

Regional Sectorial Outlook

Mexico

May 2012
Economic Analysis

- **GDP growth expectations for Mexico** improve at the regional and sectorial level
- **Better balanced sources** of internal and external growth
- **Export support:** the continued rise of manufacturing competitiveness in the country
- **Regional dynamism** spurred by industrial and tourist states
- **Implications and consequences** of one of the driest years in Mexico
- **Latent risks** due to a fragile global environment

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Closing date: April 27, 2012

1. Summary

The Mexican economy shows relative strength in view of an unfavorable global environment. Sectors and regions respond positively to internal and external stimuli

In 2011, the consolidation of economic recovery in Mexico was evident and 2012 is expected to show similar growth, although with greater dynamism in the first half of the year, which will allow most sectors to surpass the level of activity observed prior to the crisis of 2008. Upon conclusion of 2012, we expect GDP growth of 3.7%, higher than the 3.3% estimated previously, more balanced between internal and external demand after having been bolstered by higher consumption, investment and export levels.

Continued growth of manufacturing exports is expected to continue, with an increase in U.S. import market share due to gains in manufacturing competitiveness. As regards the domestic market, a positive evolution of its main determining factors is expected. Consumer confidence, consumer credit, as well as formal employment indicators and the budget “push” due to the end of the administration will continue to strengthen, allowing for the more closely linked sectors (services and construction) to maintain their growth dynamic.

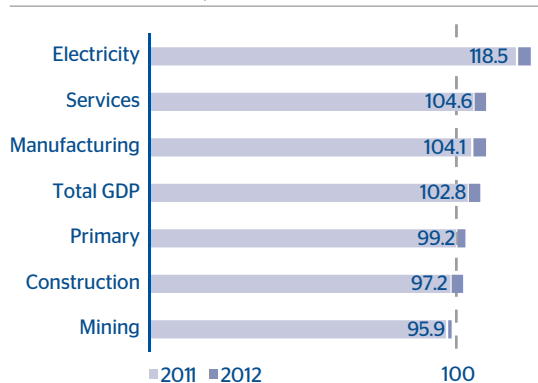
This issue of *Mexico Regional and Sectorial Outlook* presents the recent evolution of the sectors and regions of the Mexican economy as well as an estimate of future growth.

From a sectorial standpoint, more balanced growth is seen than in previous years

Although not at such spectacular growth rates as in 2010, exports of goods and services continued to be the most dynamic component of aggregate demand; in 2011, with 6.8% growth, a rate that could reach 5.6% in 2012, with which the stimulus of exports will continue to have a positive influence on the domestic economy. In 2012, private investment is expected to grow 4.7% annually, at a higher rate than GDP (3.7%). The trend observed in private consumption suggests gradual growth (4.6% in 2011 and 3.4% in 2012) and could eventually be affected by a possible slowdown in exports throughout 2012.

Graph 1

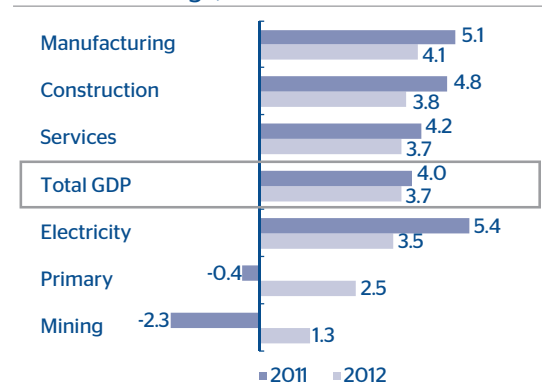
More dynamic large sectors 2008 to 2012 (index 2008=100, sa)



Source: BBVA Research with INEGI data Seasonally adjusted 2012 forecast

Graph 2

Dynamism of the large sectors (Annual % change, sa)



Source: BBVA Research with INEGI data Seasonally adjusted 2012 forecast

Dynamic sectors: those competitive and open to Foreign Direct Investment (FDI)

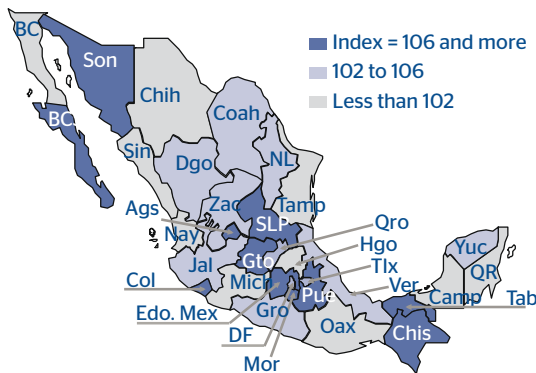
Construction and manufacturing will be two of the main sectors driving GDP growth in 2012, adding strength to expansion. The former due to greater public works and a gradual normalization of residential construction, and the latter due to sustained growth of manufacturing exports, in particular those related with the auto industry. In 2011, although both sectors were also leaders, construction was mainly driven by private activity.

In 2012 it is estimated that the sectors with a greater contribution to GDP growth will be services in the first place, followed by manufacturing and construction, as occurred in 2011. Electricity and mining will provide a positive, although small, contribution.

Regionally, the industrial states will provide a greater contribution to economic growth

The Mexican economy is characterized by the magnitude and dynamism of its exports, particularly industrial exports. Therefore, in a context where growth was driven by external demand, this favored the growth of the export manufacturing states. The industrial region includes ten states that account for 41% of GDP and 40% of the population; as a whole. Overall, these grew 5.1% in 2011 and accounted for half of economic growth. The states with intermediate development contributed 1 pp (percentage point), the Federal District 0.9 pp and the marginal and tourist zones around 0.1 pp each. Individually, those outstanding in 2011 as furthering growth are the Federal District, Nuevo León, the State of Mexico, Jalisco, Puebla and Coahuila; the Federal District due to its size and diversity, and the rest due to their productive profile.

Graph 3
Recovery of activity, 2011
(2008 = 100)



Source: BBVA Research with INEGI data

Chart 1
Intensity of the drought in Mexico
(place in 2011, from 1941 to date)

State	Place since 1941
Durango and Aguascalientes	1°
Zacatecas and Guanajuato	2°
Baja California Sur and Coahuila	3°
Nuevo Leon	4°
Chihuahua	5°
Total National	13°

BBVA Research with Conagua (National Water Commission) and SMN (National Meteorological Service) data

Special topics: drought in Mexico, different regional impact

At the close of 2011, 30% of the Mexican territory was undergoing exceptional or extreme drought, and when those states, under conditions of severe and moderate drought, are added, the percentage rises to more than 50% of the territory. This places the year at thirteenth place among the driest in seventy years. But, by state, 2011 is the driest year for Durango and Aguascalientes, the second worse for Zacatecas and Guanajuato, and one of the worst also for other states in northern Mexico. Certainly, the implications by state and by micro region are different, in addition to the particular profiles and circumstances in each state. This edition of *Mexico Regional and Sectorial Outlook* reviews the indicators and presents some of the main characteristics of this situation and some implications.

2. Sectorial Analysis

2a. Expectations for the year improve: GDP growth in 2012 similar to that of 2011

In 2011, the consolidation of the economic recovery was significant in Mexico, and it is expected that this year, there will be similar growth, although more dynamic in the first half of the year, which would allow most of the sectors to surpass the activity level they obtained prior to the crisis of 2008. Through the first quarter of 2012, the economy seems to be accelerating its growth with progress both in manufactures, due to a rally in exports, and in services. Data disclosed up to now point to GDP growth of 3.9% in the 1st quarter of 2012. By the end of 2012, we expect GDP growth of 3.7%, more balanced between internal and external demand after being spurred by higher consumption levels and exports.

In manufacturing exports, the market share in the U.S. is expected to continue in view of the gains in competitiveness. Still pending in the medium term is their diversification in terms of export destinations. Those directed to the U.S. are considered to be the most important; these in turn will continue to gain market share in that country, in particular, durable consumer goods (85.8% of total manufacturing exports). In fact, shipments from Mexico to the U.S. in the first two months of the year are showing a record market share of 13.3%, a reflection of greater competitiveness stemming, among other factors, from the increase in investments in recent years. Relative to the market itself, a positive evolution of its main determinant factors is expected, such as the continued strengthening of consumer confidence, consumer credit, and formal employment indicators, thereby allowing those sectors linked most (services and construction) to maintain their dynamic.

To summarize, the Mexican economy finds itself in an expansion phase, in synchrony with the evolution of the U.S. economy. However, should global risks persist, the Mexican economy could see its favorable expectations diminished, despite a congruent fiscal and monetary policy with low and stable inflation. After four months of having started the year 2012, the U.S. economic panorama seems to be better than in the 3rd quarter of 2011, with the resurgence of European aversion to risk and sovereign debt, together with price increases of energy products, although there are still many challenges to be faced, like a greater European economic slowdown and high oil prices that eventually could be reflected in greater global aversion to risk.

GDP growth forecast reviewed upward

In 2012, the GDP growth forecast of an annual 3.3% is reviewed to 3.7% with higher progress in the 1st half of 2012. This will be a very positive evolution of the Mexican economy if adverse conditions on the international environment are taken into account.

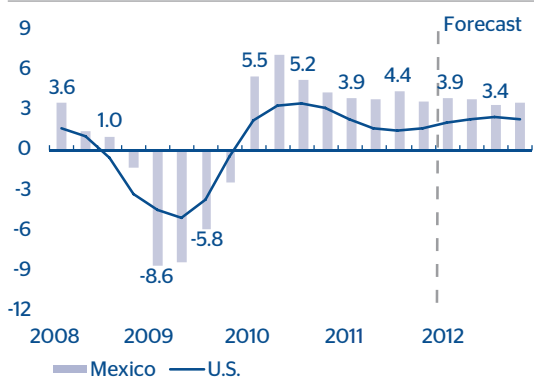
As to the performance of the U.S. economy and against the forecast of the consensus, in the 1st quarter of 2012, not only did it not enter into recession, but its recovery continued on the right road (slow). At least, it has thus been revealed by the leading indicators of the 1st quarter of 2012. In fact, the consensus estimates that GDP growth in the U.S. in the 1st quarter of 2012 could stand at 2.5%. In the year, BBVA estimates 2.3%, much higher than the 1.7% of 2011.¹

If we take into account the high synchronization of the cycles between the U.S. and Mexico, the reason why lower growth had been expected in Mexico for 2012 compared to 2011 was that a higher slowdown had been forecast for the U.S. manufacturing sector in 2012. In 2011, it helped that U.S. manufacturing grew 4.8%, allowing non-oil exports of Mexico to grow to an annual 14.2% in 2012. Data for the first two months of manufacturing production point to an acceleration of U.S. annual growth (5.4% vs. 4.4% for the 4th quarter of 2011) and of Mexico's growth (6.4% vs. 3.9%) in the same periods. The rise in Mexico's GDP will be higher in the 1st half of 2012 (3.9%) than in the 2nd half of 2011 (3.5%). From the above, it

¹ On April 25, 2012, the U.S. Federal Reserve announced its growth estimates. The rise in GDP in 2012 was reviewed to an interval between 2.4% to 2.9%, higher than that of last January, between 2.2% and 2.7%.

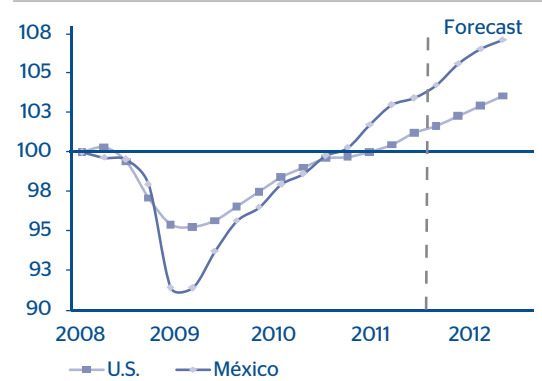
follows that although not at rates like the ones of last year, non-oil exports could perform well this year, particularly those of durable consumption like automobiles, machinery and equipment, and electronic articles, among others.

Graph 4
GDP Mexico-U.S.
(Annual % change, sa)



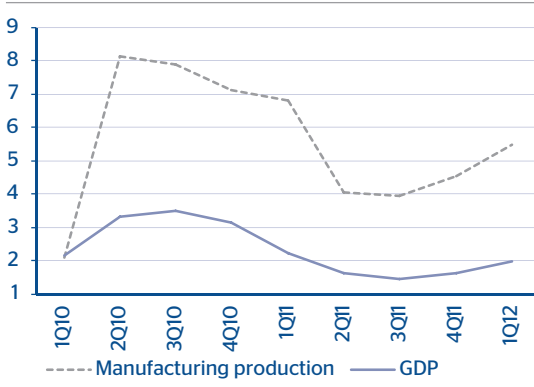
Source: BBVA Research with INEGI and U.S. Federal Reserve data
ae: seasonal adjustment

Graph 5
GDP Mexico-U.S.
(Index 1q08=100, sa)



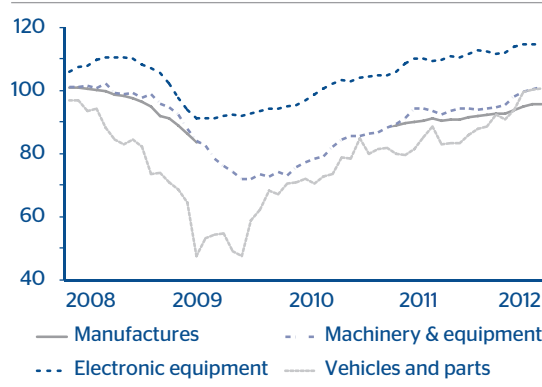
Source: BBVA Research with INEGI and U.S. Federal Reserve data
ae: seasonal adjustment

Graph 6
GDP and Manufacturing Production in the U.S.
(Annual % change, sa)



Note: Own estimate of the GDP of the 1st quarter of 2012
Source: BBVA Research with Haver data

Graph 7
Manufacturing Production in the U.S.
(Index 2007=100, sa)

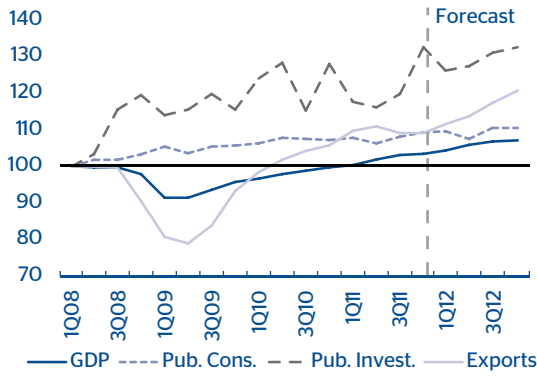


Source: BBVA Research with Haver data

Growth in exports, investment and consumption

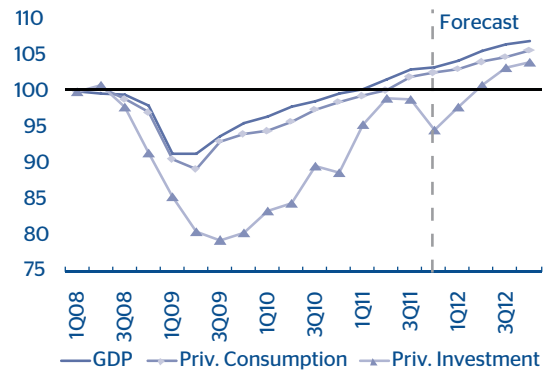
Although at rates not as spectacular as in 2010 (21.7%), exports of goods and services continued to be the most dynamic components of aggregate demand. In 2011, they grew 6.8%, a rate that could reach 5.6% in 2012, by which the stimulus of exports will continue to influence the domestic economy in a positive way. Private investment, which in 2010 showed an important lag, managed in 2011 to wake up from its lethargy to reach growth of 12.1%. In 2012, it is expected that private investment will progress an annual 4.7%, at a higher rate than GDP (3.7%). The trend observed in private consumption suggests gradual growth (4.6% in 2011 and 3.4% in 2012) and it could eventually be affected if the slowdown in manufacturing exports deepens throughout 2012.

