Mexico GDP Flash

In line with estimates, GDP grew 3.9% yoy in 2012. Good end of 2012 with strength in services that compensated a fall in industry.

- The annual expansion rate of 4Q12 stood at 3.2% (3.1% estimated). Growth is accelerated slightly in the latter part of the year, driven by services.
- The expansion of the last quarter, explained by very good period in agriculture (2.1% qoq) continuity of growth in services (0.7% qoq), which offset decline in industry (-0.2% qoq)
- In the context of global uncertainty, and with moderation in the outer loop internal market strength will be key at the start of 2013.

Slightly higher than the estimate for the quarterly forecast (0.5% q oq expected BBVA Research), 4Q12 GDP stood at 0.8% qoq (3.2% yoy) with the expansion in 2012 stood by 3.9%. By component, it highlighted the strength in the services sector (0.7% qoq), with growth slightly higher than the previous quarter, which contrasted with the decline in the industrial sector ((-)0.2% qoq), associated with the decline in manufacturing and construction industry last December.

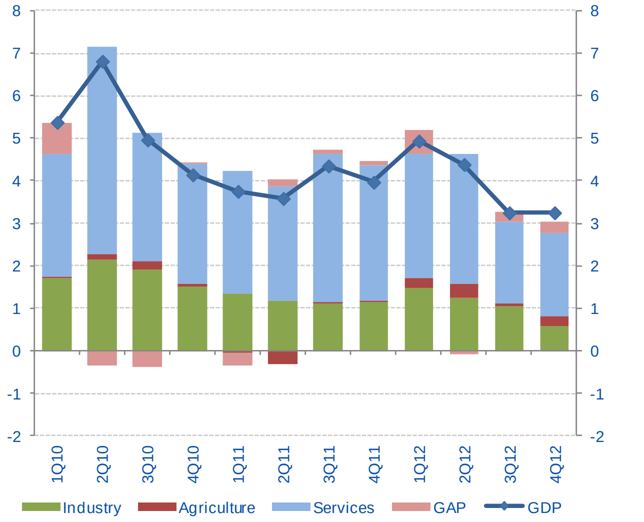
The GDP of the industrial sector, fell sharply in December, from 0.2% on average (monthly growth) in the October-November period, to fall (-)2.1% mom in December[1]. This decline was due to the fall in the four components that make up the industry (mining (-)2.1%, electricity gas and water (-)1.5%, construction (-)2.7%, manufacturing (-)1.1%). **Particularly noteworthy were the declines in manufacturing and construction.** In the first case, the decline was significant in the transport equipment industry that fell (-)4.7% per month in December (weight of 18% in manufacturing), as well as other branches with significant weight in the manufacturing and mainly related to external cycle. Meanwhile, the construction industry showed the steepest decline since September 2009. In December the three branches that make up this industry (building, civil engineering, building specialized jobs) fell, although the decline was particularly important in building construction (-4.0% mom).

In the last quarter of the year, the services sector grew at a good pace: 0.7% qoq (2.2% yoy) while maintaining stability that characterized these activities during the year (0.8% on average of the quarterly change in the previous three quarters). Particularly good was the dynamics in the retail sector, which contributed 0.5 percentage points to quarterly growth of the tertiary sector. Most of the services branches maintained good momentum at the end of the year, roughly the same rate as the rest of the year. Important element was the good dynamics of services and trade in particular has been the recovery in labor income growth of the employed, both the employment component, and to a lesser extent, the real income component.

Indicators for 1Q13 are still scarce. Confidence (producer and consumer), automotive production and US industrial output. Although indicators are mixed, the slowdown in output looks likely to continue. **The performance in US manufacturing points to this (-)0.1% m/m affected by lower manufacturer demand especially for durable goods - an item impacting domestic manufacturing.** In turn, the general trend is for a drop in both producer and consumer forecasts. With regard to domestic automotive production, the decline in December was likely a temporary one since there was a major upturn in January: from (-)9.5% m/m to 6% m/m in January (8.3% at annual rate, seasonally-adjusted). The IMEF indicator both manufacturing and non-manufacturing, which is a diffusion index that takes the threshold of 50 that separates the 'optimism' of 'pessimism' stood at 52.1 points in manufacturing and the non-manufacturing 51.7 points, but it worth noting stresses the fall, equivalent to (-)4.8% mom on the non manufacture index. As for the domestic auto production, the December drop was probably temporary because in January there was a significant recovery: from (-)9.5% mom to 6% mom in January (8.3% in annual terms, own seasonal adjustment). **Based on these data it should be attentive to the evolution of the variables related to domestic demand and monitor possible moderation.**

