

## BBVA Research Flash

Mexico

## 4Q11 GDP in line with expectations (0.4% qoq vs 0.5% estimate), annual deceleration profile will continue in 2012

- Overall in 2011, Mexico grew 3.9%, 1.6 pp less than in 2010.
- The recent improvement in activity indicators in the U.S. could imply an 1Q12 growth close to 4T11. For the full year remains the outlook for growth of 3.3%.

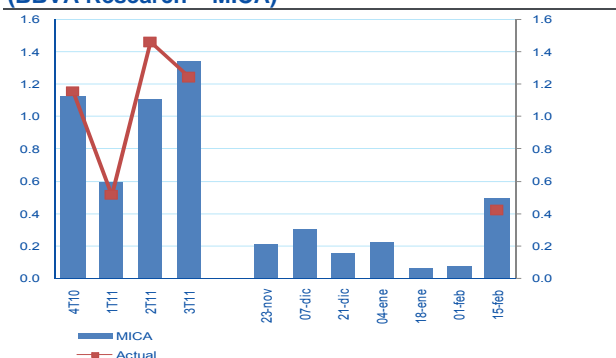
The Mexican economy grew 0.4% qoq csv (corrected for seasonal variations) during the 4Q11, practically the same as provided by BBVA Research (0.5%). Annual growth was 3.7% and the whole of 2011, 3.9%, 1.6 pp less than in 2010.

The evolution of the GDP forecasts made by BBVA Research 4Q11 on a regular basis\*, shows the improvement of the situation over recent weeks because of an expected growth of 0.2% in mid-November, to 0.5% in the last estimation. This recovery is finally confirmed, especially the positive surprise in the growth of industrial activity in December, linked in turn to a stronger performance in American industry. Thus, the economy expanded 3.9% in 2011, with a shrinking primary sector (-0.6%), industry 3.8% and 4.2% services.

It is worth to highlight, the sharp fall in the value added of primary sector contracted at the margin (-)6.9% qoq, subtracting the growth in the quarter around 0.25 points and being the largest contraction in the sector since 2005, which is consistent with the negative impact of drought on crops of some products and costs facing the sector. The industry, meanwhile, grew at a rate very similar to the previous quarter (0.7%), while services growth moderated from 2.2% in Q3 to 0.5% in 4Q11. This moderation is expected stressed in activities such as professional services, leisure, cultural services, and information media.

Based on information available at this time, confidence and automobile production at the 1Q12 and given the evolution of credit risk indicators of the Mexican economy, we estimate that GDP growth will remain at around 0.4% 1T12 tot. This, given the tone of the indicators EEU manufacturers, our official forecast for growth in the whole of 2012 of 3.3% is slightly skewed to the downside, nearly two tenths. Despite this, this bias is offset because the risks of the global environment to accumulate both in terms of low intensity recovery in the U.S. as financing conditions and productivity improvements that should be reflected in increased labor income while job creation is high.

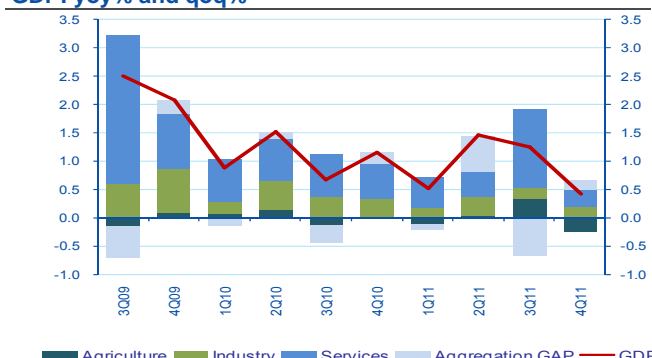
Chart 1

GDP Mexico: Quarterly growth forecast  
(BBVA Research – MICA)

Source: BBVA Research with INEGI data

Chart 2

## GDP: yoy% and qoq%



Source: BBVA Research with INEGI data

(\*)It should be noted that the pattern of short-term forecast of BBVA-MICA model based on contemporary indicators of activity that provides forecasts on a weekly basis, increased from 0.2% estimated at the beginning of the quarter to 0.5% on February 14th.

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