

GDP-proxy IGAE – Decline in April, but with better signals for the rest of 2024

- **Monthly GDP-proxy IGAE (April): 5.4% y/y; Banorte: 5.6%; consensus: 3.5% (range: 1.2% to 5.9%); previous: -1.3%**
- **The economy contracted 0.6% in sequential terms, consistent with some headwinds for activity that impacted all three sectors. This comes after a stall in the previous month and a notable uptick in February**
- **Industry fell 0.5% m/m, with declines in both manufacturing and mining, albeit with construction higher. Services came in at -0.6%, with 7 of its 14 categories lower and with some distortions related to *Easter* prevailing. Finally, primary activities contracted 2.5%, extending losses from the previous month**
- **We believe activity in the rest of the quarter will be positive, driven by both industry and services. Nevertheless, the outlook for the second half of the year remains challenging**

The economy grew 5.4% y/y in April, with a positive calendar effect. This was better than consensus (3.5%), but much closer to our estimate (5.6%). By sectors, services led the expansion at 6.0% ([Chart 4](#)), with industry at 5.1% ([Chart 3](#)). Finally, primary activities fell 1.3%, maintaining some volatility ([Chart 2](#)). It is relevant to mention that figures are propped up by a higher number of working days relative to the previous year, considering that the *Easter* holiday happened in March. As such, with seasonally adjusted figures the expansion was more modest at 0.9% y/y, as seen in [Chart 1](#). For more details by sectors see [Table 1](#).

Sequential decline on a challenging base. Activity fell 0.6% m/m ([Chart 5](#)), this after a cumulative 1.1% gain in the previous two months (with an expansion in February and stability in March). Thus, we believe that the result is consistent with a more modest trend, which has been seen more clearly since last October. This period has been characterized by lower dynamism in industry –with contractions in mining and a more lateral performance in construction and manufacturing–, although services have remained more resilient, supporting overall activity. Meanwhile, agriculture has been much more volatile, impacted by severe drought levels.

In this context, services fell 0.6%, with timely figures already suggesting a contraction. Fundamentals for consumption were mixed, with [job losses](#), but with [remittances](#) positive. In our view, a negative point could have been the holiday in March, resulting in a contraction in discretionary spending this month. In addition, we cannot rule out that with the expectation of discounts in May, they may have also opted to delay some purchases. However, we believe that momentum of electoral campaigns partly compensated for the latter. Thus, inside, seven of the fourteen categories posted declines. We highlight contractions in wholesales (-3.3%), mass media (-2.5%), and retail sales (-2.5%). This latter result contrasts with the 0.5% expansion in the stand-alone report, in which there were notable gains in internet sales and in appliances, but with some losses in healthcare products. On the other hand, increases were seen in business support (5.4%), government (4.9%), and entertainment (4.6%). For more details, see [Table 2](#).

As already known, [industry fell 0.5%](#) ([Chart 6](#)). Manufacturing led the contraction (-1.5%) after three months of improvements. Within manufacturing, losses were widespread, although with weakness concentrated in oil & carbon products and textiles. Mining was down for a fourth straight month (-0.3%), dragged down by the oil component. Finally, construction was the only item higher (+1.8%), where infrastructure remained as the main catalyst.

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Primary activities fell 2.5%, extending the -6.4% seen in March, reinforcing the trend of higher volatility seen since the end of last year. As such, given adverse expectations regarding weather conditions in the coming months, we remain cautious on the performance of the sector.

Encouraging signs for the rest of the quarter, with headwinds for the second half of the year.

While today's results are negative, timely figures for May and June are more positive, supporting our view of an acceleration in the second quarter of the year. We see bright spots for both industry and services. However, the outlook for 2H24 remains more challenging, with some of the drivers now in play likely showing some exhaustion, or at best, a moderation. We believe the slowdown will be more marked in the third quarter, anticipating a marginal improvement towards the end of the year.