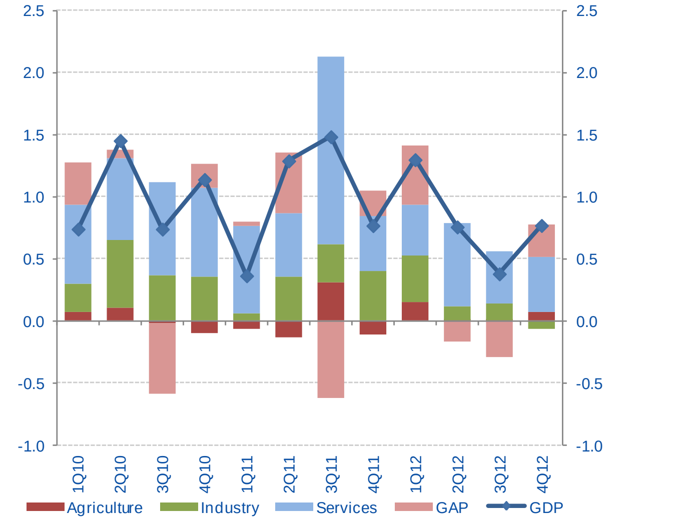
[1] http://www.bbvaresearch.com/KETD/fbin/mult/130211_FlashEcoMexico_16_eng_tcm348-373241.pdf

Chart 1
GDP Mexico, yoy% & contributions



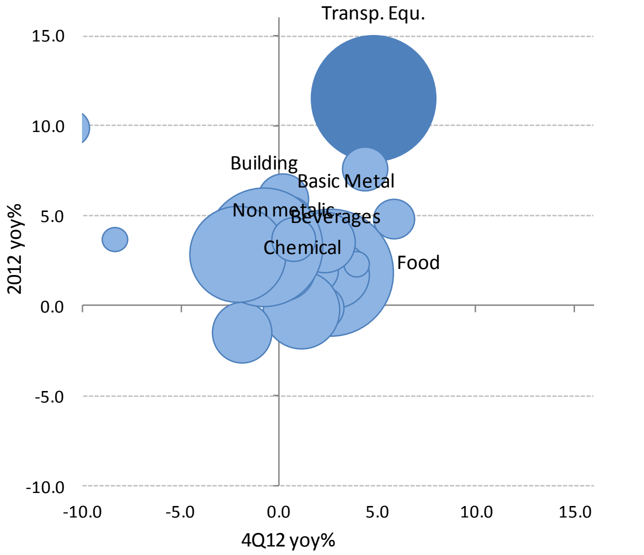
Source: BBVA Research with INEGI data

Chart 2
GDP Mexico, qoq% & contributions



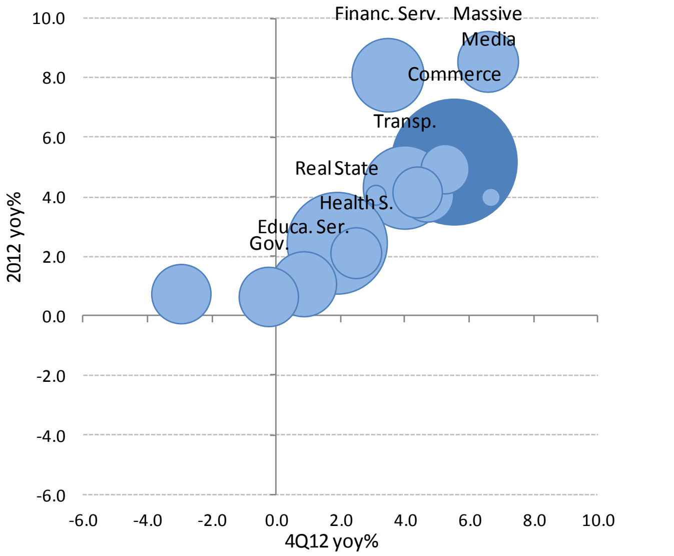
Source: BBVA Research with INEGI data

Chart 3
GDP Industry: 4Q12, 2012 yoy% and GDP weight



Source: BBVA Research with INEGI data

Chart 4
GDP Services: 4Q12, 2012 yoy% and GDP weight



Source: BBVA Research with INEGI data

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