

**WEEKLY ECONOMIC REPORT**

**January 8, 2021.**

**Positive start to the year for Stock Markets**

**Mexican Stock Exchange**

Mexbol began the year with a robust 6.06% weekly advance in pesos (5.60% in US dollars). The index's excellent performance was in line with the performance of the United States stock markets. Besides, it also seems to discount the beginning of an expansionary phase of the country's economic cycle. Although this good start of the year could extend beyond January, the Mexican Congress's decisions regarding the so-called "Banxico Law" and the Federal Labor Law reforms that affect outsourcing could hinder the performance. If the Congress approves reforms that violate the autonomy of the central bank and that eliminate outsourcing, a significant decline in the index could likely be expected.

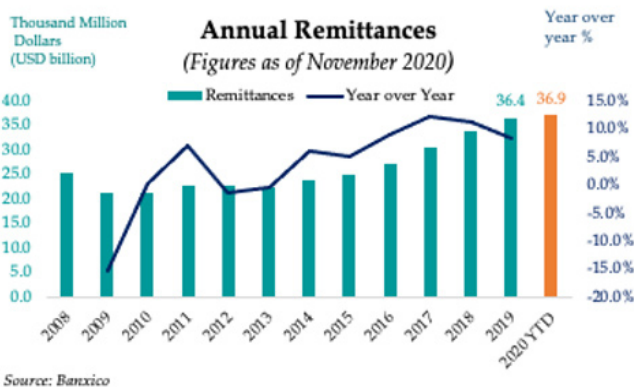
**Exchange rate**

The spot exchange rate closed at MX\$20.01 per USD for a minimum weekly depreciation of (-)0.56%. The depreciation of the peso was probably motivated by the strengthening of the USD against the world's leading currencies, given the stability brought by the recognition of the defeat by Trump and the Democratic majority in the Senate. Despite the above, the latest data confirm the strength of Mexico's external accounts. The Year-to-Date ("YTD") trade with the United States until November amounts to US\$485.53 billion with a YTD surplus of US\$102.53 billion. Also in November, YTD remittances totaled US\$36.94 billion, a historical maximum and more than in all of 2019.

**Economic indicators**

**Remittances**

In November 2020, a total of US\$3.38 billions of remittances arrived in Mexico; thus, the YTD amount increased to US\$36.94 billion, higher than the entire 2019 figure, and is heading to a new historical maximum for all of 2020, close to US\$40 billion. Remittances in 2021 will likely be similar or even better than in 2020 due to the new stimulus plan announced in the United States that will include the extension of unemployment insurance for at least US\$400 per month.



**US International Trade**

Mexico ranked as the second trading partner of the United States in November 2020, with a total joint trade volume of US\$485.53 billion and a US\$102.53 billion surplus. Although Mexico ranks second after China, there has been a considerable increase in its trade surplus. Specifically, the YTD until November surplus already shows a 0.76% improvement regarding all of 2019 and is 27.12% higher than that of 2018.

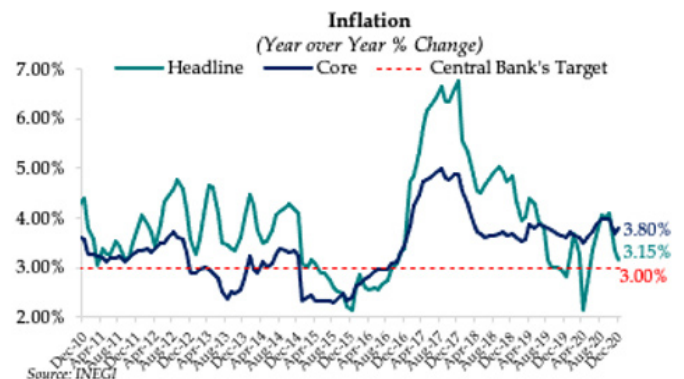
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
China	110,129	388,061	498,190	-277,932	India	24,868	46,009	70,877	-21,141
% of Total	8.5%	18.4%	14.6%		% of Total	1.9%	2.2%	2.1%	
Mexico	191,499	294,035	485,534	-102,536	France	25,188	39,204	64,392	-14,016
% of Total	14.7%	13.9%	14.2%		% of Total	1.9%	1.9%	1.9%	
Canada	231,950	245,414	477,364	-13,464	Italy	18,403	44,877	63,280	-26,474
% of Total	17.9%	11.6%	14.0%		% of Total	1.4%	2.1%	1.9%	
Japan	58,507	108,214	166,721	-49,707	Brazil	31,829	20,688	52,517	11,141
% of Total	4.5%	5.1%	4.9%		% of Total	2.5%	1.0%	1.5%	
Germany	52,766	104,180	156,946	-51,414	Singapore	24,857	27,620	52,477	-2,763
% of Total	4.1%	4.9%	4.6%		% of Total	1.9%	1.3%	1.5%	
Korea, South	46,939	68,630	115,569	-21,691	Hong Kong	21,810	7,336	29,146	14,474
% of Total	3.6%	3.2%	3.4%		% of Total	1.7%	0.3%	0.9%	
United Kingdom	54,122	45,472	99,594	8,650	Saudi Arabia	10,313	8,700	19,013	1,613
% of Total	4.2%	2.2%	2.9%		% of Total	0.8%	0.4%	0.6%	
Taiwan	28,119	54,549	82,668	-26,430	All other countries	367,518	609,074	976,592	-241,556
% of Total	2.2%	2.6%	2.4%		% of Total	28.3%	28.8%	28.6%	
					<b>TOTAL 2020 YTD</b>	<b>1,298,817</b>	<b>2,112,063</b>	<b>3,410,880</b>	<b>-813,246</b>
					<b>TOTAL 2019</b>	<b>1,645,486</b>	<b>2,498,400</b>	<b>4,143,886</b>	<b>-852,914</b>
					<b>TOTAL 2018</b>	<b>1,664,064</b>	<b>2,542,735</b>	<b>4,206,799</b>	<b>-878,671</b>

