BBVA | RESEARCH

Regional Sectorial Outlook

Mexico

Second Half 2014

Economic Analysis

- National economic growth accelerates in 2014, but sector disparities still prevail
- All country regions will very likely show better economic performance in 2014 vs. 2013
- The Mexican Oil Fund is unlikely to accumulate resources immediately
- The automotive industry in Mexico has become a significant export platform worldwide
- Consolidation of economic growth is necessary for domestic tourism to grow at a similar rate to international tourism

BBVA Bancomer

Índex

Closing date: September 5, 2014

1. In Summary

Economic activity recovers in the first half of the year and sector disparity will be vanishing

Across-the-board growth in manufacturing will occur as long as external demand (particularly of non-automotive goods) grows faster, and provided that domestic consumption shows more dynamism. Within the service sector, the activities more associated with external demand than internal -such as trade, transport and mass media- are improving substantially, while those more linked to the domestic market (except tourism services for foreign visitors), are showing moderate annual growth rates .

By the second half of 2014, we expect the Mexican economy as a whole to grow at an average annual rate of 3.2%, seasonally adjusted, with which our growth rate forecast of 2.5% would be reached by the end of the year. If this is the case, it will mean getting off to a good start in 2015 and we could be a little more optimistic. Our forecast for GDP growth in 2015 is 3.5%. If include the fact that structural reforms have been approved, the construction sector has yet to strengthen itself, domestic demand needs to invigorate itself and low consumer and producer confidence must be overcome.

All country regions will show higher economic growth in 2014 vs. 2013

The national economic growth forecast for 2014 is 2.5%, a higher figure than in the year before. In all five regions into which we have divided the country according to their economic vocation, we forecast that their economies will outperform the 2013 results.[1] In particular, the following expectations for 2014 stand out: i) the foreseen acceleration of economic growth in the Medium Development region will be a determining factor for the GDP's better expected performance; ii) the Touristic region is expected to continue posting the highest economic growth; and iii) greater economic momentum in the Medium Development and Industrial regions will account for 73% of the expected acceleration in national economic growth over the year before.

As has been the case since 2011, an interregional comparison among the estimated economic growth rates for 2014 indicates that the Touristic region will be the most dynamic. This economy is expected to grow by 3.9%, while the Industrial, Medium Development and Low Development regions will probably post growth rates of 3.0%, 2.1%, 2.0% and 1.8%, respectively.

A regional incidence analysis of 2014's national economic growth forecast allows us to identify the Medium Development and Industrial regions as those making the biggest additions to the country's improved economic performance over 2013. Although most of the regions will likely make larger contributions to expected national economic growth in 2014 vs. 2013, the Medium Development region stands out because of the recovery of its contribution to such growth. The addition by this region is estimated at 0.7pp in 2014 vs. 0.0pp in the year before. We should mention that this region contributed, on average, 1.0pp during the years of national economic expansion between 2004 and 2012.

[1] There is a detailed description, in Spanish, of the classification in ***Situación Sectorial Regional México***, "Agrupamiento Regional, Cómo y Para Qué", November 2007. BBVA Bancomer. Regions are divided by economic vocation and level of development: Highly Development: DF; Touristic: BCS and QR; Industrial: Ags, BC, Coah, Chih, Jal, Méx, NL, Qro, Son, Tamps; Medium Development: Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlax, Ver, Yuc, Zac; Low Development: Chis, Gro and Oax.

Special reports: general implications of some secondary energy laws, Mexico's consolidation as a powerful automotive exporter and the progress made by domestic and international tourism at a two-speed fashion

This edition of ***Mexico Regional Sectorial Outlook*** shows three analysis of the following topics: i) some of the secondary energy laws decreed by the Federal Executive; ii) the automotive industry and the relevance of its export platform for the Mexican economy; and iii) domestic and international tourism in Mexico with a focus on the factors that have influenced its recent performance.

The main findings of the analysis of some of the secondary energy laws are as follows: i) Pemex will continue to be a major contributor to public revenues through the annual payments for the rights to shared profits; ii) the State's new companies for profits, Pemex and CFE, could become more competitive at the expense of a higher public debt to GDP ratio and the likely higher costs of borrowing for the federal government; iii) the Mexican Oil Fund is unlikely to start accumulating resources immediately, due to the continuation of the practice of using most of the revenue from oil rights to meet the needs of the Federation's Expenditure Budget; and iv) the success of the electricity industry's restructuring to a large degree will hinge on having both enough competitors on the generation side and an efficiently managed and regulated transmission network.

As for the automotive industry, this document looks at the extraordinary growth that Mexico has experienced since the restructuring of the North American industry in 2007. This expansion is expected to continue at even greater speeds, with positive impacts on investment (new assembly and input supplying plants) and employment. Behind these figures is the global trend of outsourcing production from developed countries to emerging markets. In the context of emerging economies, Mexico has become one of the most profitable exporters in the world, with high quality at lower costs, competing for the carmaker supremacy with other NAFTA (North American Free Trade Agreement) partners, especially with the US.

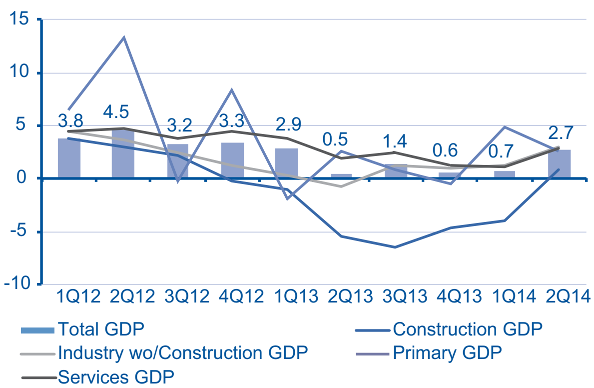
Up until the first half of 2014, tourism in Mexico continued to grow, not only in higher FX revenues, but also in average expenditure and hotel occupancy levels. Both destinations focusing on international tourism and occupancy in large urban conglomerates are expanding. Meanwhile, places visited mainly by domestic tourists and medium-sized and border towns could do better, in the light of greater economic growth expected for the second half of this year. Beach tourism has performed satisfactorily over the year and we expect occupancy levels to continue their improvement, helped above all by demand from international visitors. The business niche is growing strongly, as are occupancy levels in Mexico City and the Bajio area. We foresee that the differences between tourism destinations will persist as long as the economic growth does not consolidate.

2. Regional and Sectorial Analysis

2.a The recovery of economic activity in 1H14 keeps going; disparities among sectors will dissipate as growth consolidates

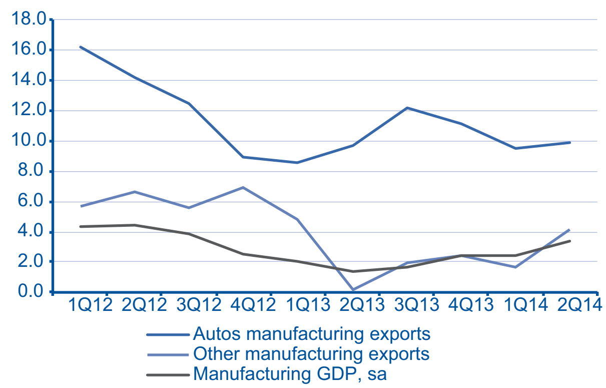
After four quarters of slow economic growth, this indicator accelerated in 2Q14 (2.7% vs. 0.7% in 1Q14 at an annual rate, seasonally adjusted (sa)). By the end of 1H14, the economy grew 1.7% y/y. The fastest acceleration in growth was in commerce (from 0.2% to 3.8% y/y) followed by manufacturing (from 2.8% to 4.0% y/y). Construction continues to show the greatest lag, as it has done so since late 2012 (see Chart 2a.1).

Chart 2a.1
Gross Domestic Product (GDP) in Mexico (y/y % change, sa figures)



Source: BBVA Research with data from INEGI

Chart 2a.2
GDP and manufactured exports (y/y % change, sa figures)



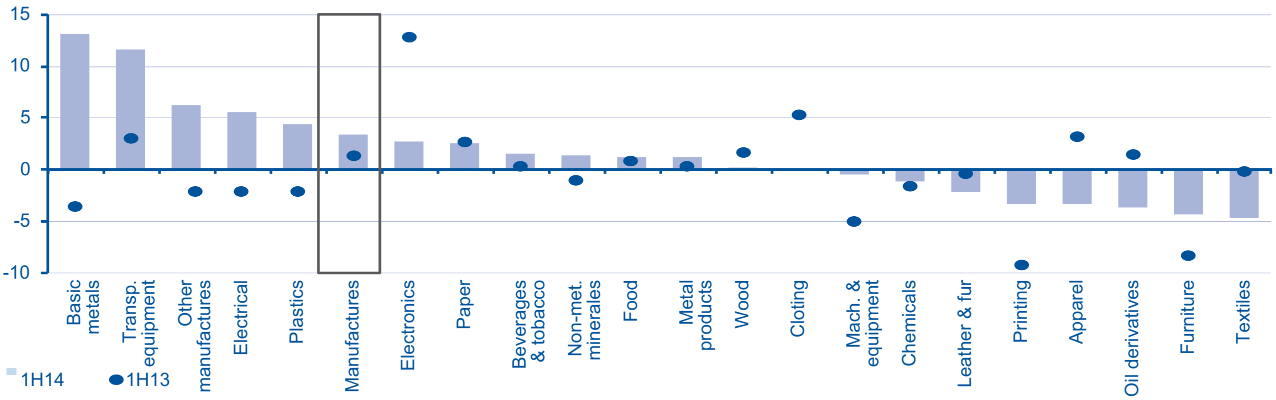
Source: BBVA Research with data from INEGI

Industrial activity, ups and downs continue in the first half of 2014

In manufacturing, the modest growth in non-automotive exports (whose relative weight is approximately two-thirds of the sector's external sales) has limited the overall sector's growth (see Chart 2a.2). In 1H14 such exports rose 3.4%, a higher figure than the 1.3% recorded in 1H13. Thus, the sectors linked to the automotive industry show the highest rates of growth, when compared with a year before, too: transport equipment (11.6% vs 3% in 1H13); basic metal industries (13.1% vs. -3.6%); electrical equipment (5.6% vs. -2.1%) and the plastic and rubber industry (4.4% vs -1.9%). At the other extreme, there were contractions throughout the entire chain in textiles/garment-making; furniture making; machinery and equipment; the chemicals industry; and oil and coal by-products. The sectors posting medium growth (similar to the average expansion of manufacturing) will be food and beverages; ITC equipment; paper; and non-metal minerals. For growth to be widespread, it is crucial that external demand (particularly non-automotive goods) should grow at a higher rate, and that this should go hand-in-hand with noticeable momentum in domestic consumption.

Chart 2a.3

Manufacturing production
(First half of the year y/y % change, figures seasonally adjusted)



Source: BBVA Research with data from INEGI

Opportunities are opening up for oil extraction activities. Slowly but surely, the mature wells are becoming exhausted and production is showing a downward trend, which will be hard to reverse unless new fields are added. Now that the energy reform has been approved, there is an opportunity to increase production and expand capacity in refining, petrochemicals and gas extraction. At the end of the first half of 2014, mining production continued to fall (-1.9% vs -0.3% in 1H13), mainly as a result of the lower volumes of oil extraction.

Although production in the electricity sector adjusts either upwards or downwards depending on the phase of the economic cycle, demand for energy has a positive trend, making the need to expand capacity in the long term persist. Therefore, both the state-owned electric company (CFE, for its acronym in Spanish) and independent producers need to build efficient plants with cleaner technologies to cope with the expected growth in demand.

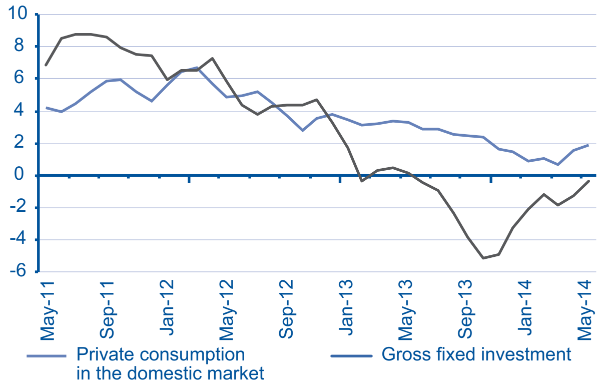
Although construction still showed a -3.2% rate in annual terms in 1H14, there are good reasons to expect that in the future it will contribute to economic growth. Public investment is already starting to be noticeable, and with implementation of the secondary legislation of the telecommunications and energy reforms, construction will be given renewed momentum.

Modest growth in the services sector reflects a sluggish private consumption

Given the current performance of manufacturing, there is no doubt that the external environment has improved, which is driving growth. Now what we need is more progress on the domestic economy front. Household consumption and private investment have shown little momentum, with business and consumer confidence still low. Similarly, the jobs created have mainly been of the low-paying type. All of the aforementioned renders a services sector with internal contrasts. On average, this sector showed an encouraging 2Q14, with an annual growth rate of 2.8%, up from 1.0% in 1Q14. Since the first three months of the year were influenced by the adverse short-term effects of the tax reform, growth in 1H14 was withheld from getting higher (1.9% vs 2.8% from a year before). This rate is still insufficient and ought to be more dynamic in the following months.

Chart 2a.4

Consumption and investment (y/y % change 3mma, sa figures)



Source: BBVA Research with data from INEGI

Chart 2a.5

Services production (y/y % change, sa figures)

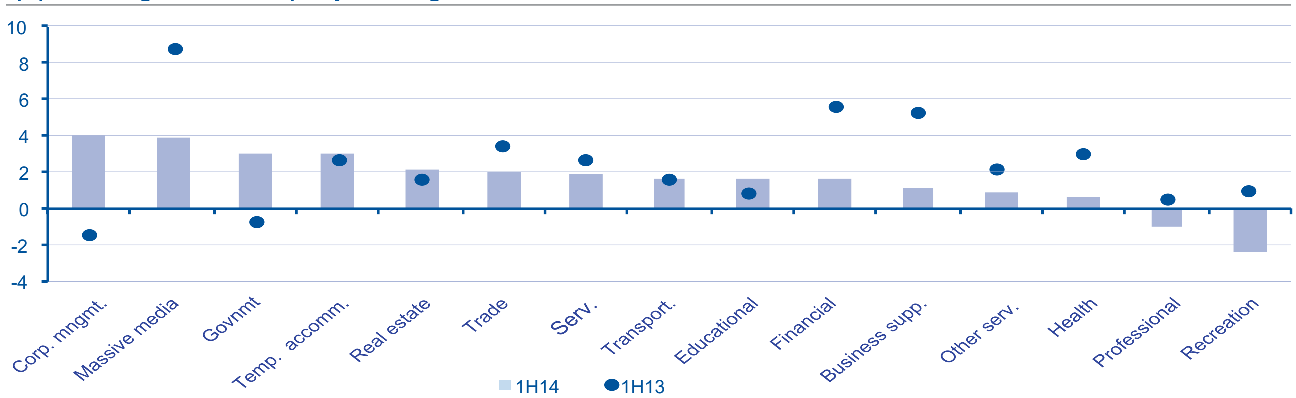
1 Includes sectors such as trade, transport, post and storage; and information from the mass media.
2 Includes the remaining tertiary activities
Source: BBVA Research with data from INEGI

Services activities that are more associated with external than domestic demand -such as trade, transport and the media- improved significantly in 2Q14, as a group growing 3.6% y/y vs. 0.7% in 1Q14 sa, bringing the accumulated growth in 1H14 to 2.2% vs. 3.7% in 1H13. This proves that the recovery of exports has already permeated through the services sector.

Despite greater momentum in economic activity, the activities of services that are more closely linked to the domestic economy (except for tourism driven by foreign visitors), although showing positive annual rates of growth, they are still very modest: 1.5% in 1Q14 and 1.9% in 2Q14. This is a consequence of modest growth in the real salary mass derived from a higher proportion of low-wage formal employment. Undoubtedly, increased taxation has also been an important factor for consumption dynamics.

Chart 2a.6

Activities of the services sector (y/y % change, seasonally adjusted figures)



Source: BBVA Research with data from INEGI

By the second half of 2014, disparities in the Mexican economy will be less, which will make possible to grow 3.5% in 2015

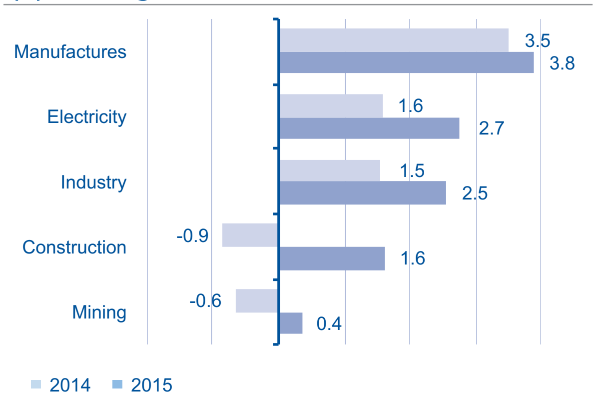
Growth will continue in the global environment, estimated at 3.3% by the end of 2014, and 3.8% in 2015, but recovery will be slower than on other occasions. This will imply improvements in advanced economies, the US (2.0% and 2.5% in 2014 and 2015, respectively) and the eurozone, and a soft landing in China.

For 2H14 the Mexican economy as a whole is expected to march at an annual rate of 3.2% sa, which would bring the annual growth rate to 2.5%. If this were to happen, it would mean that 2015 would get off to a good start and we could be a little more optimistic about expecting a better rate of expansion. If we add to this mix the fact that secondary laws have been approved, it will only be necessary to consolidate the construction sector, pep up domestic demand and overcome low consumer and producer confidence indicators.

While we believe that the automotive industry's exports will continue to contribute most to growth in manufacturing, with the recovery of domestic consumption and non-automotive exports, we can expect it to grow by 3.5% in 2014 and 3.9% in 2015. Within manufacturing, progress will be more even among sectors, with all of them growing by 2015. The most modest progress will be in the textile and clothing chain and in oil by-products. Meanwhile, the biggest progress will come from those sectors linked to external markets and from public construction as well as.

Chart 2a.7

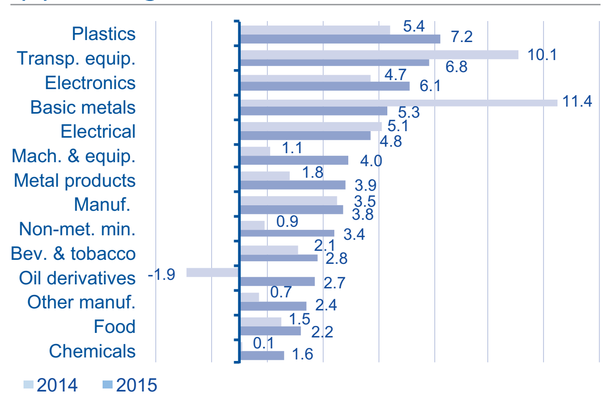
Industrial production, growth 2014-15 (y/y % change)



Source: BBVA Research with data from INEGI

Chart 2a.8

Manufacturing growth 2014-15 (y/y % change)

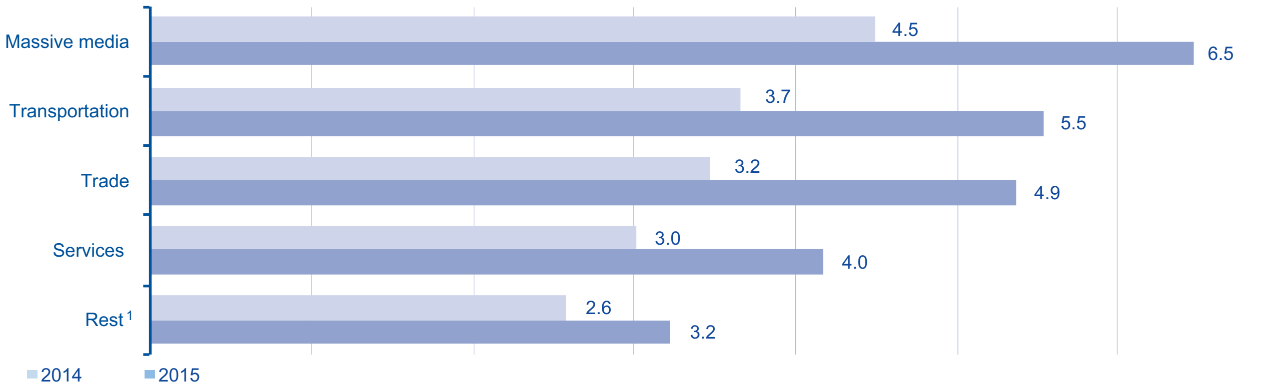


Source: BBVA Research with data from INEGI

The investment outlook for the second half of the year is positive; we estimate growth of 4.1% in 2H14 vs. -1.8% in 1Q14 for total investment, meaning that 2015 will start with increasing momentum, reaching 6.1% by year-end. Public spending on infrastructure will allow private investment to be propped up (including investment by PEMEX). For the oil industry, authorities estimate production volumes of 2,350 mbbls/d in 2014 and 2,400 mbbls/d in 2015, in which case extractive industries as a whole would grow -0.6% and 0.4%, respectively.

