BBVA Research

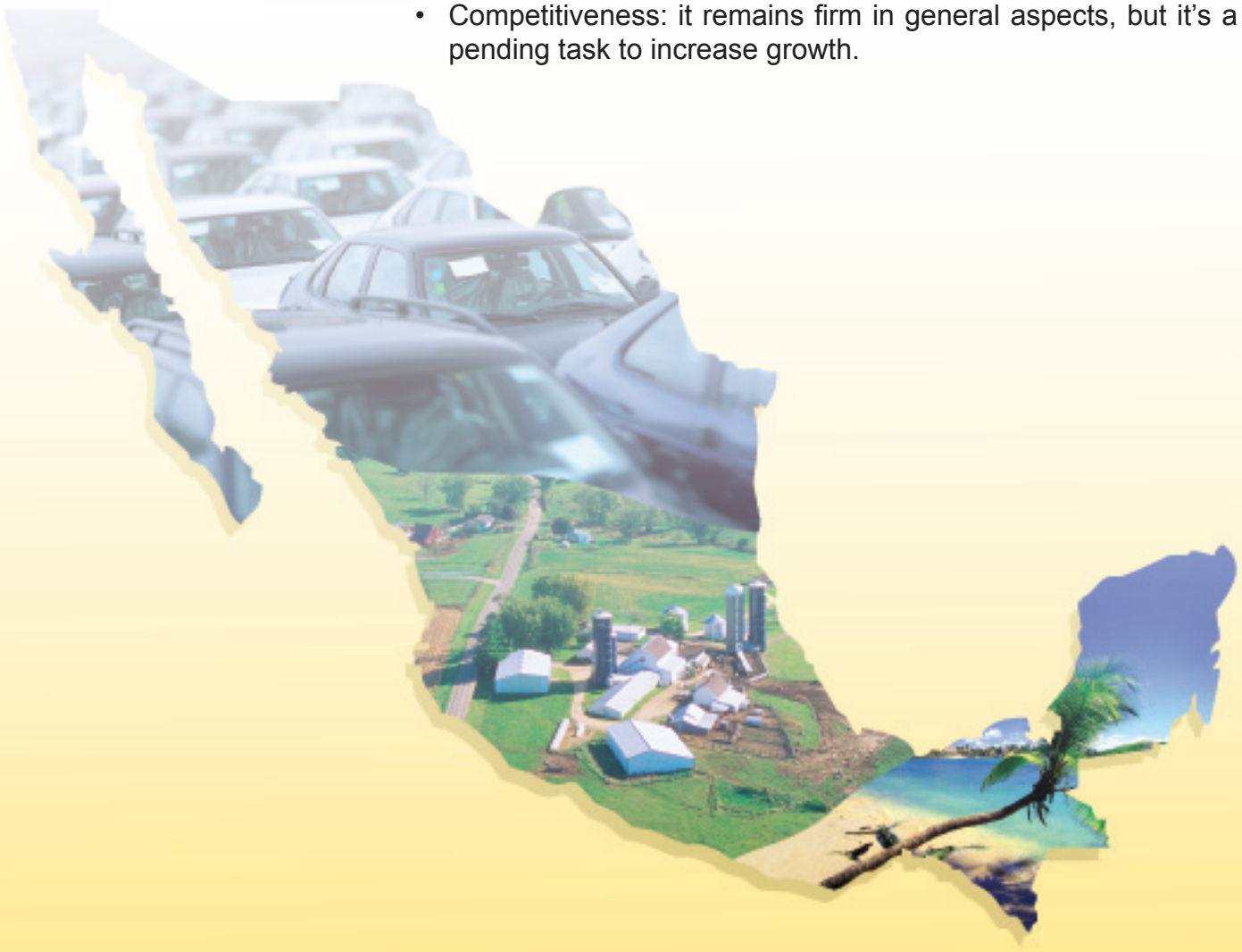
Mexico

Regional Sectorial Outlook

June 2010

Economic Analysis

- Dynamic sectors: the competitive ones and with external demand, the automobile industry stands out.
- Dynamic regions: those industrially linked to the U.S., tourism and that show competitiveness.
- Competitiveness: it remains firm in general aspects, but it's a pending task to increase growth.



Contents

Closing date: June 10, 2010

1. Summary

The economic sectors that are growing in 2010 will be boosted by external demand. Manufacturing is significant; but internal demand is still lagging

In 2009, most of the sectors of the economy were affected, either directly or indirectly, by the decline in foreign trade, a reflection of Mexico's strong link with the U.S. In light of the sectorial growth observed in the first four months of the year, 2010 seemed to be characterized by a generalized growth of the large sectors of the economy, compared to 2009. Outstanding in a very positive way are manufactured goods and in this category, the auto sector, including heavy vehicles and auto parts; computer equipment and machinery and equipment; in services, trade and transportation. But despite the recovery this year, we are still far from the maximum levels reached in 2008. In fact, based on our estimates, only 34.7% of production in 2010 will be equal to or in a better position compared to 2008, so that it will not be until 2011 when 76.3% of the major sectors of activity will surpass production on the scale of 2008. Nevertheless, there are still risks, above all in the external environment, that could weaken or even delay the recovery. Growth in 2010 is a modest recovery compared with the size of the drop, which is characterized by scant growth of internal demand compared to its relative size, and is more dependent on external demand. Greater levels of confidence derived from an improvement in the environment and in employment could allow for consolidation of the recovery.

In manufacturing competitiveness, Mexico shows important progress, but neither the North American Free Trade Agreement (NAFTA), nor the country's geographic advantage have served to prevent China from occupying the first position in the U.S. market, so Mexico faces great and urgent challenges in terms of manufacturing trade competitiveness. To measure Mexico's competitiveness against China in the U.S. market, the "Revealed Competitive Advantage Index" (the RCAI or IVCR for its Spanish initials) was calculated of the (30) main products (which represent 70% of total manufactured goods) exported by Mexico and its correlations with the equivalents from China so it can be concluded that in (23) products Mexico has been able to maintain an advantage (IVCR>1); in 3 (three) it was not possible to make the comparison since China does not export this type of goods (light and heavy vehicles and malt); in the remaining four it does not have an advantage, in addition to which these account for 2.4% of total manufactured exports. The main problem of Mexican exports is not that a particular country increases its market share in the U.S., but in its incapacity to maintain more or less sustained growth and be able to diversify its markets. Mexico, as well as China, has benefited from the transfer of know-how, technology and added value through Foreign Direct Investment (FDI). However, China's progress has been spectacular.

Regionally, the recession was not generalized. The areas less exposed in the U.S. were the least affected. The recovery will also be disparate

The economic recession was reflected in all the states and regions in the country, although its impact is disparate according to each of their profiles and characteristics. Grouping the states according to their main productive activity and their level of development in five categories1: Industrials, Medium Development, High Underdevelopment, Tourism and those of High Development, the greatest impact was on tourism and in the industrialized areas, while the lowest was on those areas of medium development and high underdevelopment. In the tourist areas, the global recession altered international tourism and deepened its impact. The more industrialized areas are also those that concentrate most of the exporting industries

and therefore those most sensitive to the change in the cycle. They are now the first to show a recovery. In our base scenario there will be a consolidation of the recovery in all the regions toward 2011. The most competitive will maintain growth above the average, with the least competitive returning to their trend of lower growth and relatively falling behind. The task of their modernization is still pending. The downward risks in this expectation of recovery lies in the external environment.

New methodology to measure state GDP maintains the concentration of productive activity and a disparate dynamism

In March of this year, the National Statistics Institute of Mexico (INEGI for its Spanish initials) published the latest information on GDP of the states for the years from 2003 to 2008. The new methodology includes the same classification used for North America (the North American Industry Classification System or NAICS). There are advances made in the coverage of services and that of oil industry activities is significant. The result was greater GDP, particularly in the states where this activity predominates. The five largest states, from the standpoint of GDP (the Federal District, State of Mexico, Nuevo Leon, Jalisco, and Veracruz) represented 46.4% of the country's total economic activity, while the five smallest states (Colima, Tlaxcala, Southern Baja California, Nayarit and Zacatecas) accounted for 3.0%. There was greater dynamism in Quintana Roo, Southern Baja California, Queretaro and Nuevo Leon and a strong concentration of some activities, for example mining due to the weight of the oil industry and financial and professional services, as well as support to businesses.

State competitiveness very segmented by regions and cities

Among the states, those with the greatest competitiveness are the Federal District, Nuevo Leon and Baja California; whereas the states that are most behind are Chiapas, Tlaxcala and Oaxaca. Geographically there are better competitiveness indices in the northern part of the country. In terms of urban areas, Monterrey holds the highest evaluation, while Huimanguillo and Huaxtepec are those most behind. In the last two years evaluated, nine cities improved their competitiveness and six showed a deterioration among a total of 86 urban areas. The first group includes Colima, Los Cabos, Mexicali, Monclova, Querétaro, San Juan del Río, Celaya, Cuautla and San Cristóbal de las Casas. The second group includes Ciudad Juárez, Ciudad del Carmen, Valle de México, Zacatecas-Guadalupe, Ciudad Victoria and Poza Rica. It is important to note that the size of the urban areas is not a condition that in itself gurantees better competitive levels and living standards.

In general terms, the backwardness in Mexico is not only due to the need for greater investment, but also to the manner in which, as a country, resources are used. Once the crisis is surpassed, the need again arises of improving the framework in which productive activity is carried out. There are no shortcuts. The name of the game at a global level is competitiveness. That is the road we must take to raise the country's potential growth, as well as that of its sectors and regions.

1: Classification proposed in November 2007, in ***Regional and Sectorial Situation Mexico***

2. Sectorial

2a. After the "storm", what is the sectorial outlook?

The "perfect storm" for Mexico in 2009

The recession in the world economy that began in the United States and spread throughout the world was especially virulent for Mexico (see ***Mexico Watch*** Fourth Quarter **2009**). A series of major factors simultaneously came together based on the high degree of integration of the U.S. and Mexican economies. In terms of the real economy, the main mechanism for its transmission was the unprecedented collapse in international trade. However, this was not the only element. Among the other factors that came together were the fall in remittances due to fewer jobs and lower wages of Mexicans living outside the country; the collapse of General Motors (GM) and Chrysler, companies that maintain a considerable presence in Mexico with a high level of intra-industrial trade; and the generalized decline in spending on durable consumer goods in the United States. In the financial sector, greater risk aversion translated into a contraction in capital flows, including foreign direct investment. This series of external factors was coupled with the effect on tourism of the H1N1 flu outbreak.

The decline in global and U.S. trade during 2009 was similar and very considerable (23% in dollars[2]), affecting Mexican exports and therefore the production of such goods. Exports of Mexican manufactured goods to the United States, which represent 80% of the country's external sales, decreased an annual 14.1% in 2009, a very high rate but less than the 21.6% annual contraction in U.S. imports from the rest of the world. This lower drop, which occurred in most of the sectors, can be attributed to the country's continued international competitive advantage, the result of the combined effect of the real depreciation of the peso and the increase in Mexico's labor productivity. In some of the country's sectors it was possible to increase their competitive advantage in relation to Asian nations, mainly China (see the section on the "Commercial competitiveness of the Mexican economy: an appraisal of the competition with China" in this edition of ***Mexico Regional Sectorial Outwatch***).

Within the manufacturing sector, the contraction in Mexican exports to the United States in 2009 was practically generalized. By category of products, the most affected sectors were non-durable goods, although they have a relatively low weight (15.2%) in the Mexican export basket. In this category, the greatest contraction in 2009 was 39% and this corresponded to the oil derivatives sector, although with a reduced share in the total. Other Mexican export sectors posting important declines in terms of U.S. imports of their products were chemicals, apparel, and leather and hides. On the other hand, the food sector increased its market share with an annual 7% growth in its exports in 2009.

In the durable goods category, which has the greatest relative weight, accounting for 85% of total exports, the decline was 13.6%, due mainly to a 21% drop in dollar terms in auto sector exports and a 17.4% decline in electrical equipment. Although together they represent 34.4% of the total, the auto sector (25%) is second in importance in exports of manufactured goods, following the computer and electronics sectors (see chart 1).

2: From now on, all the variation rates for exports and imports will be calculated in dollars

Chart 1
U.S.-Mexico trade
(Annual % change, 2009 vs. 2008 and export sector % in manufacturing)

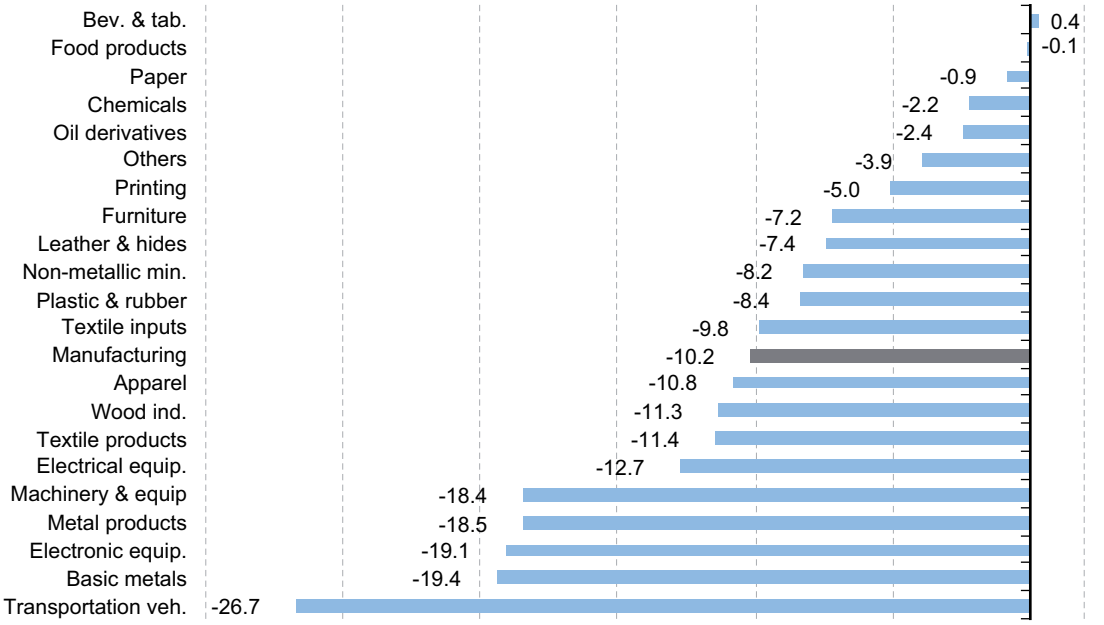
	Total U.S. imports	Mexican exports to the US	% Mex. manuf. exports		Total U.S. imports	Mexican exports to the US	% Mex. manuf. exports
Total manufactured goods	**-21.6**	**-14.1**	**100.0**				
Durable	**-22.3**	**-13.6**	**84.8**	**Non-durable**	**-20.3**	**-16.7**	**15.2**
Computers and electronic equipment	-7.9	-4.2	30.5	Food products	-9.6	7.8	2.7
Transportation equipment	-29.6	-21.0	24.8	Apparel	-12.3	-15.6	2.5
Electrical apparatuses, equip.	-19.8	-17.4	9.7	Chemicals	-19.3	-29.7	2.2
Machinery and equipment	-28.5	-18.3	5.9	Oil derivatives	-39.7	-34.5	2.1
Basic metals	-44.4	-13.5	4.7	Beverages & tobacco	-10.0	-4.8	1.7
Other manufactured goods	-16.4	-3.0	4.0	Plastic & rubber	-15.7	-8.9	1.6
Metal products	-22.9	-18.4	3.2	Leather and hides	-14.4	-26.7	0.8
Non-metallic minerals	-27.8	-20.3	1.3	Paper	-23.1	-8.7	0.6
Furniture	-22.3	-14.8	0.8	Textile manufactures	-11.7	-8.9	0.4
Wood products	-30.7	-22.5	0.1	Textiles	-24.0	-11.8	0.3
				Printing and publishing	-20.9	-22.2	0.3

Source: BBVA Research with data from the National Statistics Institute (INEGI) and the United States International Trade Commission (USITC).

The contraction in foreign demand for goods and the effect of the reduced availability of external resources was reflected in the adjustment in Mexican production. Manufacturing production plummeted 10.2% in real terms in 2009, a decline unparalleled in the past 20 years. Although all the manufacturing sectors were affected, except beverages and tobacco, the goods that posted the greatest adjustment in terms of the average were mainly durable, which due to their nature are more elastic to cyclical behavior, since their consumption is canceled or postponed when there is an increase in uncertainty in relation to individuals' future wealth or income.

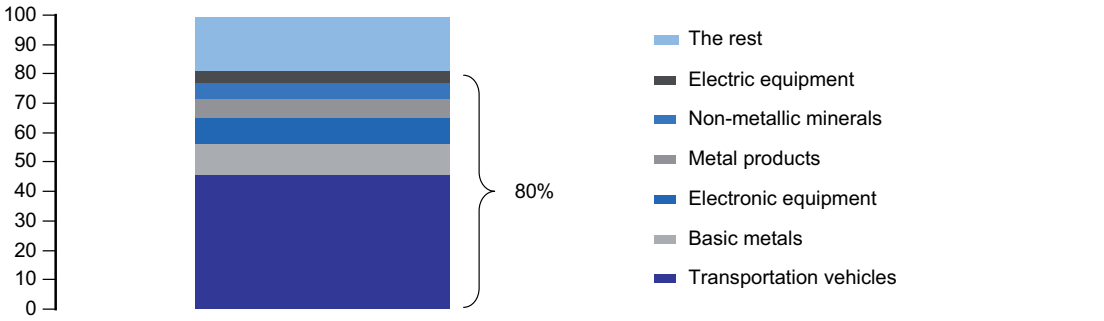
Of particular importance in the durable goods category is the 26.7% fall in Mexican production of transportation vehicles (automobiles, light vans, heavy vehicles, and auto parts), which with the abrupt fall in demand for such vehicles in the United States, the operation of two of the three most emblematic U.S. companies (GM and Chrysler), which for some years had been operating with considerable losses, became untenable. This situation, which forced these companies to declare bankruptcy for a brief period of time in the United States in order to speed up their restructuring, had a considerable impact for Mexico. Chrysler virtually ceased its production for two months and GM operated at a minimum capacity. They played a very important role in the strong contraction in manufacturing production in Mexico, with 45.7% of the fall in manufacturing being precipitated by the auto sector (see graphs 1 and 2).

Graph 1
2009 contraction in manufacturing production (real annual %change)



Source: BBVA Research with INEGI data

Graph 2
The 80% drop in manufacturing GDP in 2009 can be attributed to 6 of 21 sectors



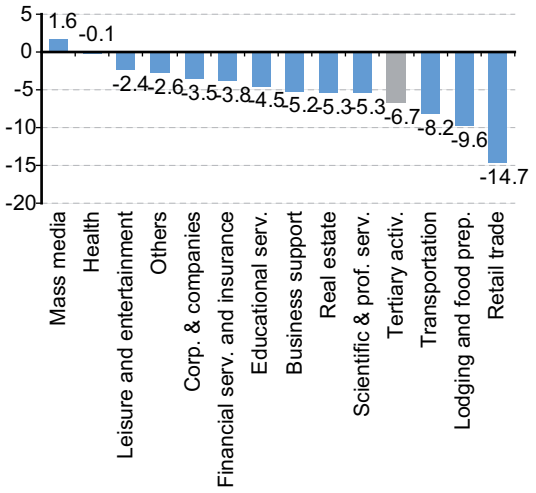
Note: not including Beverages and Tobacco, which made a positive, although small, contribution.
The rest of the category includes mach. & equip; apparel; plastic; chemicals; wood; furniture; leather & footwear; textiles; oil deriv.; textile inputs; printing; paper; and food.
Source: BBVA Research with INEGI data

However, the weakening of most manufacturing export sectors was not the only factor that precipitated the 6.5% decline in Mexican GDP in 2009. Also present was the adjustment in individual income due to loss of jobs and/or a decline in the remittances sent by Mexicans living abroad. The severe uncertainty generated by the scenario of an economic crisis was coupled with lower consumer spending as a result of a precautionary effect and lower demand for credit, as well as a more cautious approach by lenders. These circumstances spread to all the activities linked mostly with the domestic market such as the tertiary sector or that of construction.

In fact, in the tertiary sector, the negative impact was felt in all the sectors with the exception of the mass media and governmental activities, which maintained a certain dynamism of their own, in the first case due to the expansion of activity and in the second as a result of the application of

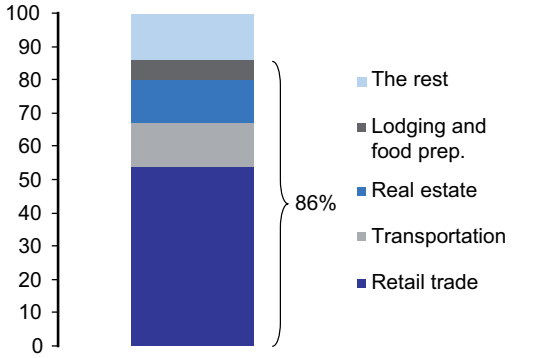
a counter-cyclical fiscal policy. Although outside of these subsectors the impact was generalized, it was more intense in the retail trade, hotel, food preparation, and transportation industries, precipitated by the H1N1 flu outbreak (see graphs 3 and 4).

Graph 3
Tertiary GDP activity in 2009 (real annual % change)



Source: BBVA Research with INEGI data

Graph 4
The 86% drop in tertiary activity in 2009 can be attributed to 4 of 14 sectors



The rest includes educational, professional, and financial services; business support, corporate leadership, leisure and entertainment, health, mass media, gov't. act.
Source: BBVA Research with INEGI data

The construction sector also suffered from the fallout from the crisis with a 7.5% decline in 2009. Not only was new housing construction affected, but also other non-residential investment categories (shopping malls, offices and industrial parks), which had to adjust to the new conditions involving a decline in company and individual income.

To summarize, most of the activities were directly or indirectly affected by the fall in foreign trade, which reflects Mexico's high degree of linkage with the United States. Given this panorama, several questions arise: what form will the country's recovery, which began in the third quarter of 2009, take?; this year's figures show that the dynamism continues, but, under what conditions will the recovery be consolidated?, when will production levels prior to the crisis, which began in the third quarter of 2008, again be reached?

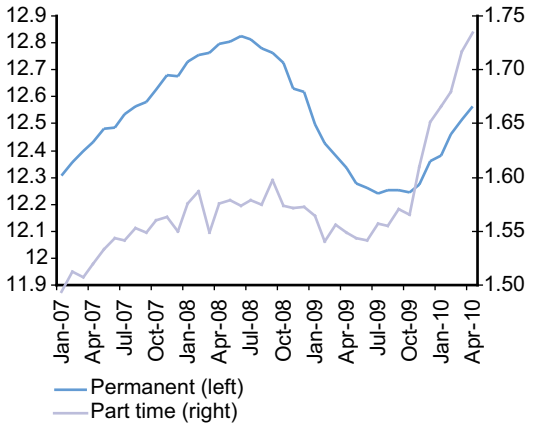
The first and main factor boosting growth was exports

Recently issued figures for first quarter 2010 GDP, show that, just like the decline in U.S. economic activity dragged the Mexican economy down, it is now boosting the country's growth through a greater demand for Mexican exports. The current dynamics and the very characteristics of the Mexican economy indicate that the form taken by the recovery will be similar to what occurred in other crises. Initially, it will be stimulated by greater exports that generate a reduction in inventories and facilitate an increase in industrial production. This will subsequently be followed by a certain recovery in producer confidence that will allow for a resumption of investment projects and finally and gradually, consumption will be strengthened as a result of job creation and a recovery of confidence. It is expected that these stages will mutually stimulate each other in a clearer way in the second half of this year and allow for the recovery to be consolidated.

