

## Global Economic Indicator – Lower growth in February explained by a calendar effect

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- **Global Economic Indicator, IGAE (February): 0.95% yoy; Banorte-Ixe: 0.9%; consensus: 1.1% (range: 0.7% to 2.5%); previous: 3%**
- **February’s lower growth was explained by a calendar effect, as a result of an artificial base of comparison given the leap year in 2016**
- **With calendar adjusted figures economic activity increased 2.2% yoy**
- **In seasonally adjusted terms, economic activity increased 0.1% m/m, and adds a 3.4% 3m/3m saar expansion**
- **Despite February’s growth, we continue to believe that the Mexican economy will decelerate in the first half of 2017**

**Lower growth as a result of a calendar effect.** *INEGI* just released its Global Economic Indicator (IGAE) report for February, in which economic activity increased 0.95% yoy, in line with our 0.9% forecast (consensus: 1.1%). However, we highlight that February’s lower growth was explained by a calendar effect, as a result of an artificial base of comparison given the leap year in 2016. With calendar adjusted figures, economic activity increased 2.2% yoy.

Taking a look at the breakdown, and analyzing the calendar-adjusted figures, industrial production posted a null growth, as a result of the 10.6% contraction in mining activity coupled with the 2.7% increase in construction output, and the 3.4% growth in manufacturing production. In addition, services edged-up 3.4%, as shown in the table on the next page.

**In seasonally adjusted terms, economic activity increased 0.2% m/m.** Taking a look at the breakdown, industrial output posted a 0.1% expansion, as a result of the 0.9% m/m gain in construction output, However, mining activity decreased 1%. In addition, services posted a 0.2% m/m expansion, while primary activities fell 4.3% m/m (refer to the second table on the next page).

With today’s figures, economic activity now shows a 3.4% 3m/3m saar expansion. In addition, services increased 3.7% 3m/3m saar, while industrial production now shows a 0.8% growth (refer to the charts on the third page).

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**Despite February's growth, we continue to believe that the Mexican economy will decelerate.** Donald Trump's presidency will possibly imply lower economic growth for Mexico in 2017, as a result of the uncertainty regarding the economic impact of Trump's policies. The first blow on growth will most likely come in the first half of 2017, with the transmission channel being a strong deterioration of expectations, leading to a significant deceleration in economic activity.

However, it is likely that the negative perception of a Donald Trump presidency will gradually fade and confidence levels will show a more visible recovery towards the second half of the year. For 2018, we believe that the recovery of the Mexican economy will continue and will grow around 2.5% given the fiscal expenditure as a result of Mexico's presidential election process.

#### February's IGAE report

<b>% yoy</b>	<b>Feb-17</b>	<b>Feb-16</b>	<b>Jan-Feb, '17</b>	<b>Jan-Feb, '16</b>
Total	0.95	3.93	1.95	2.90
Agriculture	3.60	1.27	8.61	0.46
Industrial production	-1.69	2.28	-0.88	1.13
Services	2.27	4.97	3.18	4.03
<b>% yoy, adjusted by calendar effects</b>	<b>Feb-17</b>	<b>Feb-16</b>	<b>Jan-Feb, '17</b>	<b>Jan-Feb, '16</b>
Total	2.21	2.64	2.41	2.61
Agriculture	3.60	1.27	8.61	0.46
Industrial production	0.02	0.54	-0.13	0.72
Services	3.36	3.86	3.48	3.80

Source: INEGI

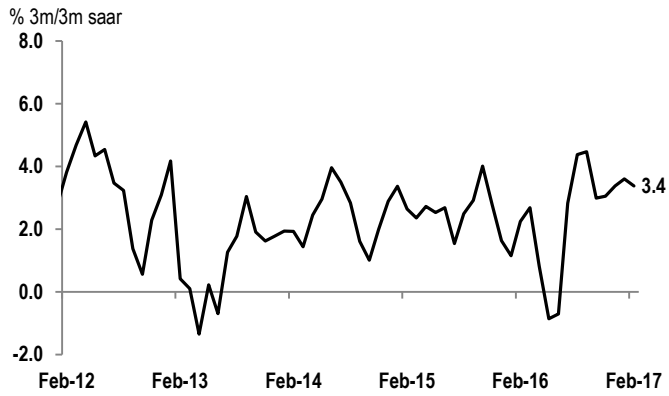
#### Global economic indicator: February 2017

% m/m sa

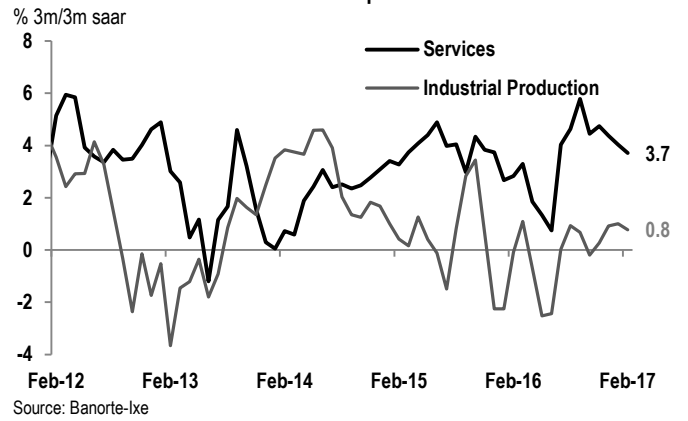
	<b>Feb-17</b>	<b>Jan-17</b>	<b>Difference</b>
<b>Total</b>	<b>0.1</b>	<b>0.3</b>	<b>-0.2</b>
<b>Agriculture</b>	<b>-4.3</b>	<b>3.9</b>	<b>-8.2</b>
<b>Industrial production</b>	<b>0.1</b>	<b>0.1</b>	<b>0.0</b>
Mining	-1.0	1.0	-2.0
Utilities	-1.5	-2.3	0.8
Construction	0.9	0.1	0.8
Manufacturing	0.0	0.5	-0.5
<b>Services</b>	<b>0.2</b>	<b>0.1</b>	<b>0.1</b>

Source: INEGI

**Global economic indicator**



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



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