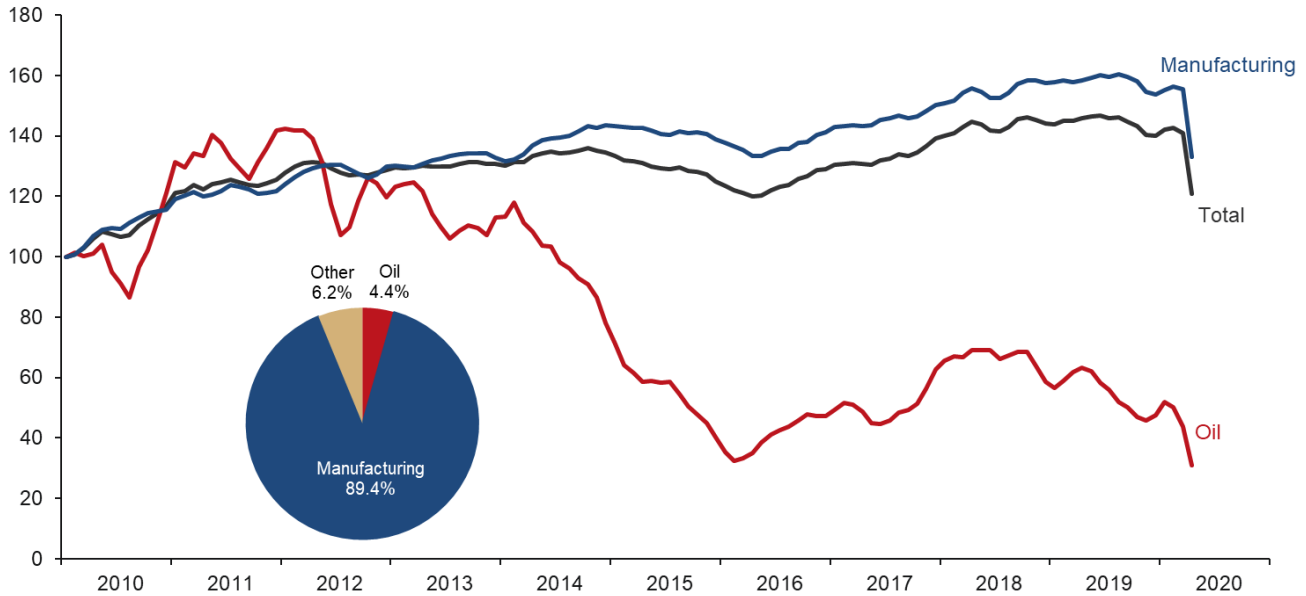


Exports Contract Further

The three-month moving average of total exports plunged 14.3 percent in April, as oil exports fell 29.0 percent, and manufacturing exports contracted 14.4 percent (*Chart 2*). On a month-over-month basis, total exports fell 37.2 percent in April, and manufacturing exports declined 39.2 percent. Through April, exports fell 12.6 percent, compared with the same period in 2019, as manufacturing exports declined 11.9 percent and oil exports slipped 38.9 percent.

Chart 2
Exports Drop Sharply in April

Index, January 2010 = 100*



*Seasonally adjusted, three-month moving average; real dollars.

NOTES: All data are through April 2020. Pie chart reflects the share of total exports year to date in 2020.