The evolution of employment will be decisive in achieving recovery in the demand for and production of consumer goods in a first stage involving basic goods and, now, in a consolidation stage, with durable consumer goods. For the time being, consumption is not recovering rapidly. Job creation currently corresponds to the low-income segments of the population and temporary employment (see graph 5). Our expectation is that, supported by the recovery of manufacturing, this will gradually lead to greater job creation in the higher income strata in a more permanent manner.

Graph 5

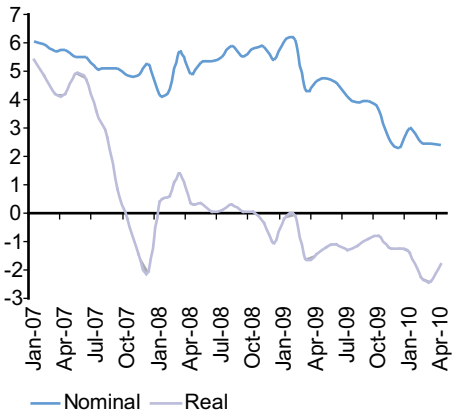
Workers affiliated in the Mexican Social Security Institute (IMSS) (millions of persons, seasonally adjusted figures)



Source: BBVA Research with IMSS data

Graph 6

Average salary for fee payments to the IMSS (Annual % change)



Source: BBVA Research with Labor and Social Welfare Ministry (STPS) data

For now, it is the manufacturing, transportation, and retail sectors that are heading up the recovery, and to a less extent real estate, the mass media, and primary activities. Even though sectors such as construction and financial and professional services are still lagging behind, it is anticipated that in the second quarter of this year most of them will be experiencing a growth phase.

The increases of the first three months of the year will intensify in the second quarter, partially due to a statistical or comparative effect, since in general the lowest level of activity in the Mexican economy last year occurred during the second quarter. However it will be difficult to continue with such high rates for the rest of the year, and therefore we maintain our projection of a 5% increase in GDP in 2010 (see graph 6), perhaps with a downside trend due to risk factors both internal (delay in job creation and therefore lower growth in consumption) and external (dynamics of international growth in response to risk aversion due to the events in Europe).

In light of the sectorial growth observed in the first quarter of the year, 2010 would appear to be characterized by generalized growth of the large sectors of the economy compared to 2009, but still far from the maximum levels reached in 2008. In fact, based on our estimates, only 34.7% of all the productive sectors in 2010 will reach levels equal to or higher than in 2008 (see chart 2). It will not be until 2011 when 76.3% of the large activity sectors will exceed production on the 2008 scale; retail will not exceed such levels until 2012 and professional and corporate leadership services will do so subsequently.

Chart 2

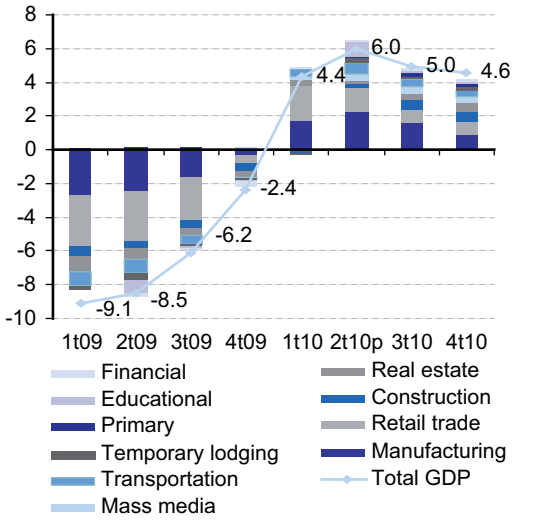
Recovery of pre-crisis levels, large sectors (2008 index=100)

	2009	2010	2011	2012		2009	2010	2011	2012
Total GDP	**93.4**	**98.1**	**101.8**	**105.5**					
Mass media	102	111	118	125	Leisure and entertainment	98	100	102	104
Financial services & insurance	96	98	106	120	Real estate and rentals	95	98	101	104
Primary	102	104	108	113	Temporary lodging	90	95	100	102
Electricity, water & gas	101	104	107	111	Mining	101	102	102	102
Construction	93	95	99.2	105.3	Business support	95	97	99	102
Educational services, education	96	102	104	106	Health and social assistance	100	100	101	102
Gov't activity	104	104	105	106	Retail trade	85	93	97	101
Other services except gov't	97	101	103	105	Scientific and technical professional serv.	95	93	96	98
Manufacturing	90	98	101	105	Corporate leadership	96	95	96	97
Transportation	92	100	102	105	% of total GDP =>100	20.3	34.7	76.3	93.7

Source: BBVA Research with INEGI data

Graph 7

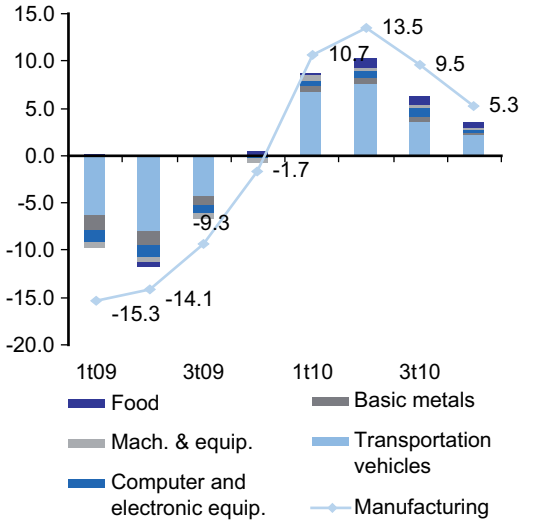
Main sectors and their contributions to total GDP growth in 2010 (Real annual change and percentage points)



p: projection based on indicated date
Source: BBVA Research with INEGI data

Graph 8

Main subsectors that contributed to growth in manufacturing output in 2010 (Real annual % change and percentage points)



p: projection based on indicated date
Source: BBVA Research with INEGI data

As would be expected, during the first quarter of 2010 the greatest contributions to growth within the manufacturing sector came from the sectors most linked to exports. This is the case, for example, with computer and electronic equipment and transportation vehicles (see graph 8), the latter with a very important contribution due to its high growth that will allow it, if the current conditions do not change, to reach the level of activity of 2008 by the close of 2011. In general, in 2010, growth is still not homogeneous in the manufacturing subsectors, and therefore only 40.1% of them will be operating at levels equivalent to 2008 (see chart 3). In synthesis, it is projected that the recovery with regard to the maximum level in manufacturing activity will become generalized in 2011.

Chart 3
Recovery of pre-crisis levels, manufacturing sub-sectors (Index 2008=100)

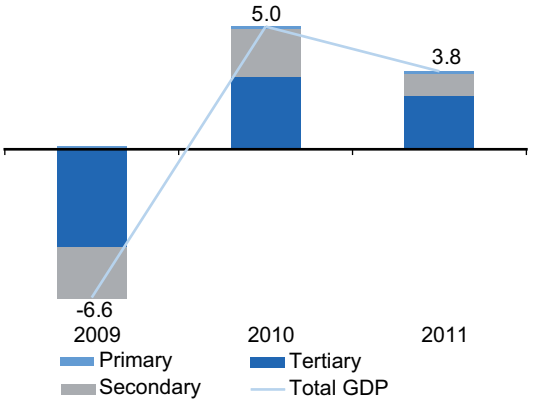
	2009	2010	2011	2012		2009	2010	2011	2012
Manufacturing	**90**	**98**	**101**	**105**					
Paper	96	102	106	111	Leather and hides	93	101	101	103
Other manufactured goods	100	103	106	110	Textile inputs	90	97	99	102
Bev & Tobacco	100	103	105	108	Oil derivatives	98	98	100	101
Food products	98	100	103	107	Furniture	92	98	98	99
Chemicals	81	93	100	106	Electric equip.	87	94	96	99
Computers and electronic products	73	100	102	106	Metal products	82	91	94	99
Transportation vehicles	91	95	100	105	Apparel	89	97	95	95
Non-metallic minerals	89	94	99	105	Wood	89	90	92	95
Textile manufactures	90	98	101	105	Basic metals	81	88	90	93
Plastic and rubber	92	97	100	104	Mach. & equip.	80	94	92	91
Printing	94	100	101	104	% of production on level =>100	8.8	40.1	79.4	80.4

Source: BBVA Research with INEGI data

Growth in 2010, still closely linked to the external market; in 2011, the recovery of the domestic market will be consolidated

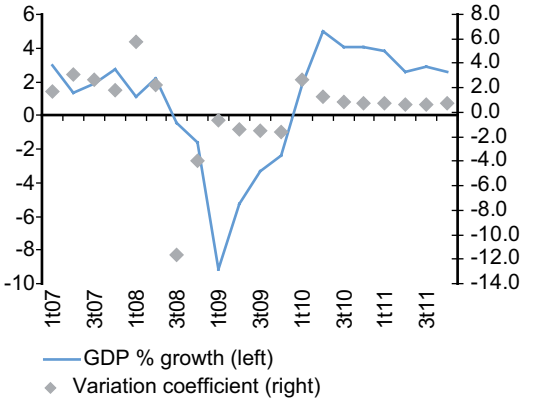
The return to pre-crisis production figures will not occur on an accumulated level until 2011, when the internal conditions allow for consolidation of the recovery. Growth in 2010 will reflect a modest recovery compared with the extent of the decline. It will be characterized by lackluster dynamism of internal demand in relation to its relative size and will be more dependent on external demand (see graph 9). By quarter, to the extent that the disparity of the sectors with regard to growth in GDP is reduced, the recovery of the economy will continue consolidating (see graph 10). However, the risks in our projections are on the downside, mainly due to the existence of a high level of risk aversion or as a result of the impact of the fiscal consolidation programs in the European countries.

Graph 9
Sector contributions to GDP growth (percentage points)



Source: BBVA Research with INEGI data

Graph 10
Quarterly GDP, 1Q09-4Q11 (disparity compared to the average)



Source: BBVA Research with INEGI data

2b. Sectorial competitiveness of the Mexican economy: an evaluation of Mexico's competitiveness against that of China

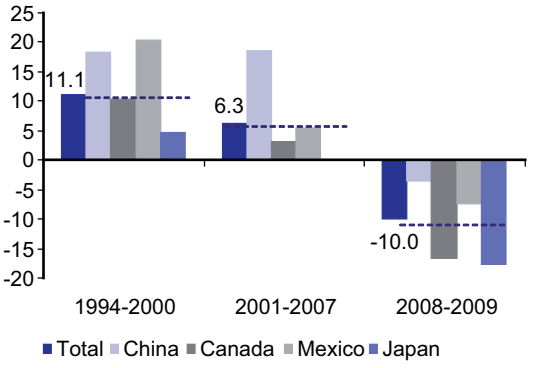
How can we determine the competitiveness of the sectors? What are the factors that determine it? There are multiple options to answer these questions. In this article of *Regional Sectorial Outlook Mexico* we have considered that one way of doing this is through the "Revealed Competitive Advantage Indexes" (IVCR for its Spanish initials). What these indexes show is the increase of share in the international markets, which indicates a "revealed competitive advantage" and can therefore be considered an approximation of a measure of competitiveness of the industries that produce those goods. It is also useful because it allows making comparisons with other products and countries. Additionally, the "Spearman" correlation coefficient is estimated, as an indicator of the complementary nature or competition between different countries. In this case, the analysis is applied to Mexican and Chinese products.

The structure of the document consists in the following: in the first section, a brief introduction appears of the insertion of Mexico in international trade with the entry into force of the North American Free Trade Agreement (NAFTA). Its evolution is compared against that of other important competitors in the U.S. market. In the second section, the competitiveness indexes are compared with the performance of Foreign Direct Investment (FDI) as a reference of technology transfer and product improvement, and in the third part, the competitiveness indices described are estimated. Finally, some conclusions are offered on the subject.

The successful integration of Mexico in international trade flows

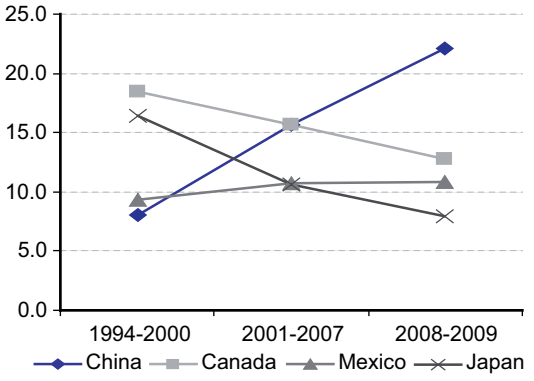
Mexico has been able to successfully enter the U.S. market for manufactured products. From 1994 to 2009 three stages can be detected. In the first, from 1994 to 2000, Mexican exports to the United States showed accelerated growth rates, on average of 20.4% in dollars, far above the historic average and at a rate similar to that of China (see graphs 11 and 12).

Graph 11
Manufactured imports in the U.S. (Average % growth)



Source: BBVA Research with USITC data

Graph 12
Share of manufactured imports in the U.S. (% share of total)



Source: BBVA Research with USITC data

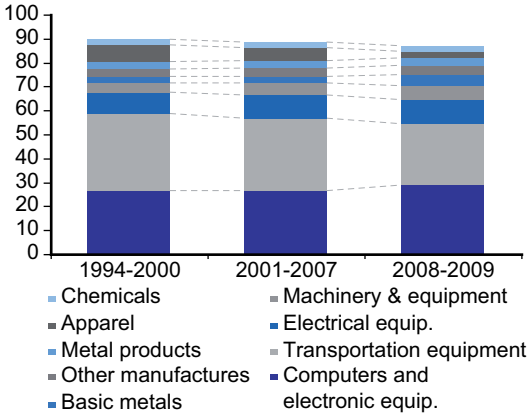
These results were possible due to the entry into force of the North American Free Trade Agreement (NAFTA), which allowed for a greater accessibility of Mexican products, the contraction of the internal market, derived from the peso crisis of 1995 and the real depreciation of the peso. The second corresponds to the period from 2001 to 2007, a period in which China's share of manufactured exports to the U.S. increased 18.5% on average in dollar

terms. This growth, much higher than the 6.5% growth of manufactured imports in the U.S. is associated with China's entry in the World Trade Organization (WTO) in 2001 with a base of export products very similar to that of Mexico.

During the same period, Mexico barely increased its exports at an annual average rate of 5.6%, a situation that led to considering Chinese products as its greatest threat in the U.S. market. Although this occurred for a variety of products, particularly in the light industries, in others Mexico remained competitive, such as electrical and transportation equipment. Other countries, such as Japan and Canada, also experienced a significant reduction in their share of the U.S. market. The third and last stage corresponded to the 2008-2009 period, marked by a severe drop of 10% in imports in the U.S.and in general in world trade. In this period, imports from China and Mexico were the least affected, with Mexico even showing a marginal increase in its market penetration.

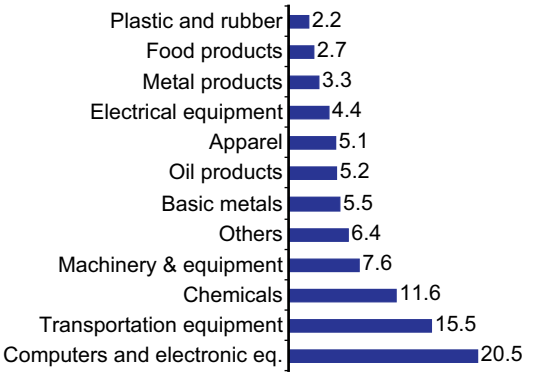
The sectorial structure of manufactured exports from Mexico to the U.S. reflects a high degree of concentration. For example, computers and electronic equipment together with transportation equipment account for nearly 60% of the total (see graphs 13 and 14), resulting in part from the specialization in sectors of medium and high technological intensity, economies of scale and strong internationalization.

Graph 13
The structure of manufactured exports from Mexico to the U.S. reflects high specialization of the sectors



Source: BBVA Research with USITC data

Graph 14
Structure of imports by the main U.S. sectors (2008-2009) (% of total in manufactured goods)



Source: BBVA Research with USITC data

The main problem of Mexican exports is not due to the fact that some country in particular increases its share of the U.S. market, but rather the incapacity to maintain the growth of the first stages of trade integration and to diversify its markets. The concentration of exports from Mexico in the NAFTA region remains high (85%). For China, the U.S. market barely represents 18% of its total manufactured exports. (See Chart 4).

Chart 4
The 10 most important export markets in 2009* (billions of US dollars and % of total)

	Mexico	% share		China*	% share
U.S.	184.9	80.5	European Union	246.6	20.5
European Union	11.4	4.9	U.S.	212.9	17.7
Canada	8.4	3.6	Hong Kong, China	161.2	13.4
Colombia	2.5	1.1	Asia	96.2	8.0
Brazil	2.4	1.1	Japan	96.2	8.0
Spain	2.4	1.0	South Korea	63.8	5.3
China	2.2	1.0	India	26.5	2.2
Japan	1.6	0.7	Russia	26.5	2.2
The Netherlands	1.5	0.7	Taiwan, China	22.9	1.9
Venezuela	1.4	0.6	United Arab Emirates	19.2	1.6
Subtotal	218.7	95.2	Subtotal	972.0	80.8
Others	10.9	4.8	Others	231.0	19.2
Total	229.62	100.0	Total	1203.0	100.0

*Information available from Jan-Oct 08
Source: BBVA Research with data form the Chinese Trade Ministry and Mexico's Department of the Economy

A close relationship between Foreign Direct Investment (FDI) and the Revealed Competitive Advantage Index[3] (IVCR for its Spanish initials)

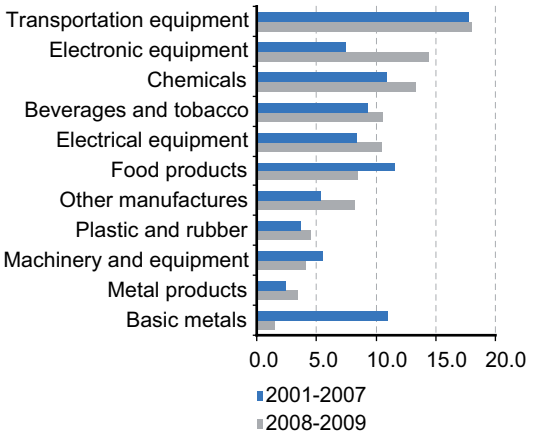
The internationalization of production through FDI facilitates the transfer of innovation, technological and organizational development, which translates into more and better products. Foreign direct investment allows the countries or sectors that receive it to connect with the global and regional production network in a competitive manner. Incentives are generated to supply better products at a lower price. Usually the preferred sectors by FDI are those that are aimed at exports and that have a good-sized internal market or have solid trade agreements that allow for creating a regional system with some sectors integrated globally, such as the case of the automobile industry, that of electronics and the production of electrical articles in Mexico (See graph 15).

Although those sectors that are directed toward the internal market are also attractive, such as services, and within manufacturing, food products, beverages and tobacco, chemicals, pharmaceuticals, personal care articles and for the home through mergers and acquisitions of already existing companies. Nevertheless, these sectors are still limited due to the low income level of the majority of the population. The performance of exports shows that the greater foreign direct investment, the greater is the Revealed Competitive Advantage Index (IVCR) of an exported product (See Graph 16).

3: The methodology for its calculation is explained in "Mexico Watch", First Quarter 2010, BBVA Bancomer. IVCR >1 There is an advantage in the sector or product in a specific market; IVCR >1 < 1.5 has an advantage and is competitive; IVCR >1.5 < 2.5 has a strong advantage and competitiveness; IVCR >2.5 has a very strong advantage and competitiveness; IVCR <1 has no advantage.

Graph 15

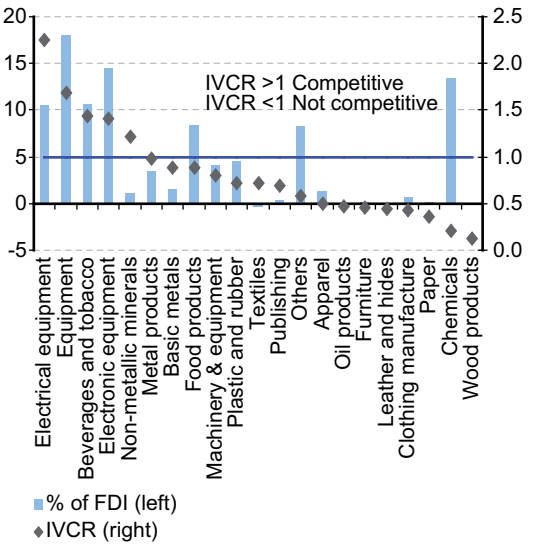
Sectors preferred by Foreign Direct Investment (FDI) (% of FDI by sector in manufacturing)



Source: BBVA Research with data from Mexico's Department of the Economy

Graph 16

Sectorial Structure of FDI and IVCR (Revealed Competitive Advantage Index) 2008-2009



Source: BBVA Research with Department of the Economy and USITC data

Compared competitiveness of Mexico and China in the U.S. market

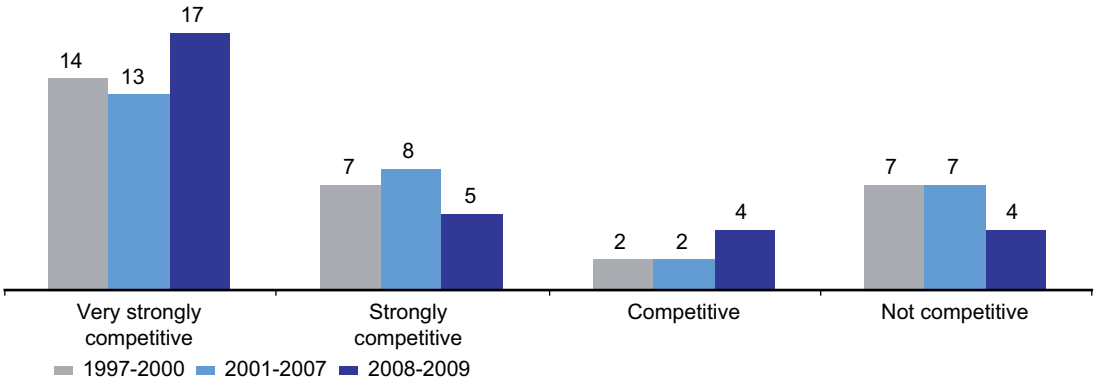
In this work we used two indexes to measure trading competitiveness between Mexico and China; the IVCR (Revealed Competitive Advantage Index) and the Spearman correlation coefficient. The first is useful in comparing the competitiveness between Mexico and China in specific industries or products in the U.S. market. The IVCR measures the proportion of a specific product in total exports of the country in relation with a share of this product in the U.S. market. The period considered is from1997 to 2009.

In addition to the IVCR for China and Mexico, the Spearman correlation index was calculated, which allowed us to analyze if there is competitionm between China and Mexico exports or if they are complementary. The period considered was the same, from 1997 to 2009 due to the availability of information for six-digit trade. The index can take values between -1 and +1. A positive value shows that there is competition between the two countries and its grade increases with an increase in its value, while a negative value indicates a complementary relationship, and its grade increases with an increase in the absolute value.

To make the comparison between Mexico and China, the base for the criteria was the 30 main products that Mexico exports to the U.S., which represent 68% of total manufactured exports. The same items were considered for China, which in its case represent 37% of its exports to the U.S.

Of the 30 main products exported by Mexico (See graph 17) the majority (26) have an advantageous competitive IVCR situation in the U.S. market, which compares favorably with that observed during the period after the NAFTA. In turn, in the same products, China has eight that are competitive while the rest are not.

Graph 17
Competitive situation (IVCR) of 30 most exported products by Mexico to the U.S.



Source: BBVA Research with USITC data

Charts 5 and 6 show the evolution of the competitiveness of the main products exported by Mexico to the U.S. Of the 26 products that currently show an advantage according to the ICVR (Research Competitive Advantage Index), in three of these, China has a better position: 1) computers (China has an IVCR of 3.0 vs. 1.2 for Mexico; 2) peripheral equipment for computers (China has an IVCR of 2.5 vs. 0.4 for Mexico); and 3) radio, TV and communications equipment. The products in which Mexico does not show an advantage are: 1) other plastic products 2) iron and steel; 3) refined oil products and 4) peripherals.

