# 4Q23 GDP – Upward revision in services drives the full-year figure to 3.2%

- **Gross Domestic Product (4Q23 F, nsa): 2.5% y/y; Banorte: 2.2%; consensus: 2.4% (range: 2.2% to 2.9%); preliminary: 2.4%**

- **Gross Domestic Product (4Q23 F, sa): 0.1% q/q; Banorte: 0.0%; consensus: 0.1% (range: -0.1% to 0.4%); preliminary: 0.1%**

- **Considering the revisions, the full-year figure was adjusted to 3.2% (preliminary: 3.1%), with industry (3.5%) and services (3.1%) behind the expansion**

- **In the sequential comparison, adjustments were mostly to the upside. The largest change was in industry at -0.1% q/q (-18bps), followed by services at 0.3% (+14bps). Finally, agriculture was more stable at -1.0% (+7bps)**

- **Consistent with this, December's GDP-proxy IGAE came in at 0.0% m/m (1.1% y/y). Industry was dragged by manufacturing and construction, while results in services were more mixed**

- **Despite the deceleration at the end of 2023, we believe enough factors are in place to rekindle dynamism in 1H24. As such, we maintain our call of sequential expansions in this period, with a full-year 2.4% increase**

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com

Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com

Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com

GDP in 2023 revised higher to 3.2%. The report shows that the economy grew 2.5% in 4Q23 (see Chart 1), representing a +11bps revision relative to the preliminary figure. By categories, the main adjustments were in services at 2.4% (+30bps) and industry at 2.8% (-24bps). On the other hand, primary activities were more stable at 0.3% (-3bps), as shown in Chart 2. With the, the final figure for the full year was higher at 3.2% (preliminary: 3.1%). As we mentioned before, dynamism was concentrated in the first three quarters, with a relevant boost from domestic sectors relative to those with greater exposure to external demand. Inside, industry led at 3.5% –with construction as the highest subsector at 15.6%– and services were also very positive at 3.1% –noting increases in items such as mass media (5.9%) and professional services (5.6%). Finally, agriculture grew 1.9%. For more details, see Table 1.

GDP
% y/y, nsa
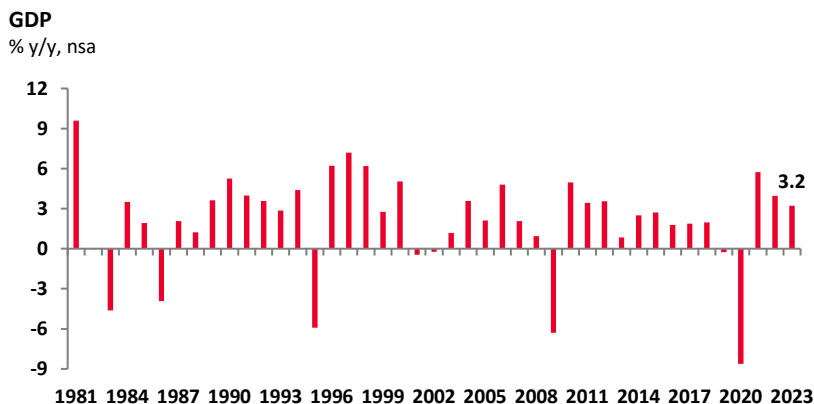
Source: Banorte with figures from INEGI

Modest sequential uptick. GDP came in at 0.1% q/q (Chart 3), unchanged relative to preliminary data and marking nine consecutive quarters of growth (Chart 5). At the sectoral level, performance was revised up for two of the three main branches of activity.

The most substantial change was in industry, down 18bps to -0.1% q/q, as seen in Chart 4. This marks its first decline since 1Q21. Performance was dragged by manufacturing (-0.5%) and construction (-0.3%). Within the former, we acknowledge negative trends in autos –both from the strike in the US along with maintenance works at the end of the year–, while the latter was characterized by a more volatile behavior across its three main branches. Mining was better at the margin at 0.1%, although not enough to offset for the 2.0% decline in the previous quarter, as the erratic behavior in 'services related to the sector' continues.

