

Regional Sectorial Outlook

Mexico

Second Half 2015
Economic Analysis

- Mexico's non-automotive manufactured exports are key to fostering economic growth in 2015
- Economic growth in most of Mexico's regions will be higher in 2015
- The automotive industry in Mexico is consolidating itself as an important driver for the economy
- The necessary ingredients to bring down electricity rates: resolutions on economic competition and performance-based regulation
- Residential consumers in Mexico will consume on average 1.5 times more electricity in 2028 vs. 2014

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Closing date: August 14, 2015

1. Summary

A more dynamic export oriented sector is a necessary condition for growth consolidation

Demand for Mexican manufactured exports is closely linked with US manufacturing production. In 1Q15 this economic sector slowed down, showing annual growth of 3.8% vs. 4.5% in 4Q14. Consequently, the growth of manufactured exports was driven to a large extent by the US market. Particularly, light vehicle automotive exports to the United States stand out by having grown at a rate of 13.4% over the first four months of 2015. Nevertheless, non-automotive manufactured exports (70% of non-oil exports) have held manufacturing production back to a slow pace. Seasonally adjusted figures for this kind of exports indicate annual growth rates averaging 2.5% over the past 27 months vs. 4.0% in 2012.

On a sector level, industrial production in 2015 will mainly be stimulated by manufacturing activity and, to a lesser degree, construction and electricity while mining will continue to be a drag on industrial growth. The manufacturing sectors associated with automotive production - electronic equipment, electrical devices and components, plastics, and machinery and equipment - will be the most dynamic in export terms over this year. As for the services sector, its growth will be limited by domestic market weakness.

Most of the country's regions will show higher economic growth in 2015 vs. 2014

Our forecast for national economic growth in 2015 is 2.5%, which will be above the figure of 2.1% obtained in the previous year. The economic performances in four out of the five regions into which we have divided the country according to their economic vocation are expected to improve in 2015.¹ The following forecasts for 2015 are of particular interest: i) the Touristic region will display the fastest economic growth among all regions while ii) the Industrial zone, featuring the largest share in national GDP, will accelerate its growth by only 0.2 percentage points vs. 2014 and iii) the Low Development region will grow by 1.5%, which will be lower than the 3.6% obtained last year.

As it has been the case since 2013, national economic growth has been below potential. To put this into perspective, two time-periods were analyzed. If we only consider 2013, 2014 and 2015, Mexico's economy may be expected to grow at 2.0% on average, which compares unfavourably with the average growth of 2.8% realized in 2004-12. To explain the loss of momentum in national economic growth over 2013-15 by comparison with 2004-12, we assessed the regional contribution to the overall national economic slowdown. We found that the Industrial region accounts for 50.8% of such economic deceleration while the High Development region is responsible for 28.8%. The Medium Development region stands in third place with a contribution of 13.7% while the Touristic and Low Development regions jointly chip in with 6.7%.

¹ A detailed description of this classification can be consulted in the *Mexico Regional Sectorial Outlook*, "Agrupamiento Regional, Cómo y Para Qué", November 2007. BBVA Bancomer. Regions according to 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.

Special reports: the Mexican automotive industry as the key sector driving the economy and an analysis of the factors to take into account to make a reduction of electricity rates possible

In this *Mexico Regional Sectorial Outlook* we present two analyses of the following topics: i) the current outlook for the Mexican automotive industry and its importance for the economy as a whole, and ii) the complementary mechanisms for the new legislation of the electricity industry that might bring about a reduction of costs and electricity rates.

The main findings to highlight from our analysis of the Mexican automotive industry are the following: i) the contribution of this industry to GDP was 3.1% in 2014 vs. 2.1% in 2008; ii) the industry employs around 700,000 people according to data up to December 2014 (a level of employment that is 63% higher than that observed in December 2008) and also has a 20% share in the overall manufacturing employment; iii) vehicles exported from Mexico to the United States represent roughly 60% of total production and 72% of all exports of such goods, which is a reflection of the high level of integration between the automotive industry and the US economy, and iv) the new plants in Mexico will increase production capacity by around 50% from 3.2 million to 5 million units in 2019.

As for the outlook for Mexico's automotive industry, this is very promising in terms of production growth for this year. The US vehicle market remains strong and, even though the economy there is growing at modest rates, the economic performance will be positive and stronger than in 2014. A short-run phenomenon that might bring about a decent rate of light vehicle sales in the United States is the fact that gasoline prices are predicted to remain low over the year. For these reasons, we estimate that automotive production will grow by around 10% in 2015.

In the short time that has elapsed since the secondary legislation of the energy reform was passed, a desirable and expected reduction of electricity rates is growing in importance as a criterion for gauging the success of the reform within the new international energy context of relatively low prices for oil per barrel. In other words, the expected benefits for the hydrocarbons sector will take longer to materialize, implying that a reduction in electricity rates sooner rather than later would help to build the perception that the energy reform has been a success.

Although the new energy legislation considers a new architecture for the electricity industry that is more conducive to developing a competitive market that will ultimately lead to better rates, this will have to be complemented with mechanisms of incentive-based regulation and resolutions to foster economic competition both in the input (mainly natural gas) and final product markets. Moreover, implementation of the Electricity Industry Law will have to provide effective open access and impartiality to all the players who might be interested in using the transmission network to sell electricity. Like in all reform processes, developments in the new electricity industry over time will set the pace for a second wave of sector reforms.

2. Regional and sectoral analysis

2.a A more vigorous export performance is a necessary condition for growth consolidation

Weakness persists in the external environment

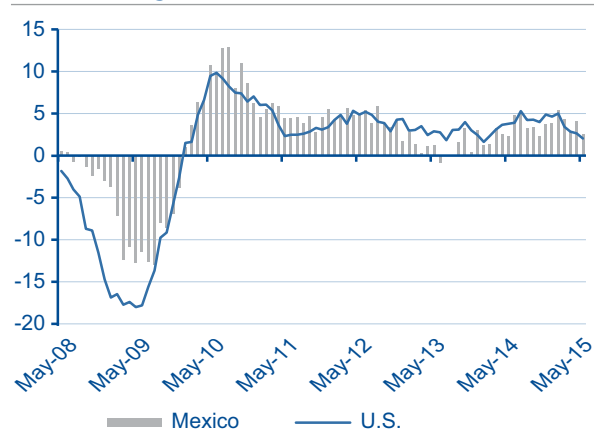
The US economy showed signs of frailty in 1Q15 as both external and domestic factors took a toll on it. The external environment was influenced by the modest growth of Europe's economy, low prices of basic commodities such as hydrocarbons, the depreciation of several currencies against the dollar and various different flash points of geopolitical instability. The adverse consequences of these factors are likely to lead to an increase in the trade deficit as they make US products more expensive and imports into the United States cheaper. Moreover, weakening prices of hydrocarbons have prompted a substantial fall in private investment. On the domestic side, a sharp slowdown in private consumption was observed (produced by a contraction of automobiles, food and beverage purchases), as well as a drop in both single family housing starts and investment in industrial equipment and IT. Although there were factors which were conducive to a deceleration of the US economy in 1Q15, the latest economic data have been encouraging given that US GDP grew by 2.3% YoY in 2Q15 and some 223,000 jobs were added in June. This payroll figure implied an unemployment rate of 5.3%, the lowest since May 2008, suggesting that growth picked up in 2Q15.

Modest growth of non-oil exports and manufacturing activity growing slowly because of non-automotive shipments sent abroad

As for manufacturing production in the United States, the main demand driver for Mexican exports, a slowdown was evident in 2Q15 as this only grew by 2.3% YoY vs. 3.5% YoY in 1Q15. It should be added that Mexican growth levels were typically one or two percentage points above those for the United States, but since late 2012 the average rate has slipped below the United States corresponding figure. Among other reasons for this, this relatively poorer performance in manufacturing has probably been caused by the weakness of the domestic market in the past few years. This has also been influenced by higher taxes affecting both local consumption and business activity as a consequence of a tax reform. More recently, business confidence has gone south as lower oil revenues have prompted cuts in the federal government budget.

Figure 2a.1

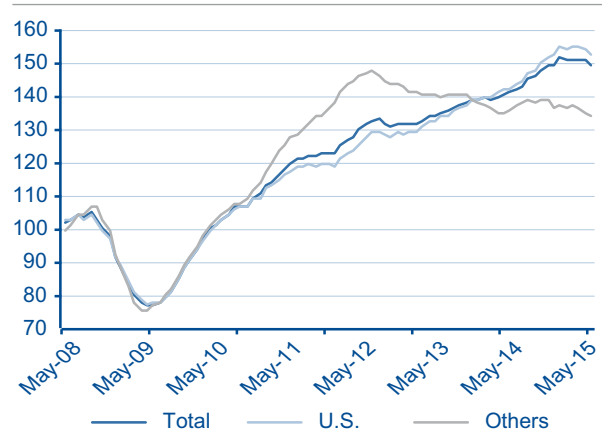
Mexican and US manufacturing production (YoY % change, sa)



Source: BBVA Research with INEGI and Federal Reserve data

Figure 2a.2

Non-oil exports by destination (2008=100, sa, 6mma)

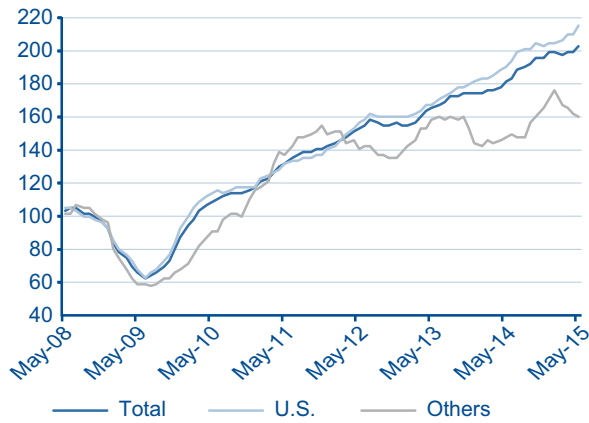


Source: BBVA Research with INEGI data

The growth of non-oil exports was largely generated by the momentum of those sent to the United States, which was consistent with the growth of productive activity seen there. The buoyancy of these exports, in turn, reflected increases in exports within both the automotive sector and the rest of the manufacturing activity. In contrast, non-oil exports to the rest of the world remained on a negative course for their automotive and non-automotive components.

Figure 2a.3

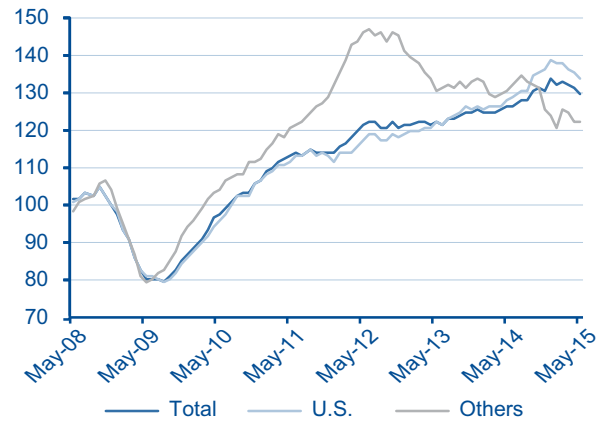
**Automotive exports by destination
(2008=100, sa, 6mma)**



Source: BBVA Research with INEGI data

Figure 2a.4

**Non-automotive exports by destination
(2008=100, sa, 6mma)**



Source: BBVA Research with INEGI data

The boost from automotive exports came not only from new production lines (as a result of an automotive production restructuring in the United States in 2009), but also from a recovery in the automotive market. US imports of light vehicles over the first four months of 2015 rose by 5.4% YoY. Such imports coming from Mexico, which represented 12% of the overall figure, increased by 13.4% YoY, a rate which was only topped by South Korea with 17.4% YoY. As exports from Mexico and South Korea are on the rise in the United States, those from Japan and Germany have shrunk by 8.3% YoY and 7.2% YoY, respectively.

Table 2a.1

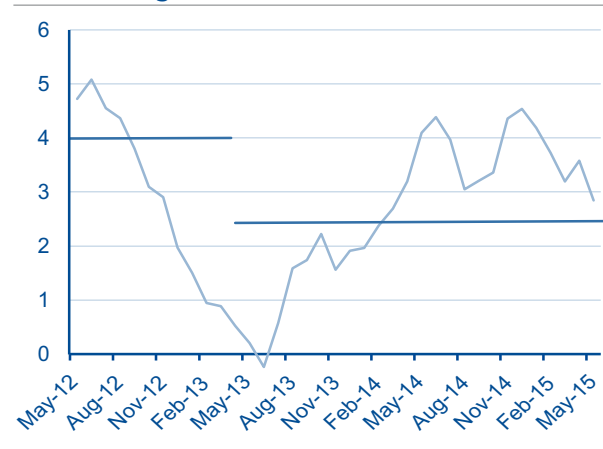
**Main destinations of light vehicles from Mexico
(Units)**

Ranking 2014	Ranking 2015	Country	January-June		Change		
			2014	2015	2015 % share	Relative, %	Absolute
1	1	United States	901,671	994,817	70.8	10.3	93,146
2	2	Canada	121,564	149,857	10.7	23.3	28,293
4	3	Germany	50,139	54,306	3.9	8.3	4,167
3	4	Brazil	60,534	41,884	3.0	-30.8	-18,650
6	5	Colombia	26,913	31,463	2.2	16.9	4,550
5	6	China	33,612	22,192	1.6	-34.0	-11,420
7	7	Argentina	13,006	20,191	1.4	55.2	7,185
8	8	Arabia	9,993	9,114	0.6	-8.8	-879
10	9	Italy	4,970	7,467	0.5	50.2	2,497
21	10	Belgium	1,475	7,348	0.5	398.2	5,873
		Other countries	49,694	66,819	4.8	34.5	17,125
		Total exported	1,273,571	1,405,458	100.0	10.4	131,887

Source: BBVA Research with AMDA data

Figure 2a.5

**Manufacturing production
(YoY % change, 2008=100 sa, 3M MA)**



Source: BBVA Research with INEGI data

Exports of light vehicles to the United States (70% of total exports by Mexico) are not the only ones on the rise. For example, Canada is posting annual growth rates of 35.5% (with a contribution of 11.6% of the total) while Italy and Belgium are showing substantial annual increments although from low bases. In contrast, there have been negative annual growth rates for Brazil (-30.8%) and China (-34.0%).

Non-automotive exports (70% of the non-oil component) sent to both the United States and the rest of the world, lost momentum going into 2013 and since then have had annual average growth of just 3.3% - this figure is less than half of what was seen in 2012 (7.3%). This is has been a drag on seasonally adjusted manufacturing production figures (which represent the chief driver of growth), which are showing modest annual growth rates of 2.5% over the past 27 months vs. 4.0% in 2012.

The growth of manufacturing production of durable goods (those most closely tied to demand from abroad) in 1Q15 was higher and for most of its components also higher when compared to the same period of the previous year with the exception of machinery and equipment,¹ and base metals. The latter was hit by overproduction in relation to world consumption, and China is the driving force behind this trend. As for non-durable goods (those most associated with domestic demand), four activities have held back manufacturing growth: production derived from oil processing, the textile/clothing chain and chemical products - all of them with significant drops. Estimates for manufacturing growth in 2015 suggest an annual advance of around 3.0%, which is below the 2014 level of 3.7%. The current trend for the manufacturing production components will remain if the US dollar continues keeping its strength against most of the world's currencies, which ends up lowering the competitiveness of US manufacturing production and its exports.

Table 2a.2

Durable goods production
(YoY % change, sa)

	2013	2014	1Q15	2015e
Plastic	-1.4	5.3	4.6	3.9
Paper	2.2	3.2	4.7	3.8
Manufacturing	1.5	3.7	3.8	3.5
Beverages & tobacco	-0.6	4.8	3.6	3.3
Textiles	3.5	5.6	2.7	2.2
Food	1.0	0.9	2.2	1.7
Printing	-7.0	-2.5	2.7	0.7
Textile manufacturing	-2.7	-3.3	-4.3	0.4
Chemical products	0.8	-0.4	-2.4	0.3
Leather & fur products	-0.6	-1.4	-0.5	0.0
Apparel & accessories	3.2	-3.3	-1.5	-0.7
Oil products	3.3	-4.5	-8.1	-6.0

e=estimated

Source: BBVA Research with INEGI data

Table 2a.3

Non-durable goods production
(YoY % change, sa)

	2013	2014	1Q15	2015e
Transportation equipment	5.5	11.4	10.6	10.8
Electronics & computers	3.7	5.7	11.4	8.0
Metal products	-6.9	8.3	8.9	4.8
Electrical	-2.0	6.5	4.9	4.3
Furniture & instalations	-6.3	-2.2	10.0	4.0
Machinery & equipment	1.3	-3.1	-0.3	4.0
Non-metallic minerals	-3.0	2.2	3.9	3.6
Manufacturing	1.5	3.7	3.8	3.5
Wood products	-2.0	1.2	5.8	3.3
Other	-0.1	7.0	4.9	1.1
Basic metals	0.4	9.6	-7.3	-4.1
Oil products	3.3	-4.5	-8.1	-6.0

e=estimated

Source: BBVA Research with INEGI data

Mining is a major drag on industry growth

The fall in oil production has been a cause of great concern in Mexico over the past decade. The average annual contraction of 3.3% recorded by oil production over 2005-14 has been hard to turn around. Although the share of oil and gas production in economic activity has been gradually coming down, it is still substantial. In 2014, oil and gas production represented 82% of mining, 21% of industrial production and 7% of overall economic activity. In 1Q15, mining production dropped by a seasonally adjusted 5% YoY with the oil component registering the heaviest fall. Since the situation does not appear likely to improve in the short to medium term, an annual drop of around 4% for mining is expected for the whole year.

¹ Machinery and non-electrical equipment comprises manufacture and assembly capital equipment, which is split into seven groups of economic activity: for use in the agricultural and livestock, construction and extractive industry segments; for manufacturing industry except metalworking; for commerce and services; air-conditioning, heating and cooling; for the metal-working industry; use in internal combustion, turbines and transmission; and other machinery for industry in general.

