

## GDP-proxy IGAE – Rebound in February, with services leading

- **Monthly GDP-proxy IGAE (February): 4.4% y/y; Banorte: 3.3%; consensus: 2.7% (range: 2.1% to 3.3%); previous: 1.9%**
- **The economy grew 1.4% m/m, breaking with a streak of four months of declines. We highlight several circumstantial factors behind the improvement, expecting them to extend to coming months**
- **Industry fell 0.1% m/m, impacted by declines in construction and mining. Services were positive (1.2%), with 11 of its 14 categories improving. Finally, primary activities rebounded 16.5%, maintaining a very volatile performance**
- **We expect positive conditions to extend in the short-term, boosting activity at the end of 1Q24. However, sectors would remain differentiated, with both headwinds and tailwinds for them**

**The economy grew 4.4% y/y in February, with a positive calendar effect.** This was better than consensus (2.7%) and our estimate (3.3%). We should remember that the print is skewed to the upside because of an additional day due to the leap year. Thus, with seasonally adjusted figures, the advance was more modest at 2.6% y/y ([Chart 1](#)). Back with original figures, industry showed a 3.3% increase ([Chart 3](#)), with services also in positive territory at 4.8% ([Chart 4](#)). However, primary activities did a turn to 7.4% ([Chart 2](#)). For more details see [Table 1](#).

**Relevant sequential uptick, ending a four-month slide.** Activity rose 1.4% m/m ([Chart 5](#)), its largest expansion since March 2021. In our view, this suggests a decisive end to the streak of weakness seen since October. We recognize several drivers for activity, with services as the main beneficiaries. In particular, and as we have elaborated on previous releases, we saw a relevant push from the fact that payments related to social programs were made in advance. However, we believe that pent-up demand in some categories may have also been helped by waning price pressures.

Services were the main contributors at 1.2%, with timely figures pointing to a positive backdrop. Consumer fundamentals were mixed, with gains across labor market indicators, but with soft [remittances](#) at the margin. However, higher households' disposable income was key in driving a widespread improvement. Inside, eleven of the fourteen categories were stronger. We note that a part of this was driven by base effects, as evidenced by wholesales (4.0%), entertainment (1.7%), and lodging (1.3%). Nevertheless, there were others with more outright strength, including mass media (1.9%), healthcare (1.2%), and transportation (0.7%). Meanwhile, retail sales rose 0.1%, relatively in line with its [stand-alone report](#). Lastly, categories with declines were real estate (-0.3%), professional (-0.3%), and government services (-0.5%). For more details, see [Table 2](#).

Primary activities shot up 16.5%, more than making up for the 13.0% decline of the previous month. While the result seems positive at first glance, we believe the sector's volatility is not favorable, with challenging weather conditions –especially droughts–, impacting typical seasonal trends.

Lastly, as already known, [industry fell 0.1%](#) ([Chart 6](#)). Despite a 0.5% expansion in manufacturing –boosted by autos–, declines in construction (-2.5%) and mining (-0.9%) dragged on. Of the latter two, the first one based on a challenging base effect in edification, while the second was impacted by the oil sector.

April 22, 2024



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and Market Strategy  
[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
[francisco.flores.serrano@banorte.com](mailto:francisco.flores.serrano@banorte.com)



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
[yazmin.perez.enriquez@banorte.com](mailto:yazmin.perez.enriquez@banorte.com)



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
[cintia.nava.roa@banorte.com](mailto:cintia.nava.roa@banorte.com)



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**We anticipate an economic acceleration at the end of 1Q24.** Based on today's favorable result and considering our view that momentum will extend into March, it is highly likely that the economy showed a better performance than in 4Q23 (+0.1% q/q). In this sense, we believe that the materialization of relevant drivers in some sectors will be key to drive the expansion forward despite a slow start to the year. However, and unlike 2023, progress seems somewhat more differentiated, with some showing signs of exhaustion, while others maintain greater support.

