

Demand-side GDP figures show that private consumption remains relatively strong in 2H18

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- **Aggregate demand (3Q18): 3.6% y/y; Banorte: 3.7%; consensus: 3.4%; previous: 3.8%)**
- **Seasonally adjusted figures show that private consumption expanded 2.2% q/q saar in 3Q18 vs. -0.1% in previous quarter**
- **Meanwhile, gross fixed investment declined 2.8% q/q saar (previous: -4.3%)**
- **Regarding external demand, exports were flat in annualized terms, while imports were up 6.4% during the third quarter of the year**

According to *INEGI*, aggregate supply and demand expanded 3.6% yoy in 3Q18 in line with our estimates. On the supply side, this number was explained by a 2.5% increase in GDP, coupled with imports expanding 6.3% y/y. On the demand side, private consumption was up 2.2% y/y, below 2.5% increase year to date. Meanwhile government consumption expanded 1% y/y, below the expansion of 1.8% y/y observed so in the first half of the year.

Gross fixed investment expanded 0.3% y/y. By component, public investment is up 2.8% on an annual basis, while private investment declined 0.1%. In the case of private investment, the decline was explained by a decline of 1.4% in construction, while investment in machinery and equipment was up 1.2% in the period in question. Finally, exports expanded 8.8% y/y, as shown in the following table.

Aggregate supply and demand in 3Q18
%, NSA

	Sep-18	Jun-18	Jan-Sep,'18	Jan-Sep,'17
Aggregate supply	3.6	3.8	2.5	3.2
GDP	2.5	2.6	2.6	2.3
Imports	6.3	7.2	2.1	6.0
Aggregate demand	3.6	3.8	2.5	3.2
Private consumption	2.2	2.9	2.5	3.4
Public consumption	1.0	3.1	1.8	1.2
Gross fixed investment	0.3	3.3	1.6	-1.1
Private	-0.1	3.1	1.4	2.2
Construction	-1.4	0.7	-0.2	1.7
Machinery & Eq.	1.2	5.6	3.3	2.7
Public	2.8	4.8	2.4	-17.8
Construction	4.0	5.5	3.2	-17.7
Machinery & Eq.	-5.0	-5.5	-5.6	-17.6
Inventories	36.6	-11.9	9.6	-2.1
Exports	8.8	8.2	6.3	4.4

Source: INEGI

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Seasonally adjusted figures show that aggregate demand expanded 2.6% t/t saar. Private consumption was up 2.2% (vs. 0.1% in 2Q18) while government consumption declined 6.1% q/q saar (vs. +2.7%). Meanwhile, gross fixed investment declined 2.8% q/q saar (vs. -4.3% in 2Q18). Private investment picked up (-2.8% q/q saar in 3Q18 vs. -3.9% in previous quarter), while public investment increased 1.2% (vs. -18.4% in 2Q18). Finally, exports were flat on a seasonally adjusted annualized rate.

Aggregate supply and demand in 3Q18

%, sa

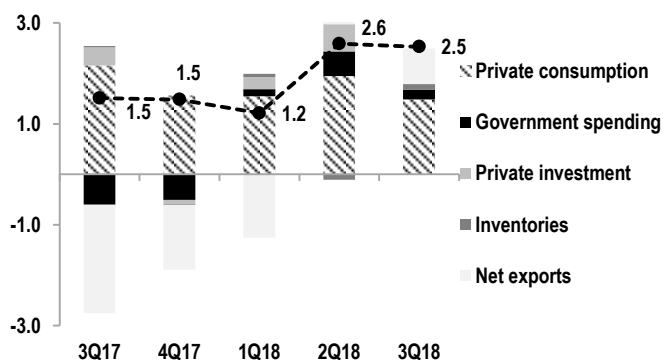
	sep.-18 q/q	jun.-18 q/q	sep.-18 saar	jun.-18 saar
Aggregate supply	0.6	2.6	2.6	10.7
GDP	0.8	1.9	3.4	7.9
Imports	1.6	-0.9	6.4	-3.4
Aggregate demand	1.0	-0.2	4.2	-0.7
Private consumption	0.5	0.0	2.2	-0.1
Public consumption	-1.6	0.7	-6.1	2.7
Gross fixed investment	-0.7	-1.1	-2.8	-4.3
Public	0.3	-5.0	1.2	-18.4
Private	-0.7	-1.0	-2.8	-3.9
Inventories	25.3	-27.1	146.5	-71.8
Exports	-0.01	2.2	-0.02	9.1

Source: INEGI

Demand-side GDP figures show dynamism from private consumption and investment. By contrast, the impact of public spending -defined as government consumption plus public investment- is fading as we leave behind the electoral process. In this context, contribution of public spending to growth came down to 0.2%-pts from 0.5%-pts in 2Q18. Meanwhile, private consumption continues to be the main driver of growth, with a contribution of 1.7% -pts on average so far this year (see graph below left), which is consistent with the strength shown by supply-side GDP numbers, with the services sector contributing 1.8%-pts to growth during the period in question (see chart below to the right). Looking ahead, we believe that aggregate demand will continue to moderate as recent data on investment and exports suggest some weakness ahead. Nevertheless, we believe that private consumption will continue to show dynamism, as a result of elevated levels of consumer confidence, among others.

Demand-side GDP in 3Q18

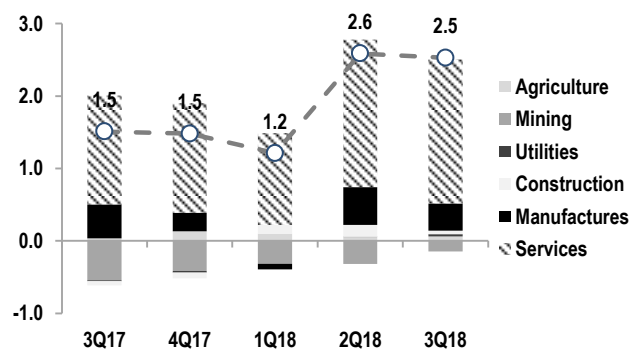
Contribution to yoy GDP growth



Source: INEGI

Supply-side GDP in 3Q18

Contribution to yoy GDP growth



Source: INEGI

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