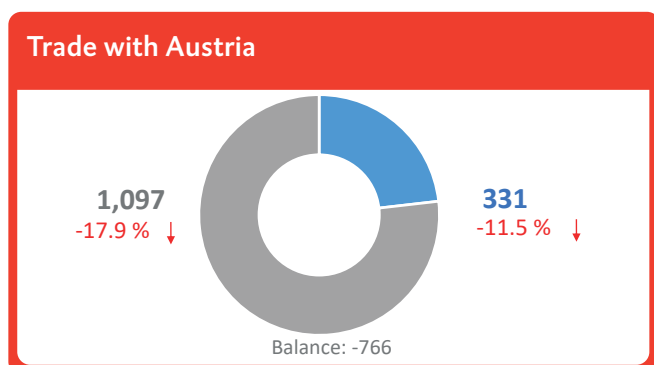
Austrian exports largely recovered from last year's slump, recording growth of 32 % in the first half of 2021. This upward trend is evident in almost all supply positions. In particular, the sectors of plastics and plastic goods with +79 % and iron and steel goods with +75 % contribute to this trend.

**Exports of goods 1st HY 2021: +32 %**

Economic relations between Austria and Germany	2020	2019	Change on previous year in %
Austrian exports of goods in EUR million	1,097	1,337	-17.9
Austrian imports of goods in EUR million	331	374	-11.5
German exports in EUR million	11,300	13,700	-17.5*
German imports in EUR million	7,900	8,700	-9.2*

Source: WKO Statistik Österreich and Germany Trade & Invest; \*own calculation

## Mexico's foreign trade



2020, change YOY, in EUR million  
Imports, exports and balance from Mexico's perspective; own presentation

## Assessment of the business environment

Ease of Doing Business 2020	Rank 60 of 190 countries
Global Competitiveness Index 2019	Rank 48 of 141 countries
Corruption Perceptions Index 2020	Rank 124 of 198 countries
Rule of Law Index (World Justice Project) 2021	Rank 113 of 128 countries
Most important goods export market AT/DE 2020	Rank 25 / Rank 22

The assessment of the business environment illustrates two extremes. In terms of ease of doing business, described in the Ease of Doing Business Index, as well as competitiveness, Mexico ranks in the top third

in an international comparison. Whereas the nation is in the bottom third in terms of the extent of the rule of law and the level of corruption. At this point, however, it is worth noting the improvement in the ran-

Current rankings of the Oberbank regions in the Ease of Doing Business Ranking:

Germany	22
Austria	27
Czech Republic	41
Hungary	52
Slovakia	45

king in the Corruption Perceptions Index from 14 places since 2018, which indicates a positive trend with regard to this indicator.

## Rating Mexico

> Investmentgrade

Agency	Rating	Outlook	Date
Fitch	BBB-	Stable	17.11.2021
S&P	BBB	Negative	26.03.2020
Moody's	Baa1	Negative	29.04.2021

Source: Countryeconomy, FitchRatings

Fitch justifies its current „BBB-“ rating with the current macroeconomic environment in terms of policy, robust and stable external finances and stable public debt.

These indicators form a solid basis for a stable outlook despite medium-term challenges. Nevertheless, the rating is sometimes dampened by weakened

long-term growth performance, weak governance combined with ongoing policy interventions, and the impact of tax relief.

*Triple B ratings with stable and negative outlook for the country*

## Mexico's largest banks

Rank	Bank	Total Assets
1	BBVA Bancomer SA	122.815
2	Banco Santander Mexico SA	92.401
3	Banco Nacional de Mexico SA	68.056
4	Banco Mercantil del Norte SA Institución de Banca Múltiple	63.456
5	Banco Nacional de Obras y Servicios Públicos SNC	48.469*
6	HSBC México S.A.	39.219
7	Scotiabank Inverlat SA	32.064
8	Nacional Financiera SNC	30.419
9	Banco Inbursa SA Institución de Banca Múltiple	20.216
10	Banco del Bajío SA	12.591

Total assets as of 31.12.2020 in USD million; \*not consolidated  
Source: Bankers Almanac, download on 25.11.2021

### Oberbank expertise

#### Banks shaded in grey:

Oberbank has an active relationship with these relationship banks (SWIFT/RMA) and is thus able to provide documentary transactions for customers. Payment transactions are also possible with all banks in Mexico via our clearing bank partners.

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