

Mexico GDP Flash

4Q12 GDP: growth based on the good performance of the private consumer expenditures, as opposed to investment.

- 4Q12 growth of 0.8% q/q was driven by domestic demand, particularly private consumption. Net exports were slightly negative.
- Short-term indicators point to slower growth in 1Q13, in line with expectations.

Yesterday INEGI announced the composition of the demand side of GDP [growth amounting to 0.8 4Q12% q/q](#). Remember that in the last quarter of last year, product variation in annual terms was 3.3%, bringing the full-year expansion in real terms was 3.9%, the same as a year earlier.

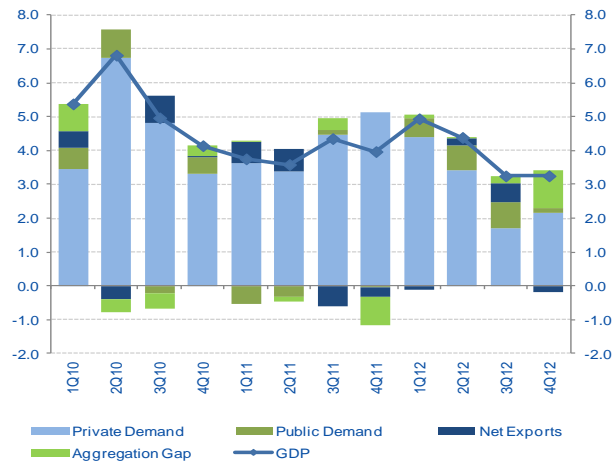
In the fourth quarter the expansion in private spending components was notorious, particularly private consumption expenditures, which rose above 1.0% quarterly, for the second consecutive quarter (1.1%). This expansion meant that consumption grew an annual 3.5%. Also it is worth noting that the magnitude of the expansion of the previous three quarters was revised upwards. Components of private household consumption grew, particularly those of national origin, with growth of 2.8% y/y, while imported consumption increased 0.7%. In both cases highlighted durable goods, which a positive signal about the prospect of consumer spending. It has been key in this recovery, the expansion of the labor force, where the earnings component recovered in real terms in the order of 2.5% y/y, after having fallen the previous 18 quarters per year, while employment continued to recover albeit at a slower pace than previous quarters.

Meanwhile, investment grew less than expected, considering that the import of capital goods expanded in the order of 7% per annum in the last quarter (10.3% in 3Q12). It should be noted that the quarterly change of 3Q12 was revised down from 0.9% initially published to 0.3% today. In the fall of investment (-0.5% q/q) it highlighted the public component, whose contraction from the previous quarter was (-)4.5%. On the other hand, the private component rose 2.1%, slightly below the 3.8% expected.

Regarding exports of goods and services, expansion stood at 2.6% q/q, which is a significant recovery after the fall of (-)1.5% in the previous quarter (revised from -2.4%). Somewhat higher than exports, imports of goods and services grew 4.0% q/q, so that the contribution of net exports to quarterly growth was negative (-0.8 pts).

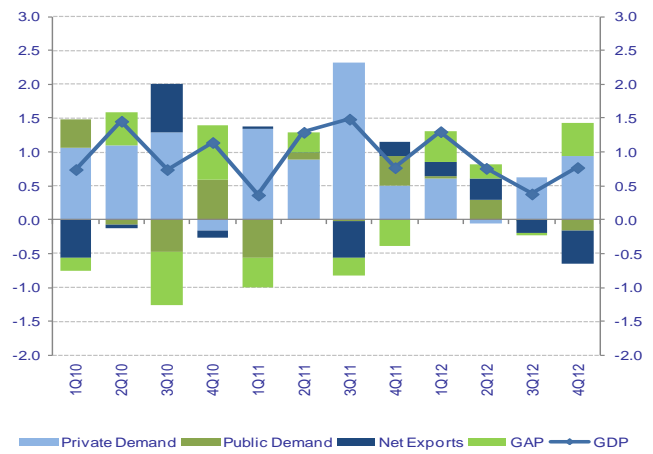
Indicators of activity in the first months of the year suggest that moderation will have become more evident and that is linked to lower manufacturing exports (-7.9% m/m in January), which in turn has resulted in a slight drop in producer confidence (-1.7% m/m on average in the period January - February) and consumer (-0.8% in the same period). Although there are few indicators of activity at the time, Q1 could have an expansion of activity somewhat below the 0.7% q/q initially projected.

