

Domestic demand – The divergence continued in June, highlighting more investment weakness

- Gross fixed investment (June): -1.3% y/y (nsa); Banorte: -1.2%; consensus: -1.2% (range: -2.6% to 3.6%); previous: 6.0%
- Private consumption (June): 0.4% y/y (nsa); Banorte: -0.8%; consensus: 0.8% (range: -1.0% to 2.0%); previous: 2.5%
- Investment fell 1.0% m/m, its first decline so far this year. The main drag was construction, breaking with three months to the upside. Machinery and equipment partially offset the contraction, albeit with a mixed performance inside
- Consumption rose 0.1% m/m. Inside, imported goods declined 1.2%. The domestic component was positive at +0.3%, with goods showing the most relevant expansion
- Headwinds will prevail in the second half of the year. Nevertheless, we don't rule out some push from: (1) Modest resilience from consumption; and (2) private sector construction, among other factors

Sequential setback in investment. GFI fell 1.3% y/y ([Chart 1](#)), recognizing a negative base effect and two less working days in the annual comparison. In this context, with seasonally adjusted figures the result was better at +0.7% y/y. Back to original data, construction was negative at -0.5%—with the residential component as the main driver, like in May—, but with the non-residential at -2.5%. Machinery and equipment came in at -2.2%. Inside, imported goods fell 7.3%, while the domestic component was positive at 5.9%. Additional details are presented in [Table 1](#).

In sequential terms and with seasonally adjusted figures, investment had its first decline year-to-date at -1.0% m/m ([Chart 3](#)). Construction had its largest drop since September 2023, at -3.2%. This is consistent with the [industrial production](#) report. In detail, non-residential was negative, marking a second month of declines. The residential component fell 4.6%, facing a challenging base effect after three months of growth. Machinery and equipment grew 1.6%, erasing the previous month's losses (-1.2%). The domestic component was the main driver at 4.7%—explained in turn by transportation at 7.0%. The imported branch was negative, dragged by transportation (-10.2%). For more details see [Table 2](#).

Consumption climbs marginally after two months of losses. In the annual comparison, the indicator came in at 0.4% ([Chart 5](#)). With seasonally adjusted figures, an advance of 2.5% y/y was seen ([Table 3](#)), also recognizing the adverse calendar effect. Fundamentals were mixed. In the labor market, [jobs were lost](#) while real wages moderated their pace of growth. However, [remittances surprised positively](#). Finally, [consumer credit](#) maintained a significant rate of expansion. Inside, imported goods remained somewhat high at 2.4%, with semi-durables (+14.2%) as the main driver. Meanwhile, the domestic item was more restrained at -0.1%, recognizing mostly negative results within goods (-0.6%)—with only durables positive at 13.7%—, but with services slightly positive at 0.5%.

Sequentially, consumption improved by 0.1% m/m ([Chart 7](#)), quite modest after losses in May (-0.5%) and April (-1.0%). Gains centered on the domestic component (0.3%), particularly goods, albeit with services also positive. On the contrary, imported goods added a third month to the downside at -1.2% ([Table 4](#)).



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We keep expecting a moderation in domestic demand in 2H24, although we believe that some signs of resilience in specific sectors will persist. These results confirm that both investment and consumption will face headwinds during the rest of the year. Among them, we highlight: (1) Weakness in US manufacturing, impacting local activity; (2) the slowdown in civil engineering works as the federal government's flagship projects are completed; (3) MXN depreciation, which could impact lift prices; and (4) a challenging base effect given accumulated gains in previous months. However, we still see some factors that would continue to provide some dynamism, specifically in investment.

Regarding the latter, the base effect and more modest government spending will be the main drags. We do not rule out an additional hindrance from MXN weakness and still-high interest rates –with the easing cycle beginning, but at a gradual pace. The upside would come from specific industries such as autos, aerospace, home appliances, as well as the construction of industrial spaces. On the former, we believe that investment announcements made in 2023 will translate into higher demand for machinery and equipment. For example, the *Mexican Federation of the Aerospace Industry* estimates that exports will increase 16% y/y in 2024, making it the sixth largest supplier of manufactured goods to the US. In home appliances, Bosch inaugurated its refrigerator plant for the North American market this month. Production is planned at 300,000 units in the first year, with the aim of completing their total capacity (600,000) in the relatively near future, so investment could continue in the short-term. Finally, the *Mexican Association of Real Estate Professionals* (AMPI in Spanish) stated that 43 million sq. meters of industrial spaces were under construction throughout the country as of August. In turn, demand for them has meant that availability has fluctuated between 1.7% and 2.4% on average.

Turning to consumption, we believe fundamentals will be somewhat mixed, albeit still with a positive bias. Starting with [the unemployment rate](#), it could adjust higher, although we would not interpret it as completely unfavorable –as it is currently at a historically low. Meanwhile, real wages will continue their upward trend, supported by lower inflationary pressures. In [remittances](#), households would benefit from the recent depreciation of the MXN, increasing their purchasing power. Finally, we maintain our forecast of an expansion in consumer credit, although probably at a lower pace. Under these circumstances, consumption would be lower relative to the first half, although maintaining some resilience. On the latter, support could come from goods, with services flatter.

