

## GDP-proxy IGAE – Positive surprise as all three sectors improved

- **Monthly GDP-proxy IGAE (July): 3.8% y/y; Banorte: 2.9%; consensus: 2.0% (range: 1.9% to 2.9%); previous: -0.4%**
- **The economy grew 0.6% in sequential terms, noting a positive base effect and with progress in its three sectors**
- **Services clawed back some ground (+0.4% m/m), with 8 out of its 14 items climbing. In industry (+0.2% m/m), construction and mining more than compensated for the decline in manufacturing. Primary activities grew strongly at 11.6%, with a smaller proportion of the country in drought conditions**
- **We keep expecting a modest performance in the second half of 2024, with headwinds prevailing, especially towards the end of the year. Nevertheless, some points of optimism still shine in the short-term**

**The economy grew 3.8% y/y in the seventh month of the year.** The result was a positive surprise, with consensus (2.0%), and our estimate (2.9%) coming in below the final figure. The trend of a better performance in services relative to industry—which has been seen since February, except June—continued, with the former at 4.3% ([Chart 4](#)), while the latter coming in at 2.1% ([Chart 3](#)). Primary activities ended a three-month downward streak at +11.6% ([Chart 2](#)). For the headline, with seasonally adjusted figures, the increase was more moderate at 2.0%, as shown in [Chart 1](#), with a greater number of working days in the period vs. 2023. For further details by sector, see [Table 1](#).

**The quarter starts on the right foot.** Activity grew 0.6% m/m ([Chart 5](#)), a rather positive figure considering the 0.2% expansion in the previous month and with advances in the three main sectors. However, the performance within each one continues to be very mixed, which remains a cause for concern. In this sense, we have a more moderate growth outlook for the remainder of the year.

By sectors, services grew 0.4%, helped by a base effect. Fundamentals for consumption were mixed, although with a slight upward bias. [Job creation was strong](#)—especially in the informal sector—, with wages extending higher. However, there was [a significant drop in remittance flows](#), although with the exchange rate still helping household purchasing power. On the positive side, the resumption of the payments of social programs continued during the period, now with the dispersion of pensions to the elderly. Inside, results were mostly favorable, with eight of the fourteen categories increasing. The most relevant expansions were seen in education (2.3%), government (1.6%), wholesales (1.2%), and transportation (1.0%). On the contrary, the most relevant declines were seen in entertainment (-21.3%; although on a challenging base), lodging (-1.1%), and professional services (-1.1%). On the other hand, retail sales declined by 0.6%—with its stand-alone report showing a 0.7% expansion, with gains concentrated in internet sales and appliances and other home goods. For more details, see [Table 2](#).

[Industry grew 0.2% \(Chart 6\)](#), marking three months of gains and driven by construction and mining. Regarding the former, growth came in at 2.6%, with the increase coming from edification (probably related to the appetite for industrial spaces). In the case of mining (+1.4%) the push came from the non-oil component, with oil output negative again. Finally, manufacturing fell 0.8%, with 13 of its 21 items to the downside and with the overall result being consistent with the moderation of the same sector in the US. Primary activities grew 11.6%, likely helped by an improvement in drought conditions across the country.



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**Activity will see slower growth in the coming months, although dynamism could persist on some fronts.** As we have mentioned previously, most of the engines that drove the economy in recent quarters will no longer be present in the second half of 2024. Moreover, we believe that heterogeneity between sectors will be even more marked, with greater uncertainty in industry but likely resilience in services. In this context where signs of weakness remain, we recently adjusted our GDP estimates to 1.3% y/y for full-year 2024 and 1.0% for 2025.

In detail and starting with industry, signs tend to be positive in the very short-term. In August, US manufacturing activity registered a surprising advance (+0.9% m/m), with auto production offsetting the previous month's decline. Locally, auto production was also positive (5.4% m/m), with exports also up (1.4%). On the other hand, steelmaker *ArcelorMittal* should maintain a positive trend, recovering its production level after the strike that started in May of this year and lasted 56 days. After this, we believe that some sectors could maintain a better performance. These include autos, aluminum and construction (specifically that of industrial spaces). Regarding the latter, conditions continue to exist for the development of industrial parks. According to updated data from the *Mexican Association of Industrial Parks* (AMPIP in Spanish), there are 72 parks under construction with an investment between US\$6.0 and US\$8.0 billion. Meanwhile, Newmark Real Estate's director of transactions, Erick Brunet, acknowledges that "This is increasingly a national phenomenon. At the end of the day, the average availability for the entire country is less than 2%, which means that we are seeing activity everywhere...". The same real estate agency lists the cities of Mexicali, San Luis Río Colorado, Chihuahua, Saltillo, Monclova, Nava and La Laguna as the new protagonists in the absorption of industrial spaces. On the metallurgical side, the *National Chamber of the Aluminum Industry* mentions that growth in the production of this input has been mainly due to the demand of the auto sector (which in turn has been driven by nearshoring) and it anticipates that in 2024 it will post a 20% y/y increase (2022: +15% and 2023: +18%). Turning to the negative side, we highlight: (1) The absence of infrastructure spending; and (2) the expectation of an additional moderation in industrial output in the US for the rest of the year.

Regarding services, we believe that their trajectory could be more favorable. In detail, we highlight that, although domestic demand is already showing signs of moderation, it is also true that some positive factors will continue in coming months, including: (1) High levels of employment; (2) households' income favored by the regularization of payments of social programs; (3) a greater flow of remittances when expressed in MXN; (4) positive expectations in tourism; and (5) a downward trend in core inflation.

**Table 1: GDP-proxy IGAE**

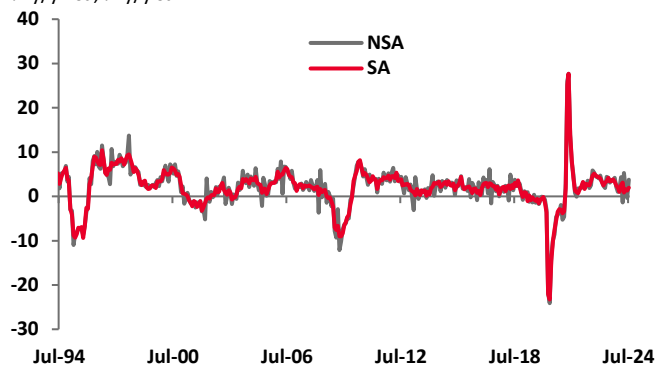
% y/y nsa, % y/y sa

	y/y, nsa				y/y, sa	
	Jul-24	Jul-23	Jan-Jul'24	Jan-Jul'23	Jul-24	Jul-23
<b>Total</b>	<b>3.8</b>	<b>3.1</b>	<b>2.1</b>	<b>3.4</b>	<b>2.0</b>	<b>3.4</b>
<b>Primary activities</b>	<b>11.9</b>	<b>-0.3</b>	<b>-0.6</b>	<b>-0.2</b>	<b>12.5</b>	<b>0.3</b>
Agriculture	16.7	-2.0	-2.0	-1.2	-	-
Livestock	2.9	2.8	2.2	1.8	-	-
<b>Industrial production</b>	<b>2.1</b>	<b>4.4</b>	<b>1.5</b>	<b>3.4</b>	<b>0.6</b>	<b>4.5</b>
Mining	-0.4	-0.9	-2.4	2.6	-0.2	-0.7
Utilities	2.6	1.2	2.6	1.8	2.7	1.2
Construction	5.3	23.9	9.3	11.0	4.4	22.5
Manufacturing	1.6	0.8	0.0	1.8	-0.6	1.0
<b>Services</b>	<b>4.3</b>	<b>2.6</b>	<b>2.6</b>	<b>3.6</b>	<b>2.2</b>	<b>2.8</b>
Wholesales	7.2	2.0	4.1	2.0	1.7	2.2
Retail sales	5.4	4.3	2.6	6.1	1.1	4.7
Transportation and logistics	6.2	2.2	4.6	4.7	4.3	2.7
Mass media	2.9	9.8	0.9	8.1	2.8	10.3
Financial services	1.7	10.1	2.1	9.3	1.7	9.9
Real estate	1.2	2.1	0.8	2.4	1.1	2.1
Professional services	17.0	2.6	9.1	6.9	14.7	2.7
Business support	-2.6	-12.2	-0.7	-13.5	-0.7	-10.1
Education	3.8	0.7	2.0	1.6	2.2	0.7
Healthcare	2.6	0.3	3.6	0.6	2.7	0.5
Entertainment	1.2	-5.3	-6.2	17.3	3.0	-4.2
Lodging and restaurants	-4.3	1.9	-1.9	3.2	-3.6	2.8
Others	3.4	3.8	3.2	3.5	2.4	3.3
Government services	2.8	-1.0	1.7	0.6	2.3	-1.6