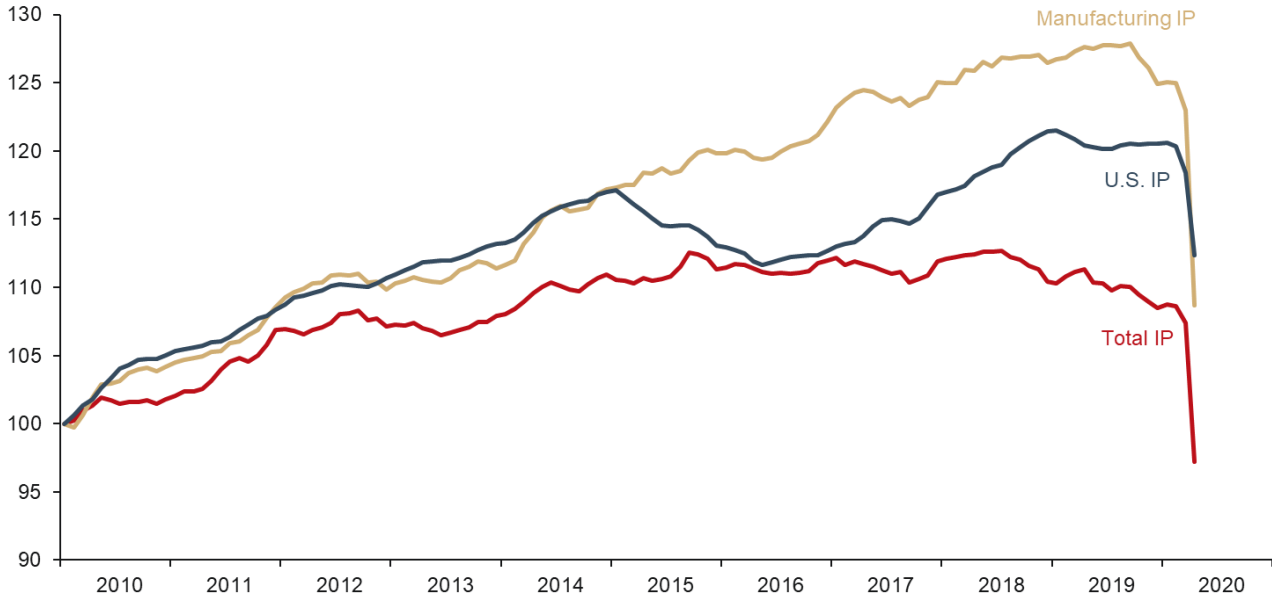
SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Industrial Production Continues to Slide

Mexico's industrial production (IP) three-month moving average (February–April) index—which includes manufacturing, construction, oil and gas extraction, and utilities—dipped 9.4 percent, and manufacturing was down 11.6 percent (*Chart 3*). On a month-over-month basis, IP fell 25.1 percent in April, while the manufacturing index contracted 30.5 percent. North of the border, U.S. IP decreased 11.2 percent in April after falling 4.6 percent in March. The correlation between IP in Mexico and the U.S. increased considerably with the rise of intra-industry trade after the implementation of the 1994 North American Free Trade Agreement.

Chart 3
Industrial Production Plummet

Index, January 2010 = 100*



*Seasonally adjusted, three-month moving average.

NOTE: Data for Mexico's manufacturing and total industrial production (IP) are through April 2020. Data for U.S. IP are through April 2020.

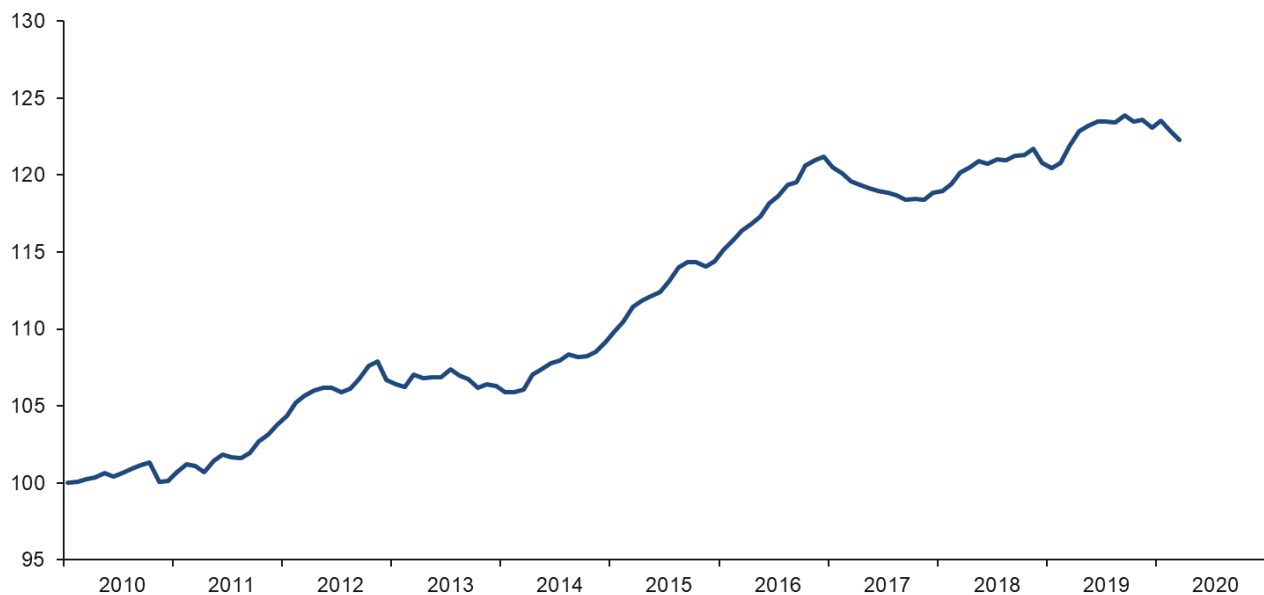
SOURCES: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography); Federal Reserve Board.

