

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
GDP (y/y %)	-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
GDP (q/q %, sa)	-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.

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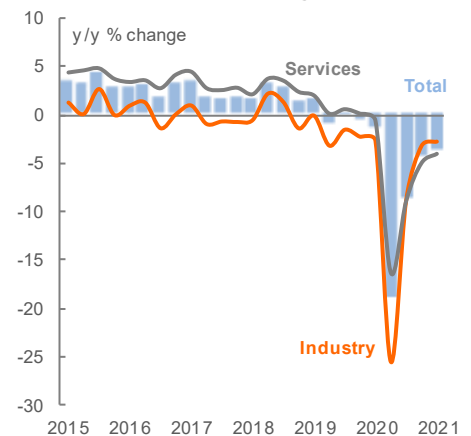
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Chart 1

Mexico: Quarterly GDP



Sources: Scotiabank Economics, INEGI.

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