In services, those activities most closely linked to the external sector will be leading growth: mass media, transport and commerce. In the rest of services, which are more related to the domestic market, although we expect better performance, higher growth will be conditional on better progress in the growth rate of the real salary mass, and on a substantial improvement in the quality of jobs created, as well as on a boost to consumer confidence.

Chart 2a.9
Services growth[1,2] 2014-15
(y/y % change)



1 Commerce, transport and mass media are more linked to foreign demand
2 The rest: services more linked to domestic demand
Source: BBVA Research with data from INEGI

In summary

The economic momentum of 2014-15 assumes that the impact of reforms will still be limited; in particular, the impulse from the telecoms and energy reforms. At the same time, the need to define the sectors in which Mexico has competitive advantages, both on a local level and over other countries, has become again a very relevant issue. Up to now, the scorecard for economic growth contains pluses and minuses. The economic activity accelerated in the second quarter, although not at its potential rate.

2.b Sectorial Outlook

Table 2b.1

Mexico, Indicators and sectorial projections, production, sa

	Annual % change													
	2010	2011	2012	2013	2014	2015	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Total GDP	5.1	4.0	3.7	1.3	**2.5**	**3.5**	2.9	0.5	1.4	0.6	0.7	2.7	**2.7**	**3.7**
Primary	0.8	-1.9	6.7	0.2	**4.3**	**3.7**	-1.9	2.6	0.9	-0.5	4.9	2.5	**3.4**	**6.3**
Secondary	4.6	3.5	2.8	-0.7	**1.5**	**2.5**	0.0	-1.8	-0.6	-0.3	0.1	2.5	**1.8**	**1.7**
Mining	1.0	-0.6	1.3	-2.0	**-0.6**	**0.4**	-1.5	-2.3	-2.6	-1.7	-0.6	-0.1	**-0.6**	**-1.3**
Electricity, water, and supply of gas	4.1	7.1	2.4	0.1	**1.6**	**2.7**	-1.0	0.3	0.8	0.5	1.7	1.5	**1.3**	**1.8**
Construction	0.7	4.1	2.1	-4.4	**-0.9**	**1.6**	-1.0	-5.4	-6.5	-4.7	-4.0	0.9	**0.2**	**-0.4**
Manufacturing	8.6	4.6	3.5	1.9	**3.5**	**3.8**	2.1	0.6	2.8	2.0	2.8	4.0	**3.5**	**3.8**
Tertiary	5.7	4.7	4.3	2.3	**3.0**	**4.0**	3.8	1.9	2.5	1.2	1.1	2.8	**3.4**	**4.6**
Retail trade	11.9	9.8	4.1	3.4	**3.2**	**4.9**	5.0	1.7	4.4	2.4	0.2	3.8	**3.7**	**5.3**
Transportation, mail and storage	7.7	4.1	3.9	1.6	**3.7**	**5.5**	2.4	1.1	1.9	1.0	1.0	2.5	**4.3**	**6.9**
Information in mass media	1.0	4.4	16.5	5.4	**4.5**	**6.5**	10.6	6.9	4.7	0.0	2.8	4.9	**4.4**	**5.8**
Insurance and financial services	20.9	7.1	8.6	3.9	**4.2**	**6.2**	4.2	7.0	3.0	1.5	2.6	0.7	**7.3**	**6.2**
Real estate and leasing services	2.8	2.9	2.6	1.5	**2.9**	**3.1**	1.7	1.7	1.4	1.1	2.1	2.3	**3.1**	**4.0**
Prof., scientific, and technical serv.	0.4	5.0	1.1	-1.2	**1.0**	**2.0**	2.2	-1.3	-3.9	-1.9	-1.5	-0.3	**2.3**	**3.4**
Corporate and company leadership	5.6	3.4	6.8	-5.4	**4.1**	**3.0**	1.9	-4.9	-3.5	-14.4	1.9	6.2	**2.4**	**6.0**
Business support serv.	0.6	5.8	4.3	3.9	**1.2**	**3.5**	6.6	3.8	3.2	2.0	0.3	2.0	**1.5**	**0.8**
Educational services	0.3	1.6	2.2	1.1	**1.7**	**1.6**	0.9	0.9	1.2	1.4	1.4	2.0	**1.3**	**2.0**
Health and social welfare services	-0.2	2.2	2.2	2.0	**1.2**	**1.6**	3.5	2.6	0.9	1.0	0.2	1.0	**1.4**	**2.1**
Leisure and relaxation, cult., & sports serv.	4.1	-0.7	2.8	0.2	**0.2**	**2.2**	3.4	-1.3	-0.8	-0.5	-3.4	-1.4	**3.0**	**2.7**
Hotel, motel, lodging & prep. of food & bev.	1.9	1.5	5.5	2.1	**3.0**	**2.9**	4.1	1.3	1.6	1.6	1.9	4.1	**2.5**	**3.6**
Other serv. except gov't activities	1.0	1.9	2.1	1.7	**1.2**	**1.5**	2.5	1.9	1.6	0.7	-0.3	2.1	**1.0**	**2.1**
Government activities	2.5	-1.4	3.8	0.8	**4.1**	**4.3**	-0.1	-1.2	2.8	1.9	3.6	2.5	**3.0**	**7.1**

	share, %							Contribution to growth , pp						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Total GDP	100.0	100.0	100.0	100.0	100.0	**100.0**	**100.0**	-4.5	5.1	4.0	3.7	1.3	**2.5**	**3.5**
Primary	3.3	3.1	3.0	3.0	3.0	**3.1**	**3.1**	-0.1	0.0	-0.1	0.2	0.0	**0.1**	**0.1**
Secondary	35.0	34.8	34.6	34.3	33.6	**33.3**	**33.0**	-2.2	1.6	1.2	1.0	-0.2	**0.5**	**0.8**
Mining	8.7	8.3	7.9	7.8	7.5	**7.3**	**7.1**	-0.3	0.1	-0.1	0.1	-0.2	**0.0**	**0.0**
Electricity, water and supply gas	2.2	2.2	2.2	2.2	2.2	**2.2**	**2.1**	0.0	0.1	0.2	0.1	0.0	**0.0**	**0.1**
Construction	8.3	7.9	7.9	7.8	7.4	**7.1**	**7.0**	-0.5	0.1	0.3	0.2	-0.3	**-0.1**	**0.1**
Manufacturing	15.9	16.4	16.5	16.5	16.6	**16.7**	**16.8**	-1.3	1.4	0.8	0.6	0.3	**0.6**	**0.6**
Tertiary	59.1	59.4	59.8	60.2	60.7	**61.0**	**61.3**	-2.2	3.4	2.8	2.6	1.4	**1.8**	**2.5**
Retail trade	13.4	14.3	15.0	15.1	15.4	**15.5**	**15.7**	-1.7	1.6	1.4	0.6	0.5	**0.5**	**0.8**
Transportation, mail and storage	5.6	5.7	5.7	5.7	5.7	**5.8**	**5.9**	-0.4	0.4	0.2	0.2	0.1	**0.2**	**0.3**
Information in mass media	3.0	2.9	2.9	3.3	3.4	**3.5**	**3.6**	0.2	0.0	0.1	0.5	0.2	**0.2**	**0.2**
Insurance and financial services	3.5	4.0	4.1	4.3	4.4	**4.5**	**4.6**	0.1	0.7	0.3	0.4	0.2	**0.2**	**0.3**
Real estate and leasing services	12.5	12.3	12.1	12.0	12.0	**12.0**	**12.0**	0.1	0.3	0.4	0.3	0.2	**0.3**	**0.4**
Prof., scientific, and technical serv.	2.3	2.2	2.3	2.2	2.1	**2.1**	**2.1**	-0.1	0.0	0.1	0.0	0.0	**0.0**	**0.0**
Corporate and company leadership	0.6	0.6	0.6	0.6	0.6	**0.6**	**0.6**	-0.1	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Business support serv.	3.2	3.0	3.1	3.1	3.2	**3.1**	**3.1**	-0.2	0.0	0.2	0.1	0.1	**0.0**	**0.1**
Educational services	4.0	3.9	3.8	3.7	3.7	**3.7**	**3.6**	0.0	0.0	0.1	0.1	0.0	**0.1**	**0.1**
Health and social welfare services	2.2	2.1	2.0	2.0	2.0	**2.0**	**2.0**	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Leisure and relaxation, cult., & sports serv.	0.5	0.5	0.4	0.4	0.4	**0.4**	**0.4**	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Hotel, motel, lodging & prep. of food & bev.	2.1	2.1	2.0	2.1	2.1	**2.1**	**2.1**	-0.2	0.0	0.0	0.1	0.0	**0.1**	**0.1**
Other serv. except gov't activities	2.2	2.1	2.0	2.0	2.0	**2.0**	**2.0**	0.0	0.0	0.0	0.0	0.0	**0.0**	**0.0**
Government activities	4.0	3.9	3.7	3.7	3.7	**3.7**	**3.8**	0.1	0.1	-0.1	0.1	0.0	**0.1**	**0.2**

Note: projections appear in boldface. All figures are subject to review by the Institute, this is mainly when fourth quarter data is calculated because it is based on the latest statistical information available.
sa: Seasonally-adjusted; na: not available; pp: Percentage points
Source: BBVA Research with INEGI data

Table 2b.2

Mexico: Indicators and sectorial forecasts, manufacturing production, sa

	Annual % change														
	2009	2010	2011	2012	2013	2014	2015	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Total	-7.9	8.6	4.6	3.5	1.9	3.5	3.8	2.1	0.6	2.8	2.0	2.8	4.0	3.5	3.8
Food	-0.3	1.7	2.2	2.3	0.5	1.3	2.2	-0.3	1.6	0.7	0.0	1.0	1.3	1.7	1.2
Beverages and tobacco	0.3	0.5	4.7	2.7	0.9	2.1	2.8	-1.3	1.9	2.8	0.3	0.6	2.3	3.9	1.5
Textile inputs	-7.5	11.0	-4.3	3.0	-3.1	-1.2	1.3	-1.4	0.9	-5.9	-6.0	-0.5	-8.6	2.2	2.6
Production of textile products	-8.0	3.0	-2.8	-0.2	2.9	1.5	2.4	4.3	6.6	4.8	-4.2	1.2	-1.2	0.8	5.5
Apparel	-7.6	4.5	0.3	-0.4	3.1	-2.8	2.1	-2.2	9.0	3.7	2.2	1.0	-7.4	-3.3	-1.2
Leather and fur products	-4.8	7.8	-0.7	3.5	0.8	-0.8	1.2	-4.1	3.5	1.2	2.7	-0.2	-4.2	0.8	0.6
Lumber industry	-4.5	5.4	5.1	13.1	-2.6	0.2	1.1	6.8	-3.2	-4.2	-8.6	-1.7	1.8	0.2	0.7
Paper industry	-0.6	3.7	-0.8	4.8	2.6	2.8	2.1	3.8	1.7	2.6	2.3	2.8	2.2	3.1	3.1
Printing and related industry	-6.3	9.8	4.0	-3.8	-7.3	-1.3	1.3	-10.5	-8.0	-10.7	1.1	-0.8	-5.7	0.7	0.6
Oil deriv. products	0.5	-7.3	-3.6	0.9	2.4	-1.9	2.2	-0.6	3.8	4.1	2.2	-2.8	-4.6	-0.2	-0.1
Chemicals	-3.1	-0.4	-0.1	-0.1	0.6	-0.1	1.6	-2.2	-1.0	4.3	1.5	1.8	-4.1	0.9	1.0
Plastic and rubber products	-9.6	13.5	6.8	8.3	-0.7	5.4	7.2	-3.4	-0.5	0.6	0.5	5.5	3.3	6.1	6.7
Non-metal mineral products	-9.4	4.7	3.8	2.5	-2.6	0.9	3.4	-2.2	0.0	-4.6	-3.4	1.7	1.1	0.2	0.7
Basic metal products	-16.3	12.3	4.3	2.3	0.0	10.7	5.3	-2.6	-4.5	5.0	2.4	15.1	11.1	8.1	8.7
Metallic products	-14.0	8.8	7.1	3.9	0.3	1.8	3.9	-0.4	0.6	-0.7	1.7	0.3	2.0	2.0	3.1
Machinery and equipment	-19.7	47.0	13.4	5.3	-1.8	1.1	4.0	-9.1	-0.7	2.7	0.5	1.1	-1.9	1.9	3.3
Computers and electronics	-10.2	3.8	6.7	0.6	13.6	4.7	6.1	11.2	14.4	21.2	7.8	4.8	0.6	5.5	8.2
Electrical equipment	-10.6	10.1	-1.0	1.8	-2.2	5.1	4.8	-4.3	0.2	-2.5	-2.3	7.5	3.7	4.4	5.0
Transport. equipment	-26.6	42.5	16.7	14.1	5.2	10.1	6.8	-0.4	6.4	7.2	7.6	12.0	11.1	8.1	9.2
Furniture and related products	-6.9	7.3	1.2	3.4	-6.0	-1.5	1.4	-10.5	-6.2	-10.1	3.2	-1.9	-6.8	4.0	-1.2
Other manufacturing industry	-4.4	1.8	5.1	0.3	0.9	6.0	5.3	-3.2	-0.9	-1.5	9.4	6.7	5.8	5.2	6.3

	share, %							Contribution to growth , pp						
	2009	2010	2011	2012	2013	2014	2015	2009	2010	2011	2012	2013	2014	2015
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-7.9	8.6	4.6	3.5	1.9	3.5	3.8
Food	24.2	22.7	22.1	21.9	21.6	21.1	20.8	-0.1	0.4	0.5	0.5	0.1	0.3	0.5
Beverages and tobacco	5.6	5.2	5.2	5.1	5.1	5.0	5.0	0.0	0.0	0.2	0.1	0.0	0.1	0.1
Textile inputs	0.8	0.8	0.8	0.8	0.7	0.7	0.7	-0.1	0.1	0.0	0.0	0.0	0.0	0.0
Production of textile products	0.6	0.6	0.6	0.5	0.5	0.5	0.5	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Apparel	2.8	2.7	2.6	2.5	2.5	2.3	2.3	-0.2	0.1	0.0	0.0	0.1	-0.1	0.0
Leather and fur products	0.9	0.9	0.8	0.8	0.8	0.8	0.8	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Lumber industry	1.0	1.0	1.0	1.0	1.0	1.0	0.9	0.0	0.1	0.0	0.1	0.0	0.0	0.0
Paper industry	2.2	2.1	2.0	2.0	2.0	2.0	2.0	0.0	0.1	0.0	0.1	0.1	0.1	0.0
Printing and related industry	0.8	0.8	0.8	0.8	0.7	0.7	0.7	-0.1	0.1	0.0	0.0	-0.1	0.0	0.0
Oil deriv. products	4.7	4.0	3.7	3.6	3.6	3.4	3.4	0.0	-0.3	-0.1	0.0	0.1	-0.1	0.1
Chemicals	14.0	12.8	12.3	11.8	11.7	11.3	11.0	-0.4	-0.1	0.0	0.0	0.1	0.0	0.2
Plastic and rubber products	2.7	2.8	2.9	3.0	2.9	3.0	3.1	-0.3	0.4	0.2	0.2	0.0	0.2	0.2
Non-metal mineral products	5.5	5.3	5.3	5.2	5.0	4.9	4.9	-0.5	0.3	0.2	0.1	-0.1	0.0	0.2
Basic metal products	6.6	6.8	6.8	6.7	6.6	7.1	7.2	-1.2	0.8	0.3	0.2	0.0	0.7	0.4
Metallic products	3.3	3.3	3.3	3.4	3.3	3.2	3.3	-0.5	0.3	0.2	0.1	0.0	0.1	0.1
Machinery and equipment	2.8	3.9	4.2	4.2	4.1	4.0	4.0	-0.6	1.3	0.5	0.2	-0.1	0.0	0.2
Computers and electronics	4.3	4.1	4.2	4.1	4.6	4.6	4.7	-0.5	0.2	0.3	0.0	0.6	0.2	0.3
Electrical equipment	3.2	3.2	3.0	3.0	2.9	2.9	2.9	-0.3	0.3	0.0	0.1	-0.1	0.1	0.1
Transportation equipment	10.2	13.3	14.9	16.4	16.9	18.0	18.5	-3.4	4.3	2.2	2.1	0.9	1.7	1.2
Furniture and related products	1.4	1.3	1.3	1.3	1.2	1.1	1.1	-0.1	0.1	0.0	0.0	-0.1	0.0	0.0
Other manufacturing industries	2.4	2.2	2.2	2.2	2.1	2.2	2.2	-0.1	0.0	0.1	0.0	0.0	0.1	0.1

Note: projections appear in boldface. All figures are subject to review by the Institute, this is mainly when fourth quarter data is calculated because it is based on the latest statistical information available.
sa: Seasonally-adjusted; pp: Percentage points
Source: BBVA Research with INEGI data

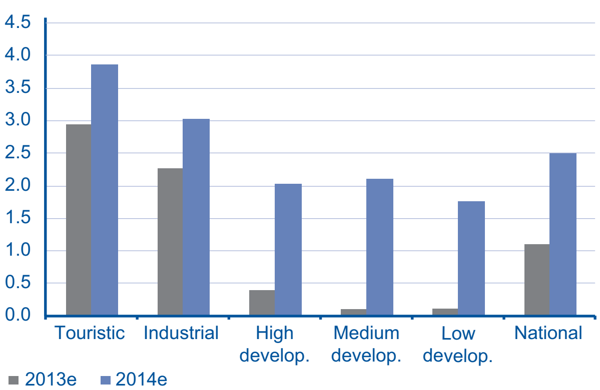
2.c We foresee that all regions will show higher economic growth in 2014 vs. 2013

The country's forecasted economic growth as a whole for 2014 is 2.5%, higher than the year before. In all five regions into which we have divided the country by their economic vocation, their economy is expected to perform better than in 2013.[1] We find the following expectations for 2014 particularly significant: i) the foreseen acceleration for economic growth in the Medium Development region will be a key factor to the expected improvement in national GDP performance; ii) the Touristic region is expected to continue being the region with the highest economic growth; and iii) the greater economic momentum in the Medium Development and Industrial regions will account for 73% of the acceleration expected in the country's economic growth over last year's.

As has been the case since 2011, when we compare among regions the economic growth estimates for 2014, the greatest momentum is to be found in the Touristic region. This economy is projected to grow by 3.9%, while the Industial, Medium Development, High Development and Low Development regions will probably post growth rates of 3.0%, 2.1%, 2.0% and 1.8%, respectively (see Chart 2c.1).

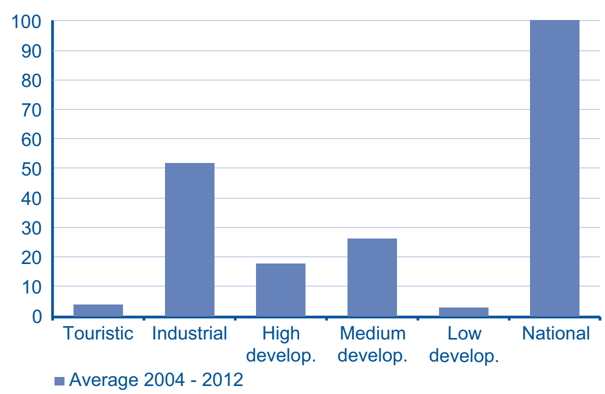
Regional contributions to the country's economic growth between 2004 and 2012 show the important role played by the Industrial and Medium Development regions for achieving better GDP performance nationwide. When we compare their contributions to those of the remaining regions, we see that these two regions alone have contributed an average of 76.6% to the nation's economic growth between 2004 and 2012 (see Chart 2c.2).

Chart 2c.1
Annual economic growth in 2014 vs 2013 (%)



e/in-house estimates
Source: BBVA Research with data from INEGI

Chart 2c.2
Regional contribution to national economic growth (%)



Source: BBVA Research with data from INEGI

[1] There is a detailed description, in Spanish, of this classification in ***Situación Sectorial Regional México***, "Agrupamiento Regional, Cómo y Para Qué", November 2007. BBVA Bancomer. Regions by economic vocation and level of development: High Development: DF; Touristic: BCS and QR; Industrial: Ags, BC, Coah, Chih, Jal, Méx, NL, Qro, Son, Tamps; Medium Development: Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlax, Ver, Yuc, Zac; Low Development: Chis, Gro and Oax.

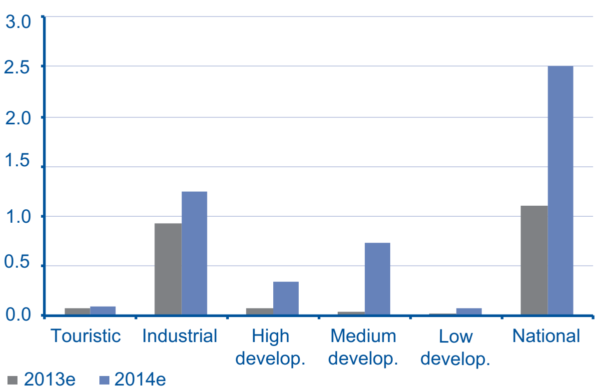
The acceleration in economic growth expected for the Medium Development region will add 0.7pp to national economic growth in 2014

As mentioned above, the regional breakdown of the national economic growth forecast for 2014 allows us to pinpoint the Medium Development and Industrial regions as those which will contribute most to the country's improved economic performance over 2013. Although most of the regions will probably post better results, the Medium Development region stands out for having recovered its contribution to growth (see Chart 2c.3). This region's forecasted contribution is 0.7pp in 2014 vs. 0.0pp the year before. We should mention that this region has added an average of 1.0pp during the years of national economic expansion between 2004 and 2012 (see Chart 4).

