

## IGAE – Economic activity favored by a calendar effect in April

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**Delia Paredes**  
Executive Director of Economic Analysis  
delia.paredes@banorte.com

**Francisco Flores**  
Economist, Mexico  
Francisco.flores.serrano@banorte.com

- **Global Economic Indicator, IGAE (April): 4.5% yoy; Banorte: 4.5%; consensus: 4.6% (range of estimates: 3% to 5.2%); previous: -0.8%**
- **We highlight that economic activity in April was favored by a calendar effect which increased working days in the annual comparison**
- **In seasonally adjusted terms, economic activity increased 1.4% yoy (-0.6% m/m), as a result of the 2% expansion in services and 0.2% in IP**
- **Looking ahead, we believe that the Mexican economy will show a more vigorous growth in 2Q18**

**Economic activity favored by a calendar effect in April.** INEGI just released its *Global Economic Activity Indicator* (IGAE) report for April, in which economic activity increased 4.53% yoy, in line with our 4.5% forecast (consensus: 4.6%). However, we highlight that IP in April was favored by a calendar effect which increased working days in the annual comparison due to the Easter holiday.

**Excluding this effect, and using seasonally adjusted figures, the economy expanded 1.4% yoy.** This comes as a result of a 2% yoy expansion in services, coupled with the scant 0.2% increase in industrial production as well as the 4.2% rise in primary activities. The growth in IP was explained by the 0.1% yoy increase in manufacturing, as well as the 3.8% yoy expansion in construction, which was almost offset by the 6.2% yoy fall in mining output. Moreover, the slower dynamism in services was explained by the 1.2% fall in retail sales coupled with the null growth in wholesales. However, these were mitigated by a 5.6% increase in professional services as well as the 4.4% expansion in government services (as shown in the table below). mentioned in our previous publications, the meager growth in industrial.

### Global economic indicator: April 2018

% yoy, sa

	Apr-18	Apr-17
<b>Total</b>	<b>1.4</b>	<b>3.0</b>
<b>Agriculture</b>	<b>4.2</b>	<b>2.7</b>
<b>Industrial production</b>	<b>0.2</b>	<b>-0.4</b>
Mining	-6.2	-8.4
Utilities	2.8	0.5
Construction	3.8	-4.0
Manufacturing	0.1	5.0
<b>Services</b>	<b>2.0</b>	<b>4.6</b>
Wholesale	0.0	2.8
Retail	-1.2	9.9
Transport	2.7	6.6
Financial services	3.3	4.5
Professional services	5.6	2.0
Educational services	-0.4	1.9
Recreational services	-1.5	2.1
Housing services	2.5	6.2
Government services	4.4	-0.2

Source: INEGI

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Nevertheless, in the monthly comparison, economic activity contracted **0.6%**. Taking a look at the breakdown, services output edged-down 0.5% m/m after increasing 0.5% in March. Moreover, industrial output posted a 0.4% m/m contraction (previous: -0.1%), while the activity in the primary sector decreased 1.7% m/m. In annualized terms, the economy expanded 2% 3m/3m saar on the back of increases of 1.4% and 2.7% in industrial output and services, respectively (refer to the charts below).

**Global economic indicator: April 2018**

% sa

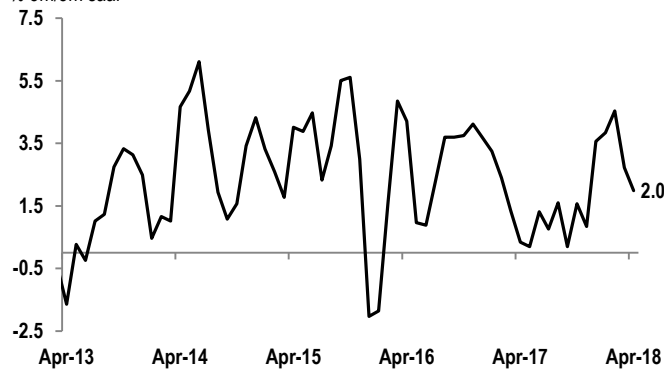
	Apr-18	Mar-18	Apr-18	Mar-18
	m/m	m/m	3m/3m saar	3m/3m saar
Total	-0.6	0.2	2.0	2.7
Agriculture	-1.7	2.4	-2.5	1.9
Industrial production	-0.4	-0.1	1.5	2.7
Services	-0.5	0.5	2.7	2.9

Source: INEGI

**This is our first look into 2Q18 activity figures.** We expect economic activity to pick up momentum in the second quarter of the year after growing 1.3% yoy (nsa) in 1Q18. We believe that Mexican manufacturing production will pick up speed in the next couple of months on the back of a more depreciated Mexican peso. In addition, we expect construction output to continue expanding throughout the second quarter. In the services sector, we believe that the downward trend in inflation will help the recovery of retail sales in the coming months. However, the depreciation of the exchange rate could reduce the consumption of imported goods.

**Global economic indicator**

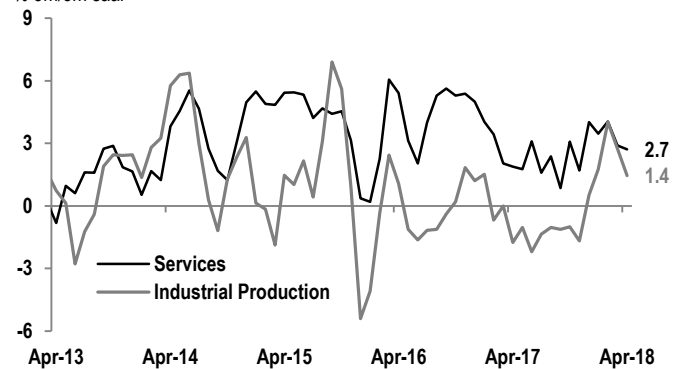
% 3m/3m saar



Source: INEGI

**Global economic indicator: Industrial production and services**

% 3m/3m saar



Source: INEGI

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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**
**Research and Strategy**

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

**Economic Analysis**

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Katía Celina Goya Ostos	Senior, Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional	miguel.calvo@banorte.com	(55) 1670 - 2220
Francisco José Flores Serrano	Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

**Fixed income and FX Strategy**

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Senior Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Strategist Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

**Equity Strategy**

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Technical Analysis	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Equity Research – Conglomerates / Financials/ Mining / Petrochemicals	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Equity Research – Airlines / Airports / Cement / Infrastructure / REITs	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research – Auto Parts/ Consumer Discretionary / Real Estate / Retail	valentin.mendoza@banorte.com	(55) 1670 - 2250
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

**Corporate Debt**

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

**Wholesale Banking**

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8318 - 5071
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5004 - 1453
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454