Focusing on 2Q24, we expect an acceleration in upcoming months on progress in several sectors. Within industry, we believe that construction will remain as the main driver. As we have mentioned on several occasions, works to complete infrastructure projects from the federal government will continue to provide a relevant boost. On the other hand, manufacturing could be favored by the rebound in US industrial production in May, especially in autos –in line with the scenario outlined in one of our [recent publications](#). In addition, we will be keeping an eye on two factors. The first is exports, which could benefit from recent exchange rate movements. The second one would be the performance of local sectors, recognizing that they could decelerate given a moderation in domestic demand.

Turning to services, we identified several favorable events in the rest of the quarter. As mentioned in our latest [View from the Top](#), *Concanaco-Servytur* estimates that the economic spillover from Election Day was around US\$3.8 billion. Other relevant factors include Father's Day celebrations, the start of summer discount campaigns in different supermarket and departmental store chains, and the resumption of social program payments –specifically scholarships. On tourism, the negative impact could come towards the end of the quarter, with a high probability that the first weather events will develop on the country's coasts in the last half of June. Based on the forecasts of the *National Weather Service*, a very active season is expected, concluding on November 30th. Related to the latter, primary activities will be affected, with volatility being a constant for the remainder of the year.

Table 1: GDP-proxy IGAE

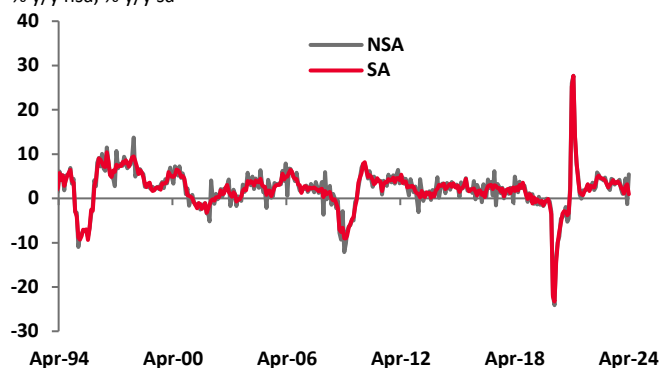
% y/y nsa, % y/y sa

	y/y, nsa				y/y, sa	
	Apr-24	Apr-23	Jan-Apr'24	Jan-Apr'23	Apr-24	Apr-23
Total	5.4	1.9	2.6	3.0	0.9	3.1
Primary activities	-1.3	0.6	0.1	0.1	-1.0	0.7
Agriculture	-3.3	0.1	-1.0	-0.6	-	-
Livestock	2.4	1.4	2.2	1.3	-	-
Industrial production	5.1	1.3	1.9	2.4	0.6	2.5
Mining	-4.1	3.5	-3.0	3.6	-5.1	3.6
Utilities	3.7	-1.7	1.6	2.0	2.1	-1.5
Construction	16.1	3.2	12.1	3.6	12.6	4.1
Manufacturing	3.8	0.6	0.2	1.8	-2.1	2.2
Services	6.0	2.3	3.1	3.6	1.3	3.5
Wholesales	11.6	0.6	5.8	1.8	0.4	4.3
Retail sales	7.3	2.8	3.1	6.3	-1.8	5.2
Transportation and logistics	8.8	2.5	5.4	5.9	4.2	3.7
Mass media	-5.1	13.3	1.8	6.5	-5.2	11.8
Financial services	2.5	9.0	2.3	8.3	1.4	8.8
Real estate	0.7	2.3	0.7	2.5	0.5	2.4
Professional services	19.0	0.2	5.1	5.8	11.8	1.1
Business support	10.4	-10.5	-1.1	-13.5	6.8	-11.3
Education	5.2	1.4	2.6	1.3	0.8	2.2
Healthcare	6.2	-0.5	4.0	0.5	5.8	-1.0
Entertainment	-7.6	19.7	-5.6	5.6	-7.6	17.9
Lodging and restaurants	-2.6	-0.7	-1.0	4.4	-0.9	0.0
Others	5.4	2.6	3.8	3.9	3.7	3.7
Government services	6.7	-0.3	1.8	0.5	6.5	-0.6