When it comes to the industrial region, we estimate that it is likely to contribute 1.3pp in 2014. This greater momentum would represent a 0.4pp increase in its contribution to the nation's growth over 2013. To get a better notion of what this momentum means, it is important to point out that this region has contributed an average of 1.9pp to growth during the years of expansion between 2004 and 2012 (see Chart 2c.4).

Chart 2c.3

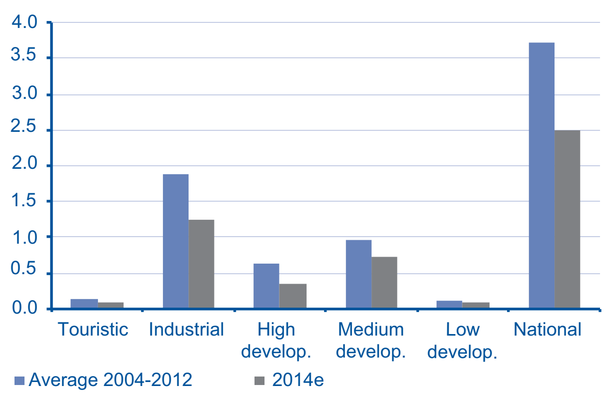
Regional contribution to national economic growth (pp)



e/in-house estimates
Source: BBVA Research with data from INEGI

Chart 2c.4

Contribution to economic growth in 2014e vs. 2004-12 (pp)



e/in-house estimates
Source: BBVA Research with data from INEGI

Table 2c.1

GDP by Region*

Real annual growth (percentage)

	2009	2010	2011r	2012r	2013e	2014e
Total	**-4.7**	**5.1**	**4.0**	**4.0**	**1.1**	**2.5**
Touristic	-5.6	3.7	5.7	5.4	**2.9**	**3.9**
Industrial	-6.2	6.8	5.0	4.5	**2.3**	**3.0**
High Development	-3.9	4.4	4.0	4.4	**0.4**	**2.0**
Medium Develop.	-3.9	3.9	2.7	3.5	**0.1**	**2.1**
Low Development	-1.0	5.4	2.7	2.1	**0.1**	**1.8**

Share in the total (percentage)

	2009	2010	2011r	2012r	2013e	2014e
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Touristic	2.2	2.2	2.3	2.3	**2.3**	**2.4**
Industrial	39.7	40.3	40.7	40.9	**41.3**	**41.5**
High Development	17.1	17.0	17.0	17.1	**17.0**	**16.9**
Medium Develop.	36.0	35.6	35.2	35.0	**34.7**	**34.5**
Low Development	4.9	4.9	4.9	4.8	**4.7**	**4.7**

Contribution to growth (percentage points)

	2009	2010	2011r	2012r	2013e	2014e
Total	**-4.7**	**5.1**	**4.0**	**4.0**	**1.1**	**2.5**
Touristic	-0.1	0.1	0.1	0.1	**0.1**	**0.1**
Industrial	-2.5	2.7	2.0	1.8	**0.9**	**1.3**
High Development	-0.7	0.8	0.7	0.8	**0.1**	**0.3**
Medium Develop.	-1.4	1.4	1.0	1.2	**0.0**	**0.7**
Low Development	0.0	0.3	0.1	0.1	**0.0**	**0.1**

Economic activity (index 2008=100)

	2009	2010	2011r	2012r	2013e	2014e
Total	**95.3**	**100.2**	**104.1**	**108.3**	**109.5**	**112.2**
Touristic	94.4	97.9	103.4	109.0	**112.2**	**116.6**
Industrial	93.8	100.1	105.1	109.8	**112.3**	**115.7**
High Development	96.1	100.3	104.2	108.8	**109.3**	**111.5**
Medium Develop.	96.1	99.9	102.7	106.2	**106.3**	**108.6**
Low Development	99.0	104.3	107.1	109.3	**109.4**	**111.3**

* Regions by economic vocation and level of development: High Development: DF; Touristic: BCS and QR; Industrial: Ags, BC, Coah, Chih, Jal, Méx, NL, Qro, Son, Tamps; Medium Development: Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlax, Ver, Yuc, Zac; Low Development: Chis, Gro and Oax.
r: revised data; e:own estimates; Source: BBVA Research with INEGI data

Table 2c.2

GDP by state

	2008	2009	2010	2011r	2012r	2008	2009	2010	2011r	2012r	2008	2009	2010	2011r	2012r
	(Billion 2008 pesos)					(Real growth rate, % annual)					(Contribution to growth, pp)				
National total	**11,941**	**11,375**	**11,966**	**12,435**	**12,934**	**1.4**	**-4.7**	**5.1**	**4.0**	**4.0**	**1.4**	**-4.7**	**5.1**	**4.0**	**4.0**
Aguascalientes	127.4	121.6	130.5	136.1	141.2	0.8	-4.6	7.3	4.3	3.8	0.0	0.0	0.1	0.0	0.0
Baja California	371.5	341.1	348.5	365.2	380.7	0.0	-8.2	2.2	4.8	4.2	0.0	-0.3	0.1	0.1	0.1
Baja California Sur	91.0	86.5	89.6	94.4	97.2	3.5	-5.0	3.6	5.3	3.0	0.0	0.0	0.0	0.0	0.0
Campeche	753.1	683.5	654.2	632.7	626.6	-5.8	-9.3	-4.3	-3.3	-1.0	-0.4	-0.6	-0.3	-0.2	0.0
Coahuila	381.5	332.8	380.9	414.8	435.6	1.4	-12.8	14.4	8.9	5.0	0.0	-0.4	0.4	0.3	0.2
Colima	69.3	65.1	67.7	72.9	75.9	2.8	-6.0	4.0	7.7	4.1	0.0	0.0	0.0	0.0	0.0
Chiapas	207.2	204.5	220.6	227.6	231.8	3.7	-1.3	7.9	3.2	1.9	0.1	0.0	0.1	0.1	0.0
Chihuahua	346.7	319.6	326.7	335.3	355.4	2.1	-7.8	2.2	2.7	6.0	0.1	-0.2	0.1	0.1	0.2
Distrito Federal	2,029.1	1,949.1	2,034.4	2,115.0	2,208.7	1.9	-3.9	4.4	4.0	4.4	0.3	-0.7	0.8	0.7	0.8
Durango	142.9	138.5	143.6	149.5	153.1	-0.2	-3.1	3.7	4.1	2.4	0.0	0.0	0.0	0.0	0.0
Guanajuato	447.3	426.5	454.5	479.9	503.8	3.4	-4.7	6.6	5.6	5.0	0.1	-0.2	0.2	0.2	0.2
Guerrero	174.2	172.8	183.1	183.5	185.9	-0.8	-0.8	6.0	0.2	1.3	0.0	0.0	0.1	0.0	0.0
Hidalgo	188.3	178.9	189.9	198.9	204.9	1.4	-5.0	6.2	4.7	3.0	0.0	-0.1	0.1	0.1	0.0
Jalisco	747.5	697.1	737.5	774.2	806.3	1.1	-6.7	5.8	5.0	4.1	0.1	-0.4	0.4	0.3	0.3
México	1,058.3	1,018.0	1,095.2	1,136.3	1,179.4	1.7	-3.8	7.6	3.8	3.8	0.1	-0.3	0.7	0.3	0.3
Michoacán	282.0	264.7	277.0	287.7	293.3	1.7	-6.1	4.6	3.9	2.0	0.0	-0.1	0.1	0.1	0.0
Morelos	133.5	129.9	138.8	147.0	154.3	-1.4	-2.7	6.9	5.9	5.0	0.0	0.0	0.1	0.1	0.1
Nayarit	78.0	75.1	78.4	80.1	81.1	6.6	-3.7	4.4	2.2	1.2	0.0	0.0	0.0	0.0	0.0
Nuevo León	846.5	784.3	855.0	907.4	948.5	1.9	-7.3	9.0	6.1	4.5	0.1	-0.5	0.6	0.4	0.3
Oaxaca	183.9	182.1	185.7	194.1	200.0	1.2	-1.0	1.9	4.5	3.0	0.0	0.0	0.0	0.1	0.0
Puebla	373.4	351.4	378.7	397.9	424.3	2.3	-5.9	7.8	5.1	6.6	0.1	-0.2	0.2	0.2	0.2
Querétaro	223.1	217.2	232.2	247.3	261.9	3.2	-2.6	6.9	6.5	5.9	0.1	0.0	0.1	0.1	0.1
Quintana Roo	179.5	168.9	175.2	185.5	197.7	5.0	-5.9	3.7	5.8	6.6	0.1	-0.1	0.1	0.1	0.1
San Luis Potosí	220.5	211.3	224.6	237.2	252.5	3.5	-4.2	6.3	5.6	6.4	0.1	-0.1	0.1	0.1	0.1
Sinaloa	257.4	245.4	255.6	251.7	264.3	3.5	-4.7	4.2	-1.5	5.0	0.1	-0.1	0.1	0.0	0.1
Sonora	320.9	309.0	331.0	353.7	375.3	-0.2	-3.7	7.1	6.9	6.1	0.0	-0.1	0.2	0.2	0.2
Tabasco	367.6	381.7	403.4	423.6	433.8	3.8	3.8	5.7	5.0	2.4	0.1	0.1	0.2	0.2	0.1
Tamaulipas	390.3	372.2	381.2	389.0	400.6	3.3	-4.6	2.4	2.0	3.0	0.1	-0.2	0.1	0.1	0.1
Tlaxcala	65.2	62.7	66.2	68.7	71.3	2.7	-3.9	5.5	3.8	3.9	0.0	0.0	0.0	0.0	0.0
Veracruz	613.9	610.2	635.3	650.0	676.9	0.5	-0.6	4.1	2.3	4.1	0.0	0.0	0.2	0.1	0.2
Yucatán	172.1	168.5	175.8	180.6	188.2	2.2	-2.1	4.3	2.7	4.2	0.0	0.0	0.1	0.0	0.1
Zacatecas	98.1	104.6	115.1	117.4	123.1	5.0	6.6	10.1	2.0	4.8	0.0	0.1	0.1	0.0	0.0

r: revised data
Source: BBVA Research with INEGI data

Box 1: The impact of more hydrocarbon extraction on the economic growth of the producer states

The introduction of secondary energy legislation looks, above all, to facilitate the expansion of national hydrocarbon production in the coming years. Without a doubt, the benefits of this will mainly be seen in those states that concentrate hydrocarbon resources, whether conventional or unconventional. If this higher production level becomes a reality we will also see further economic growth, above and beyond the *status quo*, in each one of these states.

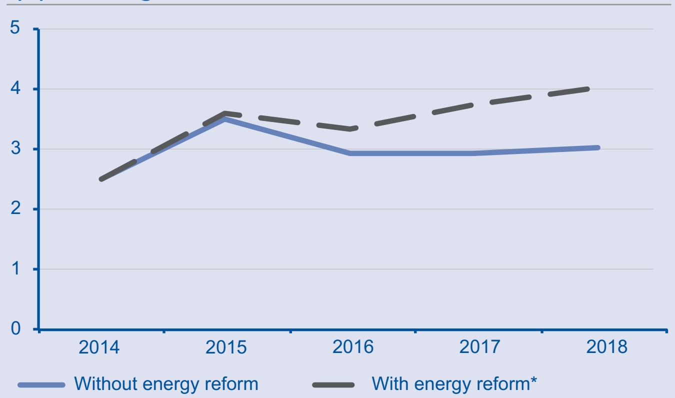
Our estimates indicate that an adequate implementation of secondary energy laws could raise the Mexican economy's potential growth by at least 1pp by 2018 (see Chart B1.1). Although the country's increased potential growth would be a result of the combination of higher investment in and production of hydrocarbons, improvements in the electricity industry's efficiency and potentially lower energy costs for other productive sectors in the economy, in this analysis we assume that this increase would only be due to greater extraction of hydrocarbons in those states where they are currently being produced. In other words, this economic impact analysis will focus on nine states: Campeche, Tabasco, Veracruz, Chiapas, Tamaulipas, Nuevo León, Coahuila and San Luis Potosí.

The federal government's forecasts indicate that average oil production could rise from approximately 2.35 million barrels per day (mmb/d) to 2.84 mmb/d by 2018. Bearing this in mind, we carried out a quantitative analysis on the assumption that the production of both oil and natural gas will increase by 20% by then. Among other assumptions used for the analysis, the participation in the extraction of hydrocarbons from shallow waters (generally attributed to Campeche in the national accounts) will fall by 20% by 2018 compared to 2014 (see Chart B1.2).

The 20% reduction in Campeche's quota will have to be fully offset by greater participation from the other states listed. In order to simplify the analysis, we decided to prorate the drop in Campeche's share among the remaining states. Notwithstanding the aforementioned, on the assumption that national oil production will rise by 20% by 2018, the production of hydrocarbons from Campeche will only fall by 3.4% compared with the amount forecasted for this year. It is worth mentioning that deepwater fields are not located along Campeche's coastline.

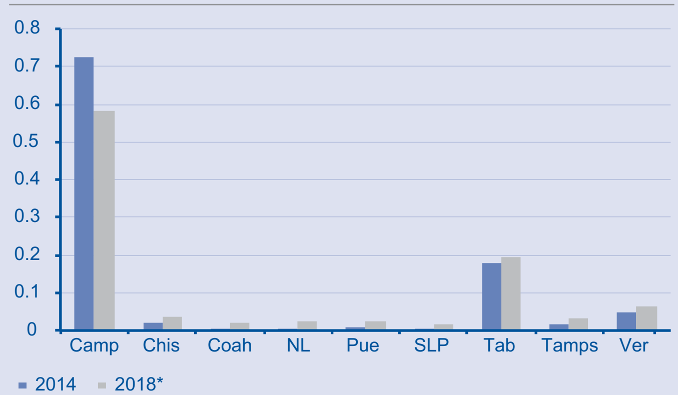
In order to measure the impact of expanded hydrocarbon production on each state's economic growth in 2018, the following procedure was used: i) the 20% increase in the nation's hydrocarbon production was distributed among the states taking into consideration the growth of the state hydrocarbon production derived from the new state participation structure (see Chart B1.3); ii) using these forecasts for 2018, state incidences that would account for a

Chart B1.1
Economic growth forecasts for the Mexican economy (y/y % change)



* Only the impact of a 20% rise in hydrocarbon production by 2018 over 2014 is taken into account.
Source: BBVA Research with data from INEGI

Chart B1.2
Share in hydrocarbon production nationwide (fraction of the total)



* We assume that Campeche's participation will have fallen by 20% by 2018; and this percentage has been prorated among the other states.
Source: BBVA Research with data from SIE and Pemex

1pp increase in the Mexican economy's growth potential were calculated; iii) the state additional economic growth for the 2014-2018 period was calculated, and iv) the compounded annual growth rate of additional state economic growth corresponding to this period was used as a proxy variable for additional state economic growth in 2018.

The results obtained indicate that all the states, with the exception of Campeche, will report positive rates of economic growth above those they would have without the energy reform. Moreover, expanded hydrocarbon production will imply that Tabasco, Chiapas and San Luis Potosí will be in the best position to accelerate their economic growth for 2018 (see Chart B1.4).

Conclusions

This analysis had the purpose to quantify the economic impact of the energy reform on the hydrocarbon-producing states. However, the results of the analysis should be treated with caution for the following reasons: i) the allocation to these states of the entire 1pp increase in the Mexican economy's potential growth by 2018; ii) the change in the structure of state participation in national hydrocarbon production, derived from the assumption that Campeche will have a smaller share by 2018, which was prorated among the remaining producer states, and iii) the assumption of a 20% increase in national hydrocarbon production by 2018.

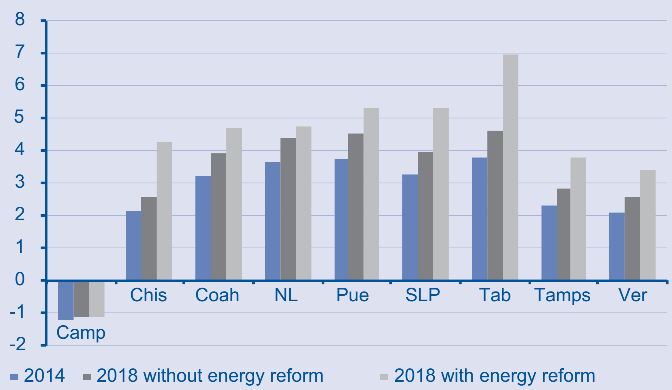
Chart B1.3

Distribution of the 20% increase in the production of hydrocarbons by 2018 (percentage points)

Source: BBVA Research with data from INEGI

Chart B1.4

Economic growth in hydrocarbon-producing states (y/y % change)



Source: BBVA Research with data from INEGI

3. Special reports

3a. Relevant issues around some of the secondary energy laws

The new Hydrocarbons Revenue Law simplifies the oil rent under a new fiscal regime for hydrocarbon fields

Payments to the State will be made under just four headings: a fee for the hydrocarbon exploration phase, royalties on the value of production, a percentage on the operating profit, and income taxes (ISR for its acronym in Spanish). The fee will be paid monthly and will be calculated solely on the basis of that part of the allocation area or contract that is still at the exploration stage. As for the royalties, they will be payable through formulas which have a built-in progression (a higher proportion of revenues received by the state) that will be activated when hydrocarbon prices exceed a certain limit or when the fields end up more productive than it had been anticipated when the contract was awarded. In terms of the percentage of the operating profit (contractual value of hydrocarbons less the sum of royalties and the amount allowed for cost recovery), this will be determined by the economic terms applying to the fiscal regime of the contracts designed by the Ministry of Finance. Finally, for income tax payments, fiscal consolidation, which might occur with companies holding more than one contract, will not be allowed.

Assessment: positive, for having come up with an internationally competitive formula for calculating royalties, given that prices under US $88 per barrel will trigger a royalty under 12.5%, a figure which is common for the percentage of royalties paid in the US for hydrocarbon extraction. In addition, the Hydrocarbon Revenue Law seeks to incentivize investment in difficult-to-extract hydrocarbon's fields by allowing a higher proportion of costs to be deducted when calculating the operating profit. Nevertheless, the relative success in attracting private capital to the hydrocarbon sector will depend to a large degree on the fiscal conditions determined by the Ministry of Finance for these contracts.

Pemex will continue to be a major contributor to public revenue through the annual payments for the rights to shared profits

The rights to shared profits will be established by applying a duty of 70% in 2015 to the operating profit on activities related to hydrocarbon production carried out in allocated fields. This percentage will fall by 1.25pp a year, down to 65% by 2019. Similarly, given that the rights to shared profits will vary depending on the profitability of the project, the Hydrocarbon Revenue Law allows the cost limits to be pushed up in order to speed up investment recovery, depending on the type of field: onshore, non-associated gas, shallow water or deep water. For example, by 2019, the deduction will never be higher than 12.5% of the annual value of hydrocarbons that are different from non-associated natural gas and its condensates, extracted in onshore or shallow-water areas. In cases such as Chicontepec and deep-water fields, this upper threshold will rise to 60% of the annual value of these hydrocarbons.

Assessment: neutral; although it is important for sound public finances that a significant perturbation to public revenues does not occur, Pemex may not be in optimal conditions to compete with other firms, in view of the excessively slow reduction in the operating profit percentage it will have to pay until 2018. The fiscal stability pact agreed between the federal government and the private sector suggests that Pemex will have to operate with this budget restriction at least until the end of the current federal administration.

Pemex and CFE could be more competitive at the expense of a higher public sector's debt to GDP ratio

The federal government will assume as public debt the proportion of Pemex and CFE's payment obligations for their labor liabilities that is equivalent to the amount by which they can be reduced as a result of the modifications made to the collective labor contracts. This will become a support instrument for both companies in their transition to the new regime of public-sector productive companies, for two reasons: i) Pemex and CFE will use a lower proportion of total expenditure in meeting these obligations (13% and 23% to paying pensions and retirement packages in 2013, respectively); and ii) the actuarial liability will fall significantly as modifications are made to their collective labor contract, implying a substantial hike in the retirement age.

Assessment: neutral; explicitly taking on Pemex and CFE's labor liabilities as federal government debt could increase the federal government's borrowing costs and reduce the likelihood of an improvement in the credit rating of Mexico's sovereign debt in the short and medium term.

The Mexican Oil Fund is unlikely to accumulate resources right away

This fund will administer oil revenue, will have the central bank as a trustee and will be excluded from the provisions applicable to the federal government's public trusts. Decisions about using the fund's resources will be made by a Technical Committee consisting of two representatives of the Federal Government (the Ministers of Finance and Energy), an independent federal government institution (Banco de México, the central bank) and four independent board members, previously approved by the Senate. The execution functions for managing oil revenue will be the responsibility of a team led by an Executive Coordinator and people under her supervision. As employees of the central bank, the team will be required to implement the Technical Committee's instructions.

The Fund will not begin to accumulate resources until the Federation's Expenses Budget has been allocated the equivalent of 4.7% of that year's GDP. Similarly, when the Fund's reserve is bigger than 3% of the previous year's GDP, the additional resources will be spent on the following items: the universal pension system; investment projects in science, technology and innovation, and in renewable energies; an investment vehicle specializing in oil projects and infrastructure for national development; training grants for people at universities and postgraduate institutions; projects to improve connectivity and for regional development of industries. With the exception of the grants program, additional resources might not be used for current expenditure.

