



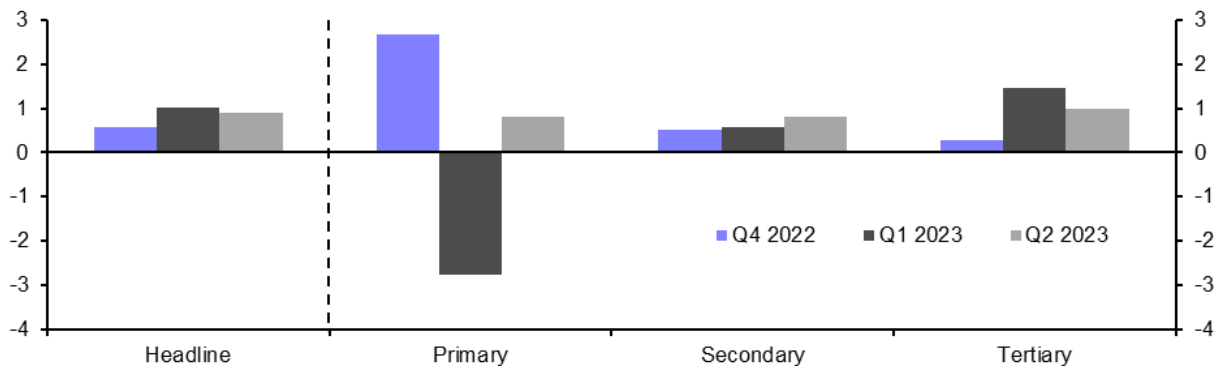
# LATIN AMERICA RAPID RESPONSE

## Mexico GDP (Q2 Prov.)

Strength seen in H2 unlikely to continue

- **The 0.9% q/q rise in Mexican GDP last quarter followed a strong Q1 and showed that Mexico’s economy was more resilient in the first half of the year than we’d expected. That said, we think that weaker growth in the US alongside tight policy at home will cause the economy to slow over the coming quarters.**
- The outturn was in line with the Refinitiv consensus forecast, albeit a bit stronger than our own forecast (for a 0.5% q/q expansion), albeit a bit slower than the 1.0% q/q expansion in Q1. In year-on-year terms, GDP growth edged down slightly to 3.6% (from 3.7% in Q1).
- **The breakdown of the data showed that the strength was broad based across all sectors.** The tertiary (services) sector put in another strong performance, expanding by 1% q/q (following a 1.5% q/q expansion in Q1). Industry held up better than the hard activity and latest survey data suggested, with output in the sector rising by 0.8% q/q. Meanwhile, agricultural output rebounded, following a slump in Q1.
- **We doubt that the strength seen in the first half of the year will be sustained.** We think the economy will continue to slow over the coming quarters as the US economy – Mexico’s largest trading partner – weighs on external-facing sectors while tight fiscal and monetary policy take their toll on domestic demand. Overall, given the stronger-than-expected first half of the year, we now expect the economy to expand by 3% over 2023 as a whole, but think that growth will slow to just 1.3% next year.

Chart 1: Mexico GDP (SA, % q/q)



Sources: Refinitiv, INEGI, Capital Economics

Table 1: Mexico GDP\*

	Headline		Primary		Secondary		Tertiary	
	% q/q (SA)	% y/y	% q/q (SA)	% y/y	% q/q (SA)	% y/y	% q/q (SA)	% y/y
Q3 2022	0.9	4.3	1.9	0.5	0.6	3.5	1.1	4.6
Q4 2022	0.6	3.5	2.7	5.2	0.5	3.1	0.3	3.5
Q1 2023	1.0	3.7	-2.8	2.3	0.6	2.5	1.5	4.3
Q2 2023	<b>0.9</b>	<b>3.6</b>	<b>0.8</b>	<b>2.5</b>	<b>0.8</b>	<b>2.6</b>	<b>1.0</b>	<b>4.1</b>

Sources: INEGI, Refinitiv \*Data are provisional. Headline GDP is seasonally adjusted independently to the sector components.



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