

GDP-proxy IGAE – Growth continued in February at a more modest pace

- **Global Economic Activity Indicator (February): 3.8% y/y; Banorte: 3.7%; consensus: 4.0% (range: 3.1% to 4.5%); previous: 4.5%**
- **With seasonally adjusted figures, the economy grew 3.9% y/y. This is lower than INEGI's *Timely Indicator of Economic Activity*, at +4.2%**
- **The economy grew 0.1% m/m. The main boost came from industry (0.7%), with primary activities also higher (4.2%). However, services fell 0.1% –with 5 out of 9 categories lower–, impacted by a challenging base effect**
- **This result is consistent with our 1Q23 GDP estimate at 1.0% q/q (3.7% y/y). As such, it corroborates a strong start of the year for economic activity, supporting our view of additional dynamism through 1H23 and with full-year growth of 2.0%**

The economy grew 3.8% y/y in February. This was lower than consensus (4.0%) but closer to our estimate (3.7%). With seasonally adjusted figures, growth was 3.9% y/y ([Chart 1](#)), below [INEGI's Timely Indicator of Economic Activity](#) at 4.2%. Back to original figures, [industry advanced 3.5%](#) ([Chart 3](#)), with services higher at 3.8% ([Chart 4](#)). Lastly, primary activities returned to positive territory at 7.5% ([Chart 2](#)). For more details, see [Table 1](#).

Mild sequential uptick, with three straight months of improvements. Activity grew 0.1% m/m ([Chart 5](#)), positive considering the accumulated expansion of 1.0% in the previous two months (noting January's 0.6%). In our view, the result was supported by several factors, such as: (1) Strong consumption fundamentals; (2) resilience in foreign demand, despite signs of a slowdown in key US sectors; (3) [a moderation in price pressures](#), particularly the non-core component; and (4) continued interest in [nearshoring](#). This happened in a context of expectations of further monetary tightening –which declined in March due to the turmoil in the US and European banking sectors–, still implying risks for growth. As such, activity has maintained an upward trend, not only above pre-pandemic levels, but also historical highs ([Chart 7](#)).

Industry was the main driver, up 0.7% ([Chart 6](#)). The main boost came from mining (4.1%), particularly in 'related services', up 11.3%. However, some weakness prevailed in construction (-0.2%) –dragged by edification and adding two months down– and manufacturing (-0.5%), with the latter impacted by a more difficult base effect. Also pushing the overall figure, primary activities rebounded 4.2%. This was not enough to offset for the -6.4% seen in the previous month, but consistent with higher dynamism in the [sector's exports](#) and lower prices.

On the contrary, services fell 0.1%, not entirely surprising considering January's +1.3%. Signals from timely data were more mixed, consistent with a varied performance across different categories. As such, five out of the nine subsectors were lower.

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

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

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

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

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The main outperformers were restaurants and lodging (-1.1%), government services (-0.7%), and wholesales (-0.5%). On the contrary, those higher were mostly in professional services (2.8%) –albeit with its contribution quite low considering its strong contraction since mid-2021–, retail sales (1.1%) –contrasting with the stand-alone report–, and recreational services (0.6%).

Renewed strength in activity during 1Q23. Today's results are consistent with [our GDP forecast for the first quarter of the year at 1.0% q/q \(3.7% y/y\)](#). Moreover, it corroborates that the economy maintained a brisk pace, with several tailwinds –including stronger employment and wage conditions, as well as more modest price pressures– helping offset a more challenging base effect and some additional external risks.

In the short-term, and as detailed in our preview for the GDP report, signals for March suggest some additional challenges, with uncertainty triggered by the US and European banking crisis possibly skewing results. This would be somewhat consistent with early data, with an additional moderation in industry likely –mostly in manufacturing, with the sector in the US decelerating. However, services could also take a step back despite strong fundamentals and [lower price pressures](#), expecting a slowdown in some categories as families build-up some savings ahead of the *Easter* holiday. In this context, the implied figure within GDP will shed further light on performance in March.

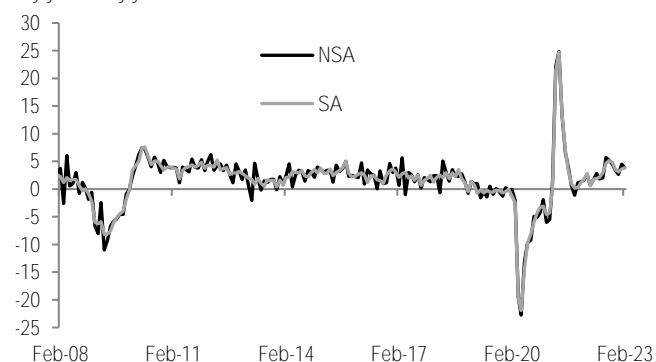
Further ahead, we expect some dynamism to continue in 2Q23 and the third quarter, albeit with more modest growth relative to recent prints. We believe that domestic conditions will keep supporting consumption and services, with exports and industry holding for longer despite increased risks from abroad. In this sense, some of the main drivers include: (1) Greater resilience in US activity; (2) solid fundamentals in a context of declining inflation; (3) an acceleration in government spending; and (4) relevant spillover from nearshoring. However, we forecast a sequential decline in GDP in the last quarter of the year on the back of accumulated global and domestic monetary tightening, along with more challenging base effects. This is consistent with [our recent revision to full-year GDP](#), now expecting a 2.0% expansion (previous: 1.5%).