Assessment: neutral, given that the federal government could not part with these resources from one year to the next, it would have been desirable that this amount had been gotten gradually reduced. Consequently, one of the goals of the energy reform does not get fulfilled: diminishing the dependence of public revenue on the oil rent. Accumulating additional resources will only be feasible through a higher production of oil, more public income from other sources and/or cuts to current public spending.

The success of the electric power industry's restructuring will depend to a large degree on having both enough competition in generation and an efficiently managed and regulated transmission network

The new Electric Power Industry Law will enable users of basic services to acquire electricity solely from one supplier, while other users of qualified services can do so by taking part directly in the Wholesale Electricity Market (spot market) or via a supplier of qualified services. We should point out that users of basic services (the vast majority of the approximately 38 million users of CFE, the state-owned electric power company) will continue to pay electricity tariffs regulated by the Energy Regulatory Commission (CRE for its acronym in Spanish). Users of qualified services, meanwhile, will be able to buy electricity at spot prices or sign long-term contracts with generators at fixed prices. With this new system for acquiring electricity, the number of participants on the demand side will be a key factor to encouraging more entrants into the competitive electricity generation market. Additionally, to help qualified services get better electricity prices, the generation companies will have to woo these customers, even if they are part of customer portfolios of the suppliers with whom they have electricity purchasing contracts.

Apart from what was aforementioned to promote a dynamic spot market, in order to mitigate potential market power problems that might be caused by network congestion, there will have to be efficient control mechanisms for the network and regulations concerning the concentration of financial transmission rights in the hands of generation companies concentrated in nodes where electricity access is difficult. Furthermore, we recommend that the market power of potentially dominant players be restricted by regulated forward contracts. Equally, or even more importantly, the Minister of Energy, the CRE and the Independent System Operator (CENACE for its acronym in Spanish) must take on, among other matters, a role of strict market monitoring to detect possible monopoly practices which might restrict the efficient operation of the Wholesale Electricity Market and, if necessary, must inform the Federal Competition Commission so that it can proceed according to its mandate.

Following the recommendations of successful international experiences in restructuring electricity markets, the Electric Power Industry Law establishes the functionally or legally vertical separation -ring-fencing- for CFE. Although generation, transmission and distribution of electricity in this company will be separated, this law does not seem to recognize the need for horizontal restructuring in the generation segment in order to increase the number of participants. Electricity production is currently divided roughly as follows: CFE with 67%, independent producers with 20%, and the remaining 13% accounted for by self-generation and cogeneration. This is why it is crucial that new players join the generation segment through mechanisms designed by the CRE, which will create a favorable scenario for the efficient positioning and interconnection of new electricity plants.

Assessment: neutral; the new Electric Power Industry Law does not ex-ante address the potential market power issues in a structural way for the generation segment, and tries to remedy them ex-post through the monitoring of competition conditions and resolutions taken by the Federal Competition Commission for this segment and the rest. Neither does the new law specify an incentive-based regulatory framework for electricity transmission and distribution segments. This would help to bring about, over time, a reduction in the costs of electricity delivery.

3b. Mexico consolidates its position as a powerful global automotive exporter

Introduction

This section analyzes the extraordinary growth of Mexico's automotive industry since the North American industry was restructured in 2007. This expansion is foreseen to continue at even faster rates, with positive impacts in terms of investment (new assembly plants and suppliers) and employment. The global trend of outsourcing production from developed to emerging countries lies behind these expectations. In the context of emerging economies, Mexico has become one of the most profitable export platforms in the world with high quality at lower costs, competing for the carmaker supremacy with its North America Free Trade Agreement (NAFTA) partners, particularly with the USA.

Some of the global automotive trends

The global demand for light vehicles is accelerating, especially in Asia. In 2013, new vehicle sales rose to 83.5 million units, up 3% from 2012. By the end of 2014, global demand could reach 85.4 million units, the highest figure ever. Since the recession of 2008-2009 and up to 2014, there will have been 21 million more vehicles. By 2020, specialists estimate that sales might exceed 100 million units a year.

Chart 3b.1
Global economic growth and light vehicle sales (y/y % change)

Source: BBVA Research with data from OICA and IMF

Table 3b.1
Global sales of light vehicles by region

	Million units			Var. Chge. 20 vs. 13	% CAGR 20 vs. 13	Contrib. to growth pp
	2013	2014	2020			
China	21.8	23.7	31.0	9.2	5.2	11.1
North America	18.4	18.9	19.5	1.1	0.8	1.3
Western Europe	12.9	13.4	15.2	2.3	2.4	2.8
Japan/Korea	6.7	6.5	6.1	-0.6	-1.4	-0.8
South America	5.9	5.6	7.1	1.1	2.6	1.4
Middle East /Africa	4.6	4.8	5.9	1.3	3.5	1.5
Eastern Europe	4.1	3.7	5.4	1.3	3.9	1.5
ASEAN	3.4	3.4	4.4	0.9	3.5	1.1
India	3.1	3.3	5.8	2.6	9.1	3.1
Oceania	1.2	1.3	1.4	0.2	1.7	0.2
Central Europe	0.9	1.0	1.5	0.5	6.7	0.6
Total	**83.3**	**85.4**	**103.2**	**19.9**	**3.1**	**23.9**

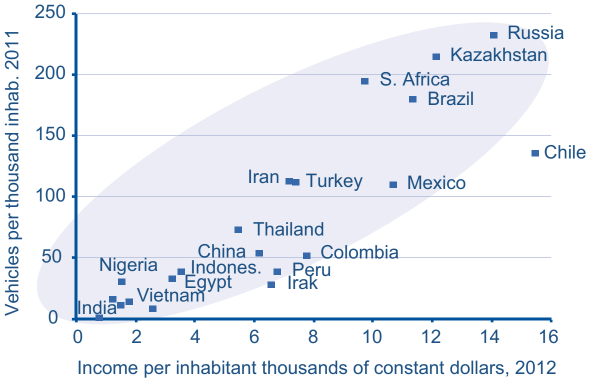
Source: BBVA Research with data from IHS April 2014

This performance has been driven by the increasing wealth in emerging markets (led by China), which for the first time contributed with 50% to total sales in 2010. Since then the emerging markets have extended their advantage in total global sales, accounting for 55% of the total in 2013.

By 2020, estimates indicate that the Asia-Pacific nations will account for 45.8% of total sales or with 15pp of the total growth anticipated to occur between 2013 and 2020, which is forecasted to be 23.9%. Previsions for Western Europe area show a modest rise, more of a bounce back than an expansion in income or in population.

Chart 3b.2

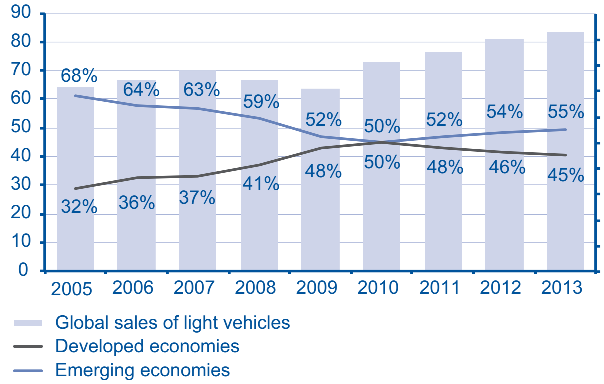
Automotive markets with growth potential



Source: BBVA Research with data from World Bank

Chart 3b.3

Global sales of light vehicles (million units and % share)



Source: BBVA Research with data from OICA

For automotive manufacturers and their suppliers, the fast growth of emerging markets has meant major changes. These include new production plants in these areas, adjustments to plant sizes, types of vehicles produced and strategic alliances in order to compete. In the developed economies, the general trend was to cut down production in 2008 and 2009 because of the economic recession before increasing it again since 2010. In most of these economies, production is still below its 2007 levels. Not until 2012, the pattern in developed countries started to diverge with European production continuing its decline, whereas in other countries, such as the US and Japan, in crescendo. The main vehicle producers in emerging countries such as China, Korea, India, Brazil, Mexico and Thailand, contributed with 45% to global production in 2013 vs. 26% in 2007.

Utilization of installed capacity in North America is at high levels, even higher than before the crisis. The area is consolidating after a restructuring, with sales and earnings on the path to recovery. Installed capacity in North America is estimated to grow by 4.4% between 2013 and 2018, and it could be Mexico that would be providing most of the new production capacity. By contrast, Europe will probably have to make further adjustments to eliminate excess installed capacity; Japan and Korea are in a similar fixing up-mode where reductions have already begun. Plant closures bring with them harsh challenges on the employment side, especially if we take into account the high and long-lasting unemployment rates in Europe.

Table 3b.2

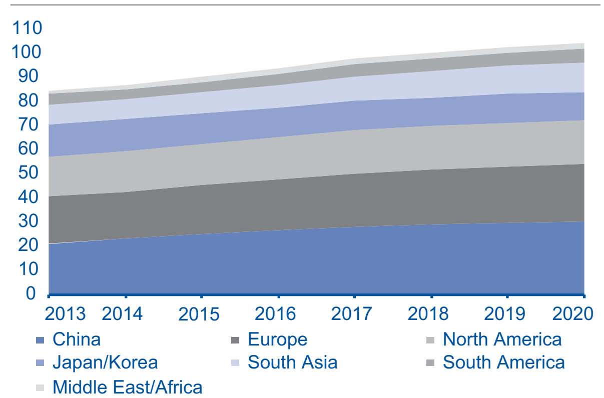
Main vehicle producers in the world: developed and emerging ('000s of units)

	2007	% share	2013	% share	Abs. diff. 13/07	Rel. diff., % 13/07
USA	11,292	15.4	11,046	12.6	-246	-2.2
Japan	11,484	15.7	9,630	11.0	-1,854	-16.1
Germany	5,820	8.0	5,718	6.5	-102	-1.7
Canada	2,571	3.5	2,380	2.7	-191	-7.4
France	3,169	4.3	1,740	2.0	-1,429	-45.1
Spain	2,777	3.8	2,163	2.5	-614	-22.1
U. Kingdom	1,650	2.3	1,597	1.8	-53	-3.2
Italy	1,211	1.7	658	0.8	-553	-45.6
Developed	**39,974**	**54.6**	**34,933**	**39.9**	**-5,041**	**-12.6**
China	7,278	9.9	22,117	25.2	14,839	203.9
South Korea	3,840	5.2	4,521	5.2	681	17.7
India	2,016	2.8	3,881	4.4	1,865	92.5
Brazil	2,611	3.6	3,740	4.3	1,129	43.3
Mexico	2,022	2.8	3,052	3.5	1,030	51.0
Thailand	1,287	1.8	2,533	2.9	1,245	96.7
Emerging	**19,054**	**26.0**	**39,845**	**45.5**	**20,790**	**109.1**
Rest	**14,162**	**19.3**	**12,868**	**14.7**	**-1,293**	**-9.1**
Total	**73,190**	**100.0**	**87,646**	**100.0**	**14,456**	**19.8**

Source: BBVA Research with data from OICA.

Chart 3b.4

World vehicle production 2014-20 (million units)



Source: BBVA Research with data from OICA

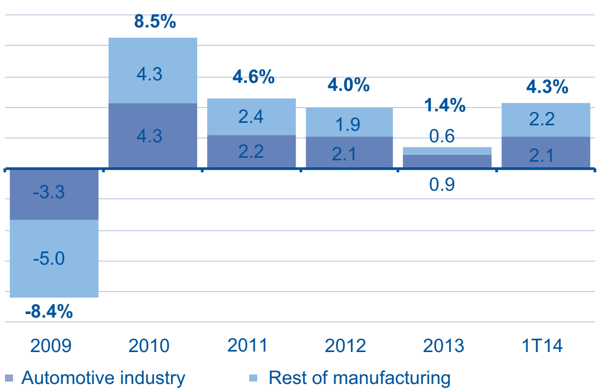
By 2020 production is estimated to rise to around 105 million units. China will remain the biggest producer with 30% of the total. Moreover, the outsourcing of production from developed to emerging nations is expected to continue with the aim of both being closer to demand and reducing costs, plus the availability of key inputs. We can also expect to see a wave of new associations and alliances between manufacturers in order to compete successfully.

The automotive industry in Mexico has become a powerful buffer before the slow phases of the business cycle

The automotive industry has shown remarkable growth in Mexico since the North American industrial restructuring of 2008-2010. The industry has increased its importance in manufactured production, rising from 11.1% in 2008 to 17.1% in 1Q14 and becoming the sector with the highest weighting in the country after the processed food sector. This is the result of a high (about 50%) direct contribution to growth of manufacturing in recent years. Indirectly, it has influenced the production of spare parts, plastics, glass, steel, iron and services, among others.

Chart 3b.5

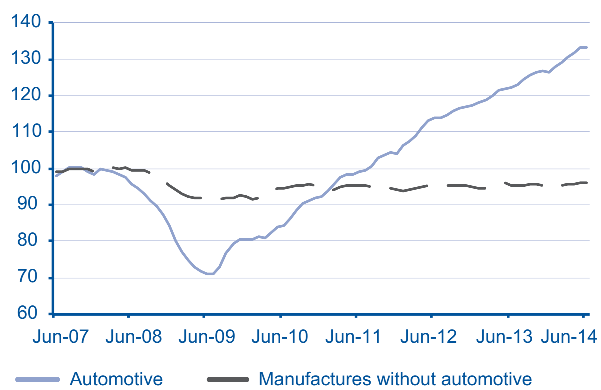
Contribution of the automotive industry to growth of manufacturing (pp)



Source: BBVA Research with data from INEGI

Chart 3b.6

Employment in the automotive industry (Jan 2008 index=100)



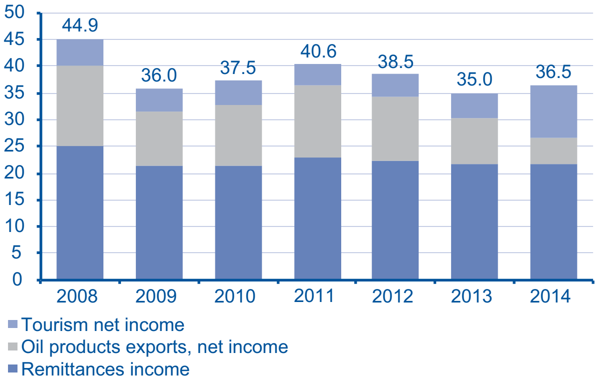
Source: BBVA Research with data from INEGI

In regards to employment, and despite the automotive industry being notably capital intensive, it has generated over 309k direct jobs since the crisis, rising from its lowest point in July 2009 of 359k to 675k in June 2014. Employment in manufacturing, excluding the the automotive sector, remains stagnant. In fact, since the crisis and up to June 2014 it has generated 133k jobs, and has yet to recover to its pre-recession levels.

Another indicator flagging the importance that the auto industry has acquired in Mexico is its contribution to the external accounts in recent years. In terms of net oil and tourism revenues, as well as remittance income -which altogether add up to US $35bn- the auto industry makes a net contribution to the country's exports of approximately US $40bn, making it the biggest source of foreign currency.

Chart 3b.7

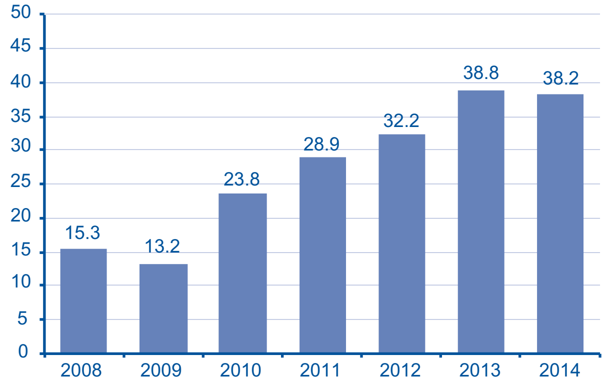
Net oil and tourism revenue and remittance income (USD bn)



Source: BBVA Research with INEGI data. For 2014 the figure is annualized with data to 1Q14

Chart 3b.8

Net income from automotive exports (USD bn)



Source: BBVA Research with INEGI data. For 2014 the figure is annualized to 1Q14.

The auto industry in Mexico consolidates its place as the fourth biggest export platform in the world

The Mexican automotive industry is now one of the ten most dynamic and competitive in the world. In 2013 it held on its position for the third year in a row as the eighth biggest producer of light vehicles in the world (3 million units) and the sixth biggest in heavy vehicles (141k units). Likewise, most (82.6%) of total production is exported, making it the fourth most important automotive exporter in the world in 2013 (up from the eighth position in 2009), behind only Germany, Japan and the US.

Table 3b.3

Mexico is among the 10 biggest vehicle producers in the world in 2013

Rank	Light	'000	% share	Rank	Heavy	'000	% share
1	China	22,117	25.2	1	China	2,055	49.7
2	US	11,046	12.6	2	Japan	590	14.3
3	Japan	9,630	11.0	3	US	252	6.1
4	Germany	5,718	6.5	4	Brazil	230	5.6
5	Korea	4,521	5.2	5	India	226	5.5
6	India	3,881	4.4	**6**	**Mexico**	**141**	**3.4**
7	Brazil	3,740	4.3	7	Indonesia	141	3.4
8	**Mexico**	**3,052**	**3.5**	8	Russia	90	2.2
9	Thailand	2,533	2.9	9	Turkey	44	1.1
10	Canada	2,380	2.7	10	Thailand	42	1.0
	Subtotal	**68,619**	**78.3**		**Subtotal**	**3,812**	**92.2**
	Total	**87,646**	**100.0**		**Total**	**4,132**	**100.0**

Source: BBVA Research with data from OICA

Table 3b.4

Mexico is the fourth biggest export platform worldwide (% share of total value)

Rank	2009	2013
1	Germany (19.2%)	Germany (18.2%)
2	Japan (12.1%)	Japan (11.1%)
3	US (8.7%)	US (10%)
4	France (5%)	**Mexico (5.8%)**
5	Spain (4.8%)	Korea (5.4%)
6	Korea (4.3)	Canada (4.4%)
7	Belgium (4.1%)	China (4.4%)
8	**Mexico (4%)**	United Kingdom (3.8%)
9	Canada (4%)	Belgium (3.7%)
10	United Kingdom (3.4%)	Spain (3.6%)

Source: BBVA Research with data from TradeMap

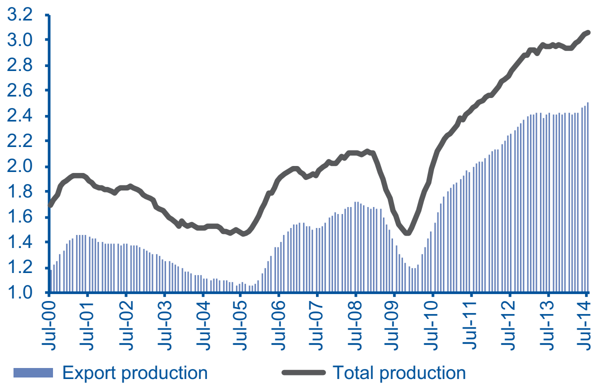
The Mexican auto industry is strongly integrated with the US

Most of the leading producers and suppliers, whether foreign or domestic, are still investing in manufacturing in Mexico. Low costs, the suppliers' network and international trade treaties all contribute to shape an attractive export platform for the NAFTA market and the rest of the world. The domestic market is very small and only two manufacturers use their Mexican plants to service their local and export markets.

Since the industry restructuring in the US and up until now, the production of light and heavy vehicles in Mexico has doubled; a good part of this expansion is due to exports growth. In 2013 the ratio of exports to production of light and heavy vehicles was 82.6% and 71.3%, respectively. The manufacturer with the lowest export ratio was Nissan with 67%.

Chart 3b.9

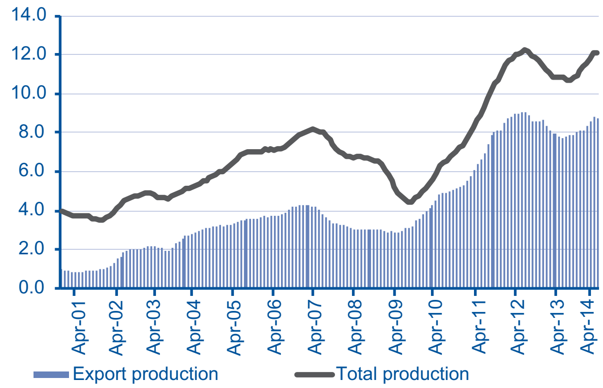
Production of light vehicles in Mexico (millions of annualized units)



Source: BBVA Research with data from AMIA

Chart 3b.10

Production of heavy vehicles in Mexico (thousands of annualized units)



Source: BBVA Research with data from Anpact

The competitiveness of the automotive industry has attracted the presence of the most important firms in the world and has spurred many of them to choose Mexico as a single manufacturing platform for all their markets. The eight companies have 18 production centres in 11 states around the country, where they carry out assembly and armoring operations, stamping and smelting of vehicles and engines. The country hosts 11 producers of heavy vehicles and two of large-capacity engines.