The lower competitiveness of Mexico's products is significant in light industries and in the assembly of some electronic products such as computers and peripherals. However, in sectors with complete productive chains such as the production of vehicles and original auto parts, it appears that Mexico's advantage is evident.

Of the 17 products that make up the very strongly competitive group, five lost points compared with the post NAFTA period, although this is not too significant if the current high IVCR level is considered in: 1) electrical equipment for vehicles with an IVCR from 6.4 to 4.9; 2) vehicle seats and interiors, from 5.6 to 4.4; 3) power distributors, from 4.8 to 3.7.

In the strongly competitive and competitive groups, we found nine sectors in which those products stand out that have been affected by competition from other Asian countries, since with regard to China they are complementary. This is the case of computers, radio, TV and communications equipment. In general terms, it would seem that the competitive success of products or groups of products in Chart 5, is a strong articulation in all the value chain of the product, with high specialization levels of suppliers. This form of organization has allowed some companies to meet world standards to compete in the foreign markets, especially in the United States. However, it is clear that this has not been enough for many industries that require much more.

Chart 5
Competitive situation of main products exported by Mexico to the U.S. market

Rank export Mexico	U.S. % share	Sector/product	Mex. manuf.% share	IVCR 2008-2009	Competitiveness Gain (loss) 1994-2009	Current competitiveness difference compared with China	Spearman Index
Transportation equipment							
3	69.5	Heavy vehicles	6.0	6.4	3.5	6.4	na
9	52.8	Electrical equipment	2.5	4.9	(-1.5)	4.5	-0.84
20	47.8	Seats and interiors	0.9	4.4	(-1.2)	3.8	-0.80
30	28.5	Spare parts	0.6	2.6	0.9	2.5	0.79
12	27.5	Gasoline engines	1.5	2.5	0.6	2.4	0.50
7	27.5	Auto parts	3.0	2.5	0.7	2.0	0.96
15	20.0	Transmissions and parts	1.3	1.8	1.5	1.7	0.60
2	11.8	Light vehicles	7.2	1.1	0.0	1.1	na
Computers and electronic equip.							
1	37.3	Audio and video equipment	11.1	3.4	0.6	1.5	-0.70
6	18.1	Telephone apparatuses	3.5	1.7	0.6	0.1	-0.41
4	17.7	Radio, TV and commun. equipment	5.4	1.6	(-0.8)	(-0.1)	-0.88
5	13.4	Computers	4.2	1.2	(-1.0)	(-1.8)	-0.91
19	4.2	Peripherals	0.9	0.4	(-0.4)	(-2.0)	-0.45
Electrical equipment							
16	60.4	Domestic refrigerators	1.3	5.6	1.7	5.0	-0.82
27	40.9	Electrical appliances	0.7	3.8	0.4	3.5	0.32
26	39.6	Power distributors	0.8	3.7	(-1.1)	3.1	0.72
21	30.8	Communications & energy	0.9	2.8	(-0.8)	1.2	0.40
17	30.7	Industrial links	1.1	2.8	0.4	2.1	-0.60
13	27.7	Electric motors	1.4	2.6	(-0.8)	1.7	-0.23
28	15.6	Engine equipment	0.7	1.4	0.5	1.1	0.36

Source: BBVA Research with USITC data

In recent years, Mexico has consolidated the industrial groups in transportation equipment and electrical equipment, but has had difficulties in achieving this in electronic equipment[4]. The preferred locations are those in the northern, western and central parts of the country, where production plants from the leading countries in the industry operate, mainly the United States and Japan.

The grouping of the electronic industry in Mexico was affected by the global downturn that the sector experienced from 2001 to 2003, as well as China's entry in the World Trade Organization. This led a part of the electronic industry established in Mexido to relocate their plants in search of lower costs. Thus, companies like Sanyo, Canon and Philips, among others, left the country for Asian destinations. Although Mexico found some market niches in goods with higher added value, it has not been able to expand its spectrum of products with these characteristics, which has been reflected in a continued reduction of its share in the U.S. market.

4: The electronic industry in Mexico includes national and international companies that participate from the computer area to that of aeronautics. Hardware and software products are produced, as well as electronic products such as PCs and laptops, servers, mother boards, ABS systems, medical equipment, testing software, etc. The industry is composed of three large groups: the SSs (Specialized Suppliers), OBMs (Original Equipment Manufacturers) and CBMs (Contract Equipment Manufacturers). The SSs are specialized suppliers and represent a conglomerate of more than 500 companies that supply inputs to both CBMs and OBMs. The difference between the OBMs and the CBMs is that the OBMs subcontract the CBMs to help in supplying specific parts or products.

In products like computers, the reduction of market share has been dramatic, from 23.4% in the post NAFTA period, to a recent 13.4%. Something similar has occurred with radio, TV and communications equipment, which fell from 25.5% to 17.7% in the same periods. The exception was audio and video equipment with a high IVCR (3.4). In this group of products, the competition for Mexico is not China--the Spearman index classifies Chinese products as complementary in the U.S. market--but rather the rest of the Asian countries.

In the case of transportation equipment, apparently China does not have an advantage because it does not export vehicles to the U.S. However, in less than ten years we can see this country in the automobile sector producing on a world scale because the sector is strategic for the Chinese government. At that time Mexico could become more vulnerable in this sector in vehicle parts and components. China has become a very important rival. In fact, the Spearman indexes are very close to one in auto parts, 0.96 and spare parts 0.79 (see graph 5). In electrical equipment, despite the fact that Mexico has strongly competitive products, China is a rival that could rapidly dilute Mexico's advantage since it has an enormous manufacturing potential and high productivity.

Chart 6 presents products from different sectors that are also among those most exported from Mexico to the U.S. In some, the disarticulation throughout the value chain not only makes them strongly weaker but also not competitive. Such is the case of oil refining products and certain plastic products. It should be emphasized that in most of the products listed in Chart 6 China up to now does not compete with Mexico in the U.S. market, which represents ample potential for progress of exports from Mexico in products such as: medical and surgical instruments, measurement and control instruments and industrial air and heating equipment, which are strongly competitive, IVCR>2.5.

Chart 6

Competitive situation of main products exported by Mexico to the U.S. market

Rank export Mexico	U.S. % share	Sector/product	Mex. manuf.% share	IVCR 2008-2009	Competitiveness Gain (loss) 1994-2009	Current competitiveness difference compared with China	Spearman Index
Various sectors							
18	43.8	Beer and malt	1.1	4.0	1.0	4.0	na
14	33.6	Ind. air and heating equip.	1.4	3.1	1.3	1.7	0.55
11	30.9	Medical & surgical instruments	2.0	2.9	1.1	2.7	-0.51
24	27.0	Measurement & control instrum.	0.9	2.5	(-1.4)	2.1	-0.58
23	23.3	Slacks** and jeans for men and boys	0.9	2.1	(-0.8)	1.4	-0.32
8	18.1	Fusion of non-ferrous metals*	3.0	1.6	1.2	1.6	-0.57
29	11.1	Surgical equipment and material	0.7	1.0	(-0.8)	0.4	-0.21
25	9.5	Other plastic products	0.8	0.9	0.1	(-1.1)	-0.57
22	7.3	Iron and steel	0.9	0.7	(-0.1)	0.0	-0.31
10	5.1	Refined oil products	2.1	0.5	0.2	0.5	-0.62

* except copper and aluminum
** cotton
Source: BBVA Research with USITC data

In other products such as the manufacture of cotton slacks and jeans, there is an integration of "complete package" competing up to now with relative success. This product is practically the only one in the textile and apparel chain where Mexico is in first place as supplier to the U.S. market, with 23.3%, and where China so far has been complementary in that market. However, this situation could soon revert. In 2009, when the U:S: market for this product contracted 12%, Mexico's exports were reduced in an equivalent amount. In turn, China, Bangladesh and Vietnam were able to increase their share 25.8%, 5.2% and 1.5%. Two factors have favored Mexico's competitors; the conclusion of the Multifibers Agreement of December 31,

2004 and lowering prices without reducing quality, improving fabrics and differentiating the product. The global challenges that this type of products face, regardless of their segment, are enormous: higher input prices, market saturation in all the segments and lower average consumer spending, rapidly changing fashion, highly differentiated and great pressure on the value chain to produce in less time at the lowest price.

The urgent task of increasing Mexico's sectorial competitiveness

The main problem of Mexican exports does not lie in the fact that some country in particular increases its market share in the U.S., but rather in the incapacity of maintaining more or less sustained growth, such as that observed in the first stage of the NAFTA and being able to diversify markets. Mexico as well as China have benefited from the transfer of know-how, technology and added value through foreign direct investment. However, China's progress has been spectacular: for example in computers up to 2002 Mexico was the main supplier to the U.S. market; as of 2003 and up to now China is. In radio, television and communications equipment, as well as in audio and video equipment, the same thing has occurred.

The Revealed Competitive Advantage Index (IVCR for its Spanish initials) and the correlations of the (30) main manufactured products (which represent 70% of the total) exported by Mexico and its correlations with the equivalent products from China lead us to conclude that in (23) products Mexico has an IVCR>1; in three it was not possible to make a comprarison because China does not export this type of goods (light and heavy vehicles and beer and malt); in the remaining four, Mexico does not have an advantage and these have a 2.4% share in total manufactured exports.

Of 23 products that are in an advantage position, in nine of these China is strong competition (the average correlation is close to 0.6%); in spite of this, Mexico maintains and has even increased its position in the IVCR (the revealed competitive advantage index) to "very strongly competitive" throughout the period; in this group are auto parts (engines, spare parts, original auto parts, transmissions and electronic apparatuses and panels), industrial air conditioning, heating and refrigeration units, most of these linked to the automotive cluster where there is a strong articulation in the value chain and high specialization of suppliers.

In the remaining fourteen, China is not competition for Mexico, but rather plays a complementary role. Among this group, seven are outstanding as "very strongly competitive": domestic refrigerators and freezers; electrical equipment and seats and interiors for motor vehicles; audio and video equipment. In the remaining seven, most are in the "strongly competitive" category, although there have been reversals in radio and television and communications equipment, and in computers. Perhaps in those cases, the competition is not from China but from the rest of the Asian countries.

In general, progress has been made in Mexico, but neither the NAFTA nor the advantage of its geographical location have served to prevent China from gaining the first position in the U.S. market, so Mexico faces great and urgent challenges in terms of trading competitiveness in manufactured products.

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2c. Sectorial forecasts

Chart 7

Sectorial indicators and forecasts Mexico. Sectorial GDP

	Annual % change								
	2008	2009	2010		2011	1T09	2T09	3T09	4T09	1T10
			Low	High						
Total GDP	1.5	-6.5	**4.5**	**5.0**	**3.8**	-9.1	-8.5	-6.2	-2.4	4.4
Primary	1.1	1.8	**1.2**	**2.6**	**3.0**	1.5	2.4	1.5	1.8	-0.6
Secondary	-0.6	-7.3	**6.3**	**6.8**	**3.3**	-11.5	-9.0	-6.3	-2.1	6.0
Mining	-1.4	1.0	**1.0**	**1.1**	**-0.1**	-1.1	1.2	2.4	1.4	3.9
Electricity, water and gas supply	-2.2	1.1	**2.6**	**2.8**	**3.2**	-2.5	-0.2	4.0	3.2	1.5
Construction	0.6	-7.5	**2.2**	**2.6**	**4.5**	-9.7	-6.1	-7.1	-7.0	-3.7
Manufacturing	-0.6	-10.2	**9.0**	**9.6**	**3.5**	-15.3	-14.1	-9.3	-1.7	10.7
Tertiary	3.1	-6.7	**4.4**	**4.8**	**4.2**	-7.9	-9.5	-6.3	-2.9	4.4
Trade	2.3	-14.7	**8.1**	**8.6**	**6.3**	-19.3	-18.8	-16.1	-3.6	14.8
Transportation, mail and warehouse	0.2	-8.2	**6.6**	**7.4**	**4.5**	-11.6	-11.9	-7.5	-1.3	6.8
Mass media information	8.0	1.6	**9.3**	**9.7**	**5.6**	-0.6	1.6	1.9	3.4	6.1
Financial and insurance services	18.7	-3.8	**1.8**	**2.2**	**7.6**	-0.7	-5.6	-2.3	-6.5	0.6
Real estate and asset rental services	3.2	-5.3	**2.7**	**3.1**	**3.5**	-8.3	-6.2	-3.7	-2.9	2.7
Professional, scientific and technical services	3.1	-5.3	**-1.4**	**-1.3**	**2.4**	-2.7	-3.6	-5.8	-9.1	-4.0
Company and corporate management	-2.9	-3.5	**-1.4**	**-1.2**	**0.8**	-0.3	-1.0	-3.9	-8.6	-2.0
Business support services	1.8	-5.3	**2.1**	**2.4**	**2.1**	-3.3	-5.3	-5.9	-6.5	-1.0
Educational services	1.6	-4.5	**6.1**	**6.6**	**2.5**	0.2	-16.6	-0.7	-0.8	0.3
Health and social security	-1.2	-0.1	**0.1**	**0.0**	**1.2**	-2.2	3.7	-0.9	-1.1	1.1
Leisure, cultural and sport services	1.3	-2.3	**1.5**	**1.9**	**2.4**	-2.8	-3.4	-2.5	-0.7	-0.9
Accommodation and food services	0.8	-9.6	**4.3**	**5.6**	**4.5**	-7.9	-17.0	-8.4	-5.0	-1.7
Other services, except gov. activities	0.6	-2.6	**2.9**	**3.3**	**2.0**	-2.1	-4.6	-1.6	-2.2	-0.7
Government activities	1.2	3.7	**0.1**	**0.2**	**0.8**	5.6	5.8	2.3	1.1	0.0

	Structure, %					Contributions to growth, pp				
	2008	2009	2010		2011	2008	2009	2010		2011
			Low	High				Low	High	
Total GDP	100.0	100.0	**100.0**	**100.0**	**100.0**	1.5	-6.5	**4.5**	**5.0**	**3.8**
Primary	3.5	3.8	**3.7**	**3.7**	**3.7**	0.0	0.1	**0.0**	**0.1**	**0.1**
Secondary	30.1	29.9	**30.4**	**30.4**	**30.1**	-0.2	-2.3	**1.9**	**2.1**	**1.0**
Mining	5.0	5.4	**5.2**	**5.2**	**5.0**	-0.1	0.1	**0.1**	**0.1**	**0.0**
Electricity, water and gas supply	1.3	1.4	**1.4**	**1.4**	**1.4**	0.0	0.0	**0.0**	**0.0**	**0.0**
Construction	6.5	6.5	**6.3**	**6.3**	**6.3**	0.0	-0.5	**0.1**	**0.2**	**0.3**
Manufacturing	17.4	16.7	**17.4**	**17.4**	**17.3**	-0.1	-1.9	**1.5**	**1.7**	**0.5**
Tertiary	64.1	64.0	**64.0**	**63.9**	**63.9**	2.1	-4.5	**2.9**	**3.2**	**2.4**
Trade	15.7	14.3	**14.8**	**14.8**	**15.1**	0.4	-2.4	**1.2**	**1.3**	**0.7**
Transportation, mail and warehouse	6.9	6.8	**6.9**	**7.0**	**7.0**	0.0	-0.6	**0.4**	**0.5**	**0.3**
Mass media information	3.6	3.9	**4.1**	**4.1**	**4.2**	0.3	0.1	**0.4**	**0.4**	**0.2**
Financial and insurance services	4.5	4.6	**4.5**	**4.5**	**4.6**	0.8	-0.2	**0.1**	**0.1**	**0.4**
Real estate and asset rental services	10.5	10.6	**10.5**	**10.4**	**10.4**	0.3	-0.6	**0.3**	**0.3**	**0.4**
Professional, scientific and technical services	3.4	3.5	**3.3**	**3.3**	**3.2**	0.1	-0.2	**0.0**	**0.0**	**0.1**
Company and corporate management	0.4	0.4	**0.4**	**0.4**	**0.4**	0.0	0.0	**0.0**	**0.0**	**0.0**
Business support services	2.5	2.6	**2.5**	**2.5**	**2.5**	0.0	-0.1	**0.1**	**0.1**	**0.1**
Educational services	4.5	4.6	**4.7**	**4.7**	**4.6**	0.1	-0.2	**0.3**	**0.3**	**0.1**
Health and social security	2.8	3.0	**2.9**	**2.8**	**2.8**	0.0	0.0	**0.0**	**0.0**	**0.0**
Leisure, cultural and sport services	0.4	0.4	**0.4**	**0.4**	**0.4**	0.0	0.0	**0.0**	**0.0**	**0.0**
Accommodation and food services	2.6	2.5	**2.5**	**2.5**	**2.5**	0.0	-0.3	**0.1**	**0.1**	**0.1**
Other services except gov't. activities	2.6	2.7	**2.7**	**2.7**	**2.6**	0.0	-0.1	**0.1**	**0.1**	**0.1**
Government activities	3.7	4.1	**3.9**	**3.9**	**3.8**	0.0	0.1	**0.0**	**0.0**	**0.0**

Note: Forecast appears in bold letters
Source: BBVA Research with INEGI data

Chart 8

Sectorial indicators and forecasts Mexico. Manufacturing GDP

	Annual % change								
	2008	2009	2010		2011	1T09	2T09	3T09	4T09	1T10
			Low	High						
Total	-0.6	-10.2	**9.0**	**9.6**	**3.5**	-15.3	-14.1	-9.3	-1.7	10.7
Foods	1.5	-0.1	**1.8**	**2.9**	**3.0**	0.2	-2.2	-0.3	1.9	1.0
Beverages & tobacco	2.4	0.4	**0.9**	**2.4**	**3.8**	-0.2	-1.0	2.1	0.5	-4.7
Textile inputs	-7.3	-9.9	**7.4**	**7.8**	**1.8**	-12.1	-17.1	-9.1	-1.0	8.8
Textile products manuf.	-7.7	-11.4	**5.8**	**6.2**	**5.4**	-8.9	-19.0	-9.2	-8.4	1.9
Apparel	2.5	-10.9	**8.4**	**8.6**	**1.5**	-11.5	-14.2	-7.0	-10.8	9.8
Leather & hide prod.	-3.0	-7.5	**8.8**	**9.2**	**0.4**	-12.9	-14.5	-7.1	4.4	16.7
Wood industry	-3.1	-11.3	**1.2**	**1.5**	**2.6**	-9.6	-19.1	-6.6	-9.5	-7.0
Paper industry	2.5	-0.9	**5.0**	**5.4**	**4.5**	-1.4	-2.1	-2.5	2.6	4.8
Printing & related ind.	5.2	-5.5	**4.0**	**4.4**	**2.5**	-2.8	-1.3	-2.0	-15.9	8.5
Oil derivatives	0.7	-2.5	**0.7**	**0.7**	**1.5**	-1.7	-6.6	-1.6	0.2	-3.4
Chemicals	-1.9	-2.3	**1.6**	**2.1**	**4.1**	-4.0	-4.1	-2.4	1.7	2.1
Plastic and rubber prod.	-1.7	-8.4	**5.7**	**6.0**	**4.7**	-12.5	-14.4	-6.9	1.2	8.4
Non-metallic products	-3.8	-8.6	**3.7**	**4.1**	**5.4**	-11.2	-10.8	-7.6	-4.4	-0.3
Basic metals	-0.5	-19.5	**8.5**	**8.9**	**3.0**	-26.0	-26.0	-19.5	-3.3	11.9
Metal prod.	0.9	-18.5	**10.9**	**11.3**	**4.1**	-20.0	-23.5	-19.8	-10.0	5.4
Machinery & equipment	-0.3	-20.1	**16.8**	**17.2**	**1.6**	-20.7	-25.4	-19.7	-14.0	22.5
Computers & electronic equip.	-12.1	-18.7	**13.6**	**15.0**	**7.3**	-29.0	-25.7	-17.5	-3.1	14.5
Electrical equipment	-0.1	-12.8	**6.9**	**7.4**	**2.6**	-13.5	-16.3	-14.0	-7.0	3.9
Transportation equipment	0.5	-26.8	**34.6**	**35.0**	**3.9**	-37.5	-43.6	-23.9	-0.3	54.5
Furniture & related prod.	-4.1	-7.6	**5.3**	**5.7**	**0.8**	-14.2	-17.1	-6.2	3.4	11.0
Other indust. manufact.	1.7	-3.9	**5.5**	**5.9**	**4.5**	0.0	-4.9	-8.5	-1.7	2.2

	Structure, %						Contributions to growth, pp				
	2003	2008	2009	2010		2011	2008	2009	2010		2011
				Low	High				Low	High	
Total	100.0	100.0	100.0	**100.0**	**100.0**	**100.0**	-0.6	-10.2	**9.0**	**9.6**	**3.5**
Food products	22.4	21.8	24.3	**22.7**	**22.8**	**22.7**	0.3	0.0	**0.4**	**0.7**	**0.7**
Bev. & tobacco	5.7	6.3	7.1	**6.6**	**6.6**	**6.6**	0.1	0.0	**0.1**	**0.2**	**0.3**
Textile inputs	1.2	0.9	1.0	**0.9**	**0.9**	**0.9**	-0.1	-0.1	**0.1**	**0.1**	**0.0**
Textile prod. manufact.	0.5	0.4	0.4	**0.4**	**0.4**	**0.4**	0.0	0.0	**0.0**	**0.0**	**0.0**
Apparel	3.3	2.6	2.6	**2.6**	**2.6**	**2.4**	0.1	-0.3	**0.2**	**0.2**	**0.0**
Leather & hide products	1.4	1.3	1.3	**1.3**	**1.3**	**1.3**	0.0	-0.1	**0.1**	**0.1**	**0.0**
Wood industry	1.3	1.1	1.1	**1.0**	**1.0**	**1.0**	0.0	-0.1	**0.0**	**0.0**	**0.0**
Paper industry	2.1	2.2	2.4	**2.4**	**2.3**	**2.4**	0.1	0.0	**0.1**	**0.1**	**0.1**
Printing & related ind.	0.9	0.9	1.0	**0.9**	**0.9**	**0.9**	0.0	-0.1	**0.0**	**0.0**	**0.0**
Oil derivatives	3.1	2.9	3.1	**2.9**	**2.9**	**2.8**	0.0	-0.1	**0.0**	**0.0**	**0.0**
Chemicals	10.0	9.6	10.5	**9.8**	**9.8**	**9.8**	-0.2	-0.2	**0.2**	**0.2**	**0.4**
Plastics & rubber	2.8	2.7	2.8	**2.7**	**2.7**	**2.7**	0.0	-0.2	**0.2**	**0.2**	**0.1**
Non-metallic min. prod.	6.5	6.6	6.7	**6.4**	**6.4**	**6.5**	-0.3	-0.6	**0.3**	**0.3**	**0.3**
Basic metals	5.9	5.7	5.1	**5.1**	**5.1**	**5.0**	0.0	-1.1	**0.4**	**0.5**	**0.2**
Metal products	3.0	3.4	3.1	**3.2**	**3.2**	**3.2**	0.0	-0.6	**0.3**	**0.4**	**0.1**
Machinery & equipment	2.3	2.4	2.1	**2.3**	**2.3**	**2.2**	0.0	-0.5	**0.4**	**0.4**	**0.0**
Computers & electronic equip.	5.6	4.7	4.3	**4.5**	**4.5**	**4.7**	-0.7	-0.9	**0.6**	**0.6**	**0.3**
Electrical equip.	3.1	3.4	3.3	**3.2**	**3.2**	**3.2**	0.0	-0.4	**0.2**	**0.2**	**0.1**
Transportation equipment	15.3	17.5	14.2	**17.6**	**17.5**	**17.6**	0.1	-4.7	**4.9**	**5.0**	**0.7**
Furniture & related prod.	1.6	1.3	1.4	**1.3**	**1.3**	**1.3**	-0.1	-0.1	**0.1**	**0.1**	**0.0**
Other ind. manufact.	2.0	2.2	2.3	**2.3**	**2.3**	**2.3**	0.0	-0.1	**0.1**	**0.1**	**0.1**

Note: Forecast appears in bold letters
Source: BBVA Research with INEGI data

3. Regional

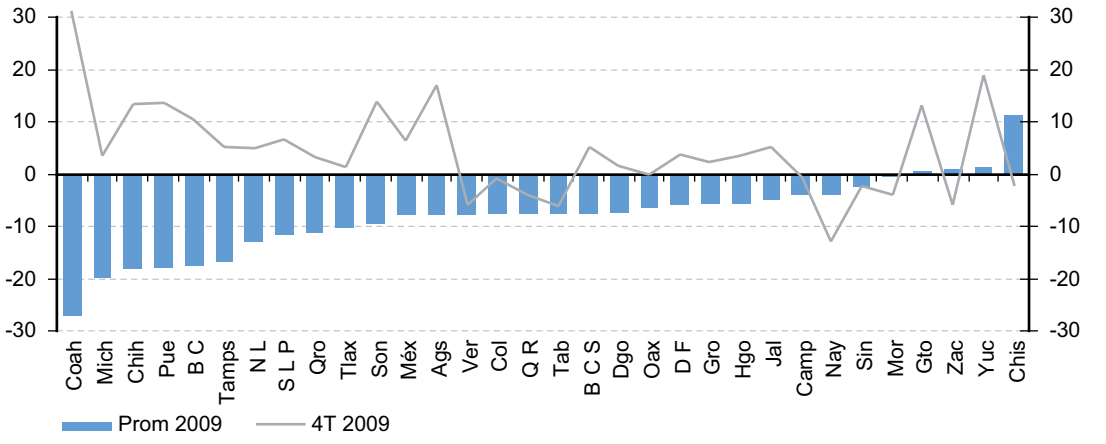
3a. Evolution and regional outlook of economic activity

The economic recession was reflected in all of the country's states and regions, although it had a differentiated impact depending on each of their profiles and characteristics. In this section of **Mexico Regional Sectorial Outlook** we will first review the evolution of economic activity on a regional level in 2009 and its recent trends, and subsequently present a projection exercise based on the proposal to classify the states by economic activity made in 2007[5]. Unfortunately, in preparing this article, official data on state GDP for 2009 were not available. Even though this is common due to the delay in the dissemination of such information, given the limited coverage of state statistics, it is an especially important problem given the change in cycle. To deal with this problem for analysis purposes, two leading indicators will be used that we consider to be representative of the economic evolution, namely, manufacturing production and private formal employment, both on a state level.