Source: INEGI

Chart 1: GDP-proxy IGAE

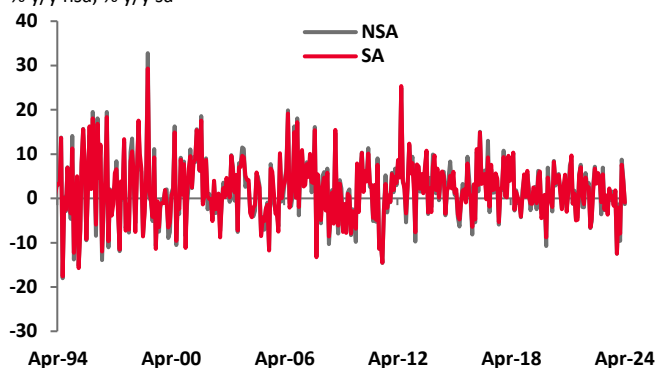
% y/y nsa, % y/y sa



Source: INEGI

Chart 2: Primary activities

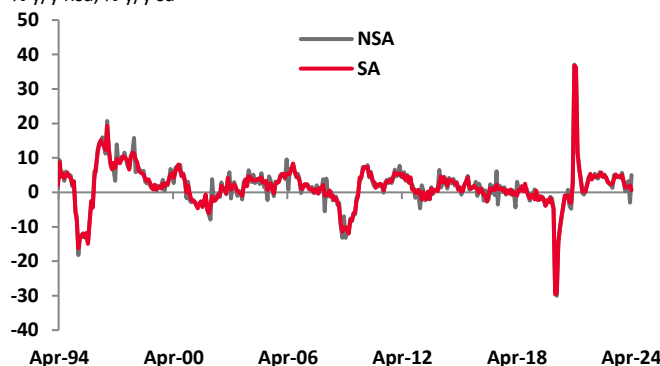
% y/y nsa, % y/y sa



Source: INEGI

Chart 3: Industrial production

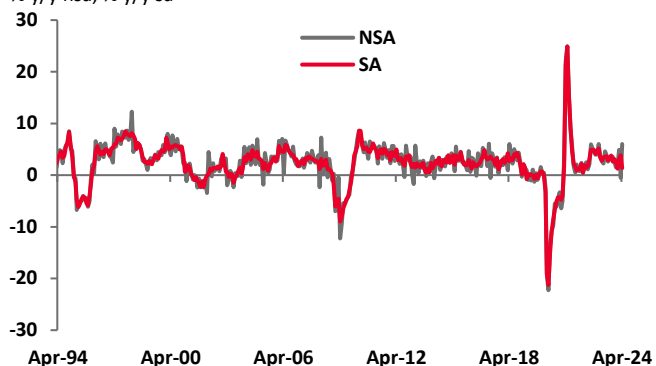
% y/y nsa, % y/y sa



Source: INEGI

Chart 4: Services

% y/y nsa, % y/y sa



Source: INEGI

Table 2: GDP-proxy IGAE

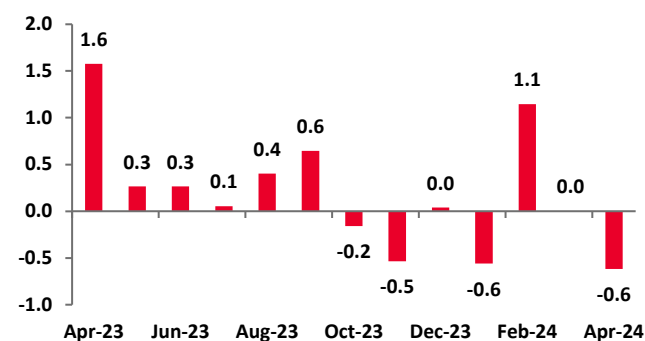
% m/m sa, % 3m/3m sa

	% m/m			% 3m/3m	
	Apr-24	Mar-24	Feb-24	Feb-Apr'24	Jan-Mar'24
Total	-0.6	0.0	1.1	0.6	0.0
Primary activities	-2.5	-6.4	20.4	9.3	2.3
Industrial production	-0.5	0.5	-0.1	-0.2	-0.7
Mining	-0.3	-1.3	-0.8	-1.7	-1.2
Utilities	-1.5	0.3	1.1	0.0	-0.7
Construction	1.8	1.3	-2.0	0.1	-0.8
Manufacturing	-1.5	0.6	0.6	0.1	-0.3
Services	-0.6	-0.1	1.2	0.6	0.4
Wholesales	-3.3	0.2	4.9	0.9	-0.8
Retail sales	-2.5	1.8	0.0	0.4	1.1
Transportation and logistics	0.6	-0.2	0.7	2.4	2.6
Mass media	-2.5	-0.6	1.1	1.0	2.1