The carmakers in Mexico have gained ground in competitive terms, enabling the country to climb to another level with the forthcoming installation of three manufacturers of premium light vehicles: two German and one German-Japanese joint-venture production. The arrival of a Korean compact vehicle firm is also expected. These new companies will add 450k units to current capacity between 2016 and 2019, but above all it will be an opportunity to increase the aggregate value in production by acquiring new capacity with European suppliers that are expected to arrive soon.

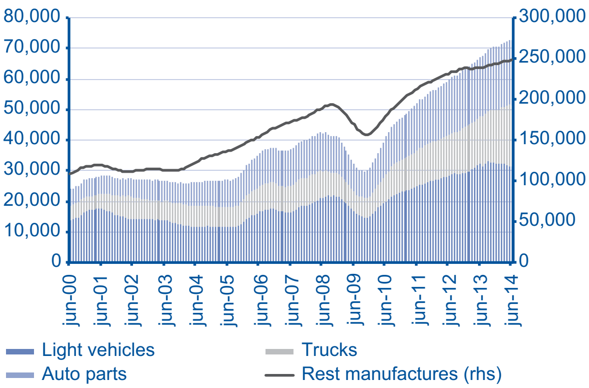
In 2013 the country's automotive exports were worth US $70.7bn, representing 22.5% of manufacturing exports and 18.5% of total exports. The value of automotive exports has more than doubled in less than four years, rising from US $30bn to US $73.3bn in June 2014 with year-over-year (y/y) figures. In 1H14 the momentum of automotive exports increased 9.7% vs. 3.8% in non-automotive manufacturing exports.

The US remains far and away the main destination for Mexican exports of light and heavy vehicles, as well as spare parts, but Mexico has also become a low-cost production base for global exports.

Mexico's integration with the US economy has driven the growth of automotive production and investment but it has also meant that the industry's performance is increasingly linked to the US economy and, as such, any crisis or collapse in the external demand from the US would affect the industry located in Mexico.

Chart 3b.11

Automotive exports from Mexico (USD mn, y/y)



Source: BBVA Research with data from INEGI

Table 3b.5

Main export destinations for light vehicles manufactured in Mexico (units)

	'000s of units				y/y % change			
	2011	2012	2013	2014*	2011	2012	2013	2014*
America	1,880	2,031	2,149	1,366	12.8	8.0	5.9	15.8
North	1,537	1,664	1,842	1,217	5.9	8.3	10.7	19.9
Central & Caribbean	15	22	20	13	59.0	43.1	-8.1	5.2
South	328	344	287	137	58.6	5.0	-16.5	-10.3
Europe	221	213	144	62	23.9	-3.6	-32.3	-38.5
Asia	26	47	68	70	-12.1	82.8	45.4	36.6
Africa	8	35	28	1	-15.6	333.2	-20.2	-81.5
Others	47	31	34	6	192.6	-34.1	10.4	-61.1
Total	**2,181**	**2,356**	**2,423**	**1,506**	**14.8**	**8.0**	**2.9**	**11.2**

*Data from January to July 2014.
Source: BBVA Research with data from AMIA

Aggregate automotive FDI (foreign direct investment) since the restructuring of the North American automotive industry in 2009 to 2013 came in at US $12bn. Over the next five years it is foreseen that such investment will exceed US $3bn on an annual basis. The vehicle manufacturers will invest around US $8bn between 2014 and 2019 in projects that have already been announced, plus another similar or higher figure in the manufacturing of spare parts.

Table 3b.6

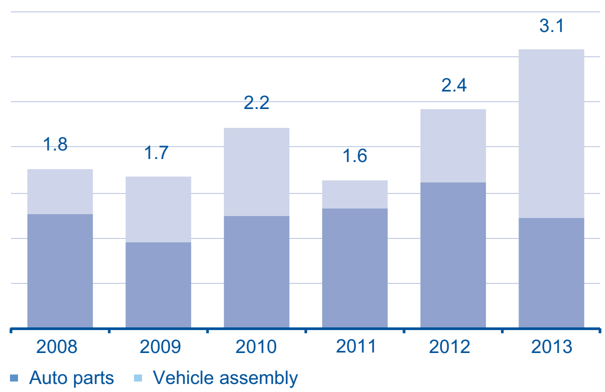
New automotive light vehicle plants in Mexico

Plant (location)	Production capacity (units)	Opening date	Investment USD mn.
Aguascalientes , Ags	600,000	late 2013	2,928
Salamanca, Gto.	140,000	March 2014	1,250
Celaya Gto.	200,000	2014	650
San José Chiapa Pue.	150,000	2016	2,000
Aguascalientes , Ags	150,000	2017	1,360
San Luis Potosi	150,000	2019	1,000
Salamanca, Gto.	50,000	2H2015	100
Nuevo León	200,000	n.a.	1,500
Total between 2014 and 2019	**1,040,000**		**7,860**

Source: BBVA Research with information from media sources

Chart 3b.12

Direct foreign investment in the automotive industry (USD bn)



Source: BBVA Research with data from the Ministry of Economy

Closing comments

Two decades have gone by since one of the most far-reaching economic blocks, and with the greatest global projection for its members, came into being. NAFTA has consolidated the automotive sector, and Mexico has been the biggest beneficiary.

It is not just the lower labor costs that are helping to increase production; it is the proximity to the US and the supply chain that both countries have developed, as well as the international trade treaties.

The challenge for Mexico is to continue raising competitiveness so as to achieve greater participation in the US market. This is feasible, if we bear in mind the new capacity that is said might be installed in Mexico, and also if the country focuses on achieving greater commercial diversification. As long as Mexico makes it possible for domestic and foreign companies to operate with simple requirements, little bureaucratic paperwork, etc., there is an increasing likelihood that automotive and spare parts firms will decide to expand their operations in Mexico.

Creating the domestic and international supply chain needed to manufacture premium vehicles involves considerable challenges (high standards in technology, efficiency, design and safety) and such chain will have to show that quality can be obtained in Mexico. A major hurdle consists of involving local suppliers as high amounts of long-term capital are needed and some know-how is required for doing business within a global industry; the market potential is around US $35bn worth of products that are currently imported. This will help to increase the country's share in spare parts manufacturing that currently stands at 25%.

3c. Domestic and international tourism: a two-speed story

Tourism in the world contributes with 9.5% to global GDP. It also provides 8.9% of jobs throughout the world (265.8 million people). Of all worldwide investment, it is estimated that 4.4% goes into the tourism sector. This activity has a direct impact on hotels, entertainment, transport, attractions, conferences and conventions. It makes an indirect contribution to investment in tourism and trips, government and suppliers. Likewise, it drives demand for food and beverages, clothing, accommodation and leisure.

Global tourism, more destinations, greater connection

Tourism has become a viable alternative for many regions and countries that formerly did not compete. Nevertheless, this economic growth path is not risk-free. Politically motivated events such as 9/11, as well as the attacks in Madrid and London, had a short-term adverse effect on tourism. Other unfavorable factors have been health risks such as SARS and H1N1, natural disasters (the tsunami in Indonesia and major hurricanes in New Orleans and the Mexican Caribbean), which put climate change on the tourism agenda, and more recently the economic contraction in industrialized countries. All these things affect tourism, not only at a local level, but also at a regional and global one.

In 2013 and up until April 2014, tourism continued to strengthen in line with progress in global economic activity. This performance meant that 2013 ended with new record highs in international arrivals (visitors who spend the night), with 1.087 billion in 2013, equivalent to an annual growth rate of 5.1% (see Table 3c.1). From January to April 2014, the rate of international arrivals continued to rise (4.7%), thus an increase of between 4% and 5% by the end of the year, as estimated by the UNWTO, could be feasible.

Table 3c.1

International tourist arrivals (y/y % change)

	World	Europe	Asia & Pacific	America	Africa	Middle East
2009	-3.8	-4.9	-1.6	-4.7	3.4	-4.9
2010	6.5	3.1	13.2	6.5	9.3	11.5
2011	4.9	6.4	6.8	3.6	-0.3	-5.9
2012	4.0	3.6	6.9	4.3	6.5	-6.6
2013	5.1	5.6	6.5	3.4	5.4	-0.6
2005-2013*	3.8	2.9	6.2	2.9	6.1	4.5
2014**	4 - 4.5	3 - 4	5 - 6	3 - 4	4 - 6	0 - 5
Jan-Apr 14	4.7	4.7	6.0	5.8	5.1	-3.8

*annual average ** UNWTO prognosis
Source: BBVA Research with data from UNWTO

Table 3c.2

Total income from international tourism (USD bn)

	2012	2013	Abs. chge.	% chge. 13/12	% share 13	Income per arrival, US$, 13
World	1,078	1,159	81.0	7.5	100.0	1,070
Europe	454	489	35.3	7.8	42.2	870
Asia - Pacific	329	359	29.8	9.1	31.0	1,450
Americas	222	229	7.3	3.3	19.8	1,360
Africa	34	34	-0.1	-0.3	3.0	610
Middle East	46	47	1.6	3.5	4.1	920

Source: BBVA Research with data from UNWTO

The performance of different regions in the world, according to the WTO, was as follows: the Asia-Pacific region, with 23% of the total, shows the highest and most sustained rates. It is followed by Africa and Europe, although this final region accounts for the biggest contribution in terms of total arrivals, at around 52%. The Americas region is improving, particularly in 2014 so far. The biggest growth by the end of 2014 will come from the Asia Pacific region, with between 5% and 6%, followed by Africa and the Americas. All the regions, apart from Africa and the Middle East, are growing above the long-term 2005-13 trend. The main purpose of tourist visits continues to be rest and recreation (52%), followed by medical treatments, health and religious visits (27%) and business (14%), with the remaining 7% unspecified.

As a consequence of the positive performance of international arrivals, global income from tourism increased 5% in real terms (considering the exchange-rate and inflation fluctuations) and 7% in nominal terms, bringing in US $1.159trn in 2013 (see Table 3c.2). Europe accounted for 42.2% of total revenue by arrivals. Asia-Pacific destinations mopped up 31% of the whole, while the Americas had a 19.8% share. Based on the high correlation between real income and arrivals, it is likely that the positive change in arrivals between January and April 2014 will have been shown in terms of income.

The top four tourist destinations in the world, both in terms of inbound tourists and the FX brought by them are still France, the US, Spain and China. Traditional markets are consolidating their hold on their positions while emerging destinations are gaining market share (see Table 3c.3). Tourism has become a key factor worldwide in socio-economic progress because of the revenue it generates, plus the jobs and infrastructure development it creates, allowing the number of destinations to grow.

In terms of tourism income, the US retained the number one place (US $139.6bn). It was followed by Spain with US $60.4bn, France with US $56.1bn and China with US $51.7bn. Mexico came in 23rd place with US $13.8bn (see Table 3c.4).

Table 3c.3

The 10 most important destinations in the world by number of arrivals (millions of people)

		2011	2012	2013	% chge. 13/12
	World	**995**	**1,035**	**1,087**	**5.0**
1	France	82	83	n.d.	n.d.
2	USA	63	67	70	4.6
3	Spain	56	58	61	5.6
4	China	58	58	56	-3.5
5	Italy	46	46	48	2.8
6	Turkey	35	36	38	5.9
7	Germany	28	30	32	3.6
8	U. Kingdom	29	29	32	9.9
9	Thailand	23	26	28	10.5
10	Malaysia	19	22	27	18.3
15	**Mexico**	**23**	**23**	**24**	**1.3**

Source: BBVA Research with data from UNWTO

Table 3c.4

The 10 most important destinations by income earned (USD bn)

		2011	2012	2013	% chge. 13/12
	World	**1,042.0**	**1,078.0**	**1,159.0**	**7.5**
1	USA	115.6	126.2	139.6	10.6
2	Spain	60.0	56.3	60.4	7.3
3	France	54.8	53.6	56.1	4.7
4	China	48.5	50.0	51.7	3.4
5	Macao	38.5	43.7	51.6	18.1
6	Italy	43.0	41.2	43.9	6.6
7	Thailand	27.7	33.8	42.1	24.6
8	Germany	38.9	38.1	41.2	8.1
9	United Kingdom	35.1	36.2	40.6	12.2
10	Hong Kong (China)	28.5	33.1	38.9	17.5
23	**Mexico**	**11.9**	**12.7**	**13.8**	**8.66**

Source: BBVA Research with data from UNWTO

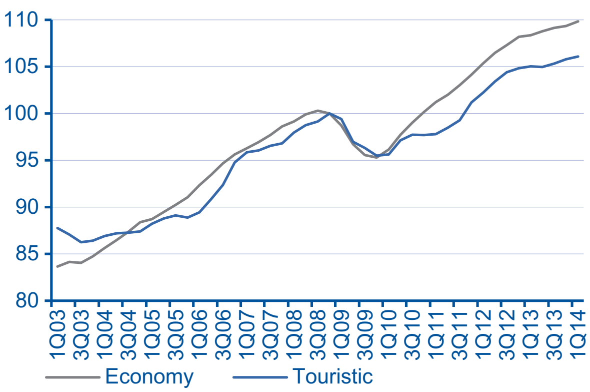
Mexican tourism statistics in 2013

- It contributed with 8.3% to GDP in 2013, a high rate if we consider the contributions of Spain and New Zealand to their GDP with 10.9% and 8.6% in 2012, respectively
- Created over 2 million direct jobs
- FDI provides national, regional and local development opportunities
- It is the fourth source of FX after the automotive industry, FDI and remittances
- Mexico is the top Latin American destination in both tourist numbers and income
- Mexican tourism does not consist only of holidays and accommodation; business takes on a significant share
- Tourism GDP contributed with 68.2% of total accommodation services; 37% of catering services; 32% of leisure activities; and 22.4% of transport
- There are over 18k hotels and more than 672k bedrooms, according to the latest 2013 figures
- The domestic market contributes with around 80% of the country's tourism consumption
- The country ranks 44th in the World Economic Forum's 2013 world ranking of tourism competitiveness

Economic activity in tourism continues to grow

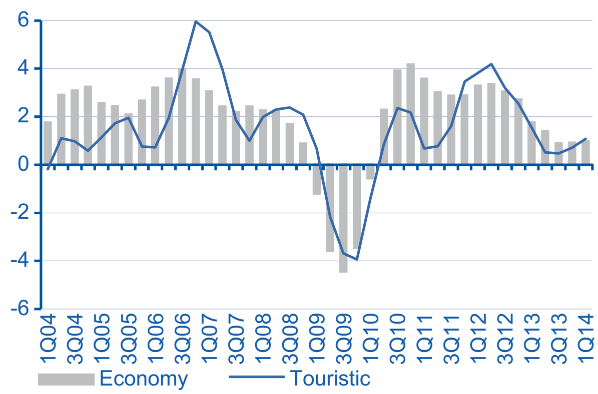
Tourism's share in the Mexican economy has remained stable over the years, despite the high potential of its natural and cultural resources. According to the National Institute of Statistics and Geography (INEGI, for its acronym in Spanish), this industry has had good results, which can be seen in the Tourism Gross Domestic Product (TGDP) for the last few years. Having dealt well with several adverse factors for tourism that occurred in 2013, such as the economic crisis in several European countries and the low growth of domestic consumption, among others, tourism in Mexico has remained in growth up to 1H14, although with some lag in relation to total economic activity (see Charts 3c.1 and 3c.2).

Chart 3c.1
Tourism Gross Domestic Product (2008 index=100 annualized)



Source: BBVA Research with data from INEGI

Chart 3c.2
Tourism Gross Domestic Product (y/y % change with annualized data)



Source: BBVA Research with data from INEGI

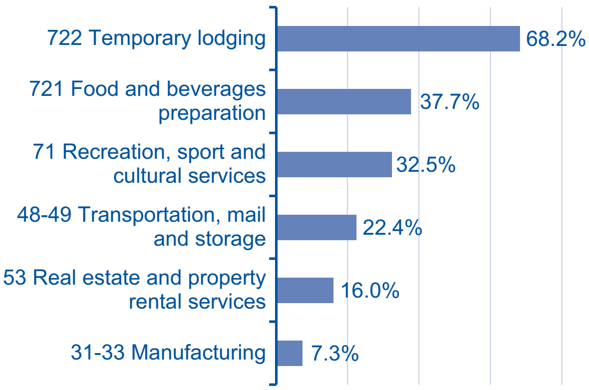
Tourism GDP involves a mix of economic goods and services activities. In 2012, according to the Tourism Satellite Account (2008 base =100), tourism accounted for 68.2% of the temporary accommodation services' sector in Mexico, while the goods produced by tourism made a contribution of 7.3% to the country's manufacturing production (see Chart 3c.3).

Tourism demand

Tourism consumption is divided into three types: i) internal, or domestic, tourism (84% of the whole), which covers the residents of the country who travel within it; ii) reception, or incoming, tourism (9.4%), which comprises the non-residents traveling to the country, and iii) outbound tourism (6.6%), the residents of the country who travel abroad. Domestic tourism plus incoming tourism is termed *interior tourism*. The consumption of this type of tourism is already higher than in 2008, indicating that the numerous events affecting it (such as the 2008-09 global economic recession, the H1N1 health emergency and the hurricanes (see Chart 3c.4) have been overcome.

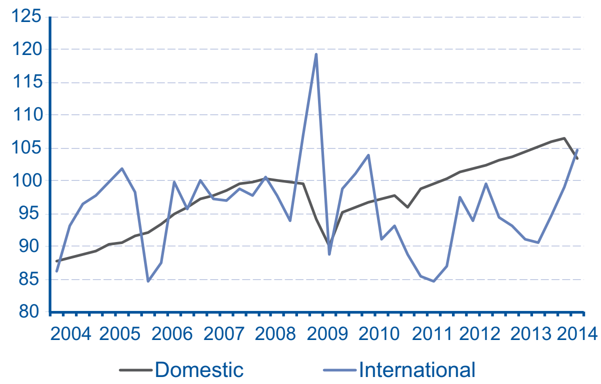
In 1Q14 incoming tourism consumption rose at an annual rate of 14.8%, continuing its positive, and growing, trend noted in 3Q13. By contrast, domestic tourism consumption fell back by 1.1%, temporarily interrupting its favourable trend, due to the adverse effects caused by the tax reform on both household and company income: the positive trend is expected to return in 2Q14.

Chart 3c.3
Contribution of tourism to various economic sectors in 2012 (base 2008=100)



Source: BBVA Research with data from INEGI, CST 2014

Chart 3c.4
Interior tourism (Index 2008=100, sa)

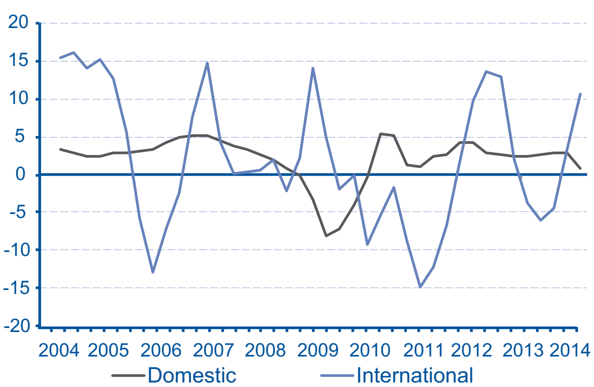


Source: BBVA Research with data from INEGI, CST 2014

Inbound international tourism in Mexico

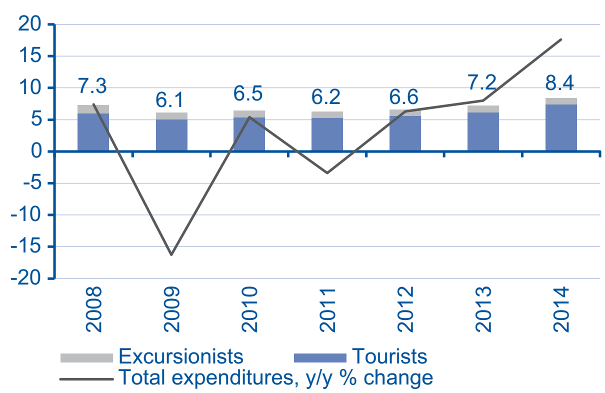
International visitors are spending more. During 1H14, expenditure by foreign visitors posted very positive results for the third year in a row, reaching US $8.4bn, which represented a major increase of 17.6% y/y, exceeding the 2008 record by US $1.1bn (see Chart 3c.6). This performance was driven by an annual growth of 21.5% in the money spent by tourists; trippers, on the other hand, spent 5.5% less on an annual basis. Tourists' expenditure comes from receptive or incoming tourism (spending the night) and border tourism. The first has much more impact on total expenditure and FX generation.

Chart 3c.5
Interior tourism (y/y % change, ma6m)



Source: BBVA Research with data from INEGI, CST 2014

Chart 3c.6
Expenditure of international visitors (USD bn from January-June every year & y/y % change)

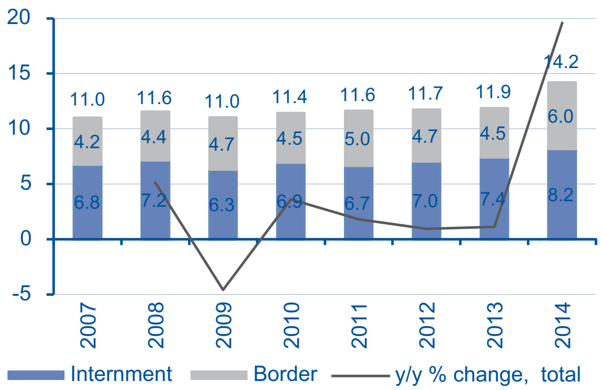


Source: BBVA Research with data from the central bank

International tourists (staying overnight) arriving in the country grew by 19.6% at an annual rate, reaching 14.2 million people. There were major increases in the sub-groups of incoming (10.1%) and border-crossing tourists (35.5%). They had average expenditures of US $868 and US $59, equivalent to an annual increment of 9.7% and 3.1%, respectively. Moreover, of the total incoming tourists' arrivals, 88% of them came in by air and the remaining 12% on roads, with an increase of 10.7% and 5.4%, respectively.