Retail Sales Worsen

The real retail sales three-month moving average (January–March) index decreased 0.5 percent (*Chart 4*). On a month-over-month basis, retail sales fell 0.8 percent in March. Since December 2019, the retail sales index has dipped 1.6 percent.

Chart 4
Retail Sales Dip in March

Index, January 2010 = 100*



*Seasonally adjusted, three-month moving average; real pesos.

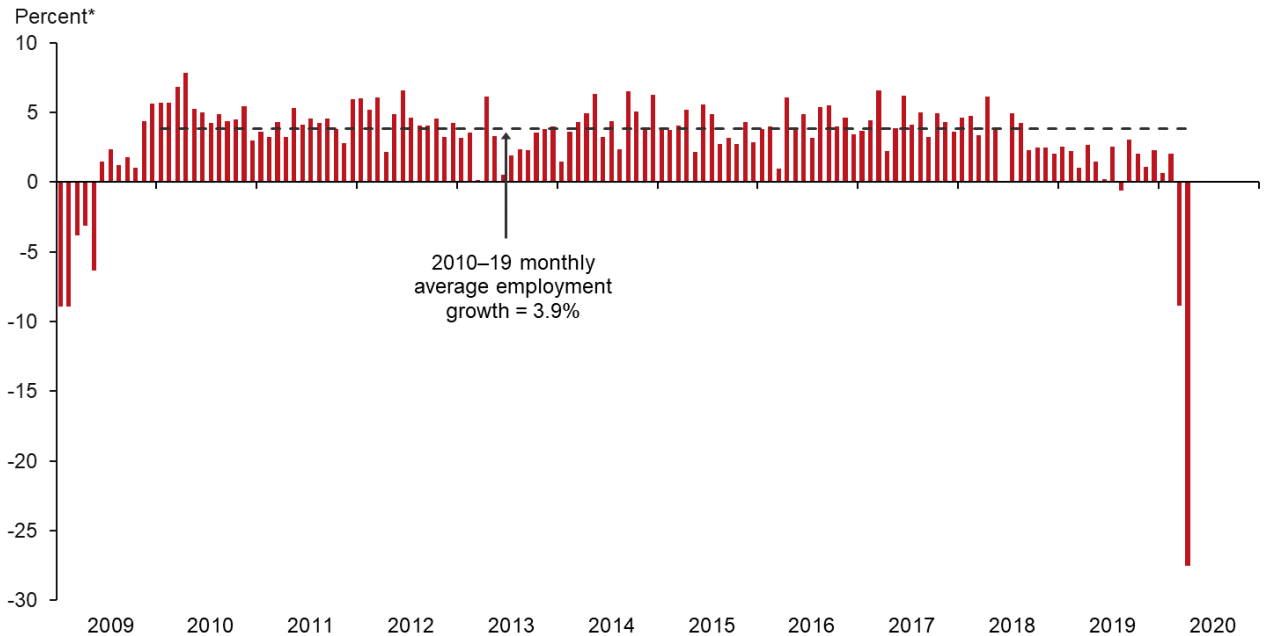
NOTE: Data are through March 2020.

