

Domestic demand – Mixed performance in October, albeit still with a positive outlook

- **Gross fixed investment (October): 25.5% y/y (nsa); Banorte: 26.8%; consensus: 23.0% (range: 18.8% to 27.5%); previous: 21.9%**
- **Private consumption (October): 5.2% y/y (nsa); Banorte: 4.2%; previous: 4.5%**
- **Investment grew 1.9% m/m. Performance was mixed, with construction up 4.0%, but with machinery and equipment falling 0.6%**
- **Consumption declined 0.3% m/m, ending four months of gains. Losses were widespread, with the weakness concentrated in imported goods (-1.6%), albeit with domestic goods and services also negative at -0.1%**
- **Dynamics at the end of 2023 probably remained favorable, with both categories maintaining some strength. However, signs indicate that the outlook for consumption could have been better relative to investment**

Investment resumes its positive trend after pausing in September. GFI grew 25.5% y/y, accelerating vs the previous month ([Chart 1](#)). Inside, construction rebounded (+31.6%), with most of the boost coming from the non-residential sector (41.0%). Meanwhile, machinery and equipment was more stable at +19.3%, highlighting an improvement in the imported component (22.9%). For further details, see [Table 1](#).

In sequential terms and with seasonally adjusted figures, investment rebounded 1.9% m/m ([Chart 3](#)), more than compensating for the -1.5% of the previous month. By category, results were to what we observed in September, with construction growing 4.0%, but with machinery and equipment falling 0.6%. In detail, the former resumed its expansion, in line with the industrial production report. Edification led, a situation that translated into an improvement in the residential sector (11.3%), rather positive considering its relative stagnation in previous months. Meanwhile, the non-residential branch climbed 1.6%, with progress in civil engineering works and other projects still providing important support. Regarding machinery and equipment, results were mostly negative. The domestic sector fell 1.7% despite key sectors within manufacturing remaining relatively resilient, although facing more challenging base effects. Meanwhile, the imported component declined 0.5%, in line with the results within the trade balance, on top of some bias due to the slight depreciation of the exchange rate during the month. It is relevant to mention that within both components 'other machinery and equipment' declined, with transportation mixed, as seen in [Table 2](#).

Sequential decline in consumption, ending a positive streak. In annual terms, it climbed 5.2% ([Chart 5](#)). This is still favorable considering positive fundamentals, highlighting: (1) [a decline in the unemployment rate](#), on top of additional improvements in wages; (2) a new historical high in [remittances](#); and (3) resilience in [consumer loans](#), to name a few. We cannot rule out that the further moderation in inflation in recent months continued to support spending. Inside, strength focused again on imported goods (27.4%), with the domestic component more modest (1.6%), along with a difference between goods (2.3%) and services (0.7%). For further details, see [Table 3](#).

Sequentially, consumption declined by 0.3% m/m, ending with four months of gains ([Chart 7](#)). At the margin, we believe the result is largely explained by households' decisions to delay the purchase of some goods until November, seeking to take advantage of *El Buen Fin* discounts and other sales. As such, both domestic goods and services (-0.1%), and imported goods (-1.6%), declined ([Table 4](#)).



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#1 OVERALL FORECASTER - MEXICO

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We expect positive results for domestic demand at the end of the year, situation which we believe will extend to 1H24. For the last two months of 2023, we believe domestic demand remained as the main driver of activity. This is based on our favorable view for both consumption and investment. Regarding the former, we anticipate a higher boost from year-end events in a context in which fundamentals remain solid. On the other hand, the latter will remain supported by government spending on infrastructure, as well as the development of industrial construction.

Focusing on consumption, we expect a reversal in November and December. Specifically, seasonal sales and discounts, as well as other events, would have had a positive impact. In this sense, ANTAD's same-store sales climbed 0.9% y/y in real terms. Furthermore, according to the Ministry of Economy, *El Buen Fin* sales increased by 11.5% y/y (\$151.0 billion). As such, we think the upward trajectory will continue despite more adverse signals on prices in the short-term. Among the main drivers, we highlight: (1) The 20% increase to the [minimum wage](#); (2) higher transfers from social programs and the fact that some of these payments will be delivered earlier in order to comply with electoral rules; and (3) resilience in fundamentals.

Regarding investment, we expect a relatively similar path when compared to previous months, with most of the dynamism concentrated in key infrastructure works such as the *Tren Maya* and the *Interoceanic Corridor*, in addition to private projects dedicated to industry. In this sense, it is very likely that dynamism in the former will continue, recognizing an important boost already announced within the *2024 Spending Budget*, expecting that much of this will be concentrated in the first half of the year, before the elections. Meanwhile, and more closely related to nearshoring, the *Mexican Chamber of the Construction Industry* (CMIC in Spanish) predicts that the sector could grow between 3 to 5% y/y. In addition, they commented that demand for housing in the areas favored by the spillover of this phenomenon could be 37% greater than estimated at the beginning of 2023.

