
Mexican Textile and Apparel market

Industry outlook

I N D E X

Findings

I. The Mexican economy

II. Fibers – Fabrics – Apparel productive chain outlook

III. Outlook of the near future of the Mexican Textile Industry

IV. Conclusions



Findings

Findings

- Mexico's total GDP grew 0.25% in 2019. Flat behaviour.
 - Textile GDP **decreased** 4%
 - Clothes (Apparel) GDP **decreased** 4.7%
 - The knitting sector grew 2%
- United States of America GDP grew 2.9% in 2019.
 - 2020 first quarter **fell** 5%
 - By the end of the year could be a **fall** of 5.9% of more.
- 2019 mexican inflation rate was 2.83%
 - During the first five months of 2020 inflation rate continue being less and less, 2.15% in april
- Before the beginning of covid times, march 6th, the Exchange Rate begins to depreciate with respect to the United States Dollar, starting on \$18 mexican pesos per U.S. Dollar, reaching a maximum of \$ 25.12 on March 24th.
 - Starting in May, the exchange rate began to recover. Around \$ 22 during the first fortnight of June.
- Despite the fact that the unemployment rate increased from 4.4% to 14.7% between March and April in the U.S.A. This country continues to be the main origin of money orders (remittances) to Mexico. The flow of this resource had a decrease of only 2.6% during the month of April compared to the same month of the previous year, with an amount of 2,861 million US dollars.
 - Remittances increased 50% in March 2020 compared to the previous month, they were \$ 4,694 million dollars. Between March and April, the number of money orders sent to Mexico increased from 8 to 10 million. On average, each money order was for an amount of USD \$ 906
 - In April, they resumed the trend they have had in recent years, increasing 6.2% compared to February 2020. 8 million money orders were made during the month. On average, each money order was USD \$ 943.

Findings

- As of April 30, 2020, 19,927,696 (nineteen million nine hundred twenty-seven thousand six hundred and ninety-six) jobs were registered with the Mexican Social Security Institute (IMSS); Of these, 86.4% (eighty-six point four percent) are permanent and 13.6% (thirteen point six percent) are temporary.
 - As a consequence of the effects derived from the health emergency, in April there was a monthly **decrease** of 555,247 (five hundred and fifty-five thousand two hundred and forty-seven) positions.
 - The amount of jobs that were created during the previous two years.
 - The average wage of insured workers to the IMSS reached an amount of \$ 403.6 (four hundred three point six pesos). More or less, USD \$20 per day.
- The closure of Full Package suppliers in China and other Southeast Asian countries during the first quarter of 2020 led to additional orders for garments and footwear from Mexican factories.
 - As of March, the mandatory quarantine in Europe and the United States caused the delay / cancellation of orders
 - Total value of Imports of clothing from the World to the United States decreased 19% comparing January-April 2020 with the same period of the previous year, Mexico **lost** 25%
 - China had the **biggest drop**,
- Sales strategies that may be proposed in the near future by some big mexican stores, as well as some the United States brands, could be
 - Delaying mark downs until the end of the season (Spring until August, Winter until March)
 - Request their clothing suppliers, in different countries of the World, to acquire and use digital platforms for communications and collaborative design and production networks with their contractors
 - Transform purchase orders, placed before the pandemic, into Fall-Winter collections

Findings

- The lock down (in spanish **#Quedate en casa – Stay in home**), starting on march 19th, caused a collapse in sales of the Commercial Chains of Mexico, **down** 22.9% in April.
 - It is expected to be higher in May.
- Most textile and apparel factories in Mexico has been closed during the last three months. The fall of this industry GDP could be around 20% for the second quarter of 2020.
 - It is expected that factories start production by the end of june.
- With the “return to new normal”, the drop in GDP for the next three quarters would be less and less until it began to grow from the second quarter of 2021 on.

I. The Mexican Economy

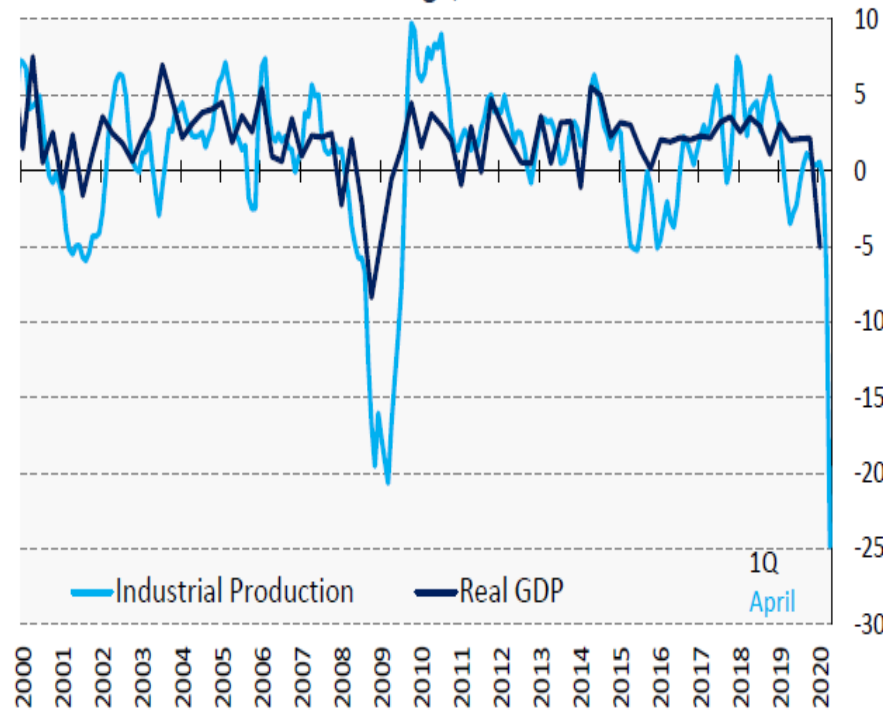
**Selected slides of the presentation of
the Deputy Governor of
Banco de México
to the
The United States-Mexico Chamber of
Commerce, Northeast & California
Chapters
videoconference
on june 5th, 2020**

- The situation of the world economy continues to be determined fundamentally by the COVID-19 pandemic and the policies implemented as a response.
- Global economic activity fell in the first quarter of this year and is expected to show an even sharper decline during the period April-June.
- The IMF estimates a contraction of world economic activity of 3 percent during 2020, followed by a moderate recovery in 2021.
- However, projections continue to be adjusted downwards and many risks prevail.

In the United States, a relatively rapid recovery of GDP and industrial output is anticipated, although with a balance of risks tilted to the downside.

United States

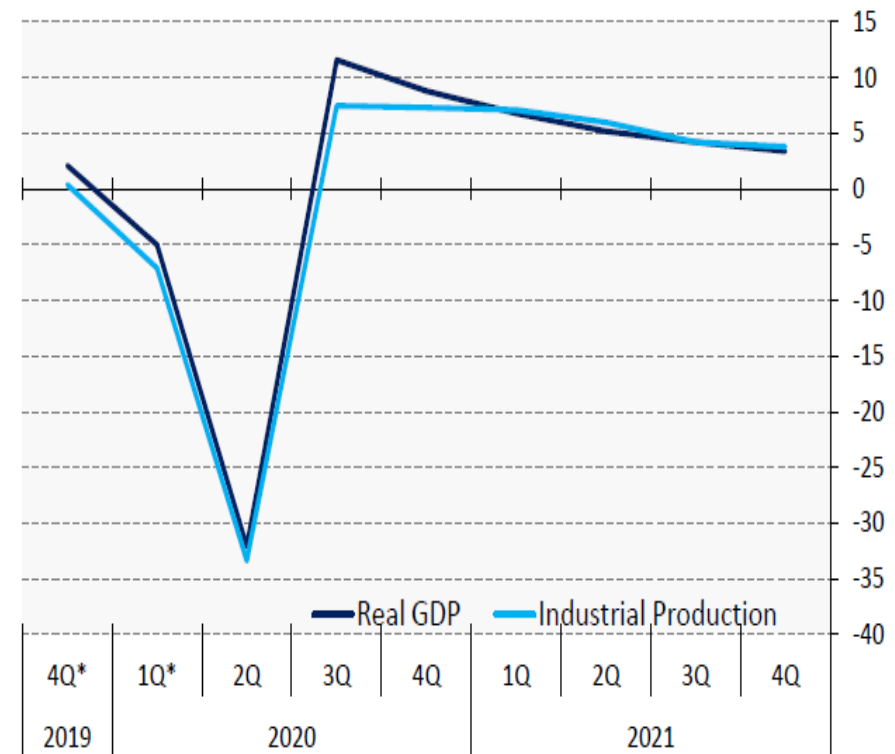
Real Gross Domestic Product and Industrial Production
Quarterly annualized % change, 3-month/3-month annualized %
change, s.a.



s.a. / Seasonally adjusted series.