Gross fixed investment

Table 1: Gross fixed investment

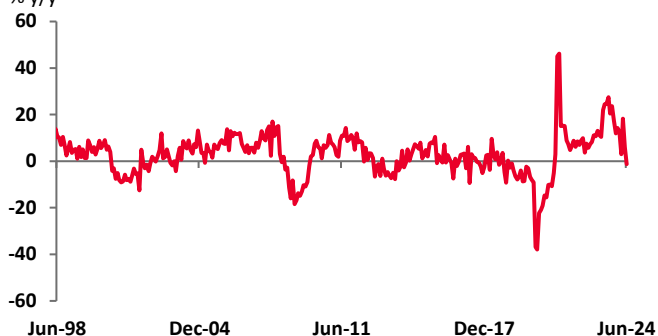
% y/y nsa

	nsa				sa	
	Jun-24	Jun-23	Jan-Jun'24	Jan-Jun'23	Jun-24	Jun-23
Total	-1.3	24.5	8.5	15.3	0.7	24.7
Construction	-0.5	31.8	11.0	13.1	-0.9	31.8
Residential	2.8	0.7	5.4	-1.9	3.1	1.6
Non-residential	-2.5	61.2	15.3	28.3	-3.1	58.7
Machinery and equipment	-2.2	17.4	5.8	17.9	2.8	17.1
Domestic	5.9	7.6	3.4	14.8	8.7	9.0
Transportation Equipment	10.9	25.9	11.5	26.5	13.9	27.7
Other machinery and equipment	0.7	-6.7	-4.4	5.6	3.5	-5.6
Imported	-7.3	24.7	7.5	20.1	-0.8	21.8
Transportation Equipment	3.7	90.1	30.3	66.9	4.5	87.2
Other machinery and equipment	-9.1	17.9	4.3	15.4	-2.3	15.9

Source: INEGI

Chart 1: Gross fixed investment

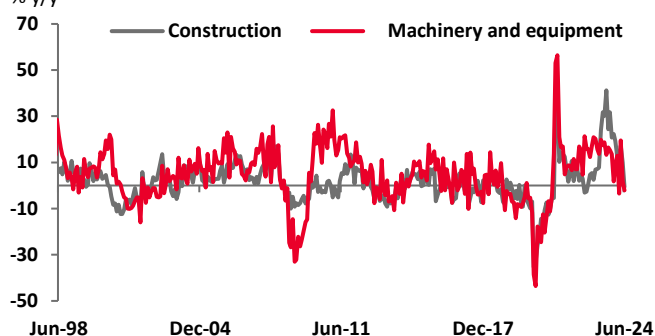
% y/y



Source: INEGI

Chart 2: Gross fixed investment by sector

% y/y



Source: INEGI

Table 2: Gross fixed investment

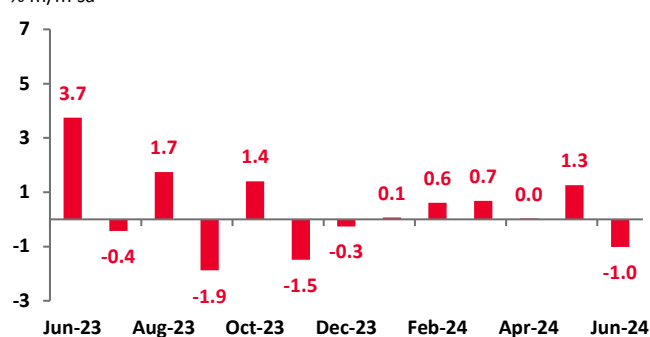
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Jun-24	May-24	Apr-24	Apr-Jun'24	Mar-May'24
Total	-1.0	1.3	0.0	1.2	1.6
Construction	-3.2	2.5	1.7	2.7	2.1
Residential	-4.6	5.4	1.2	2.4	2.8
Non-residential	-2.9	-0.3	1.5	1.9	1.5
Machinery and equipment	1.6	-1.2	-1.0	-0.1	1.3
Domestic	4.7	-0.1	-2.7	0.4	0.6
Transportation Equipment	7.0	-0.2	-5.3	-0.1	1.8
Other machinery and equipment	3.0	0.5	-0.7	-0.5	-2.1
Imported	-0.5	-1.7	-0.1	-0.2	2.6
Transportation Equipment	-10.2	2.8	7.7	4.0	8.8
Other machinery and equipment	0.7	-2.2	-2.3	-1.9	1.0