The most affected areas in 2009 were those states most exposed to the U.S. economy

The response of the activity sectors to the economic cycle is dissimilar[6]. For example, manufacturing activity posted an annual –10.2% decline during 2009, a figure that is significantly higher than the 6.5% decrease in national GDP. This single fact would be sufficient to explain the differentiated impact of the economic crisis on the states, since the relative share of manufacturing in each state fluctuates between more than 30% in Aguascalientes or Coahuila and less than 5% in Southern Baja California and Quintana Roo. Clearly, the productive profile of the former states is industrial and for the latter states it is tourism.

Graph 18
Manufacturing production (annual % change)



Source: BBVA Research with INEGI data

5: Mexico Regional and Sectorial Outlook, "Regional Classification, How and For What Purpose..", November 2007. BBVA Bancomer
6: A broader discussion of this question can be consulted in the first section: "After the storm, What is the Sectorial Outlook? on page 4 of this publication

Chart 9
Manufacturing Production by Regions

Region*	Annual % change	
	2009 average	4Q09
Industrial	-12.6	10.1
Medium-level development	-8.0	5.7
Tourism	-7.6	-0.8
Highly developed	-5.8	3.7
Highly marginalized	-1.2	-0.2

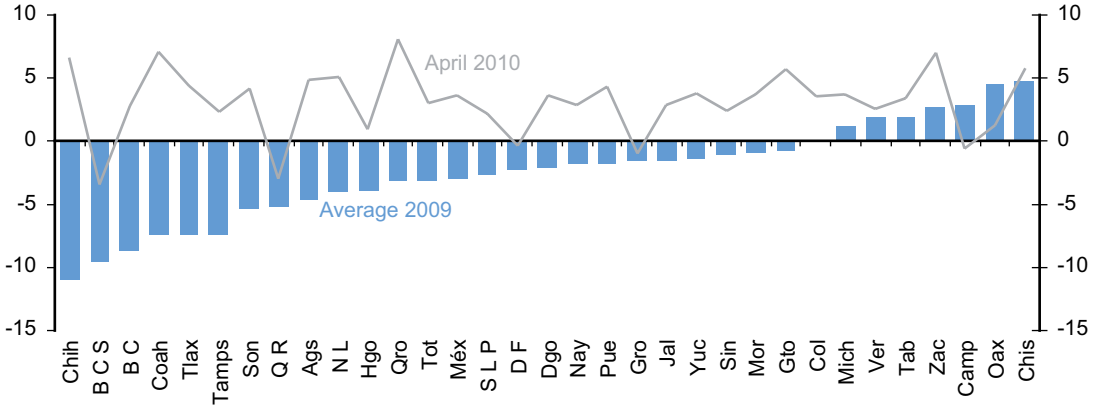
*Highly developed (Federal District); tourism (Southern Baja California, Quintana Roo); industrial (Aguascalientes, Northern Baja California, Coahuila, Chihuahua, Jalisco, State of Mexico, Nuevo León, Queretaro, Sonora, and Tamaulipas); medium development (Campeche, Colima, Durango, Guanajuato, Hidalgo, Michoacán, Morelos, Nayarit, Puebla, San Luis Potosí, Sinaloa, Tabasco, Veracruz, Yucatán, and Zacatecas); highly marginalized (Chiapas, Guerrero, and Oaxaca).
Source: BBVA Research with INEGI data and our own estimates

Furthermore, the type of product and its share in exports is important in explaining the behavior of state economic activity. For example, the sector that in 2009 posted the greatest contraction in production was durable consumer goods, particularly the automotive sector with a 26.8% fall. This sector also registered a 23.6% contraction in its export sales. As was already analyzed in previous sections, other sectors that posted significant declines in exports, in addition to the auto industry, were electrical equipment, electronic products, and machinery.

Given the profile of each state's manufacturing production, in 2009 the impact was differentiated and more important in the states tied to foreign trade, which displayed a greater exposure to the U.S. economic cycle. The greatest negative impact was in Coahuila, Chihuahua, Michoacán, and Puebla; in some states the contractions were moderate, and in a few others no declines were posted. Only four states posted a growth in manufacturing in 2009, namely, Chiapas, Guanajuato, Yucatan, and Zacatecas. Perhaps the most notable case on the positive end is that of Guanajuato; even though it is an important auto manufacturer, the difficulties of this sector did not prevent its economy from growing.

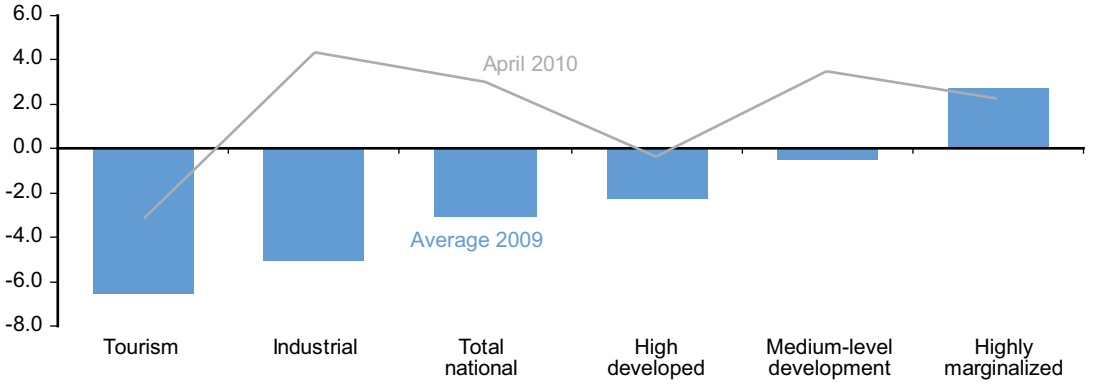
With timely information by state through the close of 2009, a positive recovery can be observed in most of them, with greater strength in those that posted the highest declines and associated with the same factors that caused the contraction. What we are now seeing is a recovery in export sales in selective sectors.

Graph 19
Private formal employment by state (Annual %change)



Source: BBVA Research with IMSS data

Graph 20
Private formal employment by region (Annual % change)



Source: BBVA Research with IMSS data

The evolution of manufacturing incorporates the impact of the contraction in external demand and affects the rest of the productive activities, in retail, transportation, communications, etc. An indicator that due to its timeliness is very useful in evaluating global impact is formal private employment[7]. Even though the relationship between production and employment is direct, the intensity in the use of labor power varies according to the industry, since, for example, maquiladoras (in-bond manufacturing companies) are intensive in labor power while the production of machinery and equipment is capital intensive. Therefore, the results reflect the two dimensions, that is, the evolution of activity and intensity in the use of labor power and therefore represent an additional indicator to be considered.

While it is true that in the recent crisis, the evolution of employment was more benevolent than in previous similar episodes, it is also true that there was a quite generalized contraction and this was reflected in a 3.1% decrease on average during 2009 compared to the previous year. But employment behaved very unevenly among states, with a contraction in 24 of them and eight registering stability or growth. Important declines were registered in Chihuahua and Southern Baja California, while Chiapas and Oaxaca stood out for posting growth in employment.

The evolution of employment can be attributed to the state's productive profile and is the result of the main causes of the recession. If the crisis was transmitted to Mexico through a decline in exports, particularly in the automobile sector, and was intensified by the flu outbreak, then it is normal that the states with a strong presence in manufacturing production for export, such as the automobile sector and tourist activities, would be the most affected. And the other states, where internal demand plays a preponderant role, not only maintained production levels, but, in fact, increased them.

With a few exceptions, the monthly evolution of employment levels changed direction in the summer of 2009, and by April 2010, most of the states reported employment growth or with a trend toward positive changes. Leading in this category were Querétaro, Coahuila and Chihuahua and lagging behind were the tourist destinations of Quintana Roo and Southern Baja California. This can be interpreted as a sign that the country is moving toward a consolidation phase in the recovery.

7: Number of workers affiliated in the Mexican Social Security Institute by state; both full time as well as temporary

Outlook: a more pronounced recovery in 2010 for the states linked to tourism and the U.S. manufacturing sector

As was already commented, the available information on GDP by state covers up to 2008, and this implies that no official estimate is available on the impact of the crisis in 2009 for each of the states. As we have seen in the previous paragraphs, leading indicators have been used that are certainly very useful for approximating the evolution of economic activity. To approximate the impact of the recession in terms of GDP, in this section we will use a classification of the states according to their main productive activities and profile and their level of development. This classification was presented previously in this publication[8]. For purposes of analysis, we worked with the states grouped into five categories: Industrial, Medium-level development, Highly marginalized, Tourism, and Highly Developed[9]. In turn, the estimates of GDP for each one of them were undertaken through the use of several models that relate local variables with their national and international counterparts.

The results of these exercises for 2009 show a generalized contraction in the five categories, with a greater impact in the tourism, industrialized, and highly developed areas, and a moderate impact in the medium-level development and highly marginalized states. In the tourism category, the global recession altered international tourism and the flu outbreak deepened its impact. The most industrialized areas are also those that concentrate most of the export industries and therefore the most cyclically sensitive. Naturally the intermediate states based on consumption industries, retail, agriculture, and other traditional sectors were less cyclically sensitive.

Chart 10
GDP by regions (Annual % growth)

	2007	2008	2009e	2010		2011
				Low	High	
Total	3.3	1.5	-6.5	4.5	5.0	3.8
Highly developed	3.7	0.8	-7.2	4.6	5.2	3.6
Tourism	9.4	2.3	-8.7	6.1	6.8	5.9
Industrial	4.9	1.8	-7.9	5.3	5.9	4.0
Medium-level development	1.7	1.4	-4.6	3.5	3.9	3.0
Highly marginalized	1.6	2.3	-5.6	4.1	4.5	3.0

Source: BBVA Research with INEGI data and our own estimates

Chart 10A
GDP by regions (2008 index = 100)

	2007	2008	2009e	2010		2011
				Low	High	
Total	98.5	100.0	93.5	97.7	98.2	101.7
Highly developed	99.2	100.0	92.8	97.0	97.7	101.2
Tourism	97.8	100.0	91.3	96.9	97.5	103.2
Industrial	98.2	100.0	92.1	97.0	97.6	101.5
Medium-level development	98.6	100.0	95.4	98.8	99.1	102.0
Highly marginalized	97.7	100.0	94.4	98.3	98.6	101.6

Source: BBVA Research with INEGI data and our own estimates

8: ***Mexico Regional and Sectorial Outlook,*** "Regional Classification, How and For What Purpose..", November 2007. BBVA Bancomer
9: Highly developed (DF); tourism (BCS, QR); industrial (Ags, BC, Coah, Chih, Jal, State of Méx, NL, Qro, Son, and Tamps); Medium-level development (Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlax, Ver, Yuc, and Zac); highly marginalized (Chis, Gro, and Oax).

In the following years and within the global scenario that has recently emerged[10], economic growth will be headed by the tourism and industrial areas, although all the sectors will be experiencing growth in 2010, but this can only be interpreted to mean that the trends have been reversed and the recovery of activity levels will not occur until 2011 and in per capita terms until 2012.

The potential risks in this evolution can be associated with the assumptions on the international environment (greater international risk aversion due to the crisis in Europe), the tourism sector's capacity to recover, and the impact on confidence as a result of issues linked with security. On the question of the economic environment, the evolution of external demand is key for the export industries, while for tourism there is a risk in its performance given the crisis and with regard to the question of violence. There are pending tasks but the state indicators point in the same direction as the sectorial variables, that is, toward a consolidation stage in the recovery. High growth this year will be along the order of 5% for the country as a whole, and as of 2011, national growth will be close to between an annual 3.5% and 4%, in which the most competitive regions could post higher growth rates, while the regions that traditionally have displayed a lower level of competitiveness will continue to experience growth below the national average, with a gap continuing between the regions of the country (the highly marginalized and those of medium-level development).

10: Mexico Watch, BBVA Research, 2nd quarter, May 2010

3b. Implications of the new methodology for measuring states' GDP

In March of this year[11], the National Statistics, Geography and Information Technology Institute, (INEGI for its Spanish initials) made known new information for measuring the states' Gross Domestic Product (GDP) which allows delving deeply into the knowledge of its productive structure, even though the data corresponding to the years 2003 to 2008 are not timely. Based on this new information, the reasons and the advantages of the change in the methodology are presented, a summarized view of the relative size of the states, their dynamism, their productive profile and some of the implications, like for example, a comparison of the situation of the states during the expansion period and at the start of the recession.

Toward a harmonious information system in North America

The main changes incorporated opportunely by the INEGI were: a modification in the base year of reference; a new classification system of activities; the modification of the tax calculation on products net of subsidies; and better statistics on services and other activities. The new base is 2003 instead of 1993, and now in use is the North American Industrial Classification System (SCIAN for its Spanish initials) and the Central Product Classification (CPC) of the United Nations (UN). Also, the technological change in activities is incorporated as are the relative prices.

With these changes, the GDP value increases at a national level to 13.4% due to the expansion of the information, particularly on services and oil extraction, which calls for a new weighting of diverse activities and of the states. Of note are, for example, the "gross added value in basic securities", in which the right to extract oil is now included, by which its value increases significantly (21.4%), particularly in those states with a strong presence of these activities. Campeche multiplies its share in the national GDP by six, mining (which includes oil extraction) represents 76% of the state GDP. In the case of Tabasco, its share is multiplied by three. In a natural way, some states decrease their share at a national level when they do not have a significant presence in oil activities (the Federal District and Chihuahua are particularly noteworthy).

Chart 11
GDP 2006: comparison due to base change (millions of current pesos)

	1993 base	2003 base	Difference %
Gross Domestic Product at market prices	9,157.6	10,382.0	13.4
Taxes to products net of subsidies	936.9	401.0	-57.2
Gross aggregate value is basic securities	8,220.6	9,981.0	21.4
Charge for assigned banking services	-101.6	-176.5	73.7

Source: BBVA Research with INEGI data

11: Mexico National Accounts System. Gross Domestic Product by state 2003-2008. Base year 2003. INEGI.

Chart 12

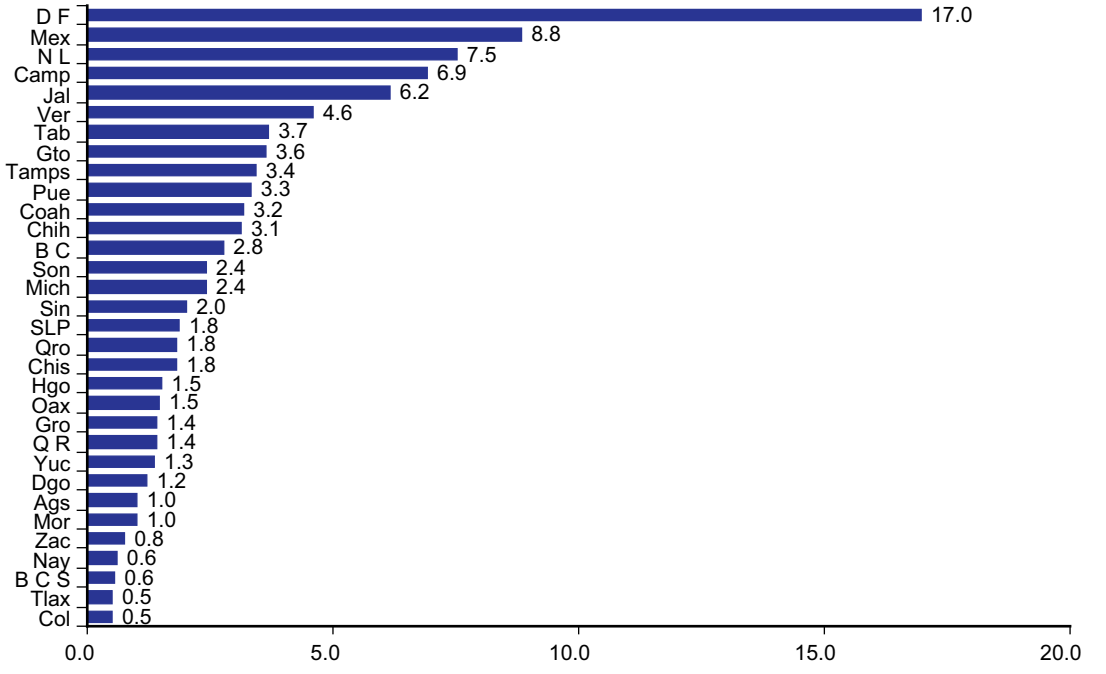
State GDP: main adjustments due to base change, current pesos

State	% Change in State GDP	State share in total GDP, %		
		1993 base	2003 base	Difference
Campeche	522.8	1.22	6.27	5.05
Tabasco	193.7	1.27	3.07	1.80
Hidalgo	39.9	1.29	1.49	0.20
Chiapas	37.6	1.62	1.84	0.22
Baja California	0.7	3.6	3.0	-0.62
Aguascalientes	0.6	1.3	1.1	-0.22
Mexico City	-0.8	21.5	17.6	-3.94
Chihuahua	-13.5	4.5	3.2	-1.31

Source: BBVA Research with INEGI data

Graph 21

GDP 2008 (% share in the total, current pesos)



Source: BBVA Research with IMCO data

Notwithstanding the changes in measurement, the differences are still significant in the size of the states

The enormous relative differences among the states are surprising. For example, in 2008, the Gross Domestic Product (GDP) of the Federal District (DF for its Spanish initials) is 35 times higher than that of the state of Colima. Although it is true that the size of the economy is not synonymous with the standard of living. A better indicator for this purpose is per capita GDP, although it is also insufficient since this does not indicate income distribution. For example, with said indicator, Campeche has the highest level of the country, but this does not imply that the state has the highest living standard. Another interesting reading of these marked disparities is the concentration of economic activity in the urban areas, such as for example the Valley of

Mexico, which includes more than one state, not only the Federal District (Mexico City). The five largest states from the GDP standpoint (DF, State of Mexico, Nuevo Leon, Jalisco and Veracruz) represented 46.4% of the country's total economic activity, with the five smallest (Colima, Tlaxcala, Southern Baja California, Nayarit and Zacatecas) accounting for 3.0%; this has important implications regarding the design of public policies, market penetration, use and expansion of resources, etc[12].

Graph 22
GDP by state (annual % change, real)

Source: BBVA Research with INEGI data

For purposes of an analysis of the dynamism of productive activity, the available information has been divided into two periods: the one corresponding to expansion (average 2004-2007) and the other corresponding to the start of the recession (2008 in view of the absence of information for 2009). In the early years of reference, the most dynamic states were Quintana Roo, Southern Baja California, Queretaro and Nuevo Leon, the first two with important tourist activity and the last two with an exporting manufacturing profile. Campeche stands out for having the lowest dynamism, the only one with a negative growth rate, which is generated by the decrease in oil production and, in particular, for the enormous weight that this activity has in the total activity of the state. Other states registering low growth were Chiapas, Durango and Tlaxcala. For 2008, growth in general is lower and more volatile, a reflection of the first symptoms of the change in the economic cycle, but, with notable positive exceptions, such as Hidalgo, Zacatecas and Chiapas, which reflect particular situations of each state.

12: The relative share of each state in the total economy is the result of multiple factors and circumstances that are beyond the reach of these notes.

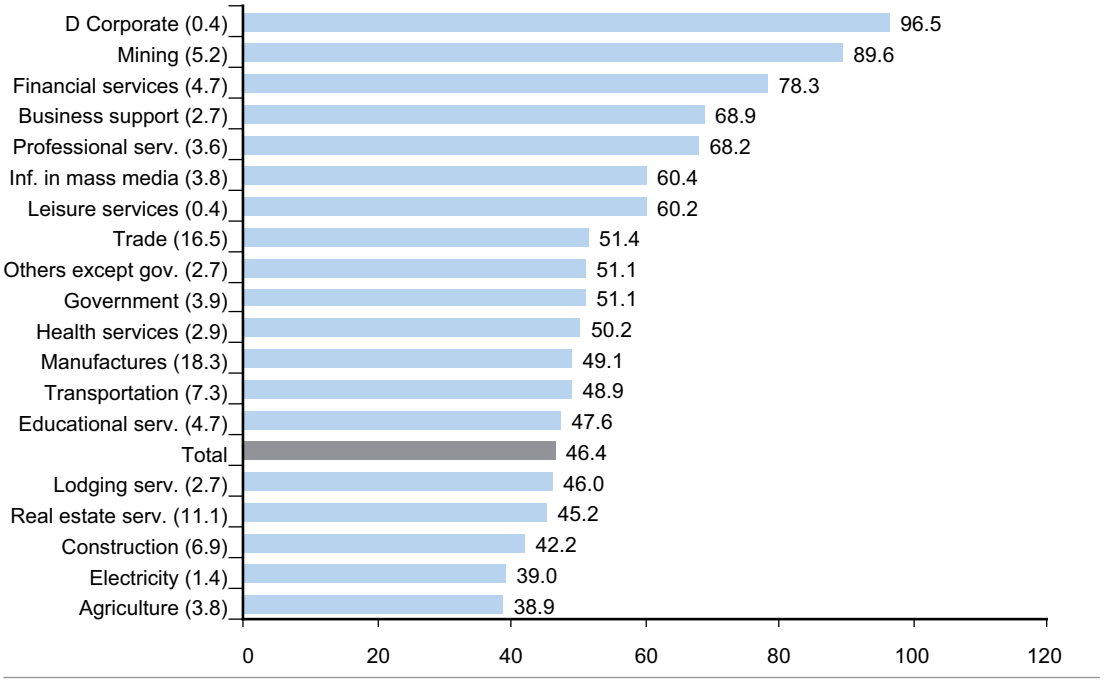
By sector of economic activity, there is also concentration in some states

The evolution of the different sectors of economic activity is analyzed in detail at the beginning of this edition of Regional Sectorial Outlook Mexico in the corresponding chapters. It is now pertinent to refer to the concentration of productive activity in the states. In view of the limited physical space to present data and/or graphs of all the activities and for all the states, the data were simplified by adding for each activity the share that the five states with the greater contribution have in total production. What can be observed is a great dispersion in some activities, with around 80% in the main states and others with only close to 40%.