Gross fixed investment

Table 1: Gross fixed investment

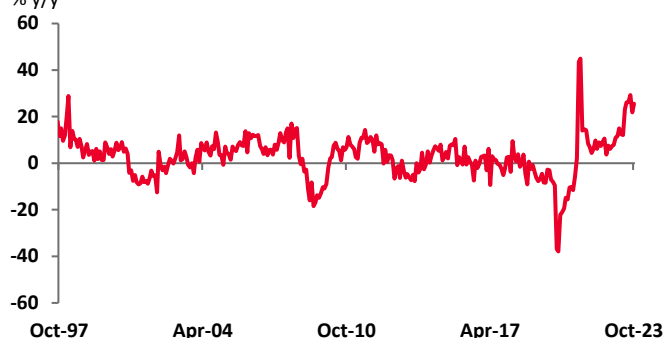
% y/y nsa

	nsa				sa	
	Oct-23	Oct-22	Jan-Oct'23	Jan-Oct'22	Oct-23	Oct-22
Total	25.5	7.3	20.4	7.7	24.7	7.8
Construction	31.6	0.5	20.4	3.3	31.8	0.6
Residential	20.9	-4.8	1.6	-3.4	20.1	-5.3
Non-residential	41.0	5.7	39.0	10.7	42.9	6.7
Machinery and equipment	19.3	15.3	20.4	13.0	17.8	16.0
Domestic	14.1	8.2	16.2	6.7	15.6	8.6
Transportation Equipment	35.1	8.7	29.2	5.9	36.9	10.0
Other machinery and equipment	-1.9	7.7	5.7	7.2	-1.4	7.5
Imported	22.9	20.8	23.4	17.9	18.1	22.7
Transportation Equipment	49.9	70.0	60.5	25.7	49.8	71.4
Other machinery and equipment	19.1	16.0	19.1	17.1	14.4	17.4

Source: INEGI

Chart 1: Gross fixed investment

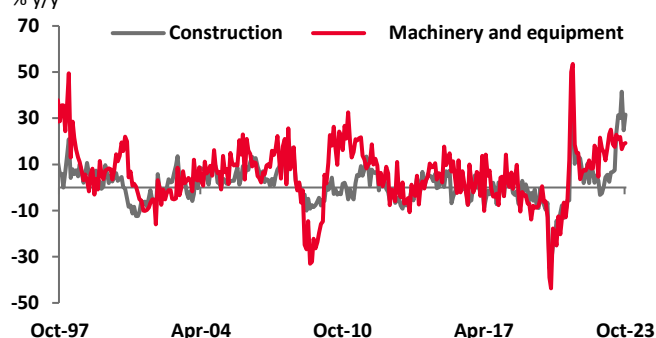
% y/y



Source: INEGI

Chart 2: Gross fixed investment by sector

% y/y



Source: INEGI

Table 2: Gross fixed investment

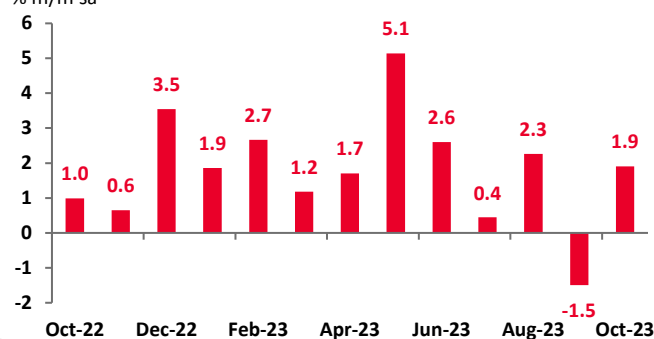
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Oct-23	Sep-23	Aug-23	Aug-Oct'23	Jul-Sep'23
Total	1.9	-1.5	2.3	3.1	4.9
Construction	4.0	-4.9	4.0	4.0	7.6
Residential	11.3	3.7	-2.9	3.7	1.5
Non-residential	1.6	-11.9	9.5	3.3	9.4
Machinery and equipment	-0.6	2.7	0.7	2.4	2.2
Domestic	-1.7	3.9	-0.2	4.7	5.4
Transportation Equipment	-1.2	7.4	-1.4	7.6	9.6
Other machinery and equipment	-3.6	0.8	0.8	1.2	1.3
Imported	-0.5	1.7	0.9	0.2	-0.2
Transportation Equipment	0.2	9.9	5.4	6.8	2.3
Other machinery and equipment	-0.6	0.4	0.3	-0.5	-0.4

