

## Preliminary GDP report – The Mexican economy grew 2.7% yoy in 2Q18

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- **Gross Domestic Product (2Q18 nsa): 2.7% yoy; Banorte: 2.9%; consensus: 2.8% (range of estimates: 1.4% to 3.4%); previous: 1.3%**
- **Gross Domestic Product (2Q18 sa): -0.1% q/q; Banorte: 0.4%; consensus: 0.3% (range of estimates: -0.2% to 0.7%); previous: 1.1%**
- **Services increased 2.4% yoy sa (0.3% q/q), which suggests that domestic demand continues to be Mexico’s main growth driver**
- **Looking ahead, we expect the Mexican economy to continue expanding at a moderate rate**
- **The revised figure will be published on August 24**

**The Mexican economy grew 2.7% in 2Q18.** INEGI published today its preliminary GDP report. With original figures, the Mexican economy increased 2.7% yoy in 2Q18, above the 1.3% observed in 1Q18 (Banorte: 2.9%; consensus: 2.8% yoy). We highlight that GDP growth in the second quarter was favored by a calendar effect, which increased working days in the annual comparison. Nevertheless, in seasonally adjusted terms, GDP expanded 1.6% yoy, which implied a 0.1% decrease. Taking a look at the breakdown, and analyzing the seasonally adjusted figures, primary activities increased 2% yoy (-2.1% q/q), while the industrial sector posted a 0.2% annual growth (-0.3% q/q). Finally, services expanded 2.4% yoy (0.3% q/q), which suggests that domestic demand continues to be Mexico’s main growth driver.

**GDP**

% yoy nsa; % yoy sa

nsa	2Q18	1Q18	1H18
<b>Total</b>	<b>2.7</b>	<b>1.3</b>	<b>2.0</b>
Agricultural	1.8	5.4	3.5
Industrial production	1.4	-0.8	0.3
Services	3.4	2.0	2.7

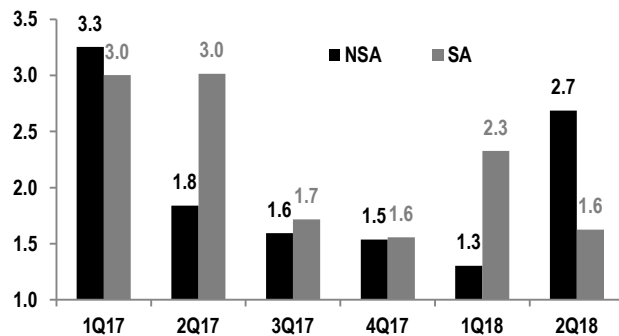
**sa**

<b>Total</b>	<b>1.6</b>	<b>2.3</b>
Agricultural	2.0	5.2
Industrial production	0.2	0.3
Services	2.4	2.9

Source: INEGI

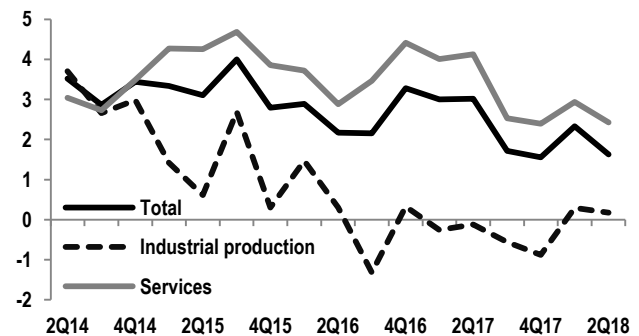
**Looking ahead, we expect the Mexican economy to continue expanding at a moderate rate.** In particular, 3Q18 growth will be positively impacted by a base effect as 3Q17 was affected by various natural disasters, particularly September’s earthquakes and several hurricanes. Nevertheless, we expect that industrial activity will remain subdued due to the recession in the mining sector, while uncertainty around the renegotiation of NAFTA will continue to weigh on investment prospects in the industrial sector. By contrast, services activities could be boosted by higher prospects of private consumption given an increase in the purchasing power of Mexican workers –on the back of lower inflation and higher wage negotiations–, as well as the recent appreciation of the Mexican currency.

**GDP**  
% yoy



Source: INEGI

**GDP: Industrial production and services**  
% yoy sa



Source: INEGI

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