

Aggregate demand– Private consumption expands 1.1% y/y in 1Q19

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- **Aggregate demand (1Q19): 1.4% y/y; Banorte: 1.4%; consensus: 1.4%; previous: 2.4%)**
- **Seasonally adjusted figures show that private consumption expanded 0.2% q/q in 1Q19 vs. -0.3% in previous quarter**
- **Meanwhile, gross fixed investment expanded 0.7% q/q (previous: -1.8%)**
- **Regarding external demand, exports came down 0.2% t/t, while imports declined 2% during the first quarter of the year**
- **Aggregate demand confirms deceleration of economic activity in 1Q19**

According to *INEGI*, aggregate supply and demand expanded 1.4% yoy in 1Q19 in line with our estimates. On the supply side, this number is explained by a 1.2% increase in GDP, coupled with imports increasing 1.7%y/y. On the demand side, private consumption was up 1.1% y/y. Meanwhile government consumption was down 0.8% y/y.

Gross fixed investment declined 0.9% y/y. By component, public investment is down 8.1% on an annual basis, while private investment expanded 0.3%. In the case of private investment, the expansion is explained by an increase of 2.9% in construction, while investment in machinery and equipment is down 2.7% in the period in question. Finally, exports expanded 2% y/y, as shown in the following table.

Aggregate supply and demand: 1Q19
% y/y

	Mar-19	Dec-18	Jan-Mar,'19	Jan-Mar,'18
Aggregate supply	1.4	2.7	1.4	2.4
GDP	1.2	1.7	1.2	1.2
Imports	1.7	5.6	1.7	5.7
Aggregate demand	1.4	2.7	1.4	2.4
Private consumption	1.1	1.4	1.1	2.4
Public consumption	-0.8	0.3	-0.8	1.1
Gross fixed investment	-0.9	-2.2	-0.9	1.0
Private	0.3	-0.8	0.3	1.0
Construction	2.9	-0.2	2.9	-0.5
Machinery & Eq.	-2.7	-1.4	-2.7	2.8
Public	-8.1	-9.8	-8.1	1.0
Construction	-8.9	-10.3	-8.9	2.0
Machinery & Eq.	-0.9	-6.6	-0.9	-6.9
Inventories	4.6	51.6	4.6	3.9
Exports	2.0	3.9	2.0	2.0

Source: INEGI

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Seasonally adjusted figures show that aggregate demand declined 0.5% t/t.

Private consumption was up 0.2% (vs. 0.3% in 4Q19) while government consumption resulted lower than in previous quarter, declining 0.3% (vs. 0%). Gross fixed investment increased 0.7% q/q (vs. 1.8% in 4Q18). Private investment picked up (0.5% q/q in 1Q19 vs. -0.8% in previous quarter), while public investment increased 0.8% (vs. -7.2% in 4Q18). Finally, exports are down 0.2% q/q.

Aggregate supply and demand: 1Q19

%, seasonally adjusted

	Mar-19	Dec-18	Mar-19	Dec-18
	q/q	q/q	saar	saar
Aggregate supply	-0.5	0.2	-2.0	1.0
GDP	-0.2	0.0	-0.7	0.1
Imports	-2.0	1.4	-7.7	5.9
Aggregate demand	-0.5	0.2	-2.0	1.0
Private consumption	0.2	-0.3	1.0	-1.2
Public consumption	-0.3	0.0	-1.1	-0.1
Gross fixed investment	0.7	-1.8	2.8	-6.8
Private	0.8	-7.2	3.4	-25.9
Public	0.5	-0.8	2.2	-3.3
Inventories	3.4	5.5	14.1	24.1
Exports	-0.2	-0.5	-0.7	-2.0

Source: INEGI

Aggregate demand report confirms the deceleration of economic activity in 1Q19.

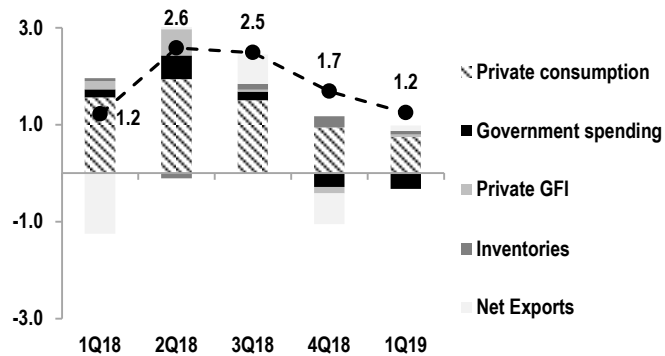
Figures show a favorable calendar effect, given that the Easter Holiday in 2019 took place in April vs. March-April in 2018. However, moderation in aggregate demand was explained, among others, by the expected slowdown given the fact that this is the first year of an administration and, therefore, government spending tends to decline. In this context, the report shows that public spending -government consumption plus public investment-, subtracted 0.3%-pts from GDP growth in the period in question. This must be added to temporary shocks that affected the economy the first months of the year, as we have been discussing in our publications.

Meanwhile, private consumption continues to be the main driver of growth, with a contribution of 0.7%-pts in 1Q19, although below the average observed last year (see chart below on the left), which is consistent with the weakness shown by the data on the supply side, with the services sector explaining practically the growth in the first quarter of the year (see chart below on the right).

Looking ahead, we expect aggregate demand to continue moderating as recent economic indicators are already suggesting. However, we believe that private consumption will continue to be one of the main drivers of growth in 2019.

Demand side GDP 1Q19

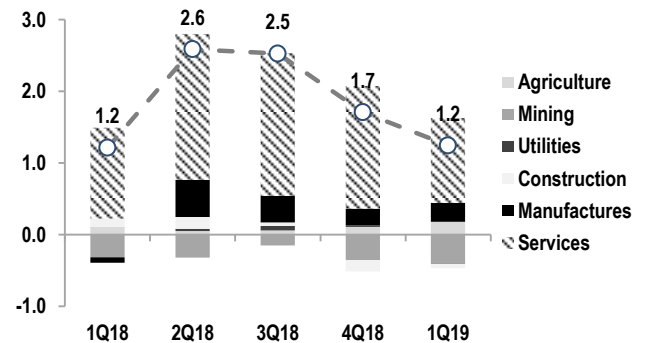
Contribution to annual GDP in %



Source: INEGI

Supply side GDP 1Q19

Contribution to annual GDP in %



Source: INEGI

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