Construction is on the long path to recovery

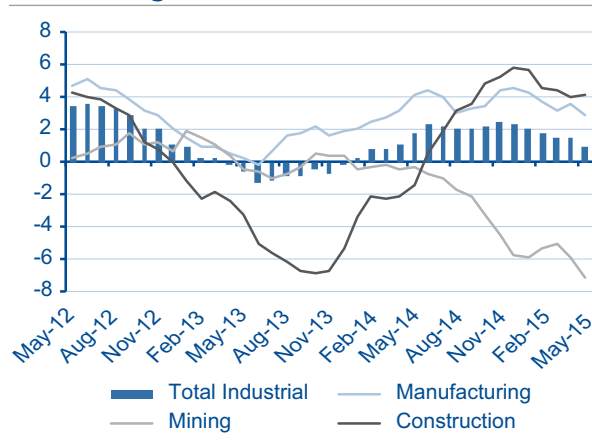
In 1Q15 the construction sector grew at an annual rate of 4.4%, maintaining the trend towards recovery that had been observed since 2H14. The high growth rate seen in 1Q15 is partly due to a statistical effect from comparison with a low base, but also to an improvement in building works (they rose by 5.4% YoY in 1Q15) driven by a reaction from consumers to an anticipated rise in interest rates going into the last part of the year. Nonetheless, there are still factors which are hampering the sector's progress, such as the exchange rate volatility, the drop in oil revenue and the cut in federal government spending.

The civil works and infrastructure segment lags behind all of the construction categories in the recovery process. Such segment is closely linked to public sector investment. In 1Q15 it finally achieved growth of 2.6% YoY after falling steadily over 27 months. The modest progress is, among other aspects, a sign of the decrease in investment in oil exploration and other mining products that has been brought about by the oil price slump.

The specialized works segment represents do-it-yourself construction and housing improvements. Both correlate with inflows of remittances, which are used to both complement a recipient's income and invest in their houses. If remittances continue to move ahead as they have done so far, we expect this segment will continue recovering and will post a positive performance in 2015, although not necessarily quite dynamic. Thus the construction sector is staging a comeback, although at a modest pace. Despite this, the sector is predicted to contribute to the progress of the economy in general this year, having not done so for three years.

Figure 2a.6

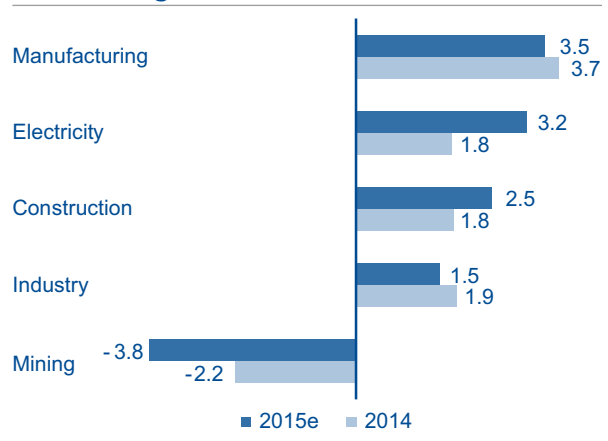
Components of industrial production
(YoY % change, 2008=100, sa, 3mma)



Source: BBVA Research with INEGI data

Figure 2a.7

Industrial GDP 2015e
(YoY % change)



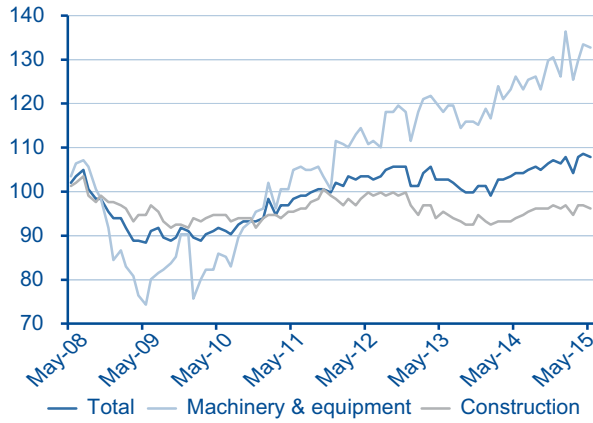
e=estimated
Source: BBVA Research with INEGI data

Gross fixed investment shows signs of recovery but not enough to create more jobs and boost consumption

In 1Q15 gross fixed investment purchases rose by 5.3% with respect to the same quarter last year, accumulating four quarters of positive growth. Construction, which represents 68.2% of total investment, has already been showing a recovery since the middle of last year, growing by 3.4% YoY in 1Q15. Nevertheless, such rate levels are too modest to create more employment and construction has not even returned to 2008 levels as in 1Q15 growth was still below 3.7%.

Figure 2a.8

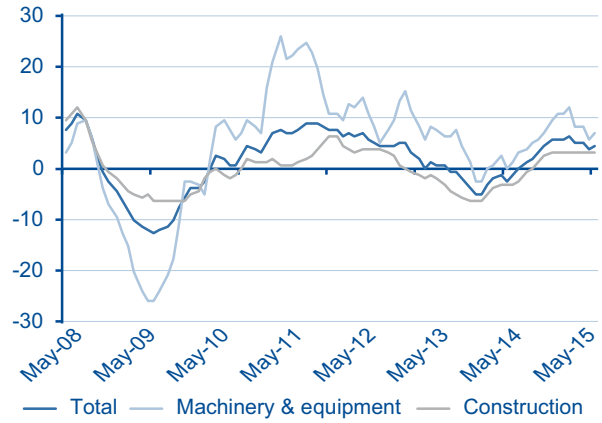
Gross fixed investment by component (2008=100, sa)



Source: BBVA Research with INEGI data

Figure 2a.9

Gross fixed investment by component (YoY % change, sa, 3mma)



Source: BBVA Research with INEGI data

As for the purchases of the machinery and equipment segment (it accounts for 31.8% of all gross fixed investment), this component exhibits the highest dynamics. Such component grew by 8.3% YoY in 1Q15 and was driven by machinery and equipment imports whose annual growth was 9.1% in the same quarter. This last item was mainly supported by the purchases of tools for Mexico's new automotive facilities. There was also a contribution from the acquisition of transport equipment in the light vehicles category but above all this were the purchases of heavy vehicles. The latter group shows an 8.7% YoY cumulative growth up to April. This suggests that the retail market has managed to overcome the effects of the tax changes from last year. Both items account for 23.4% of overall machinery and equipment.

In summary, we can say that gross fixed investment is starting to display signs of recovery. Even though such investment is not growing at the desired rates, we are at least now seeing a stable return into positive territory. Investment is expected to close the year with a growth of 3.7% YoY.

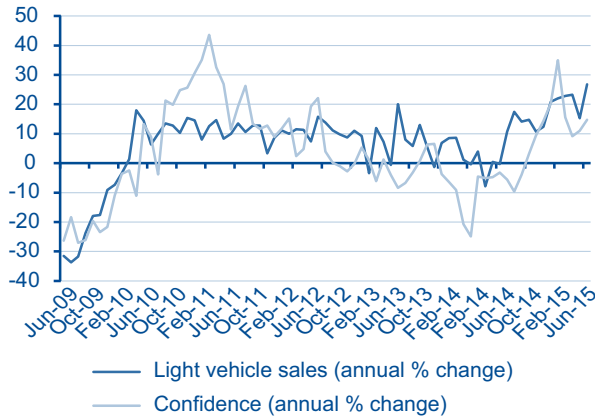
The services sector is getting some impulse from consumption. Even though such sector shows positive signs, consumption is still restrained by a low dynamics in the labor market.

So far this year, there are increasing signs of a momentum in household consumption. New light vehicles sales grew at an annual rate of 15.6% in May 2015, posting a year-to-date annual increase of 20.8% in contrast to a drop of 1.0% over the same period last year. This pattern that has surged is due to more affordable financial conditions (lower interest rates and longer terms). Moreover, the consumer confidence component associated with purchases of durable goods (the fifth component) has been on the rise over the year thus far. Conversely, the labor market - without including newly formalized workers - has grown very slowly by only 1.2% and 1.0% in 1Q15 and 2Q15, respectively. These rates are very much on a par with those seen for the same quarters in 2014.

The services sector, which accounts for two-thirds of economic activity, reflected the domestic market's performance. Such sector grew by 2.9% YoY in 1Q15, rate which was slightly higher than the 2.2% posted in 1Q14. The activity in the services sector outgrew both GDP (2.5%) and the overall industry (1.9%). The modest growth of this activity is attributed to a domestic market without much more capacity to consume given the inability of the labor market to create better-paid jobs.

Figure 2a.10

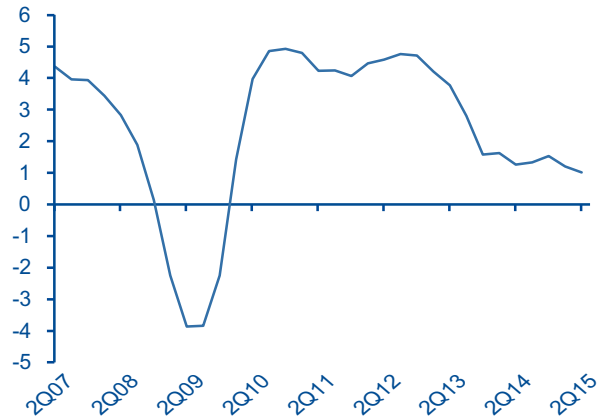
Vehicle sales in the domestic market and consumer confidence (2008=100, sa)



Source: BBVA Research with INEGI and AMIA data

Figure 2a.11

Workers affiliated with IMSS (excluding newly formalized workers) (YoY % change, sa)



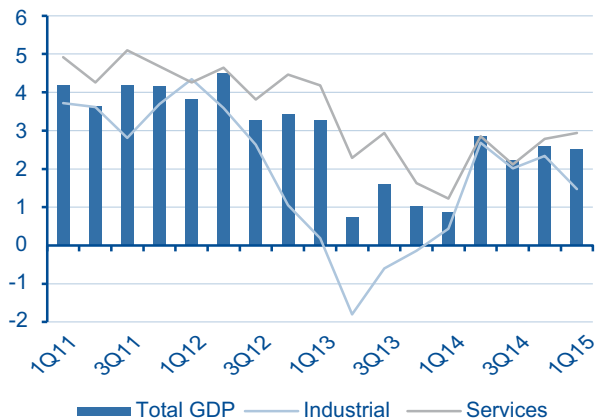
Source: BBVA Research with STPS data

Broken down by its components, the higher growth was led by the mass media (5.7% YoY in 1Q15), commerce (5.7% YoY) and government activities (5.2% YoY). Nevertheless, these unusually high rates are due to a low-base effect. It is worth noting that temporary accommodation services grew by 3.6% YoY, which is consistent with continued improvement in international tourists coming to Mexico. Up to 1Q15 foreign tourist arrivals grew by 11.4% in annual terms to reach 7.9 million persons. If this trend continues, such arrivals will total 32 million foreign visitors and will imply an annual growth of 10% in 2015. As for the hotel occupancy rate up to May 3, the figure was 60.8% and higher than the 58.8% posted for the same period in 2014.

For the whole 2015, we estimate that the services sector annual growth could reach 2.8%, a forecast which is slightly higher than the 2.2% observed in 2014. The weakness of private consumption affects this sector and has mainly arisen from both a low dynamics in the labor market and a tax reform that reduced disposable income. The educational and healthcare services will be the sectors lagging the most with respect to the average. Nevertheless, they will end the year with positive growth rates (see Table 2a.4).

Figure 2a.12

Industrial and services activity (YoY % change, sa)



Source: BBVA Research with INEGI data

Table 2a.4

Services activity (YoY % change, sa)

	2013	2014	1T15	2015e
Information in mass media	51	2.2	5.7	7.3
Leisure, cult., & sports serv.	4.0	-0.8	3.7	3.4
Retail trade	2.9	3.3	5.7	3.4
Hotel, lodging & prep. of food & bev.	1.9	2.9	3.6	3.3
Government activities	-0.5	2.5	5.2	3.0
Insurance and financial services	10.5	2.0	1.5	2.9
Transportation, mail and storage	2.7	1.9	3.1	2.9
Services Sector	2.7	2.2	2.9	2.8
Prof, scientific, and technical serv.	0.9	1.2	2.5	2.6
Real estate and leasing services	1.0	2.1	1.5	2.2
Business support serv.	4.3	0.0	2.6	2.2
Other serv. except gov't activities	2.2	1.4	2.8	1.8
Health and social welfare services	2.5	0.7	1.3	1.2
Educational services	0.8	1.5	0.6	1.0
Corporate and company leadership	-1.4	6.4	-2.8	0.0

Source: BBVA Research with INEGI data

Conclusions

Our annual growth forecast for Mexico's GDP in 2015 is 2.5%. If this forecast materialized, there would be three consecutive years of growth under 3%. The factors that are restricting the economy's performance the most are the oil price slump and the bleak outlook for the global economy. This all implies that Mexico is unlikely to achieve future GDP growth of 3% on a sustained basis (our growth forecast for 2016 is 2.7%). As for the US economy growth, there are some factors that could hinder its dynamics in the upcoming months. First, the oil price slide has dented physical investment, mainly in the energy sector. Second, we find a strong US dollar and its adverse effects derived from relatively more expensive exports and cheaper imports from a US standpoint.

As for the pillars of the Mexican economy, we see an industrial sector boosted by manufacturing production and, to a lesser extent, by construction and electricity. Mining will continue to hold back industrial growth. The most promising activities within manufacturing, due to their export drive, will be the automotive, electronic, electrical, plastics, and machinery and equipment components, among others. These sectors will manage to offset the weakness in other export segments.

The construction activity, which began its recovery from the middle of 2014, will grow in 2015 although at a sluggish pace. The lower public expenditure foreseen for 2015 and 2016 after oil revenues plummeted and the smaller oil production base will make it hard for the economy to come back strongly as this affects public investment, the oil and gas sector in particular. Moreover, the frail domestic market is something that limits services growth, mainly in those areas more closely aligned with domestic economic activity.

2.b Sectorial Outlook

Table 2b.1

Mexico, Indicators and sectorial projections, production, sa

					Annual % change							
	2013	2014	2015	2016	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15
Total GDP	1.7	2.1	2.5	2.7	0.9	2.9	2.2	2.6	2.5	2.4	2.6	2.3
Primary	0.8	3.5	5.8	2.7	2.6	3.1	6.8	1.4	6.8	5.5	6.4	4.6
Secondary	-0.6	1.9	1.5	2.8	0.4	2.7	2.0	2.3	1.5	1.9	1.6	1.2
Mining	-0.5	-2.2	-3.8	-1.5	-0.3	-0.2	-2.8	-5.6	-4.7	-4.7	-3.6	-2.2
Electricity, water, and supply of gas	0.5	1.8	3.2	3.9	2.2	1.7	1.5	1.7	3.2	2.6	4.0	2.8
Construction	-4.7	1.8	2.5	3.7	-3.2	1.3	3.8	5.6	4.4	5.3	1.8	-1.2
Manufacturing	1.5	3.7	3.5	3.8	2.9	4.1	3.3	4.6	3.8	3.2	3.5	3.5
Tertiary	2.7	2.2	2.8	2.7	1.2	2.9	2.1	2.8	2.9	2.5	2.9	2.8
Retail trade	2.9	3.3	3.4	3.4	0.6	3.4	3.9	5.4	5.7	3.1	2.7	2.1
Transportation, mail and storage	2.7	1.9	2.9	3.3	1.6	2.9	0.8	2.3	3.1	2.5	2.8	3.0
Information in mass media	5.1	2.2	7.3	6.5	2.1	4.6	-0.2	2.4	5.7	5.6	9.5	8.6
Insurance and financial services	10.5	2.0	2.9	6.8	4.2	1.4	1.0	1.7	1.5	2.5	3.0	4.6
Real estate and leasing services	1.0	2.1	2.2	2.0	1.8	2.2	2.3	2.2	1.5	1.9	2.6	2.9
Prof, scientific, and technical serv.	0.9	1.2	2.6	1.9	-0.5	0.2	1.3	3.7	2.5	3.3	2.8	1.9
Corporate and company leadership	-1.4	6.4	0.0	1.8	6.5	3.9	3.4	12.5	-2.8	-2.0	2.9	1.9
Business support serv.	4.3	0.0	2.2	1.2	0.0	1.8	-0.1	-1.7	2.6	1.3	2.5	2.4
Educational services	0.8	1.5	1.0	0.8	1.1	1.8	2.3	0.9	0.6	0.7	1.2	1.6
Health and social welfare services	2.5	0.7	1.2	0.8	0.3	0.9	0.8	0.6	1.3	1.1	1.5	1.1
Leisure and relaxation, cult., & sports serv.	4.0	-0.8	3.4	2.6	-2.2	-0.9	2.0	-2.0	3.7	3.9	3.1	2.9
Hotel, motel, lodging & prep. of food & bev.	1.9	2.9	3.3	2.0	1.9	4.2	2.1	3.3	3.6	3.0	3.8	2.8
Other serv. except gov't activities	2.2	1.4	1.8	1.6	0.4	1.4	1.9	1.9	2.8	1.4	1.2	1.7
Government activities	-0.5	2.5	3.0	-2.3	3.0	2.6	2.3	2.0	5.2	2.9	2.1	1.9