By categories, we believe that services could maintain greater dynamism in the short-term. As mentioned in previous publications, in addition to the strength in consumption fundamentals, two key points for this are: (1) The additional income of households receiving social programs, which could boost discretionary sectors; and (2) electoral campaigns, resulting in a positive spillover to specific categories such as mass media, advertising, and specialized consultancies. Another positive driver is tourism and leisure, as we recently elaborated in our [View from the Top](#), benefiting from seasonal (e.g. Easter) and circumstantial (e.g. solar eclipse) factors. In terms of risks, we continue to believe inflation could be a drag, especially considering the persistence of upward adjustments within services.

For industry, the outlook is murkier. We believe that construction could show greater vigor as efforts to complete infrastructure works accelerate. Considering budgeted resources for them, it could have a relevant effect. On manufacturing, US resilience could provide more momentum than previously expected, with the most recent signals—including the latest report about the sector— showing further progress. Nevertheless, we recognize challenges for local producers due to Mexican peso strength, especially for those whose cost structure is largely denominated in local currency, but sales are in US dollars.

Finally, on agriculture, the outlook remains negative. High drought levels prevail throughout the country—with especially adverse conditions in the Northwestern region. In addition, we continue monitoring the evolution of the *El Niño* phenomenon and the possible formation of *La Niña* late in the summer.

