

# Inflation and GDP, better than expected

## MX Economics: Macro Daily

November 22, 2024

In the first half of November inflation came in at 0.37% bw, slightly below our estimate of 0.40% bw. Discounts on non-food merchandise were higher than anticipated as some companies implemented pricing strategies a week before the official start of “El Buen Fin”.

Our estimate of 0.40% bw was above 0.37% as core inflation surprised us to the downside. We expected 0.09% bw and it came in at 0.04% bw as non-food commodity prices fell -0.37% bw. Although “El Buen Fin” started on November 15, some companies started with discounts a week earlier, as they implemented their programs separate from the national one.

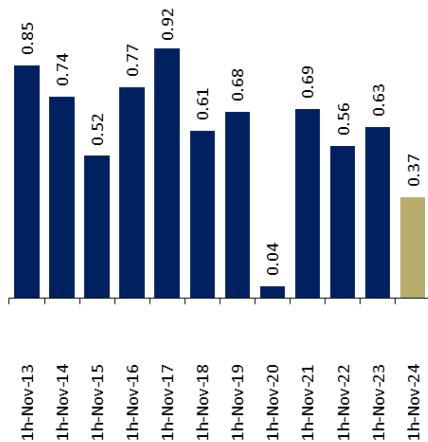
Non-core inflation was in line with our estimate, with pressures in the energy component due to the elimination of the summer electricity tariff subsidy and the increase in LP gas prices.

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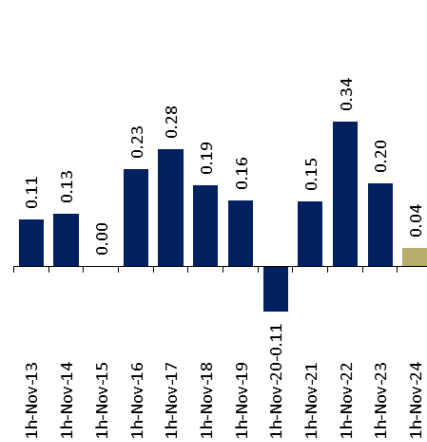
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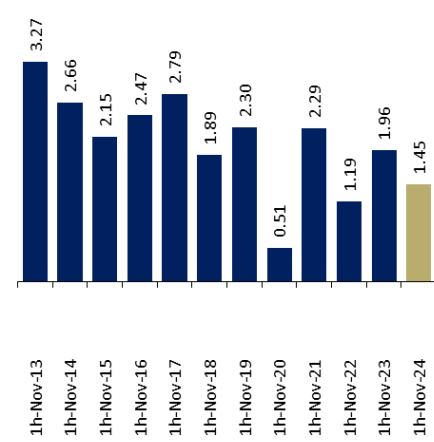
**Headline**  
(% bw); 1h-Nov



**Core**  
(% bw); 1h-Nov



**Non-Core**  
(% bw); 1h-Nov



At an annual rate, headline inflation decreased from 4.83% to 4.56%, while core inflation decreased from 3.74% to 3.58%. Merchandise inflation is now at 2.46% and services inflation at 4.85%. This increases the likelihood that Banxico could cut its reference rate by 50 bps at its December meeting. We will wait to have an estimate for the second half of November before changing our call of 25 bp cut.

## Inflation

(%); 1h-Nov-24

	1st half	Annual
<b>Headline</b>	<b>0.37</b>	<b>4.56</b>
<b>Core</b>	<b>0.04</b>	<b>3.58</b>
Goods	-0.14	2.46
Food goods	0.14	3.65
Non-food goods	-0.37	1.17
Services	0.22	4.85
Housing services	0.15	3.96
Education	0.00	5.79
Other services	0.31	5.63
<b>Non core</b>	<b>1.45</b>	<b>7.66</b>
Farm products	0.25	11.33
Agricultural products	-0.02	18.17
Livestock products	0.47	5.19
Government tariffs and energy	2.44	4.21
Energy	3.78	4.78
Government tariffs	0.02	3.76