	Share, %				Contribution to growth, pp			
	2013	2014	2015	2016	2013	2014	2015	2016
Total GDP	100.0	100.0	100.0	100.0	1.7	2.1	2.5	2.7
Primary	3.0	3.1	3.2	3.2	0.0	0.1	0.2	0.1
Secondary	33.6	33.5	33.2	33.2	-0.2	0.6	0.5	0.9
Mining	7.6	7.3	6.8	6.5	0.0	-0.2	-0.3	-0.1
Electricity, water, and supply of gas	2.2	2.2	2.2	2.2	0.0	0.0	0.1	0.1
Construction	7.3	7.3	7.3	7.4	-0.4	0.1	0.2	0.3
Manufacturing	16.5	16.7	16.9	17.1	0.2	0.6	0.6	0.6
Tertiary	60.8	60.8	61.0	61.0	1.7	1.4	1.7	1.6
Retail trade	15.3	15.5	15.6	15.7	0.4	0.5	0.5	0.5
Transportation, mail and storage	5.8	5.8	5.8	5.8	0.2	0.1	0.2	0.2
Information in mass media	3.4	3.4	3.5	3.7	0.2	0.1	0.2	0.2
Insurance and financial services	4.6	4.6	4.6	4.8	0.4	0.1	0.1	0.3
Real estate and leasing services	11.9	11.9	11.9	11.8	0.1	0.3	0.3	0.2
Prof, scientific, and technical serv.	2.2	2.2	2.2	2.1	0.0	0.0	0.1	0.0
Corporate and company leadership	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Business support serv.	3.2	3.1	3.1	3.1	0.1	0.0	0.1	0.0
Educational services	3.7	3.7	3.6	3.5	0.0	0.1	0.0	0.0
Health and social welfare services	2.0	2.0	2.0	1.9	0.1	0.0	0.0	0.0
Leisure and relaxation, cult., & sports serv.	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0
Hotel, motel, lodging & prep. of food & bev.	2.1	2.1	2.1	2.1	0.0	0.1	0.1	0.0
Other serv. except gov't activities	2.0	2.0	2.0	2.0	0.0	0.0	0.0	0.0
Government activities	3.6	3.6	3.6	3.5	0.0	0.1	0.1	-0.1

 Note: projections appear in **boldface**. All figures are subject to review by the Institute.

sa: Seasonally-adjusted; pp: Percentage points

Source: BBVA Research with INEGI data

Table 2b.2

Mexico: Indicators and sectorial forecasts, manufacturing production, sa

	2013	2014	2015	2016	Annual % change				2015	2015	2015	2015
					1Q14	2Q14	3Q14	4Q14				
Total	1.5	3.7	3.5	3.8	2.9	4.1	3.3	4.6	3.8	3.2	3.5	3.5
Food	1.0	0.9	1.7	1.9	1.2	0.9	1.4	0.4	2.2	1.1	1.5	2.2
Beverages and tobacco	-0.6	4.8	3.3	2.3	3.0	4.4	6.8	4.9	3.6	3.2	3.5	3.0
Textile inputs	-2.7	-3.3	0.4	1.9	0.2	-8.6	-2.9	-1.5	-4.3	0.9	2.5	2.7
Production of textile products	3.5	5.6	2.2	6.9	0.5	1.5	4.9	16.3	2.7	-1.3	3.8	3.8
Apparel	3.2	-3.3	-0.7	1.6	7.1	-5.2	-5.7	-8.3	-1.5	-2.0	-3.0	3.7
Leather and fur products	-0.6	-1.4	0.0	1.1	-0.9	-4.9	0.1	0.0	-0.5	2.3	-0.6	-1.2
Lumber industry	-2.0	1.2	3.3	0.9	-2.4	1.1	1.5	4.5	5.8	4.4	2.5	0.7
Paper industry	2.2	3.2	3.8	1.6	3.0	2.2	3.2	4.6	4.7	5.1	3.6	2.0
Printing and related industry	-7.0	-2.5	0.7	-0.7	-3.9	-4.5	-5.2	3.9	2.7	1.7	2.5	-3.9
Oil deriv. products	3.3	-4.5	-6.0	-0.2	-3.3	-4.7	-1.3	-8.8	-8.1	-7.6	-7.6	-0.4
Chemicals	0.8	-0.4	0.3	1.7	2.2	-3.0	-1.8	1.0	-2.4	1.3	1.5	0.9
Plastic and rubber products	-1.4	5.3	3.9	3.5	6.0	4.4	4.0	6.9	4.6	3.1	4.0	4.1
Non-metal mineral products	-3.0	2.2	3.6	0.9	1.1	0.1	2.0	5.6	3.9	4.4	5.1	1.2
Basic metal products	0.4	9.6	-4.1	3.1	15.0	11.2	5.2	7.3	-7.3	-4.0	-3.4	-1.5
Metallic products	-6.9	8.3	4.8	3.7	2.1	4.2	13.1	14.2	8.9	4.6	2.9	3.2
Machinery and equipment	1.3	-3.1	4.0	3.6	-0.1	-2.9	-4.0	-5.4	-0.3	3.0	4.7	8.6
Computers and electronics	3.7	5.7	8.0	7.3	4.2	1.3	5.8	11.7	11.4	8.4	5.7	6.8
Electrical equipment	-2.0	6.5	4.3	7.1	3.8	2.5	8.2	11.8	4.9	4.2	3.8	4.4
Transport. equipment	5.5	11.4	10.8	8.8	12.3	10.9	9.2	13.4	10.6	10.6	12.3	9.6
Furniture and related products	-6.3	-2.2	4.0	0.4	-4.4	-8.5	-2.4	6.3	10.0	6.4	5.5	-4.6
Other manufacturing industry	-0.1	7.0	1.1	2.2	6.4	6.3	9.1	6.2	4.9	2.1	-0.5	-1.7

	Share, %				Contribution to growth, pp			
	2013	2014	2015	2016	2013	2014	2015	2016
Total	100.0	100.0	100.0	100.0	1.5	3.7	3.5	3.8
Food	21.8	21.2	20.9	20.5	0.2	0.2	0.4	0.4
Beverages and tobacco	5.0	5.1	5.1	5.0	0.0	0.2	0.2	0.1
Textile inputs	0.7	0.7	0.7	0.7	0.0	0.0	0.0	0.0
Production of textile products	0.6	0.6	0.6	0.6	0.0	0.0	0.0	0.0
Apparel	2.5	2.3	2.2	2.2	0.1	-0.1	0.0	0.0
Leather and fur products	0.8	0.8	0.7	0.7	0.0	0.0	0.0	0.0
Lumber industry	1.0	1.0	1.0	1.0	0.0	0.0	0.0	0.0
Paper industry	2.0	2.0	2.0	2.0	0.0	0.1	0.1	0.0
Printing and related industry	0.7	0.7	0.6	0.6	-0.1	0.0	0.0	0.0
Oil deriv. products	3.7	3.4	3.1	2.9	0.1	-0.2	-0.2	0.0
Chemicals	11.7	11.3	10.9	10.7	0.1	0.0	0.0	0.2
Plastic and rubber products	2.9	3.0	3.0	3.0	0.0	0.2	0.1	0.1
Non-metal mineral products	5.0	4.9	4.9	4.8	-0.2	0.1	0.2	0.0
Basic metal products	6.7	7.1	6.6	6.5	0.0	0.6	-0.3	0.2
Metallic products	3.1	3.2	3.2	3.2	-0.2	0.3	0.2	0.1
Machinery and equipment	4.2	4.0	4.0	4.0	0.1	-0.1	0.2	0.1
Computers and electronics	4.2	4.3	4.5	4.6	0.2	0.2	0.3	0.3
Electrical equipment	2.9	2.9	3.0	3.1	-0.1	0.2	0.1	0.2
Transport. equipment	17.0	18.3	19.5	20.5	0.9	1.9	2.0	1.7
Furniture and related products	1.2	1.1	1.1	1.1	-0.1	0.0	0.0	0.0
Other manufacturing industry	2.1	2.2	2.1	2.1	0.0	0.1	0.0	0.0

 Note: projections appear in **boldface**. All figures are subject to review by the Institute.

sa: Seasonally-adjusted; pp: Percentage points

Source: BBVA Research with INEGI data

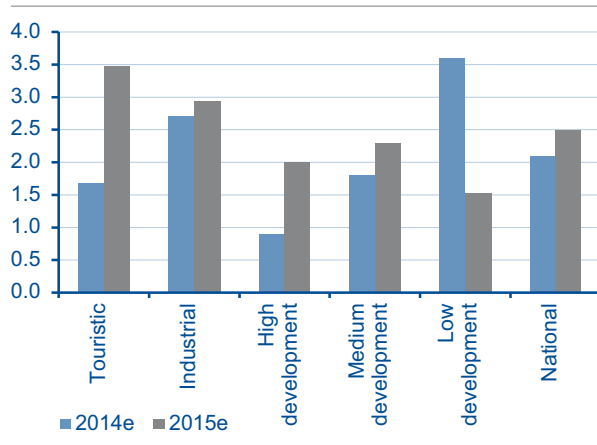
2.c Most of Mexico's regions will show faster economic growth in 2015 vs. 2014

Our forecast for national economic growth in 2015 is 2.5%, which will be above the figure of 2.1% posted in the previous year. The economic performances in four out of the five regions into which we have divided the country, according to their economic vocation, are expected to improve in 2015 (see Figure 2c.1)¹ The following predictions for 2015 are of particular interest: i) the Touristic region will display the fastest economic growth among all regions while ii) the Industrial zone, featuring the largest share in national GDP, will accelerate its growth by only 0.2 percentage points vs. 2014 and iii) the Low Development region will grow by 1.5%, which will be lower than the 3.6% obtained last year.

As it has been the case since 2013, national economic growth has been below potential. To put this into perspective, two time-periods were analyzed. If we only consider 2013, 2014 and 2015, Mexico's economy may be expected to grow at 2.0% on average, which compares unfavourably with the average growth of 2.8% realized in 2004-12. On a regional level, the economic performance of all the regions in recent years also compares poorly with respect the corresponding average growth of the nine-year interval (see Figure 2c.2).

Figure 2c.1

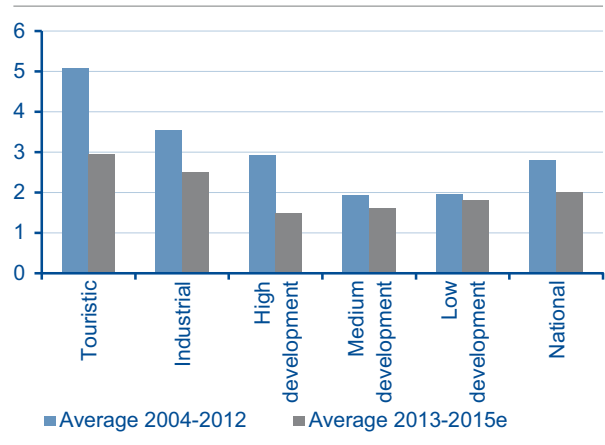
Expected annual economic growth for 2015 vs. 2014 (%)



e/own estimates
Source: BBVA Research with INEGI data

Figure 2c.2

Average annual economic growth for two periods (%)



e/own estimates
Source: BBVA Research with INEGI data

¹ A detailed description of this classification can be consulted in the *Mexico Regional Sectorial Outlook*, "Agrupamiento Regional, Cómo y Para Qué", November 2007. BBVA Bancomer. Regions according to vocation and level of development: High Development: DF; Touristic: BCS and QR; Industrial: Agu, 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.

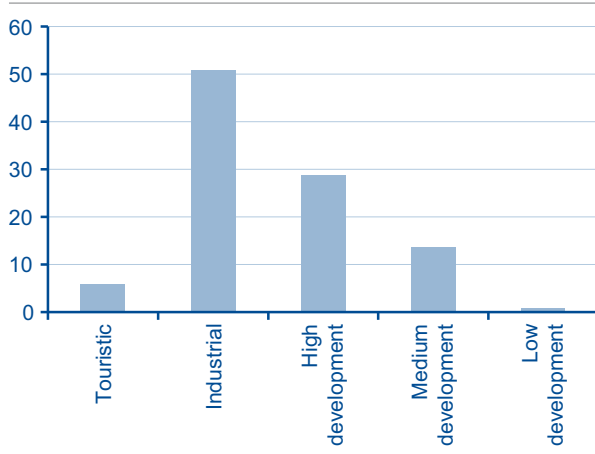
Eighty percent of the slowdown in Mexico’s economic growth in recent years is due to the Industrial and High Development regions

To explain the loss of momentum in national economic growth over 2013-15 by comparison with 2004-12, we analyzed the regional contribution to the overall national economic slowdown. We found that the Industrial region accounts for 50.8% of such economic deceleration while the High Development region is responsible for 28.8%. The Medium Development region stands in third place with a contribution of 13.7% while the Touristic and Low Development regions jointly chip in with 6.7% (see Figure 2c.3).

The years of economic recovery in the wake of the 2008-09 global recession have shown heterogeneous economic dynamics across Mexico’s regions. Economic activity seems to have been most vigorous in the Touristic region for which we anticipate a cumulative growth of 21.5% over the 2011-15 interval (see Figure 2c.4). This is closely followed by the Industrial and High Development regions with 18.1% and 13.5%, respectively. As for the Medium Development and Low Development regions, they exhibit less economic strength than the others as they are expected to grow by 11.5% and 10.6% over the same time period, respectively. The corresponding figure that we foresee on a national level is 14.7%.

Figure 2c.3

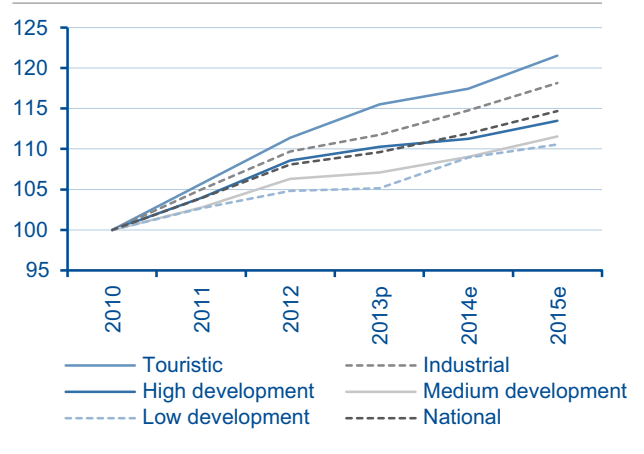
Contribution to Mexico’s economic slowdown in 2013-15e vs. 2004-12 (% of total)



e/own estimates
Source: BBVA Research with INEGI data

Figure 2c.4

Regional and national economic activity over 2010-15e (2010=100)



e/own estimates
Source: BBVA Research with INEGI data

Table 2c.1

GDP by Region*

Real annual growth (percentage)							Share in the total (percentage)					
	2010	2011	2012	2013p	2014e	2015e	2010	2011	2012	2013p	2014e	2015e
Total	5.1	4.0	4.0	1.4	2.1	2.5	100.0	100.0	100.0	100.0	100.0	100.0
Touristic	3.7	5.7	5.4	3.7	1.7	3.5	2.2	2.3	2.3	2.3	2.3	2.3
Industrial	6.8	5.0	4.5	1.9	2.7	2.9	40.3	40.7	40.9	41.1	41.3	41.5
High Development	4.4	4.0	4.4	1.6	0.9	2.0	17.0	17.0	17.1	17.1	16.9	16.8
Medium Develop.	3.9	2.7	3.5	0.7	1.8	2.3	35.6	35.2	35.0	34.8	34.7	34.6
Low Development	5.4	2.7	2.1	0.3	3.6	1.5	4.9	4.9	4.8	4.7	4.8	4.7
Contribution to growth (percentage points)							Economic activity (index 2008=100)					
	2010	2011	2012	2013p	2014e	2015e	2010	2011	2012	2013p	2014e	2015e
Total	5.1	4.0	4.0	1.4	2.1	2.5	100.2	104.1	108.3	109.8	112.1	114.9
Touristic	0.1	0.1	0.1	0.1	0.0	0.1	97.9	103.4	109.0	113.1	115.0	118.9
Industrial	2.7	2.0	1.8	0.8	1.1	1.2	100.1	105.1	109.8	111.9	114.9	118.3
High Development	0.8	0.7	0.8	0.3	0.2	0.3	100.3	104.2	108.8	110.6	111.6	113.8
Medium Develop.	1.4	1.0	1.2	0.3	0.6	0.8	99.9	102.7	106.2	107.0	108.9	111.4
Low Development	0.3	0.1	0.1	0.0	0.2	0.1	104.3	107.1	109.3	109.6	113.6	115.3

* 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.
p: preliminary figures; e: own estimates; Source: BBVA Research with INEGI data