Source: U.S. Bureau of Economic Analysis and Federal Reserve.

Blue Chip Consensus Forecasts
Quarterly annualized % change

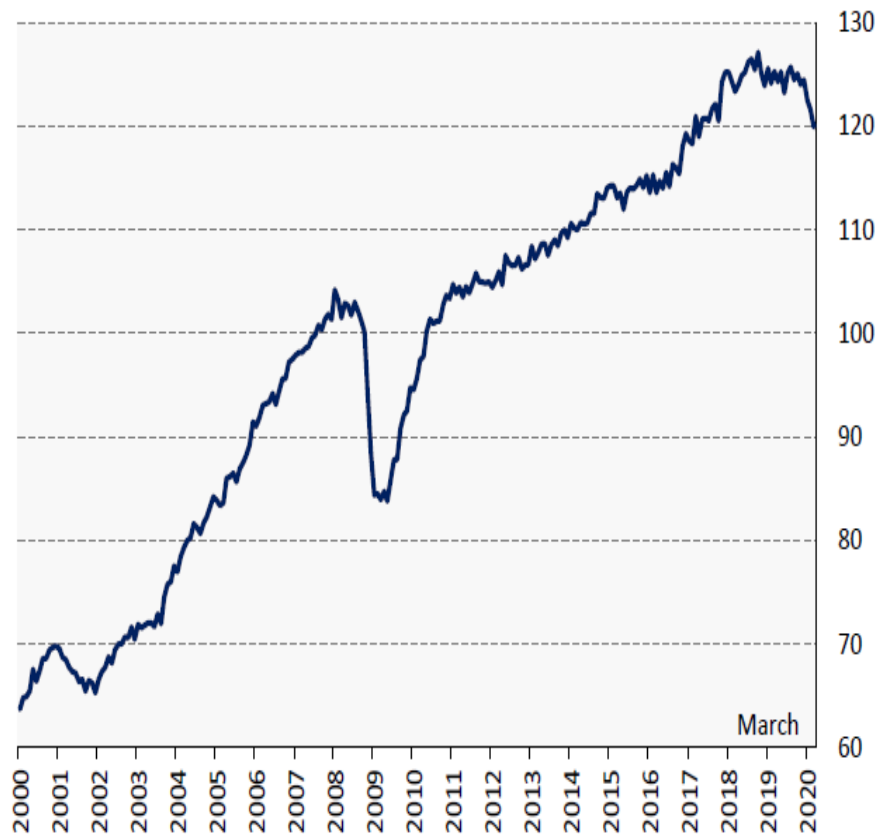


*/Actual.

Source: Blue Chip Economic Indicators, May 10, 2020.

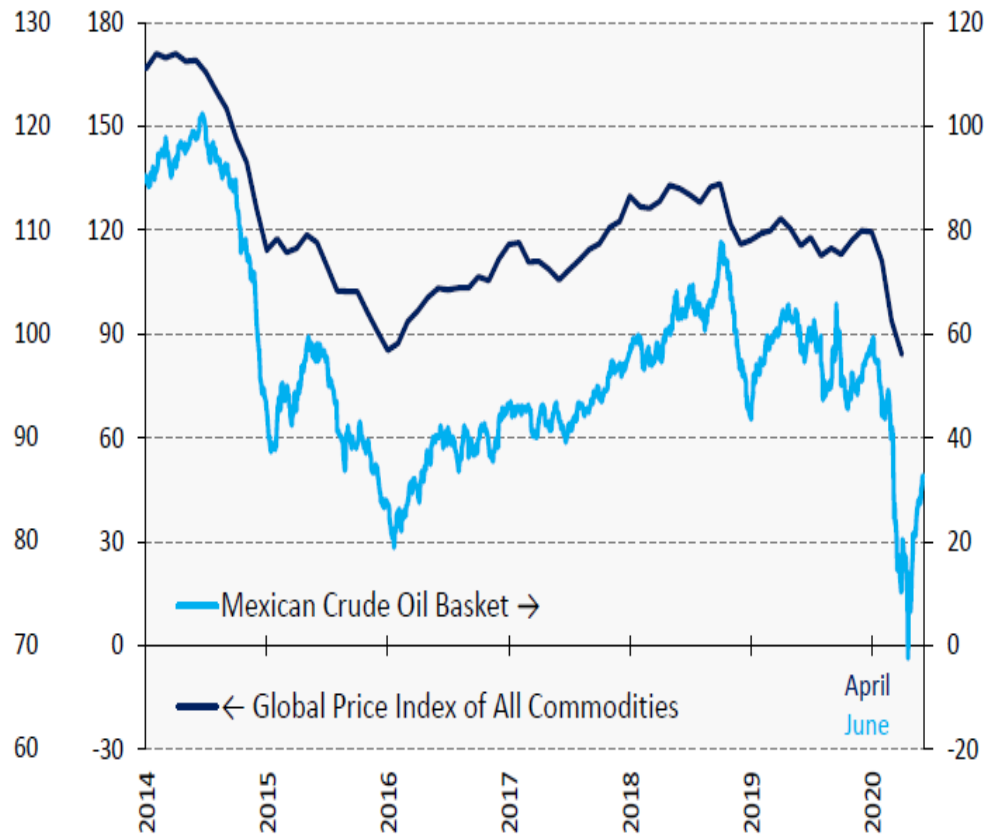
The crisis has given rise to a contraction of world trade, a decline in commodity prices...

World Trade Volume
Index 2010=100, s.a.



s.a. / Seasonally adjusted series.
Source: CPB Netherlands.

Crude Oil Price and Global Commodity Price Index
Dollars per barrel and index



Source: Bloomberg and IMF.

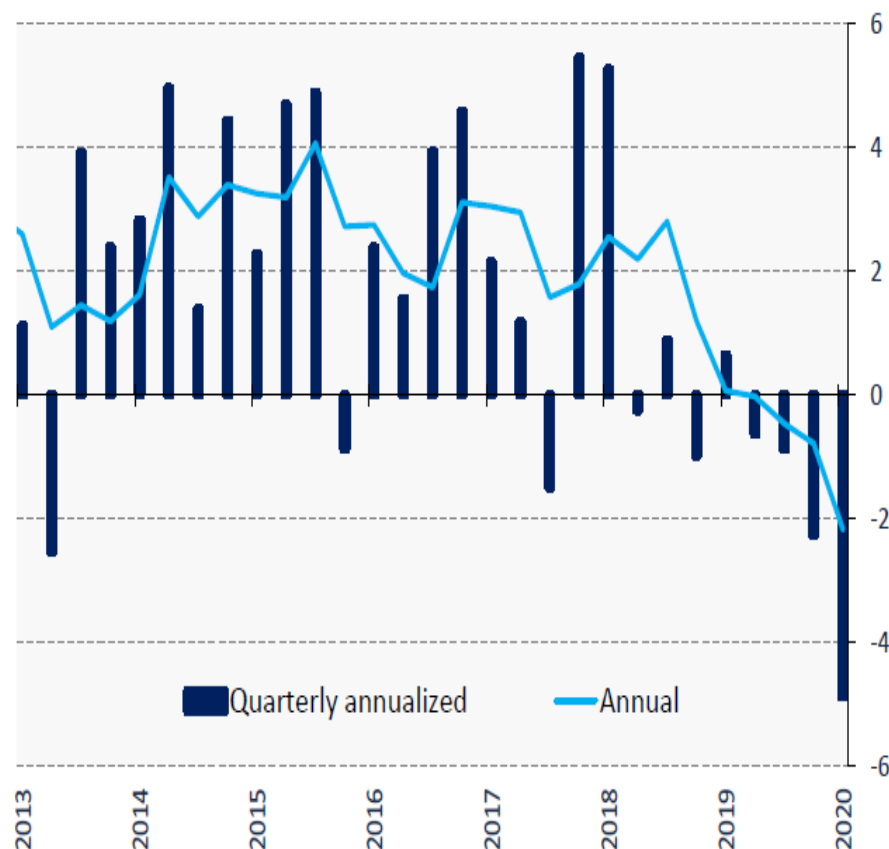
- In addition to public health actions, aggressive fiscal and monetary policy measures have been implemented in many countries in response to the pandemic.
- These policies have allowed some improvement in sentiment in financial markets and a gradual restart of economic activity in some countries.
- However, risks prevail:
 - Persistent uncertainty among firms and individuals.
 - A new outbreak of contagion.
 - Tensions between USA and China.
 - USA presidential election.
 - Political or geopolitical conflicts in other regions.
 - The emergence or increase of financial vulnerabilities.