Financial services	0.1	0.6	0.3	0.7	1.8
Real estate	-0.2	0.3	-0.1	-0.2	-0.2
Professional services	1.0	1.7	-0.3	0.8	0.4
Business support	5.4	-0.4	-0.2	-3.2	-7.4
Education	-1.3	0.4	0.7	0.5	0.6
Healthcare	1.5	-0.4	1.3	2.2	1.8
Entertainment	4.6	-3.1	2.7	-1.1	-2.4
Lodging and restaurants	-1.0	-0.6	1.1	-1.6	-2.0
Others	-0.3	-0.1	2.2	2.2	2.0
Government services	4.9	-1.2	-0.5	1.0	-0.1

Source: INEGI

Chart 5: GDP-proxy IGAE

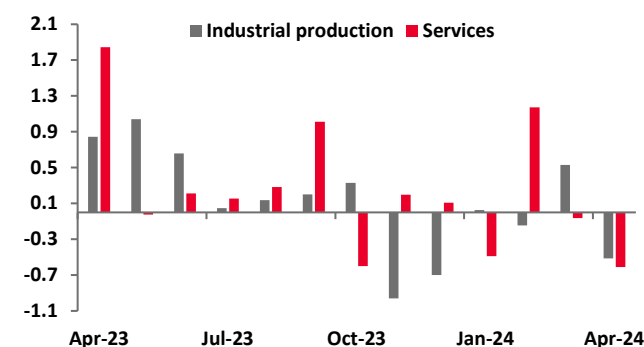
% m/m sa



Source: INEGI

Chart 6: Industrial production and services

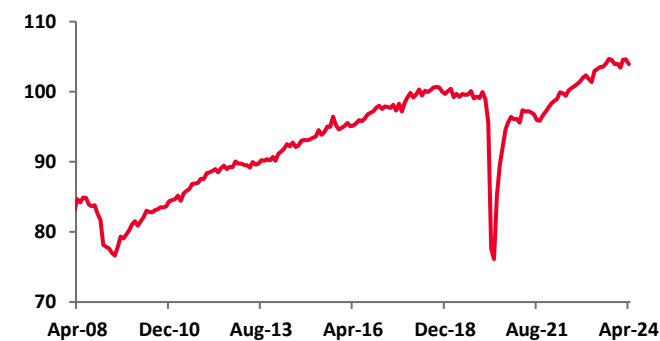
% m/m sa



Source: INEGI

Chart 7: Global economic activity indicator

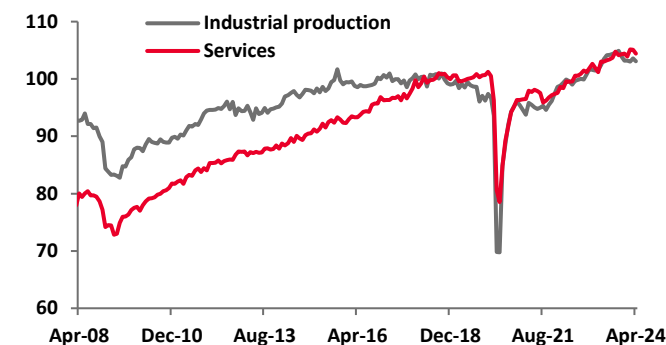
Index 100 = 2018, sa



Source: INEGI

Chart 8: Industrial production and services

Index 100 = 2018, sa



Source: INEGI

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, 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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