Table 2c.2

GDP by state

	2009	2010	2011	2012r	2013p	2009	2010	2011	2012r	2013p	2009	2010	2011	2012r	2013p
	(Billion 2008 pesos)					(Real growth rate, % annual)					(Contribution to growth, pp)				
National total	11,375	11,966	12,435	12,936	13,122	-4.7	5.2	3.9	4.0	1.4	-4.7	5.2	3.9	4.0	1.4
Aguascalientes	1216	1305	1361	1413	148.0	-4.6	7.3	4.3	3.8	4.7	0.0	0.1	0.0	0.0	0.1
Baja California	3411	3485	3652	3808	383.5	-8.2	2.2	4.8	4.3	0.7	-0.3	0.1	0.1	0.1	0.0
Baja California Sur	865	896	944	975	100.2	-5.0	3.6	5.3	3.3	2.8	0.0	0.0	0.0	0.0	0.0
Campeche	6835	6542	632.7	626.4	631.1	-9.3	-4.3	-3.3	-1.0	0.7	-0.6	-0.3	-0.2	-0.1	0.0
Coahuila	332.8	380.9	414.8	435.8	435.8	-12.8	14.4	8.9	5.1	0.0	-0.4	0.4	0.3	0.2	0.0
Colima	651	677	72.9	75.9	76.6	-6.0	4.0	7.7	4.1	0.9	0.0	0.0	0.0	0.0	0.0
Chiapas	2045	2206	2276	231.8	227.9	-1.3	7.9	3.2	1.9	-1.7	0.0	0.1	0.1	0.0	0.0
Chihuahua	3196	3267	335.3	355.7	375.1	-7.8	2.2	2.7	6.1	5.4	-0.2	0.1	0.1	0.2	0.1
Distrito Federal	1,949.1	2,034.4	2,115.0	2,207.2	2,242.2	-3.9	4.4	4.0	4.4	1.6	-0.7	0.8	0.7	0.7	0.3
Durango	138.5	143.6	149.5	153.7	156.7	-3.1	3.7	4.1	2.8	2.0	0.0	0.0	0.0	0.0	0.0
Guanajuato	426.5	454.5	479.9	504.2	524.0	-4.7	6.6	5.6	5.1	3.9	-0.2	0.2	0.2	0.2	0.2
Gerrero	172.8	183.1	183.5	186.0	186.9	-0.8	6.0	0.2	1.3	0.5	0.0	0.1	0.0	0.0	0.0
Hidalgo	178.9	189.9	198.9	205.1	208.0	-5.0	6.2	4.7	3.1	1.4	-0.1	0.1	0.1	0.0	0.0
Jalisco	697.1	737.5	774.2	806.7	821.8	-6.7	5.8	5.0	4.2	1.9	-0.4	0.4	0.3	0.3	0.1
México	1,018.0	1,095.2	1,136.3	1,179.7	1,192.6	-3.8	7.6	3.8	3.8	1.1	-0.3	0.7	0.3	0.3	0.1
Michoacán	264.7	277.0	287.7	293.4	300.1	-6.1	4.6	3.9	2.0	2.3	-0.1	0.1	0.1	0.0	0.1
Morelos	129.9	138.8	147.0	154.2	156.3	-2.7	6.9	5.9	4.9	1.3	0.0	0.1	0.1	0.1	0.0
Nayarit	75.1	78.4	80.1	81.1	84.5	-3.7	4.4	2.2	1.2	4.2	0.0	0.0	0.0	0.0	0.0
Nuevo León	784.3	855.0	907.4	949.1	964.2	-7.3	9.0	6.1	4.6	1.6	-0.5	0.6	0.4	0.3	0.1
Oaxaca	182.1	185.7	194.1	199.5	205.0	-1.0	1.9	4.5	2.8	2.8	0.0	0.0	0.1	0.0	0.0
Puebla	351.4	378.7	397.9	424.6	420.9	-5.9	7.8	5.1	6.7	-0.9	-0.2	0.2	0.2	0.2	0.0
Querétaro	217.2	232.2	247.3	262.1	270.1	-2.6	6.9	6.5	6.0	3.0	0.0	0.1	0.1	0.1	0.1
Quintana Roo	168.9	175.2	185.5	197.7	206.2	-5.9	3.7	5.8	6.6	4.3	-0.1	0.1	0.1	0.1	0.1
San Luis Potosí	211.3	224.6	237.2	252.2	253.8	-4.2	6.3	5.6	6.3	0.6	-0.1	0.1	0.1	0.1	0.0
Sinaloa	245.4	255.6	251.7	264.5	268.9	-4.7	4.2	-1.5	5.1	1.7	-0.1	0.1	0.0	0.1	0.0
Sonora	309.0	331.0	353.7	375.4	395.4	-3.7	7.1	6.9	6.1	5.3	-0.1	0.2	0.2	0.2	0.2
Tabasco	381.7	403.4	423.6	433.8	425.4	3.8	5.7	5.0	2.4	-1.9	0.1	0.2	0.2	0.1	-0.1
Tamaulipas	372.2	381.2	389.0	400.5	401.5	-4.6	2.4	2.0	3.0	0.2	-0.2	0.1	0.1	0.1	0.0
Tlaxcala	62.7	66.2	68.7	71.2	71.5	-3.9	5.5	3.8	3.7	0.4	0.0	0.0	0.0	0.0	0.0
Veracruz	610.2	635.3	650.0	677.0	675.9	-0.6	4.1	2.3	4.1	-0.2	0.0	0.2	0.1	0.2	0.0
Yucatán	168.5	175.8	180.6	188.4	189.9	-2.1	4.3	2.7	4.3	0.8	0.0	0.1	0.0	0.1	0.0
Zacatecas	104.6	115.1	117.4	123.3	121.5	6.6	10.1	2.0	5.0	-1.5	0.1	0.1	0.0	0.0	0.0

r: revised data; p: preliminary figures
Source: BBVA Research with INEGI data

3. Special reports

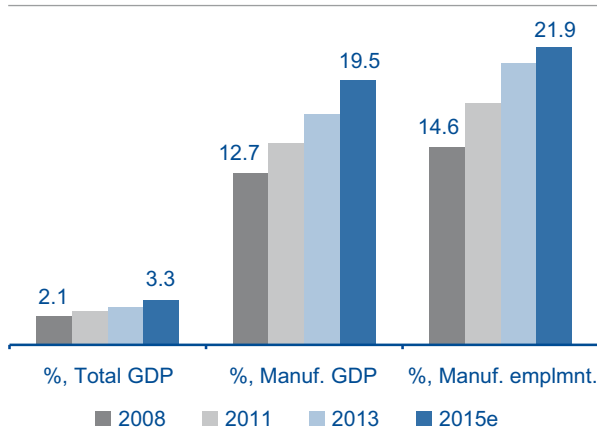
3a. The automotive industry in Mexico is the key driving force behind the economy

The boom that the automotive industry is going through in Mexico will continue to be reflected throughout all areas of the economy. Projected investment - particularly the investment originating from Japan and Germany - will lift production capacity to over five million units a year and will position the country as one of the top five world vehicle producers in the next five years. It is needless to say that these investments entail three major challenges for the country: i) providing the human capital to support their growth; ii) maintaining the success of the links in the supply chain (Tier 1, Tier 2 and Tier 3)¹, which will hinge on the development and innovation of the industry's products and iii) providing the infrastructure required, such as railways, land and sea channels to transport vehicles to the end consumer, and the logistical capacity to do this when required. Another, though no lesser challenge, is how Mexico can develop the local market to buttress the growth of this surprisingly strong automotive industry.

The development of the automotive industry has an impact on several different areas of the economy

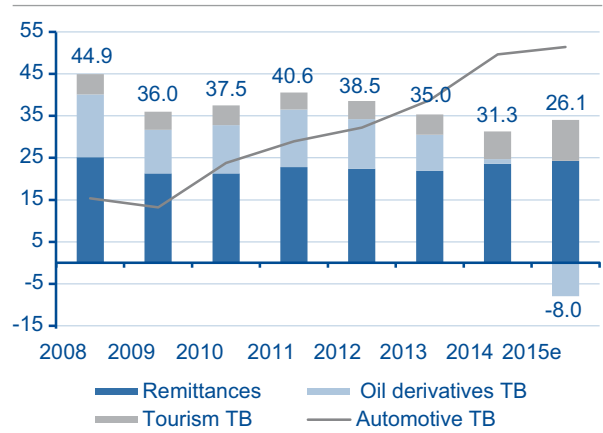
In 2015 the contribution of the automotive industry in Mexico will be 3.3% of GDP, which is 57.4% higher than the figure of 2.1% for 2008 - the first year of the world recession - and prior to the restructuring of the industry in the United States. Moreover, up to April 2015 the sector employed approximately 759,000 people, 69% more than in December 2008, and had a share of 22% in manufacturing employment. Thus, in the past few years the automotive industry has been a major driver of both manufacturing and employment growth, thereby cushioning the relatively slow growth in manufacturing sectors not linked to such industry. Additionally, it has had a positive impact on the balance of trade and now more than ever as the lower export volume of oil and the slump in its price have brought about a reduction in oil revenues. Nevertheless, these lower revenues have been somewhat compensated by a positive trade balance and rising automotive exports.

Figure 3a.1
Contribution of the automotive industry in Mexico (%)



e=estimated
Source: BBVA Research with INEGI data

Figure 3a.2
Automotive foreign currency revenue vs. other sources (USD bn)



e=estimated
Source: BBVA Research with INEGI data

¹ Tier 1 involves suppliers of original parts to assembly plants, principally sub-assemblies, and they have design capacity. Tier 2 and 3 are suppliers of parts featuring designs supplied by Tier 1, which are generally relatively basic products and individual parts. Around one third of auto-parts companies are considered to be Tier 1.

The automotive industry in Mexico is closely integrated with its US counterpart, allowing consolidation in the region

Not only are competitive wages boosting auto production in Mexico, but also the country's proximity to the United States and a highly integrated auto-parts supply chain that has developed between the two countries. A vehicle's components can actually cross the border several times, adding value before the end product exits the production line. This value chain has raised the level of interdependence between the countries via an increasing flow of intermediate inputs, but it also helps to make the region's economies more resilient to adverse shocks.

The high level of integration is evidenced by the rising flow of auto-parts trade between the United States and Mexico. For example, Mexico's auto-parts imports from the United States are 60% of the flow imported by the United States from Mexico. This implies that for a vehicle manufactured in the United States around 30% of the value of its components has been manufactured in Mexico. If these parts were to be manufactured in the United States, the vehicle would be likely to lose competitiveness before Korean or Japanese rivals. The same would occur for a vehicle manufactured in Mexico.

Figure 3a.3

United States/Mexico foreign trade in auto-parts (USD bn)



Source: BBVA Research with US Department of Commerce data

Table 3a.1

US foreign trade in auto-parts

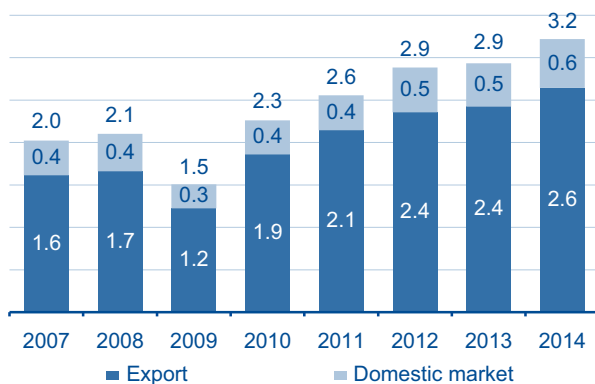
		2008	2009	2010	2011	2012	2013	2014
Rank	U.S. imports							
	Total	891	635	918	1095	1247	1265	1379
1	Mexico	251	183	283	340	389	420	466
2	China	8.8	73	9.8	12.2	14.7	16.0	18.0
3	Canada	16.0	10.8	15.0	15.9	16.9	16.3	17.4
Rank	U.S. exports							
	Total	576	429	583	678	750	775	810
1	Canada	28.2	196	259	284	318	318	304
2	Mexico	13.9	121	175	215	243	266	291
3	China	0.9	0.9	1.3	1.5	1.6	2.3	2.6

Source: BBVA Research with US Department of Commerce data

Regional integration is also reflected in the high and rising volume of vehicles exported from Mexico to the United States, which accounts for 60% of Mexico's total production and 72% of total exports. Indeed, Mexico is very close to being the leading exporter of vehicles to that country (see Box 2). Exports to the rest of the world have also been on the rise, although in the past two years they have been kept in check by both a lower demand from Europe (-32%) and a protectionist stance adopted by Brazil and Argentina.

Figure 3a.4

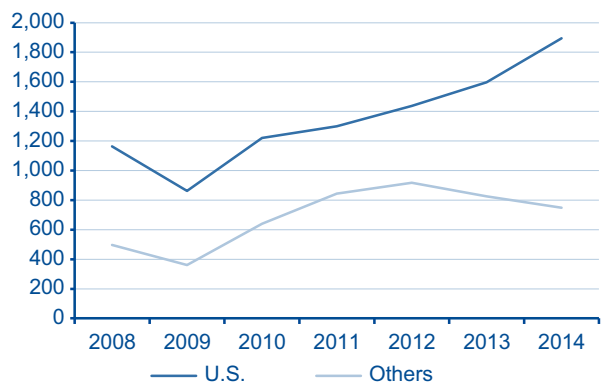
Mexican production of light vehicles for export and domestic markets (million units)



Source: BBVA Research with AMIA data

Figure 3a.5

Exports of light vehicles from Mexico to the U.S. and the rest of the world (million units)



Source: BBVA Research with AMIA data

Mexico is more attractive than the United States for investments in new auto plants

Mexico's consolidation as an exporter of vehicles that satisfy all tastes, competitive wages, improved logistics and the extensive network of trade treaties - Mexico has 10 free trade agreements (FTA) encompassing 45 countries, besides trade agreements with Latin America and Asia Pacific; the United States has FTAs with 20 countries and most of them are small economies - have made it very attractive to investments and as an export platform, not just for the United States market, but also for the rest of the world.

Construction of new plants in Mexico and not in the United States is the outcome of a combination of the advantages mentioned in the previous paragraph. Although plants in the United States have been expanded or, in the case of the new Toyota plant in Blue Springs, Mississippi, have experienced delays in construction works due to the 2008 recession - most of them being located in the south due to the advantages of lower wages and less union disputes, among others. The most recent new plant was that of VW in Chattanooga, Tennessee, which became formally operational in 2011.

The new automotive factories in Mexico will raise their production capacity by close to 50% from 3.2 million units to reach nearly 5 million in 2019. Out of the new production capacity, 450,000 units will be premium vehicles to satisfy the demand from the US market and the rest of the world, thereby almost all of the world's auto manufacturers will be represented in Mexico. The challenge in manufacturing high-end vehicles will be to develop local suppliers that guarantee the required quality. It is also in the interests of the new plants to have their suppliers as close as possible to them so as to comply with the Mexican content stipulation and bring down their manpower, transport and logistics costs.

Table 3a.2

Automotive plants in the United States (new)

Company	Plant (localization)	Production capacity (units)	Opening date	Investment US billion
Hundai	Montgomery, Alabama	399,500	2005	1,700
Kia	West Point, Georgia	360,000	2008	
Toyota	Blue Srpings, Mississippi	150,000	2011	1,300
VW	Chatanooga, Tennessee	180,000	2011	1,000

Source: BBVA Research with data from website of each plant

Table 3a.3

Automotive plants in Mexico (new)

Company	Plant (localization)	Production capacity (units)	Opening date	Investment US billion
GM	San Luis Potosí	144,000	2008	650
Nissan	Aguascalientes , Ags	600,000	fin 2013	2,928
Mazda	Salamanca, Gto.	140,000	mar'2014	1,250
Honda	Celaya, Gto.	200,000	2014	650
Toyota-Mazda	Salamanca, Gto.	50,000	2S2015	100
VW	Puebla (enlargement)	n.d.	2S2016	1,000
Audi	San José Chiapa, Pue.	150,000	2016	2,000
Kia	Nuevo León	300,000	2S2016	1,500
Daimler-Nissan	Aguascalientes , Ags.	150,000	2017	1,360
BMW	San Luis Potosi	150,000	2019	1,000
Toyota	Irapuato, Gto	200,000	2019	1,200

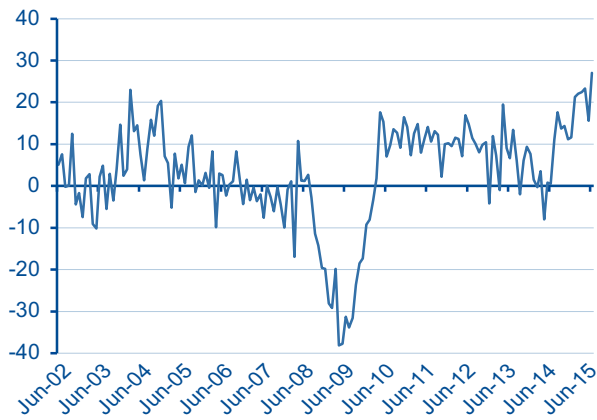
Source: BBVA Research with data from newsletters and communications from factories

Recovery of domestic sales of new vehicles

Sales in the domestic market have grown at double-digit levels over the past year and reached an annual growth rate of 27% up to June 2015. For the sixth time in eight years, the 12-month moving average showed a new high since the peak that was hit in November 2006 after sales had been in the doldrums for several years. In annual terms, up to June 2015 domestic new vehicle sales registered a rise of 22%, which allows a record level for units sold in Mexico (610,000) - 46% of those units was domestically produced while the rest was imported.

Figure 3a.6

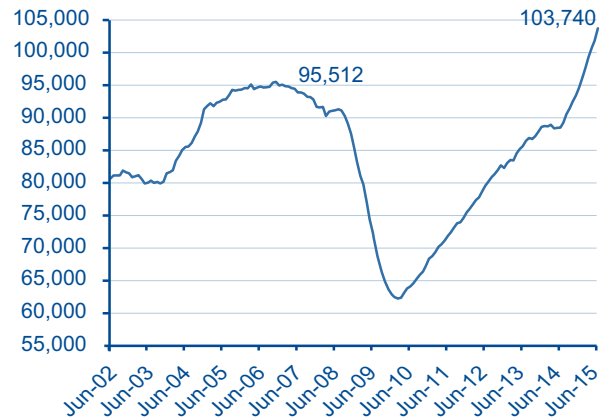
Domestic sales of light vehicles in Mexico (YoY % change)



Source: BBVA Research with AMIA data

Figure 3a.7

Domestic sales of light vehicles in Mexico (Units, 12mma)

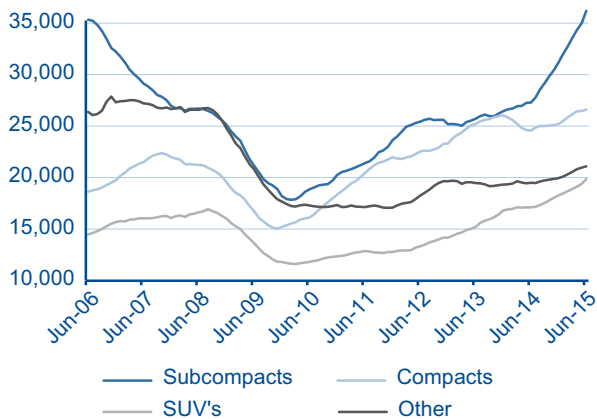


Source: BBVA Research with AMIA data

Three high-volume segments together accounted for 80% of total sales. The subcompact segment shows the highest volume and has recently been the most dynamic with double-digit rates in the past eight months, reaching a peak rate of 55% in June 2015. It should be noted that this segment has already surpassed the highs of January 2006 in terms of the 12-month moving average. The SUV segment has also shown double-digit rates in the past 11 months while the compact segment is starting to take off. Both segments show sales levels that are already outstripping the highs over the period for which information is available. By automaker, Nissan still leads the way followed by GM and VW. These three companies concentrate 62% of the local market.

