

Economic Analysis

GDP in the second quarter of 2014 was slightly above expected, with a quarterly growth of 1.0%, driven mainly by the Services sector

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According to INEGI, the quarterly growth rate (QoQ) of the second quarter of 2014 (2Q14) GDP was 1.04%, seasonally adjusted (sa), equivalent to an annual growth (YoY) 2.73%. This expansion was slightly above our estimates and the market (BBVA Research: 0.85% QoQ; Consensus: 0.80% QoQ).¹

In terms of GDP components, in the 2T14 Tertiary activities (Services) were recorded the best performance, with a quarterly growth rate of 1.1%. Secondly, Secondary activities (Manufacturing) grew 1.0% and Primary activities (Agriculture) reported a quarterly increase of 0.9%, all seasonally adjusted.

Whereas this improvement in economic activity, the expectation of an efficient implementation of public investment, and continued improvement in the US economy, we maintain our estimate for economic growth this year at 2.5% YoY.

Based on the seasonally adjusted, the GDP rose 1.04% in the second quarter of 2014 compared to the previous quarter. This acceleration was reflected in the monthly evolution of Global Economic Activity Indicator (IGAE). The monthly growth rates of this indicator in April, May and June were respectively 1.09%, 0.12% and 0.23%, seasonally adjusted. The monthly data in June IGAE growth was better than expected due to the expansion in the Service sector, which increased 0.33% MoM, sa. Meanwhile, Industrial Production fell 0.18% MoM, sa, and Agriculture declined 3.27% MoM, sa.

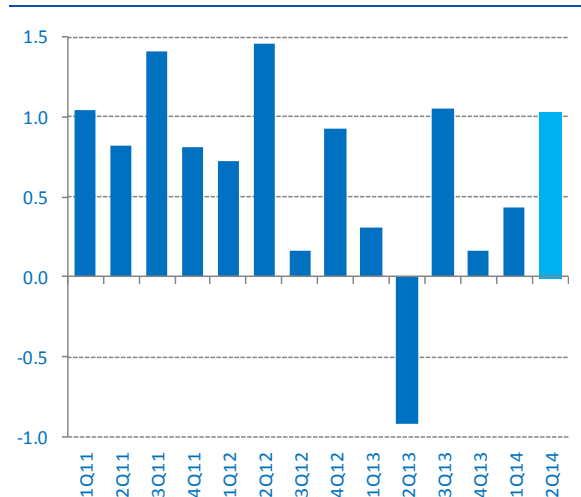
In annual terms, the good performance of economic activity of 2T14 was due to significant improvements in the Manufacturing and Services sectors. Manufacturing activities increased 2.5 YoY, above the 1.8% drop YoY seen in the second quarter of 2013. The Service sector grew by 2.8% YoY, this rate was also higher than the rate 1.9% YoY, which was recorded in the same period of 2013. The Primary sector also showed improvement over the quarterly growth in 2013, up 2.7% YoY, while in the same period of 2013 it rose just 0.5%.

Due to the good performance of GDP in the second quarter our economic growth scenario for 2014 remains at 2.5%. This forecast is based on the following factors: the US GDP in 2014 should be growing at least 2.0%, and a timely, efficient and majorly oriented public sector spending in infrastructure.

¹ See Mexico Weekly Flash August 15, 2014:

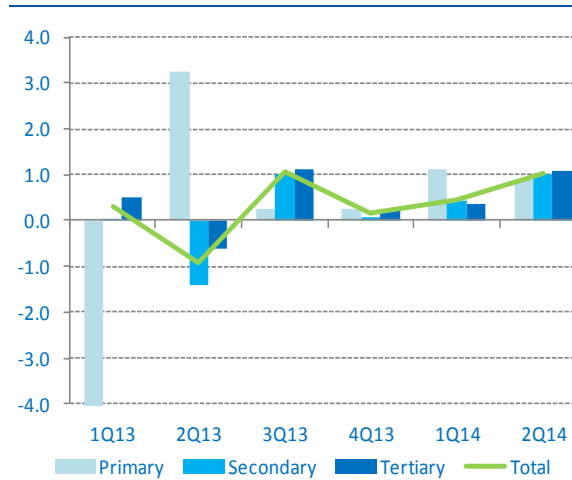
<https://www.bbvarresearch.com/en/publicaciones/we-estimate-that-second-quarter-2014-gdp-will-show-quarterly-growth-of-0-85-sa/>

Figure 1
Mexico GDP growth, 2011-2014
(QoQ %, sa)



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

Figure 2
Mexico GDP growth, total and its activities, 2013-2014
(QoQ %, sa)



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

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