

## Aggregate demand – Private consumption remained as Mexico’s main growth driver in 2Q17

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- **Aggregate demand (2T17): 2.6% yoy; Banorte-Ixe: 2.7%; consensus: 2.7%; previous: 4%**
- **In seasonally adjusted terms, aggregate demand increased 0.2% q/q (0.8% saar), below the 2% observed in 1Q17**
- **However, there is a significant discrepancy between the headline figure and its components, particularly those associated with domestic demand**
- **Private consumption posted a significant 1.3% q/q expansion (5.2% saar); while government consumption increased 0.1% (0.5% saar)**
- **In addition, private investment edged-up to 0.7% q/q (2.9% saar)**
- **However, public investment declined 4.6% (-17.2% saar)**
- **Looking ahead, we believe that aggregate demand will decelerate as a result of the downward trend in public investment**

**Aggregate demand increased 0.2% q/q (0.8% saar).** According to the INEGI’s report published today, aggregate demand increased 2.6% yoy in 2Q17 (original figures). However, in seasonally adjusted terms, aggregate demand increased a scant 0.2% q/q (0.8% saar), below the 8% observed in 1Q17.

The moderate 0.2% increase in aggregate demand could be interpreted as a negative sign alluding to a significant deceleration of the Mexican economy. However, there is a strong discrepancy between the headline figure and its components, particularly those related to domestic demand. Private consumption posted a 1.3% q/q expansion (5.2% saar), while government consumption increased 0.1% (0.5% saar). In addition, private investment edged up to 0.7% q/q (2.9% saar) from -0.6% in 1Q17. Nevertheless, public investment declined -4.6% (-17.2% saar), as a result of the federal government’s fiscal austerity program. Finally, exports fell 2.3% q/q (-8.9% saar), while imports declined 0.9% q/q (-3.4% saar).

**Looking ahead, we believe that aggregate demand will decelerate.** It is likely that aggregate demand will decelerate as a result of the contraction in public spending (consumption and investment), given the fiscal consolidation policy implemented by the federal government. In addition, we believe that private investment will maintain a downward trend as a result of the political and economic uncertainty. However, private consumption will remain as Mexico’s main growth driver given the better outlook for the labor and credit markets.

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**Aggregate supply and demand: 2Q17**

% sa

	% q/q		% q/q saar	
	2Q17	1Q17	2Q17	1Q17
<b>Aggregate Supply</b>	<b>0.2</b>	<b>2.0</b>	<b>0.8</b>	<b>8.0</b>
GDP	0.6	0.7	2.3	2.7
Imports	-0.9	6.1	-3.4	26.9
<b>Aggregate Demand</b>	<b>0.2</b>	<b>2.0</b>	<b>0.8</b>	<b>8.0</b>
Private Consumption	1.3	0.7	5.2	2.8
Government Consumption	0.1	-0.5	0.5	-1.9
GFI	0.0	-0.4	-0.1	-1.7
Public	-4.6	-2.2	-17.2	-8.4
Private	0.7	-0.6	2.9	-2.5
Inventories	-13.7	79.3	-44.5	934.3
Exports	-2.3	4.3	-8.9	18.3

Source: Banorte-ixe with data from INEGI

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