

Mexico Economic Flash

Industrial production rebounded in March, bringing the trend of annual growth and the prospect of activity

- Industrial production rebounded in March and grows 1.5% mom (0.8% expected), which holds annual rate similar in terms of trend to the previous quarter.
- The highest growth in construction and manufacturing, which reversed the monthly data of the previous month.
- Based on this indicator and other such as employment, and payroll, we maintain our outlook on quarterly GDP growth in slightly greater than the 1Q12.

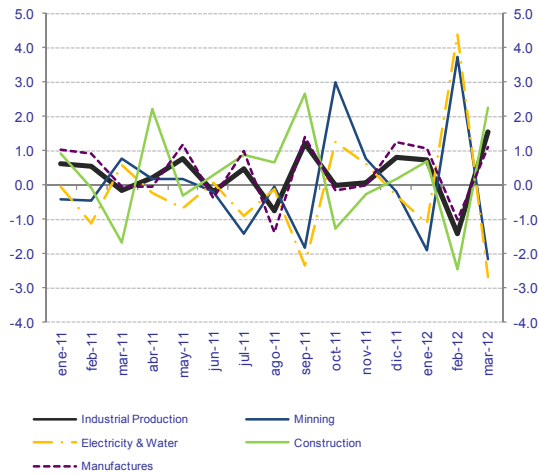
The upward adjustment in the industrial production data for March was greater than expected (0.8% BBVA) and stands at 1.5% mom. The heavier components, manufacturing (around 60% of industry) and construction (about 20%) had the highest growth, with 1.1% mom and 2.2% mom, respectively. It is recalled that in February showed significant differences between the adjusted and unadjusted series for seasonality, which was related in part to the effect of leap year. **With the data known today, and as we anticipated last month, the annual growth of the industry trend and its components maintains the rate of annual change.**

Among the manufacturing industries with higher growth and weight are the production of basic metals with 12.3% mom (weight: 5.4%), food industry with 2.3% (weight: 22.4%), production of transport equipment: 0.6% mom (weight: 17.8%). Taking account of the branches more or less exposed to the external cycle, stresses that are the less exposed branches those that showed higher growth in the month, but they are also the most varied and thus the largest drop that had been submitted in February. Unlike the previous month where 15 of the 21 branches of manufacturing and construction all recorded monthly fall in **March there was a rebound in 14 of the 21 branches and construction which highlights the variation in works of civil engineering.**

Going forward, other indicators related to the activity, available for the start of 2Q12, suggest that the growth rate will have remained. It is worth noting the positive development in automotive production (almost 40% yoy), but in this case it is important to consider the -output effect arising from the arrest last year following the Tsunami in Japan. Other indicators are the rate of employment growth in the IMSS that continues to grow above 4% yoy and that inflation rate continues to contribute to the growth of wages in real terms in the wage mass.

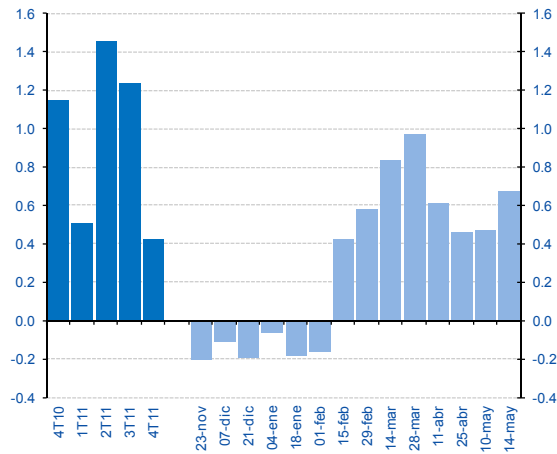
All in all, BBVA-MICA indicator variables including short-term real and financial sector is recovering and suggests that GDP growth in the first quarter will be placed in the order of 0.7% qoq, up from 0.4% qoq recorded in the last quarter of 2011, **which maintains the expectation of an average annual growth in 2012 of around 3.7%.**

Graph 1
Industrial Production (m/m%)



Source: BBVA Research

Graph 3
MICA-BBVA Bancomer, 1Q12 estimation



Source: BBVA Research

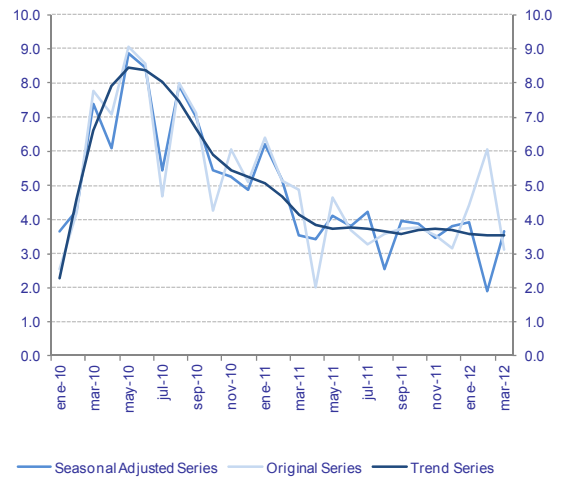
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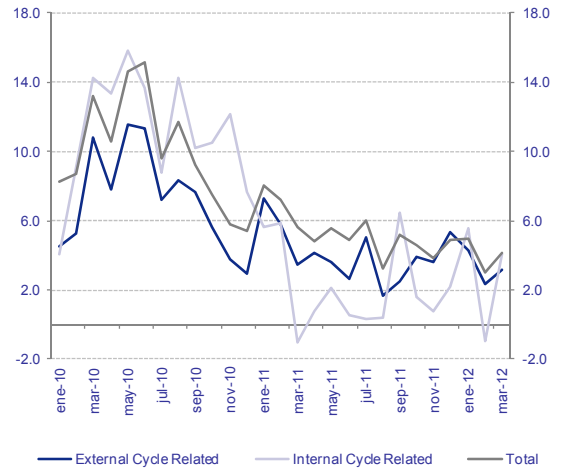
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Graph 2
Industrial Production: yoy% seasonal adjusted, original and trend



Source: BBVA Research

Graph 4
Manufactures: more or less related with external cycle yoy%



Source: BBVA Research