SOURCE: Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Employment Plummet

Formal sector employment—jobs with government benefits and pensions—fell an annualized 27.5 percent in April, its sharpest decline since the series began in 1994 (*Chart 5*). Year-over-year employment contracted 2.2 percent in April, the first annual contraction since the end of the Great Recession. Meanwhile, total employment, representing 55 million workers and including informal sector jobs, grew 2.2 percent year over year in first quarter 2020, above its 10-year average of 1.9 percent. The unemployment rate in March was 3.3 percent, down from 3.6 percent a year earlier.

Chart 5
April Sees Record Employment Declines



*Month/month, seasonally adjusted, annualized rate.

NOTE: Data are through April 2020.

SOURCE: Instituto Mexicano del Seguro Social (Mexican Social Security Institute).

Peso Strengthens Somewhat in May

The Mexican currency averaged 23.4 pesos per dollar in May, up 3.6 percent from April (*Chart 6*). The peso has depreciated 18.4 percent against the dollar since December 2019. The Mexican peso has been under pressure due to increased uncertainty regarding how COVID-19 will affect domestic and global growth.

Chart 6
Peso Gains Ground Against the Dollar in May

Peso/dollar average



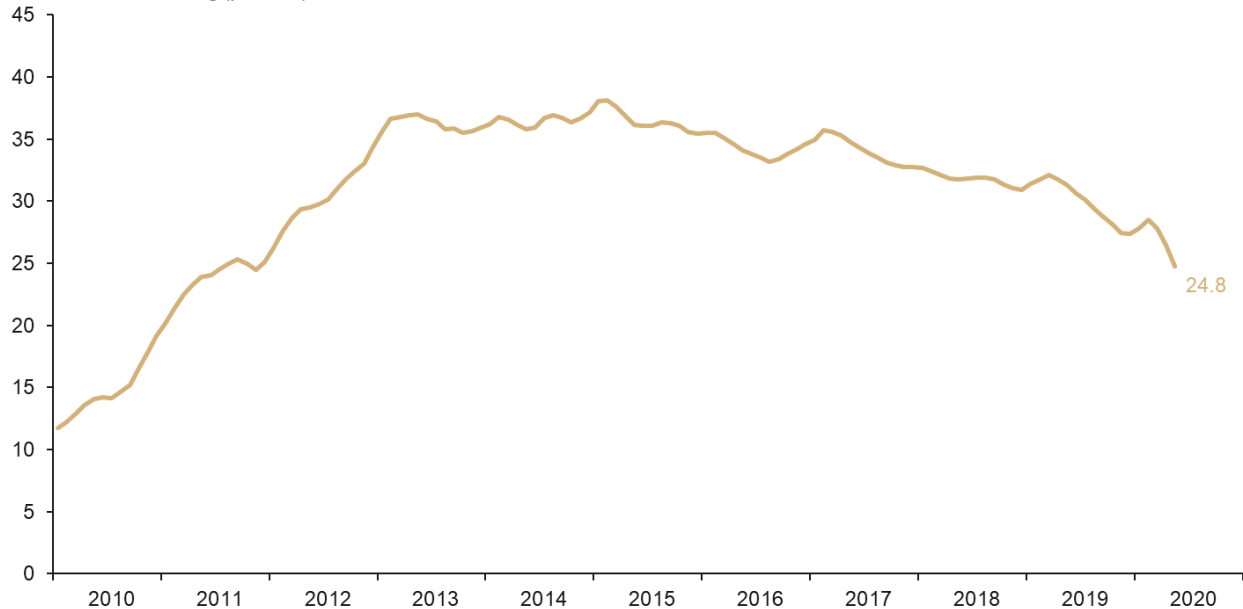
NOTE: Axis is inverted. Data are through May 2020.
 SOURCE: Banco de México.

Foreign-Owned Government Debt Share Decreases

The share of peso-denominated Mexican government debt held abroad fell to 23.7 percent in May. The three-month moving average fell to 24.8 percent (*Chart 7*). The extent of nonresident holdings of government debt is an indicator of Mexico's exposure to international investors and is also a sign of confidence in the Mexican economy.

