

National Economic Profile

Mexico

Overview

With an estimated population of 125.9 million in 2019, Mexico constitutes one of the largest economies in Latin America and the third-largest economy in North America. The country's capital, Mexico City, has the highest population of any city in North America. Thus, it contributes significantly to the country's economic output.

Over the five years to 2019, GDP for the NAFTA-member country is estimated to increase an annualized 2.5% to MXN\$19.0 trillion. The country's largest sectors, measured by their contribution to overall GDP, include manufacturing, primary production, retail trade, wholesale trade and construction.

Mexico at a Glance 2019

Gross Domestic Product

MXN\$19.0tn

2.5% growth 14-19

Establishments

4.0bn

Unemployment Rate

3.5%

6.2% decline 14-19

Government Spending

MXN\$2.2tn

1.1% growth 14-19

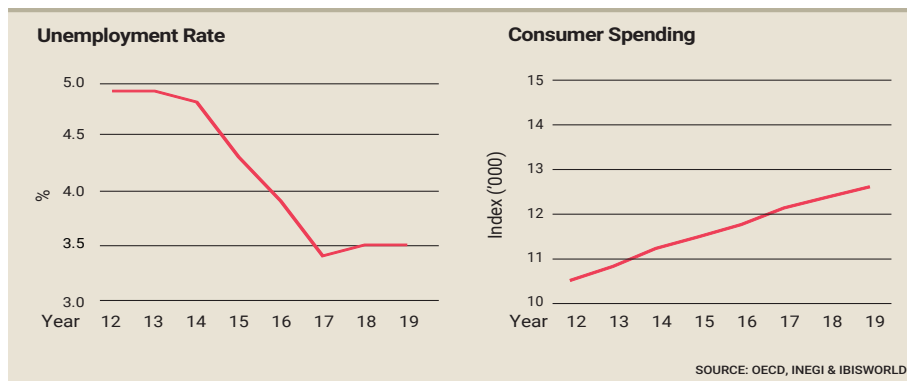


Recent Developments

Over the five years to 2019, Mexico's economic performance has been primarily positive. Growing consumer spending and low unemployment have driven private consumption growth, benefiting the retail and wholesale trade sectors, in particular. Despite recent uncertainty surrounding trade renegotiations and the 2018 Mexican general election, private investment is expected to grow an annualized 3.6% over the five years to 2019, benefiting the manufacturing, service and construction sectors. Rising US demand has driven overall export growth, also supporting Mexico's manufacturing sector.

Manufacturing in Mexico is estimated to account for 15.8% of total GDP, the largest of any sector. Over the five years to 2019, IBISWorld expects exports to increase an annualized 6.9% to MXN\$7.4 trillion. In January 2019, manufacturing accounted for 88.0% of total exports, illustrating the sector's reliance on foreign demand. Strong growth in the domestic manufacturing and energy sectors has offset poor economic performance by the extractive and mining industries, which put substantial downward pressure on total industrial production. GDP for Mexico's manufacturing and energy sectors grew 1.6% and 1.7% in 2018, respectively. Conversely, GDP for the mining sector declined 7.2% in 2018.

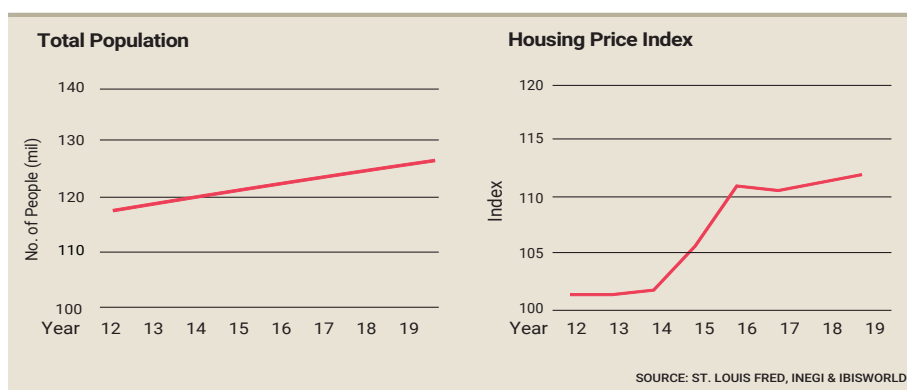
Over the past five years, the Mexican government began to implement structural reforms passed by the Mexican Congress between 2012 and 2014. Known collectively as the Structural Reform Agenda, the reforms are divided into five categories: democratic governance; transparency, accountability and the fight against corruption; rights and liberties; security and justice; economic growth, employment and competitiveness. Implementation of this reform agenda has progressed over the past five years, already resulting in observed positive outcomes for the energy and telecommunications sectors, the labor market and the education system. However, progress in implementing the National Anti-Corruption System (NACS) has been slow with continued challenges including the need to reduce poverty, strengthen the country's institutions and increase productivity.