Services were adjusted by +14bps to 0.3%. This is relevant considering that fundamentals remained solid –albeit with higher volatility than in previous quarters. Consistent with this, 9 of 15 categories improved. The expansion was led by entertainment (4.3%), business support (3.3%) and lodging (1.5%). On the contrary, there were notable declines in financials and insurance (-2.4%), mass media (-2.1%), and corporates (-1.4%). Regarding commerce, figures were mixed, with wholesales up 1.0%, but retail sales down 0.3%. For further details, please refer to Table 4. Finally, primary activities were revised by +7bps to -1.0%. The result is consistent with an adverse backdrop in terms of the drought and with the price increases at the end of the period.

Stability in December, albeit with some hints of weakness. INEGI also published the monthly GDP-proxy IGAE for the last month of 2023, standing at 1.1% (Banorte: 0.1%; consensus: 0.7%). This translates into a sequential stagnation (0.0% m/m), albeit tilted to the downside. As already known, industry fell 0.7%, dragged by manufacturing and construction and despite an uptick in mining. Services came in at 0.0%. Inside, 8 of its 14 subsectors were better. We note again entertainment (5.3%) and lodging (1.3%), along a push in real estate (1.0%). Business support (-2.9%) and transportation (-1.2%) led lower. Lastly, primary activities rebounded 7.9%.

We keep expecting strength in coming months, underpinning our forecast of 2.4% GDP growth in 2024. With today's results, inertial growth for the current year would stand at 0.9%, slightly lower than estimated in previous months and consistent with the deceleration at the end of 2023. Nevertheless, we believe that activity could retake higher dynamism in 1Q24, expecting a 0.9% q/q expansion (3.2% y/y), as shown in Table 2 and Table 3.

Moving forward, and as mentioned before, we focus on consumption as the main driver in 1H24. Specifically, household disposable income will likely have a relevant increase, driven by: (1) The 20% adjustment in the minimum wage and its impact on other salaries across the economy –with the average wage of workers affiliated to IMSS up 10.4% y/y in nominal terms in January; (2) the upward adjustment in social program payments –most notably pensions for the elderly, which climbed from $4,800 to $6,000 per bimester; and (3) the fact that these payments will happen earlier due to the restrictions associated with the electoral period, with those corresponding to the March-June period delivered throughout January and February. We believe these factors will unite with a labor market that continues to show little slack, favorable expectations for remittances (despite an adverse seasonality in the first quarter) and the continued dynamism of banking credit.

On investment we maintain a positive outlook, with construction as the pillar. Much will come from efforts to conclude the federal government's flagship projects, with the target for several of them –including the Tren Maya– before the election (although projects may not be 'inaugurated' due to electoral restrictions). In addition, we expect industrial construction projects to continue and may even accelerate, with interest associated with nearshoring extending throughout the year. In addition, Mexican peso strength continues, which should help imported machinery and equipment to keep growing at elevated rates. We also believe that the contribution of government spending will be higher than in previous years.

Specifically, we think that the effect of election-related spending, as well as other related expenditures such as advertising, will be determinant for this.

Thus, despite sequential contractions in the second half of the year, we continue to expect full-year GDP growth at 2.4%, very similar to consensus that has converged to this point in recent months.