Chart 7
Share of Foreign-Owned Government Debt Slips Further

Total debt outstanding (percent)*

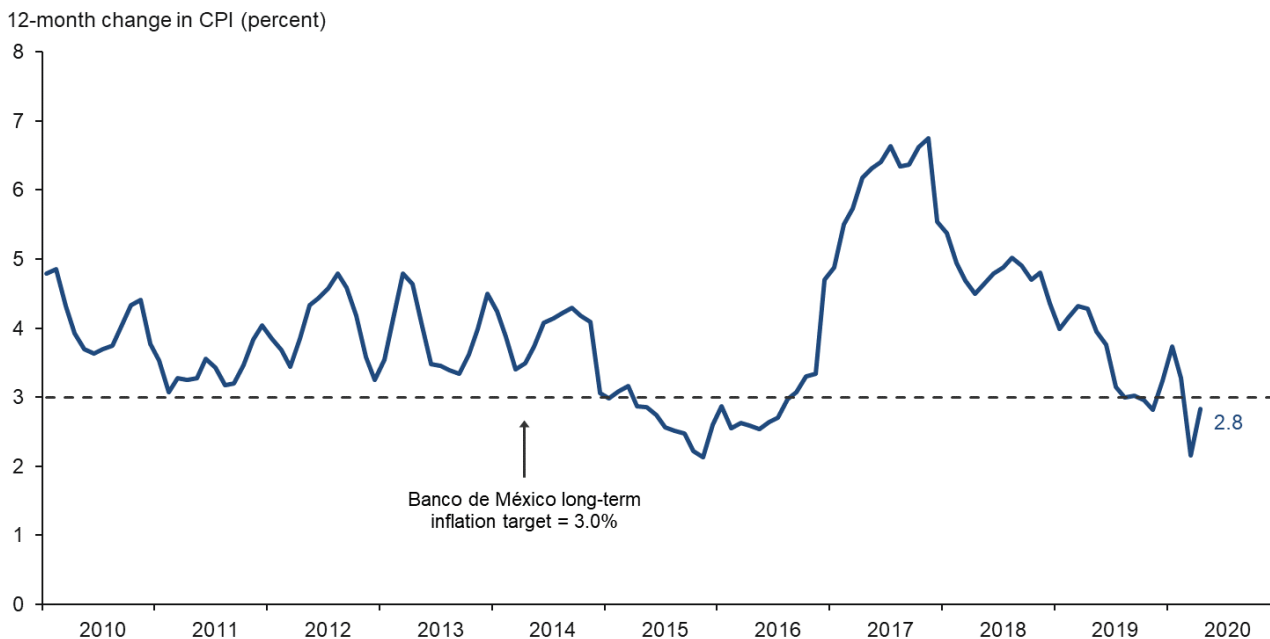


*Three-month moving average.
 NOTE: Data are through May 2020.
 SOURCE: Banco de México.

Inflation Rises

Mexico's consumer price index (CPI) increased 2.8 percent in May over the prior 12 months, up from 2.2 percent in April (*Chart 8*). CPI core inflation (excluding food and energy) rose 3.6 percent over the previous 12 months in May. Banco de México reduced the benchmark interest rate by 50 basis points to a three-year low of 5.5 percent on May 14. Officials had already surprised markets with a one-half-percentage-point cut on April 21. In making its rate cut, Mexico's central bank cited the financial market volatility, stemming from uncertainty regarding the impact of COVID-19 on world economic activity.

Chart 8
Inflation Ticks Up in May



NOTES: Data are through May 2020. CPI refers to the Consumer Price Index.

SOURCES: Banco de México; Instituto Nacional de Estadística y Geografía (National Institute of Statistics and Geography).

Notes

1. Encuesta sobre las Expectativas de los Especialistas en Economía del Sector Privado: Mayo de 2020, (communiqué on economic expectations, Banco de México, May 2020). The survey period was May 16–28.

About the Authors

Cañas is a senior business economist, and Smith is a research analyst in the Research Department at the Federal Reserve Bank of Dallas.