

# BBVA Research Flash

Mexico

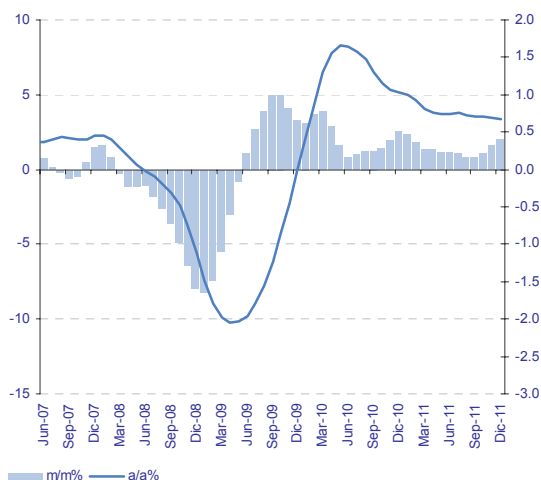
## The positive surprise in the industry in December raises the growth estimation for 4Q11 without altering the deceleration profile of the year

- Industrial Production grew more than expected in December (0.9% mom vs. 0.0% mom forecasted) related to the good performance of Mexican manufactures strongly linked to improved U.S. demand.
- Good growth in the IPI at the end of 2011 raises GDP growth forecast for the 4Q11 to be published on Thursday 16 from 0.1% qoq to 0.5% qoq.
- All else constant, it implies a slight upward bias to the estimated GDP growth for 2012 of 3.3%.

The industry had its growth since September with a growth of 0.9% mom on the last month of the year, almost one standard deviation above the estimate (0.0% mom). This increase is accumulated mainly in the manufacturing sector (1.2% mom), more than offsetting the stagnation in the previous two months. A similar profile was the electricity generation industry, gas and water: 1.4% mom in the last month, well above the drop (-)0.4% of the previous two months. In contrast, the domestic construction industry grew in monthly terms, an average of 1.5% in 3Q11 and contracted (-) 0.7% last quarter. The upturn in industrial activity released is related to the better performance of U.S. industry.

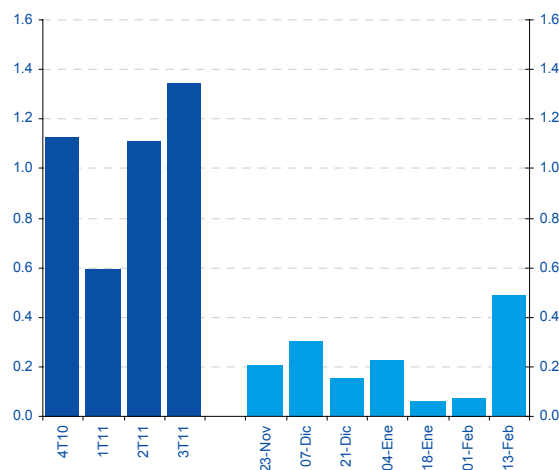
Despite the good December data that significantly increases our real-time estimate of GDP, from 0.1% qoq estimated a week ago to 0.5% today, different indicators (production, retail sales, trusts) agree on the diagnosis of moderation in economic growth in the last three months of 2011 over the previous quarter. For example, the IGAE (Global Indicator of Economic Activity) contracted on average (-) 0.2% per month in the last quarter (up to November), while the previous quarter average monthly growth was 0.5%. Services for its part continued to grow but at a significantly lower pace than in the period from July to September (0.2% vs 0.5%, respectively). However, the information available today make it likely that growth in 2011 was about 4% or 4.1% annually.

Chart 1  
**Industrial Production**  
(y/y% & m/m%, trend)



Source: BBVA Research

Chart 2  
**GDP, 4T BBVA-MICA**  
(Var % q/q)



Source: BBVA Research

Chart 3

**Industrial Production (yoy%, mom%, seasonal adjusted series)**

	Total	Mining	Water & Electr.	Construction	Manufactures
<b>yoy</b>					
2009	-7.3	-2.9	2.0	-7.0	-9.5
2010	6.1	1.1	10.2	0.0	9.7
2011	3.9	-2.3	5.5	4.8	5.2
Jul-11	3.7	-1.5	6.1	4.4	4.7
Ago-11	4.2	-2.2	2.0	4.9	5.9
Sep-11	2.4	-3.3	4.6	4.5	3.1
Oct-11	4.1	-4.5	4.1	7.1	5.3
Nov-11	3.6	-1.3	3.1	5.3	4.5
Dic-11	3.1	-0.2	1.3	3.5	3.8
<b>mom</b>					
Jul-11	0.6	-1.4	-0.8	0.9	1.1
Ago-11	-0.9	-0.1	0.6	0.5	-1.3
Sep-11	1.5	-1.0	-0.1	3.3	1.5
Oct-11	-0.3	0.9	-0.2	-1.9	-0.3
Nov-11	0.1	0.8	-0.6	-0.3	0.1
Dic-11	0.9	-0.3	1.4	0.2	1.2

Source: BBVA Research

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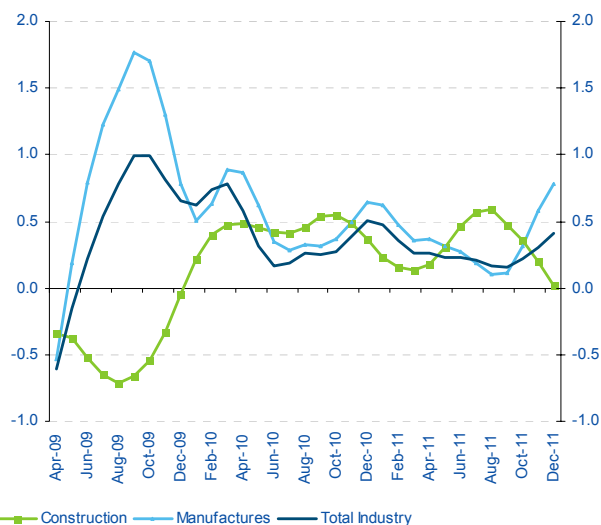
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Chart 4

**Industrial Production (mom%, trend series)**

Source: BBVA Research