

IGAE – Growth starts 3Q18 on the right foot

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- **Global Economic Indicator, IGAE (July): 3.3% yoy; Banorte: 2.2%; consensus: 2.6% (range of estimates: 2.1% to 3.5%); previous: 1.2%**
- **The increase in economic activity during the month was mainly driven by the 4.4% increase in services**
- **In seasonally adjusted terms, economic activity increased 0.4% m/m on the back of both industrial and services picking up momentum**
- **We continue to believe that the economy will expand at a moderate rate in 3Q18**

Economic activity favored by dynamism in the services sector. INEGI just released its *Global Economic Activity Indicator* (IGAE) report for July, in which economic activity increased 3.3% yoy, above consensus, on the back of a 4.4% expansion in the services sector. Meanwhile, agriculture was up 1.3% yoy, as well as industrial output. This last one was explained by a 4.5% expansion in construction output, along with a 2.4% increase in manufacturing while mining continues to drag, falling 7% yoy in the period in question. On the services sector we highlight the 6.2% yoy growth in professional services, along with a 5.6% increase in transportation. In addition, commerce services expanded 4.3% yoy (as seen in the table below).

Global economic indicator: July 2018

% yoy, sa

	Jul-18	Jul-17	Jan-Jul, '18	Jan-Jul, '17
Total	3.3	1.2	2.1	2.2
Agriculture	1.3	4.1	3.3	3.5
Industrial production	1.3	-0.5	0.4	-0.5
Mining	-7.0	-8.3	-6.3	-8.6
Utilities	4.1	-1.4	1.8	-1.2
Construction	4.5	-2.4	2.3	-1.6
Manufacturing	2.4	3.5	1.7	3.0
Services	4.4	2.0	2.9	3.5
Wholesale	4.3	3.0	3.2	-0.2
Retail	7.1	0.3	3.9	4.5
Transport	5.6	3.4	4.1	16.4
Financial services	5.1	2.8	2.8	0.9
Professional services	6.2	0.5	3.6	-3.4
Educational services	0.6	1.5	0.8	-4.8
Recreational services	-2.4	-1.6	-1.5	6.1
Housing services	1.0	6.3	1.5	14.2
Government services	2.2	-0.9	3.2	-10.2

Source: INEGI

Using seasonally adjusted figures, the economy expanded 0.4% m/m, after the 0.1% m/m contraction in previous month. Primary activity increased 2.7% m/m, while services edged-up 0.6% m/m. Moreover, industrial activity showed a 0.1% m/m growth on the back of higher manufacturing output, which was compensated by contractions in mining and construction activity. In annualized terms, the economy expanded 1% 3m/3m saar on the back of increases of 1.7% and 0.3% in services and industrial output, respectively (refer to the charts below).

Global economic indicator: July 2018

% , sa

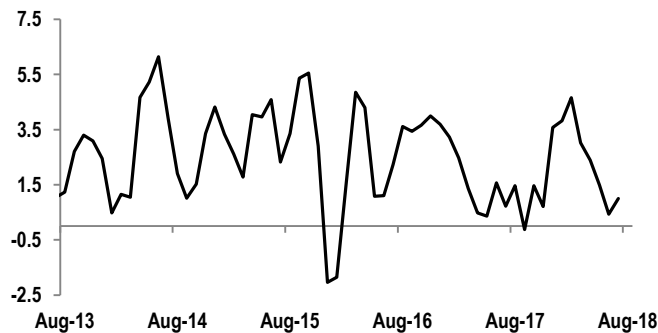
	% m/m		% 3m/3m saar	
	Jul-18	Jun-18	Jul-18	Jun-18
Total	0.4	-0.1	1.0	0.4
Agriculture	2.6	-5.0	-2.0	-3.2
Industrial output	0.2	0.4	0.3	-0.7
Services	0.3	0.0	1.7	1.4

Source: INEGI

We continue to believe that the economy will expand at a moderate rate in 3Q18. In our view, manufacturing output could pick up momentum on the back of the dynamism observed in US consumption and given that uncertainty regarding NAFTA continues to fade. Nevertheless, mining output will continue dragging total industrial production, while construction activity will continue to expand, albeit at a more moderate pace. For services, we continue to believe that these will be the main driver for growth for the Mexican economy.

Global economic indicator

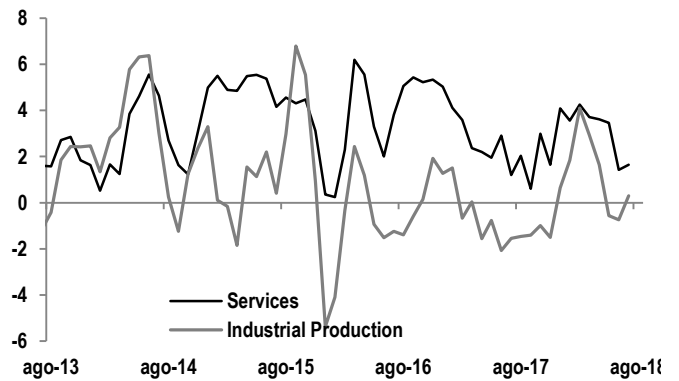
% 3m/3m saar



Source: INEGI

Global economic indicator: Industrial production and services

% 3m/3m saar



Source: INEGI

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