

Economic Analysis

In July the IGAE shows an unexpected positive annual performance (2.5% YoY, sa)

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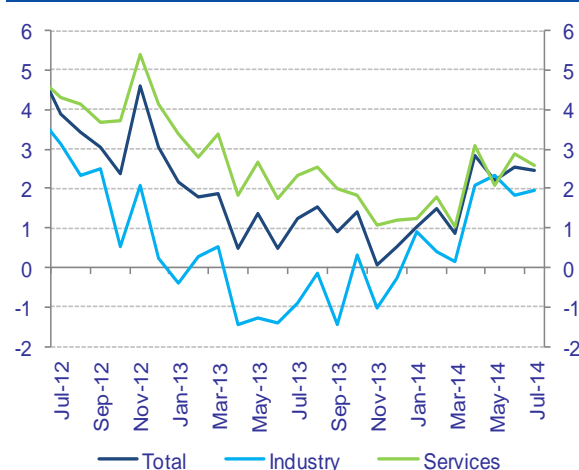
According to INEGI, Mexico's July the Global Economic Activity Indicator (IGAE) expanded 2.5% YoY sa. This increase, slightly above our estimation (BBVA Research: 2.1% YoY, sa), was equivalent to 0.4% MoM sa.

This performance was driven by a YoY increase in Agriculture (6.8%, sa), Services (2.6%, sa) and Industry (2.0%, sa).

July's IGAE had a 0.41% MoM sa growth. This positive result was mainly due to an increase in Agriculture and Services sectors (3.98% and 0.34% MoM, sa, respectively). Industry increased 0.28% MoM, sa. This means a relevant economic performance of the third quarter of the year.

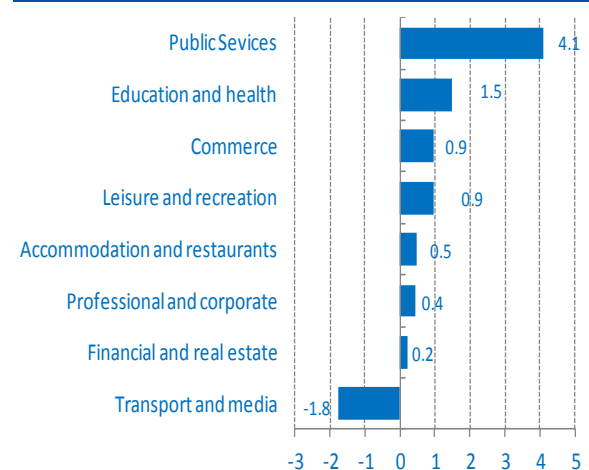
The dynamic growth of the components of IGAE, particularly performance of Agriculture and Services (Public services), indicates that the economy would achieve an economic growth as expected in 2014 (2.5%). Thus, we maintain our expectation of a gradual recovery in domestic demand and external impulse continuity for the coming months, linked to a more efficient use of public spending in infrastructure and due acceleration in the 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, July 2014
(MoM %, sa)



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

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