

Mexico

Economic Watch

February 22, 2011

Positive surprise in 4Q10 GDP with higher external boost

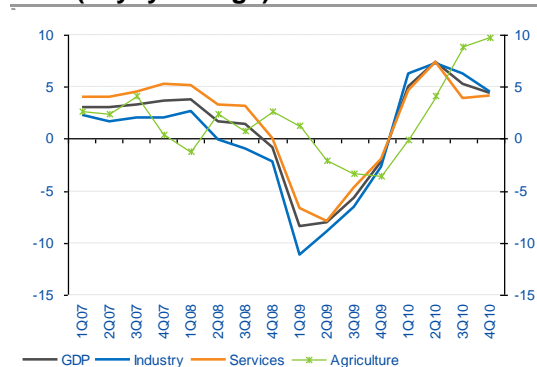
Above forecasts and higher than previous quarter

Julián Cubero Calvo
juan.cubero@bbva.bancomer.com

Cecilia Posadas Pérez
c.posadas@bbva.bancomer.com

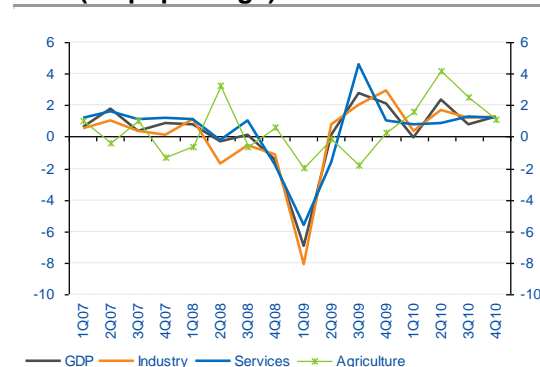
- Coming in above forecasts (0.6% BBVA Research), 4Q10 GDP expanded 1.3% q/q (4.6% y/y) bringing the average expansion for 2010 to 5.5%.
- GDP growth in manufacturing and services. Manufacturing hit pre-crisis levels in those areas relatively more exposed to external cycles, such as food, transport equipment, and machinery and equipment.
- In turn, the highlight in services recovery comes from sectors such as trade and transport services in an improving outlook for available income shown in the real salary recovery on the formal market.
- The continued boost in US demand and the maintaining of favorable financing terms should benefit economic growth of around 4.3% in 2011 with an upward bias, in the same sense that the outlook for the Mexican economy develops.

Chart 1
GDP (% yoy change)



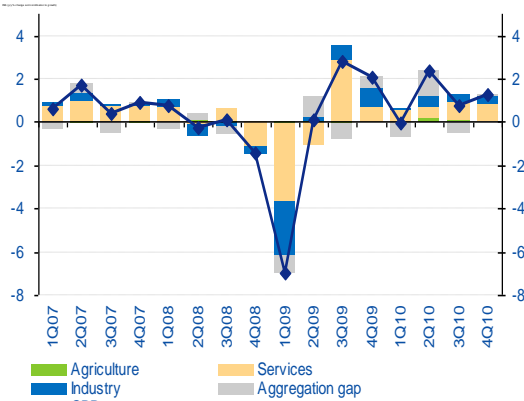
Source: BBVA Research with INEGI data

Chart 2
GDP (% qoq change)



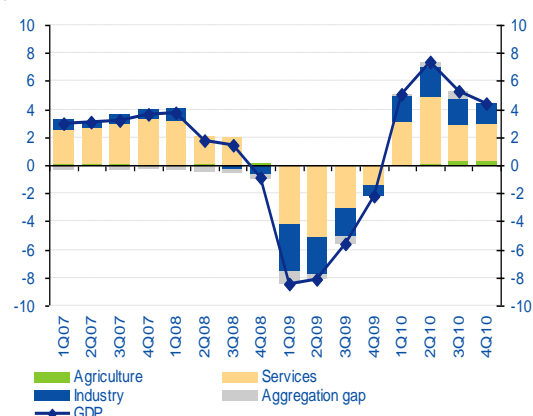
Source: BBVA Research with INEGI data

Chart 3
GDP
(q/q % change and contrib. to growth)



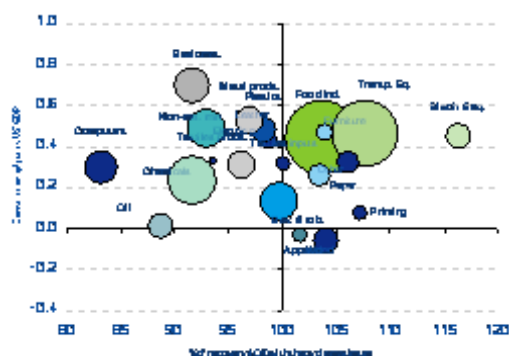
Source: BBVA Research with INEGI data
Gap: aggregation gap. T X S F MI: Net taxes on subsidies plus financial intermediation services measured indirectly.