Source: INEGI

Chart 3: Gross fixed investment

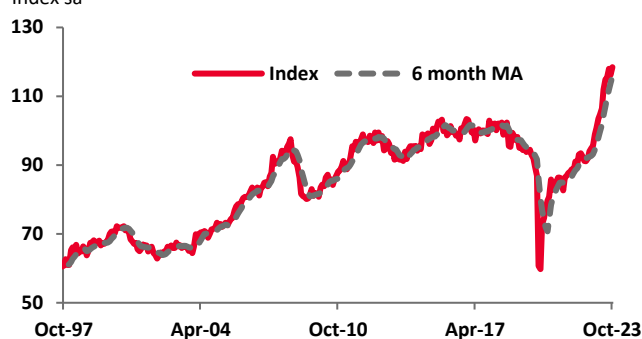
% m/m sa



Source: INEGI

Chart 4: Gross fixed investment

Index sa



Source: INEGI

Private consumption

Table 3: Private consumption

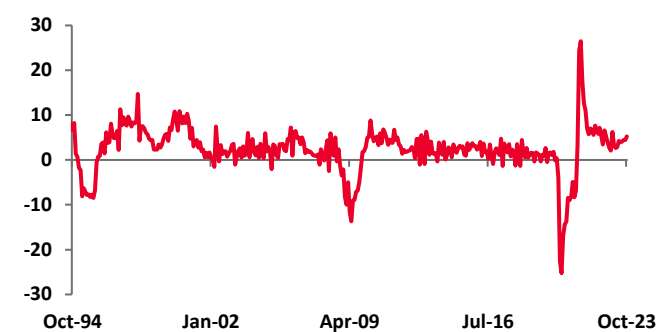
% y/y nsa

	nsa				sa	
	Oct-23	Oct-22	Jan-Oct'23	Jan-Oct'22	Oct-23	Oct-22
Total	5.2	3.8	4.1	5.7	4.5	4.1
Domestic	1.6	4.2	1.7	6.7	1.3	4.5
Goods	2.3	1.9	0.3	4.7	1.6	2.2
Durables	17.7	0.6	13.5	1.8	-	-
Semi-durables	8.2	3.7	2.1	4.7	-	-
Non-durables	-0.8	1.8	-1.6	5.0	-	-
Services	0.7	7.0	3.3	9.3	0.8	7.1
Imported goods	27.4	-0.5	18.4	2.5	22.0	-0.2
Durables	35.8	23.1	24.6	25.0	-	-
Semi-durables	12.2	12.8	10.9	24.5	-	-
Non-durables	28.9	-17.0	17.9	-13.3	-	-

Source: INEGI

Chart 5: Private consumption

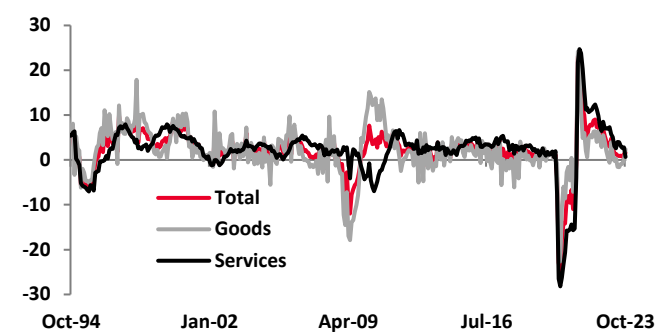
% y/y



Source: INEGI

Chart 6: Domestic consumption: Goods and services

% y/y



Source: INEGI

Table 4: Private consumption

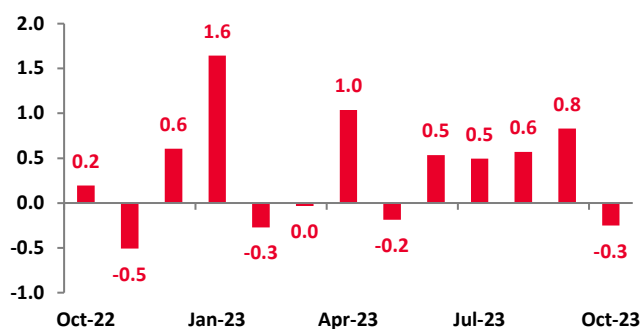
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Oct-23	Sep-23	Jul-23	Aug-Oct'23	Jul-Sep'23
Total	-0.3	0.8	0.6	1.6	1.5
Domestic	-0.1	0.8	0.1	1.0	0.6
Goods	0.4	1.2	-0.2	1.6	0.6
Services	-0.7	0.3	0.2	0.1	0.3
Imported goods	-1.6	1.6	3.5	4.1	4.2

Source: INEGI

Chart 7: Private consumption

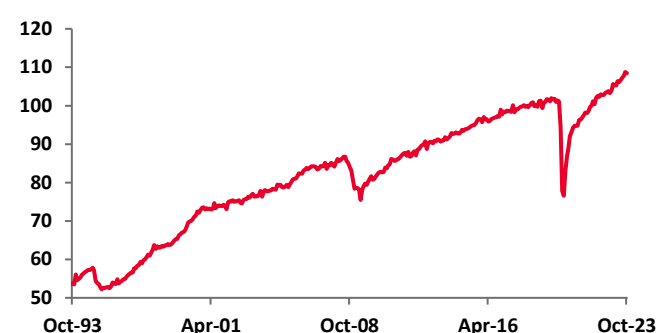
% m/m sa



Source: INEGI

Chart 8: Private consumption

Index sa



Source: INEGI

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Paula Lozoya Valadez, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cautencos Mora and Andrea Muñoz Sánchez, 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.
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