The sectors of activity with a greater concentration in a few states were: Corporate and Company Management (96.5%), Mining (89.6%) and Financial Services (78.3%). Of these, the Office of Corporate Management and Financial Services and Insurance situated mainly in the DF, due to its relative size, to the facilities of domestic and international communication, to the availability of services, to available human resources, etc. It seems evident that for the companies or large entrepreneurial groups, it is necessary to have a presence in the capital of the country, both in the real sector as in the financial. In turn, mining necessarily is associaten with availabe natural resources, which in this case is oil. Campeche concentrates 54.5% of the national mining production and Tabasco, 22%.

Graph 23

Concentration of Production (% of national production in five main states)



* Excludes financial intermediation services measured indirectly
'( ) = Share of the activity in the total production
Source: BBVA Research with INEGI data

Chart 13

States contributing the most to production of each activity

Activity	Main States				
Total	DF	Méx	NL	Jal	Ver
Manufacturing	Méx	NL	DF	Jal	***Coah***
Trade	DF	Méx	Jal	NL	Ver
Real Estate S	DF	Méx	NL	Jal	Ver
Transportation	DF	NL	Méx	Jal	Ver
Construction	NL	DF	***Tamps***	Méx	Ver
Mining	***Camp***	***Tab***	Ver	***Tamps***	NL
Educational Serv.	DF	Méx	Jal	NL	Ver
Financial Serv.	DF	NL	Méx	Jal	***Gto***
Government Act.	DF	Méx	Ver	Jal	NL
Agriculture	Jal	Ver	***Sin***	***Mich***	***Son***
Inf. in mass media	DF	NL	Méx	Jal	***Pue***
Professional Serv.	DF	NL	Méx	***Chih***	***Gto***
Health Serv.	DF	NL	Méx	Jal	Ver
Lodging Serv.	DF	***Q Roo***	Jal	Méx	Ver
Others except gov.	DF	Méx	Jal	NL	***Q Roo***
Support to businesses serv.	DF	NL	Jal	Méx	***Q Roo***
Electricity	Ver	Méx	***Tamps***	***Chis***	NL
Leisure serv.	DF	***Gto***	Méx	NL	Jal
Corporate D	DF	NL	Méx	Jal	***Gto***

Source: BBVA Research with INEGI data

Activities with a lower concentration were Agriculture, Livestock, Forestry Exploitation, Fishing and Hunting (38.9%; Electricity, Water and Gas Supply by ducts to the final consumer (39%); and Construction (42.2%). Of course, agriculture depends on the endowment, quality and exploitation of the available natural resources. In electricity, the weight of production on the total is reduced when the supply or distribution is incorporated. Construction, although temporarily, leans regionally due to large public works and also depends very much on local needs.

Two important aspects to underscore are the following: in the main productive sectors: manufacturing, trade and real estate and leasing services, the concentration of production is similar to the total concentration. This means that the development of these activities exists in the states in terms of their size. However, it does not reflect specializations such as is the case of the automobile industry, electronics or the in-bond (“maquiladora”) industry; and secondly, the five largest states, in terms of GDP, are in the majority of the productive activities, with exceptions mainly, as has been mentioned, in mining and agriculture. Of course, there are states that, although not being one of the five largest, are outstanding in one or some activities depending on their productive profile.

3c. Regional competitiveness of the Mexican economy: how much have we advanced and what do we still have to do?

Competitiveness, growth and productivity, three related topics

After one of the most severe crisis in history, the Mexican economy has managed to stabilize and set the bases for a gradual recovery. Mexico is going from attending the crisis to the need to reinforce the conditions that will allow it to have higher and more sustained growth in the medium and long terms. Within this context, the topic of competitiveness is directly related to the capacity to grow more quickly and improve the living conditions of the population. The generation of jobs, real wages, social benefits, expansion of public services, education, health and housing are some of the symptoms of economic development. Due to this, competitiveness, productivity and development are related naturally.

Chart 14
Definition of competitiveness

World economic forum: global competitiveness indicator:	
Definition:	A set of institutions, policies and factors which determine a country's level of productivity
Main characteristics:	Coverage: 133 countries, Index with values between 1 and 7, 119 statistic variables and of surveys, grouped in 12 pillars of growth, variable sample
Mexican Institute of Competitiveness:	
Definition:	Capacity to attract and retain investment and talent
Main characteristics:	Coverage: 48 countries, Index with values between 0 and 100, 137 statistic variables and surveys grouped in 10 growth factors, fixed sample
International Institute for Management Development:	
How the resources are administered in order to reach greater prosperity	
Main characteristics:	Coverage: 57 Countries, Inde4x with values between 0 and 100, 314 criteria grouped in 20 growth factors, variable sample

Source: BBVA Research with information from each institution

Chart 15
IMCO, global competitiveness*

Factors of competitiveness	Weight
1 Trustworthy and effective legal system	12
2 Sustainable management of the environment	7
3 Committed, educated and healthy society	11
4 Stable macro-economy	7
5 Stable and functional political system	9
6 Efficient factor market	11
7 World class precursor sectors	12
8 Efficient and effective governments	11
9 Utilization of international relations	8
10 Vigorous competitive economic sectors	13

* The relative weight of each factor in the index is different, according to the results of econometric analysis
Source. BBVA Research with IMCO data

Due to its importance, the aim of this section of ***Regional and Sectorial Outlook Mexico*** is to analyze Mexico's competitiveness from a regional standpoint. In the first part, the different approximations are described to measure competitiveness at an international level. In the second, the country is rated according to those measurements. In the third, the indexes of state competitiveness are approached, and lastly, in the fourth, these criteria are reviewed at an urban level. Throughout the whole document, based on various approaches, we identify what determines that competitiveness as a reference of topics that must be attended if the intent is to achieve a higher level of well being. These sections are complemented by two information insets: one is focused on contrasting Mexico with other similar emerging countries that will allow identifying some of the indicators boosting competitiveness, and the other on the importance of advancing in structural reforms, or also known by some as "second generation" reforms.

International competitiveness: different definitions – different results

The concern regarding growth and economic development has always been present in economic literature in each era and under different circumstances. The explanations and proposals have gone from an ample range of alternatives to understand the dynamics of economic growth and the distribution of wealth. From the more traditional approaches, such as the endowment of resources and the efficiency of their use, where the importance of natural resources such as agriculture and mining are analyzed, the mutual advantages of international trade among the countries, the technological progress, terms of interchange, geographic location or competition, to those that emphasize the importance of the institutions and the protection of property rights. From a more eclectic standpoint, empirical analysts have measured an ample collection of variables within these approaches, so as to interpret the great trends in the economy.

Chart 16

Mexico's International competitiveness according to different sources

	2004	2006	2008	2009
Number of countries per year and source				
WEF	104	131	134	133
IMCO	48	48	48	48
IMD	60	60	57	57
Mexico's Position				
WEF	48	52	60	60
IMCO	31	30	32	32
IMD	56	53	50	46
Normalized to 100 observations				
WEF	46	40	45	45
IMCO	65	63	67	67
IMD	93	88	88	81

Source: BBVA Research with World Economic Forum (WEF), Mexican Institute of Competitiveness (IMCO for Instituto Mexicano de Competitividad), and International Institute for Management Development (IMD) data

A pragmatic, quantitative focus and of broad acceptance are the estimated competitiveness indexes for countries, regions or cities. The competitiveness indexes allow identifying, for each economy, the variables where there are strengths or weaknesses, the changes over time, the relative position of a nation, be it within the international or regional context or In comparison with a group of competing communities or between similar countries.

Different institutions have estimated competitiveness indexes with some variants in the definition and in their preparation, although with elements in common. They all analyze the factors that boost sustained growth, which basically is productivity, and they compare the countries in the group analyzed. Competitiveness is estimated by constructing an index that synthesizes a great number of variables, which are grouped in categories. Thus categorized, it is possible to analyze the individual impact of each variable or by type of factor. Among the best known competitiveness indexes where Mexico appears are those prepared by the World Economic Forum (WEF), the International Institute for Management and Development (IMD, and in Mexico, the Mexican Institute of Competitiveness (IMCO for its Spanish initials).

One of the differences among these indexes is the number and the heterogeneity of the countries considered in each one of the samples analyzed; 133, 57 and 48 countries, respectively, with a non-aleatory but selective mix of countries, criteria, considerations and, in the first two cases, with changes in the number of countries analyzed, and, in the three, with adjustments in the methodology. This situation complicates the direct comparisons among these indexes, for example, in the WEF Mexico appears in the 60th position, in the IMD in the 46th and in the IMCO in the 32nd. A frequently utilized option, in order to facilitate the comparisons of positions, is to normalize 100 countries. In this sense, Mexico is found in position 45, 81 and 67 of the WEF, the IMD and the IMCO, respectively.

From the standpoint of the universe analyzed, the IMD has a high proportion of developed economies, the WEF all the countries with an availability of indicators, and the IMCO a relatively high share of countries of Latin America. Given this heterogeneity, the comparison makes sense when it is of a relative nature and, in particular, the position that each country assumes as time passes, taking into account the same criterion or measurement of the institution. It is evident that to improve in the general classification, a country must advance faster than others. In any case, beyond the measuring problems, the indexes are useful and very important for identifying their own and others' strengths and weaknesses.

Chart 17

IMCO: International Competitiveness, 2009 (Level of Competitiveness: 1 = higher)

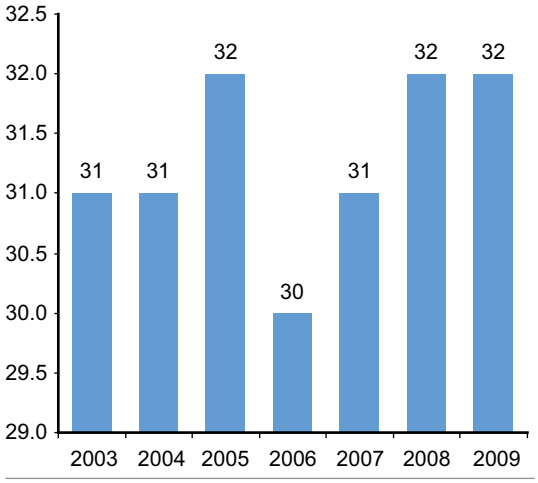
1 Switzerland	17 Spain	33 Russia
2 Sweden	18 South Korea	34 Argentina
3 Denmark	19 Hungary	35 Thailand
4 Norway	20 Czech Republic	36 Colombia
5 Finland	21 Italy	37 Turkey
6 The Netherlands	22 Portugal	38 China
7 United Kingdom	23 Israel	39 Belize
8 Ireland	24 Greece	40 Peru
9 Austria	25 Chile	41 Dominican Rep.
10 Australia	26 Poland	42 El Salvador
11 USA	27 Malaysia	43 India
12 Belgium	28 Costa Rica	44 Bolivia
13 Germany	29 South Africa	45 Venezuela
14 Canada	30 Panama	46 Honduras
15 France	31 Brazil	47 Guatemala
16 Japan	32 Mexico	48 Nicaragua

Source: BBVA Research with IMCO data. International Competitiveness 2009, the crisis that changed the world, published in 2009 with 2007 data

IMCO: Mexico's competitiveness below the average of the countries analyzed

In the rest of this section, the index prepared by the IMCO[13] will be used as a source, given that among the advantages of this index are its accessibility, availability and comparability of international, state and urban area information. Said index is structured with 137 quantitative variables (111 in urban areas), which are grouped in 10 categories or factors of competitiveness, which include economic, social, political, regulatory and operative variables. The consideration of the competitiveness factors is estimated by econometric methods and the results allow making comparisons among cities, states and countries. It is opportune to clarify that the data with which the index is structured are lagging up to two years between the publication of the report and the availability of the data.

Graph 24
IMCO: international competitiveness of Mexico (Position among 48 countries)



Source: BBVA Research with IMCO data

Chart 18
Competitiveness in selected countries, IMCO (Relative position among 48 countries)

	Competitiveness		
	2006	2009	Change
Latin America			
Chile	25	25	0
Costa Rica	28	28	0
Panama	31	30	1
Brazil	33	31	2
Mexico	**30**	**32**	**-2**
Argentina	32	34	-2
Colombia	38	36	2
BRICs			
Russia	34	33	1
China	42	38	4
India	43	43	0

Source: BBVA Research with IMCO data

In general, in the competitiveness chart prepared by IMCO, the developed countries rank among the first positions of competitiveness, with Latin America in the second half of the chart, although there is heterogeneity. The first three places in competitiveness are taken by Switzerland, Sweden and Denmark,with and the United States in 11th place (which is equivalent to the 23rd place in a normalized series to 100) while Honduras, Guatemala and Nicaragua are at the end of the list.

In 2009, Mexico placed 32nd in the sample, and fifth in Latin America, which implies that it is situated in the fourth fifth of competitiveness in the world and in the second in Latin America. Between 2003 and 2009 (years of publication), Mexico's competitiveness varied between the 30th and 32nd places. These variations do not seem to mark a defined or definitive trend. In fact, they identify two periods, the first of an advance by going from place 31 to 30 between 2003 and 2006, and, the second, of regression by the return to place 32 in the last two years evaluated, which can be attributed, according to this Index, to a regression in stability and reliability of the political system (i.e. Atenco, election crisis) and due to the dynamism in important sectors. These results clearly show the sensitivity of the index to different variables and to the plurality of the factors involved.

13: international competitiveness 2009, "Mexico in face of the crisis that changed the world", IMCO, 2009

Among the better evaluated Latin American countries, the evolution of competitiveness between 2008 and 2009 confirmed the privileged position of Chile (25) and Costa Rica (28), the progress made by Panama, Brazil and Colombia and the lag of Mexico and Argentina. Of course, the economy of the highest evaluated region and always present in all the sources is that of Chile. In this same period, among the BRIC's, China is outstanding, advancing four positions, and Russia one.

Chart 19
Relative competitiveness of the factors

	Chile	Costa Rica	Panama	Brazil	Mexico	Russia	China	India
Total	1	2	3	4	5	6	7	8
Legal System (1)	1	2	4	3	5	8	7	6
Environment (2)	2	1	7	3	8	4	6	5
Incl. Soc. (3)	3	2	6	7	4	1	5	8
Macro. (4)	2	8	3	6	5	7	1	4
Political Syst. (5)	1	2	4	5	6	7	8	3
Market (6)	1	5	6	4	8	2	3	7
Sectors (7)	2	3	1	7	5	4	6	8
Government (8)	1	8	3	2	4	6	5	7
Intern. Rel. (9)	3	4	2	7	8	6	5	1
Compet. (10)	6	2	4	3	5	1	7	8

1 Trustworthy and effective legal system; 2 Sustainable environmental management; 3 Committed, educated and healthy society; 4 Stable macro economy; 5 Stable functional political system; 6 Efficient factor market; 7 World class precursor sectors; 8 Efficient and effective governments; 9 Utilization of economic relations; 10 Strongly competitive economic sectors
Source: BBVA Research with IMCO data

According to this index and taking as reference the last year evaluated, it can be said that Mexico has more than absolute relative strengths. For example, among the most competitive countries of Latin America, plus those denominated BRIC's (Brazil, Russia, India and China) the following can be observed: even though Mexico is better evaluated than other countries, it does not place first in any variable or "category". In comparison, Chile, the best positioned country in this group, is in first place in four categories of variables: Trustworthy and Effective Legal System, Stable and Functional Political System, Efficient Factor Market and Efficient and Effective Governments and only in one variable is it below the average. For Mexico, the fifth position in competitiveness is generalized, not of one or two variables, and the greater strengths are found in only two of the ten variables: Inclusive Society and Stable Macro-economy. Therefore, Mexico needs to progress in all the fields.

State competitiveness: the most competitive areas are differentiated: the north and central parts of the country are the most advanced; the south continues to lag

The economic and social differences among the regions, states, cities or neighborhoods of Mexico are so evident and dramatic as are the contrasts among countries and are reflected in practically all the socioeconomic indicators: health, education, growth of productive activity, infrastructure, housing, etc.. But, the systematic analysis of competitiveness for identifying the most vulnerable factors and utilizing the available abilities is as important as evaluating and quantifying poverty and marginalization. Therefore, competitiveness, in addition to ordering and arranging hierarchically the states and cities from largest to smallest comparative advantages, also allows analyzing the main lags and the best practices for implementing corrective actions.

The state competitiveness index is comparable to the global index, even though some variables are adjusted to the availability of data by state. This allows for domestic and international evaluation and, for example, it is possible to review the condition of the main states of Mexico compared to other countries. In Mexico, the highest competitiveness (in an index of 0 to 100) corresponds to the Federal District and to Nuevo Leon and the lowest competitiveness to Tlaxcala and Oaxaca. In the particular case of the different states, the values of this index are found between 26.7 and 64.1. Although this allows classifying by level, it does not necessarily measure the distance In fact, it can be so close that it can be interpreted as if they were equal: for example, 31.8 vs. 31.7 for the State of Mexico and Puebla, respectively.

Chart 20

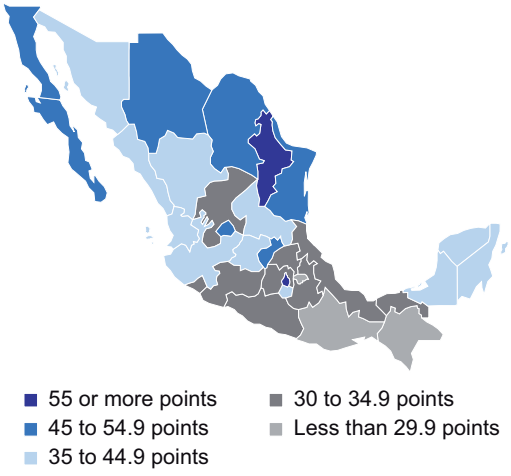
State Competitiveness, 2008* (States ordered by level of competitiveness and value in the index)

1	Distrito Federal (64.1)	17	Campeche (38.2)
2	Nuevo León (58.9)	18	San Luis Potosí (38.0)
3	Baja California (52.6)	19	Morelos (37.8)
4	Chihuahua (52.0)	20	Yucatán (36.5)
5	Aguascalientes (50.3)	21	Durango (35.6)
6	Coahuila (49.9)	22	Veracruz (32.6)
7	Querétaro (49.5)	23	Michoacán (32.2)
8	Baja California Sur (49.0)	24	Tabasco (32.1)
9	Tamaulipas (46.6)	25	México (31.8)
10	Sonora (43.2)	26	Puebla (31.7)
11	Quintana Roo (43.1)	27	Zacatecas (31.4)
12	Colima (42.3)	28	Hidalgo (30.9)
13	Nayarit (41.1)	29	Guerrero (30.6)
14	Jalisco (40.9)	30	Chiapas (29.5)
15	Sinaloa (39.4)	31	Tlaxcala (28.8)
16	Guanajuato (39.2)	32	Oaxaca (26.7)

* Published in 2008, with 2006 data
Source: BBVA Research with IMCO data

Graph 25

Map of State Competitiveness 2008



Source: BBVA Research with IMCO data (published in 2008 with 2006 data)

Geographically and as a general trend, greater competitiveness can be observed in the north than in the south of the country, but the Federal District (Mexico City), the entity with the highest competitiveness is in the central part. Also, in the north or in the border states, not all of them have the same evaluation and the same can be said of the central part of the country. Therefore, there is no geographic determinism, but causal relations that accumulate over time and on which it is possible to act so as to make better use of the productive resources of each zone in order to increase productivity and generate better conditions for growth.

In the six years with available information at the time of the publishing of Regional and Sectorial Outlook Mexico, it can be observed that the evolution of competitiveness presents certain volatility over time, with the exception of the Federal District, Monterrey and Oaxaca, first, second and last places, respectively. The greatest volatility has been observed in the intermediate positions, such as Zacatecas, which has fluctuated between places 16 and 27, Nayarit with an interval of 13 to 21, and Durango with positions between 14 and 21. Even though the series is short and there can be problems of measurement or quality of the data utilized, the states which gained the most in their relative position in the last three years were: Tabasco, Michocan and Sinaloa. Those with the greatest regression were: Tlaxcala, Zacatecas and Durango. Presented in the adjoining chart as an illustration is the evolution of

the states situated at the beginning, center and end of the competitiveness chart in the period. Of course, they can all improve, although not necessarily with the same magnitude. Therefore, the relative position can change, even improving individual performance.

Competitiveness is an average of abilities or comparative advantages, but, individually, not all the variables have the same comparative position. By grouping the relative position of the competitiveness factor into three large segments (high competitiveness for the positions 1 to 11, medium for places 12 to 22, and low for the rest) and by reviewing the states which globally take places 1, 16 and 32, a trend toward concentration can be observed, although without absolute dominion.. For example, 80% of the variables are of high competitiveness in the Federal District and also 80% have low competitiveness in Oaxaca. This has some implications. For those states that concentrate the first places in a broad number of competences, it can be easier to preserve them, in addition that they show that they have feedback and are boosted.

Chart 21
Evolution of Competitiveness (Place in competitiveness in selected states)

	DF	NL	Jal	Camp	Dgo	Gro	Oax
2003	1	2	16	14	15	31	32
2004	1	2	13	15	14	31	32
2005	1	2	15	19	17	28	32
2006	1	2	18	16	15	31	32
2007	1	2	13	16	21	30	32
2008	1	2	14	17	21	29	32
Average	1	2	15	16	17	30	32
Volatility (Max. vs. Min.)	0	0	5	5	7	3	0

Source: BBVA Research with IMCO data

Chart 22
IMCO, Regional competitiveness. Better state by sub-index

Federal District 1	
Committed, educated and healthy society	11%
Stable macro economy	7%
World class precursor sectors	12%
Strongly competitive economic sectors	13%
Nuevo Leon 2	
Trustworthy and effective legal system	12%
Efficient and effective governments	11%
Baja California 3	
Utilization of international relations	8%
Aguascalientes 5	
Sustainable environmental management	7%
Queretaro 7	
Stable and functional political system	9%
Baja California Sur 8	
Efficient factor market	11%

Source: BBVA Research with IMCO data

Index of urban competitiveness: size does not guarantee competitiveness

This index, published by IMCO on April 27 of this year and comparable in methodology with the international and state index, analyzes the variables of 86 cities and urban areas of Mexico, classifying them into six groups in accordance with their competitiveness: High (1), Adequate (14), Medium High (33), Medium Low (22), Low (14) and Very Low (2). This group of locations covers 80% of the economic activity of the country and 65% of the population. It is dispersed at a national level and it is heterogeneous in size and productive profile. Therefore, it is representative of the productivity of the cities and of the differences among them.

Even though the methodology and the results are comparable, there are also some adaptations for the urban areas. Some adjustments are made in the methodology, for example, the number of variables incorporated was 111 (in comparison with 137 of the international index). Some concepts are redefined and some variables adapted to the availability of information from the municipalities. An innovation in the classification of competitiveness was the presentation of results by groups of cities more than the individual levels of each urban area as in the past. The cities were grouped according to their differences compared with the average, into one, two or more standard deviations. Therefore, there are few cases in the extremes of the distribution and greater concentration in the middle part.