**Inflation**

The Mexican Consumer Price Index displayed a 3.15% annual inflation in December 2020; therefore, inflation ended the year slightly above Banxico's specific target (3.0%). Noteworthy, April's inflation was the lowest of the year (2.15%), while in October, it reached the highest for the year (4.09%). By components, the results were as follows:

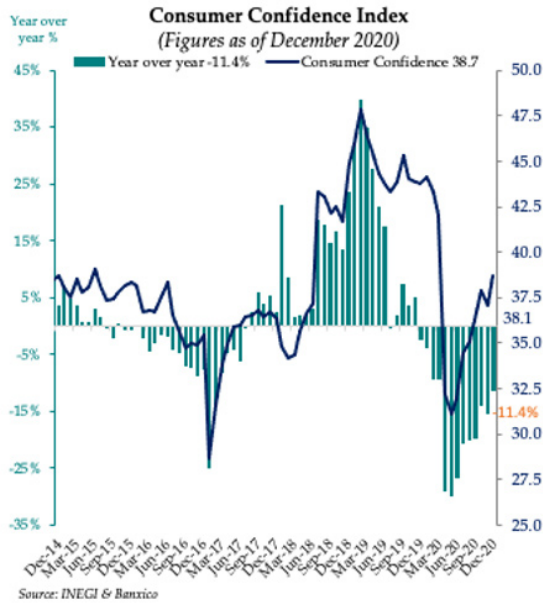
1. The core index had a 3.80% annual increase, mainly due to the 6.80% annual increase in the price of food, beverages, and tobacco.
2. The non-core index had a 1.18% annual increase because the price of energy products had a (-)2.53% annual deflation. Although agricultural products increased 3.96% at a yearly rate in its monthly comparison, they had a (-)1.30% deflation.

Although inflation is very close to Banxico's specific objective (3.0%), the fact that core inflation is so high (3.80%) reduces the central bank's degrees of freedom to reduce the reference interest rate again.



**Consumer's Confidence**

The Consumer Confidence Indicator (ICC) had a 3.25% monthly growth in December; Noteworthy, its five components had monthly gains. In its annual comparison, the ICC decreased by (-)14.75% due to the effects of the COVID-19 pandemic on consumer's employment. The good news about vaccines is likely to cause an optimistic impact on consumers in the medium term.





MONTHLY ECONOMIC REPORT

January 8, 2021.

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Definitions

**Banco de México (Banxico):** Is the central bank of Mexico. Its main function is to provide domestic currency to the Mexican economy and its main priority is to ensure the stability of the domestic currency's purchasing power.

**COVID-19:** The disease caused by the coronavirus, a family of viruses that were discovered in the 60s but whose origin is still unknown. Its different types cause different diseases, from a cold to a severe respiratory syndrome.

**Mexbol:** The S&P/BMV IPyC seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. It is not possible to invest in an index.

**Spot Exchange Rate:** Is the current price level in the market to directly exchange one currency for another, for delivery on the earliest possible value date.

**External Accounts:** Summarize all interactions of the domestic economy with the rest of the world and can provide insights on the economic strength of a country and the risks that it faces.

**Remittances:** Funds an expatriate sends to his/her country of origin via wire, mail, or online transfer. These peer-to-peer transfers of funds across borders are economically significant for many of the countries that receive them.

**Inflation:** Is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time.

**Consumer Confidence Index:** Is defined as the degree of optimism about the state of the economy that consumers are expressing through their activities of saving and spending.

**International Trade** is usually referred to the exchange of goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP).

**The National Institute of Statistics and Geography (INEGI):** Is a public body with technical and managerial autonomy, its own legal personality and assets, responsible for regulating and coordinating the National System of Statistical and Geographic Information.

**Investment grade:** Descriptive term for ratings awarded by bond rating agencies to high quality corporate and government securities. Rating Agency's: **Spot**

**Year to Date (YTD):** Refers to the period of time beginning the first day of the current calendar year or fiscal year up to the current date.

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Past performance is not a guarantee of future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please call (414) 765-4255 for fund performance.

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