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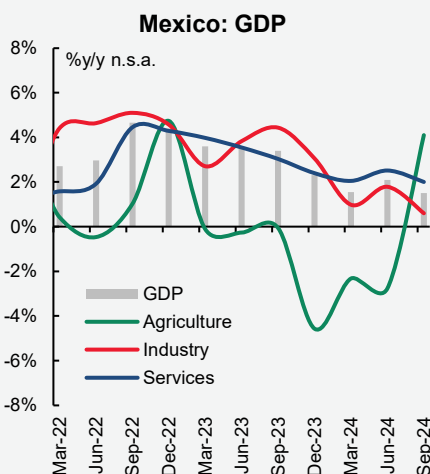
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Chart 1



Sources: Scotiabank Economics, INEGI.

Latam Daily: BanRep Decision; Mexico Q3 GDP Recap

• **Mexico: Q3 GDP beat thanks to a rebound in primary activities**

Another busy day awaits, with month-end to boot (though Chilean markets closed already for the week), but at least Eurozone inflation figures are behind us (small beat) and now we have but to wait for the release of US data at 8.30ET (GDP, PCE, ECI, jobless claims) in the G10 and Colombia's rate announcement at 14ET in Latam (see preview in yesterday's [Latam Daily](#)). In Colombia, yesterday's Senate approval of a reform that lifts allowances for transfers from the central to regional governments from 2027 is also hanging negatively over local markets—with possibly more negative reactions to the decision today after the COP closed yesterday at its worst level since mid-2023, above 4,400 pesos.

In other markets, rates in Europe are having another weak day in contrast to a small bull flattening in the US. Around 2/3bps yield increases in German debt aren't great though this is mostly catch up to post-close move in the US. In contrast, the gilts curve continues to flatten after yesterday's UK Budget (intuition would've said steepening, but ok), as 2s rise nearly 10bps and 30s yields tick 3bps higher; markets only have 28bps in implied BoE cuts over the remaining two meetings of 2024.

Risk sentiment is kind of weak, with 0.7% declines in Eurozone and UK indices and a bit more than this in for SPX and NDX futures, though currencies are mixed against the USD with most of them only narrowly stronger or weaker outside of the JPY's outperformance at +0.5% (thanks to BoJ Gov Ueda slightly opening the door to a December hike in the banks overnight decision), while the MXN does decent thanks to a 0.3% rise that still leaves it in the low 20s. In commodities, oil is up ~0.2%, iron ore about double that, and copper has been chopping around overnight but currently sits 0.3% down.

—Juan Manuel Herrera

MEXICO: Q3 GDP BEAT THANKS TO A REBOUND IN PRIMARY ACTIVITIES

INEGI published the GDP estimate for the third quarter of the year, which was 1.5% above what was anticipated by the market (1.3% y/y) compared to the same quarter of the previous year, while the figure for Q2-24 was 2.1%, breaking the moderation trend of the last seven quarters due to stronger primary activities. In quarterly terms, preliminary GDP grew 1% q/q with seasonally adjusted figures, above expectations and above the previous figure, which stood at 0.6% and 0.2% respectively (chart 1).

This better-than-expected advance came in due to rising primary activities, which rebounded 4.1% y/y from the previous -2.8% during Q2-24, affected by both extreme droughts and floods in the first half of the year. On the other hand, services moderated from 2.5% to 2.0%, and industry weakened from 1.8% to 0.6%, affected by lesser public infrastructure projects by the change of administration. Greater uncertainty in both domestic and international outlook could also undermine both investment and consumption, leading to slower yet still positive economic activity. Year to date, GDP figures hold an increase of 1.7% in the first three quarters the 2024.

Looking ahead, we consider that primary activities may face the risk of adverse climate events, leading to new production shocks. More importantly, the development of both the US elections and the 2025 fiscal package will set the tone regarding the economic environment. Thus, what could be a pause in investment plans while waiting to know the outcome of new political conditions, could also become a structural change leading to weaker dynamism.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña

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