Graph 8
More dynamic components of aggregate demand from 2008 through 2012
(Index 1q08=100, sa)



Source: BBVA Research with INEGI data sa: seasonal adjustment

Graph 9
Less dynamic components of aggregate demand from 2008 through 2012
(Index 1q08=100, sa)



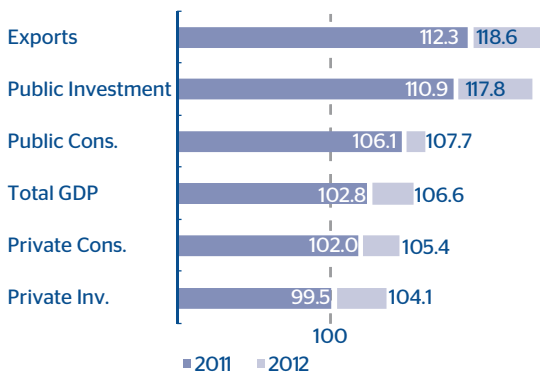
Source: BBVA Research with INEGI data sa: seasonal adjustment

The weakening of public investment seen in the first half of 2011 did not compensate growth in the second part of the year, by which this component regressed 1.8%. For 2012, growth in public investment and consumption is estimated at 6.3% and 1.6%, respectively. Generally, in the last year of every administration, economic activity increases due to greater aggregate demand derived from greater budgetary spending that is dedicated to the conclusion of public works. The effect will be repeated this year and it will be evident in the 1st half of 2012. Also, the economy will likewise benefit from the acceleration in private investment for completing infrastructure works of this administration.

Improved balance between internal and external sources of growth in 2012

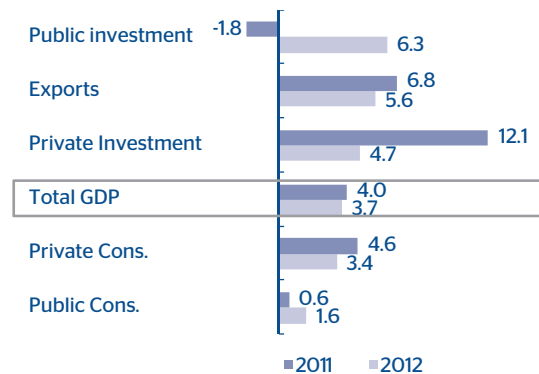
In 2011, except for private investment, all the components of aggregate demand will have surpassed the maximum seen in 2008. This situation will improve in 2012, in particular in the case of public investment, which will head growth (6.3%) followed by exports of goods and services (5.6%) and by private investment (4.7%), in addition to presenting significantly higher growth rates of the economy (3.7%). The disparity among the growth rates will be lower than in 2011. Public consumption will be the sole component that will show modest progress relative to that of total GDP.

Graph 10
More dynamic components of aggregate demand from 2008 through 2012
(Index 2008=100, sa)



Note: 2012 forecast
Source: BBVA Research with INEGI data seasonal adjustment

Graph 11
Dynamics of the components of aggregate demand
(Annual % change, sa)

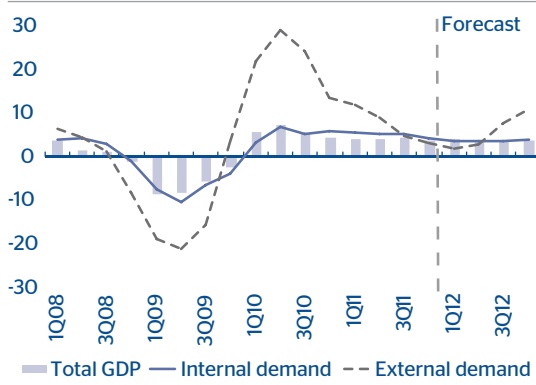


Note: 2012 forecast
Source: BBVA Research with INEGI data seasonal adjustment

In other words, the evolution of 2012 will tend to observe a better balance between internal and external sources of growth. Domestic demand will be supported by a favorable evolution of private formal employment, credit to consumption, consumer confidence and remittances.

Graph 12

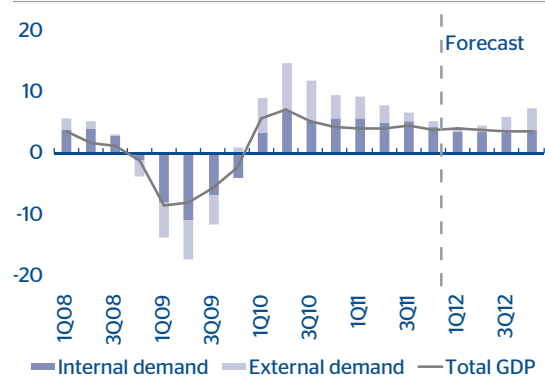
Dynamic of the components of internal and external demand (Annual % change, sa)



Source: BBVA Research with INEGI data, seasonal adjustment

Graph 13

Contribution of the components of internal and external demand to GDP growth (Percentage points, sa)

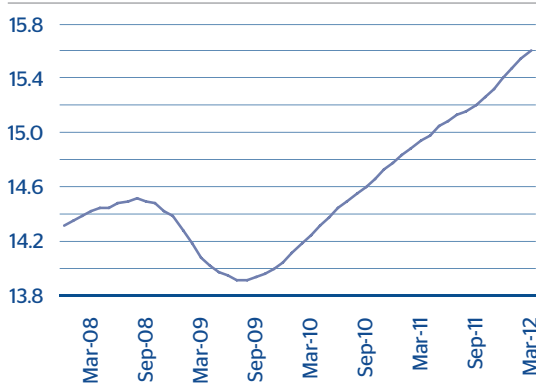


Source: BBVA Research with INEGI data, seasonal adjustment

In 2012, it is estimated that private consumption will register a very good 1st half of 2012, with average growth of 3.9%, which will be more moderate toward the 2nd half of 2012, at around 2.9%. This evolution will cause private consumption to grow at a rate of 3.4% in 2012, lower compared to 4.6% in 2011, even compared to GDP. As to its determinants, formal employment is also showing a certain slowdown: an annual 4.1% in the 2nd half of 2011 (vs. 4.6% in the 1st half of 2011), although with certain acceleration during the first two months of 2012, of 4.4%, better than the growth foreseen in GDP for the 1st quarter of 2012 of 3.9%. Confidence is recovering, although at a slow pace and still without reaching the levels prior to 2008. Despite this, it is feasible that consumer credit will maintain its pace. In February 2012, it showed a rate similar to that observed in the same month of 2007.

Graph 14

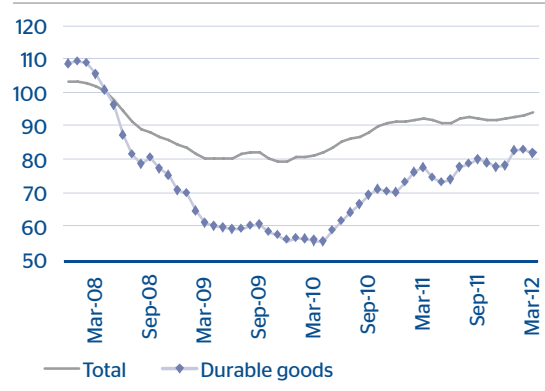
Private formal employment (Millions of persons, 3mma, sa)



Source: BBVA Research with IMSS.
pm3m: mobile average 3 periods sa: seasonal adjustment

Graph 15

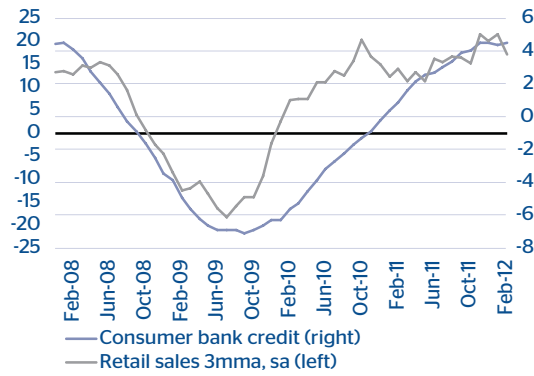
Consumer confidence (Index January 2003=100, 3mma, sa)



Source: BBVA Research with INEGI data.
sa: seasonal adjustment
pm3m: mobile average 3 months

Graph 16

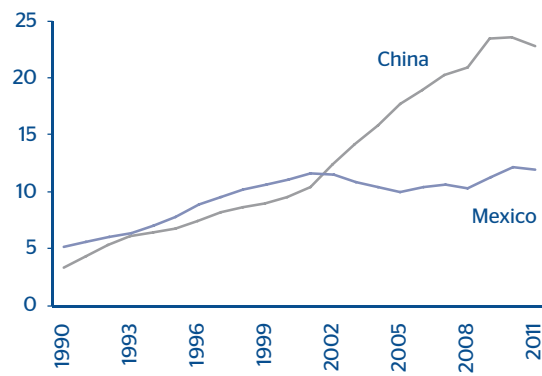
Consumer bank credit and retail sales
(Real annual % change and mobile average % change 3 months)



Source: BBVA Research with INEGI and Banxico data

Graph 17

Share in U.S. manufacturing imports by country of origin
(% of share of the main trading partners)



Source: BBVA Research with U.S. Trade Department data

2b. Analysis of the Competitiveness of Mexican Exports in the U.S.

Mexico has continued to increase its participation in the U.S. market since 2008

In 2011, Mexico increased its share of U.S. manufacturing imports to 12%, from 10.4% in 2008, thereby competing with Canada for second place as a trading partner in U.S. manufacturing imports. Since 2009, China has moderated its competitive strength of previous years, and in 2011 it slightly decreased its U.S. import market share to 22.8%, from 23.6% in 2010. The main factors explaining China's recent evolution are the rise in the price of labor, the high cost of transportation and the appreciation of the real exchange rate.

Chart 2

U.S. imports of durable goods from Mexico (part 1 of 2)

Relative position	U.S. Manuf. Imports from Mexico (millions. of dols.)		% Share of Mex. Manuf. Exports		% Share. of U.S. Manuf. Import.		PP. diff 2011 / 2008
	2008	2011	2008	2011	2008	2011	
Transportation equipment	43,967	61,316	26.9	29.7	17.2	22.7	5.5
1 Automobiles and vehicles	13,944	15,280	8.5	7.4	11.1	12.5	1.4
2 Heavy trucks and chassis	8,062	15,258	4.9	7.4	59.3	88.9	29.6
6 Auto parts for motor vehicles	5,651	7,320	3.5	3.5	26.5	29.3	2.8
8 Electric and electronic parts for vehicles	4,883	6,361	3.0	3.1	53.1	55.2	2.1
10 Motors for gasoline vehicles and motor parts	3,304	4,364	2.0	2.1	28.1	29.8	1.8
12 Transmissions and their parts for motor vehicles	2,090	3,978	1.3	1.9	17.3	27.1	9.8
17 Seats and interiors for motor vehicles	1,844	2,615	1.1	1.3	48.0	55.3	7.3
25 Suspension and steering components for vehicles	1,015	1,654	0.6	0.8	26.6	30.8	4.2
Electronic products and computers	45,229	52,619	27.7	25.5	14.6	14.8	0.2
3 Audio and video	17,853	14,736	10.9	7.1	37.2	37.3	0.1
4 Electronic products and computers	4,108	11,515	2.5	5.6	11.2	19.3	8.1
7 Telephone apparatuses	5,414	6,868	3.3	3.3	17.3	19.6	2.3
9 Radio and TV and wireless communication equipment.	7,218	6,007	4.4	2.9	17.3	11.3	-6.0
19 Other computer equipment	1,524	2,524	0.9	1.2	4.1	7.0	2.9
21 Instr. for measuring. and control of ind. process. variables	1,550	2,344	0.9	1.1	26.5	33.0	6.5
33 Electro-medical & electro-therapeutic equipment	766	1,243	0.5	0.6	10.6	14.5	3.9
36 Semi-conductors and related devices	770	1,109	0.5	0.5	2.9	2.8	-0.1
Durable	138,216	176,907	84.6	85.8	12.9	15.4	2.4
Total manufactures	163,387	206,292	100.0	100.0	10.4	12.0	1.7

Source: BBVA Research with U.S. Department of Commerce data

Mexico's penetration in U.S. imports is growing in durable goods (from 12.9% in 2008 to 15.4% in 2011), while in non-durable goods it has increased marginally (4.9% in 2008 to 5.2% in 2011). Durable goods are more sensitive to the economic cycle, which for Mexico represent the greater part of its total manufacturing exports (86%). A simple classification of the products of relative greater weight in Mexican manufacturing (see Charts 2 and 3) reveals that high specialization is maintained in several groups of products, among which of significance are transportation equipment, electronic equipment and computers, as well as electrical equipment, among others. It should be mentioned that 39 products are equivalent to 75% of the total; most of the durable goods are of high added value.

Thus, for example, despite the intense global competition, Mexico increased in an almost generalized way its competitiveness in durable goods, with transportation equipment outstanding (motor vehicles and their parts), increasing from 17.2% in 2008 to 22.7% in 2011, particularly heavy trucks and automobile transmissions, among others. In general, the electronics and computers group registered a modest increase (from 14.6% in 2008 to 14.8% in 2011, although computers and measurement instruments and medical equipment, among others, registered very outstanding progress.

In several automobile products, Mexico increased its share in U.S. imports, reaching a majority position in heavy trucks (88.9% in 2011 from 59.3% in 2008), electric and electronic components (55.2% from 53.1%), seats and interiors (55.3% from 48%). In electronic products, there are also outstanding sectors which even though they do not have a majority share, they do have one third of the market. Such is the case of audio and video (37.3%) and instruments for measurement and control of variables in industrial processes with 33% of the market.

In electrical equipment, in general, it was possible to reach a moderate rise in Mexico's share in U.S. imports (from 23.96% in 2008 to 24.1% in 2011). This result was influenced by declines in domestic refrigerators and freezers (despite this, Mexico's majority share of 58.7% is outstanding), communication and energy cables, energy transformers and distributors, among others.

Chart 3

U.S. imports of durable goods from Mexico (part 2 of 2)

Relative position	U.S. Manuf. Imports . from México (mns. dls.)		% share. of Mex. Manuf. Exports		% share of U.S.. Manuf. Imports		PP Diff 2011 /
	2008	2011	2008	2011	2008	2011	2008
Electrical equipment	16,115	18,158	9.9	8.8	23.9	24.1	0.2
16 Motors and generators	2,423	2,748	1.5	1.3	27.1	29.5	2.4
20 Industrial controls and relays*	1,978	2,359	1.2	1.1	30.0	30.6	0.6
22 Domestic refrigerators and freezers	1,902	2,264	1.2	1.1	58.9	58.6	-0.4
23 Energy and communication cable	1,827	1,779	1.1	0.9	31.3	29.4	-1.9
28 Light switches and apparatuses	1,161	1,469	0.7	0.7	39.4	42.7	3.4
34 Other electrical equipment and components	868	1,197	0.5	0.6	15.3	13.8	-1.5
35 Energy transformers and distributors	1,346	1,181	0.8	0.6	42.4	40.4	-2.0
38 Lighting equipment	934	1,016	0.6	0.5	21.1	20.1	-1.0
Basic metals	7,603	14,365	4.7	7.0	7.6	14.0	6.4
5 Melting and refining of non-ferrous metals	2,727	9,250	1.7	4.5	11.8	26.0	14.2
18 Iron and steel	3,066	2,565	1.9	1.2	7.6	7.8	0.3
Machinery and equipment	10,448	13,936	6.4	6.8	8.3	10.2	1.9
14 Other engine equipment	1,581	2,991	1.0	1.5	15.2	22.7	7.5
15 Commercial, & industrial, air heating and refrigeration equipment	2,120	2,765	1.3	1.3	32.3	36.1	3.8
26 Construction machinery	1,193	1,540	0.7	0.7	8.8	11.0	2.2
Other manufactured products	5,710	6,774	3.5	3.3	5.8	6.5	0.7
Metal products	5,447	5,989	3.3	2.9	10.5	11.1	0.6
31 Industrial valves	1,048	1,297	0.6	0.6	14.0	14.3	0.3
37 Peripheral equipment for computers	1,020	1,068	0.6	0.5	19.2	18.8	-0.5
Non-metallic minerals	2,275	2,210	1.4	1.1	12.6	12.5	-0.1
Furniture and installations	1,240	1,395	0.8	0.7	4.8	5.4	0.7
Wood products	181	145	0.1	0.1	1.3	1.3	-0.0
Durable	138,216	176,907	84.6	85.8	12.9	15.4	2.4
Total manufactures	163,387	206,292	100.0	100.0	10.4	12.0	1.7

* A relay is a switch equipped by an electromagnet

Source: BBVA Research with the U.S. Department of Commerce data.

Also of note was the greater competitiveness of basic metals, in particular the melting of non-ferrous metals which rose 14.2 percentage points (pp), from 11.8% in 2008 to 26% in 2011. In machinery and equipment production, the rise in the share in engine equipment was outstanding, from 15.2% to 22.7%, and, in commercial and industrial heating and refrigerating equipment, from 32.3% to 36.1%.

This generalized increase in competitiveness will allow Mexico to continue attracting foreign direct investment, despite the delay in the approval of the structural reforms. In fact, a large amount of companies around the whole world, in particular vehicle manufacturers and their parts, have come to the country so as to benefit from low labor costs and the closeness to the U.S., given the still high transportation costs.

In non-durable goods, Mexico's share in the U.S. market is low

In general, Mexico's share in non-durable goods in the U.S. is low, and, in the period of analysis, it increased very little, from 4.9% in 2008 to 5.2% in 2011. Some products were the exception: malt and beer, sugars, and hide and leather. Nevertheless, these goods are of a relatively important weight in Mexico's manufactured exports, 12.2% in 2011. In the textile and garment chain, Mexico also reduced its market share, even where there is traditionally an important niche, such as that of jeans for men and boys, it is important for this sector to reconvert to products of higher added value and design that will allow it to once again have a position on the international markets.

Chart 4

U.S. imports from México of durable goods

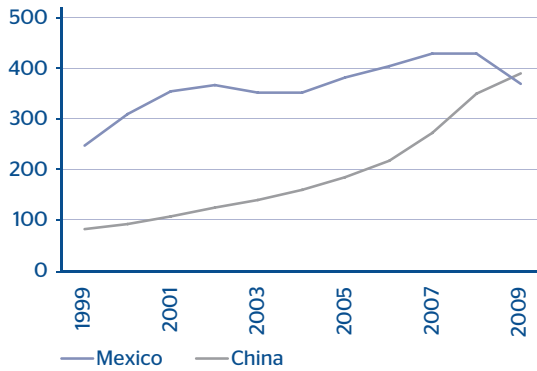
Relative position	U.S. Manuf. Imports From Mexico (mns. dlls.)		% Export Part. Of Mex. Manuf		% Import. Part Of U.S. Manuf.		PP diff 2011 / 2008
	2008	2011	2008	2011	2008	2011	2008
Food	3,524	5,817	2.2	2.8	8.8	11.6	2.8
32 Sugars	417	1,267	0.3	0.6	33.7	42.4	8.7
Chemical Products	3,922	4,596	2.4	2.2	2.3	2.4	0.1
39 Plastic and resin materials	791	993	0.5	0.5	7.2	8.6	1.4
Oil and coal products	4,501	4,296	2.8	2.1	5.0	4.5	-0.5
11 Oil by products	4,472	4,257	2.7	2.1	4.9	4.5	-0.5
Clothing garments and accessories	4,195	4,025	2.6	2.0	5.5	4.9	-0.6
27 Pants and jeans for men and boys	1,385	1,494	0.8	0.7	23.4	23.3	-0.1
Plastics and rubber products	2,502	3,309	1.5	1.6	7.5	8.2	0.7
29 Other plastic products	1,252	1,458	0.8	0.7	9.2	9.5	0.4
Beverages and tobacco	2,481	2,746	1.5	1.3	15.1	15.5	0.4
24 Malt and beer	1,576	1,684	1.0	0.8	42.5	46.1	3.7
Leather and hide products	1,541	1,847	0.9	0.9	5.2	5.4	0.2
30 Leather and hide tanning	1,212	1,388	0.7	0.7	61.6	68.2	6.6
Paper products	847	1,017	0.5	0.5	3.5	4.6	1.1
Textile manufacturing	500	512	0.3	0.2	7.2	7.0	-0.2
Textile products	693	754	0.4	0.4	4.6	4.4	-0.2
Printing and publishing	466	466	0.3	0.2	7.5	8.8	1.4
No durable	25,172	29,385	15.4	14.2	4.9	5.2	0.3
Total manufactures	163,387	206,292	100.0	100.0	10.4	12.0	1.7

Source: BBVA Research with U.S. Department of Commerce data.

The cost of wages in China has stopped being competition for Mexico

The cost of labor is the most important component in the production cost structure in the manufacturing industry, particularly in services. Comparatively, Mexico and China match wage costs. Another factor favoring Mexico is the quality and reliability of labor due to its standards of quality and fulfillment of the rules of the North American Free Trade Agreement (NAFTA), from which China is still very far.

Graph 18
**Total average Mexico-China
(Monthly income in nominal dollars)**



Source: BBVA Research with OIT data, 2009 estimate

Chart 5
**Distance from main consumption centers
(Maritime days)**

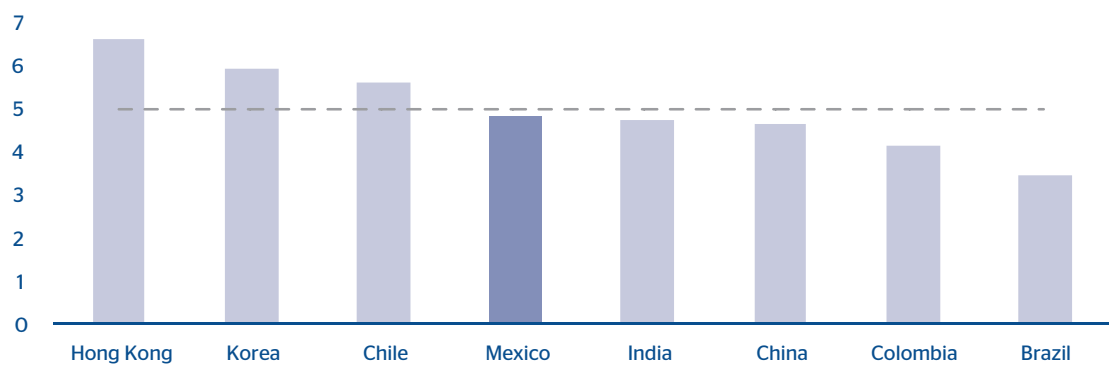
	Mexico	China	India	Brazil	Korea	U.S.
U.S. (NY)	5.0	32.0	25.0	15.0	21.0	-
U.S. (LA)	4.0	18.0	31.0	23.0	17.0	-
Europe (Rotterdam)	16.0	32.0	20.0	17.0	33.0	11.0
Japan (Yokohama)	19.0	4.0	17.0	35.0	3.0	15.0

Source: BBVA Research with Dept. of the Economy data

Transportation costs are once again relevant

Mexico's geographic location is another strategic point for increasing its attractiveness for investing in the country, given high costs of transportation. Mexico is still showing a lag in infrastructure compared to the large international competitors, even though it is now at an intermediate position and improving. The proximity of Mexico to the U.S. also means a lower dependence on saturated U.S. ports, timely delivery, and adequate response times to meet new orders.

Graph 19
**Quality in transportation infrastructure
2011-2012**



Source: BBVA Research with WEF data 2011-2012
1= extremely under-developed 7=extensive and efficient compared to the international standard

Briefly: investment, competitive wage and transportation costs, a virtuous circle for Mexican manufactures

In addition to the combination of both distinctive elements, the NAFTA tariff advantages that make Mexico a very attractive destination should be added. In fact, many Asian companies have found it attractive to invest in the country, when the destination of the products is the U.S. market, by offering the in-bond program that makes it possible for companies to manufacture tax-free components and materials. which, in turn, can be exported for sale to the U.S. and other countries.

2c. Outlook 2012: favorable expectations in a year of global uncertainty

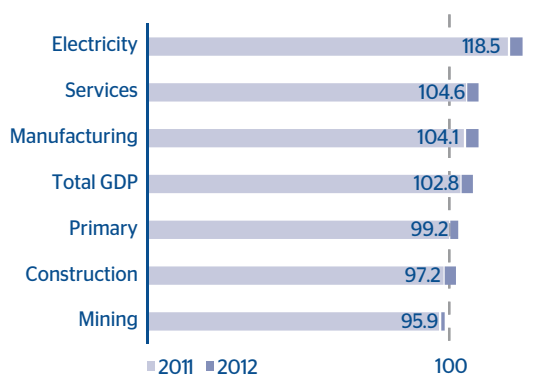
The greatest contribution to growth: services, manufacturing and construction

In 2011, only manufacturing, services and electricity surpassed the 2008 levels; this situation will improve in 2012 with the addition of the construction and primary sectors; the exception will be mining, which will continue to lag due to the contraction in oil production in the country. In 2012 and for the second consecutive year, the sector that will lead growth will be electricity, although with a lower growth rate compared to that seen in 2011 (4.3% from 5.4%).

Construction and manufacturing will be the two main driving forces for GDP growth in 2012, adding strength to expansion. The former is due to more public works and the latter to the sustained rhythm of progress in manufacturing exports; in particular those relative to the automobile industry. In 2011, even though both sectors were also leaders, construction received its main boost from private construction and manufacturing from generalized growth in exports.

Graph 20

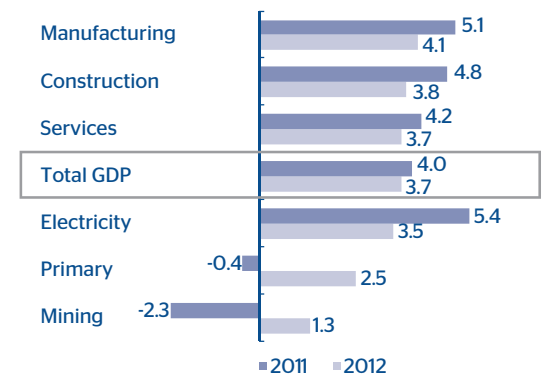
Most dynamic large sectors 2008 to 2012
(Index 2008=100, sa, seasonal adjustment)



Source: BBVA Research with INEGI data
2012 forecast sa (seasonal adjustment)

Chart 21

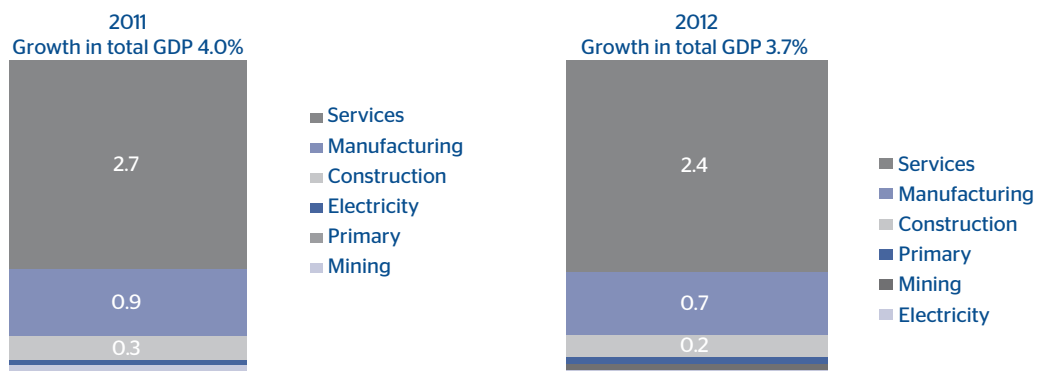
Dynamism of large sectors
(Annual % change sa, seasonal adjustment)



Source: BBVA Research with INEGI data
2012 forecast sa (seasonal adjustment)

Graph 22

Contribution of the large sectors to total GDP growth
(Percentage points sa, seasonal adjustment)



Source: BBVA Research with INEGI data
2012 forecast (sa, seasonal adjustment)

As a result of the boost from investment and exports, as well as from consumption, the dynamism of the services sector seen in 2011 (the one most linked with the domestic market) could continue in 2012 although at a lower rate (3.8% from 4.2%), but at a similar rate as the economy as a whole. The primary

sector could rally in 2012, not only from the effect of comparing with lower levels but also from the acceptable level of the dams for the most important producer states and high incentives for investing, given the high international prices of agricultural products, among others.

In 2012, it is estimated that those sectors contributing the most to GDP growth are: first, services, and second, construction as occurred in 2011. Electricity and mining will make a positive contribution although small.

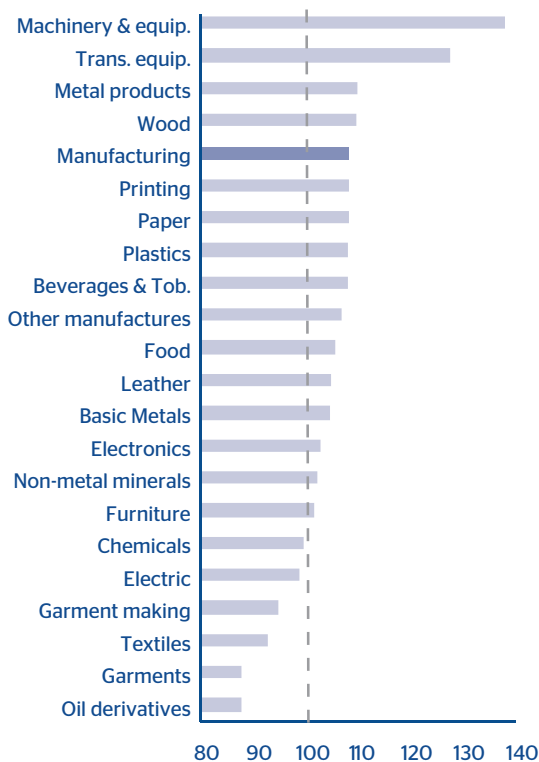
Manufacturing in 2012 will maintain high growth

In 2012, it is estimated that manufacturing in the U.S. will grow slightly more than 4%, from 4.8% in 2011, so that despite its slowdown, it will still observe high levels this year. As to Mexico's manufacturing exports, even though there has been diversification, greater export growth from Mexico compared to the growth of U.S. imports, will allow us to continue gaining market. From the above, it is feasible to expect manufacturing GDP growth of around 4.1% in 2012 from 5.1% in 2011. An additional factor that will help exports from Mexico is linked to the depreciation in the real exchange rate, especially compared to the Asian currencies.

The competitive sectors in the domestic and foreign markets such as machinery and equipment (for industry and construction and heating equipment) and transportation equipment (automotive and, to a lesser extent, aeronautical), electric electronic and medical equipment will continue to support growth in 2012 as has occurred since 2008. In 2012, most of the manufacturing sectors will see lower growth compared to 2011, due to lower demand for manufacturing exports from Mexico (close to 10% in 2012 vs. 13.4% of 2011), In fact, in January and February, these grew at a rate of 12.9%.

Graph 23

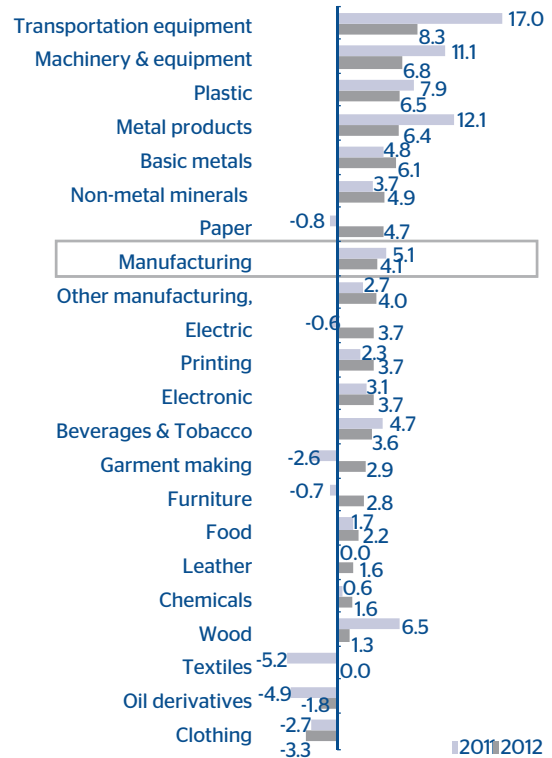
**Most dynamic manufacturing divisions
From 2008 to 2012
(Index 2008=100, sa, seasonal adjustment)**



Source: BBVA Research with INEGI data 2012 forecast (sa, seasonal adjustment)

Graph 24

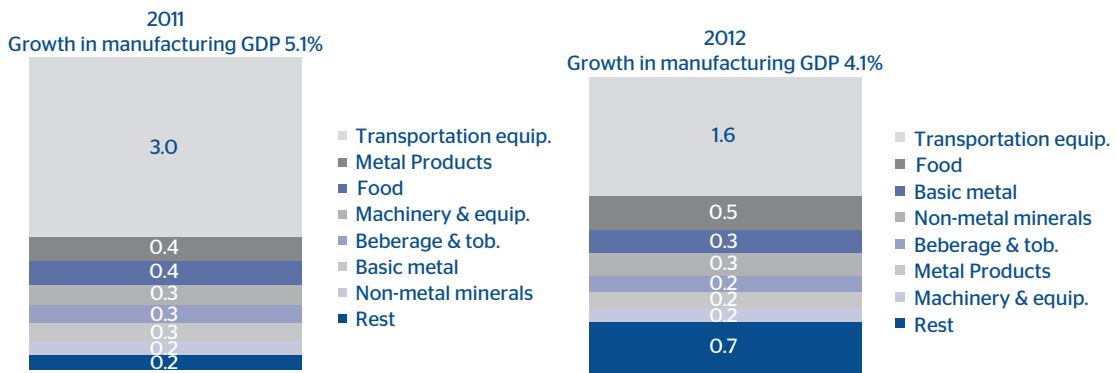
**Manufacturing GDP dynamism
(Annual. % change, sa, seasonal adjustment)**



Source: BBVA Research with INEGI data 2012 forecast (sa, seasonal adjustment)

Graph 25

Divisions with greater contribution to manufacturing GDP
(Percentage points, sa, seasonal adjustment)



Source: BBVA Research with INEGI data
2012 forecast (sa, seasonal adjustment)

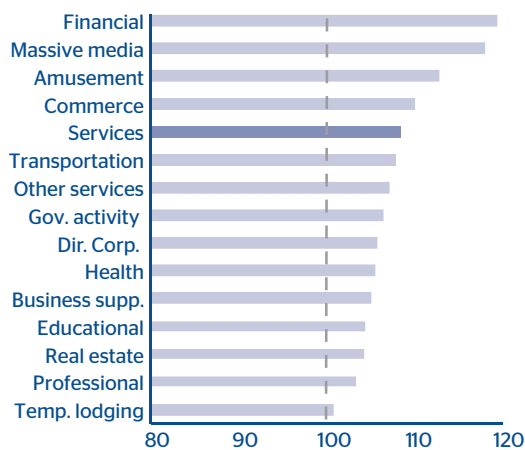
The divisions leading the growth in manufacturing production will be transportation equipment, with growth of 8.3% from 17% in 2011; close behind will be machinery and equipment, and plastics with growth rates of 6.8% y 6.5% in 2012, respectively. Among others, in terms of contribution to growth in 2012, transportation equipment will continue to be the one contributing the greatest part, even though it will be less than half of what was obtained in 2011. This situation will allow that the contribution to growth is less concentrated on a few sectors, as occurred in 2011.

Services sector forecast: dynamism of those serving the domestic market

In 2012, the services sector will see growth of 3.7% from 4.2% in 2011. All the components of the services sector will surpass the pre-crisis levels of 2012. The continued dynamism of domestic demand in 2012 will allow that all of the components of the services sector will maintain their growth, with the exception of some government activities. The estimated slowdown of private consumption will be reflected in particular on a lower progress in retail trade, 4.8% from 7.7% in 2011. In 2012, although retail trade will contribute less than in 2011, which will allow for a more active presence of the rest of the sectors, it will continue to be the leader in growth.

Graph 26

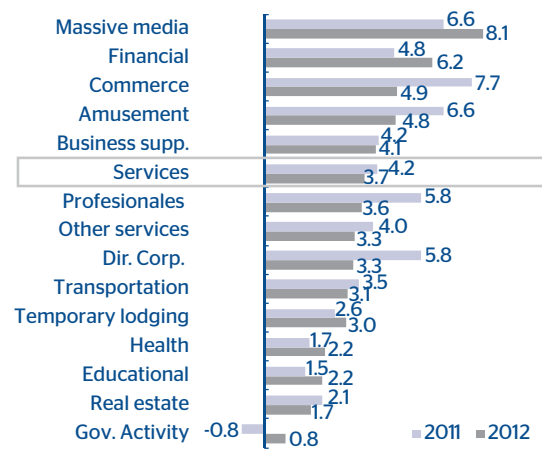
Most dynamic sectors in services from 2008 to 2012
(Index 2008=100, sa, seasonal adjustment)



Source: BBVA Research with INEGI data
2012 forecast (sa seasonal adjustment)

Graph 27

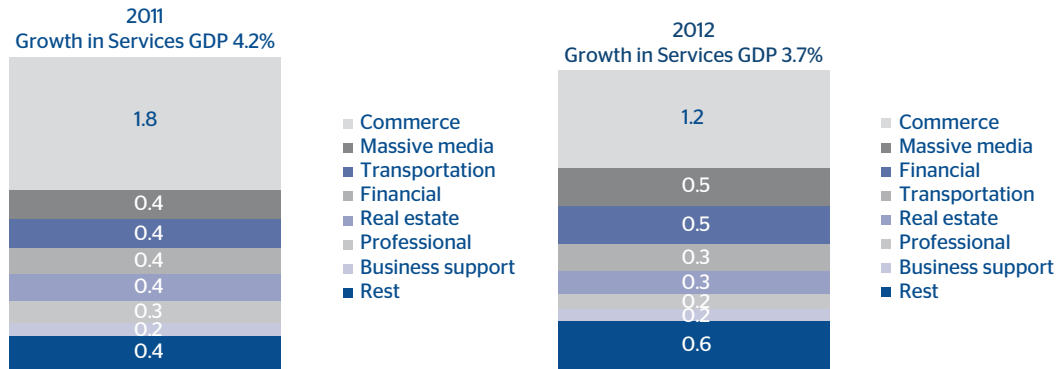
Strength in services GDP
(Annual % change sa, seasonal adjustment)



Source: BBVA Research with INEGI data
2012 forecast (sa seasonal adjustment)

Graph 28

**Sectors with greatest contribution to services GDP growth
(Percentage points, sa, seasonal adjustment)**



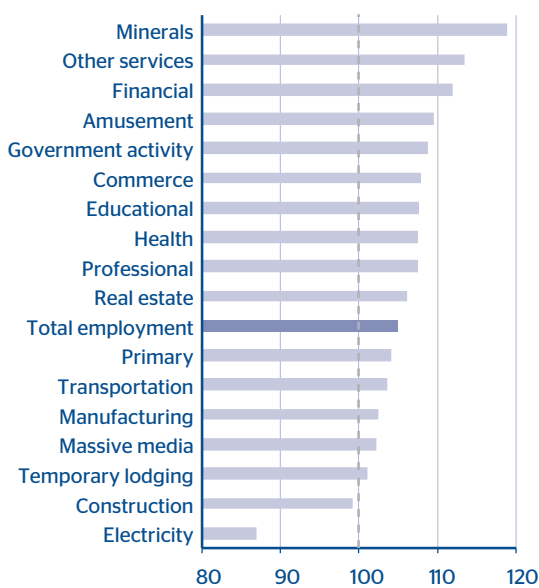
Source: BBVA Research with INEGI data
2012 forecast (sa seasonal adjustment)

Improvement in employment since 2008

The trend toward more balanced growth between the foreign and domestic sectors allowed for the practically generalized recovery of employment. At the end of 2011, all the large sectors of activity surpassed the levels seen in 2008, save for employment in construction and electricity, affected by specific causes. In general terms, it can be affirmed that employment growth has been more intensive in sectors where investment, in particular FDI, has grown: mining services, financial, trade, real estate, to mention the most relevant. In manufacturing, the recovery of employment compared to the levels of 2008, has not been generalized and has been localized mainly in the production of transportation equipment, food, chemicals, etc. In the case of electric and electronic equipment, the recovery of employment has been slow, being that in some headings, the competition with China is intense.

Graph 29

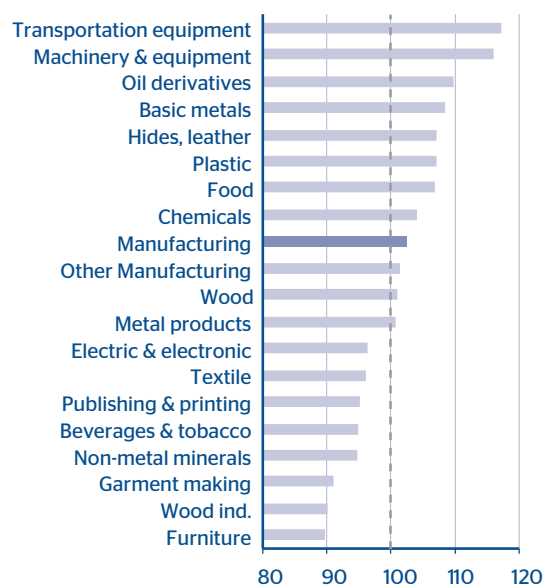
**Most dynamic sectors in employment
generation from 2008 to 2011
(Index 2008=100)**



Note: it refers to the average number of permanent social security affiliated workers
Source: BBVA Research with IMSS data

Graph 30

**Manufacturing employment generation;
growth from 2008 to 2011
(Index 2008=100)**

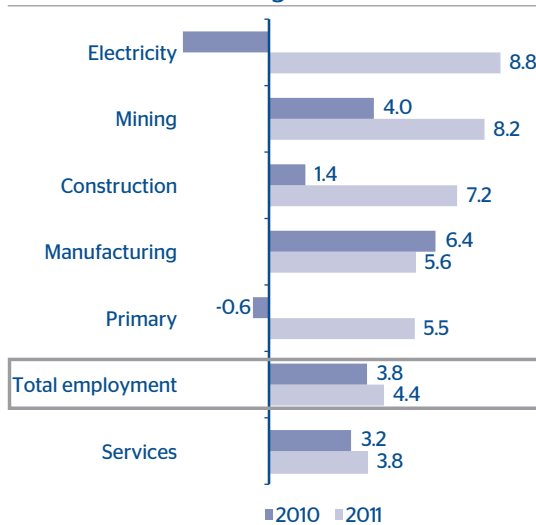


Note: it refers to the average number of permanent social security affiliated workers
Source: BBVA Research with IMSS data

In 2011, growth in employment was generalized

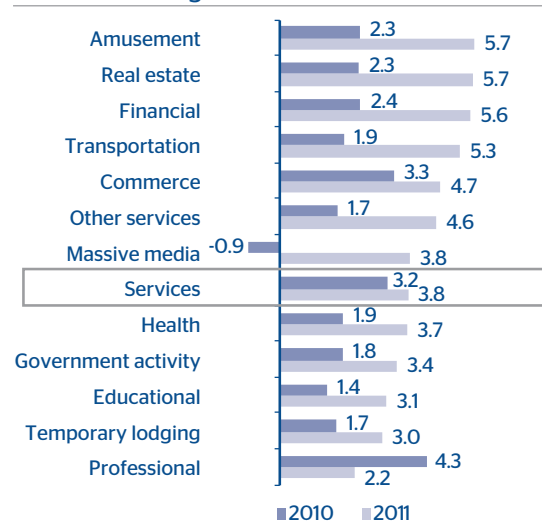
In 2011, the average private formal employment grew 4.4%, from 3.8% in 2010; this was greater than the 3.9% of GDP growth in the economy as a whole. The rise in employment is equivalent to an average generation of 628.1 thousand new jobs, the highest since 2000, when 716.3 thousand new jobs were generated on average. In terms of large activity sector, all sectors showed positive growth rates, as opposed to 2010. Construction and manufacturing were noteworthy, due to their high capacity to generate jobs, with average annual rates of 7.2% and 5.6%, respectively. Although below the national average, the services sector grew 3.8%, from 3.2% in 2010.

Graph 31
Growth in employment in terms of large sectors (Annual % change)



Source: BBVA Research with INEGI data

Graph 32
Growth in services sector employment (Annual % change)



Source: BBVA Research with INEGI data

Three sectors were outstanding in terms of average generation of employment in 2011

Commerce (138 thousand jobs) in the services sector, transportation equipment (87 thousand) in manufacturing and construction (80.1 thousand) were the sectors that most contributed to generating employment in 2011.

Graph 33
Contribution to growth in employment 2011 (Percentage points and thousands of average jobs)



Source: BBVA Research with IMSS data

Main messages

In 2011, Mexico's GDP grew 3.9%; in 2012, it is expected to advance to 3.7%; the first figures for 2012 suggest good stimulus from the domestic and foreign markets. Taking into account the global context, the rise in this year can be qualified as positive. The positive expectation of 2012 will continue to allow for a sustained flow of FDI (foreign direct investment).¹ This is positive since it accelerates the Mexico-United States integration process and promotes, to a large extent, the development of export-oriented industries.

However, the good performance of the economy does not depend exclusively on circumstances abroad, but also on good management that will allow for a vast range of reforms to prosper (treasury, labor, and energy, among others) and to guarantee greater and more sustained growth in the medium- and long terms.

Profiling growth in 2012

Growth of GDP in 2012 will imply a modest slowdown that will translate, in sectorial terms, into lower dynamism in manufacturing: 4.1%, from 5.1% in 2011. However, exports of goods and services will continue to be a relevant pillar, since it is expected that most of the manufacturing activities will continue to grow, in particular those competitive and attractive to FDI.

In services and as a result of the reactivation of credit and the generalized advance in employment, growth is also estimated in most of the manufacturing activities that compose it; only two activities will continue to lag.

The main factors that could limit the rhythm of economic activity in Mexico in the coming months are the international financial instability that could eventually translate into lower economic activity in the U.S.

¹ In 2012, diverse investment projects have been announced that are outstanding for their importance. The Japanese Nissan announced that it will invest US\$2 billion to construct a third plant in Mexico; Ford will invest in its plant in Hermosillo US\$1.3 billion for the Fusion 2013; and Audi will invest for the first time in Mexico, a little less than US\$2 billion to install a new plant where it will manufacture the Premium-Q5; Coca-Cola announced US\$1 billion in 2012; Wal Mart also foresees investing US\$1.5 billion in five countries, including Mexico. Also, Hilton Hotels and Resorts, Iberdrola of Spain, Bank of Tokyo Mitsubishi announced future investment plans in Mexico.

2d. Sectorial Outlook

Chart 6

Mexico, Indicators and sectorial projections, GDP, sa

	Annual % change													
	2008	2009	2010	2011	2012	2013	1T11	2T11	3T11	4T11	1T12	2T12	3T12	4T12
Total GDP	12	-6.3	5.5	4.0	3.7	3.0	3.9	3.9	4.4	3.7	3.9	3.8	3.4	3.6
Primary	1.1	-3.1	2.8	-0.4	2.5	1.9	-2.6	-5.8	7.0	-0.1	-1.5	2.6	6.8	1.8
Secondary	-0.2	-7.7	6.1	3.9	3.6	3.0	4.7	4.2	3.5	3.1	3.8	3.9	3.2	3.4
Mining	-1.6	-2.9	1.1	-2.3	1.3	1.7	-2.7	-2.0	-3.4	-1.0	0.8	1.5	1.5	1.6
Electricity, water, and supply of gas	-1.8	2.1	10.1	5.4	3.5	3.4	9.9	7.5	3.0	1.8	3.4	3.5	3.6	3.5
Construction	3.0	-7.3	0.0	4.8	3.8	4.0	5.8	3.8	5.2	4.5	4.0	4.8	3.6	2.8
Manufacturing	-1.0	-9.8	9.9	5.1	4.1	3.0	6.1	5.4	5.3	3.6	4.5	4.3	3.5	4.1
Tertiary	2.1	-4.9	5.6	4.2	3.7	2.9	4.2	3.7	4.7	4.2	4.3	3.8	3.3	3.4
Retail trade	1.0	-14.4	13.7	7.7	4.9	3.4	8.4	8.4	8.1	5.9	5.7	4.8	4.4	4.8
Transportation, mail and storage	0.0	-6.0	7.6	3.5	3.1	2.9	3.4	3.3	4.0	3.3	2.8	2.9	3.0	3.8
Information in mass media	8.0	0.7	1.7	6.6	8.1	6.5	5.1	6.0	8.0	7.3	8.0	8.3	8.1	7.9
Insurance and financial services	12.8	-4.5	12.3	4.8	6.2	5.4	4.6	0.4	7.5	6.7	7.0	7.4	5.2	5.2
Real estate and leasing services	2.6	-1.6	1.9	2.1	1.7	1.4	1.8	1.9	2.1	2.7	2.0	1.9	1.6	1.5
Prof. scientific, and technical serv.	3.1	-4.8	-1.1	5.8	3.6	2.5	3.7	7.0	5.4	7.0	6.3	4.2	2.1	1.7
Corporate and company leadership	13.9	-7.8	4.9	5.8	3.3	4.6	4.2	7.3	4.4	7.2	3.2	2.6	3.0	4.3
Business support serv.	1.7	-4.7	1.5	4.2	4.1	3.4	3.5	4.6	4.6	4.3	4.1	4.2	4.2	4.0
Educat. serv.	0.8	0.5	0.2	1.5	2.2	2.0	0.0	0.9	2.8	2.5	1.9	2.0	2.3	2.3
Health and social welfare services	-1.6	0.8	0.7	1.7	2.2	1.4	1.1	2.8	2.9	-0.1	3.0	2.7	1.8	1.5
Leisure & relaxation, cultural, & sports serv.	1.3	-4.7	5.9	6.6	4.8	3.7	7.6	7.3	6.1	5.5	5.7	5.9	4.0	3.8
Hotel, motel, lodging serv. & prep. of food & bev.	0.8	-7.7	3.2	2.6	3.0	2.1	0.6	2.5	3.1	4.3	3.8	3.5	3.0	1.8
Other serv. except gov't activities	0.7	-1.0	0.7	4.0	3.3	2.3	2.9	4.5	4.2	4.3	3.2	3.4	3.4	3.3
Gov't activities	1.2	3.8	2.6	-0.8	0.8	1.1	0.1	-5.1	-0.7	2.7	3.5	0.5	-0.3	-0.5

	% breakdown							Contribution to growth, pp						
	2003	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013	
Total GDP	100.0	100.0	100.0	100.0	100.0	100.0	100.0	1.2	-6.3	5.5	4.0	3.7	3.0	
Primary	3.8	3.5	3.6	3.5	3.4	3.4	3.3	0.0	-0.1	0.1	0.0	0.1	0.1	
Secondary	30.5	30.4	29.9	30.1	30.0	30.0	30.0	-0.1	-2.3	1.8	1.2	1.1	0.9	
Mining	6.1	5.0	5.2	5.0	4.7	4.6	4.5	-0.1	-0.1	0.1	-0.1	0.1	0.1	
Electricity, water, and supply of gas	1.1	1.3	1.4	1.5	1.5	1.5	1.5	0.0	0.0	0.1	0.1	0.1	0.1	
Construction	6.2	6.7	6.6	6.3	6.3	6.3	6.4	0.2	-0.5	0.0	0.3	0.2	0.3	
Manufacturing	17.1	17.4	16.7	17.4	17.6	17.6	17.6	-0.2	-1.7	1.6	0.9	0.7	0.5	
Tertiary	62.4	63.7	64.6	64.6	64.7	64.8	64.7	1.3	-3.1	3.6	2.7	2.4	1.9	
Retail trade	11.8	15.5	14.2	15.3	15.8	16.0	16.1	0.2	-2.2	1.9	1.2	0.8	0.5	
Transportation, mail and storage	6.5	6.9	6.9	7.1	7.0	7.0	7.0	0.0	-0.4	0.5	0.2	0.2	0.2	
Information in mass media	2.2	3.6	3.9	3.7	3.8	4.0	4.1	0.3	0.0	0.1	0.2	0.3	0.3	
Insurance and financial services	4.0	4.4	4.5	4.7	4.8	4.9	5.0	0.5	-0.2	0.5	0.2	0.3	0.3	
Real estate and leasing services	10.0	10.5	11.0	10.6	10.4	10.2	10.1	0.3	-0.2	0.2	0.2	0.2	0.1	
Prof. scientific, and technical serv.	3.7	3.4	3.5	3.3	3.3	3.3	3.3	0.1	-0.2	0.0	0.2	0.1	0.1	
Corporate and company leadership	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.1	0.0	0.0	0.0	0.0	0.0	
Business support serv.	2.9	2.6	2.6	2.5	2.5	2.5	2.5	0.0	-0.1	0.0	0.1	0.1	0.1	
Educat. serv.	4.8	4.5	4.8	4.5	4.4	4.4	4.3	0.0	0.0	0.0	0.1	0.1	0.1	
Health and social welfare services	3.6	2.8	3.0	2.9	2.8	2.8	2.7	0.0	0.0	0.0	0.0	0.1	0.0	
Leisure & relaxation, cultural, & sports serv.	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0	
Hotel, motel, lodging serv. & prep. of food & bev.	3.5	2.6	2.6	2.5	2.5	2.5	2.4	0.0	-0.2	0.1	0.1	0.1	0.1	
Other serv. except gov't activities	3.0	2.6	2.8	2.6	2.6	2.6	2.6	0.0	0.0	0.0	0.1	0.1	0.1	
Gov't activities	5.5	3.7	4.1	4.0	3.8	3.7	3.6	0.0	0.1	0.1	0.0	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

Chart 7

Mexico: Indicators and sectorial forecasts, manufacturing, sa

	Annual % change													
	2008	2009	2010	2011	2012	2013	1T11	2T11	3T11	4T11	1T12	2T12	3T12	4T12
Total	-1.0	-9.8	9.9	5.1	4.1	3.0	6.1	5.4	5.3	3.6	4.5	4.3	3.5	4.1
Food	1.4	-0.6	2.2	1.7	2.2	1.8	2.3	0.4	2.2	1.8	1.9	2.2	2.1	2.5
Beverages and tobacco	2.6	-0.1	-0.4	4.7	3.6	2.9	7.6	6.8	2.2	2.4	2.1	1.1	6.0	5.3
Textile inputs	-6.9	-9.9	8.5	-5.2	0.0	-1.0	-1.3	-7.7	-5.7	-6.0	-1.8	0.3	0.8	1.0
Production of textile products	-8.4	-6.6	1.3	-2.6	2.9	2.5	2.9	-2.5	-4.3	-6.6	1.0	2.6	4.1	4.1
Apparel	2.2	-11.6	5.5	-2.7	-3.3	-1.6	-1.9	-4.8	-1.1	-2.8	-4.8	-3.6	-2.6	-2.0
Leather and fur products	-3.2	-6.2	10.0	0.0	1.6	1.0	1.2	-2.4	-0.7	2.0	0.5	1.7	2.0	2.4
Lumber ind.	-7.6	-4.5	6.4	6.5	1.3	-0.1	9.0	8.7	8.3	0.3	-4.0	0.4	4.8	3.8
Paper ind.	2.5	-0.5	4.7	-0.8	4.7	3.5	0.1	-2.0	-1.5	0.2	5.7	6.1	3.6	3.6
Printing and related ind.	5.2	-6.9	9.5	2.3	3.7	1.3	-1.2	-3.5	7.6	6.9	5.8	6.8	1.3	1.4
Oil deriv. prod.	0.7	-1.7	-4.5	-4.9	-1.8	-0.3	-5.6	-9.5	-7.2	3.5	-0.1	-1.5	-3.0	-2.6
Chemicals	-2.2	-2.5	0.0	0.6	1.6	0.9	-0.2	0.7	2.3	-0.5	1.6	1.9	1.2	1.6
Plastic and rubber prod.	-1.7	-11.8	6.7	7.9	6.5	3.6	9.5	7.3	7.7	7.2	5.9	6.0	8.1	5.9
Non-metal mineral prod.	-3.7	-8.8	3.1	3.7	4.9	4.2	6.5	3.5	2.8	1.9	5.2	4.9	4.8	4.6
Basic metal prod.	-0.6	-17.2	13.7	4.8	6.1	5.1	3.8	4.3	5.1	6.2	6.2	7.7	5.1	5.4
Metallic prod.	1.0	-15.8	9.3	12.1	6.4	5.9	18.8	9.9	10.9	9.2	5.8	7.3	6.4	6.1
Machinery and equipment	-0.4	-16.6	39.4	11.1	6.8	7.0	18.3	12.8	8.2	6.9	5.5	7.3	7.3	6.9
Computers and electronics	-12.0	-12.0	9.2	3.1	3.7	4.3	9.0	1.1	1.2	1.3	2.8	2.4	4.1	5.6
Electrical equip.	-0.1	-14.4	11.8	-0.6	3.7	3.9	3.8	-1.9	-2.1	-1.8	2.8	3.9	3.8	4.4
Transport. equip.	0.6	-28.2	40.1	17.0	8.3	4.2	24.0	18.5	16.7	9.7	11.5	8.8	6.8	6.1
Furniture and related prod.	-2.7	-6.8	6.7	-0.7	2.8	3.1	-0.2	-3.9	-8.3	9.6	2.2	2.6	3.0	3.3
Other manufacturing ind.	1.6	-2.2	2.2	2.7	4.0	2.7	1.0	2.9	3.2	3.6	3.6	3.9	4.2	4.4

	% Breakdown					Contribution to growth, pp							
	2003	2008	2009	2010	2011	2012	2013	2008	2009	2010	2011	2012	2013
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-1.0	-9.8	9.9	5.1	4.1	3.0
Food	23.0	21.8	24.1	22.4	21.7	21.3	21.0	0.3	-0.1	0.5	0.4	0.5	0.4
Beverages and tobacco	5.7	6.4	7.0	6.4	6.4	6.3	6.3	0.2	0.0	0.0	0.3	0.2	0.2
Textile inputs	1.6	1.0	1.0	0.9	0.8	0.8	0.8	-0.1	-0.1	0.1	0.0	0.0	0.0
Production of textile products	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.0	0.0	0.0	0.0	0.0	0.0
Apparel	3.9	2.6	2.6	2.5	2.3	2.1	2.0	0.1	-0.3	0.1	-0.1	-0.1	0.0
Leather and fur products	2.2	1.3	1.3	1.3	1.3	1.2	1.2	0.0	-0.1	0.1	0.0	0.0	0.0
Lumber ind.	1.7	1.1	1.1	1.1	1.1	1.1	1.1	-0.1	0.0	0.1	0.1	0.0	0.0
Paper ind.	1.9	2.2	2.4	2.3	2.2	2.2	2.2	0.1	0.0	0.1	0.0	0.1	0.1
Printing and related ind.	1.1	0.9	0.9	0.9	0.9	0.9	0.9	0.0	-0.1	0.1	0.0	0.0	0.0
Oil deriv. prod.	3.0	2.9	3.2	2.7	2.5	2.3	2.3	0.0	0.0	-0.1	-0.1	0.0	0.0
Chemicals	11.0	9.6	10.4	9.5	9.1	8.9	8.7	-0.2	-0.2	0.0	0.1	0.1	0.1
Plastic and rubber prod.	2.9	2.7	2.6	2.6	2.6	2.7	2.7	0.0	-0.3	0.2	0.2	0.2	0.1
Non-metal mineral prod.	7.1	6.6	6.7	6.2	6.2	6.2	6.3	-0.3	-0.6	0.2	0.2	0.3	0.3
Basic metal prod.	5.1	5.7	5.2	5.4	5.4	5.5	5.6	0.0	-1.0	0.7	0.3	0.3	0.3
Metallic prod.	3.0	3.4	3.2	3.2	3.4	3.5	3.6	0.0	-0.5	0.3	0.4	0.2	0.2
Machinery and equipment	2.8	2.4	2.2	2.8	2.9	3.0	3.1	0.0	-0.4	0.9	0.3	0.2	0.2
Computers and electronics	3.9	4.8	4.6	4.6	4.5	4.5	4.6	-0.6	-0.6	0.4	0.1	0.2	0.2
Electrical equip.	2.5	3.4	3.2	3.3	3.1	3.1	3.1	0.0	-0.5	0.4	0.0	0.1	0.1
Transport. equip.	13.0	17.5	13.9	17.8	19.8	20.6	20.8	0.1	-4.9	5.6	3.0	1.6	0.9
Furniture and related prod.	1.7	1.3	1.4	1.3	1.3	1.2	1.2	0.0	-0.1	0.1	0.0	0.0	0.0
Other manufacturing ind.	2.1	2.2	2.4	2.2	2.2	2.2	2.2	0.0	0.0	0.1	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

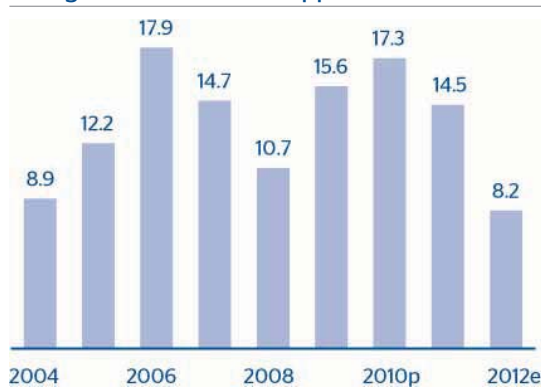
3. Regional Analysis

3a. Recovery in production and employment in Mexican states becomes generalized

In this section of *Mexico Regional Sectorial Outlook* we discuss the recent evolution of regional and state economic activity as well as its short-term outlook. The dissimilarities between states in terms of their productive activity together with conjunctural situations determine different patterns of behavior. While structural elements change slowly, situational factors have a temporary impact and are generally unpredictable in time, form and scope, and therefore difficult to predict. As a result, forecasts mainly reflect long-term trends. For purposes of analysis, the states have been classified in accordance with their productive activity in five major categories or regions defined as follows (1): High development, High levels of poverty, Average development, Industrial, and Tourism.

Graph 34

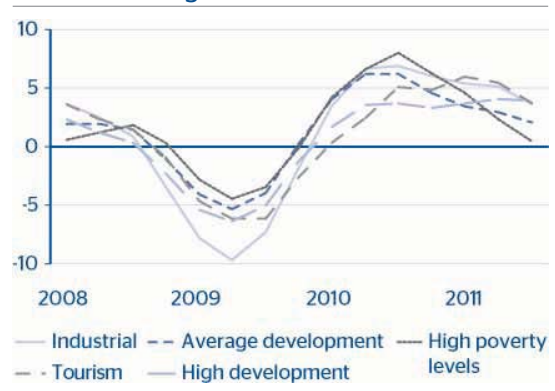
Difference between maximum and minimum GDP growth in the states (pp)



Source: BBVA Research with INEGI data. pp: percentage points

Graph 35

GDP by region or category (annual % change)



Source: BBVA Research with INEGI data

A historical characteristic of regional development is the disparity in the economic growth rates of the different states

This disparity is volatile; for example, in 2009, a year of economic recession, Tabasco posted 2.1% economic growth and Coahuila's economy declined 13.5%, which is a difference in direction and scope with a 15.6 percentage point distance between the two, undoubtedly with two different trajectories. In 2010, during the recovery of production, the states with economic growth rate figures on the two extremes were Campeche and Coahuila, with annual rates of -4.6% and 12.7% respectively, and for 2011 it is estimated that the corresponding states in this regard were Campeche with -3.8 % and Colima with 10.7%. Trends in growth rates are associated with the economic cycle in the case of Coahuila and structural or situational changes in Tabasco, Campeche and Colima.

However, when reviewing the evolution of the regions according to their productive activity, the trends are more homogeneous and the economic growth rates are closer to each other. For example, there is an evolution toward lower growth as of the second half of 2010, which is normal after a period of recovery following the 2009 contraction, or figures through the third quarter of 2011 between zero and 6.0%; that is, a difference of six percentage points.

With annual data, the homogeneity tends to be greater. Of course, when dealing with states classified by productive activity, long-term trends predominate and compensate for possible situational shifts.

¹ A detailed description of this classification is available at *Situación Regional Sectorial México*, "Agrupamiento Regional. Cómo y Para Qué" November 2007. BBVA Bancomer.

Regions according to their productive activity and level of development: High development: Mexico City; Tourism: BCS and QR; Industrial: Ags, BC, Coah, Chih, Jal, State of Mex, NL, Qro, Son, Tamps; Average Development: Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlax, Mor, Yuc, Zac; High poverty levels: Chis, Gro, and Oax.

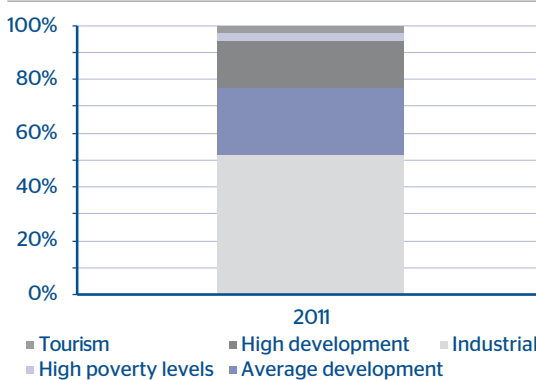
For example, if an important engine of growth is the automotive industry and its exports, the states with auto production will tend to grow faster although within this category some states could lag behind due to reconversion to a new model or some could be ahead of the others as a result of the opening of a new plant. The impact of a major investment in a region depends on the relative size of the region and the scope of the extraordinary impact, but in total figures, the two situations offset each other and the economic cycle and productive activity prevail as the most important factors. The same can be said of other developments, for example, an infrastructure project, such as a dam, can generate a significant temporary boost to the economy or a cold spell can lead to a contraction.

The industrial region contributed most of the economy's growth in 2011

The Mexican economy is characterized by the scope and strength of its exports, particularly industrial goods. Therefore, in a context in which growth was driven by external demand, this favored the economic growth of states with manufacturing industries geared to exports. The industrial region consists of ten states that account for 41% of the country's GDP and 40% of its population. Together, they posted 5.1% economic growth in 2011, half of the growth of the economy as a whole. The region of average development contributed 1 pp; Mexico City, 0.9 pp; and the regions with high levels of poverty and tourism around 0.1 pp each. On an individual level, the states that most spurred the country's economic growth were Mexico City, Nuevo Leon, State of Mexico, Jalisco, Puebla, and Coahuila, with Mexico City due to its size and diversity, and the rest of the states as a result of their productive characteristics and activity.

Graph 36

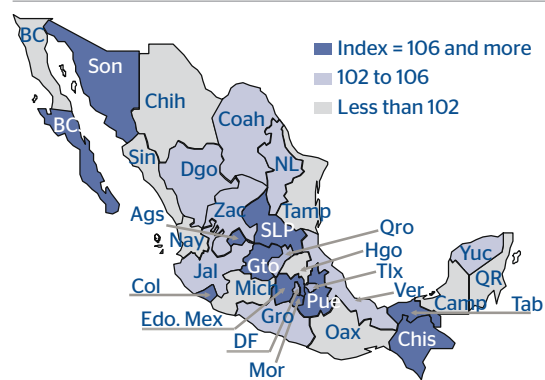
Contribution to growth by region



Source: BBVA Research with INEGI data

Graph 37

Recovery in activity, 2011 (2008 = 100)



Source: BBVA Research with INEGI data

In the recovery of production levels, states in the central part of the country were particularly important

When comparing the levels of productive activity in 2011 with those prevailing in 2008, that is, before the crisis, the recovery has become generalized, but slightly stronger in the central part of the country and although it is not possible to speak of geographic determinism, it is clear that the higher levels prevail in central Mexico due to its states' economic profiles. In northern Mexico, despite the high dynamism of its recovery, the states in general are lagging behind in terms of recovering previous levels of production, which reflects the depth of the contraction in 2009, its costs, and the difficulties of the recovery.