Table 1: GDP
% y/y nsa, % y/y sa

|	nsa						sa					
	4Q23	3Q23	4Q22	3Q22	2023	2022	4Q23	3Q23	4Q22	3Q22	2023	2022
Total	**2.5**	**3.5**	**4.5**	**4.8**	**3.2**	**3.9**	**2.5**	**3.5**	**4.6**	**4.7**	**3.2**	**3.9**
Agriculture	*0.3*	*5.6*	*4.8*	*1.0*	*1.9*	*1.6*	*0.0*	*5.3*	*4.5*	*0.6*	*2.1*	*1.5*
Industrial activity	*2.8*	*4.4*	*5.1*	*5.6*	*3.5*	*5.3*	*2.9*	*4.3*	*5.0*	*5.6*	*3.5*	*5.3*
Mining	-1.1	0.3	5.0	3.8	1.4	4.7	-1.2	0.5	4.9	4.0	1.4	4.7
Utilities	4.9	5.6	0.6	1.1	3.7	0.3	5.0	5.6	0.6	1.1	3.7	0.3
Construction	20.2	24.6	2.3	-0.6	15.6	2.8	20.6	24.2	2.7	-0.8	15.5	2.8
Manufacturing	-1.0	0.1	6.1	7.8	0.9	6.3	-1.1	0.0	6.0	7.8	0.9	6.3
Services	*2.4*	*3.0*	*4.1*	*4.4*	*3.1*	*3.1*	*2.5*	*2.9*	*4.3*	*4.3*	*3.1*	*3.1*
Wholesale commerce	6.7	4.5	3.8	9.6	3.9	6.4	6.8	4.6	4.3	9.1	3.8	6.4
Retail sales	1.4	3.0	4.2	5.6	4.1	5.5	1.7	3.0	4.6	5.6	4.2	5.6
Transportation and storage	1.8	2.4	8.7	13.1	3.8	12.8	1.9	2.8	9.3	13.2	3.8	12.9
Mass media and information	-0.3	9.9	14.8	10.1	5.9	14.8	0.2	10.3	15.4	11.2	5.9	14.7
Financial services	-0.4	5.6	7.2	5.1	3.3	6.7	-0.1	5.2	7.5	4.9	3.3	6.6
Real estate	1.8	1.8	2.4	1.2	1.9	1.8	1.7	1.8	2.2	1.3	1.9	1.8
Professional services	0.8	4.9	15.1	2.5	5.6	6.1	0.5	5.8	15.2	3.3	5.8	5.7
Corporates	-1.4	2.1	0.7	3.1	3.9	3.4	-1.2	2.1	0.9	3.1	3.8	3.4
Business support	6.0	-2.3	-27.8	-47.8	-5.2	-59.9	5.7	-2.5	-28.1	-47.8	-5.5	-60.2
Education	2.7	1.8	1.6	2.3	2.0	1.2	2.5	1.7	1.3	2.1	2.0	1.2
Healthcare	2.7	1.3	-1.9	-2.2	1.2	-0.9	2.9	1.2	-1.4	-2.4	1.2	-0.5
Recreation, sports and cultural events	0.4	-4.2	29.7	28.7	2.0	38.3	-0.6	-4.5	27.7	27.0	2.7	37.9
Temporary lodging services	2.0	2.9	11.7	16.7	3.0	21.8	1.5	2.8	11.0	16.5	3.1	21.9
Other services	2.1	2.3	1.3	3.5	2.8	3.6	2.3	2.0	1.7	3.0	2.8	3.6
Government activities	2.3	0.9	-0.6	2.4	1.2	0.0	2.4	0.8	-0.4	2.2	1.2	0.0