Figure 3a.8

Domestic sales of light vehicles in Mexico: high volume segments (12mma)



Source: BBVA Research with AMIA data

Table 3a.4

Domestic sales of light vehicles in Mexico

Group/Company	2014	Annual % change	Jan-Jun 2015	Annual % change
Nissan	291,729	10.7	160,579	25.8
General Motors	216,958	7.6	116,251	22.9
Volkswagen	195,332	2.8	101,485	9.6
FCA Mexico	88,803	-7.8	46,934	14.3
Ford Motor	79,097	-7.7	41,308	12.8
Toyota	69,597	14.6	35,444	22.2
Honda	60,128	3.0	31,875	33.7
Mazda	40,997	22.9	25,947	50.7
Renault	24,889	17.5	10,436	-3.9
Hyundai	12,064	n.a.	11,004	544.6
Other	55,815	6.1	28,562	13.4
Total	1,135,409	6.8	609,825	21.9

FCA Mexico: Fiat Chrysler Automobiles
Source: BBVA Research with AMIA data

Automotive financing is the key to make domestic sales grow

According to the Mexican Auto Distributors Association (AMDA), some 749,000 units have been sold domestically via auto loans in annualized figures from May 2015, implying an annual growth rate of 23%. As a proportion of sales, financing continues to gain share with 60% in May 2015 but still some way short of the highest recorded level of 70%. The sustained rise in the number of loans from financing companies and, more recently, from banks (see Figure 3a.9) suggests a promising outlook for more vehicle sales. These loans offer an attractive mix in terms of loan durations (most are agreed over three, four and five years) and competitive financing costs.

Table 3a.5

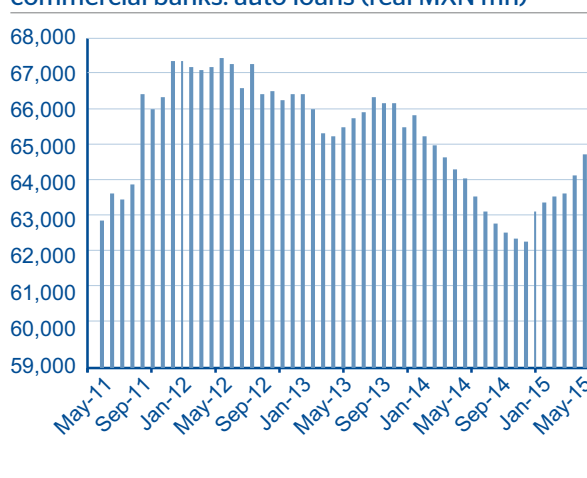
Financing by institution (No. of loans)

Company	2013	2014	Jan-Apr	
			2014	2015
Units				
Financial	349,426	445,208	121,474	166,140
Banks	100,279	80,959	59,366	70,523
Self-financing	43,953	45,893	15,220	16,235
Total	698,576	762,904	168,752	217,460
% structure				
Financial	50.0	58.4	72.0	76.4
Banks	29.3	25.0	19.0	16.1
Self-financing	6.3	6.0	9.0	7.5
Total	100.0	100.0	100.0	100.0
Annual % change				
Financial	19.1	27.4		36.8
Banks	12.7	-6.9		9.4
Self-financing	10.5	4.4		6.7
Total	35.6	9.2		28.9

Source: BBVA Research with AMDA data

Figure 3a.9

Performing consumer durable loans granted by commercial banks: auto loans (real MXN mn)



Source: BBVA Research with Banco de México data

Outlook

The automotive industry continues to perform very satisfactorily. In 1H15 light vehicle production grew by 8.1% YoY and the manufactured volume reached 1,728,000 units in June. Exports maintained their rise and in the first half they were up by 10.7% with a total of 1,405,400 units sent abroad. On top of this, domestic first half sales rose 22% to reach 610,000 units.

From the previous paragraph we can infer that the automotive sector has very encouraging prospects in terms of production growth this year. The US vehicle market remains strong and, even though the economy there is growing at modest rates, the economic performance will be positive and stronger than in 2014. A short-run phenomenon that might bring about a decent rate of light vehicle sales in the United States is the fact that gasoline prices are predicted to remain low over the year. This will boost auto sales, thereby we expect them to continue to advance. It is worth mentioning that, in terms of production, the automotive sector is relatively unaffected by conditions in either the local economy or the domestic market. It does, however, virtually match the pace of light vehicle sales in the United States, which is the main destination for exports from Mexico. We estimate that production will grow at around 10% in 2015 and that domestic sales could reach around 13% by year-end as a result of more financing affordability.

Box 1: The resilience of the automotive industry worldwide

Drivers of growth

Vehicle manufacturers face major problems in a rapidly evolving global market. On the demand side, the top priority for consumers is to obtain a long-lasting vehicle with low fuel consumption. Consumers also want to include the latest technological innovations in safety and mobility. To satisfy these segments of demand and to devise suitable solutions, as well as having success in the market, manufacturers have made progress in the technology for plug-in hybrid electric vehicles (PHEVs) and fuel cell electric vehicles (FCEVs) looking into the future. Even so, most effort has gone into enhancing the efficiency of internal combustion engines since government regulations largely make it compulsory for engines to have high mileage-per-gallon efficiency parameters, as is the case with the CAFE regulations in the United States. Moreover, the quest for greater fuel efficiency is stimulating an increasing use of light materials such as aluminium, magnesium and carbon-fiber. With more technology built into vehicles, the number of electronic components has risen. Fortunately for the manufacturers, their cost has been decreasing and as a consequence of it even low-cost vehicles these days can feature an array of technologies that were only found in luxury models in the past.

In summary, nowadays four main forces are driving innovation in the automotive industry: i) regulatory requirements with regard to fuel efficiency; ii) gas emissions and safety; iii) demand and consumer expectations; and iv) technological advances that allow both new functions to be developed and cost reductions.

Trends in vehicle manufacturing countries in 2014

Global production of light and heavy vehicles amounted to 90.1 million units in 2014, implying an annual rise of 2.8% but lower than the previous year's figure of 3.7%. In terms of annual growth in 2014, the outstanding countries were: China (7.3% or 1.6 million units more than in 2013), the United States (5.4% or 594,000 units), Mexico (10.2% or 310,000 units) and Spain (11.1% or 210,000 units). On the other hand, even though Brazil still appears among the top ten, it has noticeably reduced its production (-15.3% or 570,000 units) and as a result ends up dropping to eighth place in the

global ranking. Such situation paved the way for Mexico to be ranked seventh worldwide and first in Latin America with a contribution of 3.7% to worldwide production. India is one position ranked above Mexico with a difference between them of almost half a million vehicles; this gap might narrow before 2020 with the new plants that will be set up in Mexico.

Table B11

The top ten light vehicle manufacturers worldwide in 2013-14

Rank (units)	Country	2014	2013	Annual % change	Difference (millions of units)
1	China	23.7	22.1	7.3	1.61
2	U.S.	11.7	11.1	5.4	0.59
3	Japan	9.8	9.6	1.5	0.14
4	Germany	5.9	5.7	3.3	0.19
5	Korea	4.5	4.5	0.1	0.00
6	India	3.8	3.9	-1.5	-0.06
7	Mexico	3.4	3.1	10.2	0.31
8	Brazil	3.1	3.7	-15.3	-0.57
9	Spain	2.4	2.2	11.1	0.24
10	Canada	2.4	2.4	0.6	0.01
	NAFTA	17.4	16.5	5.6	0.92
	Subtotal	70.7	68.3	3.6	2.48
	Total	90.1	87.6	2.8	2.48

Source: BBVA Research with data from International Organization of Motor Vehicle Manufacturers - www.oica.net

Over the next few years, intensive technological innovation will continue being the key to competing in the global automotive market. OEMs¹ are expected to continue to focus on relocating their production centers, implying that there might be more opportunities for acquisitions of firms at cheaper prices. It is foreseen that vehicle life cycles will go down to roughly five years.

The revival of the European auto industry is expected to take place from 2015 onwards. This can be potentially attributed to the ongoing process of Japanese and Korean OEMs relocating to Europe.

¹ Original Equipment Manufacturer (OEMs).

Global sales in 2014 were driven by China and the United States while Western Europe also showed growth

Worldwide auto sales rose 3.1% in 2014 on a yearly basis to reach 88.2 million units. China led the way but the US and Western European markets also showed progress in this area. Vehicle sales in China hit 23.5 million units for the first time, implying an annual growth of 6.9% in 2014. In the United States, vehicle sales rose 6%, which was below the 2013 rate of 7.4%. The improved economic conditions and consumer confidence (at a seven-year high), the age of the vehicles pool (the average age of vehicles in the United States is 11.4 years), and more recently the drop in fuel prices will make consumers switch preferences towards light trucks and utility vehicles (SUVs, CUV² and pick-up trucks and vans). As a consequence, the automotive sector profitability will get a boon given that markups for such vehicles are higher than those corresponding to small and medium-sized automobiles.

In spite of the recent grimmer outlook for economic growth in Western Europe from the IMF, auto sales are continuing to gather momentum. Vehicle sales among the EU members grew 5.7% YoY in 2014 after contracting by 1.6% in 2013. Sales activity also revived in Eastern Europe with a 13% rise among EU members that partly offset the backlash in Russia, which posted significant contractions of 5% in 2013 and 15% in 2014. As opposed to the case in Western Europe, vehicle sales are still falling off in South America - Colombia is the exception with growth of 9.5%. Moreover, Brazil's sales are decreasing at an even higher clip with annual rates of -1% and -7% in the past two years while Argentina's auto sales went down by 36.3% in 2014.

Table B1.2

Domestic sales of light vehicles in 2014

	Thousands of units	Annual % change
China	23,492	6.9
U.S.	16,842	6.0
EU (15 countries)	13,869	5.1
Japan	5,563	3.5
Brazil	3,498	-7.1
India	3,177	-2.0
Russia	2,546	-15.1
Canada	1,889	6.1
South Korea	1,730	11.2
Indonesia	1,208	-1.8
Mexico	1,176	6.9
Australia	1,113	-2.0
EU (14 countries*)	1,067	12.9
Argentina	614	-36.3
Total	88,165	3.1

* New EU members: Bulgaria, Croatia, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Romania, Slovakia
Source: BBVA Research with OICA data

Outlook for worldwide vehicle sales in 2015

Driven by growth in North America and China, worldwide sales of light vehicles could grow by 2.4% to reach around 90 million units this year. In the United States - a key market for Mexico - sales are forecast to hover around 17 million units. They will be encouraged by low fuel prices, a recovery of consumer confidence and more financing affordability. In 1Q15 and in spite of several obstacles, vehicle sales posted growth of 5.6% and are about to hit this year their highest mark in a decade. The light trucks segment is the most buoyant with growth of 11.2% YoY.

² SUVs sport utility vehicle; CUV crossover utility vehicle.

Box 2: Mexico is gaining a firm foothold in the US automotive market

The resurgence of the automotive industry in the United States, driven by more local production, has prompted a decline in its imports and boosted exports. This trend is set to continue as investment to expand its installed capacity has been on the rise.

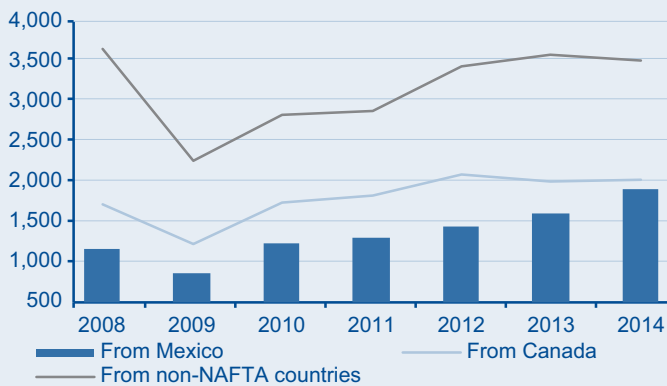
Total US imports of motor vehicles from non-NAFTA countries have still not climbed back to the levels seen prior to the 2009 crisis. Moreover, in the past three years, those imports have remained stagnant (see Figure B2.1). Conversely, imports of vehicles from NAFTA - especially from Mexico - are still rising to reach 1,896,000 units in 2014, which is very close to the figure of 2,024,000 units posted by Canada in the same year. In the past few years, vehicle exports from Mexico to the United States have shown an upward trend whereas those from Canada have made little progress. If this pattern were to hold over the next few years, Mexico will outstrip Canada in terms of light vehicle units that are reported in the US import statistics.

US auto imports from the rest of the world - especially from Japan, Korea and Germany - showed uneven trends in 2014. As for automobile imports from Germany and Japan, they went down in 2014 as opposed to those from Korea (see Table B2.1). This situation makes Mexico the second biggest supplier of vehicles to the United States, leaving Japan ranked third in the world for the first time.

The Mexican foothold is expected to gather momentum in the coming years given that Mexico provides relatively cheaper labor with open access to the United States and Canada. Another factor considered by manufacturers to locate in Mexico has been the foreign exchange rate, which could have a significant impact on corporate profits. If we recall that most of the non-NAFTA imports come from Japan, South Korea and Germany, then locating production in the region is clearly advantageous. Indeed the Mexican current production capacity of Japanese origin exceeds that based in Japan itself. Moreover, new capacity will make it possible for Mexico to become the top supplier of vehicles to the United States.

Figure B2.1

US imports of light vehicles (thousand units)



Source: BBVA Research with US Department of Commerce TPIS database data

Table B2.1

Leading exporters of light vehicles to the United States

Rank / Country	Thousands of units			YoY % change		% share	
	2012	2013	2014	13/12	14/13	2012	2014
1 Canada	2,097.9	2,011.2	2,023.6	-4.1	0.6	30.2	27.3
2 Mexico	1,438.0	1,597.5	1,895.4	11.1	18.6	20.7	25.6
3 Japan	1,722.3	1,721.3	1,528.9	-0.1	-11.2	24.8	20.6
4 South Korea	704.7	759.6	901.5	7.8	18.7	10.1	12.2
5 Germany	625.9	654.6	616.5	4.6	-5.8	9.0	8.3
The rest	355.4	407.3	440.2	14.6	8.1	5.1	5.9
Total	6,944.3	7,151.6	7,406.1	3.0	3.6	100.0	100.0

Source: BBVA Research & BLS

3b. Factors to consider for reducing costs and electricity rates

The perception of a successful energy reform will, to a large extent, hinge on reducing electricity rates, given relatively low oil prices for the short and medium term

One of the goals of the energy reform is to bring down electricity production costs and induce a cut in electricity rates for consumers in the industrial, commercial, agricultural, residential and services sectors. In the short period time that has elapsed since the secondary legislation of the energy reform was passed, bringing down electricity rates is growing in importance as a criterion for gauging the success of the reform given the new international context of relatively low prices for a barrel of oil. In other words, the expected benefits for the hydrocarbons sector will take longer to be tangible and a reduction in electricity rates sooner rather than later would help to build the perception that the energy reform has been a success.

The potential reduction of electricity rates is not an easy task. When we compare industrial and commercial rates with those in the United States, our calculations obtained with May 2015 data suggest that such rates in Mexico are 23.3% and 72.2% higher, respectively. Even though Mexican residential rates are 40.6% lower than those in the United States due to a handsome government subsidy applied to them, removing the subsidy completely would leave Mexican residential rates at around 41.5% above those corresponding to the United States.¹ The new era in Mexico's electricity sector, which will commence with the start of trading in the Mexican Wholesale Market in December 2015, also represents a mix of challenges and opportunities for making a reduction of electricity rates possible.

Withholding electricity supply could be a potential problem that the COFECE will have to mitigate

In theory, the competition implied by auctioning electricity at the best prices will boost the operating efficiency of the generating companies. The risk nonetheless exists that some of these companies might deliberately withhold electricity capacity, which would lift marginal costs and give way to a less than optimal mix of generation assets. Undoubtedly, this problem will have to be monitored by the Federal Economic Competition Commission (COFECE) to reduce the risk of its occurrence.

Another of the key areas for potentially bringing down electricity rates is associated with the market for natural gas. Compared with fuel oil, this input is about four times cheaper for generating electricity and causes 68% less pollution.² It is worth mentioning that fuel oil consumption for electricity generation had an uptick in 2011 and 2012 despite the fact that it was not the cheapest way to produce electricity (see Figure 3b.1). Even though the proportion of steam-based electricity (produced by the external combustion of fuel-oil) has followed a negative trend over the past thirteen years, it still represents around 13% of the total (see Figure 3b.2).

Developing a competitive market for natural gas is key to reducing electricity rates

As it is somewhat implied in the paragraph above, having more electricity generation based on natural gas is an indispensable element to minimize costs (including environmental ones) and, as a result, rates. To ensure a reliable and efficient supply of natural gas, there will be a need for a regional system of gas pipelines that covers the whole of Mexico. It is worth mentioning that, to increase the likelihood of electricity rates coming down, there must be a separation between the construction of gas pipelines and the marketing of natural gas.³ Otherwise, developing a competitive market for natural gas would be compromised, which would work against reducing electricity rates.

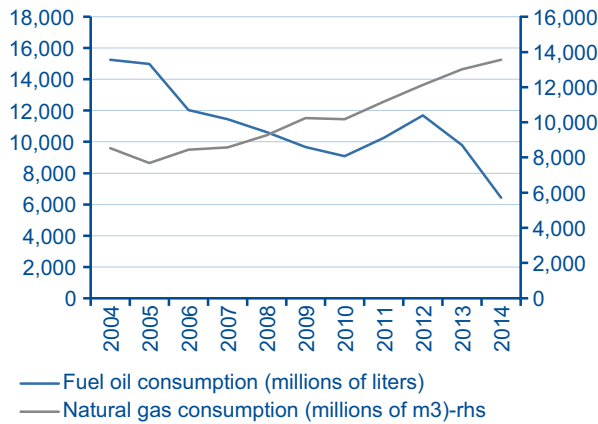
¹ It is assumed that residential rates are subsidized at around 58% according to data from the think-tank CIDAC (Centro de Investigación para el Desarrollo, A.C.) in the document "Luz a la competitividad nacional- Propuesta de reforma al sector eléctrico mexicano."