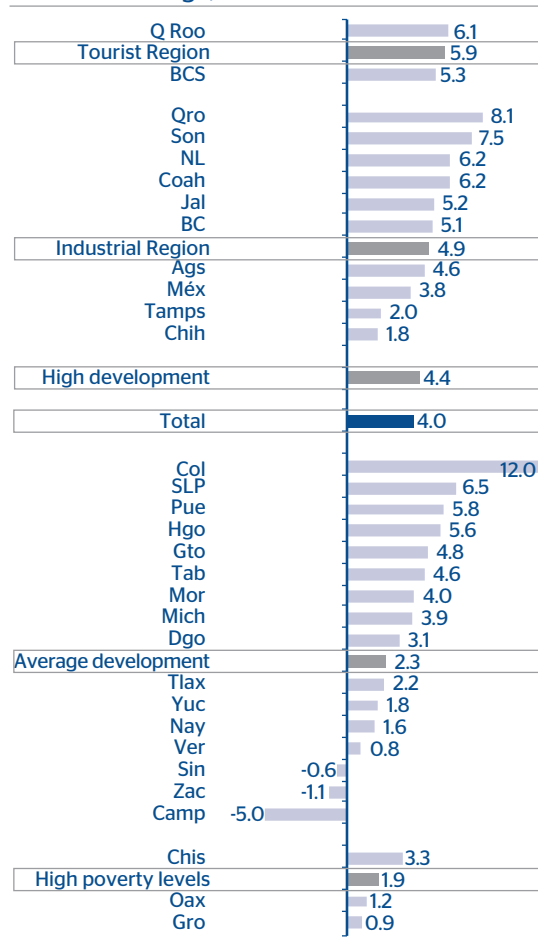
In 2011 and transforming GDP in an index with base year 2008 = 100, the relatively best placed states with respect to the levels prevailing before the crisis were Colima (117.2), Tabasco (113.4), Morelos (110.2), Guanajuato (109.8), and Baja California Sur (BCS) (108.7). It is difficult to generalize, but the main factors associated with this good behavior were as follows: in Tabasco, Morelos, and BCS there was no recession in 2009; in Colima, Morelos, and BCS, construction was the driving force for growth; in Tabasco, it was oil extraction; and in Guanajuato, the strong recovery of manufacturing production.

In contrast to this good performance, the states lagging behind the most in 2011 were Hidalgo (100.2), Baja California Norte (99.3), Tamaulipas (94.5), Chihuahua (93.4) and Campeche (83.3). Three of these

states are border states with maquiladoras, hard hit by the recession, contraction in the construction industry, moderate recovery in manufacturing, and with problems of drug and organized crime-related violence. In Hidalgo, construction posted very strong growth in previous years and experienced a sharp contraction in 2009. In the case of Campeche, declining oil production due to the depletion of deposits has led to a recurring contraction of GDP since at least 2003; at the same time, it is important to note that if oil (mining) is remove from the equation, the result would be a modest growth of around 5% accumulated between 2003 and 2010, against a contraction of 30% in mining and 23% overall, since oil accounted for 82% of the government's GDP in 2003, declining to 75% in 2010.

Graph 38

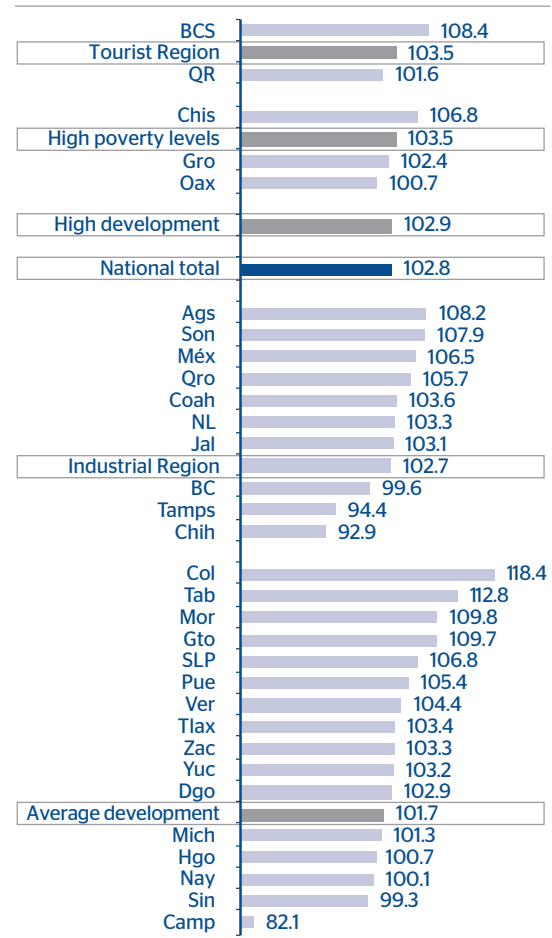
Regional GDP 2011
(annual % change, estimated close)



Source: BBVA Research with INEGI data

Graph 39

Regional GDP, 2011
(2008 index = 100)



Fuente: BBVA Research with INEGI data

In 2011, economic growth was headed by the industrial and tourism regions

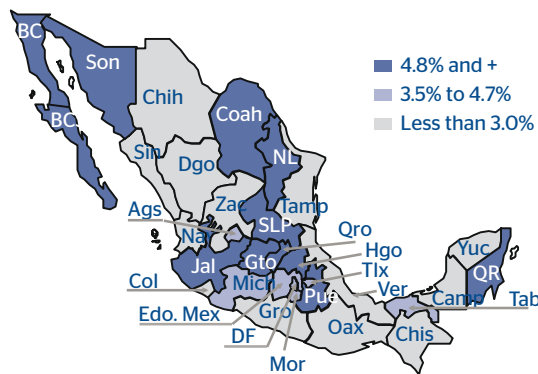
In terms of 2011 growth, the strongest economic growth corresponded to the industrial and tourist regions, and the least dynamic were states with high levels of poverty, which reflects the profile of the recovery, which was driven by external demand and thus favored manufacturing production. Within each region there are important differences in the economic dynamics of their corresponding states, with the exception of the tourism regions, in which trends are very similar between BCS and Quintana Roo. Individually, it is estimated that the largest increases occurred in Colima, Queretaro, Puebla, Nuevo Leon, and Coahuila. While in Colima, the momentum for the growth is associated with infrastructure projects, for the rest of the states, growth is more self-sustaining to the extent that it is linked to the economic cycle rather than conjunctural factors.

3b. 2012 Outlook: industrial and tourism areas post strongest economic growth

As was discussed in the sectoral section of this issue of Mexico Regional Sectorial Outlook, the outlook for the Mexican economy is for a gradual slowing of economic growth, driven mainly by the domestic market and a volatile and fragile international environment. In this context, the regions characterized by high income elasticity and associated with the external market will be more vulnerable than those dependent on domestic demand. The prospects for 2012 point to higher growth in the industrial, tourism and highly developed regions, with stability in the states marked by average development and high levels of poverty. As in previous years, conjunctural or circumstantial factors may alter the results in some cases but generally the long-term trends will prevail.

Graph 40

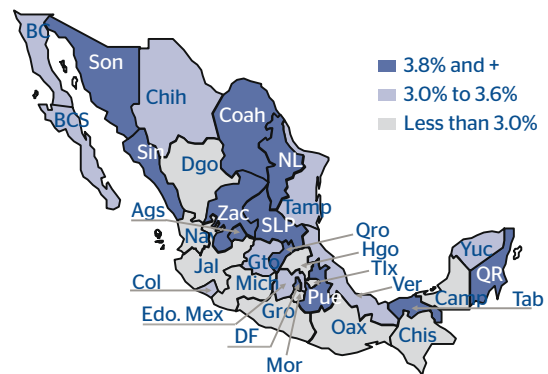
PIB crecimiento 2011 (Var. % anual)



Fuente: BBVA Research con datos de INEGI

Graph 41

PIB crecimiento 2012 (Var. % anual)



Fuente: BBVA Research con datos de INEGI

Despite the downward adjustment anticipated in economic growth, it will remain relatively high and positive and therefore, the industrial region's contribution to growth will continue being the most important. From the standpoint of the recovery of 2008 levels in 2012, all regions will post similar figures in a range between 104.9 and 108.0 (benchmark index: 2008 = 100). Nevertheless, a moderate slowdown is not a negative scenario and, in fact, the growth is actually higher than the average rate in the previous decade (1.6%). The risks in these scenarios are mainly associated with the external environment, concretely, adjustment programs in some European countries, oil prices, and the possible resurgence of risk aversion.

Chart 8

GDP by region*, (Growth, percentage share, contribution, and index)

Real annual growth, %							% share in the total						
	2008	2009p	2010p	2011e	2012e	2013e		2008	2009p	2010p	2011e	2012e	2013e
Total	1.2	-6.3	5.5	4.0	3.7	3.0	Total	100.0	100.0	100.0	100.0	100.0	100.0
Tourism	1.9	-6.2	4.5	5.9	4.0	3.5	Tourism	2.0	2.0	2.0	2.0	2.0	2.1
Industrial	1.4	-8.1	6.8	4.9	4.2	3.4	Industrial	40.9	40.1	40.6	41.0	41.2	41.3
High development	0.5	-5.5	4.5	4.4	4.4	2.8	High development	17.3	17.4	17.3	17.3	17.4	17.4
Av. development	1.3	-4.9	4.7	2.3	3.0	2.7	Av. development	35.0	35.5	35.3	34.9	34.6	34.5
H. levels of poverty	1.4	-3.5	5.4	1.9	2.4	2.2	H. levels of poverty	4.7	4.9	4.9	4.8	4.7	4.7

Contribution to growth							2008 index = 100						
	2008	2009p	2010p	2011e	2012e	2013e		2008	2009p	2010p	2011e	2012e	2013e
Total	1.2	-6.3	5.5	4.0	3.7	3.0	Total	100.0	93.7	98.9	102.8	106.6	109.8
Tourism	0.0	-0.1	0.1	0.1	0.1	0.1	Tourism	100.0	93.8	98.0	103.8	108.0	111.8
Industrial	0.6	-3.3	2.8	2.0	1.7	1.4	Industrial	100.0	91.9	98.1	102.9	107.2	110.8
High development	0.1	-1.0	0.8	0.8	0.8	0.5	High development	100.0	94.5	98.8	103.1	107.7	110.7
Av. development	0.4	-1.7	1.6	0.9	1.0	0.9	Av. development	100.0	95.1	99.6	101.9	104.9	107.8
H. levels of poverty	0.1	-0.2	0.3	0.1	0.1	0.1	H. levels of poverty	100.0	96.5	101.8	103.7	106.2	108.5

* A detailed description of this classification is available at *Situación Regional Sectorial México*, "Agrupamiento Regional, Cómo y Para Qué" November 2007 BBVA Bancomer. Regiones según su vocación y nivel de desarrollo: Alto desarrollo: DF, Turísticas: BCS y QR; Industrial: Ags, BC, Coah, Chih, Jal, Méx, NL, Qro, Son, Tamps; Desarrollo medio: Camp, Col, Dgo, Gto, Hgo, Mich, Mor, Nay, Pue, SLP, Sin, Tab, Tlx, Ver, Yuc, Zac; Alta marginación: Chis, Gro y Oax.
Source: BBVA Research with INEGI data

The response of employment to the recovery in activity has been very favorable

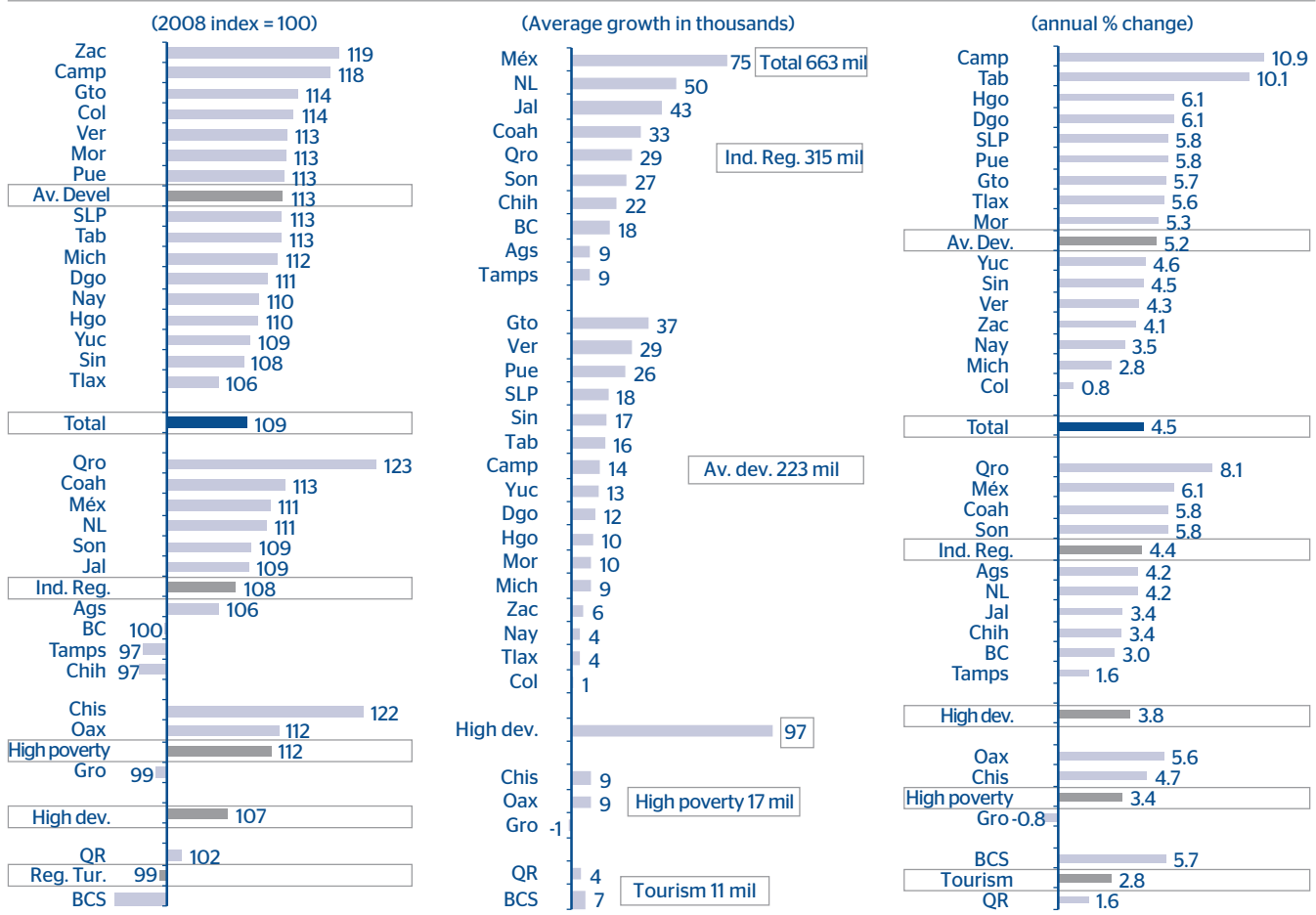
Employment is a very important variable in the economy. Both because of the timeliness of the information as well as of its implications, as a leading indicator of economic activity it is, therefore, essential for analyzing the health and trends in the evolution of businesses. Through March 2012, private formal employment in the country grew at an annual rate of 4.5%, which implies the creation of 663,000 jobs in the last 12 months and a 5.1% growth in total wages.

