

Economic Flash

Mexico

Recent activity data for the 1Q12 bias upward the growth outlook in 2012

- Good data situation at the beginning of 2012: positive surprise in industrial production in January, sustained employment growth in the private sector, improved auto production in February and a drop in Mexico's risk premium
- The industry expanded 0.8% m/m (0.2% estimated) in January, influenced by the good performance of virtually all its components (the exception is mining), highlighting particularly the dynamics of manufacturing linked to U.S. demand.
- For now we maintain our forecast for 2012 growth at 3.3% but with an upward revision in perspective.

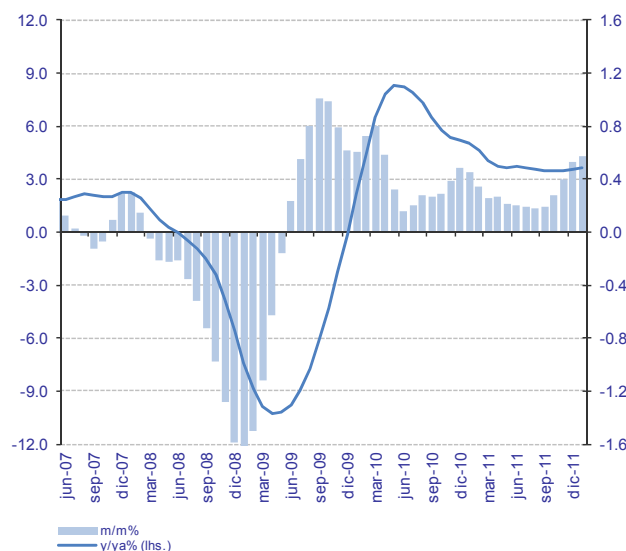
Industrial production grew more than expected in January (0.2% m/m e, 0.8% o), which implies an annual growth seasonally unadjusted 4.2%. The upturn in the industry is concentrated in manufacturing, which accounts for three months of monthly growth in January and highlights the positive dynamic construction (0.8%, -0.6% average monthly growth of the previous three months).

Manufacturing rebounded strongly linked with the improvement in external demand, of which indicators are most representative domestic car production in February was one of the best growth in recent months (11.9% m/m, -0.8% on average in the previous six months).

Not only manufacturing indicators which are improving: **the private formal employment continues its expansion** at a monthly rate of 0.4% in the last 6 months (including February). In this environment pickup in employment and activity is not surprising that **confidence indicators, both producers and consumers** reflecting a rebound in the positive perception of both agents in the first two months of the year compared with last two months the previous year.

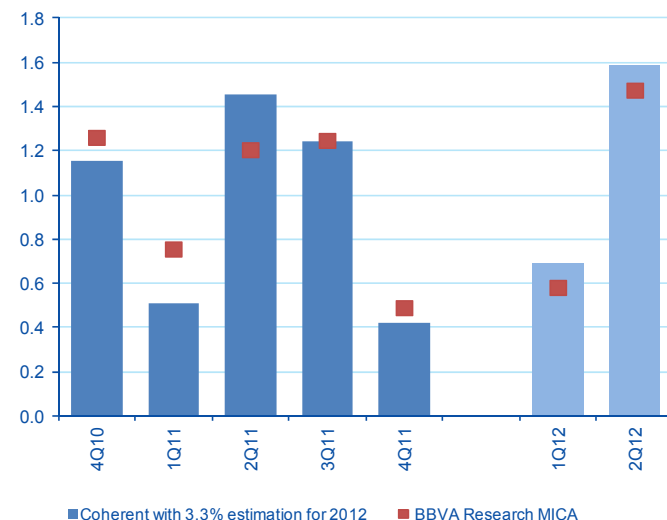
In summary, **the latest economic indicators imply, based on real-time estimate of GDP produced by BBVA Research an upward bias in the growth forecast for 2012 (3.3%)**. This bias can be up to half a percentage point, however it is convenient to take the **magnitude of this bias with caution** because no data recorded yet incorporate the 2Q12, a very important period for the final calculation of GDP in 2012 for the base effect that leads implicit given the growth profile of 2011. This also of course the possibility of a moderation in the dynamics of American industry or a deteriorating global environment. However, we maintain our forecast for 2012 growth at 3.3%, although its outlook revision, if any, is on the rise.

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



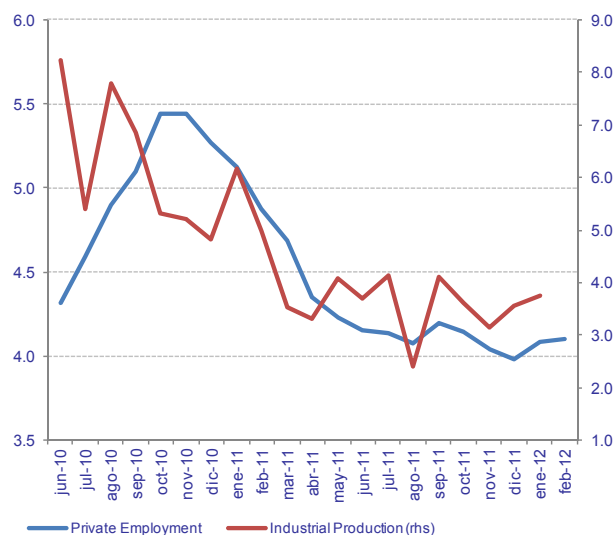
Source: BBVA Research

Chart 2
GDP, 1Q12 BBVA-MICA
(Var % q/q)



Source: BBVA Research

Chart 3

Formal Employment & Industrial Production (yoy%)

Source: BBVA Research

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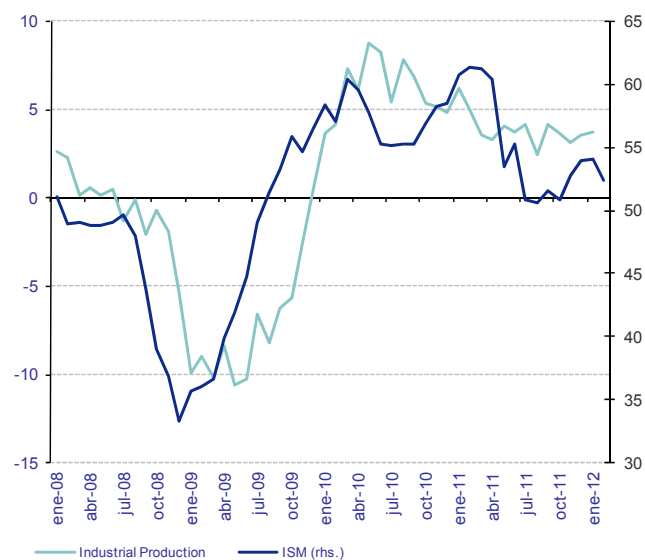
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Chart 4

Industrial Production & US ISM (y/y% & level)

Source: BBVA Research