

Mexico GDP Flash

The 3Q12 GDP growth was in line with expected, we maintain forecast for the year at 3.7%

- The annual growth stood at 3.3% maintaining the profile of moderation: the average growth in the first three quarters was 4.2%.
- The industry and services expand at of 0.7% q/q, while the primary sector contracts (-)0.5 q/q.
- To keep the risks associated with global uncertainty, we maintain our growth forecasts at 3.7% and 3.0% for 2012 and 2013, respectively.

In line with 3 month ago forecast but slightly lower than expected with the most recent information (0.8% q/q), the Q3 GDP growth stood at 0.5%, which confirmed the moderation profile on the year.

By sector of activity, the contraction in the primary sector (-) 5.8% in September, was the lowest since June 2011, this sector contributes with 3.4% of value added in the economy and contracted (-) 0.5% from the previous quarter (seasonally adjusted series).

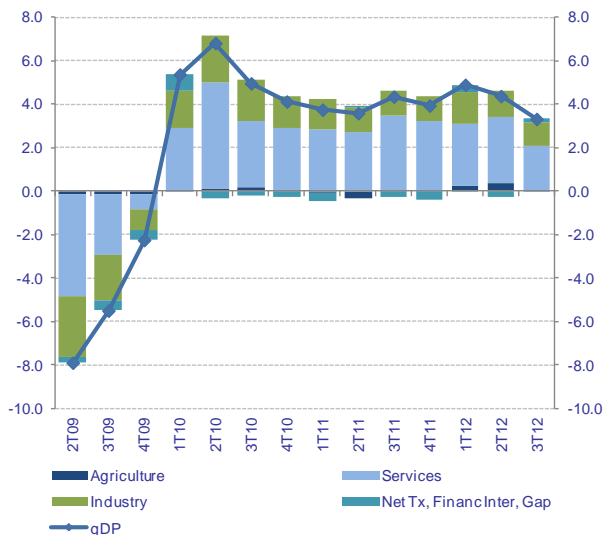
The industry growth remained virtually the same rate as the previous quarter (0.7% q / q in Q3, 0.6% in Q2). In this sector, it is worth noting that despite the external moderation, Mexican manufacturing growth maintained its resilience and expanded around 0.9% in the quarter (monthly average). In the 3Q the annual change in average automobile production amounted to 14%, slightly lower than in the previous quarter.

Finally, the service sector was somewhat greater restraint than expected: from 1.1% in 2Q12, to 0.7% in 3Q12. And was the component of production relatively more moderated in the quarter being reported. Based on data from the IGAE, the tertiary sector contracted (-)0.3% in monthly terms in September, and 2.4% at annual basis, which is the lowest since 2010. Thus, while domestic demand indicators continue to show strength, some signs of moderation are more visible, partly reflecting the contrasting dynamics of the wage mass components: while employment has grown consistently to reach a 4% expansion y/ y (4.7% y /y employment only in the formal private sector), the comparison of income in real terms over the same period last year remains negative (-) 1.2% in Q3. An additional consideration in this regard is that the in the third quarter, 67% of the 48.7 million employed, received between zero and three minimum wages.

The evidence so far for the fourth quarter, suggest that moderation will continue. In this sense, as the aggregate indicators of trend among manufacturers and producers of manufacturing orders fell in October in the tenth month of the year (-) 5.9% and (-) 2.7% per month, respectively. Auto production in turn, will grow slightly compared to September (0.2% m / m), partly reflecting lower external demand of recent months. Remember that U.S. manufacturing output was lower (-) 0.9% in October compared to September.

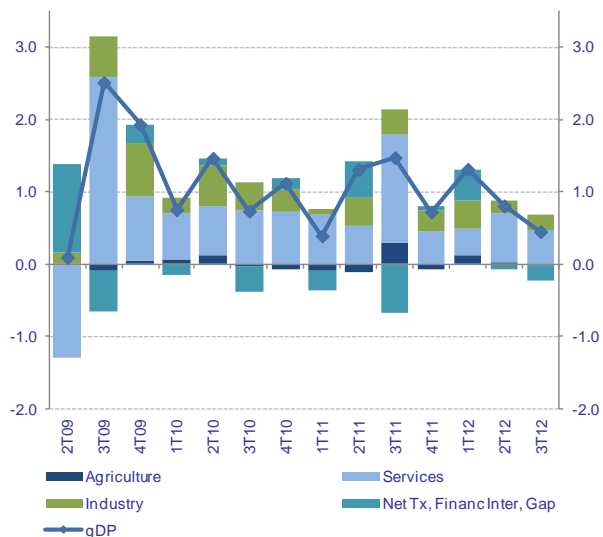
It is noteworthy that with the publication of data for the third quarter, INEGI revised slightly upwards the series. Among the revisions to previously published series of GDP made it highlight the rise in GDP in 3Q11 from 1.2% q/q to 1.5% q/q (4.2 to 4.4% y/y on seasonally adjusted series) and in 1Q12 from 1.2% q/q to 1.3% (4.6% to 4.9% sa.). Considering the uncertainty associated with the global scenario, we maintain current estimates for GDP growth of 3.7% and 3.0% for 2012 and 2013.

Chart 1
GDP Mexico, yoy% & contributions



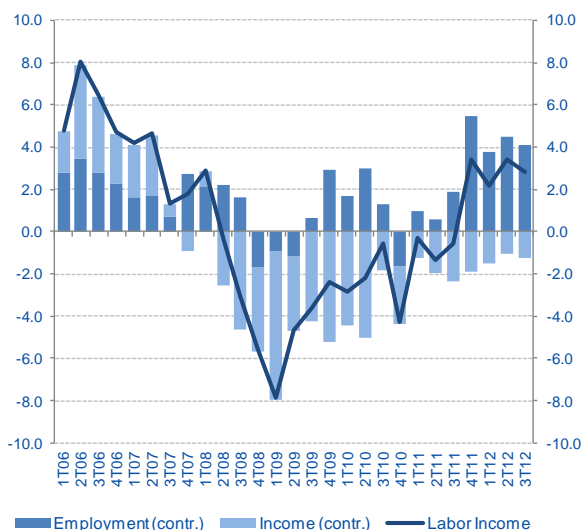
Source: BBVA Research with INEGI data

Chart 2
GDP Mexico, qoq% & contributions



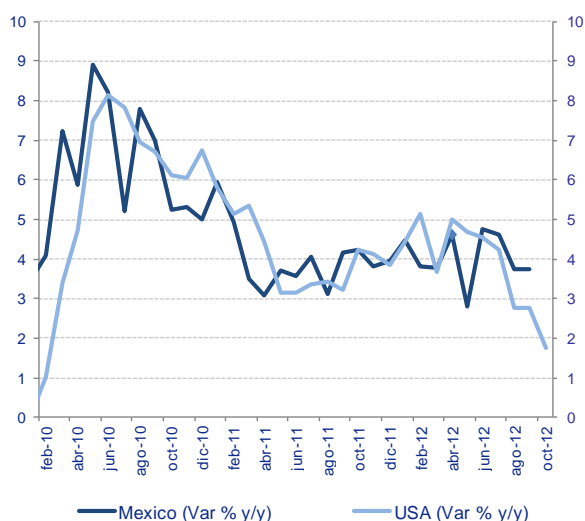
Source: BBVA Research with INEGI data

Chart 3
Total wage mass yoy% and contributions



Source: BBVA Research with INEGI data

Chart 4
Industrial Production: Mexico & USA yoy%



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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