The value of the index for these levels of competitiveness varies between 39.3 and 62.1 for very low and very high competitiveness, respectively, in a scale of 0 to 100[14].

Chart 23
Competitiveness of the categories according to state index

	Number of categories per interval of competitiveness		
Global	**1 to 11**	**12 to 22**	**23 to 32**
1 DF	8	2	0
2 Gto	2	5	3
3 Oax	1	1	8

Source: BBVA Research with IMCO data

Chart 24
Urban competitiveness vs. size (Number of cities)

	Competitiveness				
Population	**High & Adequate**	**Medium High**	**Medium Low**	**Low & Very Low**	**Sum**
> 600,000	7	19	2	1	29
240,000 to 600,000	3	9	14	2	28
< 240,000	5	5	6	13	29
Sum	15	33	22	16	86

Source: BBVA Research with CONAPO and IMCO data

14: This classification has implications from a statistical standpoint; the two least favored are far from zero and the best far from 100. Between them, the difference is significant and even though work is not done with a ratio scale, 23 points or 57% implies a long way to cover. Also, the scale moves almost lineally between the different levels of competitiveness.

Chart 25

Urban areas by level of competitiveness

High:	Monterrey
Adequate:	Aguascalientes, Colima-Villa de Álvarez (+1), Chihuahua, Guanajuato, Hermosillo, Los Cabos (+1), Manzanillo, Mazatlán, Mexicali (+1), Monclova-Frontera (+1), Nogales, Piedras Negras, Querétaro (+1), Reynosa-Río Bravo
Medium High:	Campeche, Cancún, Ciudad del Carmen (-1), Ciudad Obregón, Coatzacoalcos, Cuernavaca, Culiacán, Durango, Guadalajara, Guaymas, Juárez (-1), La Laguna, La Paz, León, Matamoros, Mérida, Morelia, Navojoa, Nuevo Laredo, Puebla-Tlaxcala, Puerto Vallarta, Saltillo, San Juan del Río (+1), San Luis Potosí-Soledad, Tampico-Pánuco, Tepic, Tijuana, Tuxtla Gutiérrez, Valle de México (-1), Veracruz, Villahermosa, Xalapa, Zacatecas-Guadalupe (-1)
Medium Low:	Celaya (+1), Ciudad Acuña, Ciudad Victoria (-1), Córdoba, Cuautla (+1), Delicias, Ensenada, Irapuato, Los Mochis, Minatitlán, Oaxaca, Ocotlán, Orizaba, Pachuca, San Cristóbal de las Casas (+1), Tapachula, Tlaxcala-Apizaco, Toluca, Tula, Uruapan, Zamora-Jacona, Zihuatanejo
Low:	Acapulco, Cárdenas, Comalcalco, Chetumal, La Piedad-Pénjamo, Macuspana, Poza Rica (-1), Rioverde-Ciudad Fernández, Salamanca, San Francisco del Rincón, Tecomán, Tehuacán, Tehuantepec-Salina Cruz, Tulancingo
Very Low:	Huimanguillo, Tuxtepec

Note: ( ) Indicates the cities that changed their competitive position between 2008 (published in 2010) and 2006
Source: BBVA Research with IMCO data

Chart 26

Grouping of urban areas by competitiveness

Competitiveness	Definition	Index
High	Those cities for which the rating is at two or more standard deviations above the average	62.08
Adequate	Those cities for which the rating is between one or two standard deviations above the average	56.25
Medium High	Those cities forwhich the rating is above the average and up to one standard deviation	52.08
Medium Low	Those cities for which the rating is below the average and up to one standard deviation	47.31
Low	Those cities for which the rating is between one and two deviations below the average	43.17
Very Low	Those cities for which the rating is two or more standard deviations below the average	39.31

Source: BBVA Research with IMCO data

In general terms, there is a direct relationship between the size of the population of the cities and their competitiveness and statistically significant relation. Competitiveness attracts investment and human resources, thereby generating growth. Size facilitates the availability of more and better services. But size is not a sufficient condition to be competitive or to be totally outside a situation of competitiveness. Four relatively small communities are above the competitiveness average: La Paz, Ciudad Del Carmen, Los Cabos and Manzanillo. But some relatively large ones are of moderate competitiveness: Toluca, Cuernavaca and Acapulco.

Even though the results can be interpreted as a reflection of the strong contrasts in the country, they also imply enormous opportunities and the need to strengthen efforts in all the cities. To be in first place of the list does not imply that the task has been concluded or that it is a sentence against those lagging behind the most.

Conclusions: state competitiveness very segmented by regions; a need to improve the development of intermediate cities

The topic of competitiveness is important because it is related to the productivity and growth of an economy, activity or region. In this section of Regional and Sectorial Outlook Mexico, the objective has been centered on the competitiveness of the country, its states and its urban areas. There are different indexes of competitiveness estimated by different institutions, which differ among themselves in terms of geographic coverage, methodology and formal definition. In this document, only three of them are mentioned as an example of these exercises and due to their usefulness for our analysis. We are evidently not ruling out the usefulness and convenience of analyzing all of them.

In this document, work is done particularly with the index developed and published by the IMCO in its three dimensions: International, State and for Urban Areas in our country. As an alternative example, the exercises developed by the World Economic Forum and the IMD are taken. The evaluation of Mexico's competitiveness in the international environment depends on the index that is used. With our three references and using a normalized index to 100, Mexico places 45, 67 or 81, according to whether we are using the FEM, the IMCO or the IMD. Evidently, the index and the countries in the sample are relevant for the results. The competitive position is important within the international context but, also the evolution. Between 2006 and 2009, Chile is outstanding among the Latin American countries. Brazil and Colombia are advancing and Mexico falls back two positions. Also, among the BRIC's, the greatest progress was made by China.

Geographically, the best competitiveness indexes are in the north, but this does not exclude the possibility of having good or acceptable competitiveness levels in the rest of the country. In fact, the state with the highest competitiveness, the Federal District, is in the central part of the country, followed by Nuevo Leon and Baja California; and those most lagging are Chiapas, Tlaxcala and Oaxaca. By urban areas, IMCO analyzed 86 cities where Monterrey is outstanding as the highest evaluated, and Huimanguillo and Huaxtepec as those that are most behind. In this case, the classification of competitiveness is done by groups or levels, by classifying the cities into six levels of competitiveness: High, adequate, medium high, medium low, low and very low. In the last two years evaluated, 9 cities improved their competitiveness and 6 deteriorated. In the first group are: Colima, Los Cabos, Mexicali, Monclova, Queretaro, San Juan del Río, Celaya, Cuautla and San Cristobal de las Casas; and, in the second group: Ciudad Juarez, Ciudad del Carmen, Valle de Mexico, Zacatecas-Guadalupe, Ciudad Victoria and Poza Rica.

The differences between the competitiveness of the Federal District (the most competitive entity) and the urban area of the Valley of Mexico (medium high competitiveness) shows that the large cities are not necessarily the most competitive and they also reflect the heterogeneity in the Valley of Mexico. The Federal District is high due to the human and physical capital, the companies that it has, that is, due to the endowment of factors. But, the regulatory topics are similar to those of other states; they should also be modernized, for example, in the legal system or in the efficiency of the public sector.

Final reflections: the work that is pending

In the last decade, and we could say since the eighties, the growth of the Mexican economy has been lagging compared to that of Latin America and compared to the rest of the countries called the BRICs. This is due, in general, to various reasons: distortions due to the bad management of the economy in the seventies and eighties and another good part due to the stagnation in the macroeconomic reforms and also the lagging behind in other spheres, such as the aspects related to the rule of law, security, education and health, which in some

cases include modernization in applying justice, and also standards and regulations of the executive power. There is also important work to be developed by civil society. It can contribute to improving different standards, associations, universities, etc. This is also work for families and companies, since values, attitudes and traditions are part of the performance of society's tomorrow.

We could ask ourselves: up to what point is centralism good? In a first stage, yes, because it generates economies of scale and homogeneity, but excesses have costs. Undoubtedly, it is a sample that in the main cities or urban concentrations there are opportunities, but a question arises: Should we not review and analyze how to promote the development of the intermediate cities more efficiently?

It seems evident that there is not one single, easy and permanent solution; there are no custom-made suits. They have to be made for each country, for each region, recognizing their differences, strengthening their advantages and limiting their weaknesses. There is no specific area that will guarantee competitiveness, but a combination, a series of factors that will contribute to efficiency. But the reviewing, updating and innovating should be continuous if we want to progress.

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Inset 1: Some indicators in countries with higher growth rates than Mexico

In 2009, the Mexican economy contracted an annual 6.5%, one of the most severe adjustments among the emerging economies. There are situational factors that explain the strong decline in the country's economic activity, but this should not hide the fact that slow growth has been a constant over the past 30 years. What is at stake is a structural and not a situational economic problem. In per capita terms, it is necessary to address disparities and satisfy new necessities.

Chart 27

Economic Growth (GDP: annual average % growth, selected countries)

	2009 e	2000-08	1990-00	1980-90	1970-80
China	8.7	10.4	9.5	10.1	nd
India	6.4	7.9	6.1	5.8	3.4
Peru	0.8	5.6	3.3	-0.3	3.5
Argentina	0.7	3.9	4.1	-0.7	2.5
Brazil	0.3	3.7	1.7	2.7	8.1
Colombia	0.3	4.4	2.9	3.6	5.4
Chile	-1.8	4.2	6.4	4.2	1.8
Latin Am.*	-1.8	3.7	2.8	1.7	5.4
Venezuela	-2.3	4.7	2.5	1.1	3.5
Mexico	-6.5	2.9	3.4	1.5	6.3
Russia	-8.7	6.8	-6.1	nd	nd

* Without the Caribbean
Source: BBVA Research with Cepal and WB data

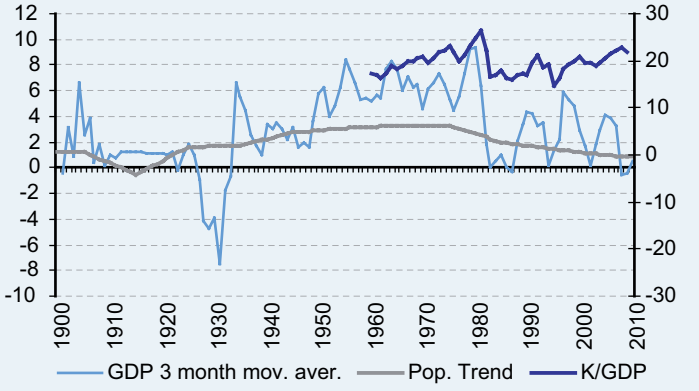
Chart 28

Selected countries and indicators, 2008

	Investment	FDI	Manufactured Goods Exports	High tech exports
	% of GDP	% of GDP	% of total	% of manufactured goods
China	43	3.2	93	30
India	39	1.9	64	5
Peru	27	4.2	12	2
Argentina	24	2.0	31	7
Brazil	19	2.1	47	12
Colombia	24	3.7	39	3
Chile	21	8.5	10	7
Latin Am	23	2.5	54	12
Venezuela	23	0.2	5	3
Mexico	26	2.3	72	17
Russia	25	3.3	17	7

Source: BBVA Research with World Bank, WDR 2010 data

Graph 26
GDP, population and investment (Annual % change, % of GDP, 3-month mov. aver. and trend)



Source: BBVA Research with INEGI data

Graph 27
Economically active population vs. formal private employment (Annual % change)

Source: BBVA Research with IMSS and INEGI data

Many of Mexico's indicators point to higher potential GDP and the economy has characteristics that should be favorable to its evolution. Economic growth depends on the accumulation of capital, physical and human, and the productivity of these factors. In Mexico, one of the strongest changes is in lower population growth. The reduced economic strength shows an inability to take advantage of the so-called "demographic bonus", which will still continue toward 2030 although with an increasingly lower intensity. On the capital side, the international comparison is unfavorable with regard to China and India, similar to Latin America and favorable compared to the past. Although productivity is not the highest in the world, it is increasing, albeit slowly.

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Inset 2: The pending task: strengthen growth; implement second generation structural reforms

In Mexico, many proposals have been made on necessary structural reforms and advances have been achieved on different levels, but many countries are also doing so and all of them participate in international trade or seek financial resources. The idea is not to compete for the sake of competing; the objective is to grow, to improve employment, and boost society's living standards while at the same time reducing inequality to favor the less privileged sectors. Competitiveness is an indicator of how we are doing and not an end in and of itself.

The reform agenda can be derived from the competitiveness indices, but there are different criteria being considered involving important disparities, significant contributions, or the costs of not implementing the reforms. Between 1999 and 2006, a minimum agenda of the necessary reforms was suggested by BBVA Bancomer in the Economic Policy Proposals series, summarized in the publication "Ten Actions to Boost Productivity and Well-being", Proposal Series, January 2006. In that publication the following issues were addressed: consolidating macroeconomic stability, improving efficiency in tax collection, making pensions viable (in addition, in 2007 the research study "Toward the Strengthening of the Pension Systems in Mexico: An Overview and Reform Proposals" was issued), increasing the effectiveness of public spending, ensuring the supply of energy, supporting human capital formation, making the labor markets more flexible, reinforcing respect for the law, strengthening economic competition, and facilitating access to the markets.

The matter is undoubtedly present in the public agenda. In his address to the nation in the presentation of the government's third year report, President Felipe Calderón enunciated "Ten points to thoroughly change Mexico: Fight poverty, Universal health coverage, Quality education, Austerity and public finances, Economic reform, Telecommunications reforms, Labor reforms, Thoroughgoing regulatory reforms; and Fighting crime". These proposals have translated into bills presented to Congress both by the executive branch as well as the political parties. Some of these legislative proposals are currently in commissions, others have been approved by one of the chambers, and others are still pending. Among the main bills or reforms to existing legislation are the Law on Public Private Associations, the Media Law, Political Reform, Labor Legislation Reform, Fiscal Reform, the Reforms on Combating and Punishing Monopolistic Practices, the General Law to prevent and sanction crimes involving kidnapping, the Federal Law on Access to Information and Protection of Personal Data, and the National Security Law.

Of course, the question has been discussed many times, in different forums, and by participants qualified to discuss the issue, but the results show us that the concrete measures taken have been insufficient. Furthermore, in a changing and dynamic world it is necessary to permanently evaluate, review, and advance on these fronts. As a nation, Mexico should assume its commitment to engage in thoroughgoing change, from the foundations. There are no shortcuts, no easy and simple solutions; the road forward and the rules of the game necessarily involve boosting competitiveness, which will allow for consistently raising the population's living standards.

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3d. Regional forecasts

Chart 29

GDP Forecast by region* (Base = 2008)

	2003	2007	2008p	2010		2011
				2009e	Low	High	
Annual % growth							
Total	na	3.3	1.5	-6.5	4.5	5.0	3.8
High development	na	3.7	0.8	-7.2	4.6	5.2	3.6
Tourism	na	9.4	2.3	-8.7	6.1	6.8	5.9
Industrial	na	4.9	1.8	-7.9	5.3	5.9	4.0
Medium development	na	1.7	1.4	-4.6	3.5	3.9	3.0
High underdevelopment	na	1.6	2.3	-5.6	4.1	4.5	3.0
% share in total							
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0
High development	17.3	17.1	17.0	16.9	16.9	16.9	16.9
Tourism	1.7	2.0	2.0	2.0	2.0	2.0	2.0
Industrial	38.6	40.2	40.3	39.7	40.0	40.1	40.3
Medium development	37.3	36.0	36.0	36.7	36.4	36.3	36.1
High underdevelopment	5.0	4.7	4.7	4.7	4.7	4.7	4.7
Contribution to growth							
Total	na	3.4	1.5	-6.5	4.5	5.0	3.8
High development	na	0.6	0.1	-1.2	0.8	0.9	0.6
Tourism	na	0.2	0.0	-0.2	0.1	0.1	0.1
Industrial	na	1.9	0.7	-3.2	2.1	2.3	1.6
Medium development	na	0.6	0.5	-1.7	1.3	1.4	1.1
High underdevelopment	na	0.1	0.1	-0.3	0.2	0.2	0.1
Index 2008 = 100							
Total	84.5	98.5	100.0	93.5	97.7	98.2	101.7
High development	86.1	99.2	100.0	92.8	97.0	97.7	101.2
Tourism	73.8	97.8	100.0	91.3	96.9	97.5	103.2
Industrial	80.9	98.2	100.0	92.1	97.0	97.6	101.5
Medium development	87.7	98.6	100.0	95.4	98.8	99.1	102.0
High underdevelopment	89.4	97.7	100.0	94.4	98.3	98.6	101.6

* Regions according its focus and development level: High development: Mexico City; Tourism: BCS and QR; Industrialized: Ags, BC, Coah, Chih, Jal, Mex, NL, Qro, Son, Tamps; Medium development: Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlax, Ver, Yuc, Zac; High marginalization: Chis, Gro y Oax.
p = Preliminary data as of this date; e = Estimates as of this date; na: not available.
Source: BBVA Research with INEGI data and our estimates

Chart 30

GDP by State*

	2010					2010						2010				
	2008p	2009e	Low	High	2011	2004-07	2008p	2009e	Low	High	2011	2003	2009e	Low	High	2011
	(Billions of 2008 pesos)					(Annual % growth)						(% breakdown)				
Total	11,782.8	11,016.9	11,512.6	11,567.7	11,978.7	3.9	1.5	-6.5	4.5	5.0	3.8	100.0	100.0	100.0	100.0	100.0
Aguascalientes	121.1	112.1	119.1	119.8	125.9	5.6	0.7	-7.4	6.2	6.8	5.1	1.0	1.0	1.0	1.0	1.1
B. California	330.2	297.0	316.6	318.5	330.9	4.4	0.1	-10.0	6.6	7.2	3.9	2.8	2.7	2.7	2.8	2.8
B. California Sur	67.4	63.2	66.9	67.2	71.2	7.0	4.6	-6.2	5.8	6.3	5.9	0.6	0.6	0.6	0.6	0.6
Campeche	812.7	799.5	807.7	809.3	817.4	-1.7	-2.2	-1.6	1.0	1.2	1.0	6.9	7.3	7.0	7.0	6.8
Coahuila	372.2	324.8	350.7	352.9	371.6	3.9	2.2	-12.7	8.0	8.6	5.3	3.2	2.9	3.0	3.1	3.1
Colima	60.9	57.8	60.4	60.7	63.2	2.9	1.6	-5.0	4.5	4.9	4.1	0.5	0.5	0.5	0.5	0.5
Chiapas	212.4	204.8	213.7	214.5	221.8	1.0	4.8	-3.5	4.4	4.7	3.4	1.8	1.9	1.9	1.9	1.9
Chihuahua	367.1	332.1	351.5	353.5	368.3	4.7	0.4	-9.5	5.8	6.4	4.2	3.1	3.0	3.1	3.1	3.1
Mexico City	2,002.2	1,858.2	1,943.0	1,955.4	2,025.7	3.6	0.8	-7.2	4.6	5.2	3.6	17.0	16.9	16.9	16.9	16.9
Durango	141.4	132.0	137.8	138.2	142.6	2.0	3.2	-6.6	4.4	4.7	3.1	1.2	1.2	1.2	1.2	1.2
Guanajuato	427.5	406.9	419.6	420.7	436.1	3.1	1.1	-4.8	3.1	3.4	3.7	3.6	3.7	3.6	3.6	3.6
Guerrero	168.7	156.5	163.5	164.1	168.8	3.5	-1.3	-7.2	4.4	4.8	2.9	1.4	1.4	1.4	1.4	1.4
Hidalgo	180.2	170.8	180.5	181.4	190.0	4.2	7.3	-5.2	5.7	6.2	4.7	1.5	1.6	1.6	1.6	1.6
Jalisco	728.9	677.8	712.1	715.2	738.8	4.2	0.9	-7.0	5.1	5.5	3.3	6.2	6.2	6.2	6.2	6.2
México	1,039.3	992.4	1,029.1	1,036.3	1,077.7	4.9	2.5	-4.5	3.7	4.4	4.0	8.8	9.0	8.9	9.0	9.0
Michoacán	286.8	267.0	277.7	278.6	290.5	3.4	3.5	-6.9	4.0	4.3	4.3	2.4	2.4	2.4	2.4	2.4
Morelos	120.9	115.6	118.9	119.1	122.5	2.7	-2.6	-4.3	2.8	3.0	2.8	1.0	1.0	1.0	1.0	1.0
Nayarit	69.4	65.7	68.2	68.4	70.2	5.4	4.3	-5.2	3.8	4.1	2.6	0.6	0.6	0.6	0.6	0.6
Nuevo León	886.0	807.9	854.0	858.5	894.2	6.1	1.5	-8.8	5.7	6.3	4.2	7.5	7.3	7.4	7.4	7.5
Oaxaca	173.2	161.9	167.7	168.1	172.7	2.6	3.2	-6.5	3.6	3.8	2.7	1.5	1.5	1.5	1.5	1.4
Puebla	394.5	363.2	387.4	389.8	405.0	4.8	3.2	-7.9	6.7	7.3	3.9	3.3	3.3	3.4	3.4	3.4
Querétaro	214.7	196.6	208.3	209.5	218.7	7.0	4.9	-8.4	5.9	6.5	4.4	1.8	1.8	1.8	1.8	1.8
Quintana Roo	168.0	151.7	161.3	162.2	171.8	7.4	1.4	-9.7	6.3	6.9	5.9	1.4	1.4	1.4	1.4	1.4
San Luis Potosí	217.9	199.6	210.7	211.7	219.0	4.3	3.6	-8.4	5.5	6.1	3.5	1.8	1.8	1.8	1.8	1.8
Sinaloa	239.4	227.9	237.9	238.7	248.0	4.3	2.5	-4.8	4.4	4.7	3.9	2.0	2.1	2.1	2.1	2.1
Sonora	288.4	266.7	280.2	281.4	292.4	5.5	1.1	-7.5	5.0	5.5	3.9	2.4	2.4	2.4	2.4	2.4
Tabasco	434.4	426.5	437.3	438.2	443.9	5.3	4.0	-1.8	2.5	2.7	1.3	3.7	3.9	3.8	3.8	3.7
Tamaulipas	405.3	370.6	389.3	391.1	404.7	4.1	3.8	-8.5	5.0	5.5	3.5	3.4	3.4	3.4	3.4	3.4
Tlaxcala	61.4	57.4	60.4	60.7	62.7	2.4	1.1	-6.5	5.3	5.8	3.3	0.5	0.5	0.5	0.5	0.5
Veracruz	541.7	512.9	532.1	533.6	552.8	5.6	-0.6	-5.3	3.7	4.0	3.6	4.6	4.7	4.6	4.6	4.6
Yucatán	158.2	151.2	158.2	158.9	164.9	6.0	0.3	-4.5	4.7	5.1	3.8	1.3	1.4	1.4	1.4	1.4
Zacatecas	90.6	88.6	91.3	91.5	94.9	3.8	7.6	-2.3	3.1	3.3	3.7	0.8	0.8	0.8	0.8	0.8

* = Gross value added in basic values
p = Preliminary data as of this date; e = Estimates as of this date
Source: BBVA Research with INEGI data