Source: INEGI

**Chart 1: GDP-proxy IGAE**

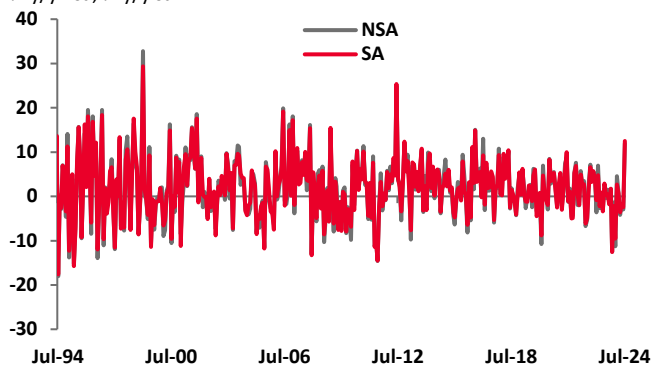
% y/y nsa, % y/y sa



Source: INEGI

**Chart 2: Primary activities**

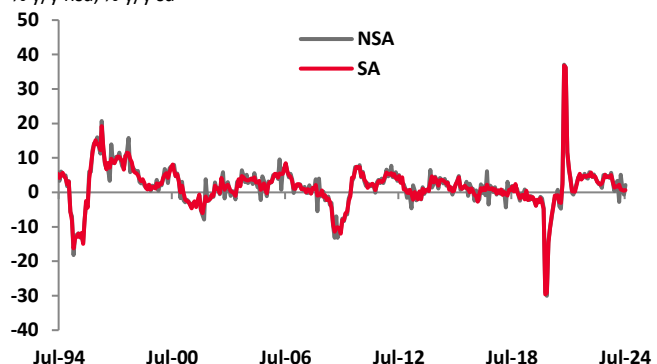
% y/y nsa, % y/y sa



Source: INEGI

**Chart 3: Industrial production**

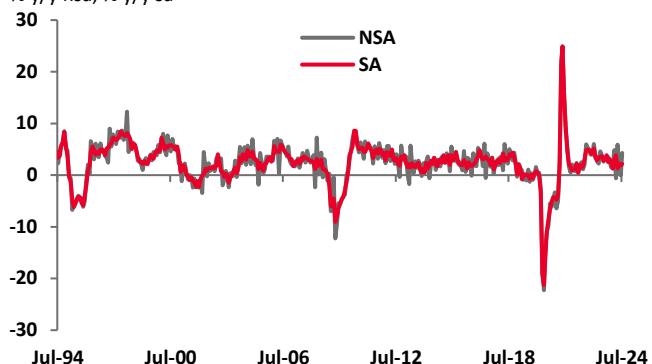
% y/y nsa, % y/y sa



Source: INEGI

**Chart 4: Services**

% y/y nsa, % y/y sa



Source: INEGI

**Table 2: GDP-proxy IGAE**

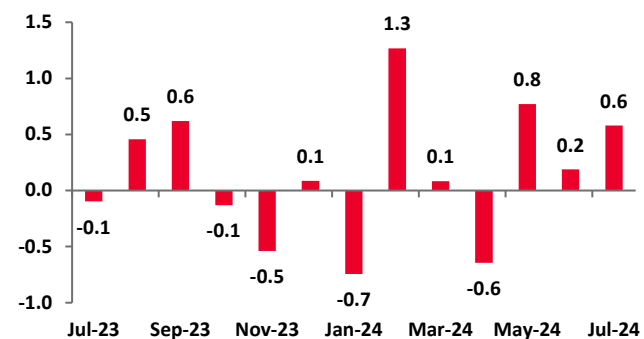
% m/m sa, % 3m/3m sa

	% m/m			% 3m/3m	
	Jul-24	Jun-24	May-24	May-Jul'24	Apr-Jun'24
<b>Total</b>	<b>0.6</b>	<b>0.2</b>	<b>0.8</b>	<b>0.7</b>	<b>0.4</b>
<b>Primary activities</b>	<b>11.6</b>	<b>-0.3</b>	<b>0.6</b>	<b>1.6</b>	<b>0.5</b>
<b>Industrial production</b>	<b>0.2</b>	<b>0.4</b>	<b>0.7</b>	<b>0.9</b>	<b>0.5</b>
Mining	1.4	-1.9	2.0	0.0	-1.3
Utilities	-0.9	-0.2	3.5	2.3	1.6
Construction	2.6	-2.2	2.4	3.4	2.8
Manufacturing	-0.8	2.0	0.0	0.2	-0.3
<b>Services</b>	<b>0.4</b>	<b>0.0</b>	<b>0.8</b>	<b>0.5</b>	<b>0.3</b>
Wholesales	1.2	-1.3	1.7	-1.1	-1.1