² See press article "CFE anuncia licitaciones por 4,900 millones de dólares," in *El Economista*, August 18, 2014.

³ This situation is non-trivial given the interest of the Federal Electricity Commission (CFE) in taking part in the natural gas supply activity.

Figure 3b.1

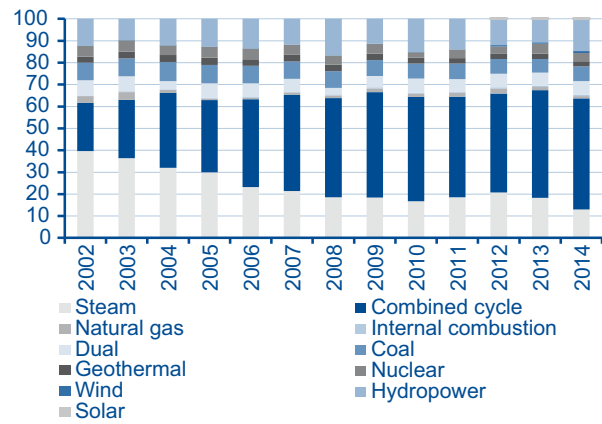
Fuel consumption in electricity generation



Source: BBVA Research with SIE data

Figure 3b.2

Gross electricity generation by technology (% of the total)



Source: BBVA Research with SIE data

It is worth mentioning that the electricity transmission and distribution roles were set aside for the State under the energy reform that was passed in late 2013. Consequently, connection charges to the CFE's power transmission grid will be another important element to take into consideration that will have a certain impact on electricity rates. The financial valuation of grid assets will become the essential item in calculating wheeling charges.⁴ Furthermore, potential problems of congestion at certain grid nodes will be passed on to wheeling charges to a significant degree. For these reasons the planning and approval for the expansion of the transmission grid, which will be carried out by the National Energy Control Center (CENACE) and the Energy Ministry (SENER), respectively, become relevant.

Reducing electricity rates also calls for both regulation to incentivize better power transmission lines and the administrative costs that the CENACE will charge

For regulated rates that pay for the cost of modernization and/or expansion of the transmission grid, it is recommended that these include a grid performance-based payment where the historical percentage of transmission line disconnections be deducted. This type of performance-based regulation would help to improve not only electricity rates but also the reliability of the electricity grid.

In addition to putting forward the expansion and modernization of the power transmission network and guaranteeing open access to the National Grid, the CENACE will have the task of handling the administration of bilateral contracts between generating companies and qualified users. These duties and others will entail operating costs; market rules will specify the charges to which CENACE will be entitled to. There is no doubt that these new operating circumstances will affect electricity rates for qualified users. Moreover, when a qualified user is supplied with electricity via a qualified service provider, and not directly as a participant in the Wholesale Electricity Market, marketing costs will have an impact on such rates.

⁴ Each January the CFE will release the updated matrix of charges for transmission and sub-transmission services.

Reductions in residential electricity rates will be brought about by improvements in the operational efficiency of the CFE

As for basic electricity supply (residential consumers and small-to-medium-sized industrial and commercial users), the CFE will continue to supply this service and the rates will be subject to federal government regulation. As supplier of the basic service and a State-Owned Enterprise, the CFE may even buy electricity under long-term electricity agreements with generating companies or via a competitive process through auctions held by CENACE in the Wholesale Electricity Market.

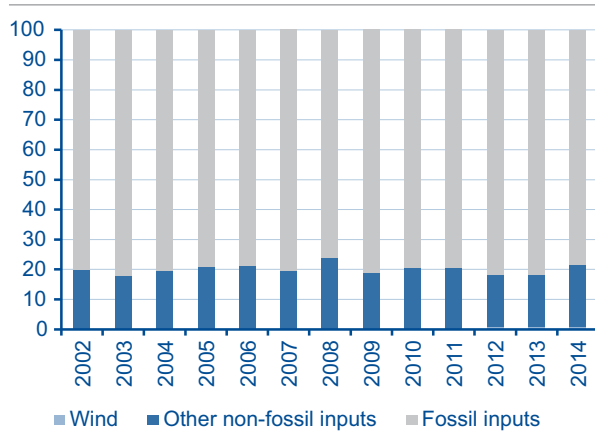
From now on the challenge will be to boost the CFE's economic efficiency to enable it to cut both basic service rates and the government subsidy granted to users of this service. Even though it would be desirable for the causality to be the other way around: using the same regulation in such a way that rates be adjusted according to inflation less a productivity or efficiency component taken, for example, from an international benchmark for the electricity industry.⁵ This would incentivize the CFE to bring down its costs in all activities in which it engages in providing an electricity service.

Mitigating the environmental impact of electricity generation will be more feasible if Renewable Energy Certificates are properly regulated and network interconnection processes are impartial

Another of the key goals of the energy reform relates to minimizing the environmental impact of electricity production. In 2014 only 21.6% of electricity was generated using non-fossil fuel inputs, of which 0.8% was produced by wind-power (see Figure 3b.3). Mitigating the environmental impact will, to a large extent, depend on the percentage of clean energy to be used to be determined by the Energy Ministry (SENER). Electricity suppliers will have to comply with the requirements laid down by obtaining Renewable Energy Certificates (RECs), which will subsidize the comparatively higher costs of harnessing wind-power to generate electricity. Appropriate regulation of these certificates, impartial and transparent interconnection processes, and progress towards achieving the targets of 35%, 40% and 50% of electricity generation using non-fossil fuel inputs by 2024, 2035 and 2050, respectively, could represent a historical opportunity to promote foreign direct investment in wind projects for electricity generation to an even higher extent.

Figure 3b.3

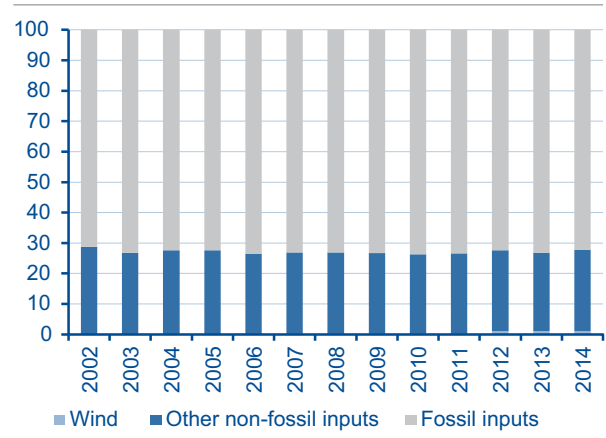
Gross electricity generation by input type (% of total)



Source: BBVA Research with SIE data

Figure 3b.4

Effective capacity by input type (% of total)



Source: BBVA Research with SIE data

⁵ The Alberta Public Service Commission in Canada operates a rate regulation system based on incentives to reduce costs in such a way that, except for very special circumstances, rates rise less than inflation.

According to information from the Energy Regulation Commission (CRE) of January 31, 2015, Independent Power Producers (IPPs) have been authorized a total capacity of 612.9 MW to generate electricity using wind-power. The investment in this capacity amounts to USD1,225.7mn, which represents 8.0% of the total investment by these producers. In terms of total effective capacity in Mexico, wind-power only has a 1.1% share, according to calculations for 2014 (see Figure 3b.4). An adequate implementation of the energy reform that reduces the environmental impact of electricity generation will provide a better chance to lift the proportion of this type of projects within the overall private investment mix.

Conclusions

The first steps towards bringing down electricity rates and reducing the environmental impact have been taken with the new Electricity Industry Law. To reach the first goal, the wholesale electricity market scheduled to begin operations in December 2015 - by allowing competition among the generation companies - will lay the foundations for higher operational efficiency and lower electricity production costs. As for the second goal, the policy of clean energy use that will be proposed by the Energy Ministry along with Renewable Energy Certificates, constitute two key elements to make progress towards steadily increasing electricity generation using non-fossil fuel inputs over the next three decades.

Although the new energy legislation considers a new architecture for the electricity industry that is more conducive to developing a competitive market, which will ultimately lead to better rates, it will be necessary to complement that with incentive-based regulation mechanisms and initiatives that foster economic competition both in the input and final product markets. Moreover, implementation of the Electricity Industry Law will have to effectively promote open access and impartiality for all players interested in connecting their generating units to the transmission network to sell electricity. Like in any reform process, developments in the new electricity industry over time will set the tone for a second wave of sector reforms.

Box 3: Comparing residential electricity consumption between 2028 and 2014

Forecasts for nominal electric generating capacity from the Ministry of Energy suggest that Mexico will require around 100 GW to satisfy electricity demand in 2028. Using data from the Energy Information System (SIE in Spanish) for 2014, the nominal capacity was just over 54 GW. This would mean that nominal generation capacity would have to be almost twofold by the end of the next 13 years.

Although the Ministry of Energy estimates that total and residential electricity sales will register an average annual growth rate of 4.4% and 3.8% over 2013-28, respectively, it would be interesting to find out how such higher anticipated demand would be attributed to greater residential consumption even after allowing for the fact that there will be more houses by 2028.

Given that total electricity consumption in 2014 was 258,256 GWh, our own calculations indicate the nominal capacity was only used roughly 55% to generate electricity.¹ By taking into account this percentage, the residential electricity consumption of 53,914 GWh and the 34.1 million residential consumers in 2014, we estimated 3,039 residential consumers per MW of installed capacity. To give an idea of what this number represents, the corresponding figure in the

United States is 496 residential consumers. In other words, a house in the United States on average consumes six times more electricity than a residence in Mexico.

Under the assumption that the average of 3.5 persons per residential unit will hold in 2028, an increase of approximately 4.5 million residential units would mean a total of 38.7 million residential consumers for that year. Furthermore, if the share of residential consumption in the total were 19% instead of 26% (as in 2014), it is estimated that there would then be roughly 1,984 consumers per installed MW.² Comparing such estimated figure with the number of residential consumers per MW of installed capacity in 2014 suggests that on average residential consumers in Mexico will be likely to use about 1.5 times more electricity in 2028.

The realization of the projected higher electricity consumption per house in 2028 will require an efficient national electric grid with competitive rates as well as a rise in the real income of the Mexican population. This will be necessary to make it possible to have more household electrical appliances and electronic devices in Mexican households as well as more electricity consumption.

¹ The capacity factor of a power plant is defined as the ratio of actual output produced by it over a period of time to potential output if the plant were to be used continuously at its full nameplate capacity.

² A greater share on the part of residential consumption would have substantially lifted the increase in residential consumers in 2028, which would have meant a change in the average of 3.5 persons per residential unit. Moreover, this projection with regard to the share of residential consumption might potentially be consistent with a higher share in overall electricity consumption for the industry in the next few years.

4. Appendix

4.a Indicators of economic performance by state

Table 4a.1

Selected indicators

	GDP* 2013		GDP* 2013		CAGR ² , % 2003 - 2013			Ranking in the nation					
	(millions of pesos)	Population ¹ (persons)	(millions of USD)	GDP* per capita 2013 (USD)	Real	Popula-	Real	Real	Foreign	Employ-	Public		
					GDP	tion	GDP per	GDP	GDP per	Direct		ment ³	Fed. Res.
					GDP	tion	capita	2013	2013	Invest. Dec.'14	in 2014	2014	2014
National	15,447,556	118,395,054	1,203,206	10,163	2.8	1.7	1.1						
Aguascalientes	174,172	1,252,265	13,566	10,833	4.1	2.2	1.9	27	10	16	13	28	22
Baja California	437,682	3,381,080	34,091	10,083	2.5	2.7	-0.3	14	13	7	5	14	9
Baja California Sur	117,252	718,196	9,133	12,716	5.4	4.5	0.8	29	8	19	31	31	19
Campeche	710,020	880,299	55,303	62,823	-3.8	1.9	-5.6	6	1	31	32	27	27
Coahuila	514,575	2,890,108	40,080	13,868	3.3	1.8	1.4	8	5	10	8	8	2
Colima	90,700	698,295	7,065	10,117	3.0	2.6	0.4	31	12	28	29	13	16
Chiapas	273,454	5,119,186	21,299	4,161	1.7	2.2	-0.5	19	32	30	30	16	12
Chihuahua	437,906	3,635,966	34,108	9,381	2.9	1.5	1.4	13	15	4	6	32	3
Distrito Federal	2,580,541	8,893,742	200,998	22,600	2.9	0.1	2.7	1	2	1	1	2	8
Durango	191,576	1,728,429	14,922	8,633	2.0	1.5	0.5	25	18	8	16	24	13
Guanajuato	617,325	5,719,709	48,083	8,407	3.1	1.8	1.3	7	20	11	2	7	26
Guerrero	226,236	3,523,858	17,621	5,001	2.3	1.2	1.0	24	30	17	22	18	29
Hidalgo	252,212	2,806,334	19,645	7,000	2.7	2.0	0.6	20	24	32	21	20	24
Jalisco	988,917	7,742,303	77,026	9,949	3.1	1.7	1.4	4	14	3	3	3	14
México	1,444,357	16,364,210	112,501	6,875	3.4	2.1	1.3	2	25	2	7	1	20
Michoacán	361,255	4,529,914	28,138	6,212	2.1	1.3	0.8	15	28	18	15	10	11
Morelos	184,535	1,874,188	14,373	7,669	2.7	1.8	0.9	26	23	27	27	23	15
Nayarit	102,571	1,178,403	7,989	6,780	3.3	2.4	0.9	30	26	26	23	30	7
Nuevo León	1,103,543	4,941,059	85,955	17,396	4.4	2.1	2.3	3	3	5	4	5	4
Oaxaca	244,669	3,959,042	19,057	4,814	1.9	1.2	0.7	21	31	20	25	15	17
Puebla	499,753	6,067,607	38,926	6,415	3.4	1.5	1.8	9	27	6	10	6	25
Querétaro	321,858	1,943,889	25,069	12,897	5.3	2.6	2.5	17	6	9	9	21	31
Quintana Roo	239,407	1,484,960	18,647	12,557	4.8	4.0	0.8	22	9	24	11	25	1
San Luis Potosí	300,694	2,702,145	23,421	8,668	3.9	1.3	2.5	18	16	13	17	19	23
Sinaloa	324,224	2,932,313	25,254	8,612	2.6	1.3	1.3	16	19	22	12	17	21
Sonora	468,661	2,851,462	36,504	12,802	4.1	2.1	2.0	11	7	14	18	12	6
Tabasco	488,756	2,334,493	38,069	16,307	4.7	1.8	2.8	10	4	21	24	9	30
Tamaulipas	457,863	3,461,336	35,663	10,303	2.5	1.8	0.7	12	11	12	14	11	18
Tlaxcala	87,013	1,242,734	6,777	5,454	2.0	2.0	0.0	32	29	23	26	29	32
Veracruz	815,466	7,923,198	63,516	8,017	3.3	1.1	2.2	5	22	15	28	4	5
Yucatán	229,330	2,064,151	17,862	8,654	3.4	1.7	1.7	23	17	29	19	22	28
Zacatecas	161,031	1,550,179	12,543	8,091	4.7	1.3	3.4	28	21	25	20	26	10

* 2013 GDP at current prices

1 Mexico population projections 2010-2050 for 2013, CONAPO

2 Compounded Annual Growth Rate

3 Total registered urban workers affiliated to the Social Security Institute (IMSS)

4 Federalized resources. 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					
	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	16	0.8	0.5	0.0	1.1	1.3
Primary Sector	-16.0	18.4	12.2	8.5	15.6	-11.6
Secondary Sector	-9.8	0.9	-2.4	2.6	5.3	-0.1
Tertiary Sector	3.1	0.8	0.8	-0.3	0.6	1.5
Manufacturing production	-2.0	-1.7	-3.9	-3.4	-2.8	-5.5
Construction	6.7	4.2	-1.1	21.7	11.1	-10.8
Public works	-7.7	-16.5	-18.7	4.0	-24.9	-39.6
Private works	23.3	22.0	15.5	34.5	38.2	14.2
Retail sales	13.2	1.4	8.7	1.2	-6.9	6.4
Wholesales	-6.1	-8.9	-13.9	-5.9	-2.0	11.3
Total Employment (IMSS-registered workers)	4.8	4.2	4.0	4.2	4.6	4.9
Permanent	4.9	3.9	3.8	4.0	4.2	4.4
Temporary (urban)	4.0	5.7	4.7	5.5	7.1	7.8
Total air traffic (passengers transport)	6.9	8.9	9.3	6.9	9.0	10.3
Federalized resources (Branch 28)	2.5	4.2	-0.2	7.9	2.9	16.6
Foreign Direct Investment (millions of USD)	26674.8	9914.0	-148.8	291.6	893.9	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.2