4. Appendix

4a. Indicators of economic performance by state

Chart 31

Indicators of economic performance by state

				AAGR[3], % 2003-2008				National ranking					
	GDP* 2008[1]	Popula-tion[2]	GDP* 2008, dollars	GDP*/ inhab. dollars	Real GDP	Popula-tion	Real GDP per inhab.	Total GDP 2008	GDP per inhab.	Remitts. 2008	Empl.[4]	Fed. Res.[5]	Compet.[6]
National	**8,476**	**106,683**	**1,058,675**	**9,924**	**3.4**	**0.9**	**2.5**						
Mexico City	1,525	8,836	179,893	20,359	2.9	0.1	2.7	1	2	9	1	2	1
México	794	14,638	93,384	6,379	4.2	1.5	2.7	2	26	4	3	1	25
Nuevo León	666	4,393	79,607	18,121	5.0	1.4	3.6	3	4	22	4	7	2
Jalisco	567	6,961	65,493	9,409	3.3	0.9	2.4	4	14	3	2	4	14
Veracruz	383	7,261	48,674	6,703	4.1	0.3	3.8	5	22	6	5	3	22
Guanajuato	329	5,021	38,411	7,650	2.5	0.6	1.9	6	19	2	7	8	16
Campeche	317	787	73,017	92,808	-2.0	1.2	-3.2	7	1	31	28	29	17
Puebla	302	5,596	35,450	6,335	4.3	1.1	3.1	8	27	5	12	6	26
Tamaulipas	296	3,155	36,413	11,542	3.9	1.3	2.5	9	7	16	9	12	9
Chihuahua	284	3,360	32,979	9,816	3.6	1.1	2.5	10	11	17	6	14	4
Coahuila	276	2,602	33,438	12,851	3.3	1.2	2.1	11	5	26	10	20	6
Baja California	256	3,079	29,666	9,634	3.3	3.0	0.3	12	13	21	8	15	3
Tabasco	216	2,040	39,028	19,132	4.9	0.6	4.3	13	3	28	25	13	24
Sonora	210	2,488	25,910	10,416	4.4	1.1	3.3	14	10	23	11	17	10
Michoacán	210	3,978	25,770	6,478	3.2	-0.3	3.6	15	24	1	14	10	23
Sinaloa	176	2,648	21,510	8,122	3.8	0.2	3.6	16	17	15	13	16	15
Querétaro	161	1,690	19,293	11,416	6.4	1.9	4.4	17	8	19	15	24	7
San Luis Potosí	156	2,474	19,577	7,914	4.0	0.6	3.4	18	18	11	16	19	18
Chiapas	153	4,460	19,080	4,278	1.5	1.2	0.4	19	32	12	20	5	30
Quintana Roo	132	1,267	15,096	11,914	6.0	4.0	1.9	20	6	30	18	26	11
Guerrero	130	3,146	15,158	4,819	2.3	-0.1	2.4	21	30	8	26	11	29
Oaxaca	129	3,552	15,565	4,382	2.5	0.0	2.5	22	31	7	23	9	32
Hidalgo	128	2,409	16,191	6,720	4.6	0.6	4.0	23	21	10	24	18	28
Yucatán	121	1,898	14,217	7,490	4.7	1.3	3.3	24	20	29	17	21	20
Durango	105	1,545	12,700	8,222	2.0	0.5	1.5	25	16	18	21	23	21
Morelos	97	1,662	10,859	6,535	1.5	0.9	0.6	26	23	14	22	25	19
Aguascalientes	95	1,124	10,879	9,676	4.4	1.7	2.6	27	12	24	19	27	5
Zacatecas	66	1,381	8,144	5,896	4.4	0.0	4.4	28	28	13	27	22	27
Nayarit	53	967	6,233	6,446	5.0	0.3	4.7	29	25	20	30	28	13
B. California Sur	52	552	6,056	10,981	6.3	2.8	3.5	30	9	32	29	32	8
Tlaxcala	46	1,120	5,513	4,924	1.9	1.5	0.4	31	29	25	32	30	31
Colima	45	593	5,471	9,222	2.4	1.4	1.0	32	15	27	31	31	12

1: Billions of 2003 pesos; 2: 2008 population, thousands of persons, Conapo estimates; 3: Average Annual Growth Rate; 4: Total registered workers by the IMSS; 5: 2008 federalized resources; 6: State competitiveness index (IMCO), 2008

* It refers to the gross added value. The sum of the state figures does not coincide with national due to the net taxes to subsidies figures

Source: BBVA Research with INEGI, Conapo, Banco de México, IMSS, SHCP, IMCO (Instituto Mexicano de la Competitividad, A.C.) data (The chart continues on the following page)

4b. Indicators by state

Chart 32

Region: High Development

	Mexico City					
	2008	2009	2Q09	3Q09	4Q09	1Q10
Manufacturing production (annual % change)	-1.1	-5.8	-7.7	-4.1	-4.6	-2.5
Construction** (annual % change)	-1.1	31.6	34.7	48.3	45.2	-8.2
Public works	-27.9	36.4	63.7	42.2	21.1	-9.0
Private works	28.2	28.7	17.7	51.5	59.5	-7.2
Electricity distribution (annual % change)	1.0	1.0	12.4	6.7	-4.9	-12.1
Retail sales (annual % change)	2.8	-2.9	-6.7	-1.8	0.0	0.0
Wholesale sales (annual % change)	3.8	-5.6	-11.9	-7.6	-3.5	0.3
Total employment (annual % change)	2.1	-2.3	-2.1	-2.8	-3.5	-1.5
Industry	0.1	-8.2	-6.9	-9.0	-12.7	-11.2
Services	2.7	-0.5	-0.6	-0.8	-0.8	1.3
Gasoline sales (annual % change)	0.8	-2.4	-5.4	-1.6	-1.5	-0.4
Total air traffic (annual % change)	-3.3	-0.9	-13.2	-7.8	-4.5	-11.1
Federalized resources (annual % change)	15.6	-8.2	-22.2	4.6	-11.8	-3.3
Participations (Branch 28)	14.2	-14.9	-33.3	-8.8	3.1	8.9
Contributions (Branch 33)	4.5	4.6	-4.2	9.9	-9.1	-27.6
FDI (annual accum. flows, US$ millions)	12590.1	7706.6	6429.8	7355.7	7706.6	2894.6
Remittances (annual % change)	-19.6	-11.3	-14.3	-10.4	-18.4	-7.3

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 33

Region: Tourism

	Baja California Sur						Quintana Roo					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manufacturing prod. (annual % change)	-2.8	-7.5	-11.9	-5.5	-5.7	-4.0	0.4	-7.6	-9.3	-11.2	-11.1	-3.2
Construction** (annual % change)	34.4	1.2	-15.6	-10.9	-15.9	-42.4	-11.8	-36.4	-42.2	-27.8	-24.3	-35.9
Public works	40.6	52.5	56.4	17.3	60.3	-3.5	-19.5	-7.0	7.9	-18.9	-5.8	-31.9
Private works	31.6	-23.5	-49.8	-27.0	-49.9	-62.7	-9.9	-42.8	-48.3	-30.5	-29.9	-37.6
Electricity distribution (annual % change)	1.9	1.1	6.2	9.7	-1.7	3.7	1.4	1.1	12.5	16.1	14.7	3.6
Retail sales (annual % change)	-5.1	11.8	14.4	9.8	15.2	4.7	4.8	-5.7	-8.9	-11.3	-11.3	-8.9
Wholesale sales (annual % change)	-14.5	-21.2	-27.1	-19.7	-9.9	6.0	5.7	-15.8	-23.8	-17.7	-9.9	-10.5
Total employment (annual % change)	4.6	-9.5	-11.3	-10.9	-7.8	-4.2	4.7	-5.2	-6.9	-7.9	-5.7	-2.9
Industry	-2.7	-20.9	-23.4	-21.6	-17.7	-11.1	-7.1	-24.7	-28.3	-29.3	-20.3	-10.7
Services	7.6	-3.8	-5.6	-5.3	-2.8	-2.1	9.0	0.5	-0.5	-1.5	-1.9	-1.3
Gasoline sales (annual % change)	4.0	-5.4	-6.3	-6.4	-4.9	-0.5	na	na	na	na	na	na
Total air traffic (annual % change)	-3.1	-8.1	-17.5	-12.5	-2.5	-3.2	13.7	-5.7	-14.9	-15.4	-2.5	0.9
Federalized resources (annual % change)	12.1	-6.4	-10.5	-2.5	-15.5	-8.0	15.2	-12.1	-15.6	-8.8	-21.8	0.3
Participations (Branch 28)	11.9	-11.9	-31.2	-6.9	2.2	7.6	15.5	-13.3	-30.6	-6.4	2.5	14.9
Contributions (Branch 33)	1.9	1.9	-1.1	14.2	-5.2	-1.9	3.5	2.1	-6.5	17.2	-2.3	-0.3
FDI (annual accum. flows, US$ millions)	129.3	10.7	9.9	10.0	10.7	0.2	54.4	35.4	27.2	35.4	35.4	1.3
Remittances (annual % change)	9.6	-8.2	-7.9	-11.8	-16.0	8.4	0.1	-12.1	-16.5	-14.1	-9.3	-4.7

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 34

Region: Industrialized

	Aguascalientes						Baja California					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manufacturing prod. (annual % change)	-4.0	-7.9	-16.9	-7.6	12.0	43.5	-2.0	-17.5	-22.8	-19.6	-6.8	4.8
Construction** (annual % change)	-5.7	25.3	-4.0	38.4	32.7	-2.5	-12.0	-10.0	-19.7	-15.9	-6.9	-22.3
Public works	-26.5	87.5	-1.7	92.6	159.5	-5.5	-18.9	14.8	0.2	9.7	44.9	23.0
Private works	8.9	-4.4	-5.3	9.6	-33.6	-0.5	-8.0	-22.6	-29.9	-28.3	-33.4	-46.3
Electricity distribution (annual % change)	0.9	1.0	-7.1	10.2	5.8	6.0	1.4	1.0	-2.9	7.4	-0.1	6.5
Retail sales (annual % change)	2.1	-3.0	-7.5	-2.9	1.7	-3.0	3.6	3.5	2.6	0.3	4.1	-0.7
Wholesale sales (annual % change)	-5.0	-17.9	-24.0	-21.0	-12.8	-9.7	-11.5	-14.4	-17.3	-11.9	-3.7	-3.9
Total employment (annual % change)	-0.4	-4.7	-5.9	-5.8	-2.8	2.2	-1.2	-8.1	-9.1	-9.1	-5.8	0.0
Industry	-0.4	-7.6	-9.7	-8.3	-4.0	2.5	-5.1	-15.3	-17.2	-17.2	-11.1	-1.4
Services	-0.4	-2.4	-2.5	-4.1	-1.8	2.3	2.4	-2.6	-3.5	-2.5	-2.8	-2.8
Gasoline sales (annual % change)	-2.1	5.1	0.3	4.3	19.9	6.2	na	na	na	na	na	na
Total air traffic (annual % change)	-11.2	-29.4	-45.6	-30.5	-20.9	-14.7	-22.1	-2.8	-18.6	-12.7	18.9	-0.2
Federalized resources (annual % change)	19.6	-7.1	-25.7	-4.0	2.2	-5.1	14.2	-10.3	-13.9	-11.9	-13.9	1.4
Participations (Branch 28)	15.7	-18.1	-34.2	-10.9	1.9	14.5	19.1	-15.0	-33.0	-6.6	-1.1	18.4
Contributions (Branch 33)	5.5	-2.5	-20.0	18.6	-4.0	-0.5	4.0	-1.1	-6.9	5.9	-4.9	-5.7
FDI (annual accum. flows, US$ millions)	36.7	2.4	-9.3	-4.7	2.4	1.0	1484.8	496.5	241.9	357.0	496.5	227.3
Remittances (annual % change)	-6.7	-15.3	-14.0	-26.0	-21.2	-7.8	1.8	-3.8	-6.1	-3.7	0.1	6.8

	Chihuahua						Coahuila					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manufacturing prod. (annual % change)	-0.6	-18.1	-24.2	-17.8	-7.8	7.4	-0.6	-27.0	-37.8	-27.0	-4.3	42.6
Construction** (annual % change)	0.8	-24.0	-34.9	-22.8	-28.6	-15.0	30.2	-14.1	-14.8	-28.9	-29.8	-35.9
Public works	-6.5	25.8	-3.3	46.3	31.6	12.5	26.2	12.6	13.5	-12.8	11.8	-44.9
Private works	3.8	-42.9	-48.9	-45.0	-53.3	-31.5	31.7	-23.8	-24.5	-34.7	-43.7	-31.4
Electricity distribution (annual % change)	2.0	1.0	5.3	17.0	-0.6	2.5	1.1	1.0	-5.7	14.9	-6.0	11.6
Retail sales (annual % change)	-0.1	-7.8	-9.2	-7.1	-6.6	-1.4	2.3	-4.3	-4.9	-7.0	-0.1	3.8
Wholesale sales (annual % change)	1.2	-15.1	-19.0	-20.9	-13.3	-8.9	6.9	-5.7	-7.4	-9.4	-1.6	0.4
Total employment (annual % change)	-3.0	-10.8	-13.6	-11.3	-5.8	1.8	1.0	-7.5	-9.7	-8.8	-4.4	2.9
Industry	-7.2	-18.5	-23.2	-19.5	-10.6	1.0	-0.9	-13.1	-17.5	-14.6	-7.3	4.2
Services	4.3	0.2	0.4	0.6	0.6	3.5	3.4	0.2	0.8	-0.3	-0.5	1.7
Gasoline sales (annual % change)	3.9	-4.8	-6.6	-6.9	-1.1	0.3	6.3	-1.1	-1.0	-3.0	1.7	5.0
Total air traffic (annual % change)	-7.2	-16.1	-30.5	-21.6	-8.6	-4.4	-12.3	-22.5	-33.2	-30.7	-18.3	-18.7
Federalized resources (annual % change)	18.1	-11.3	-20.4	-5.3	-11.3	6.3	17.9	-14.6	-20.8	-6.7	-23.1	4.4
Participations (Branch 28)	23.0	-16.0	-34.8	-7.6	-0.7	15.2	18.8	-14.8	-31.8	-6.9	0.7	16.9
Contributions (Branch 33)	5.0	-1.6	-11.7	8.6	-3.9	-1.9	3.3	-3.5	-20.3	4.1	4.7	1.4
FDI (annual accum. flows, US$ millions)	1385.0	1002.4	509.3	698.8	1002.4	204.4	1116.3	102.4	81.8	75.7	102.4	5.0
Remittances (annual % change)	0.7	-13.7	-18.2	-13.7	-12.5	-2.2	1.8	-17.9	-20.3	-24.3	-27.6	-12.1

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 35

Region: Industrialized

	Jalisco						Estado de México					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-4.2	-5.0	-7.0	-4.7	-4.2	2.6	-0.8	-7.9	-14.2	-8.4	1.0	2.2
Construction** (annual % change)	-3.8	-19.1	-30.3	-33.5	-5.9	2.7	-5.2	-7.2	-3.1	-5.7	-8.4	14.5
Public works	14.1	43.1	4.9	9.8	110.2	48.9	36.0	9.6	26.3	-14.0	3.6	25.0
Private works	-7.4	-34.6	-38.8	-42.8	-35.9	-21.2	-17.4	-15.4	-16.0	-0.7	-14.6	6.7
Electricity distrib. (annual % change)	1.2	1.0	-0.4	-1.1	4.5	4.7	1.0	1.1	15.9	15.7	-3.4	-7.1
Retail sales (annual % change)	2.9	-2.9	-2.6	-3.8	0.5	0.4	-0.5	6.5	3.0	8.5	9.4	-3.6
Wholesale sales (annual % change)	-1.5	-6.1	-14.0	-4.0	-1.9	3.1	0.8	-4.7	-7.5	-6.2	-3.7	-7.1
Total employment (annual % change)	2.7	-1.4	-2.1	-2.0	-0.5	1.6	2.3	-3.0	-3.7	-3.9	-2.1	1.0
Industry	0.1	-7.5	-9.2	-8.6	-4.4	0.2	-1.3	-5.3	-6.6	-5.7	-3.3	2.4
Services	4.1	2.3	2.4	2.0	1.6	2.2	5.6	-0.9	-1.3	-2.4	-1.1	-0.2
Gasoline sales (annual % change)	1.2	-0.6	-4.6	1.8	0.2	-13.0	5.3	0.5	-1.2	1.2	0.9	1.7
Total air traffic (annual % change)	-0.2	-8.6	-22.6	-11.5	-0.6	1.6	17.5	-36.9	-49.7	-47.9	-20.2	-7.4
Fed. resources (annual % change)	15.2	-10.2	-18.3	-2.8	-15.3	2.1	18.9	-11.6	-22.1	-0.3	-15.1	6.3
Participations (Branch 28)	19.6	-16.1	-34.2	-7.3	0.2	17.0	24.1	-18.5	-38.0	-8.0	-1.5	18.0
Contributions (Branch 33)	5.3	-0.2	-10.2	10.4	-2.7	-1.1	7.8	-0.7	-15.8	11.1	-1.3	-0.4
FDI (annual accum. flows, US$ millions)	-1.4	500.1	269.3	455.8	500.1	183.2	934.9	1188.1	954.1	902.7	1188.1	637.4
Remittances (annual % change)	-3.3	-11.6	-12.1	-14.1	-19.8	-7.1	-3.5	-18.2	-20.0	-19.9	-25.7	-11.4

	Nuevo León						Querétaro					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	2.2	-12.8	-19.3	-12.0	-3.5	9.7	-1.7	-11.3	-9.3	-11.2	-11.1	-3.2
Construction** (annual % change)	0.1	-18.1	-15.9	-21.9	-19.1	-1.2	13.4	-7.6	-4.1	1.1	-7.1	-8.3
Public work	13.0	-4.4	9.1	-13.5	-20.1	2.2	-12.4	21.0	5.4	61.3	26.6	44.3
Private work	-4.3	-23.6	-23.9	-25.8	-18.5	-3.0	23.0	-15.3	-7.3	-13.2	-16.7	-21.5
Electricity distrib. (annual % change)	1.5	1.0	-0.2	12.5	6.8	13.2	0.9	1.4	23.5	61.5	50.5	-12.3
Retail sales (annual % change)	-1.1	-3.1	-5.8	-5.4	1.2	0.1	4.4	-3.1	-5.4	-1.1	-2.0	2.5
Wholesale sales (annual % change)	1.2	-11.6	-29.5	-2.4	7.1	21.3	-1.1	-9.1	-14.8	-5.9	-9.5	-9.0
Total employment (annual % change)	4.0	-4.0	-4.9	-5.4	-3.3	2.0	3.6	-2.9	-4.4	-4.3	-0.7	4.9
Industry	1.0	-9.4	-11.7	-10.6	-7.0	1.9	-0.2	-7.5	-10.1	-8.1	-3.9	7.8
Services	6.9	0.6	0.9	-1.1	-0.4	2.0	7.2	1.3	1.1	-0.8	2.1	3.5
Gasoline sales (annual % change)	na	na	na	na	na	na	na	na	na	na	na	na
Total air traffic (annual %change)	-5.2	-12.5	-27.6	-17.0	-9.2	-7.4	-20.7	-44.9	-68.2	-47.4	21.3	5.7
Fed. resources (annual % change)	14.4	-12.4	-20.3	-4.1	-19.3	2.9	14.7	-10.9	-17.5	-7.6	-11.8	-0.7
Participations (Branch 28)	21.2	-17.1	-32.2	-12.8	-1.7	15.6	18.8	-15.5	-33.4	-10.1	0.6	0.6
Contributions (Branch 33)	6.9	-0.5	-10.3	12.1	-5.0	-1.7	4.4	-2.9	-12.9	8.5	-6.4	-3.4
FDI (annual accum. flows, US$ millions)	1255.2	516.2	363.1	407.5	516.2	55.2	158.3	238.2	70.6	212.0	238.2	32.0
Remittances (annual % change)	-7.7	-9.6	-13.7	-9.0	-14.0	-7.8	-6.8	-17.8	-20.0	-17.5	-28.2	-18.4

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 36

Region: Industrialized

	Sonora						Tamaulipas					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	1.2	-9.6	-11.7	-5.5	1.9	34.8	2.4	-16.6	-20.0	-17.4	-8.0	4.8
Construction** (annual % change)	-25.1	-5.9	-13.4	5.3	-0.4	-5.6	0.2	-23.8	-19.4	-25.6	-16.8	-2.9
Public works	-6.0	16.0	41.8	24.2	-20.3	-32.1	-7.8	-22.9	-24.9	-6.9	0.6	14.2
Private works	-34.3	-21.0	-39.2	-11.2	21.9	23.0	9.3	-24.7	-13.7	-39.8	-30.8	-15.6
Electricity distrib. (annual % change)	1.7	1.0	1.1	13.1	4.3	15.0	2.2	1.1	10.9	24.7	24.1	1.9
Retail sales (annual % change)	7.3	1.0	-0.3	-0.7	0.9	0.6	3.2	-0.4	2.8	-3.1	-0.1	-2.4
Wholesale sales (annual % change)	-0.8	-0.7	4.9	2.6	-10.4	-7.6	2.6	-13.0	-14.3	-9.4	-6.7	3.9
Total employment (annual % change)	0.6	-5.1	-6.5	-6.0	-2.1	2.7	0.9	-7.0	-8.8	-8.0	-5.2	-0.4
Industry	-4.6	-12.0	-14.9	-12.7	-7.3	0.3	-1.4	-14.0	-17.2	-16.1	-10.3	-2.2
Services	7.1	0.4	1.5	-0.3	0.5	1.9	3.7	0.9	1.1	1.5	0.3	1.6
Gasoline sales (annual % change)	5.5	-1.8	-0.8	-3.2	-0.6	1.9	6.4	0.0	-0.4	-2.1	2.3	-2.4
Total air traffic (annual % change)	-6.3	-0.9	-14.3	-5.8	9.0	0.8	-1.5	-4.7	-19.3	-11.7	-4.4	-13.5
Fed. resources (annual % change)	13.5	-10.1	-19.3	-8.7	0.3	1.6	16.8	-10.7	-24.2	-8.7	-4.9	0.5
Participations (Branch 28)	20.5	-15.5	-33.0	-7.9	-1.7	13.1	19.4	-15.4	-34.1	-7.0	0.3	19.1
Contributions (Branch 33)	4.4	-4.3	-3.4	-14.4	10.1	-4.0	4.1	-3.7	-21.0	2.8	8.4	-5.0
FDI (annual accum. flows, US$ millions)	1294.2	261.2	157.7	215.4	261.2	24.0	361.5	185.9	78.7	120.4	185.9	-20.6
Remittances (annual % change)	-5.2	-10.6	-16.1	-7.1	-7.2	-0.6	-1.9	-17.1	-20.9	-16.3	-19.7	-13.8

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 37

Region: Medium Development

	Campeche						Colima					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-1.9	-3.9	0.2	-8.2	-4.0	-1.4	3.1	-7.7	-9.5	-8.9	3.7	0.1
Construction** (annual % change)	-8.0	22.1	20.9	18.3	18.9	-10.8	-32.5	20.1	-10.1	2.2	37.5	-0.7
Public works	-9.8	23.1	23.4	21.1	19.6	-11.7	-43.1	54.4	-18.5	42.3	126.0	9.2
Private works	21.2	10.3	-4.9	-9.5	11.0	1.4	-21.8	-5.0	-0.2	-18.1	-16.1	-14.6
Electricity distrib. (annual % change)	2.9	0.8	-48.8	-42.1	14.3	9.3	1.2	0.9	-27.4	42.8	44.8	25.0
Retail sales (annual % change)	23.8	-6.6	-4.6	-8.9	-10.1	-6.4	-0.1	-5.5	-7.6	-6.7	4.9	8.2
Wholesale sales (annual % change)	-2.9	-0.9	-1.9	5.6	4.2	-1.2	-6.7	8.4	-6.4	13.3	32.9	18.2
Total employment (annual % change)	3.9	2.7	5.3	3.2	-1.1	-1.8	2.8	0.2	-1.0	1.2	1.0	2.4
Industry	-0.3	4.2	8.7	7.8	-3.3	-5.7	-0.6	-2.2	-6.4	-1.1	3.0	7.8
Services	6.5	2.6	4.2	1.3	1.1	1.4	3.9	1.1	1.0	2.3	0.1	0.2
Gasoline sales (annual % change)	4.0	8.4	8.6	5.4	7.4	-9.4	19.9	-1.3	16.5	0.1	-16.2	55.6
Total air traffic (annual % change)	-5.4	-0.5	-16.0	-8.7	3.2	-8.8	-18.5	-31.1	-41.2	-32.5	-2.8	-14.7
Fed. resources (annual % change)	28.8	-15.6	-33.4	-10.1	-11.7	3.3	13.2	-13.0	-18.6	-8.5	-20.0	1.1
Participations (Branch 28)	69.0	-22.6	-45.9	-17.2	-4.3	16.3	13.3	-12.5	-29.9	-7.2	4.5	2.0
Contributions (Branch 33)	2.3	-3.1	-16.1	9.9	-4.6	-2.7	5.9	-0.5	-19.1	16.2	6.9	-0.8
FDI (annual accum. flows, US$ millions)	-17.1	23.8	-7.9	-3.8	23.8	1.0	2.3	-1.5	1.0	-1.9	-1.5	0.0
Remittances (annual % change)	-8.1	-23.4	-28.0	-26.4	-26.9	-9.3	0.8	-12.4	-12.5	-20.4	-28.9	-17.0