**Table 1: GDP-proxy IGAE**

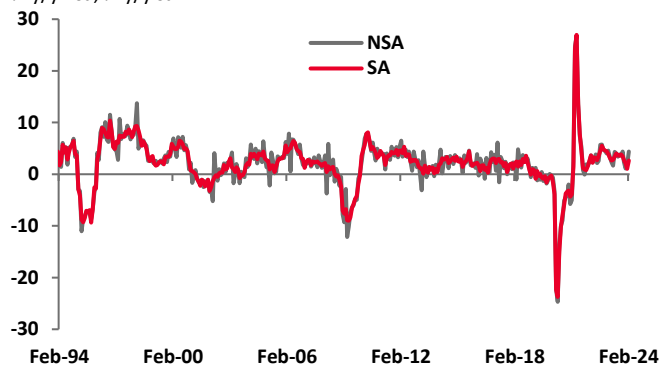
% y/y nsa, % y/y sa

|                              | y/y, nsa   |            |             |            | y/y, sa    |            |
|------------------------------|------------|------------|-------------|------------|------------|------------|
|                              | Feb-24     | Feb-23     | Jan-Feb'24  | Jan-Feb'23 | Feb-24     | Feb-23     |
| <b>Total</b>                 | <b>4.4</b> | <b>3.3</b> | <b>3.1</b>  | <b>3.9</b> | <b>2.6</b> | <b>3.2</b> |
| <b>Primary activities</b>    | <b>7.4</b> | <b>7.0</b> | <b>-1.4</b> | <b>1.0</b> | <b>5.8</b> | <b>5.3</b> |
| Agriculture                  | 10.4       | 10.2       | -3.0        | 0.9        | -          | -          |
| Livestock                    | 1.7        | 1.5        | 2.0         | 1.3        | -          | -          |
| <b>Industrial production</b> | <b>3.3</b> | <b>2.6</b> | <b>3.0</b>  | <b>3.1</b> | <b>1.5</b> | <b>2.8</b> |
| Mining                       | -0.9       | 8.1        | -1.2        | 4.3        | -4.0       | 7.9        |
| Utilities                    | 2.3        | 3.6        | 1.2         | 3.7        | 2.5        | 3.9        |
| Construction                 | 10.4       | 1.4        | 13.5        | 2.8        | 12.1       | 3.5        |
| Manufacturing                | 2.3        | 1.8        | 1.2         | 3.0        | 0.0        | 2.0        |
| <b>Services</b>              | <b>4.8</b> | <b>3.4</b> | <b>3.5</b>  | <b>4.6</b> | <b>3.2</b> | <b>3.3</b> |
| Wholesales                   | 12.8       | -0.9       | 7.9         | 4.2        | 8.3        | -0.8       |
| Retail sales                 | 3.6        | 7.3        | 3.4         | 7.2        | -0.5       | 6.7        |
| Transportation and logistics | 8.2        | 7.2        | 6.6         | 8.7        | 4.2        | 6.7        |
| Mass media                   | 5.9        | 7.5        | 5.1         | 5.6        | 5.5        | 6.4        |
| Financial services           | 2.3        | 5.5        | 1.8         | 6.3        | 2.6        | 6.2        |
| Real estate                  | 0.5        | 1.8        | 0.7         | 1.7        | 0.6        | 1.8        |
| Professional services        | 1.5        | 8.3        | 2.5         | 8.7        | 1.5        | 8.0        |
| Business support             | -3.7       | -13.4      | -4.7        | -15.3      | -3.2       | -13.3      |
| Education                    | 3.1        | 1.4        | 3.0         | 1.2        | 3.3        | 1.7        |
| Healthcare                   | 4.9        | 1.1        | 4.0         | 0.7        | 4.5        | 0.9        |
| Entertainment                | -5.2       | 1.6        | -8.4        | -2.1       | -3.7       | 5.8        |
| Lodging and restaurants      | 0.8        | 8.7        | -1.4        | 10.1       | -0.6       | 8.4        |
| Others                       | 4.8        | 5.8        | 3.9         | 4.4        | 4.0        | 4.8        |
| Government services          | 2.0        | -1.0       | 0.0         | 2.0        | 2.3        | -0.7       |

