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Latam Daily: Weak Investment and Consumption in Mexico

• Mexico: Investment drops for the twelfth straight month while consumption weakness extends

Gross fixed investment deepened its annual real decline in August, falling from -6.6% to -10.4%, marking twelve consecutive months of contraction. Within its components, machinery and equipment dropped more sharply, from -5.9% to -13.7%, continuing consecutive declines since January of this year, driven by a steeper fall in transportation equipment, in line with the slump observed in heavy vehicle sales. On the other hand, construction, which has shown consecutive decline since August of last year, maintained a decrease of -7.4% (vs. -7.2% previously), due to setbacks in non-residential construction (-17.9%), compared to the growth in residential construction (8.6%).

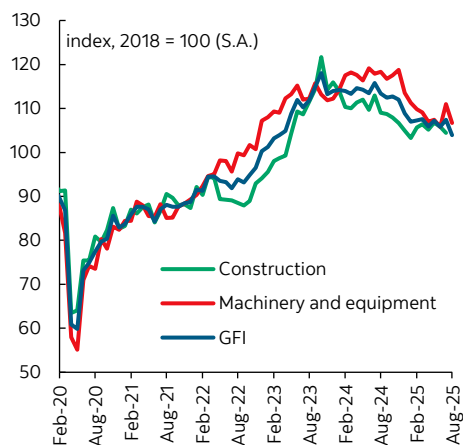
Thus, in the cumulative total for the first eight months of the year, investment shows an annual decline of -7.3%, stemming from weaknesses in machinery and equipment as well as non-residential construction. Looking ahead, we believe that domestic and international uncertainty, along with the contraction of public investment and adverse security conditions, will continue to weigh on investment decisions.

In August, private consumption remained practically stagnant, with an annual real variation of 0.1%, the same as the previous month. Nationally, consumption fell -0.3% year-on-year, mainly affected by decreases in durable goods (-5.3%) and semi-durable goods (-7.0%). In contrast, non-durable goods and services remained in positive territory, with moderate growth of 0.8% and 0.7%, respectively. Imported goods showed a sharp slowdown, growing only 0.8%, compared to 5.1% in July. This decline is largely explained by the contraction in semi-durable goods consumption (-4.7%).

As a result, consumption accumulates an annual real decrease of -0.3%, accentuated by the -3.1% drop in imported goods. In seasonally adjusted figures, consumption rose 0.6% month-on-month compared to July (0.1% previously), with generalized increases across its components. However, we estimate that in the coming months consumption will remain weak, influenced by factors such as the recent decline in remittances and moderation in formal job creation.

Chart 1

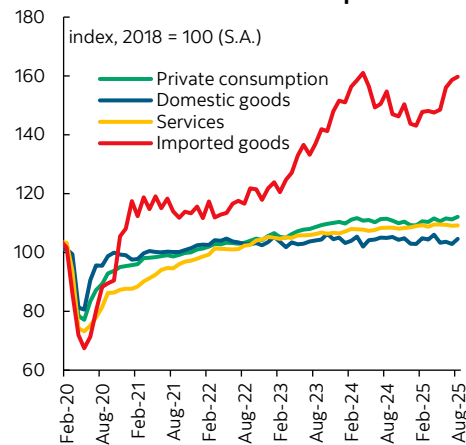
Mexico: Gross Fixed Investment



Sources: Scotiabank Economics, INEGI.

Chart 2

Mexico: Private Consumption



Sources: Scotiabank Economics, INEGI.

—Rodolfo Mitchell, Miguel Saldaña & Martha Cordova

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