## Inflation

(% YoY); 1h-Nov-24

	Headline	Core	Merchandise	Services	Non-Core	Agricultural	Energy and tariffs
<b>1h May 24</b>	4.78	4.31	3.55	5.23	6.27	8.75	4.08
<b>2h May 24</b>	4.59	4.11	3.21	5.21	6.10	8.12	4.31
<b>1h Jun 24</b>	4.78	4.17	3.33	5.19	6.73	8.99	4.74
<b>2h Jun 24</b>	5.17	4.08	3.24	5.12	8.61	11.73	5.83
<b>1h Jul 24</b>	5.61	4.02	3.08	5.17	10.64	14.33	7.30
<b>2h Jul 24</b>	5.52	4.08	3.10	5.27	10.09	13.11	7.33
<b>1h Aug 24</b>	5.16	3.98	3.07	5.11	8.80	10.95	6.74
<b>2h Aug 24</b>	4.83	4.01	2.97	5.26	7.27	7.97	6.42
<b>1h Sep 24</b>	4.66	3.95	2.94	5.15	6.73	6.50	6.67
<b>2h Sep 24</b>	4.50	3.88	2.90	5.05	6.28	7.02	5.35
<b>1h Oct 24</b>	4.69	3.87	2.89	5.03	7.17	9.66	4.69
<b>2h Oct 24</b>	4.83	3.74	2.73	4.92	8.20	12.19	4.55
<b>1h Nov 24</b>	4.56	3.58	2.46	4.85	7.64	11.33	4.18

**Third-quarter GDP grew 1.1% QoQ, above the preliminary estimate of 1.0% QoQ. Growth was driven by the recovery of the agricultural sector and the resilience of the commerce and services sector.**

Growth in the third quarter of the year is explained by a 4.9% QoQ (3.7% YoY) increase in agricultural activities, which have been highly volatile during the year due to the impact of meteorological phenomena. Given the resilience of the labor market and the increase in real wages and remittances, commercial and services activities grew at 1.1% QoQ (2.1% YoY). On the other hand, industrial activities advanced 0.9% QoQ (0.4% YoY), due to the strength of manufacturing activities. However, these were partially offset by the weakness of mining and construction.

With this behavior, if the economy were to stagnate in the last quarter of the year, GDP growth would be 1.45% in 2024. Therefore, we maintain our expectation of a 1.5% for the current year.

## GDP

(% QoQ); 3Q-24

Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	
0.7	0.1	0.1	0.4	1.1	<b>GDP</b>
-1.8	-1.5	-0.9	1.2	4.9	<b>Agricultural</b>
1.0	0.2	-1.0	0.3	0.9	<b>Industry</b>
-2.4	-0.4	-0.3	-2.5	0.0	Mining
1.7	-0.5	0.7	1.3	0.6	Utilities
7.1	3.2	-4.3	1.2	0.4	Construction
-0.2	-0.5	-0.2	0.4	1.3	Manufacturing
0.8	0.0	0.6	0.4	1.1	<b>Commerce and Services</b>
2.8	0.7	-0.8	-1.5	0.5	Wholesale Sales
-1.1	-0.4	2.0	-0.1	1.3	Retail Sales
0.1	0.6	1.9	0.6	1.0	Transportation and logis
0.7	-1.0	1.2	-0.9	1.6	Mass media informatior
1.0	-1.4	2.7	1.6	0.0	Financial services
0.2	0.1	-0.3	0.4	1.0	Real estate services
2.3	-0.8	-10.1	5.0	1.4	Business support service
-0.5	0.1	0.3	-1.0	2.4	Educational services
0.5	0.7	1.5	1.2	0.7	Health services
-0.3	2.1	-2.4	4.9	0.5	Recreational services
2.2	0.2	-2.0	-1.4	-0.1	Restaurants and hotels
0.8	-0.4	0.1	2.2	0.6	Governmental services

## GDP

(4Q-22=100); 3Q-24