Source: INEGI

Chart 1: GDP
% y/y nsa
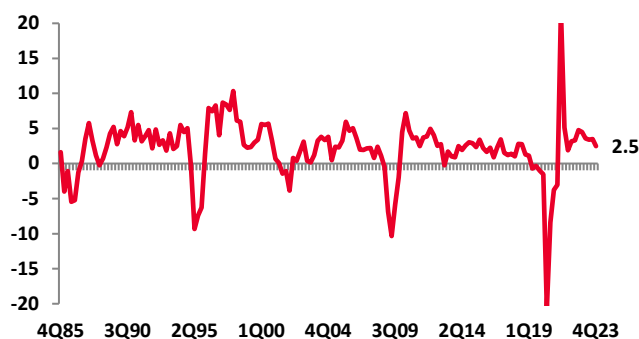
Source: INEGI

Chart 2: GDP by sectors
% y/y nsa
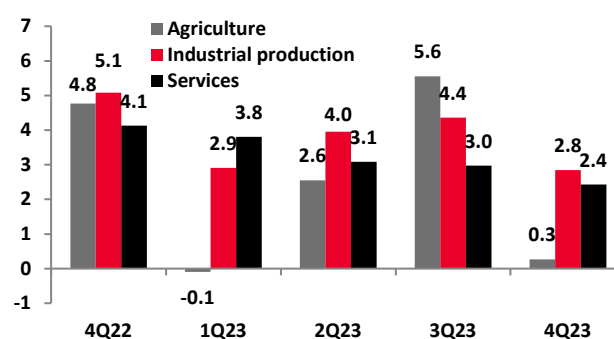
Source: INEGI

Table 3: GDP 2024: Supply
% y/y nsa; % q/q sa

% y/y	1Q24	2Q24	3Q24	4Q24	2024
GDP	**3.2**	**4.7**	**1.6**	**0.2**	**2.4**
Agricultural	-1.2	-2.8	-0.5	1.4	-0.7
Industrial production	3.4	4.8	0.6	0.0	2.2
Services	3.4	5.1	2.2	0.2	2.7
% q/q					
GDP	**0.9**	**0.5**	**-0.5**	**-0.6**	**--**

*Note: Underlined figures indicate forecasts
Source: INEGI, Banorte

Table 4: GDP 2024: Demand
% y/y nsa; % q/q sa

% y/y	1Q24	2Q24	3Q24	4Q24	2024
GDP	**3.2**	**4.7**	**1.6**	**0.2**	**2.4**
Private consumption	4.0	5.9	3.2	0.8	3.4
Investment	15.0	14.2	4.2	-1.4	7.7
Govt. spending	2.2	4.9	1.3	-1.3	1.8
Exports	-2.6	0.3	-0.7	-3.2	-1.6
Imports	2.7	4.5	-0.5	-0.3	0.9
% q/q					
GDP	**0.9**	**0.5**	**-0.5**	**-0.6**	**--**

*Note: Underlined figures indicate forecasts
Source: INEGI, Banorte

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Table 4: GDP
% q/q sa, % q/q saar

	% q/q sa				% q/q saar			
	4Q23	**3Q23**	**2Q23**	**1Q23**	**4Q23**	**3Q23**	**2Q23**	**1Q23**
Total	**0.1**	**1.1**	**0.8**	**0.5**	**0.3**	**4.3**	**3.3**	**2.2**
Agriculture	*-1.0*	*2.6*	*2.2*	*-3.6*	*-4.1*	*11.0*	*9.0*	*-13.7*
Industrial activity	*-0.1*	*1.0*	*1.6*	*0.4*	*-0.5*	*4.1*	*6.6*	*1.7*
Mining	0.1	-2.0	-0.1	0.7	0.4	-7.6	-0.3	3.0
Utilities	-0.3	3.9	-0.5	1.9	-1.4	16.3	-2.0	8.0
Construction	0.5	6.4	8.2	4.2	2.2	28.1	37.3	17.7
Manufacturing	-0.5	0.3	0.1	-0.9	-1.8	1.0	0.3	-3.7
Services	*0.3*	*0.9*	*0.6*	*0.7*	*1.1*	*3.8*	*2.2*	*2.8*
Wholesale commerce	1.0	3.4	1.6	0.6	4.0	14.3	6.7	2.3
Retail sales	-0.3	-0.9	0.8	2.2	-1.2	-3.7	3.1	9.2
Transportation and storage	0.3	0.4	0.1	1.1	1.2	1.7	0.3	4.5
Mass media and information	-2.1	-1.1	3.2	0.3	-8.2	-4.4	13.6	1.1
Financial services	-2.4	0.7	1.4	0.2	-9.3	2.9	5.7	1.0
Real estate	0.7	0.6	0.2	0.2	2.8	2.2	0.9	0.9
Professional services	1.0	-0.3	1.5	-1.7	3.9	-1.3	6.3	-6.5
Corporates	-1.4	-1.8	-0.1	2.1	-5.4	-6.9	-0.4	8.7
Business support	3.3	3.4	1.8	-2.8	13.9	14.2	7.5	-10.8
Education	0.7	0.5	1.1	0.2	2.7	2.1	4.4	1.0
Healthcare	1.0	0.4	-0.3	1.8	3.9	1.8	-1.2	7.3
Recreation, sports, and cultural events	4.3	-7.3	12.1	-8.3	18.4	-26.3	57.7	-29.2
Temporary lodging services	1.5	3.5	-2.0	-1.4	5.9	14.9	-7.7	-5.5
Other services	-0.1	0.8	-0.3	1.9	-0.6	3.4	-1.2	8.0
Government activities	-0.8	1.2	0.6	1.3	-3.0	5.0	2.5	5.4

