

Economic Analysis

Slow economic activity was confirmed in 2014, GDP grew 2.1% annually

Juan Carlos Rivas Valdivia / Arnoldo López Marmolejo

According to INEGI, the quarterly growth rate (QoQ) of the fourth quarter of 2014 (4Q14) GDP was 0.7%, seasonally adjusted (sa), equivalent to an annual growth (YoY) 2.1%. This expansion was slightly down our estimates and the market (BBVA Research: 0.8% QoQ; Consensus: 0.9% QoQ).¹

Based on the seasonally adjusted, the GDP rose 0.7% in the fourth quarter of 2014 compared to the previous quarter (see figure 1). In terms of GDP components, in the 4Q14 tertiary activities (services) were recorded the best performance, with a quarterly growth rate of 0.9%, secondary activities (manufacturing) grew 0.6%, and primary activities (agriculture) reported a quarterly decrease of 2.2%, (see figure 2). In annual terms, the GDP grew 2.6%, sa, in the fourth quarter of 2014. The service sector grew by 2.8% YoY sa, manufacturing activities increased 2.4 YoY, sa, and the primary sector expanded 0.9% YoY, sa.

This evolution was reflected in the monthly evolution of Global Economic Activity Indicator (IGAE). In December the IGAE fell 0.3% MoM, sa. Manufacturing and services fell 0.3% MoM, sa, and 0.2% MoM, sa, respectively. Meanwhile, agriculture increased 5.6% MoM, sa. The annual growth rates of this indicator between October and December 2014 were respectively 2.7%, 2.7% and 2.3%, seasonally adjusted.

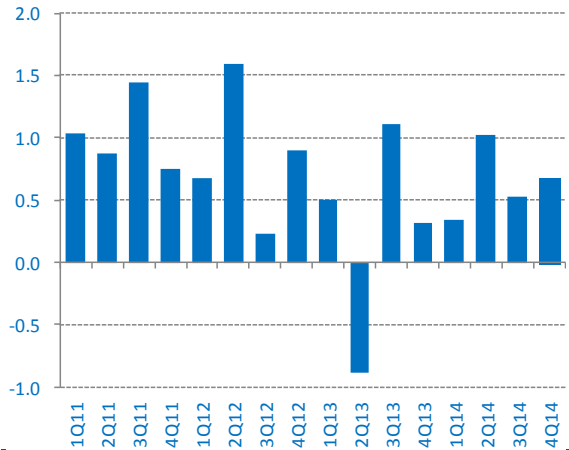
Annual economic growth in 2014 stood at 2.1% of our forecast; however, this confirmed the slow performance of economic activity over the past year. The moderate quarterly growth; reducing public expenditure; decreased production and oil prices; and weak domestic demand put downward pressure on our economic growth forecast for 2015, currently set at 3.5%, as it will require a greater effort from the public and private sectors to boost investment and infrastructure programs, and thereby stimulate growth in the first half of 2015.

The result of GDP in 2014, although better than 2013, prints doubts about the strength of the domestic market as a engine of growth of the country and puts us in a position of greater reliance on external demand to achieve higher growth figures in the next years.

¹ See Mexico Weekly Flash February 13, 2015:

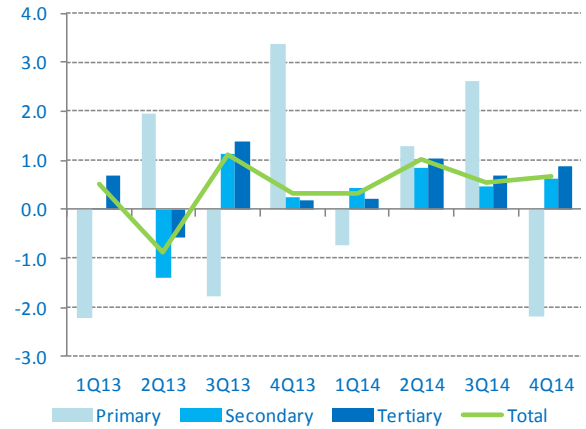
<https://www.bbva.com/publicaciones/estimamos-un-crecimiento-trimestral-del-pib-en-el-cuarto-trimestre-de-2014-de-0-8-en-linea-con-un-crecimiento-anual-de-2-1-en-2014/>

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



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

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



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

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