Chart 3c.7

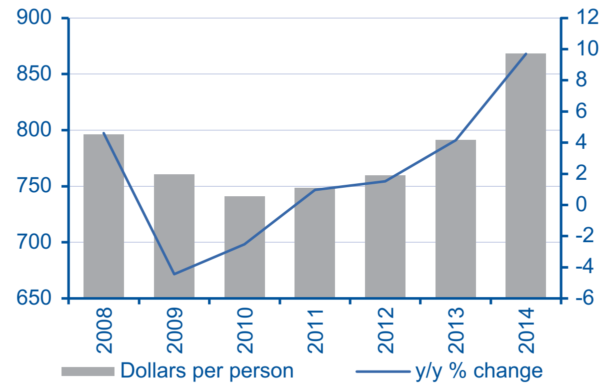
International tourist arrivals (y/y % change, 6Mo6M)



Source: BBVA Research with data from The central bank

Chart 3c.8

Average expenditure by incoming tourism (USD per person, 1H each year, y/y % change)



Source: BBVA Research with data from The central bank

In 1H14 US visitors arriving by air increased by 13.1% y/y, with over 3.9 million passengers of which 56% of them came in by air. Meanwhile, Canadian visitors represented over a million entries, an annual increase of 5.9%.

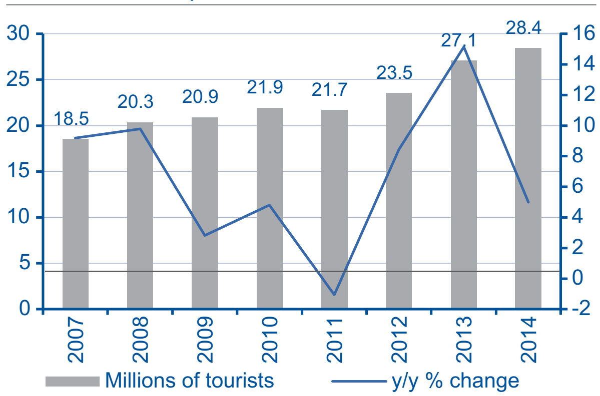
On the one hand, the steep growth in border tourism arrivals was striking; if confirmed, it might be due to a greater trade momentum between the Mexican and US borders; it will be the first growth figure after several years of stagnation. On the other, the average expenditure of incoming tourists continued to recover in 1H14, and has now exceeded the 2008 levels (see Chart 3c.8).

Record figures were posted for FX from international arrivals and in the tourism balance in 1H14. Mexico received US $8.4bn in 1H14, a new record for the first six months of a year. The tourism balance came in at US $4.1mn, an annual increase of 29.2%.

Domestic tourism. Up until July of this year, 28.4 million national tourists stayed in the country's hotels, representing a y/y increase of 5%, a lower figure than a year ago. The country's low economic growth and, above all, the higher tax burden on individuals had an impact on this performance. This was also reflected on a 5.6% increase in local flights arrivals, less than the 10.6% growth of international flights. Local tourism accounts for 80% of the country's tourism consumption, and is the main driver for most destinations, particularly those located in the major cities (Mexico City) and in the interior, together with traditional beach destinations.

Chart 3c.9

Domestic tourism, accumulated to July each year (hotel arrivals by national tourists)



Source: BBVA Research with data from DATATUR

Table 3c.5

Tourist arrivals at Mexican hotels, up until July 2014

	Resident			Non-resident			Total	
	Mn	% shre.	y/y % chge.	Mn	% shre.	y/y % chge.	Mn	y/y % chge.
Total	**28.4**	**75.1**	**5.0**	**9.4**	**24.9**	**14.9**	**37.8**	**7.3**
Beach complexes	**9.5**	**58.2**	**4.2**	**6.8**	**41.8**	**15.7**	**16.3**	**8.7**
Mex. Caribbean	1.3	21.6	21.4	4.8	78.4	18.1	6.1	18.8
Los Cabos	0.2	25.9	6.1	0.7	74.1	6.3	1.0	6.2
Nuevo Vallarta	1.1	67.3	-9.2	0.5	32.7	10.4	1.6	-3.6
Acapulco, Gro	2.9	97.4	5.0	0.1	2.6	-11.0	3.0	4.5
Veracruz, Ver.	1.5	98.8	7.5	0.0	1.2	-17.2	1.5	7.1
Mazatlán, Sin.	0.9	80.3	11.6	0.2	19.7	7.6	1.1	10.8
Rest	1.5	76.3	-5.7	0.5	23.7	26.3	1.9	0.3
Cities	**19.0**	**87.9**	**5.4**	**2.6**	**12.1**	**12.8**	**21.6**	**6.2**
Large	7.5	82.9	4.5	1.5	17.1	27.0	9.0	7.7
Interior	10.4	92.6	5.2	0.8	7.4	-3.7	11.2	4.5
Border	1.1	82.1	13.9	0.2	17.9	0.1	1.3	11.2

Source: BBVA Research with data from DATATUR

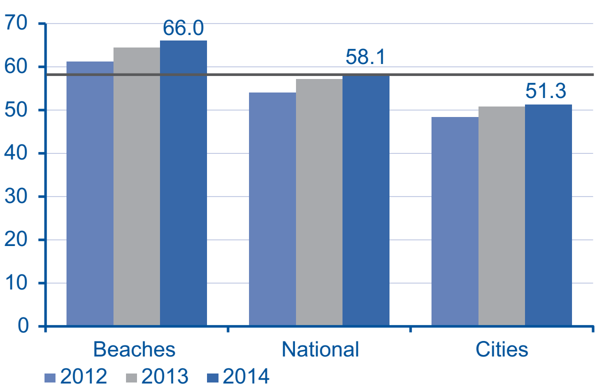
Hotel activity in Mexico

Another way of analyzing the performance of the tourism sector is through arrivals and occupancy in the hotel industry by tourists origin (local or residents, international or non-resident) and by the type of destination, that is, city (large and in the interior) and beach (traditional destinations, complexes and others). Datatur has data on hotel services at 70 destinations, whose demand is more than 75% dependent on domestic visitors; this group is particularly important for large cities and those in the interior, as well as for traditional beach places, while the remaining 25% is met by demand from international travelers, especially sun, sea and sand destinations such as the Mexican Caribbean and the Los Cabos' corridor.

Determinants for city destinations. Hotel services in urban centers operate around two major forces. The first is the amount of economic activity generated at or near the location. The second is the floating population deriving from migration patterns or travelers in transit who spend a night on their journey. There are also characteristic elements that increase the attraction of particular cities, such as: the cultural offering; their infrastructure for holding congresses or conventions; the price and quality of medical services, which may attract visitors in search of treatments; or features such as the climate, countryside or whether the city, or part of it, is picturesque. Nevertheless, the main reason, which accounts for the growth of occupancy rates and visitor reception, is economic. The more that services, trade and industry develop inside or around a city, the more it will attract travelers arriving with business objectives. This explains why the large urban areas in the country have the highest rates of occupancy and perform, on the whole, better than cities on the borders and those in the interior.

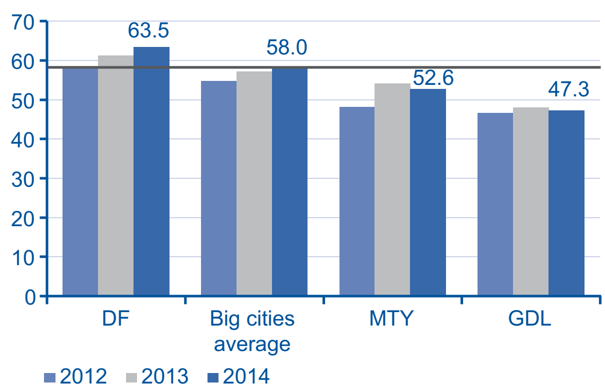
According to information published in the weekly report on hotel occupancy issued by Datatur, the average accumulated rate up to July 28th 2014, week 30 of the year, was 58.1%, 1pp higher than in the same period of 2013; with a rate of 51.3% (+0.5pp) for cities. In the overall average, occupancy rates show a rising trend, but less robustly than in 2013, linked to the low economic growth of 1Q14. Among major cities, Mexico City showed the highest rate of occupancy, with Monterrey and Guadalajara trailing at a distance.

Chart 3c.10
Hotel occupancy in Mexico, %
(Jan-July or accumulated to week 30 of each year)



Source: BBVA Research with data from DATATUR

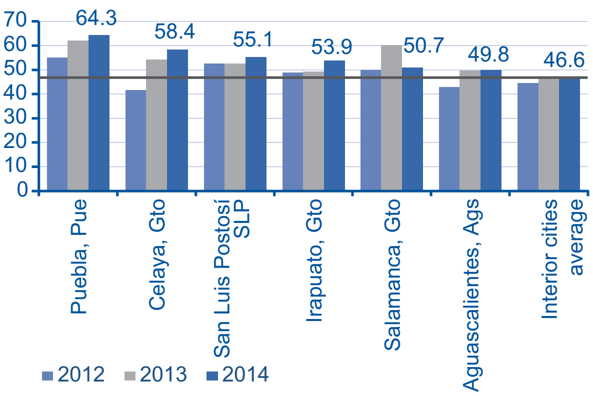
Chart 3c.11
Hotel occupancy in large Mexican cities, %
(Jan-July or accumulated to week 30 of each year)



Source: BBVA Research with data from DATATUR

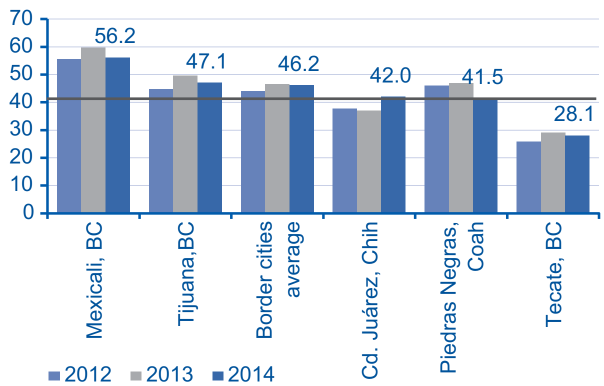
The average rate in urban centres in the interior was 46.6% (+0.3pp) on average in 2014. Progress was modest compared with 2013, when it achieved +1.8pp. In the regions, though, there have been marked variations in the occupancy figures. While some areas progressed, others lost ground. In the case of city hotels in the interior, the Bajío area (see Chart 3c.12) showed major progress, driven by investment in new plants and automotive suppliers in the zone. Future auto investments will trigger not only higher occupancy, but also investments in hotels and property. Average occupancy along the northern border is still not showing a sustained improvement, with the occupancy rate at 46.2% (-0.4pp) in 2014, a figure which compares unfavorably with the 2.6pp rise in 2013. In 2014, occupancy in border states was affected by the VAT hike from 11% to 16% and lower business activity in the region; the exception was Ciudad Juárez, perhaps due to a perceived improvement in public safety.

Chart 3c.12
Occupancy in urban centers of the interior and certain cities in Bajío, %
(Jan-July or accumulated to week 30 of each year)



Source: BBVA Research with data from DATATUR

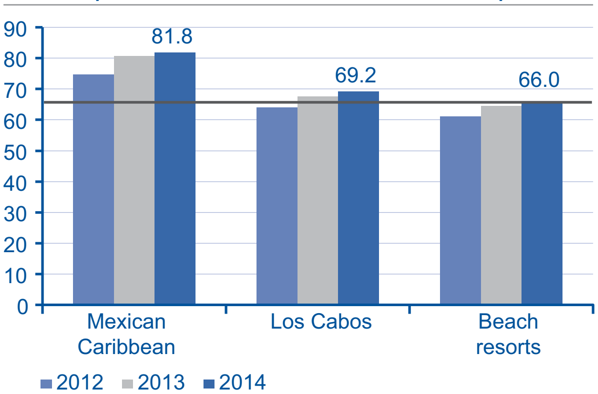
Chart 3c.13
Occupancy in border cities, %
(Jan-July or accumulated to week 30 of each year)



Source: BBVA Research with data from DATATUR

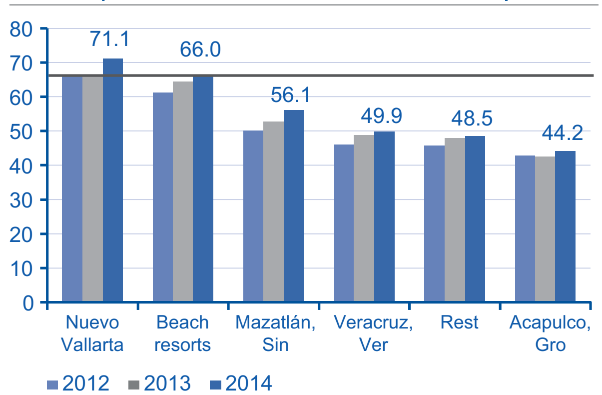
Beach destinations. In the case of sun, sea and sand destinations, the Mexican Caribbean and the Los Cabos' corridor, which are the most important magnets for foreign tourists, have made major progress. The destination with the highest rates of occupancy is the Caribbean, with occupancy rates of 81.8% (+1.2pp), although the increase was more robust in 2013. In the Los Cabos area, progress was more intense in 2013 as well. Hotel occupancy in traditional beach destinations (Acapulco, Veracruz and Mazatlán), while increasing, is doing so at a slow pace, in line with domestic consumption. In 2014, the area of Nuevo Vallarta jumped considerably when its occupancy rate went up to 71.1% (+4.9pp), perhaps as a result of a more balanced composition between resident and non-resident visitors.

Chart 3c.14
Occupancy in beach destinations preferred by foreign tourism, %
(Jan-July or accumulated to week 30 each year)



Source: BBVA Research with data from DATATUR

Chart 3c.15
Occupancy in beach destinations preferred by domestic tourism, %
(Jan-July or accumulated to week 30 each year)



Source: BBVA Research with data from DATATUR

Challenges

For the second half of 2014, we expect tourism in Mexico to continue growing in terms of attracting more tourists, their average expenditure and occupancy levels. The differences among regions will persist. While those destinations targeting foreign tourism and occupancy in major cities will make progress, the places mainly visited by local tourists, together with medium-sized and border towns could improve in the light of better economic growth expectations for 2H14. Beach tourism has made satisfactory progress over the year, and we expect occupancy rates to continue rising, helped in particular by demand from foreign tourists. The business segment is clearly growing, as it is the case in Mexico City and the Bajío area.

The tourism sector in Mexico faces several challenges: the worrisome very low rate of growth, dependent on the exterior; the trade and investment dependence on the US, and the reduction in expenditure in the domestic market. The situation of the US and European economies is also a cause for concern for Mexico; the first - the main source of tourists to Mexico - is moving at a very slow rate, while the second -the biggest source in the world- is still showing a slow recovery. It would be a great feat if Mexico were to succeed in positioning itself as an attractive destination in under-developed segments (and not just sun, sea and sand), such as tourism based on culture, ecotourism and adventure, health, sports, business and religion, to mention only a few.

4. Appendix

4.a Indicators of economic performance by state

Table 4a.1
Selected indicators

	GDP* 2012 (millions of pesos)	Population[1] (persons)	GDP* 2012 (millions of USD)	GDP* per capita 2012 (USD)	CAGR[2], % 2003 - 2012			Ranking in the nation					
					Real GDP	Population	Real GDP per capita	Real GDP 2012	Real GDP per capita 2012	Foreign Direct Inv. 1H14	Employ-ment[3] 1H14	Fed. Res.[4] 1H14	Public debt[5] 1H14
National	15,106,359	117,053,750	1,147,120	9,800	2.7	1.4	1.3						
Aguascalientes	163,141	1,233,921	12,388	10,040	4.1	2.0	2.1	28	10	16	18	28	22
Baja California	427,586	3,328,623	32,469	9,755	2.4	2.6	-0.2	13	12	8	4	15	10
Baja California Sur	111,739	695,409	8,485	12,201	5.3	4.2	1.1	29	6	14	23	32	17
Campeche	760,971	866,375	57,785	66,698	-3.8	1.8	-5.4	6	1	32	32	29	31
Coahuila	512,261	2,854,334	38,899	13,628	3.3	1.7	1.5	9	5	13	31	5	1
Colima	86,940	685,394	6,602	9,632	3.0	2.4	0.6	31	13	23	7	13	15
Chiapas	274,065	5,050,568	20,811	4,121	1.7	2.1	-0.3	19	32	31	8	19	11
Chihuahua	417,193	3,598,792	31,680	8,803	2.9	1.4	1.5	14	16	4	29	31	3
Distrito Federal	2,472,386	8,911,665	187,744	21,067	2.9	0.2	2.7	1	2	1	1	2	8
Durango	183,468	1,709,741	13,932	8,149	2.0	1.4	0.6	25	20	30	17	22	16
Guanajuato	585,465	5,668,181	44,458	7,843	3.1	1.7	1.4	7	22	3	2	8	24
Guerrero	218,105	3,499,507	16,562	4,733	2.2	1.2	1.1	24	31	7	26	10	27
Hidalgo	252,628	2,768,973	19,184	6,928	2.6	1.9	0.7	20	24	19	12	18	25
Jalisco	945,499	7,644,152	71,798	9,392	3.0	1.6	1.4	4	14	6	5	4	13
México	1,390,191	16,106,485	105,566	6,554	3.3	1.9	1.4	2	25	17	6	1	21
Michoacán	349,184	4,494,730	26,516	5,899	2.1	1.2	0.9	15	28	18	15	11	9
Morelos	177,753	1,850,812	13,498	7,293	2.6	1.7	0.9	27	23	26	30	25	14
Nayarit	96,787	1,155,448	7,350	6,361	3.3	2.2	1.1	30	26	25	21	27	6
Nuevo León	1,079,862	4,868,844	82,001	16,842	4.4	1.9	2.5	3	4	2	3	9	4
Oaxaca	247,130	3,930,833	18,766	4,774	2.0	1.1	0.8	21	30	10	25	7	19
Puebla	490,213	6,002,161	37,225	6,202	3.4	1.4	2.0	10	27	5	13	6	26
Querétaro	305,308	1,912,803	23,184	12,120	5.1	2.5	2.6	17	7	11	9	23	30
Quintana Roo	225,671	1,440,115	17,137	11,899	4.8	3.7	1.1	22	9	27	10	26	2
San Luis Potosí	295,233	2,675,311	22,419	8,380	3.8	1.2	2.6	18	17	20	20	20	23
Sinaloa	312,674	2,905,750	23,743	8,171	2.5	1.2	1.3	16	19	28	16	17	20
Sonora	445,599	2,809,806	33,837	12,043	4.1	2.0	2.1	12	8	9	14	14	7
Tabasco	525,114	2,309,071	39,875	17,269	4.7	1.7	3.0	8	3	24	28	16	29
Tamaulipas	451,088	3,419,338	34,254	10,018	2.5	1.6	0.8	11	11	12	11	12	18
Tlaxcala	84,140	1,224,637	6,389	5,217	2.0	1.8	0.2	32	29	15	24	30	32
Veracruz	817,064	7,858,604	62,045	7,895	3.3	1.1	2.2	5	21	21	27	3	5
Yucatán	220,000	2,036,694	16,706	8,202	3.4	1.5	1.9	23	18	29	19	21	28
Zacatecas	181,901	1,536,674	13,813	8,989	4.7	1.2	3.5	26	15	22	22	24	12

* 2012 GDP at current prices
1 Mexico population projections 2010-2050 for 2012, CONAPO
2 Compounded Annual Growth Rate
3 Total registered urban workers affiliated to the Social Security Institute (IMSS)
4 Federalized resources, only federal participations and contributions included
5 It only includes financial obligations registered at SHCP as a share of budgeted federal participations for every state in 2014
Source: BBVA Research with INEGI, CONAPO, Banxico, STPS, SE and SHCP data

4.b Indicators by state

Table 4b.1

Region: High Development*

	Distrito Federal					
	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.4	0.4	0.6	0.0	1.6	nd
Primary Sector	-1.5	-14.3	-6.3	-17.2	44.7	nd
Secondary Sector	2.5	-5.5	-7.8	-3.3	-1.5	nd
Tertiary Sector	4.7	1.2	1.8	0.4	2.0	nd
Manufacturing production	-5.8	-4.6	-2.4	-1.3	2.3	nd
Construction	11.8	6.7	-11.8	-1.4	-13.4	-1.1
Public works	13.9	-7.7	-32.2	-26.3	-21.8	-18.7
Private works	9.5	23.3	12.9	32.3	-4.6	15.5
Retail sales	3.6	-1.7	-2.5	0.8	-2.5	-0.1
Wholesales	-0.8	-6.2	-5.9	-1.5	6.5	2.1
Total Employment	4.4	4.8	4.4	4.3	4.0	4.0
Permanent	4.0	4.9	4.6	4.2	3.8	3.8
Temporary (urban)	6.6	4.0	3.6	5.0	5.4	4.7
Total air traffic (passengers transport)	11.6	6.9	8.8	7.7	10.4	9.0
Federalized resources***	-0.1	0.3	1.2	-5.1	2.4	-0.3
Participations (Branch 28)	-5.7	2.5	5.4	4.2	-7.3	-0.4
Contributions (Branch 33)	7.9	-2.5	-4.3	-13.8	18.0	-0.1
Foreign Direct Investment (millions of USD)	7016.3	24795.8	944.6	3756.7	5121.5	-496.3

