

# April's IGAE – Mexico's moderate growth won't back down

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- **Global economic indicator, IGAE (April): 2.1% yoy; Banorte-Ixe: 2.6%; consensus: 2.3% (range: 1.5% to 3%); previous: 2.8%**
- **April's 2.1% yoy moderate growth was partially explained by a calendar effect**
- **However, using INEGI's calendar-adjusted figures, April's IGAE increased a scant 2.4% yoy**
- **In seasonally adjusted terms, economic activity posted a 0.7% m/m expansion**
- **Despite the year's slow beginning, we believe that the Mexican economy will show a more visible recovery**

**April's 2.1% yoy growth explained by a calendar effect.** INEGI just released its April's Global Economic Indicator (IGAE) report showing that economic activity increased 2.1% yoy, below our 2.6% estimate (consensus: 2.3%). However, April's moderate growth was explained by a calendar effect. Using INEGI's calendar-adjusted figures, April's IGAE expanded 2.4% yoy. Taking a look at the breakdown, industrial production grew 1.1% yoy, while the services sector increased 2.8% as shown in the following table.

**April's IGAE**

<b>%yoy</b>	<b>Apr-15</b>	<b>Apr-14</b>	<b>Jan-Apr, '15</b>	<b>Jan-Apr, '14</b>
Headline index	2.1	0.4	2.5	1.6
Agriculture	4.7	2.4	6.3	2.7
Industrial production	1.1	-0.9	1.4	1.2
Services	2.5	1.1	2.9	1.8
<b>%yoy, adjusted by calendar effects</b>	<b>Apr-15</b>	<b>Apr-14</b>	<b>Jan-Apr, '15</b>	<b>Jan-Apr, '14</b>
Headline index	2.4	2.8	2.5	1.6
Agriculture	4.7	2.4	6.3	2.7
Industrial production	1.1	2.3	1.4	1.1
Services	2.8	3.1	3.0	1.8

Source: INEGI

As we mentioned in our April's IP report, and using INEGI's calendar-adjusted series, manufacturing output grew 4% yoy, as a result of the significant depreciation of the Mexican currency. Moreover, Mexico's construction sector showed, for the eleventh time in 22 months, a positive rate of expansion (5.3% yoy), which was explained by the recovery in private investment projects. However, given the fall in Mexico's oil production, mining activity declined 8.3% adding thirteen consecutive months in contraction. Finally, utilities expanded 1.7% yoy.

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Moreover, services increased 2.8% yoy, as a result of a 4.3% expansion in trade. Similarly, housing and tourism services increased 3.7% yoy, while recreational services edged-up by 3.8% yoy. However, transportation and information in mass media services grew a scant 1.2% yoy, while professional and educational services fell 0.1% yoy. Financial services increased 2.7% yoy.

**In seasonally adjusted terms, economic activity increased 0.7% m/m.** Taking a look at the breakdown, industrial output fell 0.1% m/m, as a result of a 2% m/m expansion in manufacturing production, and a significant 3.6% m/m reduction in mining output. Moreover, the services sector posted a 0.4% m/m expansion. Finally, primary activities increased 3.6% m/m. With these figures, economic activity posted a 1.2% 3m/3m saar growth, as shown in the chart below.

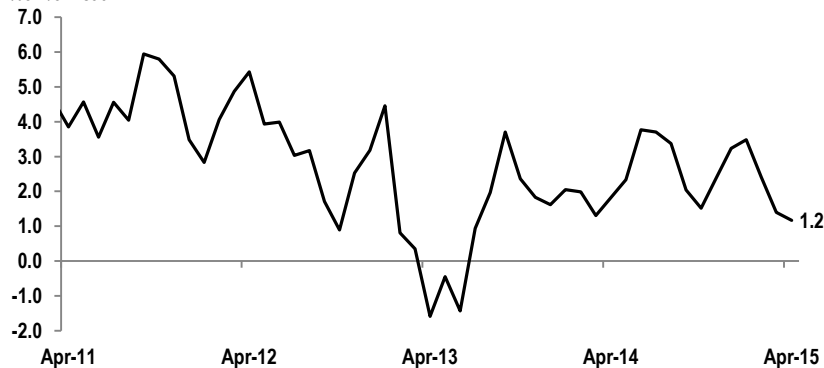
**Global economic indicator: April 2015**

%m/m sa	Apr-15	Mar-15	Difference
Headline index	0.7	-0.5	1.3
Agriculture	3.6	-5.4	9.0
Industrial production	-0.1	0.1	-0.2
Services	0.4	-0.1	0.5

Source: INEGI

**Global economic indicator**

%3m/3m saar



Source: Banorte-ixe

**Despite the year’s slow beginning, we believe that the Mexican economy will show a more visible recovery.** Mexico’s manufacturing sector will show better growth dynamics derived from the higher growth prospects in both private consumption and manufacturing production in the U.S., and the significant depreciation of the Mexican currency. Similarly, we believe that domestic demand is beginning to show a more visible recovery given the following factors: (1) The better growth dynamics in the manufacturing sector, which will eventually translate into better growth prospects for certain sectors related to this industry, such as trade and transport services; (2) the recovery of the labor market; (3) the recent downward trend in inflation that will hold throughout the year; and (4) the recovery in private consumption reflected in the recent spike observed in *INEGI* and *ANTAD* sales.

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