Source: INEGI

Chart 3: GDP
% q/q sa

Source: INEGI

Chart 4: GDP by sectors
% q/q sa
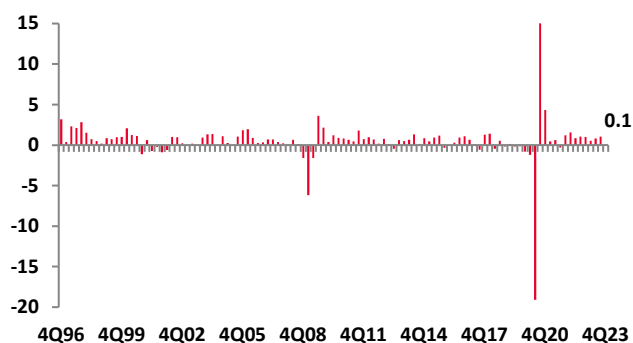
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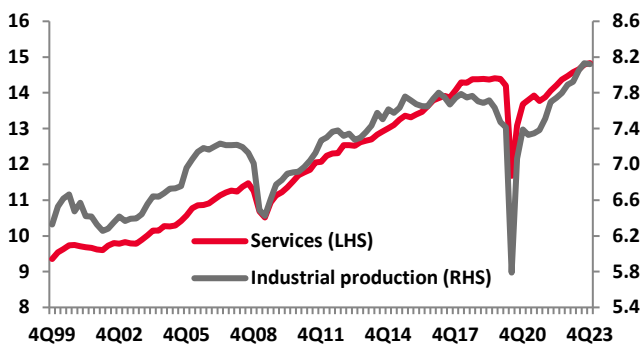
Chart 5: GDP
MXN trillion, sa

Source: INEGI
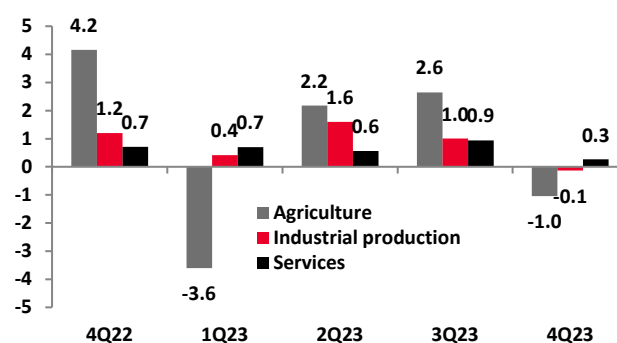
Chart 4: GDP by sectors
MXN trillion, sa

Source: INEGI

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Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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Directory
Research and Strategy

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043

Raquel Vázquez Godinez
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251

Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611

María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046

Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957

Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821

Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000

Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707

Market Strategy

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719

Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800

José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250

Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698

Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144

Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248

Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000

Quantitative Analysis

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972

José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608

Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220

José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000

Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124

Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000

Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000

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