

# Economics Dashboard: Tracking Mexico's Recovery

## 3Q20 Growth Could Exceed GEO Forecasts but Pace Is Slowing

Robust incoming data for Mexico in June and July point to some upside risks to Fitch Ratings' quarterly growth forecast of 6.5% for 3Q20 published in our September [Global Economic Outlook](#). Yet most recent hard data and survey indicators suggest that the rebound is levelling off. We forecast the Mexican economy to contract by 10.8% in 2020 and to expand by 4.4% next year.

Industrial production continued to slow in August, increasing 3.3% mom, after a marked slowdown initiated in July (+7.1%) and down from a double-digit surge in June (+18.1% mom). Assuming a flat reading in September, industrial production would be up 21.7% in 3Q20, suggesting a robust initial recovery, but the economic pick-up is losing traction and growth in 4Q20 may slow down sharply.

Construction was the main driver of the August increase (+11.2%), after feeble growth in July. Mining output remained muted while manufacturing output rose by only 0.8% mom and remains 8% lower than a year earlier. September survey indicators were stuck in contraction territory below the 50 benchmark, pointing to a weak investment climate.

Recovery in the services sector also faces challenges. Retail sales recorded only a moderate 5.5% rise in July, and services output was still down 9% from January. 'Lodging and food services' was the hardest-hit sector, with activity still 60% lower than in January, followed by the 'transportation and information' and 'art and recreation' sectors, both 20% lower from the start of the year. Private consumption growth has slowed since June, reflecting uncertainty regarding the coronavirus outbreak, slow reopening of the economy and risks to labour market recovery.

Unemployment has started to decrease steadily since its June peak, and 205,000 jobs were added to the labour market over August and September. Yet, large employers, such as the hospitality and tourism sectors still have their outputs far below their pre-crisis levels. Open table data suggest restaurants activity (number of seated diners) fell 42% yoy on average in September, a trend confirmed by very weak mobility data, and tourist arrivals in July were 65% lower than a year earlier.

The external sector is showing some strong signs of recovery, however, reflecting the strong link between the Mexican and US economies and a recent rebound in the US manufacturing sector. A pick-up in manufacturing and auto exports was behind the rise in exports, while an ongoing contraction in imports partly due to subdued domestic demand will lead to a record-high trade surplus.

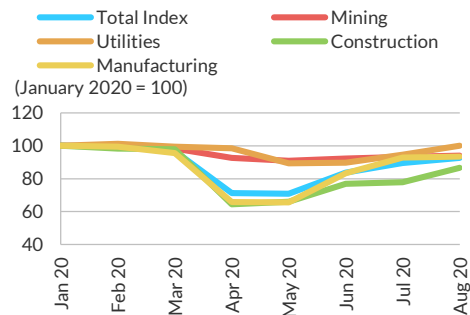


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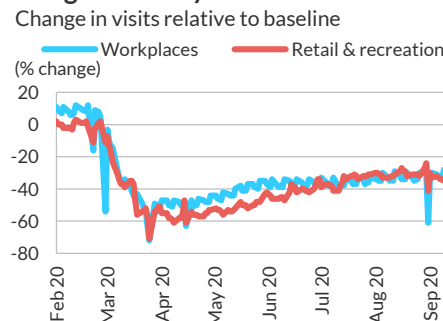
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### Industrial Production Index



Source: Fitch Ratings, Haver Analytics

### Google Mobility Data



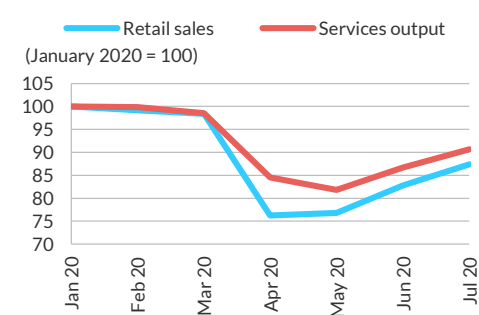
Source: Fitch Ratings, Haver Analytics

### Exports & Imports Volume



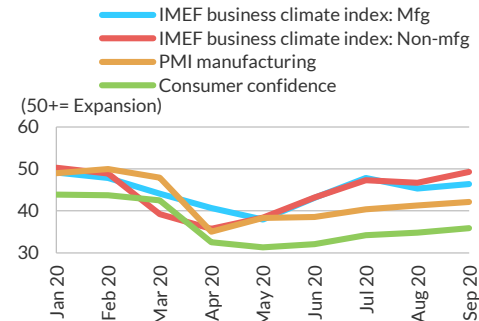
Source: Fitch Ratings, Haver Analytics

### Retail Sales & Services



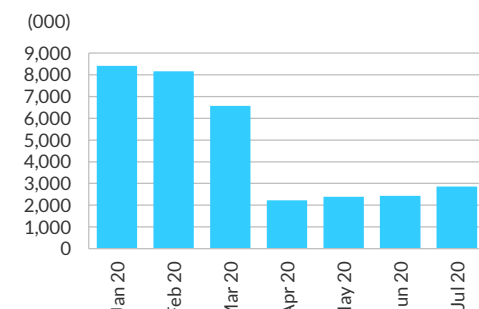
Source: Fitch Ratings, Haver Analytics

### Confidence Indicators



Source: Fitch Ratings, Haver Analytics

### International Travel Arrivals



Source: Fitch Ratings, Haver Analytics

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