* All indicators, except Foreign Direct Investment, are real annual percentage changes
** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal) *** Includes only federal participations and contributions
na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.2

Region: Touristic*

	Baja California Sur						Quintana Roo					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	2.9	3.8	6.3	4.5	6.2	nd	6.6	2.4	1.0	2.2	1.0	nd
Primary Sector	7.2	-1.3	-13.4	11.7	-14.8	nd	-10.1	-1.6	13.9	-24.1	-0.4	nd
Secondary Sector	-3.3	14.3	20.4	12.6	18.6	nd	9.1	2.4	-10.9	2.7	-1.6	nd
Tertiary Sector	4.8	0.8	2.9	1.3	3.2	nd	6.4	2.4	2.9	2.4	1.4	nd
Manufacturing production	-3.8	7.4	14.8	13.7	12.4	nd	9.0	8.1	6.0	3.8	10.0	nd
Construction	23.2	-7.5	-9.5	-13.1	7.0	-53.9	-24.1	5.6	12.1	51.4	53.9	61.4
Public works	47.0	40.0	54.1	41.6	10.7	-58.3	6.5	-4.5	5.6	28.6	15.3	63.5
Private works	5.0	-58.4	-66.9	-71.9	-0.5	-38.1	-37.4	13.0	16.3	67.8	89.8	60.1
Retail sales	-2.9	1.3	0.8	2.5	-4.4	0.5	7.5	-4.5	-6.7	0.5	-2.5	2.5
Wholesales	2.3	-7.0	-7.7	-7.6	-4.7	-0.2	7.2	0.4	0.1	-2.2	0.3	-0.6
Total Employment	5.5	5.0	6.9	5.7	4.9	3.0	2.5	5.3	5.4	4.9	5.4	6.3
Permanent	5.1	3.0	4.4	3.8	3.8	3.1	1.7	3.4	3.4	2.8	3.2	4.0
Temporary (urban)	7.4	13.6	18.2	14.3	9.3	2.5	6.0	12.7	13.2	12.7	13.4	14.6
Total air traffic (passengers transport)	6.2	12.5	18.4	9.1	9.1	15.3	11.4	10.0	11.5	7.9	4.6	11.8
Federalized resources***	0.3	2.5	9.3	-0.2	-2.7	15.7	0.8	2.7	11.9	0.1	-3.7	13.1
Participations (Branch 28)	-2.4	2.5	7.4	-4.1	-5.8	10.7	-2.3	4.7	12.0	-2.6	-6.9	9.3
Contributions (Branch 33)	2.6	2.5	11.0	2.8	-0.1	19.8	3.8	0.8	11.7	3.1	-0.5	16.8
Foreign Direct Investment (millions of USD)	630.3	349.9	190.7	62.5	78.2	63.4	455.7	472.7	339.4	20.5	9.4	26.8

* All indicators, except Foreign Direct Investment, are real annual percentage changes
** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal) *** Includes only federal participations and contributions
na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.3

Region: Industrial*

Aguascalientes	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS**) Total	3.7	3.9	6.6	2.1	9.8	nd
Primary Sector	5.1	3.7	6.3	6.0	7.6	nd
Secondary Sector	1.6	4.9	10.2	2.7	19.2	nd
Tertiary Sector	5.4	3.2	3.8	1.3	2.4	nd
Manufacturing production	2.0	6.2	12.8	11.7	26.3	nd
Construction	17.2	-5.8	-18.2	-24.6	-9.5	-5.4
Public works	6.9	-24.3	-34.4	-7.4	-0.6	-44.2
Private works	22.5	2.6	-9.4	-29.2	-11.2	11.6
Retail sales	6.2	1.8	-0.1	0.3	0.1	0.8
Wholesales	-1.5	2.1	1.7	5.9	3.7	-2.2
Total Employment	5.3	6.7	6.7	5.9	5.7	5.6
Permanent	5.1	6.8	6.9	5.9	5.6	5.5
Temporary (urban)	7.1	6.0	4.1	5.6	6.7	7.2
Total air traffic (passengers transport)	22.5	14.4	17.7	20.0	23.8	14.6
Federalized resources***	1.8	2.4	4.1	2.6	2.0	31.4
Participations (Branch 28)	1.4	2.8	7.2	5.7	-2.8	-4.9
Contributions (Branch 33)	2.1	2.0	1.1	-0.1	6.4	67.4
Foreign Direct Investment (millions of USD)	448.5	694.2	117.6	82.4	83.0	28.9

Baja California	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS**) Total	4.1	2.1	2.3	0.8	-1.6	nd
Primary Sector	2.5	7.2	27.2	6.3	-22.3	nd
Secondary Sector	4.6	1.8	0.5	-0.1	-3.9	nd
Tertiary Sector	4.0	2.0	2.4	1.0	0.6	nd
Manufacturing production	6.1	3.9	4.9	9.4	5.7	nd
Construction	15.0	4.9	4.9	-28.1	-39.1	-40.1
Public works	16.5	19.8	29.3	-17.7	-41.2	-53.4
Private works	13.4	-12.5	-25.2	-38.9	-35.8	-22.2
Retail sales	3.9	-0.8	-1.1	0.1	-4.6	-1.5
Wholesales	-4.7	-1.5	2.2	2.6	2.4	-2.3
Total Employment	3.4	3.4	3.0	3.1	3.8	4.4
Permanent	3.4	3.7	3.6	3.5	3.9	4.5
Temporary (urban)	3.9	-1.1	-3.6	-2.6	2.2	3.9
Total air traffic (passengers transport)	8.6	11.8	13.9	17.3	17.1	12.7
Federalized resources***	2.6	2.0	6.2	-9.2	-2.6	16.4
Participations (Branch 28)	2.4	3.6	7.4	5.3	-6.6	12.2
Contributions (Branch 33)	2.8	0.3	4.9	-25.3	1.2	20.6
Foreign Direct Investment (millions of USD)	543.5	802.3	180.2	199.7	142.9	118.1

Chihuahua	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS**) Total	5.8	4.6	5.7	4.3	4.4	nd
Primary Sector	4.5	16.2	18.3	19.4	8.1	nd
Secondary Sector	8.8	5.0	6.9	3.9	8.1	nd
Tertiary Sector	4.3	3.1	3.5	1.8	2.3	nd
Manufacturing production	9.8	6.4	10.9	3.2	4.2	nd
Construction	-3.0	24.2	21.0	5.0	0.7	-15.7
Public works	4.8	48.4	40.5	24.5	-6.0	-35.6
Private works	-8.8	3.2	1.7	-11.5	8.1	10.8
Retail sales	6.0	3.7	3.6	3.6	-0.1	3.7
Wholesales	2.5	-5.5	-8.0	-2.4	-2.4	-8.5
Total Employment	4.7	4.4	3.9	3.7	3.1	3.5
Permanent	3.7	3.9	3.4	3.1	2.1	2.3
Temporary (urban)	16.9	9.5	9.7	10.4	13.5	15.4
Total air traffic (passengers transport)	9.4	2.7	2.9	4.3	10.8	10.6
Federalized resources***	1.8	3.8	11.1	-0.4	0.4	12.4
Participations (Branch 28)	2.1	6.9	15.2	7.0	2.2	4.8
Contributions (Branch 33)	1.6	1.0	7.0	-6.7	-1.4	20.0
Foreign Direct Investment (millions of USD)	745.3	1901.4	3.5	34.0	19.6	28.3

Coahuila	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS**) Total	5.1	0.0	1.2	1.8	5.3	nd
Primary Sector	3.2	-5.7	-8.4	-8.4	6.1	nd
Secondary Sector	5.5	-1.7	0.8	3.6	11.0	nd
Tertiary Sector	4.7	2.1	2.3	0.3	-0.4	nd
Manufacturing production	8.5	1.9	5.7	8.4	15.1	nd
Construction	-1.2	-31.1	-29.8	-31.5	8.4	11.4
Public works	-6.5	-41.2	-32.9	-19.2	19.8	-14.3
Private works	1.3	-26.9	-28.6	-35.6	5.5	19.5
Retail sales	2.4	2.0	-0.2	-0.5	-4.0	0.3
Wholesales	1.8	-3.4	-3.3	-3.1	0.6	-3.5
Total Employment	6.2	3.0	1.9	1.8	1.9	3.1
Permanent	5.8	3.5	2.5	2.3	2.4	3.1
Temporary (urban)	8.9	-0.5	-2.0	-1.9	-1.5	3.5
Total air traffic (passengers transport)	11.6	3.0	-22.6	27.9	28.1	25.1
Federalized resources***	0.5	1.2	6.4	6.7	2.6	13.4
Participations (Branch 28)	-0.5	1.7	8.2	11.8	-0.2	-1.9
Contributions (Branch 33)	1.5	0.8	4.5	2.0	5.1	29.4
Foreign Direct Investment (millions of USD)	240.1	1294.0	-17.1	17.8	-35.4	-7.1

* All indicators, except Foreign Direct Investment, are real annual percentage changes
** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal) *** Includes only federal participations and contributions
na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.4

Region: Industrial*

	Jalisco						Estado de México					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.2	3.0	3.1	3.2	2.5	nd	3.8	2.6	3.2	1.5	1.0	nd
Primary Sector	5.8	3.9	9.4	0.5	12.4	nd	24.8	6.0	-6.4	-0.9	54.8	nd
Secondary Sector	2.5	2.6	2.7	5.3	0.8	nd	1.0	1.5	2.8	-0.8	-2.6	nd
Tertiary Sector	4.9	3.1	2.9	2.5	2.5	nd	5.0	3.0	3.5	2.7	2.3	nd
Manufacturing production	3.0	3.5	7.4	4.8	3.6	nd	4.6	1.5	3.8	0.9	0.5	nd
Construction	0.0	-12.9	-22.6	-23.2	-23.6	-17.1	-14.5	9.7	14.8	0.6	-5.8	-29.1
Public works	-21.8	-12.5	-11.8	-4.4	-38.7	-2.6	-19.1	3.9	2.2	0.7	-3.0	-39.1
Private works	20.2	-13.1	-28.1	-33.5	-13.5	-23.2	-10.4	14.3	25.6	0.5	-7.8	-20.8
Retail sales	2.5	-0.1	-0.6	0.8	0.7	0.3	6.4	-0.5	-2.5	1.1	-0.7	0.7
Wholesales	-0.3	0.0	-1.9	2.6	1.4	-4.3	-1.0	-2.4	-5.1	-1.3	-3.9	-4.4
Total Employment	2.9	3.5	3.6	3.4	2.7	2.8	5.6	1.5	1.0	0.2	0.5	1.1
Permanent	2.7	3.3	3.6	3.7	2.9	3.1	5.3	1.8	1.2	0.5	0.9	1.1
Temporary (urban)	4.7	4.5	4.0	1.0	1.0	0.5	6.8	0.4	0.0	-1.5	-1.2	1.1
Total air traffic (passengers transport)	2.8	7.9	9.9	11.6	11.4	10.3	-39.2	22.3	37.5	30.3	-6.8	-32.7
Federalized resources* **	-0.6	3.1	7.8	-4.9	-3.5	17.3	0.4	4.7	9.7	-2.2	-1.3	6.8
Participations (Branch 28)	-2.6	3.3	8.4	2.8	-6.3	16.5	-1.2	5.6	12.1	6.2	-3.3	-1.3
Contributions (Branch 33)	1.9	2.9	7.0	-12.8	0.0	18.3	2.3	3.7	6.7	-10.6	1.0	16.2
Foreign Direct Investment (millions of USD)	864.8	957.3	374.8	247.0	185.6	90.8	1567.1	1187.0	-56.1	338.3	-306.9	397.8

	Nuevo León						Querétaro					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.6	1.5	0.4	1.2	1.6	nd	6.0	1.9	3.2	0.8	4.9	nd
Primary Sector	2.2	0.4	-2.4	0.2	6.3	nd	14.6	2.9	5.4	-0.4	13.9	nd
Secondary Sector	2.5	-0.1	-2.3	1.8	2.9	nd	7.1	0.1	1.0	-1.8	7.0	nd
Tertiary Sector	5.9	2.5	2.2	0.9	0.8	nd	4.7	3.2	4.8	2.8	3.1	nd
Manufacturing production	5.2	1.0	1.4	3.6	5.7	nd	6.5	0.6	1.5	2.5	4.9	nd
Construction	-2.3	-14.7	-17.1	-20.6	20.5	37.4	3.2	2.2	13.5	-15.6	-0.8	-14.4
Public works	-8.8	-35.2	-41.0	-32.4	-13.6	11.2	-35.7	-22.1	-3.7	-18.2	-20.2	35.7
Private works	1.9	-2.8	-3.0	-15.0	34.2	48.1	26.4	9.6	18.4	-15.1	3.9	-23.4
Retail sales	7.8	1.9	1.0	2.5	3.4	7.4	5.0	1.5	-1.0	1.2	-0.8	-2.6
Wholesales	3.6	-6.8	-9.1	-0.1	1.5	11.7	3.1	-5.6	-5.5	0.8	-3.7	-0.4
Total Employment	4.0	2.5	1.9	2.6	2.7	3.6	7.8	6.4	6.4	4.7	4.4	4.1
Permanent	3.8	3.1	2.7	3.1	2.9	3.4	7.2	6.9	7.1	5.8	5.5	4.9
Temporary (urban)	5.7	-2.0	-4.5	-1.3	1.4	6.0	10.3	4.4	3.3	0.2	-0.6	0.4
Total air traffic (passengers transport)	9.6	5.2	2.4	3.7	2.0	6.8	54.1	43.0	58.7	10.2	25.1	39.5
Federalized resources* **	-0.7	2.8	7.3	-4.6	-2.4	18.2	2.0	1.7	8.2	-10.8	0.6	13.6
Participations (Branch 28)	-4.3	2.9	7.7	0.7	-3.6	18.8	4.0	2.7	9.8	-2.4	1.9	7.0
Contributions (Branch 33)	4.7	2.7	6.8	-11.2	-0.7	17.4	-0.1	0.7	6.3	-18.8	-0.9	21.0
Foreign Direct Investment (millions of USD)	1002.3	420.3	-944.7	296.2	273.4	873.1	672.2	558.7	219.8	-85.2	139.4	42.5

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** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal) *** Includes only federal participations and contributions
na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.5

Region: Industrial*

	Sonora						Tamaulipas					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	6.1	2.4	1.8	2.8	2.3	nd	3.0	1.6	1.7	2.5	1.3	nd
Primary Sector	13.1	-3.6	-15.1	-11.5	14.7	nd	7.1	-15.4	-4.3	-0.3	27.1	nd
Secondary Sector	6.4	4.7	5.2	6.7	1.0	nd	1.0	-0.2	-1.8	0.9	-2.5	nd
Tertiary Sector	4.8	1.3	0.8	1.3	2.1	nd	4.1	3.9	4.4	3.7	1.9	nd
Manufacturing production	2.2	8.7	18.5	5.1	0.4	nd	5.1	4.1	7.1	5.0	-0.1	nd
Construction	9.6	6.5	-8.3	33.7	7.2	12.9	-6.6	-25.8	-41.6	3.3	42.5	-1.4
Public works	-11.8	-3.9	-38.6	42.0	-12.4	18.9	-3.5	-26.0	-42.4	-1.2	44.7	-7.2
Private works	28.7	12.8	10.8	29.2	20.3	10.0	-11.7	-25.5	-40.1	12.5	38.8	8.7
Retail sales	8.2	-4.8	-7.9	-4.3	-6.7	-0.6	3.7	-1.5	-4.0	0.4	-3.3	8.6
Wholesales	-0.6	-6.4	-19.4	-0.7	1.6	-5.7	-3.8	0.0	-3.1	-4.2	-4.0	-5.6
Total Employment	5.5	4.0	3.2	3.3	1.9	1.0	2.8	2.0	1.3	1.3	1.8	2.9
Permanent	4.7	4.1	3.7	3.4	1.8	0.8	1.9	2.8	2.5	2.4	2.1	2.9
Temporary (urban)	12.6	3.4	-0.6	2.5	2.2	2.2	9.7	-3.9	-7.5	-6.2	-0.6	2.7
Total air traffic (passengers transport)	3.8	3.2	6.1	7.1	6.0	7.2	15.8	8.7	8.5	8.6	6.9	11.6
Federalized resources* **	0.1	1.8	5.1	-4.4	-5.7	24.1	0.7	2.1	6.9	3.0	-2.0	16.2
Participations (Branch 28)	-0.8	2.5	6.6	2.1	-4.8	19.7	2.0	3.0	8.8	5.1	-6.0	5.5
Contributions (Branch 33)	1.2	0.9	1.9	-11.8	-6.7	28.5	-0.6	1.1	4.7	1.0	1.9	28.2
Foreign Direct Investment (millions of USD)	37.8	133.8	24.2	30.3	198.1	61.7	383.3	735.4	105.0	124.3	72.4	82.1

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na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.6

Region: Medium Development*

	Campeche						Colima					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	-0.9	-1.1	-0.3	-2.8	-1.1	nd	4.0	0.3	0.8	1.5	6.3	nd
Primary Sector	7.7	0.5	5.7	-14.2	22.7	nd	-12.7	-6.0	-23.5	-10.7	1.1	nd
Secondary Sector	-1.6	-1.5	-0.6	-3.2	-1.5	nd	5.0	-3.5	0.3	1.0	12.3	nd
Tertiary Sector	4.7	2.4	2.1	1.7	0.6	nd	5.0	2.4	2.7	2.5	4.2	nd
Manufacturing production	-2.2	12.1	13.1	6.3	-1.0	nd	2.6	-2.7	-9.2	-6.8	-2.4	nd
Construction	10.7	8.0	16.8	-9.9	-39.1	-32.9	-24.3	-7.8	21.7	15.5	6.3	-28.6
Public works	14.6	9.2	19.3	-10.3	-38.9	-32.3	-29.6	-20.9	30.7	5.5	19.3	-28.7
Private works	-22.9	-6.7	-10.8	-1.7	-41.8	-42.0	-9.9	20.1	12.0	37.6	-10.6	-28.5
Retail sales	1.5	0.8	-0.5	1.4	3.0	-1.3	2.0	-1.3	-2.6	2.7	-0.5	-0.3
Wholesales	5.5	-8.6	-12.7	3.1	-4.0	16.4	-3.2	-15.4	-14.4	-2.2	13.5	-8.9
Total Employment	10.6	5.6	4.8	1.9	-1.1	-0.4	2.4	3.2	2.6	2.5	1.7	1.1
Permanent	10.9	4.2	3.3	1.7	-2.5	-1.2	1.5	3.5	3.4	3.1	1.8	0.9
Temporary (urban)	9.3	11.2	10.9	2.8	4.2	2.8	6.7	1.7	-1.0	-0.2	0.8	2.2
Total air traffic (passengers transport)	18.9	4.6	5.9	-7.1	29.6	17.7	24.4	20.8	61.1	9.5	7.9	27.0
Federalized resources* **	5.1	-0.7	9.3	1.4	-4.1	20.3	1.8	-0.5	3.4	2.2	-0.1	24.8
Participations (Branch 28)	8.5	-1.1	5.9	0.5	-6.5	21.1	2.1	-1.1	1.2	1.2	-9.6	17.3
Contributions (Branch 33)	1.5	-0.3	13.2	2.4	-1.4	19.3	1.5	0.1	5.6	3.1	7.1	31.3
Foreign Direct Investment (millions of USD)	111.2	-136.4	5.2	-179.3	3.9	-52.6	48.7	40.4	365.9	305.7	346.3	131.0

	Durango						Guanajuato					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	2.6	-0.8	-0.2	-1.5	1.2	nd	4.9	3.8	5.0	4.8	5.0	nd
Primary Sector	14.0	2.6	0.5	7.0	2.0	nd	-1.2	4.1	7.0	18.6	9.8	nd
Secondary Sector	1.4	-4.5	-3.2	-8.3	0.0	nd	5.9	5.9	7.1	8.3	8.9	nd
Tertiary Sector	1.7	1.2	1.7	1.5	1.9	nd	4.6	2.4	3.4	1.5	2.2	nd
Manufacturing production	2.7	-2.2	1.2	-4.2	0.1	nd	6.0	4.0	5.3	2.7	8.0	nd
Construction	-18.6	9.1	5.8	6.4	20.8	80.6	28.8	16.4	18.6	18.1	10.4	7.5
Public works	-28.4	14.7	-4.2	8.0	-10.8	30.0	14.0	11.0	11.4	6.6	-14.9	-5.1
Private works	7.0	-0.7	21.4	3.2	122.1	180.1	40.3	19.9	23.4	25.6	25.0	14.8
Retail sales	5.2	3.0	1.6	0.6	-4.4	-0.4	5.5	-5.3	-7.1	-5.0	-4.0	3.3
Wholesales	-2.5	-7.7	-9.2	-7.5	-5.2	-3.7	-0.8	-1.8	6.1	2.2	7.5	-1.5
Total Employment	8.0	2.4	0.4	-0.6	1.0	2.8	5.6	5.5	5.6	5.8	6.0	7.1
Permanent	6.2	3.9	2.5	1.9	2.3	3.0	4.7	5.3	5.7	5.6	6.0	6.7
Temporary (urban)	22.2	-8.1	-13.4	-17.0	-9.1	0.6	12.2	6.7	4.5	6.7	6.3	10.1
Total air traffic (passengers transport)	7.9	0.9	4.3	6.8	10.9	13.1	11.0	5.1	5.0	12.8	17.9	13.2
Federalized resources* **	1.2	2.4	6.0	2.2	0.0	17.6	0.0	4.5	8.3	-2.6	-3.0	15.8
Participations (Branch 28)	1.7	5.2	8.4	5.9	-4.9	11.9	-0.8	5.6	9.6	8.4	-5.6	12.8
Contributions (Branch 33)	0.9	0.7	4.2	-0.1	2.9	21.7	0.8	3.4	7.0	-11.4	-0.6	18.5
Foreign Direct Investment (millions of USD)	381.4	204.7	-19.7	180.1	8.6	-15.3	751.4	883.8	141.6	171.7	169.0	309.4