- As in other countries, the pandemic affects Mexico's economy through several shocks:
 - Demand
 - Supply
 - Financial
- Challenges for the Mexican economy are accentuated given:
 - The openness of the economy to trade and capital flows, and
 - The importance of remittances and tourism.

Recent economic indicators reflect the effects of the pandemic on Mexico's economy. The contraction of economic activity is expected to accentuate during the second quarter.

Mexico: Gross Domestic Product

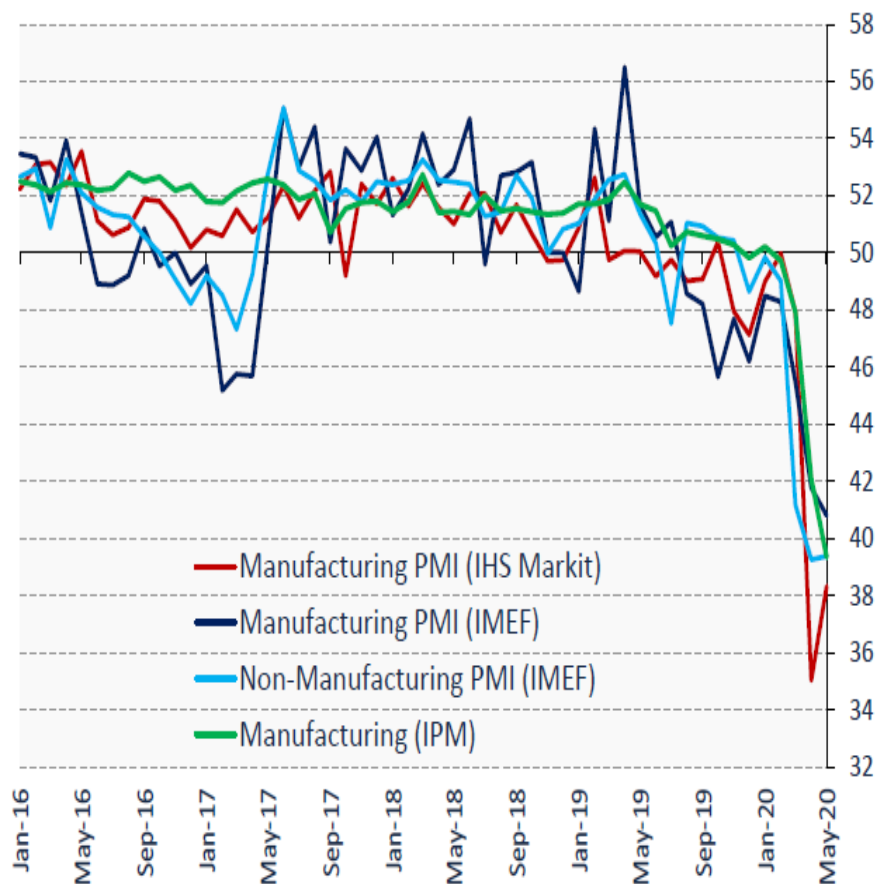
Quarterly annualized % change and annual % change, s.a.



s.a./ Seasonally adjusted series.
Source: INEGI.

Purchasing Managers' Index

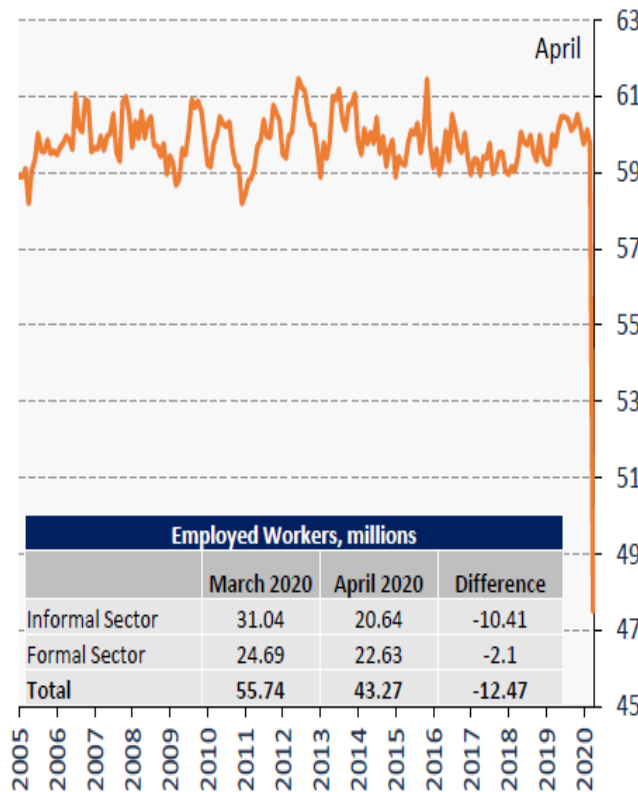
Index, s.a.



s.a./ Seasonally adjusted series.
Source: Banco de México, INEGI, IMEF, and IHS Markit.

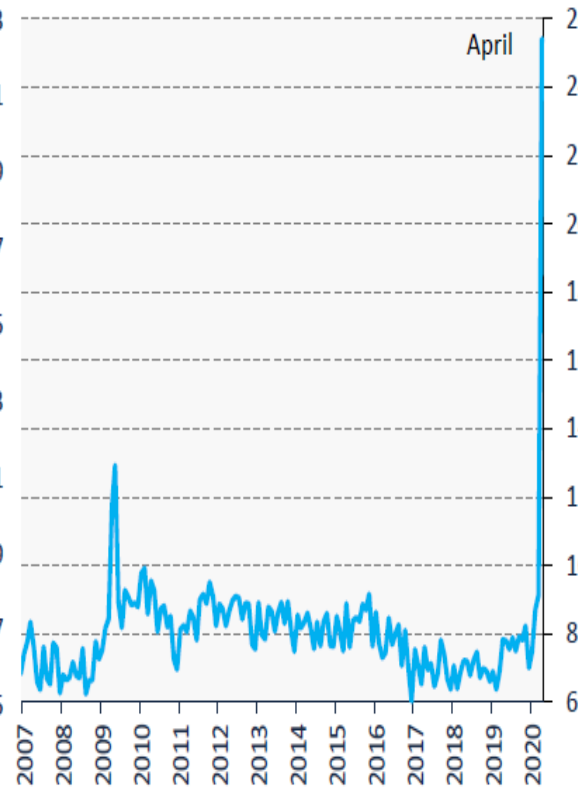
A weakening economy has affected employment severely, with underemployment increasing sharply and the impact of the decline in formal employment falling mainly on low-wage earners.

Participation Rate
% of working age population



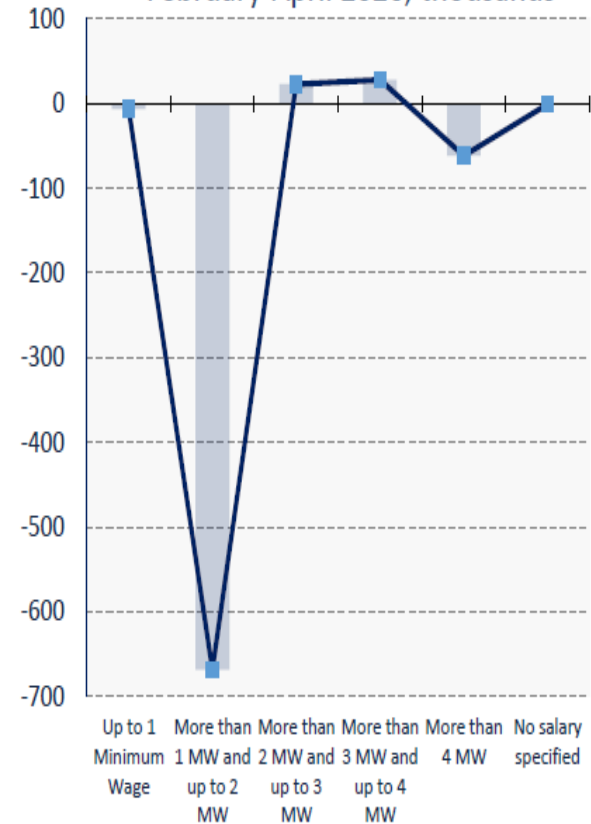
Note: Data for April 2020 comes from the Encuesta Telefónica de Ocupación y Empleo (ETOE), for prior months data corresponds to ENOE. Source: INEGI.

Underemployment Rate
% of working age population



Note: Data for April 2020 comes from the Encuesta Telefónica de Ocupación y Empleo (ETOE), for prior months data corresponds to ENOE. Source: INEGI.

Formal Sector Workers Change by
Salary Range
February-April 2020, thousands



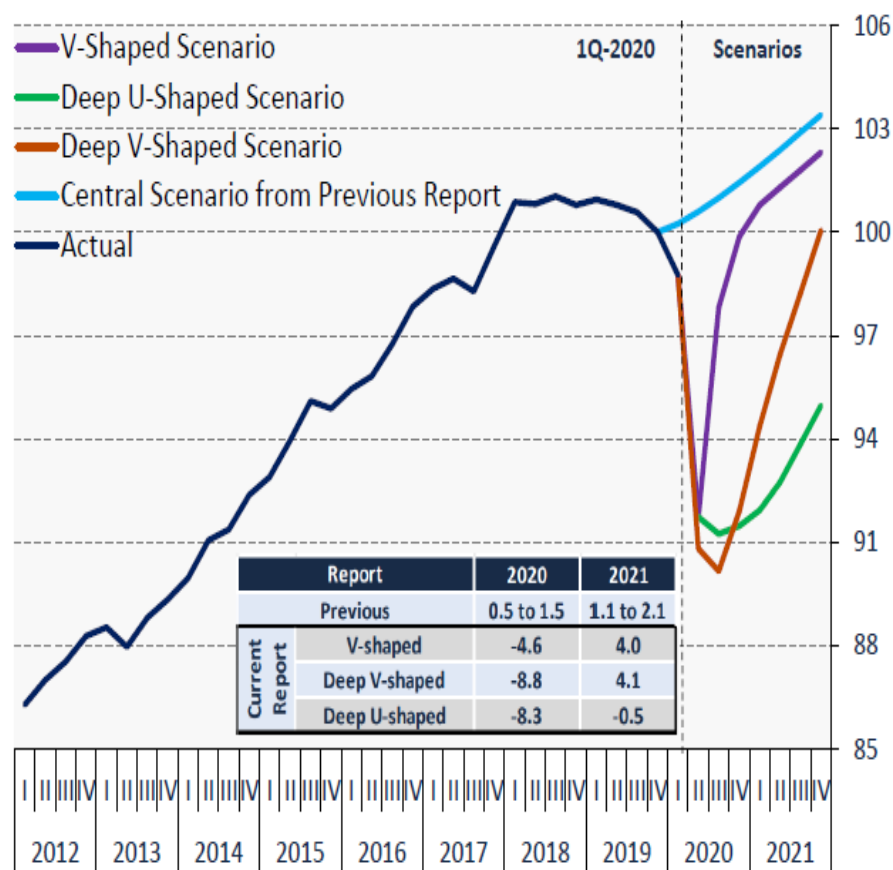
Source: Banco de México with data from IMSS.

- With the anticipated restart of activities in coming weeks, the economy should begin to recover. However, the strength and durability of the upturn is unclear:
 - Gradual opening of sectors.
 - Potential for new episodes of contagion.
 - Cautious attitudes by consumers and investors.
 - Unbalanced policy response.
 - Deterioration of climate for private investment.

Consequently, considerable uncertainty persists about the evolution of GDP in 2020 and 2021.

GDP Growth Projections by Banco de México

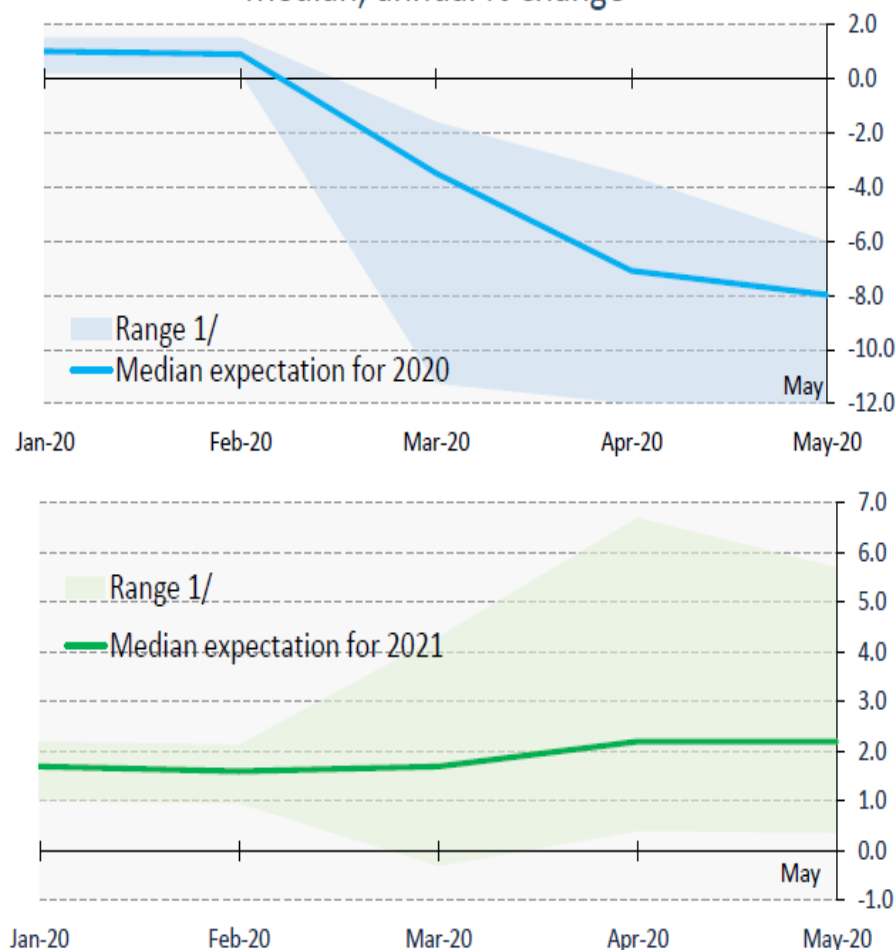
Index 4Q-2019=100, s.a.



s.a./ Seasonally adjusted series.
Source: INEGI and Banco de México.

GDP Growth Expectations by Economic Specialists

Median, annual % change



1/ Refers to the minimum and maximum among all analysts' expectations for each survey.
Source: Banco de México.