Outlook

Over the five years to 2024, unemployment is expected to decrease while real wages are expected to rise, driving consumer spending to increase an annualized 2.1%. Continued macroeconomic stability and private household consumption are expected to drive the economy upward, increasing more rapidly by the end of the period as uncertainty regarding the new administration's fiscal plans subsides and the economy responds to the benefits of the structural reforms.

Over the next five years, Mexico's GDP is forecast to increase an annualized 2.5% to MXN\$21.5 trillion. Furthermore, inflation is expected to meet Bank of Mexico's 3.0% target range and ease gradually over the



following years. However, due to unfavorable global conditions, export growth is projected to slow over the five years to 2024, increasing an annualized 3.3% to MXN\$8.8 trillion. Private investment is also projected to ease due to political uncertainty.

Economic Environment

Economic Data 2019

	MX Total	MX Annualized Growth 14-19 (%)	MX Projected Annualized Growth 19-24 (%)
Gross Product	\$19.0tn	2.5	2.5
Establishments	4.0bn	-	-
Unemployment Rate	3.5%	-6.2	-0.2
Consumer Price Index	138.1	4.0	3.0
Consumer Spending	\$12,613.3	2.5	2.5
Investment	\$4,377.3	3.6	2.6
Government Spending	\$2.2tn	1.1	3.9

SOURCE: NATIONAL INSTITUTE OF STATISTICS; IBISWORLD

Over the five years to 2019, Mexico's total population is expected to grow an annualized 1.0% to 125.9 million people. Mexico's national unemployment rate decreased from 4.8% in 2014 to 3.5% in 2019 and is projected to continue its downward trend over the next five years.

As of January 1, 2019, the minimum wage is MXN\$102.68, up from MXN\$88.36 in 2018, the largest increase since 1996. This exhibits a positive outlook as they will likely lead to an increase in the median household income and decrease the income inequality gap.

The decreasing unemployment rate and rising minimum wage have increased overall consumer spending and output over the five years to 2019.

However, uncertainty regarding the new administration's priorities has hampered consumer confidence. Mexico's Industrial Production Index (IPI) is expected to increase an annualized 0.9% during the five-year period, due to recent rebounds in the construction sector. The IPI will likely benefit from a rise in public investment by the new administration.

Mexico Employment by Sector in 2018 (%)

Sector	% of Total Employed Population	2018 Growth (%)	Annualized Growth 13-18 (%)
Primary	12.7	-2.6	0.0
Extractive & Electric Industries	0.7	-2.6	-2.0
Manufacturing	16.8	3.9	2.8
Construction	8.1	0.3	3.7
Commerce	18.6	4.2	0.6
Restaurants & Accommodation Services	7.8	7.6	4.6
Transportation, Comm., Mail & Storage	5.2	4.6	2.8
Prof., Financial & Corporate Services	7.3	9.5	2.9
Social Services	8.0	-0.8	1.2
Other Services	10.1	0.1	0.8
Government & International Agencies	4.2	2.5	-0.9

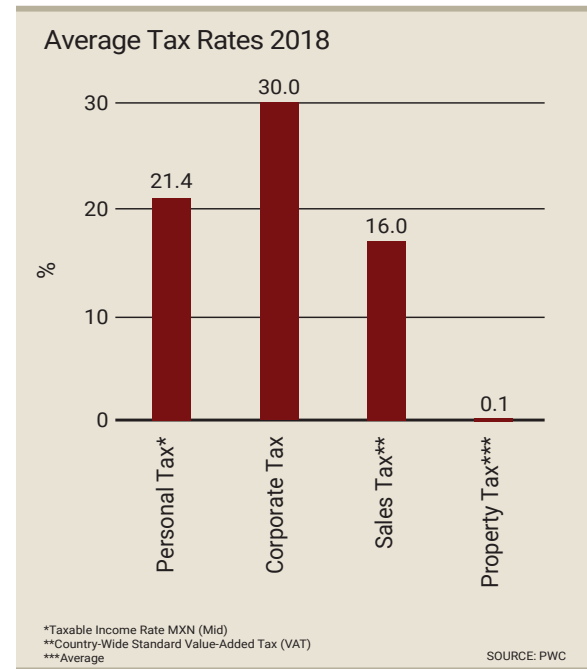
SOURCE: INEGI, NATIONAL SURVEY OF OCCUPATION & EMPLOYMENT

Tax Structure and Rates

The Tax Administration Service (SAT) is an agency of the Mexican federal government and is contained within the bureau of the Secretariat of Finance and Public Credit. It is responsible for collecting taxes, applying fiscal and customs law and generating and collecting information for the formation and evaluation of fiscal policy.

