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Latam Daily: Mexico September Indicators—Consumption and Gross Fixed Investment

- **Mexico: September economic indicators reveal moderate pace of recovery and some uncertainties for investment**

MEXICO: SEPTEMBER ECONOMIC INDICATORS REVEAL MODERATE PACE OF RECOVERY AND SOME UNCERTAINTIES FOR INVESTMENT

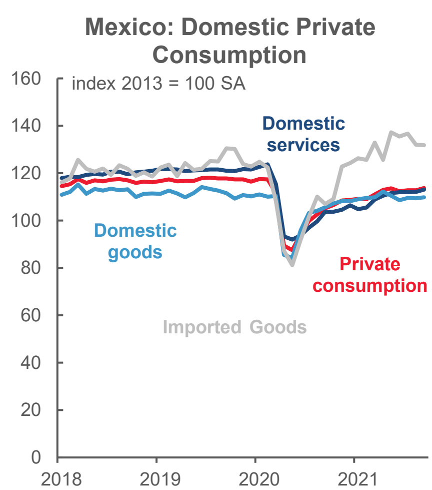
I. Consumption rose in September as contagion diminished and consumer confidence rebounded

According to data released yesterday (Tuesday, December 7) by Mexico's statistical agency, INEGI, private consumption accelerated in September, rising from 0.0% m/m to 0.9% m/m on a seasonally adjusted monthly basis, as the risk of contagion from the third wave of COVID-19 diminished and in line with a rebound in consumer confidence. By components, the advance was driven by services, rising from 0.1% m/m to 0.9% m/m, followed by domestic goods, which rebounded from -0.1% m/m to 0.4% m/m. Imported goods softened their decline from -3.5% m/m to -0.4% m/m. Nevertheless, domestic consumption is still -4.0% below its February 2020 level (chart 1). In its annual comparison, private consumption moderated from 12.3% y/y to 10.5% y/y nsa, extending the base effects distortions owing to their low comparison levels. Thus, we maintain our outlook for a moderate pace of recovery; however, recent price dynamics and the COVID-19 omicron variant present the main downside risks to consumption by the end of the year.

II. Gross fixed investment remained weak in September amid economic uncertainty

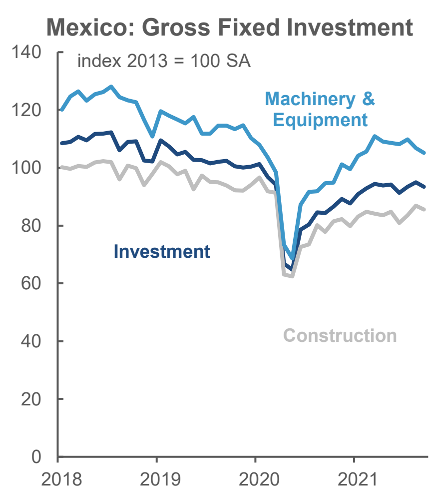
Also released yesterday (Tuesday, December 7) were data by INEGI on Gross Fixed Investment (GFI), which continued to show signs of stagnation in September, falling -1.6% m/m sa from 1.1% m/m previously. By sectors, construction spending plunged from 4.0% m/m to -1.5% m/m, whose residential

Chart 1



Sources: Scotiabank Economics, INEGI.

Chart 2



Sources: Scotiabank Economics, INEGI.

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component fell by -4.0% m/m, despite the fact that non-residential spending rose by 0.7% m/m. Spending on machinery and equipment attenuated its decline to -1.6% m/m from -2.7% m/m, as the domestic subcomponent dropped by -3.1% m/m, and the imported component fell by -0.1% m/m.

The GFI is -9.6% below its average level in 2019 (chart 2), showing a descendant trajectory since late 2018 that worsened in the first lockdown and has not fully recovered to pre-pandemic levels. In its annual comparison, base effects are still present, as its growth moderated from 13.3% y/y to 9.9% y/y nsa. Looking ahead, a complicated relationship between the public and private sectors, as well as uncertainty regarding economic policies present challenges for gross fixed investment, which could remain as the weak link in the economy and limit a higher potential growth in the long term.

—Miguel Saldaña