

Economic Analysis

The October's IGAE shows an unexpected positive monthly performance (0.6% MoM, sa)

Juan Carlos Rivas Valdivia

According to INEGI, Mexico's October IGAE expanded 2.7% YoY sa, equivalent to 0.6% MoM sa.

This performance was driven by a YoY sa increase in services (3.0%) and industry (2.2%). Meanwhile agriculture fell 2.0%.

In monthly terms, October's IGAE had a 0.6% MoM sa growth. This result was mainly due to an increase in services sector (0.6% MoM, sa), a moderate increase in industry (0.3% MoM, sa) and a fall in agricultural production (2.1% MoM, sa). This indicates a better performance of the domestic market, linked to purchases of New Year, but will have to verify that this continues until the end of the year.

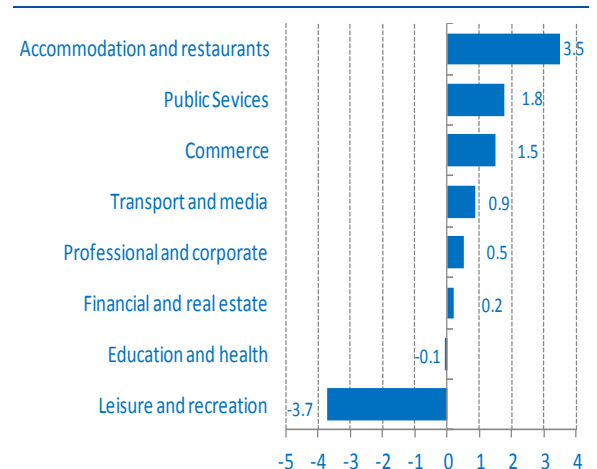
The best performance of the IGAE components (see Figure 1) and especially the dynamic performance of services (see Figure 2), indicating that the domestic economy begins to leave torpor in which it is located. In October, accommodation and restaurants grew 3.5% MoM, sa; public services expanded 1.8% MoM, sa; commerce grew 1.5% MoM, sa, and transport and media expanded 0.9% MoM, sa. We believe in a gradual recovery in domestic demand and the continuity of the external impulse for the coming months. All linked to more efficient public spending on infrastructure and an acceleration in the growth of the economy of the United States. If this trend continues we would see a moderate economic growth at the end of 2014 (2.1% YoY, sa).

Figure 1
IGAE and its components
(YoY %, sa)



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

Figure 2
October's services components
(MoM %, 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.