The federal corporate income tax (CIT) is currently 30.0% and applies to all corporate entities and Mexican resident taxpayers' incomes from worldwide sources. Like the United States, Mexico's personal income tax rate varies based on income. For Mexico's residents, the individual tax rate can vary between 1.92% and 35.0%, depending on income. For non-residents, taxable income over MXN\$125,900 is taxed at a rate of 15.0% to 30.0%.

Mexico's consumption tax, known as the value-added tax (VAT), is payable at the rate of 16.0% on sales of goods, services, lease payments and imported goods. This rate varies in the northern region of the state, in which a 50.0% tax credit lowers the payable rate to 8.0%. Property taxes levied by Mexico City and the states vary widely and apply to assessed values shown in property tax records.



Mexico Employment by Sector by Region in 2018 (%)

Sector	Northwest	Northeast	West	North-Central	East	South-Central	Southeast	Southwest
Agriculture, Forestry, Fishing & Hunting	29.9	3.7	12.5	1.6	11.9	20.4	18.7	1.4
Mining, Quarrying & Oil & Gas Extraction	18.6	11.4	4.5	9.0	14.6	7.6	27.6	6.7
Utilities	8.9	6.9	6.7	3.6	6.1	5.4	3.6	58.9
Construction	17.2	13.2	13.2	13.9	9.0	6.1	8.3	19.1
Manufacturing	21.2	17.8	10.5	14.3	7.0	4.3	3.1	21.8
Wholesale Trade	14.0	12.5	14.5	12.1	7.9	6.1	5.0	27.8
Retail Trade	11.7	8.9	13.8	11.3	10.9	9.6	5.4	28.5
Transportation & Warehousing	13.0	16.8	8.4	9.8	8.7	5.8	5.6	32.0
Information	12.1	10.6	8.8	8.0	5.8	4.1	5.4	45.2
Finance & Insurance	5.3	13.0	5.8	6.3	3.6	3.6	2.6	59.8
Real Estate & Rental & Leasing	14.2	11.8	13.0	11.6	7.8	5.5	7.5	28.6
Professional, Scientific & Technical Services	10.9	14.8	10.5	10.7	5.9	3.9	4.9	38.4
Admin. & Supp. & Waste Mgmt & Remediation Svcs	9.5	15.5	7.4	7.4	4.2	2.8	5.9	47.3
Educational Services	10.8	12.0	12.3	11.4	9.8	4.6	5.2	34.0
Health Care & Social Assistance	15.9	11.8	14.0	11.7	9.1	6.7	5.0	25.7
Arts, Entertainment & Recreation	14.0	9.8	13.2	10.4	9.1	7.1	5.5	30.9
Accommodation and Food Services	12.9	8.3	14.5	10.8	10.4	9.9	8.2	25.0
Other Services	14.3	10.4	13.6	10.9	10.4	7.4	5.7	27.3

SOURCE: INEGI

2018 Demographics

Population Growth

	Mexico	% of Total
Total Population	125,959,205	--
14 years and under	33,521,433	26.6
15 to 24 years	21,851,846	17.4
25 to 64 years	61,442,510	48.8
65 years and older	9,143,416	7.3

SOURCE: CIA WORLD FACTBOOK, MEXICO

Education Level

	Mexico		OECD Average	
	Women (%)	Men (%)	Women (%)	Men (%)
Less than high school graduate	52	52	17	14
Secondary or non-tertiary post-secondary education	25	26	46	37
Tertiary education	23	23	38	50

SOURCE: OECD - PANORAMA OF EDUCATION 2018

Ethnicity

	% of Total Population
Mestizo (Amerindian-Spanish)	62
Predominantly Amerindian	21
Amerindian	7
Other (Mostly European)	10

SOURCE: CIA WORLD FACTBOOK, MEXICO

Language

	% of Total Population
Spanish only	93
Spanish and indigenous language(s)*	6
Indigenous only*	1
Unspecified	1

*Common indigenous languages are Nahuatl, Maya, Mixtec, Zapotec & Tzeltal

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