Table 1: Global economic activity indicator
% y/y nsa, % y/y sa

	% y/y, nsa				% y/y, sa	
	Feb-23	Feb-22	Jan-Feb'23	Jan-Feb'22	Feb-23	Feb-22
Total	3.8	2.7	4.2	2.1	3.9	2.8
Agriculture	7.5	-3.7	2.7	-2.0	8.2	-2.7
Industrial production	3.5	2.5	3.1	3.2	3.5	2.4
Mining	7.9	-3.4	1.5	3.0	7.7	-3.7
Utilities	4.9	1.7	4.7	0.7	5.1	1.9
Construction	3.0	-2.9	2.8	-0.1	3.3	-2.1
Manufacturing	2.4	6.6	3.6	4.8	2.5	6.7
Services	3.8	3.1	4.8	1.8	3.8	3.0
Wholesale	-0.4	10.6	4.6	6.1	-0.5	10.6
Retail	6.1	7.2	7.1	5.5	5.5	6.7
Transport	7.4	19.2	8.1	18.5	7.2	19.0
Financial services	3.6	2.0	3.4	1.5	3.7	2.3
Professional services	1.7	-44.7	0.8	-48.0	-0.6	-46.3
Education and healthcare services	1.6	1.8	1.2	2.8	1.6	1.8
Recreational services	5.0	14.1	5.4	12.6	4.9	14.0
Lodging services	12.0	55.9	13.7	52.8	11.8	57.2
Government services	0.0	-1.7	0.5	-1.1	0.3	-1.5

