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GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Weak Mexican Investment and Consumption in January

- **Mexico: Gross fixed investment recorded five consecutive months of declines; Private consumption started the year with monthly and annual drops**

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MEXICO: GROSS FIXED INVESTMENT RECORDED FIVE CONSECUTIVE MONTHS OF DECLINES

In January, gross fixed investment recorded a fifth consecutive months of declines, falling by -6.7% y/y (-4.0% previously). Within this, machinery and equipment decreased -3.2% y/y from 2.5%; specifically, the domestic subcomponent dropped by -3.4% (4.0% previously), and the imported subcomponent by -3.0% (1.5% previously).

Furthermore, construction remained weak by contracting -9.9% y/y (-9.4% previously), marking six consecutive months of declines, with the non-residential investment subcomponent dropped -16.2% y/y (-16.4% previously) and residential investment fell -1.3% y/y (3.2% previously).

On a seasonally adjusted monthly comparison (chart 1), GFI decreased by -1.5% m/m (after -2.8% in December), with construction falling by -1.4% m/m and machinery and equipment by -1.8% m/m. Looking ahead, we believe that uncertainty and volatility in Mexico-U.S. trade relations regarding tariffs will lead to greater risk aversion among investors, potentially resulting in a year of declines in investment.

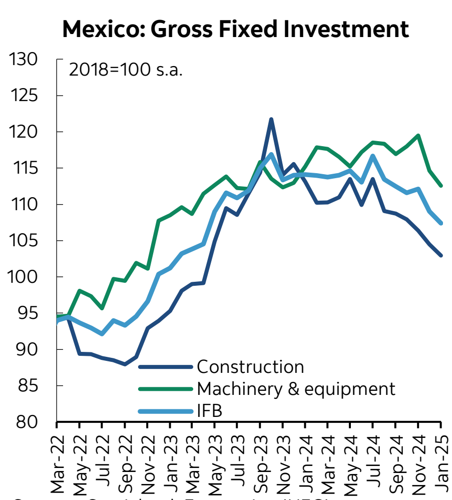
Regarding construction, the private component fell by -5.0% y/y (compared to -6.8% in December), marking its sixth consecutive decline. On the other hand, public investment had been contracting for nine months, registering a significant drop of -33.4% y/y (compared to -20.5% previously).

As for machinery and equipment, the private component dropped by -3.8% y/y (compared to 2.1% in December). Public investment in this area slowed down, standing at 7.6% y/y (compared to 11.2% previously), and we likely saw increasingly smaller increases.

PRIVATE CONSUMPTION STARTED THE YEAR WITH MONTHLY AND ANNUAL DROPS

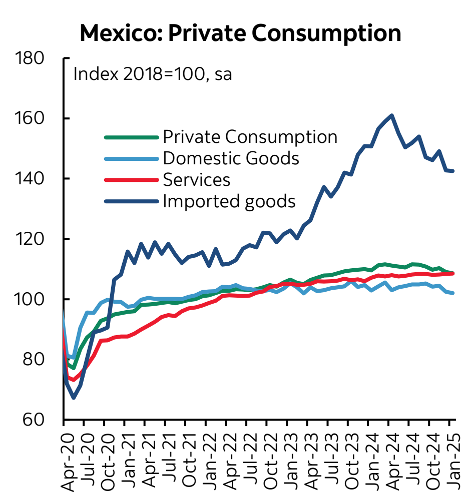
Private consumption began the year with a real annual decline of -1.3% y/y, marking two consecutive months of decreases (-0.7% in December). In detail, domestic goods fell by -1.0% (-2.1% previously), driven by a drop in semi-durable goods (-3.8%) and non-durable

Chart 1



Sources: Scotiabank Economics, INEGI.

Chart 2



Sources: Scotiabank Economics, INEGI.

goods (-0.9%), while durable goods increased by 2.3%. In contrast, services preserved an advance of 1.4%. On the other hand, imported goods deepened their decline to -7.9% from -1.5%, marking three consecutive months of decreases.

On a seasonally adjusted monthly comparison (chart 2), private consumption fell by -0.3% m/m (-1.2% previously), due to declines in domestic goods (-0.4%) and imported goods (-0.1%), although services saw a slight increase of 0.2%. The increase in uncertainty and weak job creation has affected consumption performance. Looking ahead, we believe that private consumption could face greater weakness due to weaker labour market, reduced dynamism in remittances, and consumer caution due to high uncertainty and lower economic activity expectations.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña