

Mexico GDP Flash

In 2013 the GDP growth rate was 1.1%, which is in line with our forecast for the year. This is a reflection of the economy's limited expansion last year.

- According to INEGI statistics, Mexico's GDP growth in non-seasonally adjusted figures for 4Q13 over 3Q13 was 0.18%. Similarly, the annual growth rate in the original GDP figures from 4Q13 compared to the same period the previous year was 0.7%. This puts overall GDP growth for 2013 at 1.1%.
- In terms of GDP components, tertiary activities showed the strongest performance, with growth rates in these areas at 2.1%. Primary activities came in second place, with annual growth of 0.3%. Finally, secondary activities shrank over the year by 0.7% as a result, among other issues, of the poor performance of certain segments in the industrial sector.

According to INEGI figures, in 4Q13 the annual rate of GDP growth based on the original series was 0.7%. Average quarterly GDP growth indicates that the country's economic output rose by 1.1% in 2013 vs. +3.9% in 2012.

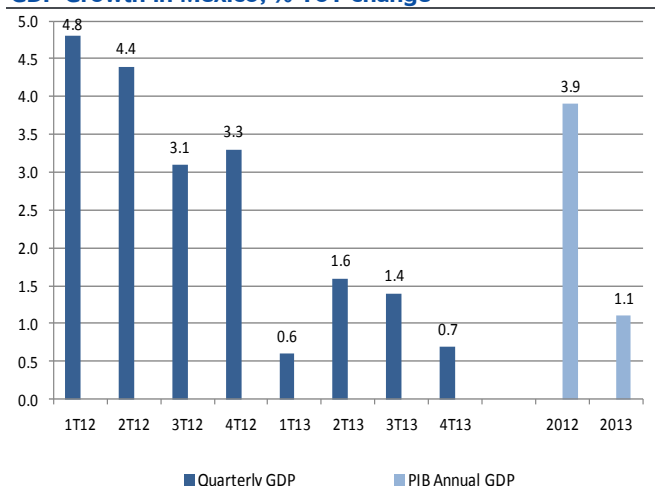
The 1.1% GDP growth for 2013 is in line with our 1.2% forecast. Note that the growth of economic output in 2013 was a result of poor performance in all three economic sectors. Thus in 2013, primary activities grew by just 0.3% vs. 7.3% in 2012. Secondary activities contracted by 0.7% in 2013 vs. 2.6% in 2012. Finally, although the services sector showed the best performance of GDP's three components, with growth of 2.1%, this rate was much lower than the 4.5% recorded in 2012.

On the basis of non-seasonally adjusted figures, GDP grew 0.18% in 4Q13 vs. the previous quarter. This means that the increase in economic output in the final quarter of the year was very slight. This, to a large degree, could be seen in the monthly change in the non-seasonally adjusted global economic output index, the IGAE. This index's monthly growth rates for October and November were 0.16% and 0.36%, respectively, which to a large degree was a foretaste of limited GDP expansion in 4Q13. However, the IGAE monthly unadjusted growth figure in December of -0.27% accounts to a large extent for the small non-seasonally adjusted GDP growth in the final quarter of 2013.

There were important negative factors behind the country's disappointing GDP performance in 2013. For example, the slowdown in the US economy, which only grew 1.9%; the floods suffered in many parts of the country; and weakness in certain economic sectors such as the construction industry and mining, among others.

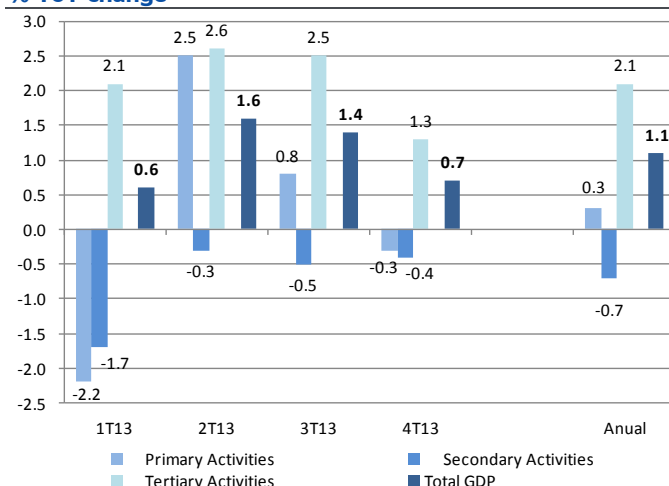
Provided that US GDP growth is in line with our forecast of 2.5% in 2014, and that public-sector expenditure expands, backed by the approved fiscal deficit of 1.5%, Mexico's GDP growth could reach 3.4%, in line with our estimates.

Chart 1
GDP Growth in Mexico, % YoY change



Source: BBVA Research with data from INEGI.

Chart 2
Mexico's total GDP and break down by activities, % YoY change



Source: BBVA Research, with data from INEGI.

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