Region: Touristic*

	Baja California Sur						Quintana Roo					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	2.8	-1.7	-1.1	-3.1	-6.5	-0.5	4.2	3.6	3.4	4.8	4.6	4.3
Primary Sector	-0.8	11.0	14.6	13.7	9.5	0.8	-3.6	-6.3	-10.4	-8.8	-4.2	-3.2
Secondary Sector	15.2	-11.2	-18.0	-17.5	-20.9	-11.1	2.3	5.7	7.2	16.2	0.4	-1.8
Tertiary Sector	-0.8	1.1	4.2	1.6	-1.8	3.2	4.6	3.4	3.0	3.3	5.4	5.3
Manufacturing production	6.2	51.8	60.0	50.3	5.2	-54.8	-11.9	-6.6	-8.0	1.3	3.3	15.7
Construction	-7.5	-31.1	-53.9	-42.4	-26.2	36.8	5.6	19.2	61.4	12.6	-17.2	-16.3
Public works	40.0	-46.0	-58.3	-71.9	-45.1	-8.6	-4.5	3.0	63.5	-15.5	-28.4	-41.0
Private works	-58.4	22.3	-38.1	81.4	77.0	141.7	13.0	29.4	60.1	28.8	-11.1	-2.3
Retail sales	-13.1	10.9	22.0	5.1	9.8	9.6	12.2	0.9	5.9	0.0	-5.1	3.0
Wholesales	-5.2	-0.9	-15.5	12.4	23.4	17.4	-0.6	-22.0	-14.9	-24.4	-19.0	15.2
Total Employment (IMSS-registered workers)	5.0	2.1	3.0	1.4	-0.7	2.7	5.3	6.3	6.3	6.7	6.8	6.6
Permanent	3.0	2.3	3.1	2.4	-0.2	2.3	3.4	4.1	4.0	4.0	5.1	4.8
Temporary (urban)	13.6	1.5	2.5	-2.3	-2.6	4.4	12.7	14.1	14.6	15.8	12.8	12.3
Total air traffic (passengers transport)	12.5	-1.3	15.7	-5.2	-24.7	-6.4	10.0	9.5	11.6	8.4	13.9	12.3
Federalized resources (Branch 28)	2.5	5.1	11.8	14.0	9.9	1.2	4.7	6.3	9.5	9.2	3.8	-4.1
Foreign Direct Investment (millions of USD)	344.0	197.9	71.6	12.2	32.7	nd	488.2	115.8	36.1	8.4	28.5	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.3

Region: Industrial*

	Aguascalientes						Baja California					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	4.2	12.3	11.5	11.1	14.2	5.4	0.8	-0.7	-2.2	-1.6	3.5	6.2
Primary Sector	0.1	8.3	16.7	5.9	6.1	-4.2	2.6	-7.9	14.2	-32.0	-4.0	35.5
Secondary Sector	7.7	21.5	19.7	17.8	25.4	7.2	-1.8	-0.8	-6.0	0.6	7.8	9.2
Tertiary Sector	1.7	4.9	4.2	5.8	5.9	4.3	2.2	-0.3	-1.1	-1.5	1.4	3.8
Manufacturing production	15.3	25.0	22.7	23.0	26.2	6.1	-2.1	2.9	-10.4	1.7	14.6	15.1
Construction	-5.8	3.6	-5.4	3.4	30.6	13.6	4.9	-25.1	-40.1	-22.9	6.8	30.2
Public works	-24.3	10.6	-44.2	-2.8	118.6	26.3	19.8	-30.0	-53.4	-28.8	9.8	20.3
Private works	2.6	1.2	11.6	5.8	0.4	11.0	-12.5	-17.3	-22.2	-10.3	2.5	44.6
Retail sales	11.6	2.0	1.3	-1.6	-0.4	-7.4	7.9	-0.6	1.2	-6.8	1.8	9.8
Wholesales	-2.4	-1.5	0.7	-7.8	-3.7	-1.4	-2.4	-1.5	0.7	-7.8	-3.7	-1.4
Total Employment (IMSS-registered workers)	6.7	6.0	5.6	6.3	6.3	6.0	3.4	5.5	4.4	6.3	7.5	7.4
Permanent	6.8	5.9	5.5	6.1	6.6	6.4	3.7	5.3	4.5	6.0	6.8	7.0
Temporary (urban)	6.0	6.5	7.2	8.7	3.6	2.6	-1.1	8.3	3.9	10.9	16.1	13.3
Total air traffic (passengers transport)	14.4	19.6	16.5	16.5	22.5	18.7	11.8	4.6	8.5	-3.3	-1.3	-4.9
Federalized resources (Branch 28)	2.8	4.0	-4.7	7.3	-2.1	0.3	3.6	6.2	12.2	10.8	1.0	1.0
Foreign Direct Investment (millions of USD)	694.6	277.7	22.2	90.8	81.8	nd	505.1	813.2	125.7	199.5	321.4	nd

	Chihuahua						Coahuila					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	5.3	3.1	2.8	4.3	1.5	6.9	0.0	3.4	3.0	2.6	2.8	1.7
Primary Sector	14.6	4.8	13.7	8.4	-2.5	15.4	-5.7	7.8	2.6	8.3	11.6	-6.0
Secondary Sector	6.5	6.1	5.1	8.3	3.5	9.8	-1.0	5.7	6.0	3.8	2.0	-0.9
Tertiary Sector	3.6	1.1	0.3	1.5	1.1	4.8	1.4	0.6	-0.4	0.9	3.3	5.0
Manufacturing production	3.4	5.9	6.1	6.1	3.0	8.2	-0.6	9.5	9.3	5.3	5.1	5.4
Construction	24.2	-5.5	-15.7	-2.1	-1.9	14.8	-3.1	14.9	11.4	18.4	21.4	-5.3
Public works	48.4	-23.1	-35.6	-24.8	-19.9	-26.0	-4.1	7.4	-14.3	31.2	-4.8	-19.2
Private works	3.2	16.5	10.8	28.8	19.7	54.5	-26.9	17.5	19.5	13.6	32.3	-1.4
Retail sales	13.4	1.6	3.2	0.8	-1.8	0.0	0.4	0.0	-0.5	1.9	0.5	1.0
Wholesales	-4.5	1.4	-0.1	1.7	-0.5	1.2	-6.1	-8.9	-13.9	-5.9	-2.0	11.3
Total Employment (IMSS-registered workers)	4.4	4.2	3.5	4.9	5.3	5.7	3.0	3.7	3.1	4.5	5.2	5.7
Permanent	3.9	3.1	2.3	3.6	4.4	5.6	3.5	3.4	3.1	3.9	4.4	5.0
Temporary (urban)	9.5	15.2	15.4	17.5	14.4	7.3	-0.5	5.6	3.5	9.4	11.2	10.8
Total air traffic (passengers transport)	2.7	9.4	10.0	5.3	12.4	13.1	3.0	24.0	25.6	62.7	-4.2	-3.8
Federalized resources (Branch 28)	6.9	8.1	0.9	8.3	1.7	-5.9	1.7	6.6	-2.4	8.8	2.1	-5.4
Foreign Direct Investment (millions of USD)	1948.3	1151.7	28.3	-16.1	2.2	nd	1294.0	624.0	-4.1	3.6	-24.5	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.4

Region: Industrial*

	Jalisco						Estado de México					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	1.7	2.9	1.9	3.4	4.0	4.4	1.0	1.2	0.8	0.7	1.9	1.7
Primary Sector	3.2	6.5	8.5	6.5	0.7	17.6	5.8	6.8	2.3	-6.8	1.8	-10.0
Secondary Sector	1.7	4.0	3.1	3.8	6.2	7.8	2.0	-3.2	-5.1	-4.7	-2.9	-1.4
Tertiary Sector	1.5	2.2	0.8	3.0	3.3	1.7	0.4	3.3	3.9	3.6	4.3	3.3
Manufacturing production	1.8	6.5	5.3	8.0	6.1	7.2	2.9	-2.4	-0.3	-8.3	-5.6	1.3
Construction	-12.9	-15.0	-17.1	-19.0	0.4	23.7	9.7	-9.5	-29.1	-1.1	-1.8	-13.8
Public works	-12.5	-19.6	-2.6	-18.8	-16.3	24.1	3.9	-0.8	-39.1	22.1	18.7	24.6
Private works	-13.1	-12.2	-23.2	-19.1	13.5	23.5	14.3	-15.9	-20.8	-17.2	-16.8	-42.3
Retail sales	7.0	-1.7	-3.3	-1.8	-2.1	-2.1	-6.7	6.0	10.6	7.2	2.7	4.1
Wholesales	1.2	3.5	7.9	3.0	-2.9	0.8	11.5	5.5	8.8	4.6	7.4	0.4
Total Employment (IMSS-registered workers)	3.5	3.3	2.8	3.4	4.4	5.4	1.5	1.6	1.1	2.0	2.6	3.6
Permanent	3.3	3.3	3.1	3.4	3.9	4.9	1.8	1.5	1.1	1.6	2.2	3.2
Temporary (urban)	4.5	3.3	0.5	3.6	8.1	9.8	0.4	2.0	1.1	3.5	4.6	5.8
Total air traffic (passengers transport)	7.9	9.6	12.6	6.7	8.2	9.7	22.3	-33.9	-35.7	-47.3	-37.3	-24.3
Federalized resources (Branch 28)	3.3	6.5	16.3	10.4	3.1	3.0	5.6	7.6	-1.2	10.2	1.1	1.0
Foreign Direct Investment (millions of USD)	1004.2	1223.4	81.6	374.0	577.1	nd	1231.1	1684.6	374.1	49.8	1571.1	nd

	Nuevo León						Querétaro					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	1.6	3.8	2.5	4.9	5.5	6.2	3.1	7.5	4.7	6.6	14.0	12.4
Primary Sector	-2.4	-0.2	6.5	-6.5	-0.5	12.1	2.7	10.9	4.1	1.3	24.9	1.0
Secondary Sector	-0.5	4.8	3.2	7.2	5.7	7.8	1.3	11.6	7.0	9.6	23.3	16.7
Tertiary Sector	2.9	3.2	2.0	3.6	5.4	5.2	4.5	4.3	3.0	4.5	7.0	9.5
Manufacturing production	0.7	4.0	2.4	1.6	1.5	-0.6	2.9	4.6	1.7	3.9	8.6	10.6
Construction	-14.7	30.0	37.4	26.1	35.0	36.6	2.2	-0.8	-14.4	-15.4	34.7	29.3
Public works	-35.2	9.7	11.2	17.9	21.5	130.5	-22.1	25.7	35.7	-10.3	116.7	157.2
Private works	-2.8	37.7	48.1	29.1	40.1	12.3	9.6	-6.5	-23.4	-16.5	17.0	5.6
Retail sales	4.6	2.3	2.3	2.5	0.9	4.3	16.6	-1.1	0.2	-7.8	0.0	3.6
Wholesales	0.5	8.6	6.3	9.8	10.4	4.8	-7.3	16.1	7.6	27.0	29.0	32.3
Total Employment (IMSS-registered workers)	2.5	3.8	3.6	4.2	4.5	5.0	6.4	4.5	4.1	4.0	5.5	5.6
Permanent	3.1	3.5	3.4	3.7	4.2	4.8	6.9	5.0	4.9	4.4	5.0	5.1
Temporary (urban)	-2.0	5.4	6.0	7.9	6.4	6.3	4.4	2.4	0.4	2.3	7.5	8.2
Total air traffic (passengers transport)	5.2	11.1	7.7	12.1	21.4	25.2	43.0	33.9	44.3	30.5	35.2	30.3
Federalized resources (Branch 28)	2.9	7.7	15.7	12.9	4.4	-0.3	2.7	5.3	6.4	10.5	2.9	-6.8
Foreign Direct Investment (millions of USD)	498.6	1072.7	690.6	-265.2	369.4	nd	560.3	649.8	52.7	167.1	274.2	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.5

Region: Industrial*

	Sonora						Tamaulipas					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	5.0	-0.1	-1.2	0.4	0.5	0.2	0.4	3.9	0.3	6.5	5.3	3.8
Primary Sector	-4.6	-0.3	-6.1	-14.2	8.5	-3.3	-13.4	26.6	-14.8	89.6	-2.3	-1.9
Secondary Sector	8.0	-0.4	-0.7	1.3	-2.0	0.3	-1.7	3.6	-0.1	7.7	7.7	3.4
Tertiary Sector	3.9	0.2	-0.5	0.7	1.9	0.5	2.7	2.9	1.6	3.0	4.1	4.8
Manufacturing production	17.2	-8.5	-12.4	-10.6	-6.3	4.8	2.9	2.9	6.0	5.8	-4.7	-11.5
Construction	6.5	-0.9	12.9	4.6	-19.8	-26.0	-25.8	9.9	-1.4	41.3	-22.5	-20.6
Public works	-3.9	-6.3	18.9	16.3	-27.4	-30.7	-26.0	5.9	-7.2	36.7	-29.0	-35.0
Private works	12.8	1.9	10.0	0.5	-15.4	-23.6	-25.5	17.1	8.7	50.4	-11.1	3.8
Retail sales	98.6	-8.9	-6.7	-10.4	-9.6	-6.8	3.5	0.3	0.7	0.4	-4.8	-4.4
Wholesales	-2.2	-3.8	-5.5	-8.0	-7.0	-11.5	-4.7	-5.3	-10.0	0.4	-2.4	5.6
Total Employment (IMSS-registered workers)	4.0	1.4	1.0	1.4	1.6	2.3	2.0	2.5	2.9	2.6	2.6	2.5
Permanent	4.1	1.3	0.8	1.2	1.2	2.0	2.8	2.5	2.9	2.5	2.6	2.8
Temporary (urban)	3.4	2.9	2.2	2.6	4.7	4.4	-3.9	2.2	2.7	3.8	2.8	-0.2
Total air traffic (passengers transport)	3.2	0.9	5.7	-1.4	-5.6	-2.2	8.7	13.2	13.6	16.6	14.8	10.8
Federalized resources (Branch 28)	2.5	4.4	19.9	10.0	4.6	-0.4	3.0	6.4	5.8	8.9	1.2	-1.1
Foreign Direct Investment (millions of USD)	134.0	332.6	76.2	-2.2	49.7	nd	735.4	511.4	104.7	243.5	78.3	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.6

Region: Medium Development*

	Campeche						Colima					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	0.7	-4.8	-3.9	-6.8	-7.1	-6.7	0.7	3.6	0.5	2.3	5.8	2.2
Primary Sector	-2.3	13.3	-6.8	13.0	23.5	-3.8	-0.7	-1.9	-6.5	8.5	-7.5	-2.4
Secondary Sector	0.4	-5.7	-4.6	-8.0	-8.2	-7.3	-4.0	1.0	-3.9	-10.1	5.3	-4.7
Tertiary Sector	3.0	1.0	1.8	1.5	-0.2	-2.9	3.0	5.1	3.0	7.3	6.8	5.7
Manufacturing production	5.2	7.0	18.0	-2.8	16.7	37.2	0.3	-0.8	-9.6	15.2	-1.3	10.3
Construction	8.0	-31.6	-32.9	-29.1	-25.2	11.6	-7.8	-19.4	-28.6	-24.9	-25.0	-40.3
Public works	9.2	-32.5	-32.3	-31.8	-27.0	6.0	-20.9	-24.7	-28.7	-35.6	-40.4	-53.8
Private works	-6.7	-17.4	-42.0	11.5	3.7	104.3	20.1	-12.1	-28.5	-11.4	1.0	-17.1
Retail sales	12.6	2.1	5.4	-1.2	-1.9	-3.4	28.9	0.7	-0.9	-3.2	5.5	2.9
Wholesales	-6.1	-8.9	-13.9	-5.9	-2.0	11.3	-8.3	2.1	-6.3	11.4	3.2	-0.5
Total Employment (IMSS-registered workers)	5.6	-0.3	-0.4	1.2	-0.9	-1.0	3.2	2.2	1.1	2.7	3.1	3.5
Permanent	4.2	-0.9	-1.2	0.4	-0.5	0.3	3.5	1.5	0.9	1.2	2.2	2.6
Temporary (urban)	11.2	2.1	2.8	4.1	-2.6	-5.6	1.7	5.1	2.2	10.0	7.5	7.5
Total air traffic (passengers transport)	4.6	23.0	16.6	23.4	23.4	3.5	20.8	1.3	23.4	-26.6	8.4	4.3
Federalized resources (Branch 28)	-1.1	-2.8	3.1	2.6	-5.7	5.9	-1.1	2.4	17.1	7.6	-0.2	-3.1
Foreign Direct Investment (millions of USD)	-136.4	-117.0	-52.6	-71.7	3.5	nd	45.0	35.3	136.8	264.8	402.1	nd

	Durango						Guanajuato					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	2.0	2.7	2.5	3.7	3.6	-0.3	3.8	5.6	5.4	5.0	6.8	7.8
Primary Sector	12.9	4.9	5.4	7.3	4.0	8.9	5.7	0.5	0.9	6.3	-5.6	9.0
Secondary Sector	-1.6	3.3	7.0	2.4	3.7	-5.1	5.8	10.9	10.4	9.1	13.6	12.0
Tertiary Sector	2.7	1.9	-0.7	3.7	3.4	1.6	2.4	2.4	2.4	2.0	3.1	4.7
Manufacturing production	1.7	-4.7	-3.0	-8.2	-8.5	-3.4	10.2	20.0	22.0	17.5	26.9	12.0
Construction	9.1	27.9	80.6	16.7	6.6	-34.3	16.4	9.8	7.5	1.6	18.2	39.9
Public works	14.7	-4.0	30.0	-4.3	-19.8	-32.3	11.0	-13.1	-5.1	-19.2	-12.1	37.9
Private works	-0.7	92.3	180.1	42.8	61.3	-36.9	19.9	23.1	14.8	14.2	35.1	40.7
Retail sales	31.9	1.2	0.6	3.2	2.8	0.0	13.3	2.2	-4.1	3.1	11.4	8.7
Wholesales	-8.6	-0.4	-9.5	3.6	7.2	8.3	-4.4	-7.2	-5.4	-10.9	-8.3	4.4
Total Employment (IMSS-registered workers)	2.4	3.2	2.8	4.6	4.7	3.6	5.5	7.3	7.1	7.6	8.6	8.2
Permanent	3.9	3.5	3.0	4.5	4.3	3.2	5.3	6.7	6.7	6.8	7.2	6.9
Temporary (urban)	-8.1	0.9	0.6	5.0	7.8	7.2	6.7	12.0	10.1	13.4	18.0	17.3
Total air traffic (passengers transport)	0.9	16.5	19.0	19.9	15.2	20.3	5.1	23.0	21.9	27.0	24.1	22.0
Federalized resources (Branch 28)	5.2	5.8	11.9	10.3	4.7	1.2	5.6	7.3	12.3	11.3	3.2	3.0
Foreign Direct Investment (millions of USD)	1286.7	772.3	-12.8	755.4	11.6	nd	892.0	584.7	317.9	5.6	89.7	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.7

Region: Medium Development*

	Hidalgo						Michoacán					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	1.9	3.3	3.2	4.1	3.2	4.1	1.9	6.9	11.4	4.7	3.3	-2.7
Primary Sector	-0.7	-1.4	-1.0	-4.0	0.6	0.2	-1.4	10.2	11.1	9.0	12.2	-3.4
Secondary Sector	-0.7	2.7	3.6	5.5	3.1	5.1	-0.1	3.7	8.5	-3.1	-3.7	-17.3
Tertiary Sector	4.2	4.1	3.2	3.4	3.5	3.6	3.2	7.6	12.5	7.1	4.2	3.2
Manufacturing production	-4.7	-1.6	-2.8	4.6	-12.5	-29.8	-4.3	20.4	20.7	20.9	23.9	2.0
Construction	2.4	30.1	0.8	40.8	74.7	38.8	-25.1	45.8	116.3	46.2	-15.4	-25.1
Public works	19.1	25.8	-18.4	41.6	90.8	94.9	-42.6	83.9	218.9	56.8	24.8	1.7
Private works	-14.6	36.3	29.3	39.5	54.1	-16.4	-9.7	24.5	64.0	38.7	-35.6	-43.1
Retail sales	nd	nd	nd	nd	nd	nd	33.5	21.8	30.3	25.7	4.2	6.7
Wholesales	nd	nd	nd	nd	nd	nd	5.1	8.7	7.4	7.5	5.1	7.1
Total Employment (IMSS-registered workers)	3.6	4.9	6.0	5.1	4.2	3.5	-0.2	2.3	3.0	3.3	3.8	3.6
Permanent	2.8	3.5	4.2	3.7	2.9	2.7	-0.5	1.9	2.8	3.0	3.1	2.6
Temporary (urban)	6.4	9.4	12.2	9.7	8.6	6.1	2.4	5.5	3.8	5.3	8.3	10.0
Total air traffic (passengers transport)	na	na	na	na	na	na	3.3	6.6	20.4	4.5	1.0	9.2
Federalized resources (Branch 28)	4.4	2.1	-1.4	6.7	-2.1	0.7	6.6	4.4	6.2	8.2	3.0	-3.0
Foreign Direct Investment (millions of USD)	-32.4	-240.9	44.9	-19.7	-299.0	nd	1458.6	239.0	46.7	73.5	75.6	nd

	Morelos						Nayarit					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	1.2	0.2	-1.7	0.4	3.8	1.9	3.7	5.4	4.9	6.4	12.3	8.3
Primary Sector	6.8	-2.0	-1.1	39.8	-4.3	34.9	-9.5	-8.6	1.7	-3.5	-15.6	-11.2
Secondary Sector	-3.3	-1.5	-5.6	-4.1	11.1	1.7	5.3	5.6	6.1	13.4	24.8	29.0
Tertiary Sector	3.2	1.1	0.8	1.3	1.1	0.8	4.8	6.8	4.9	5.1	12.5	5.2
Manufacturing production	2.2	-3.5	-6.4	-11.2	-1.3	1.1	-13.0	0.4	19.4	-22.8	7.4	6.3
Construction	-30.0	10.3	-36.9	-10.0	155.3	61.9	-3.4	17.4	-10.1	49.0	97.3	99.5
Public works	-24.0	93.5	-28.7	42.3	462.8	69.4	-14.7	15.1	-36.6	72.2	165.7	310.6
Private works	-32.4	-27.5	-42.9	-28.2	23.4	56.6	19.5	20.6	25.1	16.9	25.6	-14.6
Retail sales	5.2	-3.0	-1.3	2.2	-3.4	3.7	nd	nd	nd	nd	nd	nd
Wholesales	0.7	-7.8	-1.7	-17.0	-21.6	-9.7	nd	nd	nd	nd	nd	nd
Total Employment (IMSS-registered workers)	2.2	1.0	0.6	0.7	1.1	1.2	0.0	4.1	4.1	5.0	5.8	5.0
Permanent	3.1	1.2	1.1	0.7	0.6	0.6	-0.8	3.8	4.0	4.1	5.6	3.8
Temporary (urban)	-3.5	-0.3	-2.8	1.3	4.1	5.5	4.1	5.7	4.6	9.1	6.6	10.4
Total air traffic (passengers transport)	-42.1	-99.8	-100.0	na	na	na	209.7	-9.8	32.3	-54.0	16.5	4.4
Federalized resources (Branch 28)	3.4	7.0	14.5	10.2	2.3	-1.4	3.8	5.9	8.0	7.7	2.2	-4.4
Foreign Direct Investment (millions of USD)	25.7	83.7	24.6	11.5	30.7	nd	127.4	92.5	33.4	11.1	20.0	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.8

Region: Medium Development*

	Puebla						San Luis Potosí					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	-1.1	1.0	-0.5	0.7	3.9	2.9	0.7	1.3	-0.9	2.4	3.8	3.9
Primary Sector	-2.7	1.8	0.4	-3.1	-2.8	10.9	12.4	13.8	6.0	28.9	17.4	1.1
Secondary Sector	-6.4	0.5	-1.5	0.7	6.6	4.8	-2.3	-0.1	-5.0	1.4	5.3	5.1
Tertiary Sector	2.1	1.2	0.0	1.0	3.0	1.5	2.6	1.7	2.1	1.6	1.7	3.1
Manufacturing production	-5.8	-2.0	-4.6	-6.4	11.6	4.7	0.3	6.5	3.6	7.8	9.0	6.1
Construction	-11.6	13.2	1.4	57.2	-10.0	13.6	32.5	0.6	-11.3	-7.5	13.8	21.4
Public works	-29.3	29.5	27.9	184.8	-30.4	-29.3	59.6	-11.8	-38.8	-30.5	25.3	75.4
Private works	16.5	-2.5	-20.0	-13.2	19.5	76.3	13.6	12.8	18.3	20.0	1.6	-8.9
Retail sales	-7.6	-1.1	-2.8	-2.5	-0.6	5.8	11.4	-2.3	-2.9	-1.3	-2.1	4.1
Wholesales	-2.1	0.7	0.8	-5.3	-0.9	-6.5	-0.6	-22.0	-14.9	-24.4	-19.0	15.2
Total Employment (IMSS-registered workers)	3.1	2.7	1.6	3.2	4.2	4.8	4.7	3.2	3.0	2.8	2.8	3.1
Permanent	3.1	2.2	2.0	2.2	2.7	3.7	4.1	3.4	3.6	3.0	2.3	2.3
Temporary (urban)	3.0	5.3	-0.6	9.5	13.2	11.2	8.0	2.0	-0.6	1.4	5.5	7.5
Total air traffic (passengers transport)	131	-6.5	4.2	-15.0	-16.8	1.8	-1.4	45.4	43.7	65.1	46.0	33.6
Federalized resources (Branch 28)	6.8	5.8	-5.3	3.7	-0.5	-5.5	5.8	4.6	-9.1	11.7	-0.4	-5.3
Foreign Direct Investment (millions of USD)	1325.4	855.8	62.6	257.2	283.8	nd	510.5	430.7	35.3	56.3	243.4	nd

	Sinaloa						Tabasco					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	1.7	2.2	1.7	7.8	3.1	5.6	-2.0	2.0	4.8	4.3	-2.1	-0.7
Primary Sector	-1.8	-4.4	7.2	74.2	-4.1	28.3	-5.2	0.0	6.1	2.2	3.1	5.7
Secondary Sector	-2.1	4.3	2.9	7.1	5.3	2.6	-4.6	2.2	6.4	5.6	-3.4	-2.1
Tertiary Sector	3.6	2.6	0.6	3.4	3.9	2.9	4.7	1.6	0.9	1.3	0.7	2.2
Manufacturing production	0.0	0.6	3.8	0.8	2.1	7.7	11.1	22.1	5.6	-9.6	66.8	-31.3
Construction	-18.4	-14.9	-25.0	4.4	-24.3	-22.6	-7.5	-18.0	-5.0	-8.9	-35.8	-20.7
Public works	-19.2	-16.5	-30.4	8.6	-21.0	-30.5	-30.6	-6.2	10.5	33.6	-29.4	-36.9
Private works	-17.4	-13.0	-16.9	0.2	-27.7	-14.3	83.3	-35.5	-2.2	-62.1	-48.9	2.6
Retail sales	24.0	2.5	-3.7	6.1	-2.4	-4.0	26.6	2.7	7.8	1.2	-2.8	4.5
Wholesales	-3.1	0.4	-6.4	6.4	-0.6	-1.9	-3.4	-1.2	-9.3	-2.8	4.0	2.2
Total Employment (IMSS-registered workers)	2.4	3.3	2.8	4.1	4.1	4.1	5.0	3.6	3.7	3.7	2.5	2.6
Permanent	2.0	2.6	2.2	3.5	3.6	4.2	6.0	4.6	5.0	5.3	3.0	2.1
Temporary (urban)	5.5	8.3	8.2	8.9	7.7	2.9	0.9	-1.0	-2.5	-3.6	0.1	5.2
Total air traffic (passengers transport)	9.5	6.6	12.4	2.5	-0.5	3.6	5.8	10.2	6.6	11.5	14.1	19.0
Federalized resources (Branch 28)	0.6	9.9	7.8	16.2	3.7	-2.1	0.2	-2.4	0.9	-0.7	-3.2	-2.1
Foreign Direct Investment (millions of USD)	255.9	141.4	11.6	-3.1	116.7	nd	77.3	161.9	4.7	111.6	7.8	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.9

Region: Medium Development*

	Tlaxcala						Veracruz					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	0.2	2.5	-0.4	5.1	5.9	8.5	-0.3	1.1	0.4	1.1	2.0	1.2
Primary Sector	-13.3	5.5	7.2	4.8	-6.7	46.7	3.1	-4.5	-10.3	-0.9	-6.7	7.7
Secondary Sector	-3.0	2.2	-6.4	6.9	12.9	15.2	-1.7	-2.6	-1.9	-3.0	-2.0	-2.3
Tertiary Sector	3.2	2.5	2.4	4.1	3.3	3.4	0.6	4.3	3.2	4.4	5.7	3.0
Manufacturing production	1.8	6.7	-0.3	11.0	12.3	15.1	5.3	4.9	2.2	3.2	5.3	-18.4
Construction	-34.9	275	83.1	-6.0	25.4	126.2	-3.9	-14.5	-2.9	-29.2	-17.9	-34.4
Public works	-30.1	339	51.9	62.5	8.2	33.3	-4.0	-24.9	-6.9	-44.4	-32.7	-48.6
Private works	-40.2	19.3	127.9	-55.8	55.6	297.4	-3.5	17.2	10.6	22.8	27.6	-5.4
Retail sales	nd	nd	nd	nd	nd	nd	0.8	7.0	6.2	6.5	9.9	9.7
Wholesales	nd	nd	nd	nd	nd	nd	16.7	10.6	-3.6	5.1	-5.5	-11.8
Total Employment (IMSS-registered workers)	4.7	1.5	-0.4	1.7	4.0	4.2	2.3	0.8	1.4	0.4	0.3	0.4
Permanent	4.4	-0.4	-2.5	-0.6	2.7	3.1	2.2	-0.3	0.4	-0.6	-0.7	0.0
Temporary (urban)	6.3	9.0	8.4	11.2	9.3	8.3	2.4	6.3	6.8	5.4	5.7	2.3
Total air traffic (passengers transport)	na	na	na	na	na	na	13.4	13.2	17.2	14.7	13.0	11.6
Federalized resources (Branch 28)	2.2	7.4	7.3	8.5	2.7	-7.1	3.1	4.3	-3.5	7.6	-2.9	-4.5
Foreign Direct Investment (millions of USD)	32.2	134.1	2.2	-2.2	4.9	nd	39.3	290.3	83.9	1.3	130.4	nd

	Yucatán						Zacatecas					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	0.9	2.8	0.4	4.2	3.3	1.0	-1.2	5.9	6.0	4.8	7.7	2.7
Primary Sector	-4.2	5.1	5.5	5.7	8.4	3.7	7.6	4.5	11.9	-6.4	5.4	-3.1
Secondary Sector	-5.4	3.8	-1.6	7.7	3.3	-2.7	-7.7	12.4	11.3	13.4	15.9	6.8
Tertiary Sector	4.3	2.3	1.1	2.5	3.0	2.7	2.5	1.3	1.0	1.3	2.2	-0.1
Manufacturing production	-0.1	3.0	4.6	0.3	1.9	-4.5	-7.6	13.8	6.0	7.3	20.1	4.8
Construction	-20.8	13.0	15.5	36.1	8.1	-20.5	-18.1	-1.5	-16.0	2.6	17.1	-15.5
Public works	-43.8	44.6	80.0	37.4	-1.5	-51.4	-8.0	-11.8	-23.6	-7.1	8.7	-11.5
Private works	-5.9	0.8	-2.6	35.4	13.8	2.1	-28.5	12.3	-5.8	15.7	27.8	-19.1
Retail sales	15.8	-2.5	-0.4	-8.8	-7.9	-10.2	6.9	2.7	1.1	1.0	4.9	10.7
Wholesales	-1.8	5.4	1.3	11.5	8.1	5.3	-1.6	-10.0	-13.1	-11.5	-11.2	-9.3
Total Employment (IMSS-registered workers)	3.7	3.2	3.2	2.9	3.0	3.7	2.5	4.8	4.1	5.8	6.1	5.8
Permanent	3.7	3.0	3.1	2.8	2.6	3.1	3.7	3.0	3.1	2.8	2.6	3.1
Temporary (urban)	4.5	4.6	3.4	3.5	7.2	10.1	-1.9	5.6	2.5	6.6	10.0	7.0
Total air traffic (passengers transport)	6.8	9.2	10.6	9.6	7.5	12.1	2.0	7.4	24.2	0.2	2.1	11.3
Federalized resources (Branch 28)	8.9	7.2	6.6	11.8	6.0	6.6	4.4	1.1	1.0	6.3	-0.8	1.8
Foreign Direct Investment (millions of USD)	45.2	33.2	6.1	33.4	-9.6	nd	1763.3	96.5	12.0	25.5	15.2	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

Table 4b.10
Region: Low Development*

	Chiapas						Guerrero					
	2013	2014	2Q14	3Q14	4Q14	1Q15	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	-1.0	3.0	3.3	4.5	-2.3	-4.9	0.2	6.7	9.4	7.0	5.8	3.6
Primary Sector	0.7	-4.5	-0.6	-8.3	-3.1	-3.2	-11.1	11.7	11.7	18.0	22.8	25.4
Secondary Sector	-10.6	3.0	1.6	5.5	-11.4	-17.6	1.1	10.5	15.9	12.8	9.9	-0.1
Tertiary Sector	3.9	3.9	4.5	5.0	2.3	1.0	0.6	5.3	7.5	4.7	3.4	3.6
Manufacturing production	2.2	8.3	13.1	11.1	-10.2	-25.1	17.4	-6.5	0.8	6.9	-40.6	-27.0
Construction	-43.2	-1.9	-14.9	20.8	-28.0	-21.2	18.4	53.4	65.5	28.7	65.7	11.4
Public works	-46.3	18.3	48.2	34.3	-25.3	-21.2	50.6	46.5	70.0	16.3	37.7	16.8
Private works	-36.5	-38.4	-62.1	-7.4	-38.2	-21.3	-26.5	73.2	56.2	82.8	178.7	-6.4
Retail sales	10.5	5.7	17.0	16.1	-13.1	-11.0	15.7	22.4	42.4	23.8	-4.3	0.6
Wholesales	-9.6	29.9	19.2	57.1	38.7	39.3	1.5	-14.8	-21.1	-11.0	-9.5	14.6
Total Employment (IMSS-registered workers)	-0.4	0.7	1.3	0.5	0.8	1.7	3.1	4.4	3.9	5.0	5.5	4.3
Permanent	1.1	-0.6	-0.3	-1.1	-0.6	0.8	3.4	2.6	2.0	2.1	3.5	2.2
Temporary (urban)	-13.3	14.0	17.7	16.4	14.2	10.4	1.8	12.0	12.7	18.0	13.7	12.8
Total air traffic (passengers transport)	6.6	8.2	10.3	4.4	11.6	23.7	5.7	8.2	12.5	1.5	10.7	18.6
Federalized resources (Branch 28)	2.2	4.9	13.4	7.2	0.2	-4.0	2.9	8.2	11.2	10.1	2.4	-4.8
Foreign Direct Investment (millions of USD)	52.9	-58.7	207.5	95.8	258.5	nd	217.7	273.7	170.6	6.6	1.6	nd

	Oaxaca					
	2013	2014	2Q14	3Q14	4Q14	1Q15
Economic Activity (QIEAS**) Total	2.5	1.8	3.1	1.2	1.3	1.6
Primary Sector	0.7	-1.1	0.6	2.4	-1.4	-5.0
Secondary Sector	4.2	3.8	7.1	2.0	2.5	1.6
Tertiary Sector	1.8	1.1	1.3	0.7	1.0	2.2
Manufacturing production	18.4	-4.6	-0.6	-3.7	-13.6	-38.8
Construction	-11.8	5.1	21.9	-1.8	-5.0	5.9
Public works	-23.9	-5.3	12.7	-8.5	-37.7	56.2
Private works	22.3	23.2	42.6	8.8	75.0	-70.9
Retail sales	26.9	2.3	6.5	-0.4	-9.5	-5.8
Wholesales	-2.1	-9.7	-4.1	-6.0	-13.9	-5.7
Total Employment (IMSS-registered workers)	4.1	2.8	2.7	3.1	2.6	4.0
Permanent	3.7	2.8	2.9	2.9	2.6	3.7
Temporary (urban)	7.2	2.8	1.3	3.8	2.3	6.2
Total air traffic (passengers transport)	10.4	10.4	9.6	6.7	21.2	24.4
Federalized resources (Branch 28)	5.9	7.9	9.1	9.8	-0.3	-5.1
Foreign Direct Investment (millions of USD)	99.9	191.4	110.3	5.7	2.2	nd

* All indicators, except Foreign Direct Investment, are real annual percentage changes

** Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal)

na = does not apply; nd = not available

Source: INEGI, STPS, Sector, SHCP and SE

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