

IGAE – August’s 2.3% yoy growth driven by services

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- **Global Economic Indicator, IGAE (August): 2.3% yoy; Banorte-Ixe: 1.9%; consensus: 1.7% (range: 0.8% to 2.1%); previous: 1%**
- **August’s higher economic growth was explained by the 4% yoy expansion in services, despite the 0.5% contraction in industrial production**
- **In seasonal adjusted terms, economic activity increased 0.8% m/m, as a result of the 1% expansion in services**
- **Looking ahead, we believe that the Mexican economy will decelerate**

Strong growth in services. *INEGI* just released its Global Economic Indicator (IGAE) report for August, in which economic activity increased 2.3% yoy, above our 1.9% forecast (consensus: 1.7%). Taking a look at the breakdown, industrial production posted a 0.5% yoy contraction, as a result of the 9.7% reduction in mining activity coupled with the 1.6% decline in construction output. However, manufacturing activity increased 3.3% yoy. In addition, services increased 4%, above the 2.4% observed in July (refer to the table on the next page).

In seasonally adjusted terms, economic activity increased 0.8% m/m. Taking a look at the breakdown, services output edged-up to 1% m/m. Moreover, industrial production increased 0.3% m/m, as a result of the 0.3% m/m expansion in construction output, in addition to the 0.5% growth in manufacturing output. However, mining activity fell 2.3% m/m.

With today’s figures, the Mexican economy adds a 2% 3m/3m saar expansion. However, industrial production has fallen 2.4% 3m/3m saar, while services add a 4% expansion (refer to the charts on the following page).

Looking ahead, we believe that the Mexican economy will decelerate. We continue to appraise significant risks to Mexico’s growth scenario, where we highlight the following: (1) Private consumption will decelerate, as a result of Mexico’s persistently high inflation; (2) construction activity will maintain a downward trend, as a result of the Federal Government’s austerity program; and (3) the recession of the mining industry –mainly due to Mexico’s lower oil production– will continue during the fourth quarter, which will continue to partially offset the higher growth of services output. As a result, we maintain our 1.9% GDP forecast for 2017.

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Global economic indicator: August 2017

% yoy nsa

	Aug-17	Aug-16	Jan-Aug, '17	Jan-Aug, '16
Total	2.3	3.0	2.1	2.3
Agriculture	-4.1	9.2	2.6	2.9
Industrial production	-0.5	0.3	-0.4	0.2
Mining	-9.7	-8.5	-9.9	-4.9
Utilities	-0.6	3.2	-1.1	3.7
Construction	-1.6	-0.2	-0.7	1.4
Manufacturing	3.3	3.7	3.4	1.2
Services	4.0	4.3	3.4	3.4
Comerce	3.7	3.9	3.0	2.4
Transport	6.2	6.4	4.8	5.7
Financial services	3.9	4.3	4.2	3.7
Professional services	6.5	6.0	4.2	5.4
Educational services	1.9	2.2	1.7	1.1
Recreational services	0.7	8.9	1.6	7.1
Housing services	7.6	0.5	4.7	3.9
Government services	-0.2	1.8	0.3	-0.9

Source: INEGI

Global economic indicator: August 2017

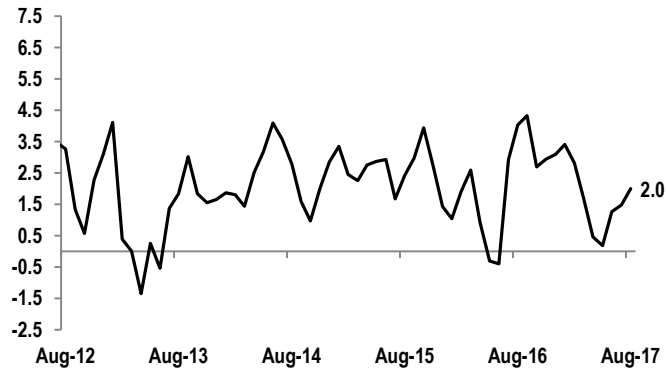
% m/m nsa

	Aug-17	Jul-17	Difference
Total	0.8	-0.6	1.4
Agriculture	-1.0	-1.6	0.6
Industrial production	0.3	-0.9	1.2
Services	1.0	-0.2	1.2

Source: INEGI

Global economic indicator

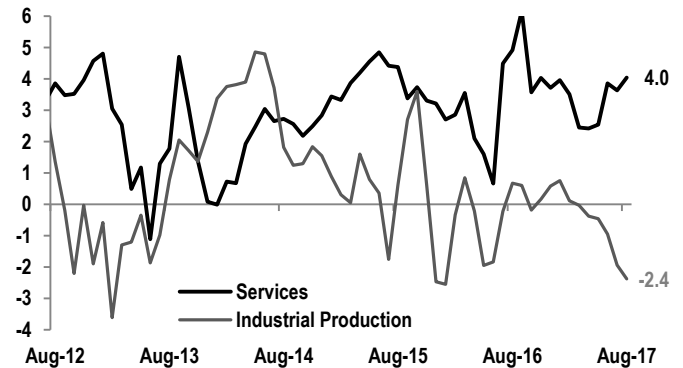
% 3m/3m saar



Source: Banorte-ixe

Global economic indicator: Industrial production and services

% 3m/3m saar



Source: Banorte-ixe

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