

January's IGAE – Mexico's growth momentum persists

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- **Global economic indicator, IGAE (January): 2% yoy; Banorte-Ixe: 1.9%; consensus: 1.8% (range: 0.9% to 2.6%); previous: 3.2%**
- **January's 2% yoy growth was simply explained by a calendar effect, given that Jan'15 had an additional weekend day**
- **Analyzing the calendar-adjusted figures, economic activity grew 2.5% yoy**
- **Moreover, in seasonally adjusted terms, economic activity increased 0.2% m/m (+3.3% 3m/3m saar), while services expanded 0.4% m/m**
- **We continue to believe that the Mexican economy will maintain its path towards growth**

January's 2% yoy growth explained by a calendar effect. *INEGI* just released its January's Global Economic Indicator (IGAE) report showing that economic activity expanded a scant 2% yoy, basically in line with our 1.9% estimate (consensus: 1.8%). However, this number was explained by a calendar effect, given that Jan'15 had an additional Saturday. Adjusting for this effect, economic activity grew 2.5%. Taking a look at the breakdown, industrial production grew 0.7% yoy, while the services sector increased 3.1%.

As we mentioned in our January's IP report, manufacturing output grew 2.3% yoy (calendar adjusted figures), as a result of the significant depreciation of the Mexican currency. Moreover, construction sector showed, for the eighth time in 20 months, a positive rate of expansion (4.4% yoy), which was explained by the recovery in private investment projects. However, given the fall in Mexico's oil production, mining activity declined 5.9% adding ten consecutive months in contraction. Finally, utilities expanded 3.1% yoy.

Moreover, services increased 3.1% yoy, as a result of a 5.2% expansion in trade. Similarly, transportation and information in mass media services grew 4.2% yoy, while recreational services increased by 3.4% yoy.

Global economic indicator: January 2015

%yoy	Jan-15	Jan-14	2014	2013
Total	2.0	1.0	2.1	1.4
Agriculture	14.1	-2.8	2.6	1.1
Industrial production	0.3	1.1	1.9	-0.5
Services	2.5	1.2	2.3	2.6
%yoy adjusted by calendar effects	Jan-15	Jan-14	2014	2013
Total	2.5	1.2	2.1	1.4
Agriculture	14.1	-2.8	2.6	1.1
Industrial production	0.7	1.2	1.8	-0.5
Services	3.1	1.3	2.3	2.6

Source: INEGI

In seasonally adjusted terms, economic activity increased 0.2% m/m.

Taking a look at the breakdown, industrial output fell 0.4% m/m, as a result of a 0.1% m/m contraction in manufacturing production, and a significant 1.5% m/m reduction in construction output. Moreover, the services sector edged up by 0.4% m/m. We highlight the expansion observed in trade (0.5% m/m), transportation and information in mass media (1.3% m/m), and recreational services (0.3% m/m). Finally, primary activities increased 6.7% m/m. With these figures, economic activity posted a 3.3% 3m/3m saar growth, as shown in the chart below.

Global economic indicator: January 2015

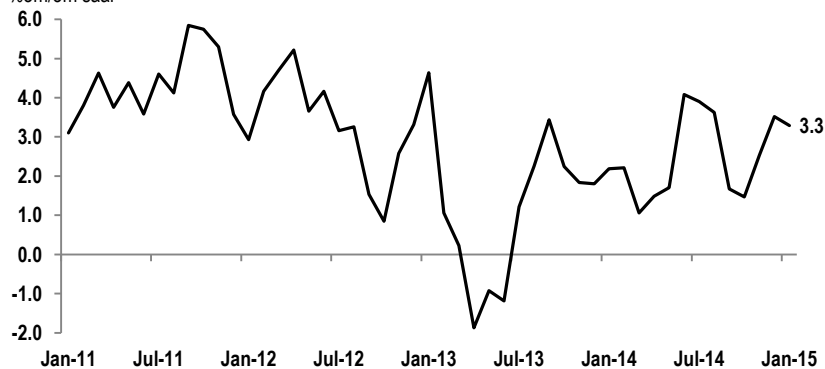
seasonally adjusted figures

% m/m	Jan-15	Dec-14	Difference
Total	0.2	-0.4	0.6
Agriculture	6.7	5.3	1.3
Industrial production	-0.4	-0.3	-0.1
Services	0.4	-0.2	0.6

Source: INEGI

Global economic indicator

%3m/3m saar



Source: Banorte-Ixe

We continue to believe that the Mexican economy will maintain its path towards growth. The Mexican manufacturing sector has shown better growth dynamics derived from the better growth prospects in both private consumption and manufacturing production in the U.S. Similarly, we believe that domestic demand is beginning to show a more visible recovery due to the following factors: (1) The better growth dynamics in the manufacturing sector, which will eventually translate into better growth prospects for certain sectors related to this industry, such as trade and transport services; (2) the recovery of the labor market; (3) the recent downward trend in inflation that will hold throughout the year; and (4) the recovery in private consumption reflected in the recent spike observed in *INEGI* and *ANTAD* sales.

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