

## Aggregate demand shows a slowdown in the last quarter of 2018

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- **Aggregate demand (4Q18): 2.7% yoy; Banorte: 2.6%; consensus: 2.5%; previous: 2.4%**
- **Seasonally adjusted figures show that private consumption declined -0.3% q/q in 4Q18 vs. +0.5% in previous quarter**
- **Meanwhile, gross fixed investment declined 2.0% q/q (previous: -1.1%)**
- **Regarding external demand, exports came down 0.1% t/t, while imports were up 1.8% during the fourth quarter of last year**
- **Aggregate demand figures show that economic activity lost momentum in the last quarter of last year, weakness that could probably extend to the first months of 2019**

According to *INEGI*, aggregate supply and demand expanded 2.7% yoy in 4Q18. On the supply side, this number was explained by a 1.7% increase in GDP, coupled with imports growing 5.6%. On the demand side, private consumption is up 1.4%, below the 2.2% increase observed on average in 2018. Meanwhile government spending barely expanded 0.2%, with an average increase of 1.4% in 2018.

**Gross fixed investment declined 2.3% yoy.** By component, public investment was down 8.6% on an annual basis in 4Q18, while private investment declined 1.1%. Within the latter, the fall was explained by a decline of 0.8% in construction, while investment in machinery and equipment was down 1.5%. Finally, exports expanded 4.3%, as shown in the following table.

### Aggregate supply and demand: 4Q18

% yoy	Dec-18	Sep-18	2018	2017
<b>Aggregate supply</b>	<b>2.7</b>	<b>3.5</b>	<b>3.1</b>	<b>3.1</b>
GDP	1.7	2.5	2.0	2.1
Imports	5.6	6.4	6.2	6.2
<b>Aggregate demand</b>	<b>2.7</b>	<b>3.5</b>	<b>3.1</b>	<b>3.1</b>
Private consumption	1.4	2.2	2.2	3.1
Government spending	0.2	1.0	1.4	1.0
Gross fixed investment	-2.3	0.4	0.6	-1.6
Private	-1.1	0.1	0.8	1.5
Construction	-0.8	-1.2	-0.3	1.6
Machinery & Eq.	-1.5	1.4	2.1	1.4
Public	-8.6	2.8	-0.4	-17.0
Construction	-9.0	4.0	0.2	-16.5
Machinery & Eq.	-5.9	-5.0	-5.7	-19.2
Inventories	50.8	36.6	19.9	-1.9
Exports	4.3	8.6	5.7	3.9

Source: INEGI

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**Seasonally adjusted figures show that aggregate demand expanded 0.5% q/q in the last quarter of the year.** Private consumption was down 0.3% (vs. +0.5% in 3Q18) while government consumption remained unchanged over the period in question. Gross fixed investment declined 2% (vs. -1.1% in 3Q18). Private investment contracted once again 1% and public investment came down 7.7%, while exports were down 0.1%.

**Aggregate supply and demand: 4Q18**

%, seasonally adjusted

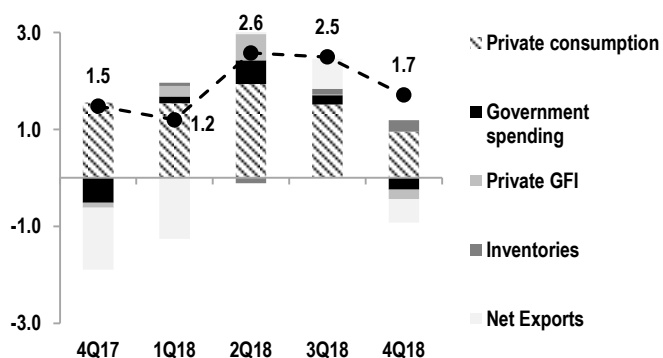
	Dec-18	Sep-18
	q/q	q/q
<b>Aggregate Supply</b>	<b>0.5</b>	<b>1.1</b>
GDP	0.2	0.6
Imports	1.8	1.7
<b>Aggregate Demand</b>	<b>0.5</b>	<b>1.1</b>
Private consumption	-0.3	0.5
Government spending	0.0	-1.7
GFI	-2.0	-1.1
GFI public	-7.7	-1.3
GFI private	-1.0	-0.9
Inventories	5.5	25.3
Exports	-0.1	-0.4

Source: INEGI

**Aggregate demand shows a deceleration of economic activity in the last quarter of the year.** This was explained by a lower contribution of government spending –including consumption and investment–, which subtracted 0.2%-pts to GDP growth. Meanwhile, private consumption continues to be the main driver of demand adding 1%-pts in 4Q18, although below the average contribution observed during the year (see chart below on the left), which is consistent with the strength shown by the services sector in the supply side report (see chart below on the right). Looking ahead, we believe aggregate demand will continue moderating amid recent weakness in investment and export data. Nevertheless, we expect private consumption to remain as the principal growth driver in 2019.

**Demand side GDP 4Q18**

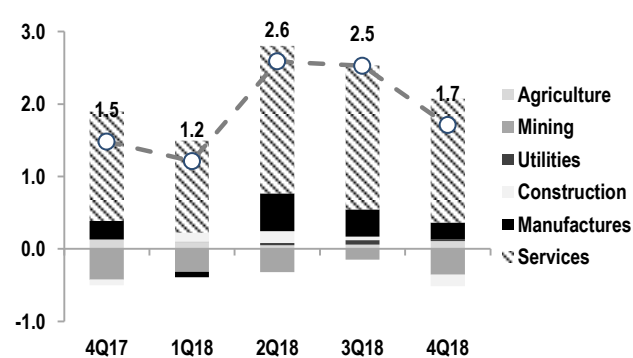
Contribution to annual GDP in %



Source: INEGI

**Demand side GDP 4Q18**

Contribution to annual GDP in %



Source: INEGI

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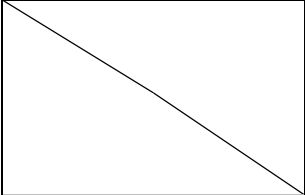
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