Chart 4
GDP
(y/y % change and contrib. to growth)



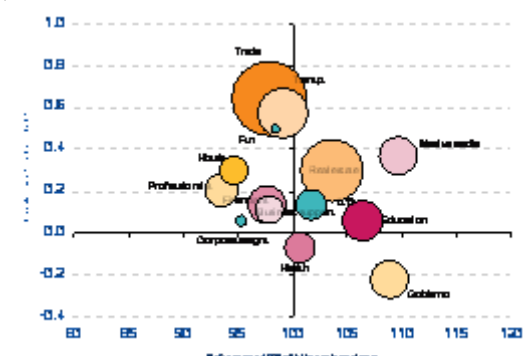
Source: BBVA Research with INEGI data

Chart 5
Manufacturers Mexico 4Q10^{1/}



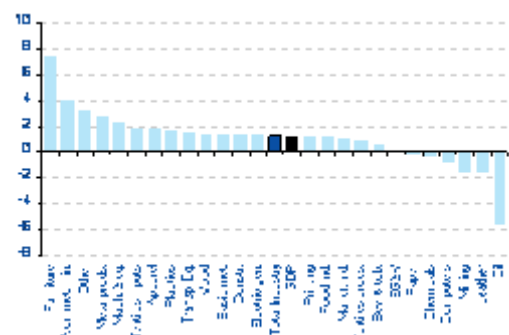
1/ Quarterly correlation 2003-2010, maximum date 1Q08, GDP weight in 2010.
Source: BBVA Research with INEGI data

Chart 6
Services Mexico 4Q10^{1/}



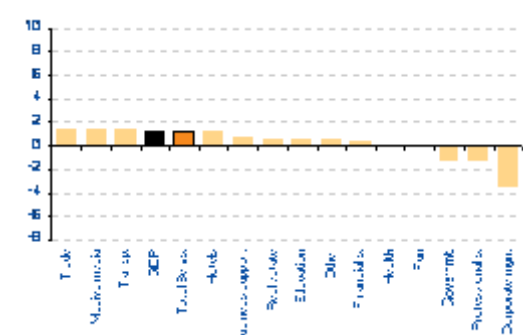
1/ Quarterly correlation 2003-2010, maximum date 1Q08, GDP weight in 2010.
Source: BBVA Research with INEGI data

Chart 7
Mexico GDP: Manufacturing (Change % q/q)



Source: BBVA Research with INEGI data
Quarterly changes based on SA data for appropriate monthly industrial output indicators.

Chart 8
Mexico GDP: Services (Change % q/q)



Source: BBVA Research with INEGI data

Table 1

GDP by economic activity sector (2003=100)

	O.S.						S.A		
	yoy		IQ10	2Q10	3Q10	4Q10	y/y	q/q	Contribut Growth
	2009	2010							
GDP	-6.1	5.5	4.5	7.7	5.3	4.6	4.4	1.3	4.4
Agriculture	-2.0	5.7	-0.8	4.7	8.7	9.9	9.8	1.1	0.3
Industry	-7.4	6.1	5.3	8.0	6.2	4.7	4.6	1.3	1.4
Mining	-2.4	2.4	1.8	3.2	3.0	1.4			
Electricity & Gas	2.0	2.4	1.1	2.0	3.1	3.4			
Construction	-6.4	0.0	-3.4	-1.7	0.9	4.3			
Manufactures	-9.8	9.9	10.4	14.2	9.6	6.0			
Services	-5.3	5.0	4.3	7.5	4.0	4.2	4.1	1.2	2.7
Commerce	-14.1	13.3	13.5	19.2	11.8	9.5			
Transport & storage	-6.5	6.4	6.6	11.3	5.1	3.1			
Massive Media	0.8	5.6	4.2	5.2	6.3	6.7			
Financial Services	-6.6	2.8	-1.0	5.6	-2.5	9.5			
Real State Services	-1.0	1.7	3.5	0.9	1.1	1.6			
Professional Services	-5.1	-3.0	-4.8	-3.3	-1.8	-2.3			
Corporate Management	-8.1	2.0	-5.6	-2.5	10.1	4.8			
Business Support	-4.8	1.4	-0.2	1.4	1.1	2.9			
Education	0.5	3.0	1.6	14.0	-0.7	-1.1			
Health	0.8	-1.7	1.5	-10.2	0.9	1.4			
Leisure Services	-4.6	1.9	-2.6	1.4	2.8	4.7			
Accommodation	-7.7	3.8	-0.9	11.8	2.8	2.6			
Other Services	-0.7	0.6	-0.9	-1.3	1.7	2.8			
Government Activities	4.6	4.4	1.0	8.5	4.9	3.2			

Source: BBVA Research with INEGI data

O.S. = Original Series / S.A. = Seasonally-Adjusted Series. Does not include contributions from Indirect Taxes less Subsidies, Financial Intermediation Services or the Aggregation Gap

Disclaimer

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

This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.