

Global Economic Indicator – Higher than expected growth in January

March 27, 2017

www.banorte.com
www.ixe.com.mx
[@analisis_fundam](https://twitter.com/analisis_fundam)

Alejandro Cervantes
Senior Economist, Mexico
alejandrocervantes@banorte.com

- **Global Economic Indicator, IGAE (January): 3% yoy; Banorte-Ixe: 1.6%; consensus: 1.9% (range: 1.6% to 3%); previous: 2.1%**
- **January's higher than expected growth was explained by the 4.1% yoy expansion in services output despite the 0.1% contraction in industrial production**
- **In seasonally adjusted terms, economic activity increased 0.3% m/m, and adds a 3.7% 3m/3m saar expansion**
- **Despite January's growth, we continue to believe that the Mexican economy will show a significant deceleration in the first half of 2017**

Higher-than-expected growth in January. *INEGI* just released its Global Economic Indicator (IGAE) report for January, in which economic activity increased 3% yoy, above our 1.6% forecast (consensus: 1.9%). Taking a look at the breakdown, industrial production fell 0.1% yoy, as a result of the 9.8% contraction in mining activity coupled with the 0.1% fall in construction output. However, manufacturing production increased 4.3% yoy.

In addition, services edged-up 4.1% (Banorte-Ixe: 2.6%), explained by the 6.3% expansion in transport services, a 4.1% growth in recreational services, and a 5.4% increase in financial services. Moreover, commerce posted a 3.6% yoy growth, while primary activities increased 12.8% yoy, as shown in the table on the next page.

In seasonally adjusted terms, economic activity increased 0.3% m/m. Taking a look at the breakdown, industrial output posted a 0.1% expansion, as a result of the 0.5% m/m gain in manufacturing production. Moreover, services posted a 0.1% m/m expansion, while primary activities increased 4% m/m (refer to the second table on the next page). With today's figures, economic activity now shows a 3.7% 3m/3m saar expansion. In addition, services increased 4.1% 3m/3m saar, while industrial production now shows a 1% growth (refer to the charts on the third page).

Document for distribution among public

Despite January's higher than expected growth, we continue to believe that the Mexican economy will decelerate. Donald Trump's presidency will possibly imply lower economic growth for Mexico in 2017, as a result of the uncertainty regarding the economic impact of Trump's policies. The first blow on growth will most likely come in the first half of 2017, with the transmission channel being a strong deterioration of consumer confidence and business climate, leading to a significant deceleration in economic activity. However, it is likely that the negative perception of a Donald Trump presidency will gradually fade and confidence levels will begin to recover towards the second half of the year. In this context, we expect a 0.7% yoy growth during the first half of the year, and a 1.5% yoy growth in the second half. For 2018, we believe that the recovery of the Mexican economy will continue and will grow around 2.5% given the fiscal expenditure as a result of the election process.

January's IGAE report

% yoy

	Jan-17	Jan-16	2016	2015
Total	3.0	1.9	2.2	2.5
Agriculture	12.8	-0.2	4.5	0.8
Industrial production	-0.1	0.0	0.0	1.0
Mining	-9.8	-3.0	-6.4	-4.6
Utilities	1.0	0.3	3.3	2.3
Construction	-1.0	2.4	1.8	2.5
Manufacturing	4.3	0.3	1.3	2.5
Services	4.1	3.1	3.4	3.5
Comerce	3.6	2.2	2.4	4.7
Transport	6.3	4.6	5.6	5.7
Financial services	5.4	3.9	3.5	3.0
Professional services	3.3	4.1	5.3	2.4
Educational services	2.5	-0.3	1.1	-0.8
Recreational services	4.1	5.0	6.9	2.6
Housing services	0.3	7.0	3.8	5.8
Government services	0.3	0.1	0.0	2.7

Source: INEGI

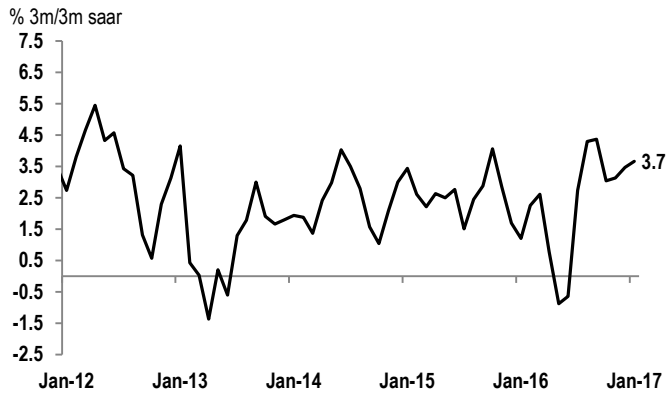
Global economic indicator: January 2017

% m/m sa

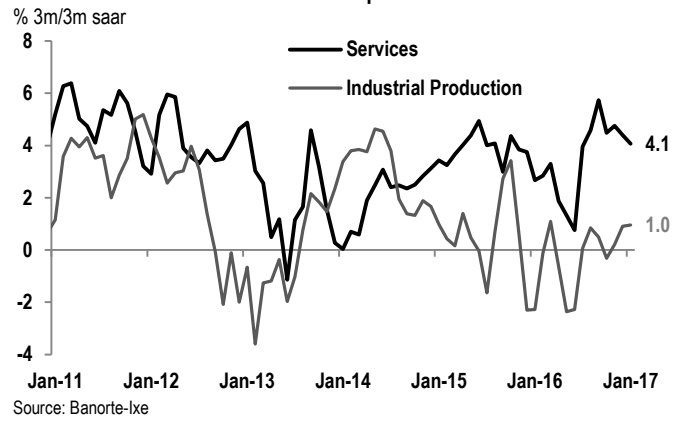
	Jan-17	Dec-16	Difference
Total	0.3	0.4	-0.1
Agriculture	4.0	-1.2	5.2
Industrial production	0.1	-0.1	0.2
Mining	1.1	-1.8	2.9
Utilities	-2.0	0.7	-2.7
Construction	0.0	-0.3	0.3
Manufacturing	0.5	0.7	-0.2
Services	0.1	0.6	-0.5

Source: INEGI

Global economic indicator



Global economic indicator: Industrial production and services



Disclaimer

The information contained in this document is illustrative and informative so it should not be considered as an advice and/or recommendation of any kind. BANORTE is not part of any party or political trend.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Francisco José Flores Serrano	Economist, National	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates / Financials/ Mining / Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research Analyst – Airlines / Airports / Cement / Infrastructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454