

Economic Analysis

In 3Q14 Mexico's GDP growth rate was moderate. This fact along with a downward revision of previous quarters induced us to lower our GDP growth rate for 2014 from 2.5% to 2.1%

Arnoldo López Marmolejo

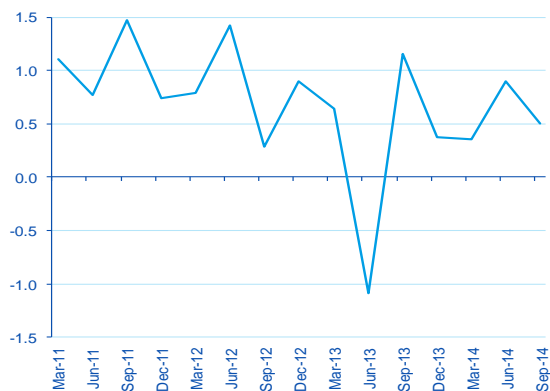
INEGI released the quarterly GDP growth rate (QoQ) for 3Q14, which was 0.50% seasonally adjusted (sa). This print was below BBVA's and market's expectations (BBVAe: 0.65% QoQ; Consensus: 0.60% QoQ). This quarterly growth rate implies an annual growth rate of 2.1%.

During 3Q14 the behavior of the main economic sectors was, in seasonally adjusted terms, the following. The primary sector (agricultural sector) registered the best performance with a growth rate of 2.5% QoQ. The tertiary sector (services) grew 0.5% QoQ, while the secondary sector (industrial activity) registered a growth rate of only 0.4% QoQ.

Additionally, INEGI also reviewed downwards the QoQ sa GDP's rate of growth of the first two quarters of 2014 in the following way: 1Q14, from 0.44% to 0.36%; 2Q14 from 1.04% to 0.90%. This revision implies a weaker economic activity in 2014. Considering this new information and the observed data of 3Q14 we revise our expected GDP growth rate for 2014 from 2.5% to 2.1%.

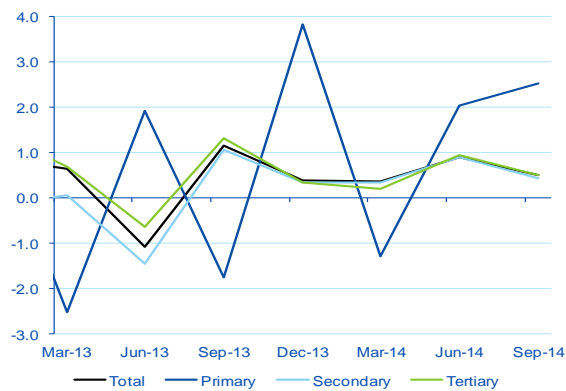
In seasonally-adjusted terms, the GDP grew 0.5% QoQ. This moderate growth is captured in monthly terms in the Global Economic Activity Indicator (IGAE). The annual growth rates of IGAE in seasonally adjusted terms for July, August and September were 2.5%, 1.8% and 2.0%, respectively. IGAE decreased in August (-0.19% m/m, sa) and in September (-0.07%, m/m, sa) with respect to its previous month. In September, Services grew slightly (0.06%, m/m, sa), while Industrial production and Agriculture decreased (0.1% and 1.0%, respectively, m/m sa).

Figure 1  
Mexico GDP growth, 2011-2014  
(QoQ %, sa)



Source: BBVA Research with INEGI data; sa = seasonally adjusted.

Figure 2  
Mexico GDP growth, total and its activities,  
2013-2014 (QoQ %, sa)



Source: BBVA Research with INEGI data; sa = seasonally adjusted.

**DISCLAIMER**

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.