Mexico

Monthly Report

April

Market Overview

The report provides a monthly analysis of the Mexican landscape which shows the market's dynamic. It also presents an overall inform relating the Agro-industrial most relevant news, as well as the most updated information regarding Mexican economy. Agriculture, food, and beverages companies remain attractive for investors.

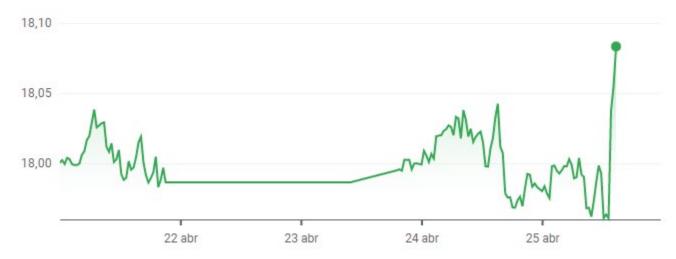**Economy**

Mexico's Economic Landscape 2023

The Mexican economy could grow up to 3.0% both this year and next, boosted by increased manufacturing investment and cooling inflation, according to a copy of the government's latest budget forecasts seen by Reuters on Friday.

The ministry estimates Latin America's second-biggest economy will expand between 2.2% and 3.0% this year, and between 1.6% and 3.0% in 2024, the document showed, as the country continues to claw back pandemic-led losses.

INDICATOR	PERIOD	RESULT	PERIOD	RESULT
GROSS DOMESTIC PRODUCT	March 2023	3.6%	April 2023 forecast	2.3%
INFLATION	March 2023	6.85%	April 2023 forecast	6.62%
TRADE BALANCE MEXICO	Feb 2023	$-1.844B	March 2023 forecast	$ 0.55B

Exchange Rate
25/04/23

Level	MXN per USD
Average	$17,9863
Maximum	$17,9863
Minimum	$17,9863

18,10

18,05

18,00

22 abr   23 abr   24 abr   25 abr

Retail

Economic forecasts for Mexico have been adjusted downward due to these factors, with 2023 GDP forecasted at 0.9-1.6% by different organizations. The retail sector will be negatively impacted by the weak economic growth, with consumer confidence dropping to its lowest in 17 months in August (rising slowly throughout to year end.). Retail sales growth will be hindered by high inflation and interest rates. While record-breaking inflows of remittances from Mexicans and Mexican Americans living in the US will partially offset the negative effects of inflation.

Some Retail Trends in Mexico

- Plague of Fraud: Fraud continues to be a persistent issue in Mexico's e-commerce industry, causing many consumers to be wary of using credit and debit cards online and instead opting for cash-on-delivery. To address this, e-commerce companies are making efforts to assure customers of the security of their transactions.
- Strong Adoption of Smartphones: The widespread adoption of smartphones has been a key factor in the growth of e-commerce businesses in Mexico.
- Growth in Last-mile: The pandemic has led to a surge in various forms of grocery e-commerce, particularly in the last-mile delivery sector in Mexico. Key players in this sector include Cornershop, Rappi, and Mercadoni. A major grocery retailer, Soriana, has joined forces with Cornershop to provide delivery services.

Ecommerce

The demand for e-commerce remains high, with sales growth outpacing overall retail sales expansion. The sector has significant scope for expansion, if logistics and supply chains continue to improve. According to the publisher, B2C Ecommerce market in Mexico is expected to grow by 9.88% on annual basis to reach US$56.4 billion in 2023. The Medium to long-term growth story of B2C Ecommerce industry in Mexico promises to be attractive. The Latin American e-commerce market has recorded robust growth over the last few years, offering exciting opportunities for online retailers across various sectors. Mexico is one of Latin America's major consumer markets and a critical e-commerce market.

Mexico has been the country that in the last year has shown the highest growth in e-commerce in Latin America and it is estimated that by 2023 the penetration of digital commerce will reach 59.3% of the country's Internet users, according to Statista data published by the newspaper Milenio.

Consumer

The confidence of Mexican consumers fell for the first time in 2023 during March, showing a drop of 0.3 points compared to the previous month, the National Institute of Statistics and Geography (Inegi) reported this Wednesday.

The Consumer Confidence Indicator for March showed stagnation in three of its five components.

When a product or service is offered that complies with what is specified in its characteristics, there is no better promotion than reading the review of a satisfied customer, just social networks allow users to share their experiences and the study showed that 77% of users seek to read a product review before buying it.

In Mexico, the per capita consumption of fruit is 350 grams and that of vegetables is 220 grams, so "we are still far from reaching the optimum level", recommended by the World Food and Agriculture Organization (FAO), which is 400 grams. The factors that predominate in consumers when buying a product are quality, lowest price, promotions and availability of the product in the supermarket.

Advertising in traditional media, such as movies, TV or points of sale, have greater acceptance by the Mexican consumer, since 30% declared that they are willing to pay attention to advertising through these media. However, there is still resistance to advertising.

Consumer habits have changed towards healthier eating. They now cook without fat, without empty calories, in addition to and consume fresh produce. They are also buying air fryers that allow them to have healthier fried foods. Although the consumption of fresh produce is a staple for consumers, the high price of fresh produce due to inflation is driving them to buy more packaged products.

- Consumption of alternatives to animal proteins: Consumers are increasingly interested in consuming plant-based foods for a variety of reasons. Their approach to the "Consumer perception of alternative proteins" study conducted by AINIA indicates that 1 in 3 consumers eat foods that substitute animal protein consumption on a weekly basis. The study also indicates that, in the last two years, 72% of consumers increased their consumption of foods that substitute animal proteins. Ealthier habits depends on their interest in healthier eating, animal welfare and the environmental impact of their consumption habits.

- Sustainable consumption (Zero Food Waste): In accordance with SDG 12 Responsible Consumption and Production, there is an increasing awareness on the part of companies and consumers to prioritize sustainable consumption. Packaging also plays an important role in the fight against food waste, as it helps to keep food in good condition. For example, with coatings with advanced properties.

- Consumption of local products: Consumers find it very important to know the origin and even the history behind the products they consume. Technological tools such as digital product labeling allow consumers to know, among other variables: Ethical claims, Carbon footprint and Traceability of its origin. The control of expenses due to inflation favors the purchase and consumption of local products, simplifying logistics activities and, consequently, reducing polluting effects.