Economic Research Department

BBVA

Mexico

Weekly Observatory

June 29, 2009

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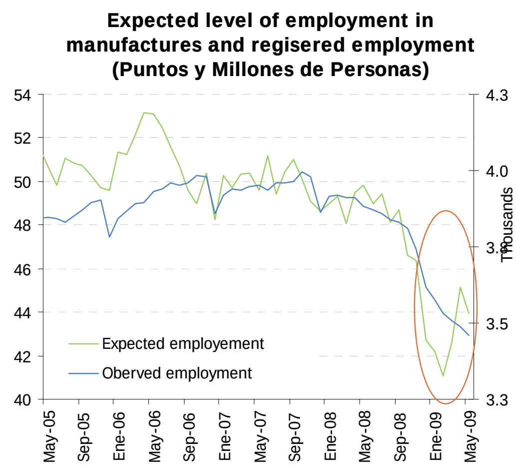
Manufacturing Sector Opinion Indicators in June

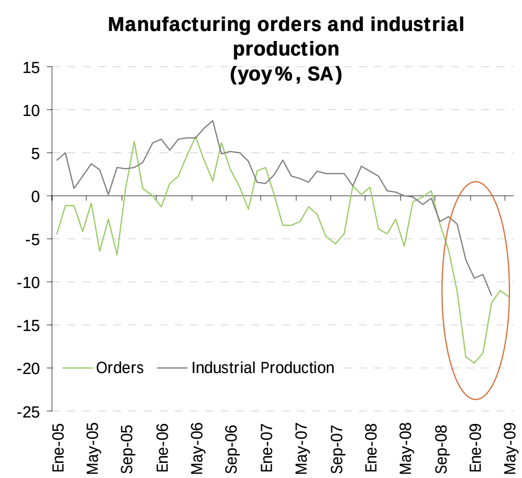
This week opinion indicators will be published, which will help to estimate the trend in the manufacturing sector for June. Relevant indicators from this survey, such as manufacturing purchase orders and employment expectations in the sector, hint that the rate of slowdown could ease towards the mid-year.

In particular, there was an upturn in the manufacturing purchase order indicator from last March, which although has not directly resulted in an improvement of the yoy economic activity rate in the industrial sector (the latest data available is from April), it is plausible to think that it will do so from May onwards.

As regards the expected employment level in the manufacturing sector, it has performed in keeping with the formal employment that was finally recorded in the sector. It is worth considering that the monthly rates of fall in employment have started to ease, which is partly in keeping with the indicator of a decisive upturn since March or April.

We are holding on to our outlook of a gradual recovery in the manufacturing sector from the mid-year onwards.





Economic Calendar

June 29 to July 3

	Monday	Tuesday	Wednesday	Thursday	Friday
	29	30	1	2	3
Mexico				Manufacturing Sector Opinion Indicators (June)	

Macroeconomic Forecasts

	Mexico			U.S.		
	2007	2008	2009	2007	2008	2009
Inflation (%, end of period)*	3.8	6.5	**3.8**	2.9	4.2	**0.8**
Core (%, end of period)*	4.1	5.7	**4.0**	2.3	2.3	**1.2**
GDP (real annual % change)	3.3	1.4	**-6.3**	2.0	1.4	**-2.0**
Trade balance (US bn)	-10.1	-17.3	**-16.2**	-700.0	-680.0	**-429.0**
Current account (US bn)	-8.3	-15.7	**-16.3**	-730.0	**-688.3**	**-600.0**
(% of GDP)	-0.8	-1.4	**-1.9**	-5.3	**-4.8**	**-3.0**
Public balance (% of GDP)	0.0	-0.1	**-1.8**	-1.2	-4.2	**-12.7**

bn billion

* Average for U.S.

