

Mexico GDP Flash

Slightly higher than estimated, GDP grew 0.5% q/q in 1Q13. This is, however, the lowest annual growth since 2009

- Important statistical effect following adjustment for Easter, having been in April 2012 and in March 2013, which means that the annual change in the unadjusted series will stand at 0.8% while the growth in the adjusted series is 2.2%.
- It is worth to emphasize the continued slowdown in the industrial sector (0.1% q/q), while services maintains growth (1.5% q/q).
- While external risks have diminished, the cycle-related moderation continues, showing impact thru the industry. As GDP data was close to our estimated and given the expectation of acceleration in the U.S. in the second half of the year, we keep the growth outlook for this year at 3.1%.

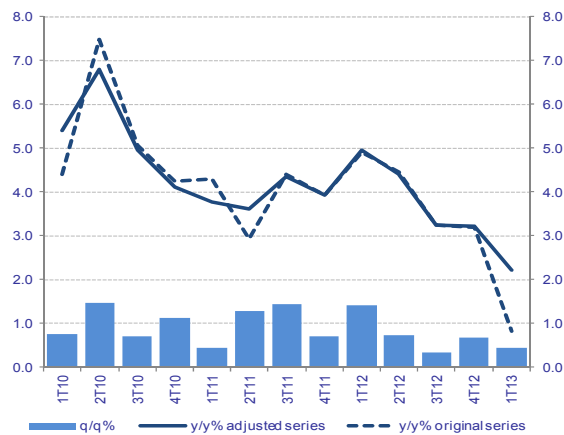
Slightly higher than the estimate for the quarterly forecast of BBVA Research (0.3% q/q), 1Q13 GDP stood at 0.5% q/q. There is significant calendar effect related to the Easter period that last year was in April while this year was in March, as well as that February had 28 days in 2013 and 29 days in 2012. The variation in the adjusted series (SA) is 2.2%, in line with our estimate, while no adjusted series (SNA) annual change stood at 0.8%. In any case, growth is the lowest since the fourth quarter of 2009.

By components, it highlights the relative strength in the service sector (1.5% q/q SA), after expanding 0.8% average in the second half of last year. Compared to the previous quarter, 11 of the 14 sectors that make up the service sector grew, highlight positive information sectors media, professional services, and financial services. Meanwhile government services, entertainment services and value added in restaurants and hotels was lower than the previous quarter. Although highly variable, it is worth noting the downward trend in the trade sector, consistent with the observed data indicators and retail sales recently published by ANTAD (National Association of Supermarkets and Department Stores).

On the other hand, the industry component maintains a sharp slowdown, primarily related to the manufacturing component, which contributed with 0.06 points to 0.15% q/q growth of the quarter. Meanwhile, the construction industry, despite having fallen last quarter, partially recovered their dynamics (0.12% q/q). Within the manufacturing industry, with particularly negative dynamics were branches as: plastic (-1.5% q/q), basic metals (-1.0% q/q), and power generation equipment supply (-0.7%), branches which together provide about 11% of manufacturing. The branch of food industry with a strong relationship with external demand also contracted near (-)0.4% in the quarter, which is very relevant considering the weight of this branch: 22%. **In contrast, a positive growth was observed for transport equipment branch**, responsible for 18% of manufacturing, expanding at a rate of 2.4% q/q. It is noteworthy that Mexico ranks as the leading exporter of transport equipment to the U.S., followed by Canada and Japan. The market share of these goods increased compared to that observed in 2012: 22.6% in 2012 vs. 23.1% in 1Q13.

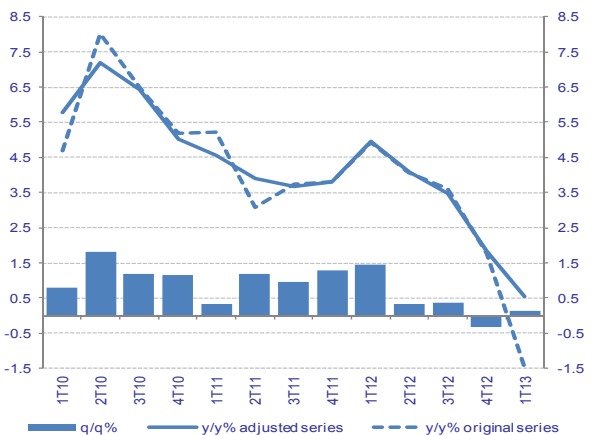
Although there are few indicators known of 2Q13: confidences (producer and consumer), automotive production and sales of ANTAD, plus U.S. industry, prevailing signals are mixed: Although consumer confidence about the future performance of the economy is good, ANTAD indicator points to moderation. In the case of industry, automobile production in April grew about 16% per month, although the dynamics of American industry was lower than the previous month. **A pending further information, maintain the growth forecast for the year of 3.1%.**

Chart 1
GDP Mexico, yoy% & qoq%



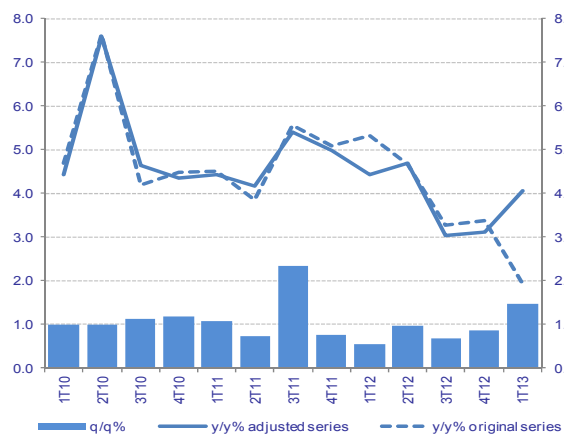
Source: BBVA Research with INEGI data

Chart 2
GDP Mexico, industry yoy% & qoq%



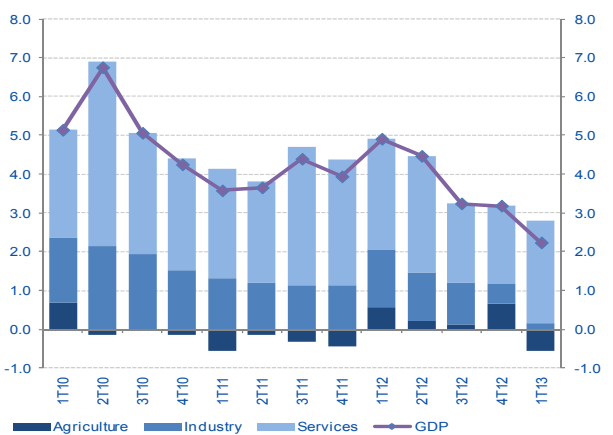
Source: BBVA Research with INEGI data

Chart 3
GDP Mexico, services yoy% & qoq%



Source: BBVA Research with INEGI data

Chart 4
GDP Mexico, yoy% & growth contributions



Source: BBVA Research with INEGI data

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