Retail sales	-0.6	0.4	2.2	0.6	-0.3
Transportation and logistics	1.0	-1.1	0.5	0.2	0.3
Mass media	0.6	3.7	-0.1	0.9	-0.8
Financial services	-0.2	0.7	0.8	1.6	1.5
Real estate	0.4	-0.1	0.5	0.5	0.3
Professional services	-1.1	3.8	1.0	6.1	6.7
Business support	1.0	-4.5	0.0	0.6	3.8
Education	2.3	-1.9	0.8	-0.5	-1.0
Healthcare	-0.3	-0.7	-0.7	-0.6	0.6
Entertainment	-21.3	29.4	1.9	14.1	14.9
Lodging and restaurants	-1.1	0.7	-0.9	-1.9	-1.8
Others	0.5	0.1	-0.4	-0.6	-0.1
Government services	1.6	-0.6	-2.9	0.1	1.9

Source: INEGI

**Chart 5: GDP-proxy IGAE**

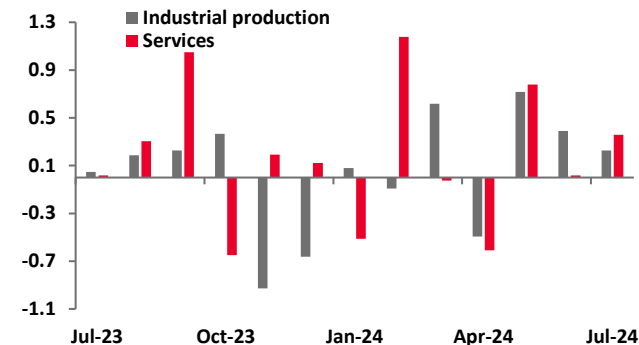
% m/m sa



Source: INEGI

**Chart 6: Industrial production and services**

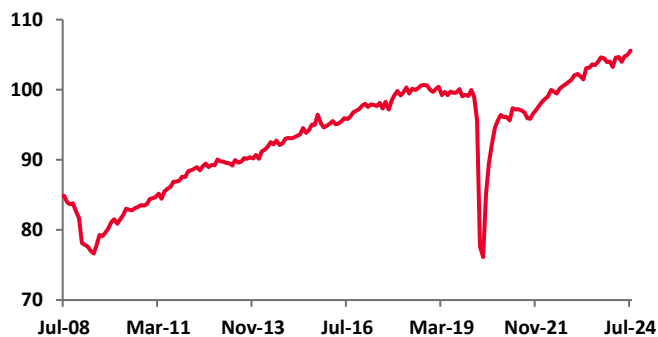
% m/m sa



Source: INEGI

**Chart 7: Global economic activity indicator**

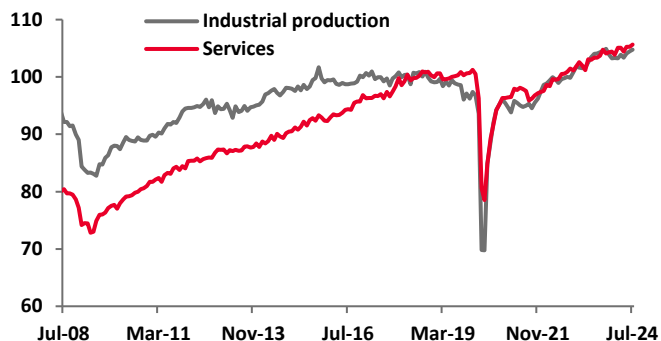
Index 100 = 2018, sa



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, 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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