

Economic Analysis

IGAE shows a robust increase in April, mainly driven by Services and Industry

Juan Carlos Rivas Valdivia

According to INEGI, Mexico's April IGAE expanded 2.9% YoY sa, equivalent to 1.2% MoM sa. This acceleration was mainly driven by a significant YoY increase in the Services sector (3.1%) and Industry (2.5%).

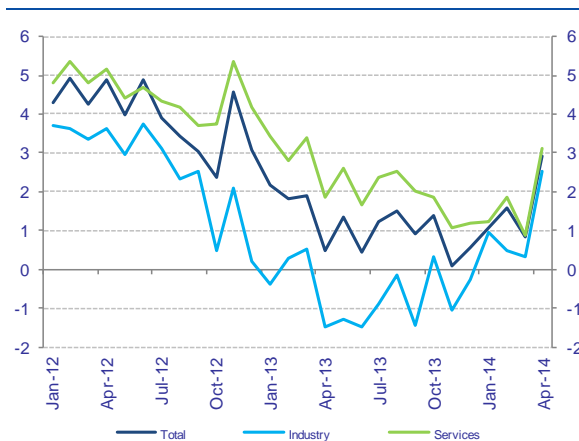
The substantial improvement in Services sector indicates that the domestic economy begins to recover, and along with the good performance of the Industry (partly linked to the external sector), seems to suggest the beginning of the expected improvement in the Mexican economy by the end of 2014.

According to data from INEGI, April's IGAE had a 1.2% MoM sa growth, which was above our forecast (BBVA Research: 0.5%). This positive result was mainly due to a substantial increase in Services (1.1% MoM, sa) and Industry (0.6% MoM, sa). Meanwhile, Agriculture remained stagnant.

The favorable performance of Services sector was mainly due to the improvement in Transport and Mass media; Accommodation and restaurants; Public Services; Retail sales, and Educational and health services.

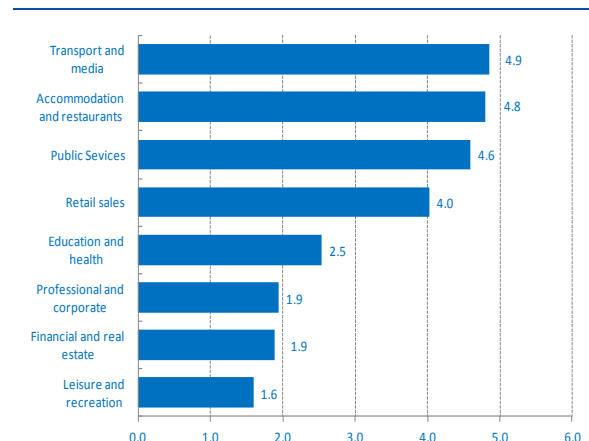
The IGAE's performance in April, especially in Services (see Figures 1 and 2), is in line with our 2014 economic growth forecast (2.5%). If U.S. growth continues this year, especially the manufacturing output, we can expect a boost in economic growth in Mexico. Furthermore, we expect a gradual recovery in domestic demand in the coming months, linked to a more efficient use of public expenditure.

Figure 1
IGAE and components
(YoY %, sa)



Source: BBVA Research with INEGI data; sa = seasonally adjusted.

Figure 2
Services components
(YoY %, sa)



Source: BBVA Research with INEGI data; sa = seasonally adjusted.

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research and BBVA Bancomer S. A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer on behalf of itself and is provided for information purposes only. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.