II. Fibers – Fabrics – Apparel productive chain Outlook

Fiber – Fabrics – Apparel GDP
fell

8.2%

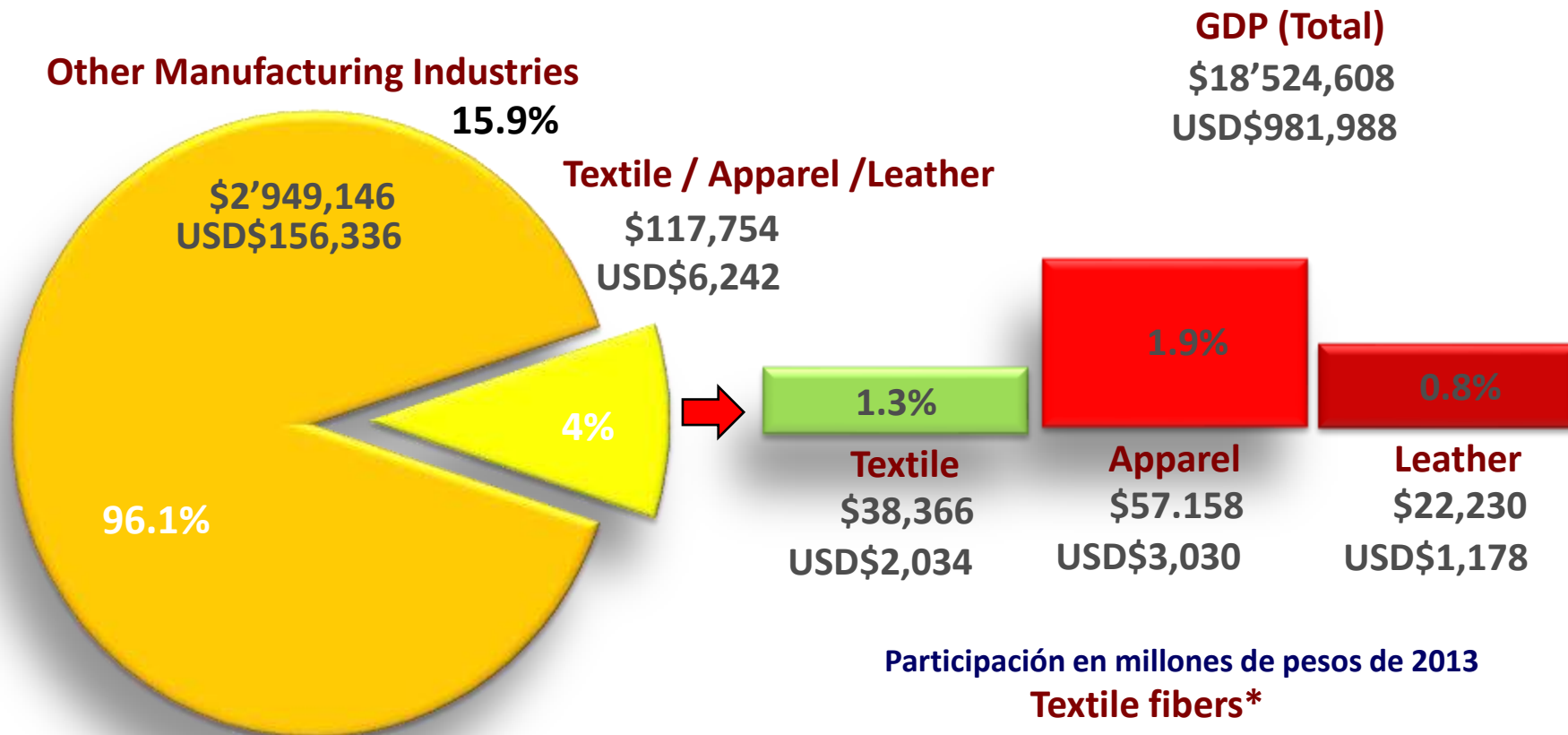
during

2020 First Quarter

**and lost market share against the
total production manufacturing
Industry of Mexico. :
from 4.0% to 3.8%.**

GDP from manufacturing /* 2019, Full Year

Fiber – Fabrics – Apparel Productive Chain



Participación en millones de pesos de 2013

Textile fibers*

\$4,559

\$4,559

USD\$246

* / Original figures expressed in billions of 2013 mexican pesos.

** / Millions of U.S. Dollars, considering average 2019 exchange rate

*** / Includes: manufacture of clothing and footwear accessories, bags, suitcases, etc.)

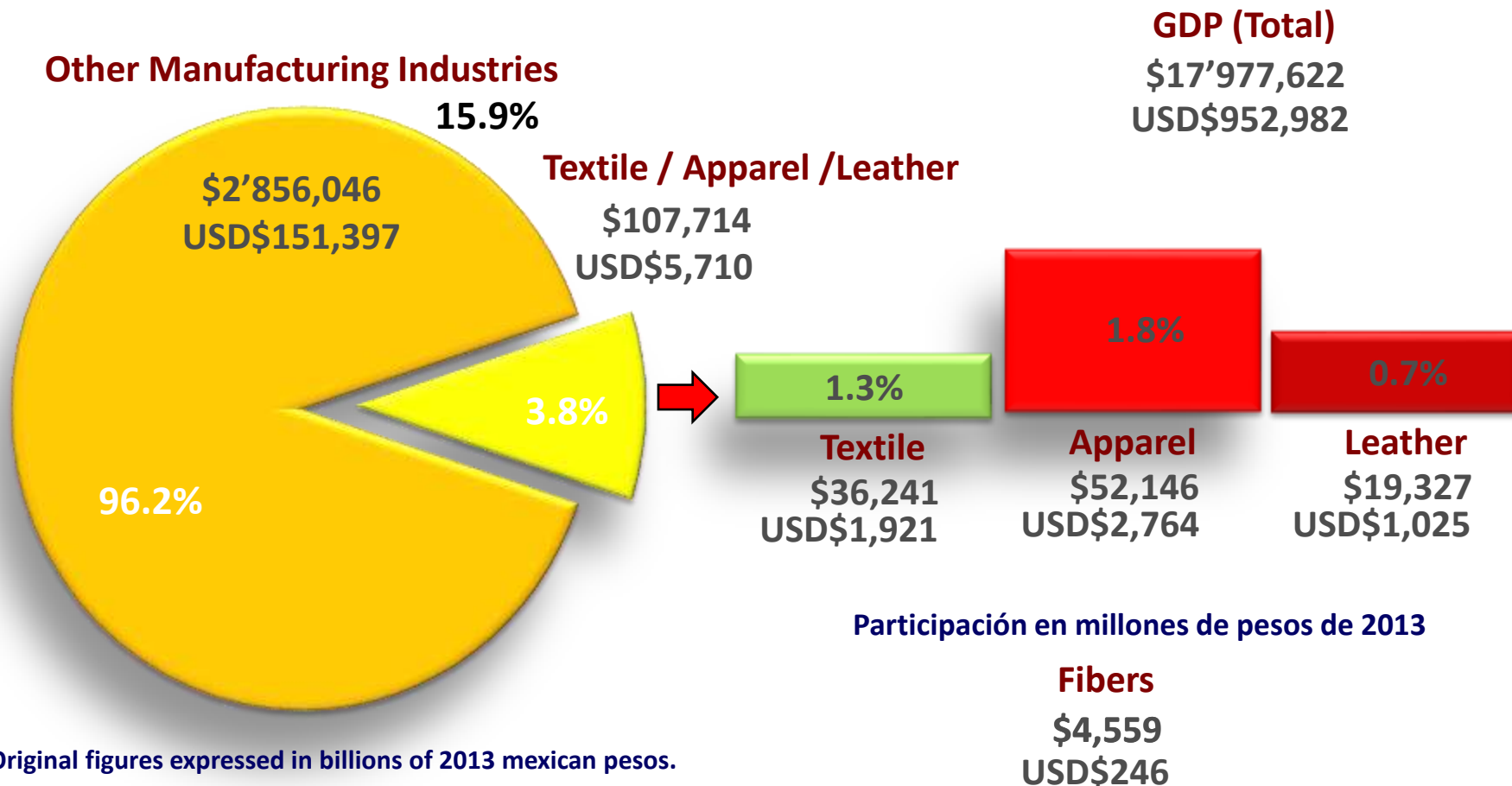
1.- Textile fibers are included in "Textile" value

2.- Average exchange rate: \$18.8642 Mexican pesos per U.S. Dollar

Fuente: INEGI. Mexican institution of statistics. As on May 29th , 2020

GDP from manufacturing /* 2020 (First Quarter)

Fiber – Fabrics – Apparel Productive Chain



* / Original figures expressed in billions of 2013 mexican pesos.

** / Millions of U.S. Dollars, considering average 2019 exchange rate

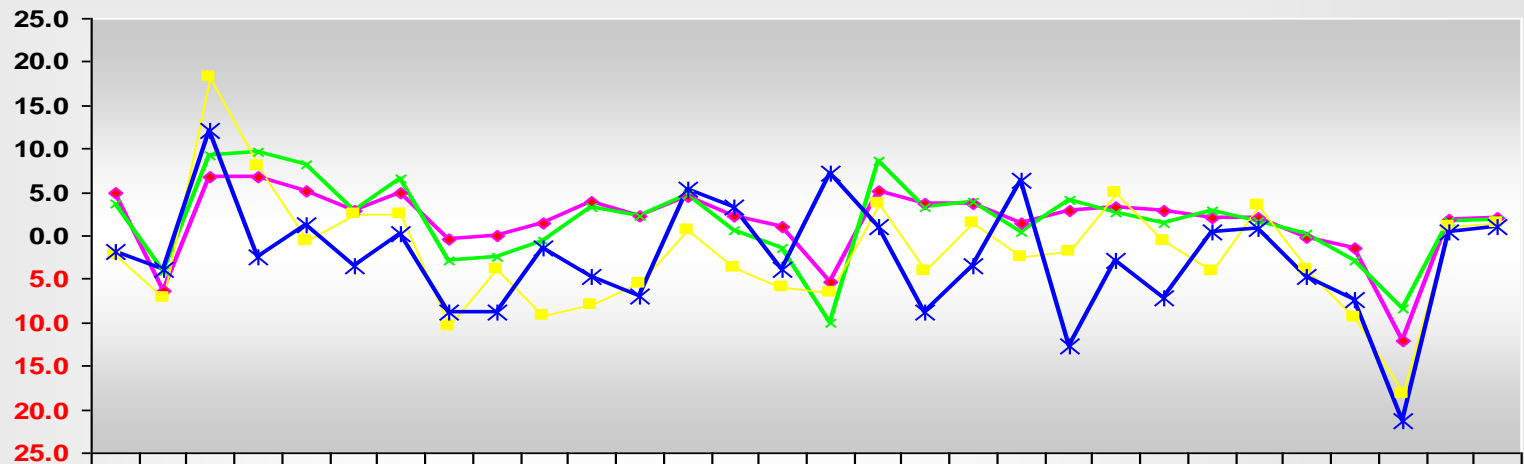
*** / Includes: manufacture of clothing and footwear accessories, bags, suitcases, etc.)