	Inflation in Mexico (%)		
	Month	Acumm.	Annual
Jan-09	0.23	0.23	6.28
Feb-09	0.22	0.45	6.20
Mar-09	0.58	1.03	6.04
Apr-09	0.35	1.38	6.17
May-09	-0.29	1.09	5.98
Jun-09	**0.22**	**1.31**	**5.77**
Jul-09	**0.26**	**1.57**	**5.46**
Aug-09	**0.31**	**1.89**	**5.18**
Sep-09	**0.52**	**2.42**	**5.01**
Oct-09	**0.47**	**2.90**	**4.79**
Nov-09	**0.55**	**3.46**	**4.18**
Dec-09	**0.35**	**3.82**	**3.82**

* Forecast in **bold**

Financial Forecasts (%, end of period)

	Mexico						
	2007	2008	2009	1Q09	2Q09	3Q09	4Q09
Bank funding	7.50	8.25	**4.50**	6.75	**4.75**	**4.50**	**4.50**
28-day Cetes	7.44	7.94	**4.47**	6.75	**4.60**	**4.47**	**4.47**
28-day TIIE	7.39	8.68	**4.83**	7.57	**5.40**	**4.83**	**4.83**
M 10 years (avg)	8.04	8.28	**6.40**	8.30	**7.60**	**6.80**	**6.40**
Peso/dollar (avg)	10.86	13.67	**13.00**	14.00	**13.18**	**13.20**	**13.00**

	U.S.						
	2007	2008	2009	1Q09	2Q09	3Q09	4Q09
Fed Funds	4.25	0 - 0.25	**0.00**	0.00	**0.00**	**0.00**	**0.00**
10-year bond	4.26	3.25	**2.23**	2.70	**2.27**	**1.98**	**2.23**
Dollar / euro	146	140	**1.15**	135	**1.25**	**1.18**	**1.15**

Financial Markets Evolution

June 18 to 25

U.S. Debt			UMS				Cetes & Bonds (M's) with taxes			
Term	Previous close	Week chng. bp	Term (days)	Prev. Close	Week chng. bp	Spread vs. Treasury	Term (days)	Primary	Prev. close**	Week chng. bp
Fed Funds	0.25	0					Bank funding*		4.77	-50
							Govnmt. funding*		4.72	-51
							TIIE (28d)		5.11	-11
T.Bill 91d	0.17	-1					Cetes (28d)	4.72	4.76	-27
							Cetes (91d)	4.83	4.82	-21
							Cetes (182d)	4.89	4.93	-10
Libor 3m	0.60	-1					Cetes (364d)		5.07	-8
T-Notes	0.34	-3								
5 years										
			UMS 10 (220d)	1.03	-1.40	-168	M 7 i (181d)	5.19	5.08	-11
			UMS 11 (567d)	2.06	-2.00	-66	M 7 i (545d)	5.19	5.10	-9
T-Notes	2.72	-29	UMS 12 (932d)	3.25	-14.30	53				
10 years			UMS 13 (1300d)	4.20	-22.70	149	M 10 i (1273d)	5.19	6.87	168
			UMS 14 (1664d)	4.79	-25.60	208	M 10 i (1637d)	5.19	7.51	232
			UMS 15 (2076d)	5.14	-27.30	81	M 10 iL (2001d)	5.19	7.79	260
			UMS 16 (2638d)	5.49	-26.00	116				
			UMS 19 (3839d)	6.10	-17.70	177				
T-Bond	4.33	-27	UMS 22 (4838d)	6.37	-18.40	204	M 20 i (5277d)	5.19	8.69	350
30 years			UMS 26 (6167d)	6.57	-18.30	224				
			UMS 31 (8085d)	6.85	-14.40	252				
			UMS 33 (8687d)	6.84	-12.40	250				
			UMS 34 (9224d)	6.83	-10.80	250				

* Weighted rates

Spreads	Previous close	Week chng. bp
U.S. corporate (BAA)	453	6
EMBI+Mexico	256	13
EMBI+Brazil	294	11
EMBI+LatAm	511	17

Currencies	Previous close	Week % chng.
Peso / dollar	13.24	-1.15
Real Brazil / dollar	1.94	-1.49
Dollar / euro	1.40	0.63
Yen / dollar	95.95	-0.54

Bolsas	Previous close	Week % chng.
IPC	24,245.7	-0.39
Dow Jones	8,472.4	-0.97
S&P	920.3	0.21
Bovespa	51,514.8	1.20