

## Latam Daily: Final Mexico Q1 GDP Estimate Higher

- Mexico: Higher Q1 GDP than in first estimate

### MEXICO: HIGHER Q1 GDP THAN IN FIRST ESTIMATE

According to INEGI, the [final estimate](#) of Q1-2021 GDP published on Wednesday, May 26, revealed that Mexico's recovery at the beginning of the year was slightly better than the early estimate released on April 30 (see our May 3 [Latam Daily](#)). This upgrade had already been foreshadowed by March industrial production [data](#). Although Q1 marks three quarters of recovery, growth still slowed from 3.2% q/q sa in Q4 to 0.8% q/q sa in Q1 (table 1); nevertheless, this was better than the prior estimate of 0.4% q/q sa. Industrial growth ebbed from 3.6% q/q sa in Q4-2020 to 0.5% q/q sa in Q1-2021; growth in services also ratcheted back from 3.2% q/q sa to 0.9% q/q sa, and activity in the agricultural sector rose from -2.1% q/q sa to 0.7% q/q sa.

The first quarter of 2021 saw overall activity down -3.6% y/y (chart 1), which was better than the -3.8% y/y preliminary print, but didn't beat the Bloomberg consensus estimate of -3.5% y/y. The composition of growth became somewhat more balanced during Q1. The agricultural component kept expanding and registered an expansion of 2.8% y/y, up from Q4-2020's 1.3% y/y; meanwhile, services and industry narrowed their gaps from -5.0% y/y to -4.0% y/y and from -3.3% y/y to -2.7% y/y, respectively. Even though the first quarter data came out a little better than we were [forecasting](#) (-3.8% y/y), for the moment we are maintaining our expectation that GDP will increase by 4.9% y/y in 2021 as a whole.

Also on Wednesday, May 26, INEGI released in a separate [report](#) the monthly GDP proxy for March that revealed that the recovery of the Mexican economy gained momentum after growing at the fastest pace observed since the "re-opening" last July. Economic activity rose 2.6% m/m sa in March, up from the -0.6% m/m sa observed in February; this translated into a 0.8% y/y expansion, which marked a positive turn in annual growth for the first time in the last 14 months. This adds to early evidence of recovering domestic demand, even though the start of 2021 was a little rocky with a new round of pandemic induced lockdowns, supply-chain problems with computer chips, and gas/energy shortages in February owing to the major winter storm in Texas.

Table 1  
Mexico: GDP growth

	Q1-2020	Q2-2020	Q3-2020	Q4-2020	Q1-2021
<b>GDP (y/y %)</b>	-1.3	-18.7	-8.7	-4.5	-3.6
Primary	-2.6	-3.9	3.3	1.3	2.8
Secondary	-2.3	-25.4	-8.7	-3.3	-2.7
Tertiary	-0.6	-16.3	-8.9	-5.0	-4.0
<b>GDP (q/q %, sa)</b>	-1.1	-16.9	12.5	3.2	0.8
Primary	-0.5	-1.9	6.1	-2.1	0.7
Secondary	-0.9	-23.2	22.5	3.6	0.5
Tertiary	-0.9	-14.9	9.0	3.2	0.9

Sources: Scotiabank Economics, INEGI.

### CONTACTS

**Brett House, VP & Deputy Chief Economist**  
416.863.7463  
Scotiabank Economics  
[brett.house@scotiabank.com](mailto:brett.house@scotiabank.com)

**Guillermo Arbe**  
+51.1.211.6052 (Peru)  
Scotiabank Peru  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Sergio Olarte**  
+57.1.745.6300 Ext. 9166 (Colombia)  
Scotiabank Colombia  
[sergio.olarte@scotiabankcolpatria.com](mailto:sergio.olarte@scotiabankcolpatria.com)

**Jorge Selaive**  
+56.2.2619.5435 (Chile)  
Scotiabank Chile  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

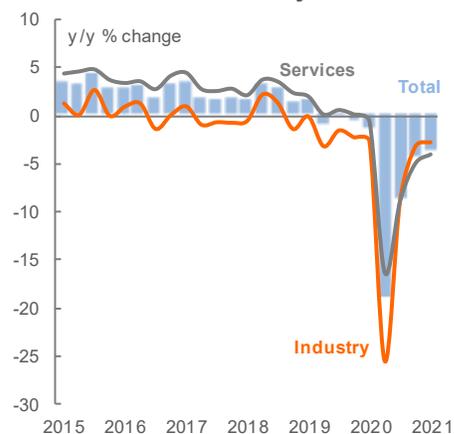
**Eduardo Suárez**  
+52.55.9179.5174 (Mexico)  
Scotiabank Mexico  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

### TODAY'S CONTRIBUTORS:

**Paulina Villanueva**  
+52.55.5123.6450 (Mexico)  
Scotiabank Mexico  
[pvillanuevac@scotiabank.com.mx](mailto:pvillanuevac@scotiabank.com.mx)

Chart 1

Mexico: Quarterly GDP



Sources: Scotiabank Economics, INEGI.

—Paulina Villanueva

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