Source: INEGI

Chart 3: Gross fixed investment

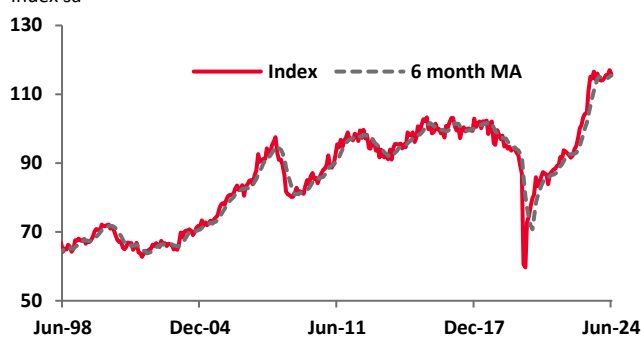
% m/m sa



Source: INEGI

Chart 4: Gross fixed investment

Index sa



Source: INEGI

Private consumption

Table 3: Private consumption

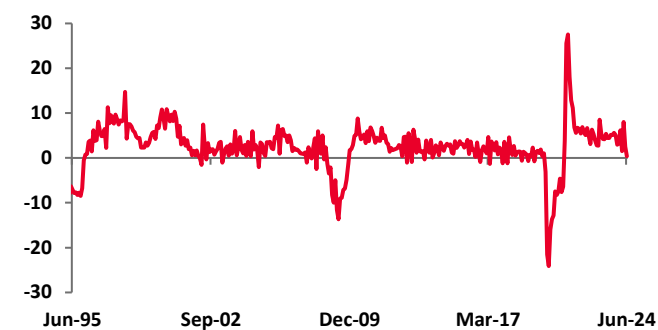
% y/y nsa

	nsa				sa	
	Jun-24	Jun-23	Jan-Jun'24	Jan-Jun'23	Jun-24	Jun-23
Total	0.4	4.4	3.6	5.4	2.5	4.5
Domestic	-0.1	1.4	1.0	2.3	1.4	1.4
Goods	-0.6	-1.8	0.1	0.1	2.0	-1.8
Durables	13.7	14.6	12.0	12.3	-	-
Semi-durables	-3.2	4.2	-0.8	1.7	-	-
Non-durables	-1.9	-4.7	-1.2	-1.6	-	-
Services	0.5	5.2	1.9	4.9	0.8	5.1
Imported goods	2.4	21.5	18.5	26.5	10.1	21.7
Durables	-1.0	29.3	22.7	19.5	-	-
Semi-durables	14.2	12.8	29.5	9.0	-	-
Non-durables	0.0	21.0	12.9	37.3	-	-

Source: INEGI

Chart 5: Private consumption

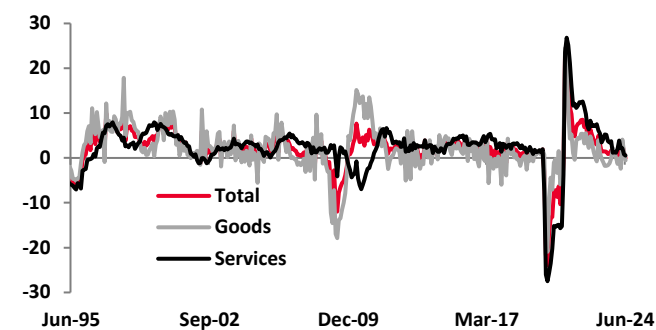
% y/y



Source: INEGI

Chart 6: Domestic consumption: Goods and services

% y/y



Source: INEGI

Table 4: Private consumption

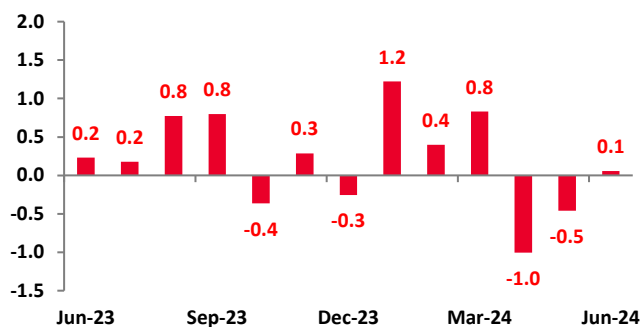
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Jun-24	May-24	Apr-24	Apr-Jun'24	Mar-May'24
Total	0.1	-0.5	-1.0	-0.6	0.7
Domestic	0.3	0.3	-1.0	-0.2	0.0
Goods	0.6	0.8	-1.9	-0.3	0.1
Services	0.1	-0.4	0.0	-0.2	0.1
Imported goods	-1.2	-4.0	-0.8	-3.2	2.6

Source: INEGI

Chart 7: Private consumption

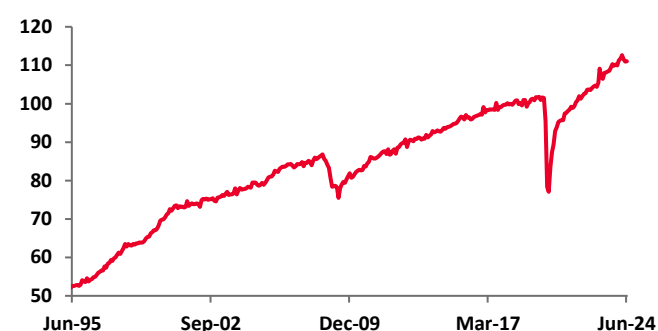
% m/m sa



Source: INEGI

Chart 8: Private consumption

Index 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, 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, Jazmín 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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