Source: INEGI

**Chart 1: GDP-proxy IGAE**

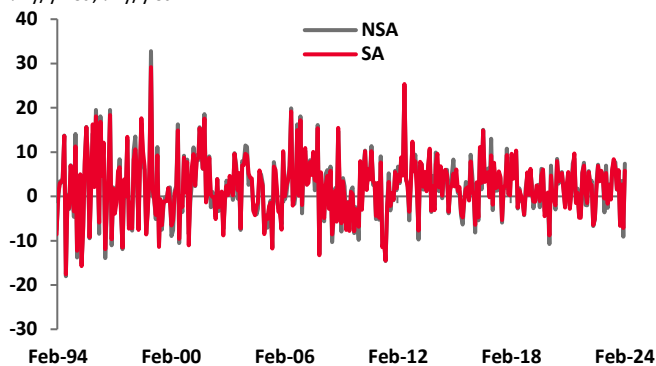
% y/y nsa, % y/y sa



Source: INEGI

**Chart 2: Primary activities**

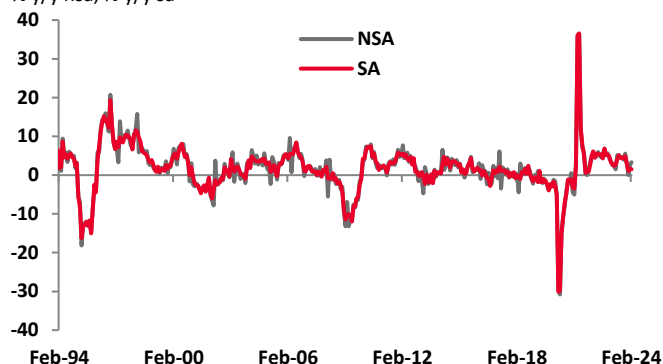
% y/y nsa, % y/y sa



Source: INEGI

**Chart 3: Industrial production**

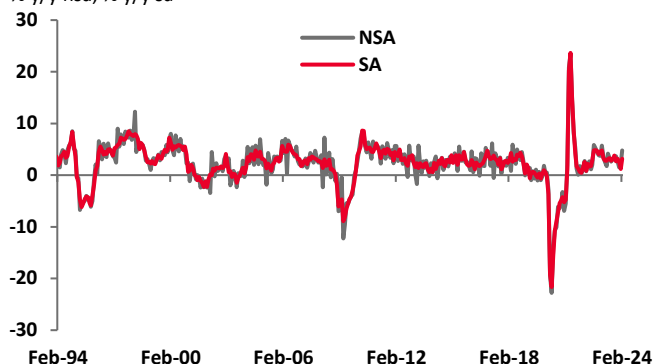
% y/y nsa, % y/y sa



Source: INEGI

**Chart 4: Services**

% y/y nsa, % y/y sa



Source: INEGI

**Table 2: GDP-proxy IGAE**

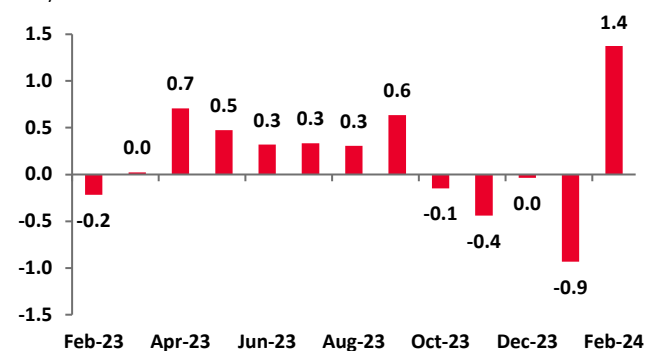
% m/m sa, % 3m/3m sa

|                              | % m/m       |              |             | % 3m/3m       |               |
|------------------------------|-------------|--------------|-------------|---------------|---------------|
|                              | Feb-24      | Jan-24       | Dec-23      | Dec'23-Feb'24 | Nov'23-Jan'24 |
| <b>Total</b>                 | <b>1.4</b>  | <b>-0.9</b>  | <b>0.0</b>  | <b>-0.5</b>   | <b>-0.7</b>   |
| <b>Primary activities</b>    | <b>16.5</b> | <b>-13.0</b> | <b>6.9</b>  | <b>-1.0</b>   | <b>-5.7</b>   |
| <b>Industrial production</b> | <b>-0.1</b> | <b>0.2</b>   | <b>-0.8</b> | <b>-1.2</b>   | <b>-1.1</b>   |
| Mining                       | -0.8        | -0.4         | 1.4         | 0.2           | -0.5          |
| Utilities                    | 0.7         | -1.0         | -1.4        | -2.1          | -1.9          |
| Construction                 | -2.5        | 1.4          | -0.7        | -1.1          | -1.4          |
| Manufacturing                | 0.5         | 0.3          | -1.3        | -1.4          | -1.0          |
| <b>Services</b>              | <b>1.2</b>  | <b>-0.5</b>  | <b>0.1</b>  | <b>0.1</b>    | <b>0.1</b>    |
| Wholesales                   | 4.0         | -3.7         | 0.4         | -0.7          | -0.4          |
| Retail sales                 | 0.1         | -0.5         | 0.9         | 0.6           | 0.6           |
| Transportation and logistics | 0.7         | 2.6          | -1.0        | 0.7           | 0.5           |
| Mass media                   | 1.9         | 1.7          | -0.7        | 0.8           | -1.0          |
| Financial services           | 0.6         | -0.5         | 1.0         | 1.4           | 0.5           |
| Real estate                  | -0.3        | -1.1         | 1.2         | 0.4           | 0.7           |
| Professional services        | -0.3        | 0.3          | -0.5        | 0.6           | 0.9           |
| Business support             | 0.1         | -5.4         | -3.7        | -6.2          | -2.7          |
| Education                    | 0.7         | -0.3         | 0.1         | 0.5           | 0.5           |
| Healthcare                   | 1.2         | 0.7          | 0.7         | 1.8           | 1.3           |
| Entertainment                | 1.7         | -5.8         | 4.6         | 1.6           | 0.9           |
| Lodging and restaurants      | 1.3         | -3.5         | 0.9         | -1.0          | -0.3          |
| Others                       | 1.5         | 1.1          | 0.1         | 1.8           | 1.2           |
| Government services          | -0.5        | 1.1          | -0.8        | -0.9          | -0.6          |