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Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.7

Region: Medium Development*

	Hidalgo						Michoacán					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	3.0	1.3	2.0	-0.5	1.3	nd	1.6	1.3	2.0	-0.7	6.3	nd
Primary Sector	16.1	-2.0	-7.9	-3.8	1.4	nd	2.9	-2.1	-6.5	-10.1	9.4	nd
Secondary Sector	0.8	-1.0	-0.6	-2.7	-1.8	nd	-3.0	1.4	4.8	-0.4	12.8	nd
Tertiary Sector	4.1	3.5	4.6	1.7	3.7	nd	3.2	1.8	2.1	1.1	3.2	nd
Manufacturing production	1.4	-2.1	-1.9	-3.6	-1.1	nd	-2.8	7.5	12.6	3.9	15.6	nd
Construction	15.7	2.4	12.4	-3.3	0.8	0.8	-9.0	-25.1	-34.8	-20.5	54.8	116.3
Public works	14.9	19.1	17.2	13.9	-13.2	-18.4	9.2	-42.6	-42.4	-41.3	72.4	218.9
Private works	16.5	-14.6	5.5	-18.9	19.9	29.3	-20.7	-9.7	-28.1	-3.1	44.8	64.0
Retail sales	nd	nd	nd	nd	nd	nd	3.3	-3.1	-5.0	-1.9	-4.5	-4.0
Wholesales	nd	nd	nd	nd	nd	nd	-7.1	8.2	13.5	18.9	5.0	-11.2
Total Employment	5.0	3.6	3.1	4.4	4.3	6.0	2.0	-0.2	-0.7	-0.9	-0.7	3.0
Permanent	3.1	2.8	2.3	3.1	3.4	4.2	2.3	-0.5	-1.8	-1.7	-1.5	2.8
Temporary (urban)	12.1	6.4	5.7	9.1	7.3	12.2	-0.2	2.4	7.0	5.5	4.5	3.8
Total air traffic (passengers transport)	na	na	na	na	na	na	9.5	3.3	9.4	7.0	2.2	12.7
Federalized resources* **	1.9	1.8	0.2	-15.6	-1.7	10.8	-1.2	2.8	6.4	-7.7	-0.2	15.9
Participations (Branch 28)	3.8	4.4	9.2	2.5	-8.7	-2.6	-0.7	6.6	10.6	5.1	-4.8	6.2
Contributions (Branch 33)	0.7	0.0	-6.2	-27.0	3.2	20.2	-1.6	0.0	3.1	-15.9	3.5	23.4
Foreign Direct Investment (millions of USD)	-55.1	-32.4	-92.4	2.3	32.9	44.9	41.8	142.7	21.0	58.9	43.2	46.0

	Morelos						Nayarit					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.9	1.0	0.4	0.1	-1.6	nd	0.8	3.8	3.2	-0.9	-0.5	nd
Primary Sector	1.5	7.3	-6.4	7.0	-9.2	nd	-1.8	-6.7	-10.3	-5.0	-6.1	nd
Secondary Sector	4.9	-1.9	-4.2	-4.9	-6.7	nd	2.2	1.4	-5.4	-10.1	-16.6	nd
Tertiary Sector	5.0	2.2	2.9	2.1	1.2	nd	0.7	5.7	6.7	2.5	5.0	nd
Manufacturing production	9.5	1.6	0.2	-0.4	0.2	nd	-0.3	0.1	-3.3	-3.1	-6.1	nd
Construction	-10.1	-30.0	-40.9	-42.4	-39.9	-36.9	13.5	-3.4	-20.6	-12.2	-43.6	-10.1
Public works	46.8	-24.0	-55.3	-15.9	-4.9	-28.7	31.8	-14.7	-33.5	-33.1	-70.8	-36.6
Private works	-22.2	-32.4	-33.4	-49.3	-52.2	-42.9	-11.3	19.5	8.7	30.8	13.1	25.1
Retail sales	3.5	-2.1	-1.4	2.3	7.0	5.2	nd	nd	nd	nd	nd	nd
Wholesales	28.9	-2.0	-3.0	-4.2	-0.8	-4.3	nd	nd	nd	nd	nd	nd
Total Employment	5.1	2.2	1.8	1.7	1.5	0.6	3.7	0.0	-1.9	-1.0	1.7	4.1
Permanent	4.7	3.1	3.1	2.7	2.3	1.1	2.7	-0.8	-1.9	-1.8	1.4	4.0
Temporary (urban)	8.1	-3.5	-6.3	-5.2	-3.7	-2.8	8.1	4.1	-1.9	2.7	2.8	4.6
Total air traffic (passengers transport)	45.3	-42.1	-58.7	na	na	na	15.7	209.7	655.8	74.1	66.2	26.8
Federalized resources* **	-2.1	1.8	4.3	4.8	-2.0	20.2	1.3	1.8	6.5	-6.2	-0.6	16.3
Participations (Branch 28)	-4.0	3.4	7.1	4.5	-5.0	14.5	-0.4	3.8	7.7	0.2	-0.5	8.1
Contributions (Branch 33)	-0.4	0.4	1.6	5.1	0.6	25.3	2.5	0.3	5.6	-10.9	-0.6	22.5
Foreign Direct Investment (millions of USD)	5.2	25.7	1.3	6.6	16.9	24.6	96.6	118.3	24.7	25.0	16.9	25.7

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na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.8

Region: Medium Development*

	Puebla						San Luis Potosí					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	6.6	0.1	-1.8	-1.3	-0.4	nd	6.5	0.0	-0.6	-1.8	0.7	nd
Primary Sector	13.3	-0.1	5.9	-4.2	16.7	nd	7.3	11.1	15.2	-4.2	14.3	nd
Secondary Sector	9.7	-5.5	-11.0	-7.6	-5.6	nd	10.7	-2.7	-4.1	-6.7	-1.4	nd
Tertiary Sector	4.5	3.3	3.4	2.5	1.4	nd	3.2	1.6	1.7	2.6	1.6	nd
Manufacturing production	9.4	-7.5	-15.7	-13.0	-6.5	nd	11.7	-4.0	-6.8	-7.5	-1.5	nd
Construction	26.7	-11.6	-4.1	44.0	24.1	1.4	8.5	32.5	51.1	11.9	8.0	-11.3
Public works	69.4	-29.3	-34.1	49.5	45.9	27.9	55.2	59.6	72.3	27.6	1.3	-38.8
Private works	-9.6	16.5	27.9	36.7	1.9	-20.0	-10.4	13.6	31.7	-1.0	12.2	18.3
Retail sales	3.8	-0.9	-3.5	0.2	-2.0	-0.1	8.1	0.9	-0.3	1.7	-2.1	-1.5
Wholesales	-3.5	-2.5	-2.3	-2.0	-3.9	-3.9	1.6	-11.1	-12.6	-5.0	-1.2	-5.1
Total Employment	5.6	3.1	2.7	1.8	1.6	1.6	5.5	4.7	4.8	4.9	4.4	3.0
Permanent	5.1	3.1	3.2	2.5	2.0	2.0	4.8	4.1	4.4	4.9	4.9	3.6
Temporary (urban)	9.0	3.0	-0.8	-2.2	-0.4	-0.6	9.8	8.0	7.3	4.9	1.6	-0.6
Total air traffic (passengers transport)	25.6	13.1	16.9	21.2	8.3	5.8	11.6	-1.4	-6.8	9.6	23.7	31.1
Federalized resources* **	3.5	4.6	9.7	6.6	-2.2	15.5	0.3	2.4	5.5	-11.6	-2.7	9.3
Participations (Branch 28)	2.8	6.8	15.7	7.7	-4.2	-5.1	1.0	5.8	9.6	7.1	-3.7	-9.0
Contributions (Branch 33)	4.1	2.9	4.7	5.6	-0.7	32.2	-0.1	0.0	2.5	-23.2	-1.9	22.4
Foreign Direct Investment (millions of USD)	422.4	1321.0	291.9	591.4	252.2	59.3	106.1	509.0	224.9	114.9	39.7	22.1

	Sinaloa						Tabasco					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.1	-1.1	-0.2	-1.6	-1.6	nd	2.4	-3.0	-2.8	-0.1	1.4	nd
Primary Sector	14.7	-11.7	-14.2	0.1	-16.0	nd	13.0	-1.8	-6.1	-10.0	-13.7	nd
Secondary Sector	-2.6	-2.7	-2.2	-5.7	0.3	nd	1.2	-4.9	-4.5	-0.8	1.0	nd
Tertiary Sector	4.7	1.3	1.6	-0.5	0.7	nd	5.1	1.9	1.9	2.1	3.3	nd
Manufacturing production	2.9	-1.3	0.8	-1.0	4.1	nd	0.7	9.3	21.5	-1.5	4.8	nd
Construction	-26.3	-18.4	-28.2	-12.3	-10.3	-25.0	25.6	-7.5	-11.2	2.0	-18.0	-5.0
Public works	-29.9	-19.2	-29.4	-14.9	-16.7	-30.4	25.8	-30.6	-39.9	-15.8	-24.5	10.5
Private works	-21.6	-17.4	-26.9	-9.4	-2.3	-16.9	24.7	83.3	120.9	80.4	-6.7	-21.2
Retail sales	7.2	2.4	2.8	2.0	-5.4	2.7	3.2	0.0	0.2	-1.3	0.4	-0.5
Wholesales	2.4	-14.3	-22.3	-8.7	-8.2	-6.7	-2.1	-1.5	3.4	-4.4	13.0	5.8
Total Employment	4.4	2.4	1.6	1.5	2.1	2.8	8.3	5.0	5.4	5.3	4.8	3.7
Permanent	3.6	2.0	1.6	1.0	1.3	2.2	6.5	6.0	6.3	6.2	5.4	5.0
Temporary (urban)	11.3	5.5	2.3	5.9	8.6	8.2	17.1	0.9	1.3	1.3	2.3	-2.5
Total air traffic (passengers transport)	1.5	9.5	8.0	16.0	13.8	15.7	12.8	5.8	7.1	5.9	7.9	6.3
Federalized resources* **	1.6	0.9	7.8	-5.1	-3.7	10.7	1.9	0.5	6.1	0.4	-3.9	7.7
Participations (Branch 28)	1.6	0.6	8.0	6.2	0.0	7.8	4.3	0.2	6.0	-0.3	-5.8	1.0
Contributions (Branch 33)	1.6	1.1	7.5	-14.5	-7.4	13.5	-1.7	0.9	6.2	1.5	-0.8	18.6
Foreign Direct Investment (millions of USD)	349.2	255.6	50.6	78.0	16.3	11.3	148.2	77.1	8.1	-27.7	37.8	8.2

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na = does not apply; nd = not available
Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.9

Region: Medium Development*

	Tlaxcala						Veracruz					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.0	-0.3	1.5	-3.8	0.0	nd	4.1	0.2	1.3	-1.7	-0.7	nd
Primary Sector	63.3	-14.2	-7.8	-23.7	54.5	nd	4.1	4.0	3.4	-0.5	0.0	nd
Secondary Sector	0.7	-1.9	0.8	-7.2	-4.8	nd	3.9	-1.6	0.8	-3.6	-3.1	nd
Tertiary Sector	3.3	1.6	2.3	0.9	1.3	nd	4.2	1.2	1.5	-0.4	1.0	nd
Manufacturing production	0.0	0.3	0.3	-4.3	-7.4	nd	0.2	0.8	-1.3	-0.3	3.4	nd
Construction	4.7	-34.9	4.3	-30.6	35.6	83.1	13.7	-3.9	2.6	-12.8	-4.0	-2.9
Public works	-4.3	-30.1	24.2	-0.3	37.5	51.9	24.3	-4.0	5.3	-11.2	-8.6	-6.9
Private works	16.8	-40.2	-6.6	-54.7	32.1	127.9	-10.0	-3.5	-5.8	-17.4	7.1	10.6
Retail sales	nd	nd	nd	nd	nd	nd	4.5	-2.0	-2.8	-0.1	-2.7	1.5
Wholesales	nd	nd	nd	nd	nd	nd	-4.5	-8.3	-8.5	-0.6	-0.9	-5.7
Total Employment	4.8	4.7	4.1	2.2	0.4	-0.4	4.8	2.3	1.7	1.3	1.1	1.4
Permanent	4.4	4.4	3.9	1.7	-1.2	-2.5	4.2	2.2	1.7	0.9	-0.1	0.4
Temporary (urban)	6.4	6.3	4.8	4.2	7.0	8.4	8.3	2.4	2.0	3.8	7.4	6.8
Total air traffic (passengers transport)	na	na	na	na	na	na	6.3	13.4	11.3	14.2	7.3	18.7
Federalized resources***	1.9	1.6	4.6	-9.2	-1.5	14.5	-0.4	1.7	-0.8	-1.5	-4.1	9.0
Participations (Branch 28)	0.0	2.2	4.7	3.8	1.1	7.4	-1.5	3.1	7.4	4.5	-6.7	-3.8
Contributions (Branch 33)	3.5	1.1	4.6	-18.7	-3.6	20.3	0.5	0.5	-7.3	-6.4	-1.9	19.7
Foreign Direct Investment (millions of USD)	31.0	32.2	-3.4	14.1	129.1	9.5	36.8	452.0	10.3	183.9	57.5	-2.0

	Yucatán						Zacatecas					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	4.2	0.2	0.0	1.5	2.7	nd	4.8	-4.7	-1.4	-2.4	8.8	nd
Primary Sector	1.9	-2.7	-7.6	-3.9	-1.1	nd	27.7	8.4	16.1	6.1	36.5	nd
Secondary Sector	1.8	-4.4	-4.9	1.7	5.8	nd	2.4	-15.3	-11.5	-9.8	16.3	nd
Tertiary Sector	5.7	2.7	2.9	1.7	1.5	nd	3.4	1.7	2.5	1.0	2.1	nd
Manufacturing production	-4.3	0.6	3.0	6.5	7.0	nd	-2.6	-3.8	1.7	-8.2	15.1	nd
Construction	45.6	-20.8	-25.3	-4.9	0.0	15.5	-13.8	-18.1	-6.2	-21.2	-10.8	-16.0
Public works	23.0	-43.8	-16.3	-2.0	114.9	80.0	-15.4	-8.0	-3.5	8.0	-26.5	-23.6
Private works	65.5	-5.9	-29.0	-6.6	-28.0	-2.6	-12.2	-28.5	-9.6	-41.4	10.5	-5.8
Retail sales	3.5	1.6	-1.0	2.5	-2.1	-1.4	6.6	-0.3	-1.6	0.0	-3.9	-0.9
Wholesales	3.1	-3.1	-2.9	-1.3	-4.9	-10.6	0.5	-6.1	-6.5	-6.4	0.5	-11.3
Total Employment	4.4	3.7	4.0	4.2	3.6	3.2	4.0	2.5	2.0	2.4	3.3	4.1
Permanent	4.2	3.7	3.6	4.4	3.6	3.1	4.2	3.7	3.6	4.4	3.6	3.1
Temporary (urban)	6.7	4.5	8.5	1.7	4.2	3.4	6.1	-1.9	-2.5	-0.3	3.1	2.5
Total air traffic (passengers transport)	1.3	6.8	7.9	13.9	9.1	12.5	2.8	2.0	14.5	9.6	5.8	18.9
Federalized resources***	2.6	4.8	6.2	7.5	10.7	14.1	-1.6	1.6	4.6	3.5	2.5	17.9
Participations (Branch 28)	1.2	8.9	8.1	2.2	-0.1	9.5	-2.6	4.4	9.5	3.6	-4.4	1.4
Contributions (Branch 33)	3.7	1.5	4.6	11.7	19.6	17.7	-0.8	-0.4	0.7	3.5	6.9	31.3
Foreign Direct Investment (millions of USD)	35.1	41.0	21.2	7.9	3.2	4.8	472.9	659.1	575.9	28.9	43.8	7.2

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Source: INEGI, STPS, Sectur, SHCP and SE

Table 4b.10

Region: Low Development*

	Chiapas						Guerrero					
	2012	2013	3Q13	4Q13	1Q14	2Q14	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	2.1	-2.3	-3.2	0.1	5.2	nd	1.2	-0.3	1.1	-1.4	1.4	nd
Primary Sector	-0.4	0.6	-2.4	4.0	-7.2	nd	-4.0	-11.4	-14.1	-22.4	-8.0	nd
Secondary Sector	1.5	-9.5	-11.7	-0.1	20.4	nd	-1.6	2.3	7.2	3.6	2.9	nd
Tertiary Sector	2.8	1.0	1.2	-0.3	0.5	nd	2.4	-0.4	0.2	-1.3	1.5	nd
Manufacturing production	6.1	1.0	0.9	1.9	2.4	nd	3.4	1.9	3.2	2.2	2.2	nd
Construction	12.6	-43.2	-64.6	-21.3	37.3	-14.9	-23.1	18.4	36.8	39.4	54.3	65.5
Public works	12.9	-46.3	-60.8	-13.6	87.5	48.2	-15.3	50.6	72.3	92.7	90.4	70.0
Private works	12.0	-36.5	-70.6	-40.9	-28.6	-62.1	-31.8	-26.5	-27.9	-34.1	-5.4	56.2
Retail sales	4.2	-5.9	-7.8	-4.6	-4.1	-3.0	2.9	-0.6	-2.5	4.6	1.0	6.1
Wholesales	1.6	-4.1	-6.2	-10.1	-3.9	-12.8	-12.1	-8.8	-14.8	-1.7	0.4	-7.2
Total Employment	4.8	-0.4	-1.9	-1.2	0.3	1.3	-0.6	3.1	3.7	2.6	3.0	3.9
Permanent	4.7	1.1	-0.3	-0.5	-0.4	-0.3	-0.6	3.4	4.5	2.6	2.9	2.0
Temporary (urban)	5.9	-13.3	-16.4	-7.2	7.5	17.7	-0.6	1.8	0.5	2.6	3.8	12.7
Total air traffic (passengers transport)	-1.9	6.6	10.4	7.9	6.2	11.6	-7.3	5.7	9.3	8.6	8.0	18.0
Federalized resources* **	10.0	2.0	5.3	-1.4	-2.2	14.9	2.4	1.5	1.9	7.9	-4.7	-17.9
Participations (Branch 28)	2.5	2.2	5.7	3.0	-5.8	13.1	1.1	2.9	8.0	6.7	-4.2	11.2
Contributions (Branch 33)	15.4	1.9	5.0	-4.4	0.1	16.0	3.0	0.9	-1.2	8.4	-4.9	-29.7
Foreign Direct Investment (millions of USD)	41.8	50.3	346.7	120.0	62.2	81.0	109.0	124.8	31.1	18.8	94.9	168.6

	Oaxaca					
	2012	2013	3Q13	4Q13	1Q14	2Q14
Economic Activity (QIEAS) Total**	3.1	3.2	4.5	-0.1	1.6	nd
Primary Sector	6.6	0.5	-6.6	-10.8	-4.3	nd
Secondary Sector	4.0	4.7	8.2	0.3	3.8	nd
Tertiary Sector	2.3	2.6	3.3	1.0	1.1	nd
Manufacturing production	-5.5	11.0	11.7	22.2	-2.1	nd
Construction	23.3	-11.8	2.5	-12.3	7.2	21.9
Public works	10.9	-23.9	-19.6	-9.4	25.3	12.7
Private works	79.7	22.3	80.5	-18.6	-12.2	42.6
Retail sales	7.7	1.0	-0.5	0.9	-0.2	-1.5
Wholesales	6.3	-1.6	0.4	-8.2	-10.8	-13.9
Total Employment	5.7	4.1	3.4	2.9	3.0	2.7
Permanent	3.6	3.7	3.5	3.3	2.8	2.9
Temporary (urban)	21.2	7.2	2.4	0.6	3.7	1.3
Total air traffic (passengers transport)	13.3	10.4	8.1	9.9	3.4	12.1
Federalized resources* **	2.1	2.2	1.4	-11.6	-0.6	11.4
Participations (Branch 28)	2.0	5.9	11.2	5.9	-1.6	8.9
Contributions (Branch 33)	2.2	0.3	-3.7	-24.3	-0.1	12.6
Foreign Direct Investment (millions of USD)	69.1	99.9	35.2	39.5	73.1	110.3

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