

Aggregate demand – Domestic demand continued to strengthen in 3Q15

December 18, 2015

- **Aggregate demand (3Q15): 3.6% y/y; Banorte-Ixe: 3.5%; consensus: 3.5%; previous: 3.1%**
- **Seasonally adjusted figures shows that private consumption expanded 3.3% q/q saar in 3Q15 vs. 2.3% in previous quarter**
- **Meanwhile, gross fixed investment expanded 3.6% q/q saar (previous: 4%)**
- **Regarding external demand, exports increased 11.3% t/t saar, while imports were up 10.5% during the third quarter of the year**
- **We expect domestic demand to continue strengthening, on the back of better employment levels and contained inflation**

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According to *INEGI*, aggregate supply and demand expanded 3.6% y/y in 3Q15 in line with our estimates. On the supply side, this number is explained by a 2.6% increase in GDP, coupled with imports increasing 6.2%y/y. On the demand side, private consumption is up 2.9% y/y, in line with the increase observed year to date. Meanwhile government consumption expanded 1.1% y/y, below the expansion of 2.3% y/y observed so in January-September 2015. Gross fixed investment expanded 4.1% y/y. By component, public investment is down 10.5% on an annual basis, while private investment expanded 7.6%. In the case of private investment, the expansion is explained by an increase of 5.6% in construction, while investment in machinery and equipment is up 10.1% in the period in question. Finally, exports expanded 10% y/y, as shown in the following table.

Oferta y demanda agregada: 3T15

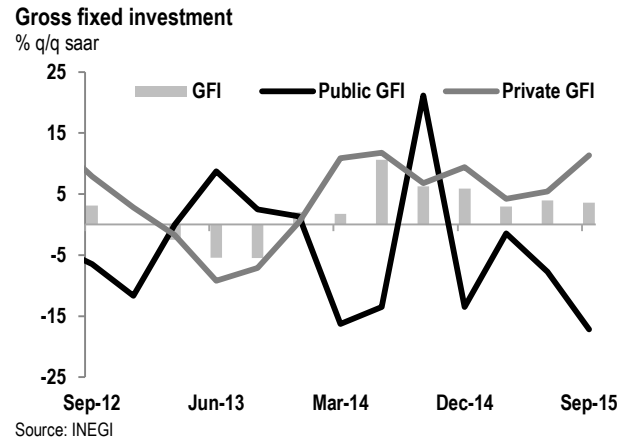
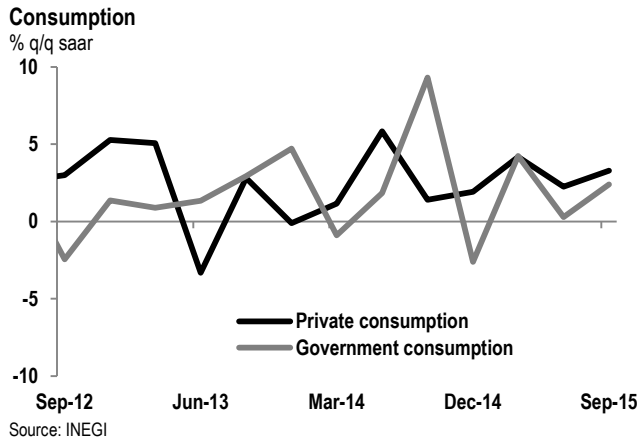
% var. anual, cifras originales

	Sep-15	Jun-15	Jan-Sep,'15	Jan-Sep,'14
Aggregate supply	3.6	3.1	3.4	2.8
GDP	2.6	2.3	2.5	2.1
Imports	6.2	5.4	6.1	4.9
Aggregate demand	3.6	3.1	3.4	2.8
Private consumption	2.9	2.8	2.9	1.6
Public consumption	1.1	2.6	2.3	2.6
Gross fixed investment	4.1	5.5	5.0	1.7
Private	7.6	7.0	7.3	3.2
Public	-10.5	-1.1	-5.0	-4.0
Inventories	-45.3	-0.7	-13.8	43.7
Exports	10.0	9.3	10.5	5.9

Source: INEGI

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Seasonally adjusted figures show that aggregate demand expanded 4.2% t/t saar. Private consumption is up 3.3% (vs. 2.3% in 2Q15), while government consumption resulted higher than in previous quarter, with an expansion rate of 2.4% (vs. 0.3%). Gross fixed investment increased 3.6% q/q saar (vs. 4% in 2Q15). Private investment picked up (11.3% q/q saar in 3Q15 vs. 5.4% in previous quarter), while public investment declined 17.2% (vs. -7.8% in 2Q15). Finally, exports expanded 11.3% q/q saar.



We expect the recovery of domestic demand to continue. In seasonally adjusted terms, domestic demand posted a better performance. In particular, investment managed to achieve a stronger recovery led by a rebound in the private sector. Recent indicators suggest that Mexico's domestic demand continue to strengthen. Retail sales and other private indicators, such as *ANTAD* total sales report, show that private consumption maintains an upward trend supported by stronger employment and historical-low inflation levels that have resulted in higher real incomes. In our view, these factors will continue to provide a better framework for private demand.

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