Source: INEGI

**Chart 5: GDP-proxy IGAE**

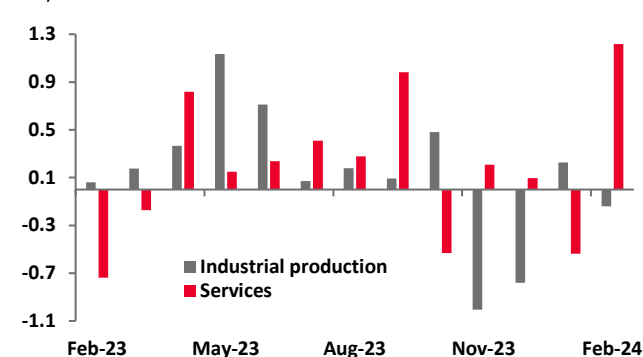
% m/m sa



Source: INEGI

**Chart 6: Industrial production and services**

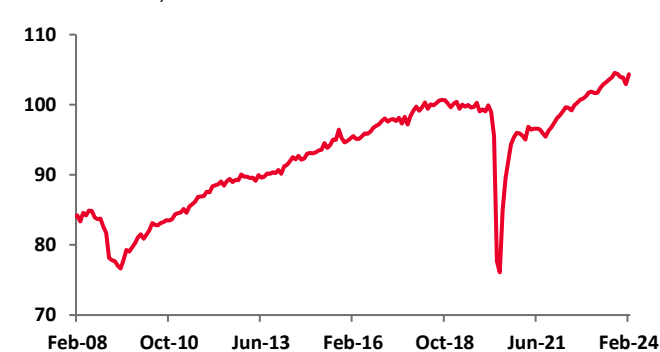
% m/m sa



Source: INEGI

**Chart 7: Global economic activity indicator**

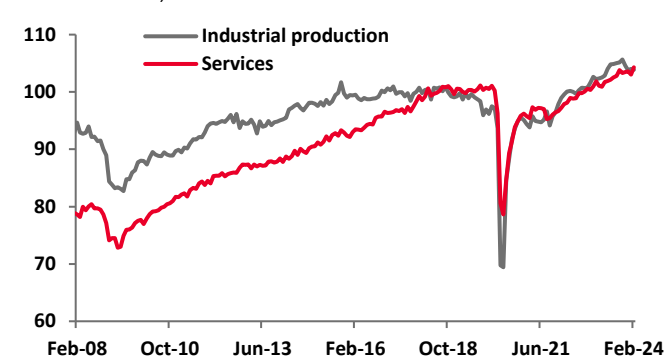
Index 100 = 2018, sa



Source: INEGI

**Chart 8: Industrial production and services**

Index 100 = 2018, sa



Source: INEGI

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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, Marcos Saúl García Hernández, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, 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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| HOLD | When the share expected performance is similar to the MEXBOL estimated performance.   |
| SELL | When the share expected performance is lower than the MEXBOL estimated performance.   |

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**Raquel Vázquez Godínez**  
Assistant  
raquel.vazquez@banorte.com  
(55) 1670 - 2967



**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



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

#### Market Strategy



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



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



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



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

#### Quantitative Analysis



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



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



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



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



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



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



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



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



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



**Marcos Saúl García Hernández**  
Analyst, Fixed Income, FX and Commodities  
marcos.garcia.hernandez@banorte.com  
(55) 1670 - 2144



**Ana Gabriela Martínez Mosqueda**  
Strategist, Equity  
ana.martinez.mosqueda@banorte.com  
(55) 1103 - 4000



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



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



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



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



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



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



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



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



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



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



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