

Mexico GDP Flash

The GDP growth of 2Q12 in line with expectations (0.9% qoq), we maintain forecast for the year at 3.7%

- On an annual basis GDP growth in the 2Q12 stood at 4.1%, confirming a good start of the year, while maintaining the moderation.
- On average, during the first half of the year industry and services recorded growth of 0.9%, slightly lower than the previous semester.
- By keeping the risks associated with global uncertainty, we maintain growth forecasts of 3.7% and 3.0% for 2012 and 2013, respectively.

The Mexican economy grew 0.9% qoq in seasonally adjusted series during 2Q12, slightly higher than estimated at the beginning of the quarter (0.7% qoq) but in line with the forecast that incorporates the most current activity data (0.9 %). The growth in annual terms stood at 4.1%, slightly below the previous quarter variation that INEGI corrected downwards from 1.3% qoq to 1.2%.

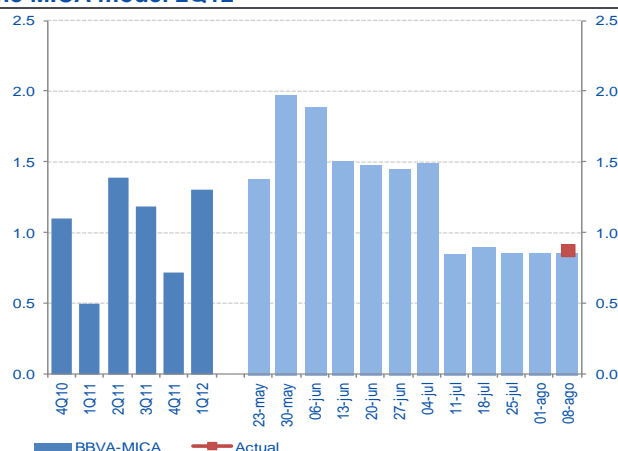
The results published today confirm the good performance of the Mexican economy in recent months, both from industry and the services sector. For industry, it is recalled that the June rise was significantly better than expected (expected 0.7% mom, observed 1.3% mom) and constituted the second largest expansion since March 2010. Particularly salient branches of industry were manufacturing (1.6% mom) and construction (1.5% mom). And especially emphasizes the expansion of key industries such as transport equipment (3% tot) and the food industry (0.7% qoq). All in all, the expansion of industry in the second quarter was 0.6% qoq, below the previous quarter to 1.3%. Meanwhile, in the service sector expansion was higher than in the first three months of the year (0.7% 1Q, 2Q 1.1%), which is the product of the recovery of key industries such as trade and real estate services (1.5% qoq each), bringing together more than 60% of the growth of the services sector.

Both in industry and services, the growth was higher in branches with more relation to outer cycle, which will result in the expansion of exports of goods and services. An additional strength factor is the growth of formal sector wage mass, both in real wage component (annual growth rate close to 0.7%) and by the employment component (4.5% yoy). Meanwhile, the consumer and investment financing continued to underpin domestic demand.

Good growth in the second quarter implies an upward bias in 2012 and 2013, although the risks associated with global uncertainty leads us to maintain current estimates of 3.7% and 3.0% this year and next, respectively.

Chart 1

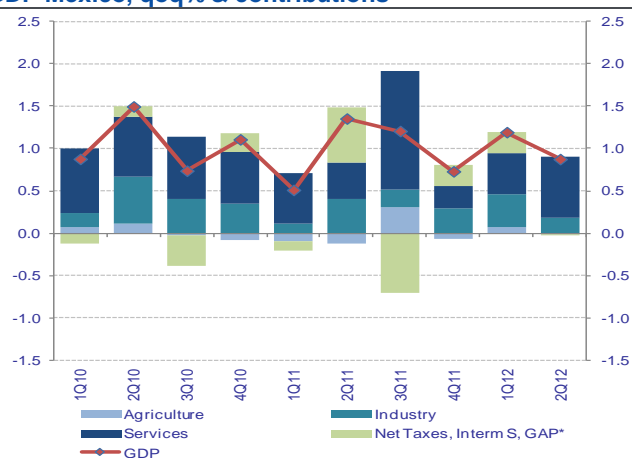
GDP Mexico: estimated quarterly growth recorded and the MICA model 2Q12



Source: BBVA Research with INEGI data

Chart 2

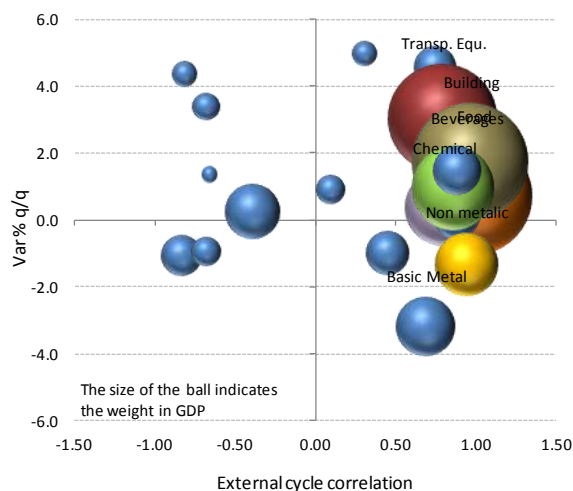
GDP Mexico, qoq% & contributions



Source: BBVA Research with INEGI data

Chart 3

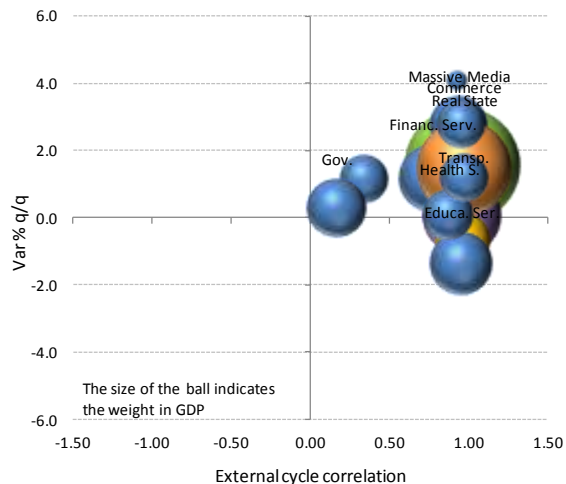
Industry: qoq% and relation with external cycle



Source: BBVA Research with INEGI data

Chart 4

Servicios: Var % t/t y relación con PIB EEUU



Source: BBVA Research with INEGI data

(*)The quarterly GDP estimates are made from BBVA Research MICA model, is constructed from contemporary indicators of activity, expenditure and financial expectations. This instrument can provide estimates of quarterly GDP growth as timely as it could be the arrival of new data, which in the case of finance is daily.

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