1.- Textile fibers are included in "Textile" value

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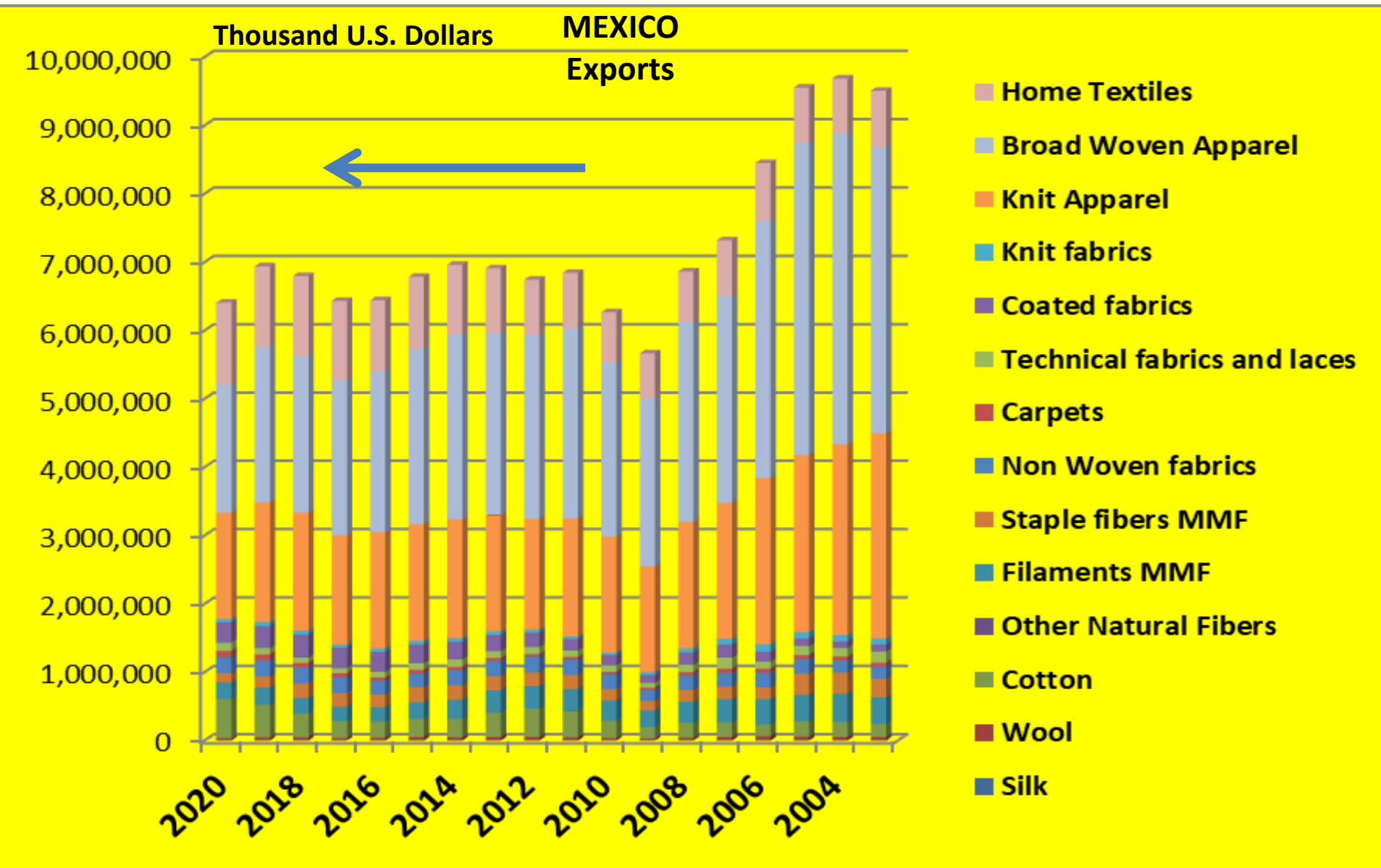
The fall in 2020 GDP was a consequence of: a). imports of fibers, fabrics and finished garments, b). the cancellation, or delay, of Full Package orders by the United States Clothing Brands, and the Mexican stores, due to the pandemic that stopped production and c). the drastic **drop** in consumption due to the Lock Down (#Quedate en casa – Stay in home)



	9 4	9 5	9 6	9 7	9 8	9 9	0 0	0 1	0 2	0 3	0 4	0 5	0 6	0 7	0 8	0 9	1 0	1 1	1 2	1 3	1 4	1 5	1 6	1 7	1 8	1 9	2 0	2 0	2 1	2 2
◆ GDP	4.	6.	6.	6.	5.	2.	4.	0.	0.	1.	3.	2.	4.	2.	1.	-5	5	4	4	1	3	3	3	2	2	0	-1	-1	2	2
✕ Manufacturing	3.	4.	9.	9.	8.	2.	6.	2.	2.	0.	3.	2.	4.	0.	1.	-1	9	3	4	1	4	3	2	3	2	0	-3	-9	2	2
■ Textile	-2	-7	2	8	-1	2	2	-1	-4	-9	-8	-6	1	-4	-6	-7	4	-4	1	-2	-2	5	-1	-4	4	-4	-9	-2	1	2
✕ Apparel	1.	3.	1	2.	1.	3.	0.	8.	8.	1.	4.	7.	5.	3.	3.	7	1	-9	-3	6	-1	-3	-7	0	1	-5	-7	-2	1	1

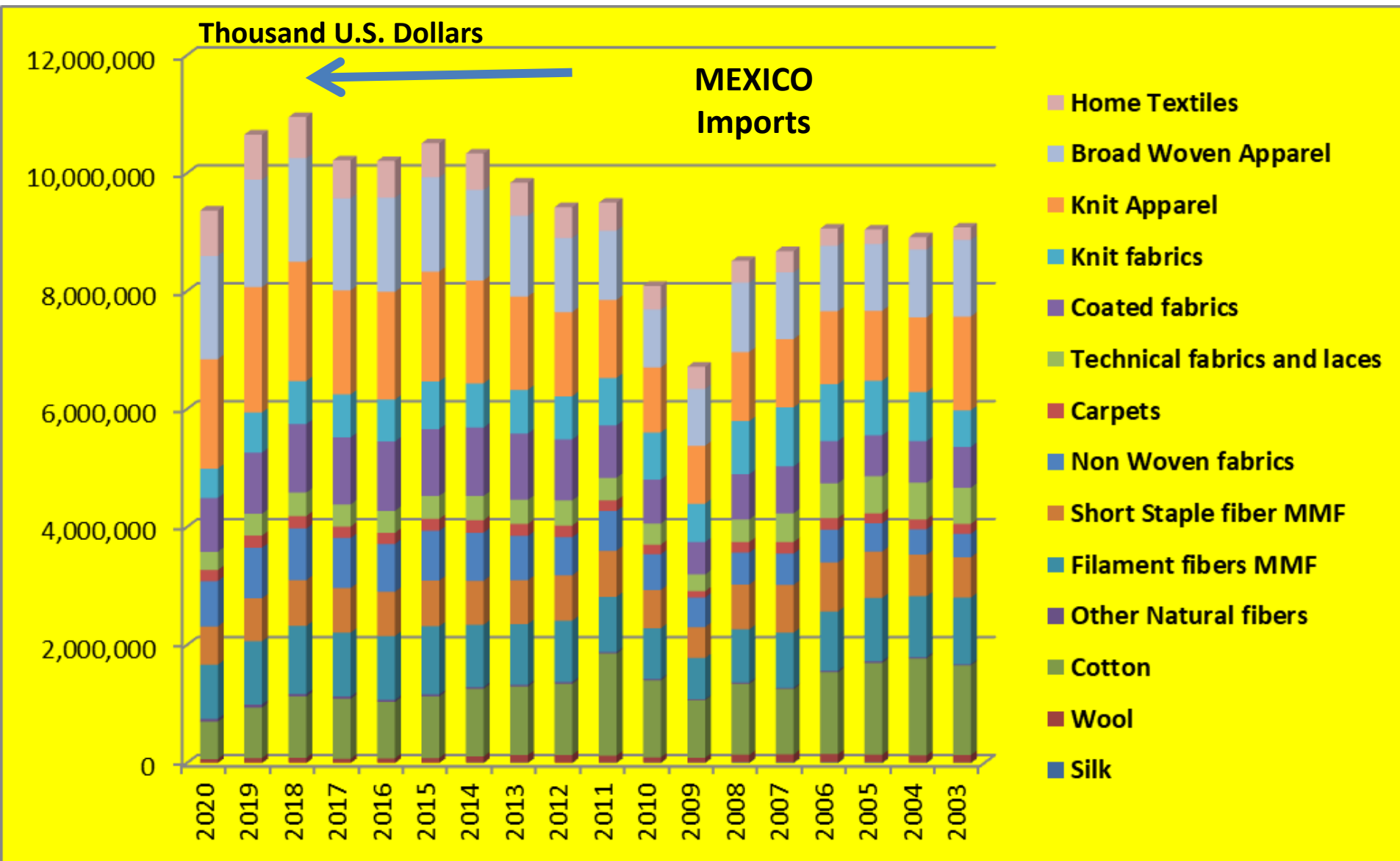
The Balance of Trade
(Exports – Imports) of the
Fiber - Textile – Apparel Chain
reduced its Deficit by
40%
during the
2020 First Quarter
caused by fall of
Exports 7.7%
Imports 12.1%