	Durango						Guanajuato					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	4.1	-7.4	-10.1	-8.0	-5.3	-2.4	-4.3	0.6	-19.4	16.0	20.9	28.7
Construction** (annual % change)	26.7	8.5	46.4	8.4	-8.2	7.2	0.2	-6.0	-8.0	-12.8	-9.9	-0.7
Public works	69.9	23.1	124.3	33.6	-24.8	16.7	4.7	9.7	3.7	12.2	12.0	18.2
Private works	-9.2	-14.0	-19.3	-31.6	46.3	-13.2	-2.5	-16.2	-14.9	-29.6	-23.4	-14.5
Electricity distrib. (annual % change)	1.2	1.1	3.1	14.9	13.4	4.8	1.0	1.0	1.3	22.2	-2.4	6.1
Retail sales (annual % change)	5.0	-3.5	-4.3	-2.5	-2.2	2.2	1.6	-7.2	-13.2	-10.2	3.5	4.9
Wholesale sales (annual % change)	0.3	2.8	0.0	0.3	5.7	9.1	-1.2	-2.9	-6.5	-4.9	-4.3	4.0
Total employment (annual % change)	1.5	-2.1	-3.2	-2.9	1.0	3.4	2.0	-1.3	-2.5	-1.7	0.4	3.8
Industry	-1.2	-5.7	-8.5	-5.4	0.5	9.7	-1.9	-3.2	-5.6	-2.9	-0.1	5.2
Services	4.5	0.9	1.6	-1.0	1.1	-2.3	5.4	0.5	0.5	-0.2	0.7	2.6
Gasoline sales (annual % change)	2.0	1.8	-1.5	-0.4	6.8	-0.7	4.4	1.4	0.6	2.3	1.5	2.1
Total air traffic (annual % change)	-28.4	-8.9	-19.7	6.3	-6.6	-0.7	na	na	na	na	na	na
Fed. resources (annual % change)	13.5	-7.7	-13.9	-8.8	-3.5	-4.5	18.1	-8.1	-16.1	-7.1	-5.2	4.2
Participations (Branch 28)	20.7	-15.6	-33.6	-7.6	2.6	18.2	24.7	-18.4	-36.7	-8.0	-1.7	20.6
Contributions (Branch 33)	5.9	-0.9	-12.0	1.9	7.9	-3.6	7.7	2.7	-1.8	12.0	-3.3	-0.7
FDI (annual accum. flows, US$ millions)	578.4	74.7	38.1	71.9	74.7	0.5	162.2	72.8	43.2	60.5	72.8	6.1
Remittances (annual % change)	0.0	-15.4	-18.4	-17.9	-19.1	-11.5	-1.2	-16.3	-18.7	-17.1	-23.7	-12.0

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 38

Region: Medium Development

	Hidalgo						Michoacán					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-0.3	-5.6	-8.4	-7.5	-0.1	-3.3	1.5	-19.8	-24.0	-28.9	-1.9	-1.3
Construction** (annual % change)	90.6	-45.6	-44.4	-56.0	-62.9	-27.0	5.4	-24.9	-41.7	-16.7	7.5	42.1
Public works	50.7	-10.6	5.4	-30.5	-42.0	-33.1	8.8	30.1	-1.0	61.7	79.0	100.5
Private works	114.5	-60.3	-63.9	-68.5	-73.1	-22.8	3.9	-50.7	-59.7	-52.4	-36.5	8.3
Electricity distrib. (annual % change)	0.8	0.9	6.1	-2.9	-6.4	6.6	1.4	0.9	0.7	-20.0	-4.5	11.5
Retail sales (annual % change)	nd	nd	nd	nd	nd	nd	5.5	7.2	5.7	5.1	9.0	0.5
Wholesale sales (annual % change)	nd	nd	nd	nd	nd	nd	0.4	-3.5	-6.6	-0.8	-3.3	-3.2
Total employment (annual % change)	4.5	-3.9	-3.5	-5.1	-4.8	-1.5	3.9	2.2	2.3	1.6	2.0	3.0
Industry	2.3	-10.3	-9.7	-11.7	-12.0	-6.3	2.5	-3.4	-5.0	-5.7	-0.4	1.7
Services	7.0	3.0	3.3	1.9	2.8	3.4	3.9	4.2	5.7	4.4	2.2	2.7
Gasoline sales (annual % change)	10.2	2.8	2.6	3.1	4.2	6.0	na	na	na	na	na	na
Total air traffic (annual % change)	na	na	na	na	na	na	na	na	na	na	na	na
Fed. resources (annual % change)	15.8	-14.6	-23.7	-13.2	-12.7	-2.6	14.4	-9.5	-13.8	-1.4	-10.7	9.6
Participations (Branch 28)	23.8	-15.7	-32.5	-7.4	-0.6	20.3	23.8	-16.7	-34.4	-7.2	0.4	24.0
Contributions (Branch 33)	5.6	-4.0	-18.6	6.1	1.2	-4.2	5.0	-1.0	-3.3	8.0	6.7	8.0
FDI (annual accum. flows, US$ millions)	40.2	0.2	0.0	0.1	0.2	0.0	31.8	24.9	20.5	20.8	24.9	-4.3
Remittances (annual % change)	-13.5	-21.6	-23.1	-21.2	-29.8	-17.9	2.7	-13.2	-15.4	-13.9	-21.2	-10.6

	Morelos						Nayarit					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-9.4	-0.7	1.2	6.1	3.8	8.9	-4.4	-3.9	-9.2	2.2	-5.0	-11.5
Construction** (annual % change)	4.9	59.1	26.5	70.4	134.1	64.3	26.1	4.8	22.6	12.1	-41.1	-57.1
Public works	33.5	374.9	123.5	688.5	857.7	200.3	95.3	13.4	33.8	23.7	-44.4	-63.1
Private works	2.8	28.6	16.5	29.5	66.4	41.4	-51.8	-34.5	-32.8	-37.9	-16.9	0.1
Electricity distrib. (annual % change)	1.2	1.1	10.4	10.4	-0.1	-3.0	3.4	0.6	22.5	-76.8	-48.2	-53.5
Retail sales (annual % change)	3.9	-1.1	-1.2	-0.6	-2.6	1.7	nd	nd	nd	nd	nd	nd
Wholesale sales (annual % change)	-12.8	-25.8	-31.1	-30.4	-10.0	-8.1	nd	nd	nd	nd	nd	nd
Total employment (annual % change)	1.1	-0.9	-1.6	-1.0	-0.9	1.3	4.8	-1.9	-3.8	-3.0	0.4	3.4
Industry	-2.5	-4.4	-5.4	-5.8	-3.6	1.2	4.8	-18.0	-20.7	-22.2	-12.9	-1.0
Services	2.8	0.7	0.4	1.1	0.1	1.4	3.8	6.4	5.4	7.7	6.0	4.5
Gasoline sales (annual % change)	4.0	5.0	4.4	4.1	3.7	3.5	2.9	8.3	9.2	24.1	1.5	2.4
Total air traffic (annual % change)	na	na	na	na	na	na	-32.7	-62.2	-74.8	-64.1	-22.9	-14.4
Fed. resources (annual % change)	12.8	-9.8	-15.3	-8.2	-7.0	6.0	13.4	-6.5	-13.7	-7.1	-5.7	1.6
Participations (Branch 28)	19.8	-16.1	-33.9	-6.3	1.6	20.9	18.6	-9.6	-28.0	-3.0	6.6	15.2
Contributions (Branch 33)	4.9	0.5	-2.2	6.1	0.9	-2.6	4.2	-0.4	-6.1	12.5	-7.3	-1.9
FDI (annual accum. flows, US$ millions)	133.8	-61.3	-37.1	-42.4	-61.3	-21.8	23.6	-0.8	-1.2	-0.9	-0.8	0.3
Remittances (annual % change)	1.0	-12.8	-13.9	-13.0	-21.5	-10.9	1.8	-9.4	-12.1	-7.7	-17.7	-9.8

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 39

Region: Medium Development

	Puebla						San Luis Potosí					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	3.9	-18.0	-25.5	-21.8	-4.0	6.3	2.2	-11.7	-16.7	-12.5	-5.4	6.5
Construction** (annual % change)	7.9	-31.4	-26.7	-34.2	-27.3	-2.0	11.7	-1.4	-4.5	-2.4	14.5	43.3
Public works	1.4	-12.2	5.7	-24.2	-15.8	3.2	33.0	6.4	-3.8	19.7	108.4	127.4
Private works	12.5	-43.5	-43.7	-40.3	-36.3	-8.1	1.3	-6.4	-5.2	-15.1	-14.9	14.1
Electricity distrib. (annual % change)	1.4	1.0	-11.2	0.0	13.9	30.8	3.5	1.0	-1.5	1.7	11.0	12.0
Retail sales (annual % change)	0.8	-3.5	-7.6	-1.6	1.6	4.0	5.0	-5.2	-2.0	-6.3	-7.9	-3.8
Wholesale sales (annual % change)	1.2	-5.7	-7.9	-6.2	-3.9	-3.3	3.9	-15.4	-22.5	-13.7	-11.8	-3.3
Total employment (annual % change)	1.9	-1.8	-2.6	-2.3	-0.7	2.5	1.8	-2.6	-3.0	-3.8	-2.0	0.4
Industry	0.6	-6.8	-8.4	-8.1	-5.4	0.4	1.5	-8.1	-8.2	-9.6	-7.8	-1.3
Services	3.0	2.5	2.5	2.8	3.3	4.2	1.9	2.3	1.9	1.5	2.9	1.8
Gasoline sales (annual % change)	2.5	-2.2	-2.0	-3.8	-0.3	2.1	na	na	na	na	na	na
Total air traffic (annual % change)	30.2	-32.6	-49.7	-27.8	8.4	47.8	-2.0	-22.7	-33.5	-22.0	-13.0	3.0
Fed. resources (annual % change)	19.5	-12.6	-19.9	-10.4	-12.1	13.7	13.4	-9.9	-19.8	2.3	-14.4	7.2
Participations (Branch 28)	25.7	-18.3	-36.6	-7.4	1.7	28.8	20.7	-16.6	-37.3	-6.4	-0.8	23.3
Contributions (Branch 33)	8.4	0.3	-7.4	8.9	-4.5	3.9	5.3	-4.0	-14.8	7.8	-7.2	-2.0
FDI (annual accum. flows, US$ millions)	205.9	75.3	97.5	120.1	75.3	65.5	84.0	-67.2	-73.6	-72.7	-67.2	19.8
Remittances (annual % change)	0.8	-16.8	-17.1	-15.3	-27.4	-23.9	-0.3	-16.8	-19.9	-16.3	-25.4	-12.3

	Sinaloa						Tabasco					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	0.2	-2.6	-2.3	-2.4	-1.7	-3.7	-8.4	-7.5	2.4	-7.0	-20.5	0.3
Construction** (annual % change)	9.2	-0.2	-4.1	2.4	-4.4	9.3	32.1	10.8	27.8	10.2	8.8	53.4
Public works	0.7	30.1	2.5	11.6	48.7	10.5	36.3	20.2	38.4	29.2	17.2	69.3
Private works	14.8	-17.5	-9.5	-3.3	-29.1	8.2	19.3	-21.5	-8.9	-40.5	-23.6	-6.5
Electricity distrib. (annual % change)	1.4	1.0	2.3	7.6	12.0	12.2	1.8	1.1	2.9	5.9	7.2	12.2
Retail sales (annual % change)	4.9	6.2	8.9	6.5	4.3	1.6	0.2	-9.1	-9.4	-10.5	-2.5	-0.8
Wholesale sales (annual % change)	3.5	-10.6	-11.4	-13.7	-14.7	0.7	-4.4	-3.2	-3.8	-3.8	-3.5	-8.8
Total employment (annual % change)	6.1	-0.9	-2.5	-1.2	-0.9	3.2	6.0	1.8	0.5	1.3	1.7	2.2
Industry	2.9	-7.5	-10.7	-6.8	-3.2	1.2	8.8	0.5	-3.1	-0.1	-0.8	-2.5
Services	0.3	1.5	1.6	2.3	-0.6	2.8	4.8	2.6	2.6	2.1	2.6	5.1
Gasoline sales (annual % change)	7.9	0.2	2.3	-0.7	0.4	0.8	9.0	2.3	-0.8	2.8	4.1	-0.8
Total air traffic (annual % change)	-10.5	-1.2	-20.2	2.8	22.9	10.7	5.3	-15.4	-33.0	-22.1	-7.4	-11.0
Fed. resources (annual % change)	17.2	-12.2	-15.7	-3.8	-18.3	6.9	15.9	-9.9	-19.1	-2.1	-13.9	-0.1
Participations (Branch 28)	21.7	-14.3	-31.1	-6.4	4.3	18.0	18.0	-10.6	-28.2	-5.7	6.9	4.4
Contributions (Branch 33)	6.1	1.3	-7.3	15.2	-2.4	-0.7	6.0	0.3	-5.1	8.3	-4.3	-2.8
FDI (annual accum. flows, US$ millions)	44.6	9.2	3.0	8.1	9.2	4.5	35.2	4.8	4.4	4.8	4.8	-1.1
Remittances (annual % change)	-5.3	-6.4	-11.0	-4.0	-8.3	-3.9	-13.9	-26.7	-30.7	-28.5	-28.7	-13.2

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 40

Region: Medium Development

	Tlaxcala						Veracruz					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-5.4	-10.3	-15.8	-8.4	-2.9	2.3	3.7	-7.8	-14.7	-7.8	-5.6	-3.2
Construction** (annual % change)	-13.8	-18.1	39.1	-23.4	-54.2	-22.0	-18.2	8.3	11.7	5.0	14.5	13.9
Public works	95.5	14.9	534.5	-10.4	-52.4	-45.3	-34.3	33.7	52.3	33.1	34.0	12.9
Private works	-45.3	-52.0	-55.6	-46.3	-60.1	13.1	28.1	-29.4	-42.4	-32.4	-17.6	16.4
Electricity distrib. (annual % change)	1.2	1.0	-0.8	4.5	4.0	7.4	1.0	1.1	3.4	34.0	33.4	17.4
Retail sales (annual % change)	nd	nd	nd	nd	nd	nd	-0.6	-1.8	-0.8	-0.1	-0.2	1.8
Wholesale sales (annual % change)	nd	nd	nd	nd	nd	nd	-2.8	-2.9	-1.6	-2.0	-4.8	-2.7
Total employment (annual % change)	-1.8	-7.4	-10.2	-8.2	-4.9	0.1	2.0	1.9	2.4	1.3	1.0	2.3
Industry	-5.2	-13.1	-16.1	-14.6	-9.7	-3.2	1.6	3.0	5.8	1.7	2.5	4.8
Services	5.2	3.2	1.0	3.7	3.7	5.8	2.3	1.4	1.2	1.2	0.3	1.2
Gasoline sales (annual % change)	na	na	na	na	na	na	5.5	4.0	1.0	6.8	7.1	1.3
Total air traffic (annual % change)	na	na	na	na	na	na	-4.8	-6.1	-25.5	-10.7	-0.5	-10.2
Fed. resources (annual % change)	18.6	-8.7	-14.0	-15.2	-5.0	4.8	15.8	-10.9	-17.4	-5.6	-13.1	5.8
Participations (Branch 28)	20.8	-9.7	-27.6	-1.4	6.5	21.2	22.7	-16.6	-35.1	-6.7	0.2	20.9
Contributions (Branch 33)	7.1	-1.0	-7.8	12.6	-8.4	1.4	5.6	0.1	-0.8	6.4	-4.6	-1.3
FDI (annual accum. flows, US$ millions)	10.4	0.4	-3.8	-1.0	0.4	-1.2	14.2	111.4	108.1	118.5	111.4	16.8
Remittances (annual % change)	2.0	-14.1	-15.8	-13.9	-20.8	-11.2	-6.7	-20.1	-22.9	-20.9	-26.5	-16.9

	Yucatán						Zacatecas					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-2.9	1.3	-6.7	-6.7	15.6	5.3	6.5	0.9	1.1	-0.8	2.0	4.7
Construction** (annual % change)	-26.2	3.6	44.0	4.1	-3.9	10.2	31.0	16.3	29.2	7.1	-14.6	2.2
Public works	-18.4	43.0	102.2	54.1	42.1	50.7	63.1	7.5	31.6	-2.1	-37.6	-19.3
Private works	-32.8	-37.3	-14.5	-43.2	-65.3	-27.3	-2.4	31.6	26.0	28.4	33.1	37.5
Electricity distrib. (annual % change)	1.3	1.1	6.2	12.9	6.3	3.0	1.2	1.4	17.4	41.2	96.7	61.0
Retail sales (annual % change)	7.0	-0.5	-3.5	1.8	2.1	2.2	4.4	-1.7	0.8	0.0	-2.7	3.0
Wholesale sales (annual % change)	4.2	-3.2	-4.3	-4.5	-6.7	-3.4	0.6	-11.0	-16.0	-17.8	-12.7	-23.8
Total employment (annual % change)	1.4	-1.4	-2.2	-1.6	-1.0	1.7	7.2	2.6	2.6	1.4	2.1	4.9
Industry	-4.2	-10.7	-13.3	-11.1	-8.3	-2.0	11.9	3.0	2.2	2.6	3.8	6.9
Services	4.9	3.8	3.8	3.8	2.8	3.5	4.9	2.7	3.2	1.0	1.3	3.7
Gasoline sales (annual % change)	7.5	-1.7	-3.3	-1.2	1.9	4.4	-7.0	2.4	-3.0	-0.1	37.8	15.2
Total air traffic (annual % change)	-5.9	-11.4	-34.3	-13.2	6.0	6.8	-9.1	-3.3	-18.4	-3.6	-4.7	5.5
Fed. resources (annual % change)	18.3	-9.7	-20.6	-1.8	-15.6	-4.3	15.2	-5.5	-13.2	-7.0	-6.6	-4.4
Participations (Branch 28)	20.1	-13.3	-32.2	-7.9	2.3	6.6	21.5	-10.7	-29.1	-1.3	7.6	19.8
Contributions (Branch 33)	6.1	-0.5	-6.0	8.2	-5.7	-2.4	5.6	-0.1	-6.0	-4.2	10.4	-0.5
FDI (annual accum. flows, US$ millions)	25.9	-6.2	-6.1	-8.0	-6.2	-0.7	1490.2	-3.1	4.2	-4.9	-3.1	2.4
Remittances (annual % change)	-3.3	-17.7	-17.7	-20.5	-20.1	0.4	-10.5	-16.0	-19.6	-18.0	-24.0	-9.0

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

Chart 41

Region: High Marginalization

	Chiapas						Guerrero					
	2008	2009	2Q09	3Q09	4Q09	1Q10	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	-5.5	11.3	12.2	17.6	10.6	11.4	-4.8	-5.8	-13.5	0.5	2.8	-0.9
Construction** (annual % change)	-2.0	-15.9	-19.4	-18.6	-25.1	24.7	17.9	-25.7	-34.2	-29.5	-30.6	-10.5
Public works	5.7	-24.7	-44.5	-31.3	-24.1	12.2	-30.9	26.1	56.8	13.3	-16.2	-41.9
Private works	-13.0	-1.2	29.8	5.9	-26.8	44.6	52.1	-42.2	-54.0	-43.8	-37.7	11.4
Electricity distrib. (annual % change)	2.1	0.7	-43.3	-34.6	-50.6	-52.4	0.7	1.3	54.8	18.6	17.8	23.0
Retail sales (annual % change)	2.2	-1.5	-2.2	-0.6	-0.1	0.7	-0.2	-3.1	-2.5	-0.5	-6.3	-4.4
Wholesale sales (annual % change)	2.0	-8.4	-10.3	-6.0	-10.1	-6.8	-13.6	-19.2	-24.1	-15.9	-7.9	-5.3
Total employment (annual % change)	2.9	4.7	3.9	5.4	5.1	6.5	2.5	-1.6	-1.6	-2.8	-1.9	-0.9
Industry	1.8	5.0	3.5	1.5	7.1	7.5	0.1	-10.7	-10.7	-12.1	-12.5	-11.9
Services	3.1	4.9	4.1	6.8	5.0	6.9	3.6	2.3	2.4	1.3	2.3	3.1
Gasoline sales (annual % change)	9.7	2.3	-0.2	2.1	11.2	16.4	7.5	1.8	2.3	2.0	3.1	2.1
Total air traffic (annual % change)	3.7	-11.0	-21.9	-24.4	-20.0	-22.9	25.0	-19.4	-32.3	-26.4	-23.4	-16.7
Fed. resources (annual % change)	15.8	-7.2	-14.1	-8.0	-2.6	2.9	13.8	-10.1	-19.7	-8.1	-4.0	4.9
Participations (Branch 28)	22.0	-14.7	-34.0	-6.9	1.0	12.7	28.0	-17.3	-35.0	-7.1	0.5	28.3
Contributions (Branch 33)	5.9	1.2	1.6	7.4	-6.0	-2.2	5.2	-2.6	-14.3	5.4	0.7	-0.7
FDI (annual accum. flows, US$ millions)	0.5	0.0	0.0	0.0	0.0	0.0	1.2	-3.3	17.9	-3.3	-3.3	0.0
Remittances (annual % change)	-11.7	-24.3	-26.9	-23.4	-25.1	-13.3	-1.2	-18.0	-21.1	-16.9	-26.4	-18.1

	Oaxaca					
	2008	2009	2Q09	3Q09	4Q09	1Q10
Manuf. prod. (annual % change)	1.8	-6.5	-16.4	-2.8	-6.7	-9.4
Construction** (annual % change)	-20.2	29.3	44.5	43.5	7.2	-50.3
Public works	-9.6	48.7	72.7	49.9	4.2	-54.3
Private works	-36.8	-14.2	-13.5	30.6	20.3	-23.4
Electricity distrib. (annual % change)	1.2	1.1	30.3	2.2	30.8	8.7
Retail sales (annual % change)	-1.1	-11.1	-11.9	-9.6	-9.1	11.3
Wholesale sales (annual % change)	0.9	-11.7	-10.2	-13.3	-16.7	-14.6
Total employment (annual % change)	2.8	2.7	3.2	1.9	1.9	0.3
Industry	1.0	0.3	2.9	-2.3	-3.8	-6.5
Services	3.5	3.4	3.2	3.2	3.7	2.6
Gasoline sales (annual % change)	5.6	4.6	4.3	6.7	6.5	4.7
Total air traffic (annual % change)	5.0	7.1	-6.7	-7.0	-6.9	-12.2
Fed. resources (annual % change)	16.8	-9.5	-21.1	-4.5	-3.1	9.3
Participations (Branch 28)	26.4	-16.5	-34.4	-6.3	0.8	25.4
Contributions (Branch 33)	5.2	-2.3	-12.4	4.5	2.6	6.3
FDI (annual accum. flows, US$ millions)	15.6	22.3	21.6	22.0	22.3	0.4
Remittances (annual % change)	2.5	-17.4	-16.8	-16.4	-29.9	-15.0

* Value of finished work, at constant prices (deflated with the construction prices index) na = does not apply
Source: INEGI, IMSS, Pemex, SCT, Sectur, CNBV, Banxico and SHCP-UCEF

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