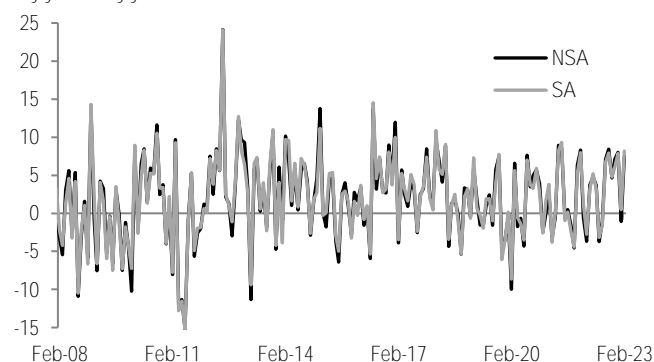
Source: INEGI

Chart 1: Global economic activity indicator
% y/y nsa, % y/y sa



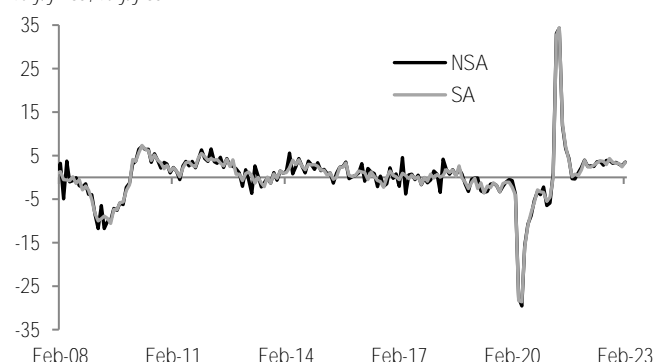
Source: INEGI

Chart 2: Primary activities
% y/y nsa, % y/y sa



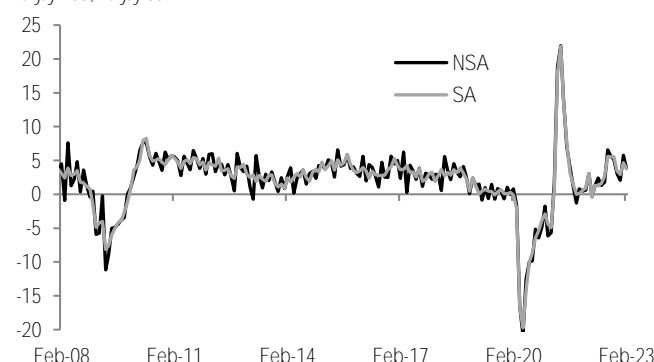
Source: INEGI

Chart 3: Industrial production
% y/y nsa, % y/y sa



Source: INEGI

Chart 4: Services
% y/y nsa, % y/y sa



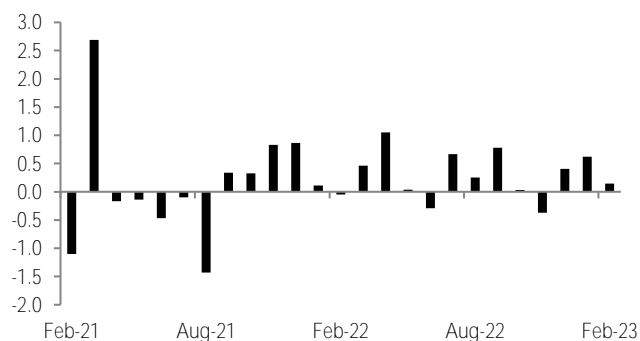
Source: INEGI

Table 2: Global economic activity indicator
% m/m sa, % 3m/3m sa

	% m/m, sa			% 3m/3m, sa	
	Mar-23	Jan-23	Dec-22	Dec'22-Feb'23	Nov'22-Jan'23
Total	0.1	0.6	0.4	0.6	0.4
Agriculture	4.2	-6.4	0.2	-0.9	0.6
Industrial production	0.7	-0.1	0.7	1.2	0.9
Mining	4.1	0.9	1.2	3.7	1.7
Utilities	0.3	0.8	1.2	2.1	1.3
Construction	-0.2	-1.5	2.6	2.7	3.4
Manufacturing	-0.5	0.6	0.5	0.5	0.1
Services	-0.1	1.3	0.4	0.6	0.1
Wholesale	-0.5	0.3	0.6	-0.9	-1.4
Retail	1.1	2.5	0.8	1.9	0.3
Transport	-0.6	5.8	-1.7	1.5	0.8
Financial services	0.58	-0.7	1.7	1.7	1.3
Professional services	2.8	1.9	1.1	2.5	-0.6
Education and healthcare services	-0.1	-0.7	1.1	0.9	1.4
Recreational services	0.63	0.3	1.0	1.6	0.6
Lodging services	-1.1	6.3	1.9	3.8	1.2
Government services	-0.7	-0.9	-0.7	-1.4	-0.5

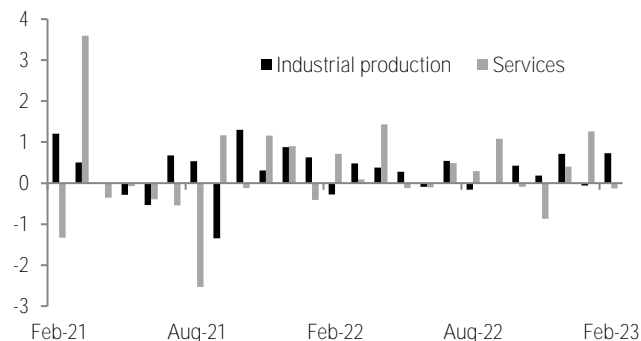
Source: INEGI

Chart 5: Global economic activity indicator
% m/m sa



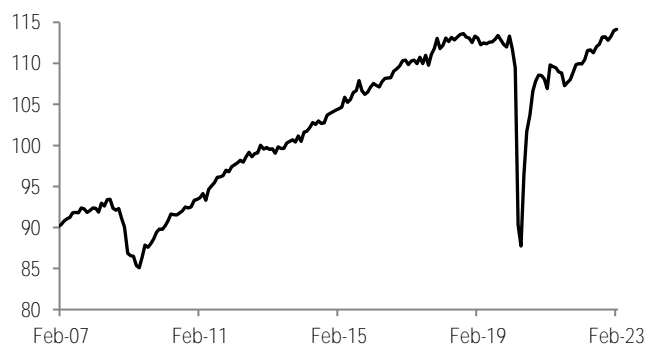
Source: INEGI

Chart 6: Industrial production and services
% m/m sa



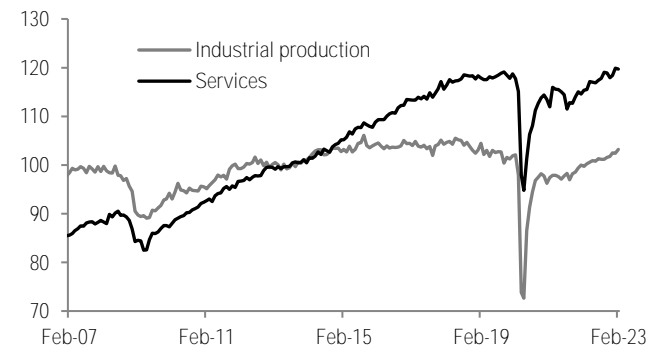
Source: INEGI

Chart 7: Global economic activity indicator
Index 100 = 2013, sa



Source: INEGI

Chart 8: Industrial production and services
Index 100 = 2013, sa



Source: INEGI

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	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
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets 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
Yazmin 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	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
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
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Strategist, Equity	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
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	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaltos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899