For 2020, the value of total exports of fibers + fabrics + garments is expected to **decrease** 7% compared to the value of 2019. The sum of cotton (fibers + yarns + fabrics), could **rise** 20% and those of technical fabrics, 30 %. The garments, made of knitted fabric **minus** 11%, those of broad woven fabric **minus** 17%



Source: Secretaría de Economía, SIAVI. 2020, January - March annualized

In the same period, a **fall** in the value of total imports of fibers + fabrics + garments of 12% is expected compared to the value of 2019. The sum of fibers + yarns + cotton fabrics will **drop** 26%.
 Garments: knitted fabric, minus 13%; flat weave, **minus** 4%.



Source: Secretaría de Economía, SIAVI. 2020, January - March annualized

Imports of fibers + fabrics + garments from the United States of America **decreased** 10.6%, comparing January-March 2020 with the same period of the previous year. The **OTEXA (Office of Textiles and Apparel)** of the Secretary of Commerce of the American Union, projects a **drop** of 3% for 2020. For Mexico a **drop** in sales to that country of **1%** is expected compared to the value of 2019 It is interesting to note that purchases from China **fell** 26% in the period under review. The drop could be higher by the end of 2020.

U.S.A. Total textile and apparel imports from the World
January - December. Millions of SME

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020*	2020	2018/2008	MS 2008	2020/2019	MS 2020
China	20,612.7	20,719.9	25,995.6	25,167.2	25,639.6	27,115.9	28,569.5	30,868.4	30,098.8	31,680.8	33,810.0	32,826.9	5,176.3	30,985.9	59%	40.9%	-6%	35.3%
Vietnam	1,816.5	2,193.6	2,877.2	3,130.1	3,167.4	3,602.2	3,983.0	4,368.6	4,477.9	4,822.9	4,949.3	5,363.9	1,358.4	5,352.4	195%	3.6%	0%	9.3%
Bangladesh	1,664.7	1,622.7	1,866.9	1,749.8	1,764.6	1,944.6	1,888.2	2,196.4	2,193.9	2,237.0	2,311.1	2,321.7	691.8	2,348.3	39%	3.3%	1%	4.7%
Indonesia	1,614.3	1,494.3	1,756.7	1,771.7	1,734.5	1,726.2	1,713.9	1,767.1	1,731.6	1,623.1	1,554.0	1,549.2	421.5	1,542.4	-4%	3.2%	0%	2.9%
Honduras	1,351.2	1,030.1	1,294.1	1,210.8	1,155.0	1,100.7	1,122.0	1,142.1	1,113.9	1,067.3	1,027.6	1,056.5	220.1	1,046.2	-22%	2.7%	-1%	1.5%
India	2,839.0	2,737.3	3,257.2	3,309.3	3,438.1	3,730.1	4,259.1	4,564.2	4,816.5	5,162.9	5,558.4	6,076.9	1,590.0	6,104.0	114%	5.6%	0%	10.8%
Cambodia	910.4	792.5	1,002.7	1,097.8	1,115.4	1,131.5	1,087.4	1,133.9	983.4	1,009.5	1,139.1	1,322.1	395.0	1,404.4	45%	1.8%	6%	2.7%
México	2,636.9	2,233.7	2,610.3	2,545.4	2,414.4	2,407.4	2,495.0	2,367.8	2,414.5	2,464.2	2,583.4	2,609.7	633.0	2,582.2	-1%	5.2%	-1%	4.3%
El Salvador	871.7	677.5	862.1	824.0	819.4	817.7	801.8	829.0	837.5	799.6	833.9	705.8	169.8	806.2	-19%	1.7%	14%	1.2%
Pakistan	2,928.1	2,683.9	2,837.3	2,484.3	2,445.6	2,479.8	2,517.0	2,642.1	2,478.1	2,520.4	2,572.1	2,791.9	722.6	2,820.9	-5%	5.8%	1%	4.9%
Other	13,116.0	10,421.2	11,081.3	10,405.7	10,354.7	10,469.6	10,936.1	11,644.3	11,695.1	11,395.2	12,157.3	13,199.5	3,279.4	13,036.1	1%	26.0%	-1%	22.4%
Total World	50,361.5	46,606.9	55,441.4	53,696.1	54,048.7	56,525.8	59,373.2	63,523.9	62,841.3	64,782.8	68,496.1	69,824.2	14,657.8	68,029.1	39%	100%	-3%	100%

*Millions Square Meters (MM2)

South Korea and Canada not included

Category 0: Total Textile and Apparel

Total World 2020*: January-March. 2020: Projected to January - December

**The sales of the different distribution
channels of garments to
Final Consumer
of the**

**Fiber - Fabrics – Apparel Chain
fell**

22.6%

**During the
2020 First Quarter**

Starting March 20, the Lock Down (**#Quedate encasa – Stay at home**) forced “non-essential” trade, including clothing, to close its doors. This affected all marketing channels. Despite the fact that some Commercial Chains have offered “On line” commerce, this has not had the expected results, especially in clothing. ANTAD (National Association of Self-Service and Department Stores) reported growth of 1.1% of the total sales of its associates in March and a **fall** of 22% in April. We estimate that May could be the same. Clothing sales could be a bigger **slump**. The result for 2020 could reach a drop of 15.2%

Retail Market in México
(Sales)

Type of store	2019	2020	2020/2019	Market share
Department stores	344.0	268.0	-22.1%	10.3%
Foreign brands boutiques	128.1	86.5	-32.4%	3.8%
Domestic brands boutiques	181.0	144.6	-20.1%	5.4%
Unbranded apparel stores	1,786.7	1,603.9	-10.2%	53.7%
Uniforms	145.9	125.8	-13.8%	4.9%
Price club stores	29.0	20.9	-28.0%	0.9%
Super markets	157.2	103.3	-34.3%	4.7%
Off prices stores	76.5	53.6	-29.9%	2.3%
Fabrics by meter store	96.6	83.2	-13.9%	3.1%
Tianguis	341.9	298.4	-12.7%	10.8%
Total	3,287.0	2,788.3	-15.2%	99.9%

*Million of units

Source: Self research, considering 8 months of sales.

Not all clothing segments have been affected with the same intensity.

Retail market in Mexico
(Sales, Millions of units)

Clothes	2016	2017	2017/2016	Share	2018	2018/2017	Share	2019	2019/2018	2020	2020/2019	Share
Jeans	328.0	312.8	-4.6%	10.5%	344.0	10.0%	10.5%	321.5	-6.5%	290.8	-9.6%	10.4%
Casual trousers	299.0	286.9	-4.0%	9.6%	318.0	10.8%	9.7%	294.2	-7.5%	265.6	-9.7%	9.5%
Dress Trouser	225.0	215.6	-4.2%	7.2%	226.5	5.0%	6.9%	223.0	-1.5%	198.2	-11.1%	7.1%
Blouses and shirts	128.0	120.6	-5.8%	4.0%	126.0	4.5%	3.8%	125.6	-0.3%	109.6	-12.8%	3.9%
T'shirts	356.0	351.5	-1.3%	11.7%	405.0	15.2%	12.3%	360.3	-11.0%	332.1	-7.8%	11.9%
Brassiere	153.0	157.1	2.7%	5.2%	171.0	8.9%	5.2%	155.7	-9.0%	138.4	-11.1%	5.0%
Panty, briefs and underpants	425.0	412.4	-3.0%	13.8%	462.0	12.0%	14.1%	420.6	-9.0%	377.6	-10.2%	13.5%
Jogging suits	219.0	207.5	-5.2%	6.9%	236.0	13.7%	7.2%	213.0	-9.7%	195.1	-8.4%	7.0%
Polos	219.0	208.6	-4.8%	7.0%	224.0	7.4%	6.8%	214.1	-4.4%	195.8	-8.5%	7.0%
Swimwear	87.0	84.3	-3.1%	2.8%	85.0	0.8%	2.6%	86.5	1.8%	79.5	-8.1%	2.8%
Pajamas	103.0	100.2	-2.7%	3.3%	106.0	5.7%	3.2%	102.2	-3.6%	94.2	-7.8%	3.4%
Hosiery	260.0	259.2	-0.3%	8.7%	290.0	11.9%	8.8%	260.5	-10.2%	258.6	-0.7%	9.3%
Casual dresses	59.0	49.9	-15.5%	1.7%	52.0	4.3%	1.6%	54.2	4.2%	43.8	-19.2%	1.6%
Formal dresses	45.0	44.5	-1.1%	1.5%	51.0	14.6%	1.6%	45.6	-10.5%	37.6	-17.7%	1.3%
Party dresses	120.0	103.6	-13.7%	3.5%	115.0	11.0%	3.5%	104.2	-9.4%	102.5	-1.7%	3.7%
Suits	43.0	43.3	0.8%	1.4%	42.0	-3.1%	1.3%	43.9	4.6%	38.5	-12.5%	1.4%
Jackets	40.0	34.5	-13.8%	1.2%	33.0	-4.2%	1.0%	36.3	9.9%	32.3	-11.0%	1.2%
TOTAL	3,109.0	2,992.5	-3.7%	100.0%	3,286.5	9.8%	100.0%	3,061	-6.8%	2,789.9	-15.1%	100.0%

