

Economic Analysis

In May IGAE shows a unexpected negative monthly performance (-0.1% MoM, sa)

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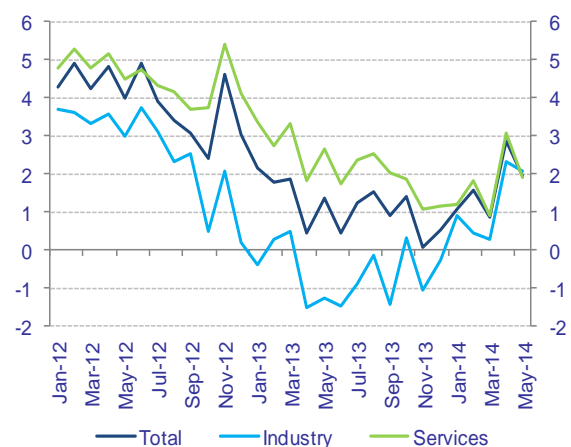
According to INEGI, Mexico's May IGAE expanded 1.9% YoY sa, equivalent to -0.1% MoM sa.

This performance was driven by a YoY sa increase in Agriculture (2.7%), Industry (2.1%) and Services (1.9%).

However, May's IGAE had a -0.1% MoM sa growth, which was below our forecast (BBVA Research: 0.3%). This negative result was mainly due to a decrease in Services sector (-0.2% MoM, sa). Industry increased 0.1% MoM, sa and Agriculture expanded 1.0% MoM, sa. This is certainly not a good indication of the performance of the second quarter of the year.

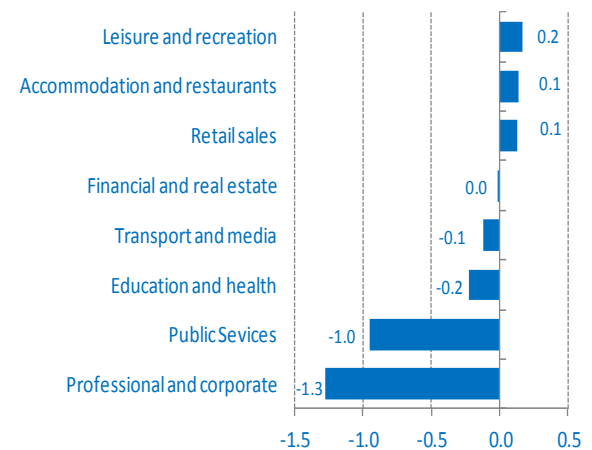
The slow growth of the components of IGAE, particularly negative performance of Services, indicates that the domestic economy has not yet entered a cycle of acceleration in economic activity as expected in late 2013. If this trend continues this would generate a moderate economic growth in late 2014. However, we maintain our expectation of a gradual recovery in domestic demand and external impulse continuity for the coming months, linked to a more efficient use of public spending in infrastructure and due an accelerate economic growth in the U.S.

Figure 1
IGAE and its components
(YoY %, sa)



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

Figure 2
Services components
(MoM %, sa)



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

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