Chart 1
GDP: Contributions to annual growth



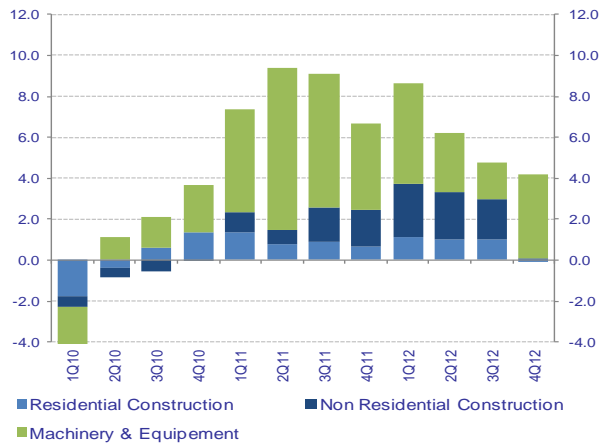
Source: BBVA Research with INEGI data

Chart 2
GDP: Contributions to quarterly growth



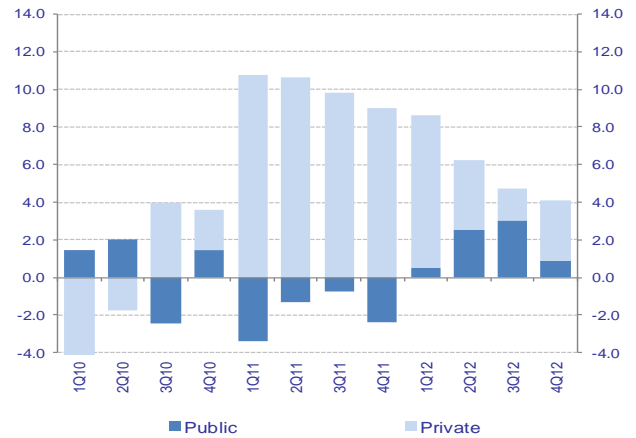
Source: BBVA Research with INEGI data

Chart 4
Total Investment (y/y% & components)



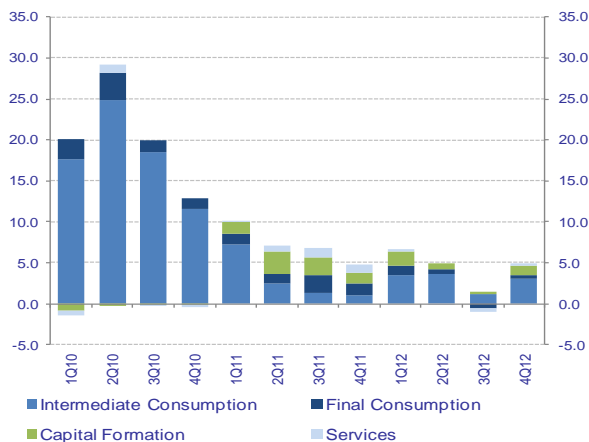
Source: BBVA Research with INEGI data

Chart 5
Total Investment (y/y% & components)



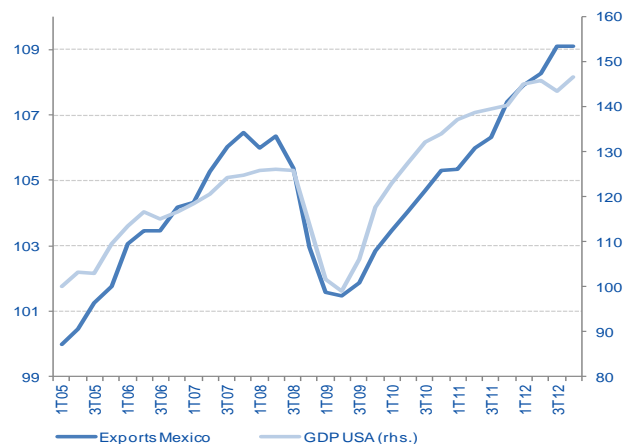
Source: BBVA Research with INEGI data

Chart 6
Imports (y/y% & components)



Source: BBVA Research with INEGI data

Chart 7
Exports & US GDP (1Q05=100)



Source: BBVA Research with INEGI data

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