Source: Self research, considering 8 months of sales.

III. Near Future Outlook

Fibers – Textile - Apparel

México

Scotiabank's forecasts predict that the Fiber - Textile - Clothing Chain GDP will suffer a **deeper drop** (-15.95%) during the second quarter of 2020 with decreasing negative growth throughout the following three quarters and, finally, it will become positive from the second quarter of 2021 on. Closing with an average growth of 0.73% at the end of 2021.

Scotiabank.

perspectivas económicas

23-abr-20

Proyecciones de Producto Interno Bruto

	Estructura % 2018	Crecimiento Real Anual														
		2 0 1 9					2 0 2 0					2 0 2 1				
		I	II	III	IV	Anual	I p/	II	III	IV	Anual	I	II	III	IV	Anual
PIB Total	100.00	1.16%	-0.95%	-0.25%	-0.49%	-0.15%	-3.37%	-15.06%	-10.31%	-4.70%	-8.35%	-0.98%	3.40%	1.54%	0.90%	1.14%
I) Sector Agropecuario, Silv. y Pesca	3.20	1.47%	-0.24%	5.40%	1.62%	1.87%	1.51%	-2.68%	-2.11%	0.37%	-0.66%	1.00%	2.90%	3.56%	3.14%	2.65%
Sector Industrial	29.21	-0.48%	-3.01%	-1.46%	-2.10%	-1.77%	-3.85%	-15.37%	-9.99%	-4.36%	-8.40%	-2.51%	1.86%	0.83%	-0.32%	-0.11%
II) Minería	4.83	-7.60%	-7.82%	-4.22%	-0.36%	-5.09%	2.36%	-8.04%	-6.17%	-3.98%	-3.93%	-3.64%	-4.11%	-4.20%	-4.54%	-4.11%
III) Industria manufacturera	15.86	1.59%	-0.21%	1.30%	-1.67%	0.25%	-4.00%	-17.42%	-11.84%	-4.37%	-9.46%	-1.15%	5.55%	3.38%	1.14%	2.10%
III.1) Alimentos, bebidas y tabaco	4.53	1.71%	0.84%	2.60%	2.29%	1.86%	0.33%	-7.19%	-4.38%	-0.93%	-3.06%	1.06%	3.50%	1.63%	1.20%	1.82%
III.2) Textiles, prendas de vestir	0.66	-0.46%	-5.68%	-3.53%	-6.06%	-3.99%	-8.64%	-15.95%	-8.82%	-3.24%	-9.19%	-2.24%	3.64%	1.06%	0.61%	0.73%
III.3) Madera	0.14	-0.54%	0.55%	-0.79%	2.20%	0.32%	-2.55%	-15.19%	-8.10%	-1.72%	-7.03%	2.77%	9.50%	2.77%	0.66%	3.83%
III.4) Papel, imprentas y editoriales	0.39	-0.24%	-6.19%	-2.72%	-4.05%	-3.35%	-3.58%	-5.55%	-3.54%	-2.74%	-3.86%	-1.33%	-1.05%	-0.09%	0.93%	-0.38%
III.5) Químicos, der.det., plástico	1.94	-2.78%	-4.84%	-0.44%	1.12%	-1.79%	-1.94%	-9.63%	-4.79%	-1.82%	-4.56%	-0.36%	-0.56%	-0.37%	-0.35%	-0.41%
III.6) Minerales no metálicos	0.39	-4.62%	-3.73%	-0.85%	-0.56%	-2.47%	-7.72%	-17.61%	-13.24%	-5.52%	-11.05%	-4.34%	6.89%	4.94%	-0.49%	1.57%
III.7) Industrias metálicas básicas	1.00	-0.37%	-5.58%	0.85%	-1.70%	-1.74%	-10.40%	-32.67%	-21.42%	-1.61%	-16.71%	5.56%	11.95%	8.22%	1.68%	6.41%
III.8) Prod. metálicos maq. y equipo	6.59	3.77%	2.44%	2.00%	-4.67%	0.86%	-6.01%	-25.78%	-18.52%	-8.30%	-14.77%	-3.34%	9.84%	5.92%	1.63%	3.11%
III.9) Otras ind. manufactureras	0.36	4.51%	1.14%	-0.20%	-3.81%	0.22%	-3.58%	-11.30%	-9.25%	-5.02%	-7.28%	-9.43%	-5.31%	1.34%	1.57%	-2.83%
IV) Construcción	6.97	-0.18%	-7.07%	-6.91%	-5.78%	-4.97%	-8.58%	-16.83%	-9.70%	-5.34%	-10.12%	-5.50%	-3.23%	-2.09%	-1.47%	-3.12%
V) Electricidad, gas y agua	1.55	0.31%	1.77%	2.47%	4.68%	2.34%	1.03%	-9.52%	-3.93%	-1.35%	-3.57%	0.15%	4.62%	2.01%	2.18%	2.23%

BBVA's research department forecasts present two possible scenarios. CEPAL estimates that the drop will be less.

- BBVA foresees two scenarios for the fall in total GDP at the end of 2020
 - -7.0%
 - -12.0%
- On May 12, the Economic Commission for Latin America and the Caribbean (Cepal) published the study "The social challenge in COVID-19 times". CEPAL presented these estimates for 17 countries in the region, including Mexico.
 - For Mexico, CEPAL, estimates an average scenario with a contraction of 6.5% of GDP for 2020.



IV. Conclusions

Conclusions

BBVA economic analysts commented:

- According to the European Commission, the COVID-19 crisis will mean a **fall** in GDP of the European Union in 2020 of 7.5% and 6.5% in the U.S.A.
 - With very significant differences between countries.
- At one extreme, Greece, with a **drop** of 9.7%, closely followed by Italy and Spain. On the other, Poland, with an expected **drop** of 4.3%, and Japan, with 5%.
- Although the pandemic is global, in some countries it started later than in others and they had more time to prepare.
 - Climate, temperature or humidity seem to affect the reproduction of the virus.
 - Population density, demographic structure, urban transport in which contagion is easier (such as the metro) or the size of the country (due to its greater exposure to international mobility) are factors that increase the probability of contagion.
- The belief is that the pandemic is making it clear that Mexico is a country with great limitations and deficiencies, in which a large part of the population does NOT have savings to face a contingency, nor does it have unemployment insurance mechanisms, nor does it have access to health and education quality.
- This is leading to a growth of the population in situation of poverty and extreme poverty.

Conclusions

- The sale of Full Package to the United States continues to be an important production and sales engine for the Mexican Fibers-Textile-Clothing Industry
 - The “return to normality” in some States of that country, from May on, is reactivating consumption.
- This could lead to new purchase orders, or reactivation of existing ones, to clothing manufacturers in Mexico.
- The fall in garment imports in May and June could be greater than the accumulated January-March 2020
 - What could boost the growth of sales of domestic (local) product.
- Sales of department stores, foreign boutiques and super markets stores **decreased** 22% in March 2020
 - The fall in sales in April and May could be greater
- Sales are expected to begin to recover from mid june on.
- The growth dynamics of International Money Orders will surely have a positive effect on consumption in Mexico as the “return to normality” is implemented.

Conclusions

- GDP would drop sharply in 2020
 - But it could also have a significant recovery in 2021
 - In slide 22, historical behavior of the textile and clothing GDP, we can see that large falls have been followed by significant growth
- Inflation will continue to decrease and the Exchange Rate will stabilize around \$ 22 per dollar.