In March 2012, some states had not recovered their 2008 level and the most important cases in this regard were Queretaro, 23%; Chiapas, 22%; Zacatecas, 19%; Campeche, 18%; and Guanajuato, 14%, to name the states that top the list. By region and for the same year under consideration, the industrial area contributed nearly half of the new jobs but it was the states marked by average development that were the most dynamic in this regard (5.2% annually), reflecting a more capital-intensive industry in the industrial region (such as the automotive and machinery and equipment industries), and more labor-intensive industries (for example, food) in the states of the regions classified as average development.

Strong growth in jobs is undoubtedly important for the consolidation of the recovery and to drive the domestic market. One of the important features of the labor market is its relative stability, therefore, its prospects are favorable in the current context.

Graph 42

Evolution of employment by state through March 2012



Source: BBVA Research with INEGI and IMSS data

3c. Regional Outlook

 Chart 9
GDP by State

	2007p	2008p	2009p	2010p	2011e	2007	2008r	2009p	2010p	2011e	2007	2008r	2009p	2010p	2011e
	(billions of 2010 pesos)					Real annual % growth					(Contribution to growth, pp)				
National total *	12,489.4	12,641.6	11,847.4	12,504.7	13,000.8	3.4	1.2	-6.3	5.5	4.0	3.4	1.2	-6.3	5.5	4.0
Aguascalientes	132.0	132.7	127.0	137.5	143.9	5.8	0.6	-4.3	8.3	4.0	0.1	0.0	0.0	0.1	0.0
Baja California	358.6	357.6	327.0	339.5	356.8	2.4	-0.3	-8.5	3.8	4.6	0.1	0.0	-0.2	0.1	0.1
Baja California Sur	70.7	73.0	74.0	75.4	79.4	7.7	3.3	1.3	1.9	5.4	0.0	0.0	0.0	0.0	0.0
Campeche	767.8	745.5	674.6	645.3	613.0	-5.3	-2.9	-9.5	-4.3	-3.8	-0.4	-0.2	-0.5	-0.2	-0.2
Coahuila	390.2	397.4	343.7	388.5	412.6	1.8	1.8	-13.5	13.0	6.5	0.1	0.1	-0.4	0.4	0.2
Colima	65.1	65.7	62.2	69.6	77.9	4.6	0.9	-5.2	11.7	10.7	0.0	0.0	0.0	0.1	0.1
Chiapas	212.7	221.5	214.4	229.4	237.0	-1.9	4.1	-3.2	7.0	3.7	0.0	0.1	-0.1	0.1	0.1
Chihuahua	402.0	405.7	364.8	371.0	377.7	3.3	0.9	-10.1	1.7	2.2	0.1	0.0	-0.3	0.1	0.1
Distrito Federal	2,175.9	2,187.2	2,066.1	2,160.0	2,255.1	3.0	0.5	-5.5	4.5	4.1	0.5	0.1	-1.0	0.8	0.7
Durango	154.1	156.9	149.9	156.9	161.8	1.9	1.9	-4.5	4.7	3.5	0.0	0.0	-0.1	0.1	0.0
Guanajuato	463.9	468.4	445.7	491.4	515.0	1.4	0.9	-4.8	10.2	4.6	0.1	0.0	-0.2	0.4	0.2
Guerrero	187.4	182.9	174.9	186.0	187.7	4.9	-2.4	-4.4	6.3	1.2	0.1	0.0	-0.1	0.1	0.0
Hidalgo	189.8	203.4	186.0	194.4	205.3	4.7	7.2	-8.6	4.5	4.8	0.1	0.1	-0.1	0.1	0.1
Jalisco	798.3	801.9	739.3	787.1	828.1	3.9	0.4	-7.8	6.5	5.0	0.2	0.0	-0.5	0.4	0.3
Mexico	1,120.8	1,140.8	1,078.3	1,172.5	1,217.0	4.3	1.8	-5.5	8.7	4.3	0.4	0.2	-0.5	0.8	0.4
Michoacán	297.1	307.9	289.0	300.8	312.6	4.1	3.6	-6.2	4.1	3.9	0.1	0.1	-0.2	0.1	0.1
Morelos	135.8	131.3	130.6	138.9	144.4	3.1	-3.3	-0.5	6.3	4.2	0.0	0.0	0.0	0.1	0.0
Nayarit	72.2	75.3	72.3	74.3	75.5	-4.1	4.3	-4.0	2.8	2.4	0.0	0.0	0.0	0.0	0.0
Nuevo Leon	949.3	962.0	873.0	938.0	996.2	6.3	1.3	-9.3	7.4	7.1	0.5	0.1	-0.7	0.6	0.5
Oaxaca	190.6	194.8	189.0	194.2	196.5	1.6	2.2	-3.0	2.8	1.9	0.0	0.0	0.0	0.0	0.0
Puebla	414.6	424.7	384.8	423.9	448.5	3.9	2.4	-9.4	10.2	6.9	0.1	0.1	-0.3	0.3	0.2
Queretaro	228.0	236.9	216.4	232.2	251.0	7.7	3.9	-8.6	7.3	8.1	0.1	0.1	-0.2	0.1	0.2
Quintana Roo	181.9	184.3	167.3	176.8	187.6	9.4	1.3	-9.2	5.7	5.2	0.1	0.0	-0.1	0.1	0.1
San Luis Potosi	229.6	237.7	222.2	238.7	254.2	1.9	3.5	-6.5	7.5	5.7	0.0	0.1	-0.1	0.1	0.1
Sinaloa	258.4	264.2	249.9	264.4	262.8	5.9	2.2	-5.4	5.8	0.2	0.1	0.0	-0.1	0.1	0.0
Sonora	317.9	319.0	302.2	320.9	345.0	3.0	0.4	-5.3	6.2	6.3	0.1	0.0	-0.1	0.2	0.2
Tabasco	410.8	428.0	437.1	462.5	483.7	2.9	4.2	2.1	5.8	4.9	0.1	0.1	0.1	0.2	0.2
Tamaulipas	402.9	417.9	378.6	387.5	395.3	6.6	3.7	-9.4	2.4	1.9	0.2	0.1	-0.3	0.1	0.1
Tlaxcala	66.7	67.0	63.5	67.9	69.3	1.9	0.4	-5.2	6.9	3.7	0.0	0.0	0.0	0.0	0.0
Veracruz	570.9	568.9	566.8	590.3	595.0	3.2	-0.3	-0.4	4.1	1.7	0.1	0.0	0.0	0.2	0.1
Yucatan	172.2	172.4	167.7	175.0	178.2	6.1	0.1	-2.7	4.3	2.6	0.1	0.0	0.0	0.1	0.0
Zacatecas	101.3	108.9	108.9	114.0	112.7	2.4	7.5	0.0	4.7	0.1	0.0	0.1	0.0	0.0	0.0

* The sum does not coincide with the total due to the rounding out of figures

p Preliminary figures

pp: Percentage points

e Scenario with data through the third quarter of 2011

Source: BBVA Research with INEGI data and own estimates

4. Topics for analysis

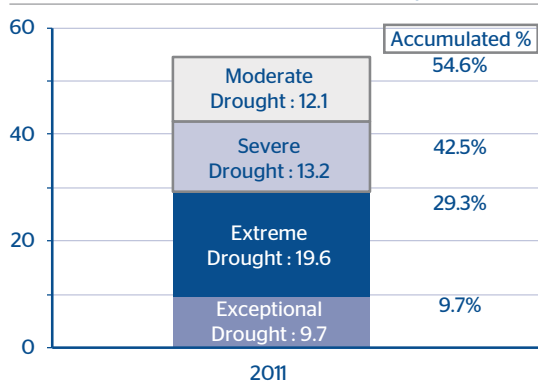
4a. Severe drought in Mexico: a marginal impact on total GDP but important in micro regions

2011 and the beginning of 2012 are characterized by a lack of rain in Mexico

At the close of 2011, 29.3% of Mexico's territory was under a situation of exceptional or extreme drought and when those states under conditions of severe or moderate drought are added, the percentage rises to more than 50% of the national territory. The implications for the population and for productive activity are different by state and by micro region. This section of Mexico **Regional and Sectorial Outlook** analyzes the behavior of its main indicators.

Graph 43

Intensity of the drought in Mexico (Dec. 2011, % of the national territory)



Source: BBVA Research with Conagua (National Water Commission) and SMN (National Meteorological Service) data

Chart 10

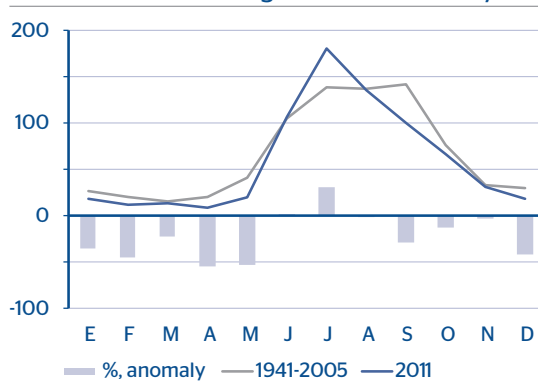
Classification of the intensity of the drought

	Crops and Pastures	Use of water
Abnormally dry DO		
At the beginning of the drought	Delay in sowing, limited growth	Without restriction
At the end of the drought	Not fully recovered	Without restriction
Moderate Growth D1	Some damages	Voluntary restriction
Severe Drought D2	Probable losses	Restrictions to use of water
Extreme Drought D3	Greater losses	Restrictions are generalized
Exceptional Drought D4	Exceptional and generalized loss	Emergency situation

Source: BBVA Research with Conagua and SMN data. Based on the United States Drought Monitor

Graph 44

Annual average rainfall (2011 vs. historic average and % of anomaly)



Source: BBVA Research with SMN (National Meteorological Service)

Chart 11

Intensity of the drought in Mexico, place in 2011, from 1941 to date

State	Place since 1941
Durango and Aguascalientes	1°
Zacatecas and Guanajuato	2°
Baja California Sur and Coahuila	3°
Nuevo Leon	4°
Chihuahua	5°
Total National	13°

BBVA Research with Conagua and SMN data

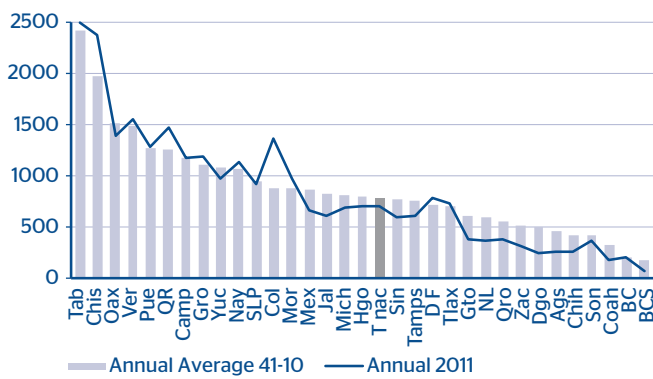
At the national level, during the first five months of 2011, rain was lacking throughout April and May, when it was 50% below the historic average (an anomaly). Later, at the beginning of the period of greater rainfall, the situation improved and by the end of the year there were new levels, lower than the average. This placed the year at number thirteen among the driest in seventy years. But, by state, 2011

is the driest year for Durango and Aguascalientes, the second worst for Zacatecas and Guanajuato, and one of the driest also for other states in northern Mexico. Necessarily, the implications are different by state and by micro region, in addition to the particular profiles and circumstances of each state.

The average does not reflect the situation in the majority of the states

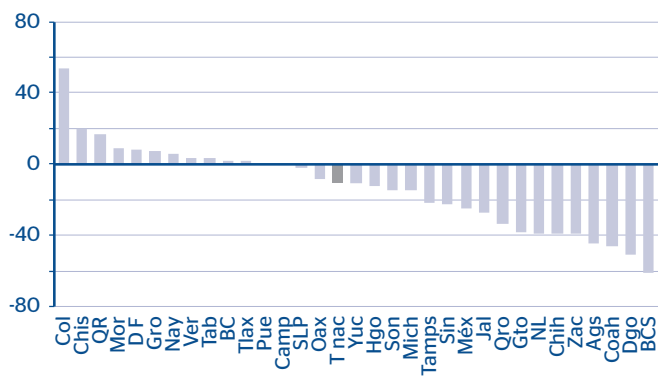
According to annual data, in 2011, 60% of the states received less rain than their historic average. Some were very close to expectations and only in three states did the rainfall significantly surpass that of the previous year. The difference between the rainfall observed in the year compared with the historic average is considered an anomaly or deficiency, which could be positive or negative and is also necessarily modified throughout the year and has a different incidence in the regions of each state. This anomaly can be very different among the states; for example, in Colima, the rainfall throughout the year surpassed the average by 54%, while in Baja California Sur, it was lower by 61%.

Graph 45
Annual rainfall by state (2011 vs. historic average)



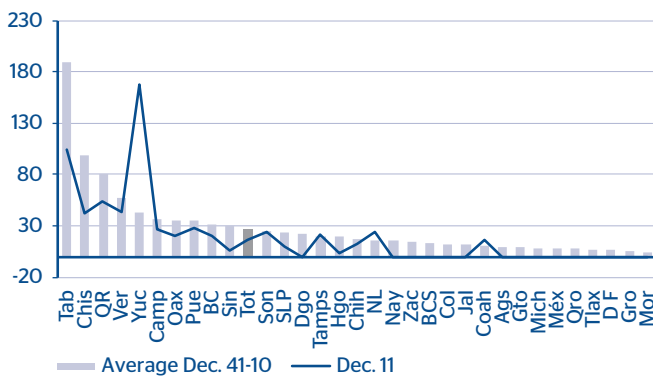
Source: BBVA Research with SMN data

Graph 46
Annual rainfall anomalies by state (% observed vs. average)



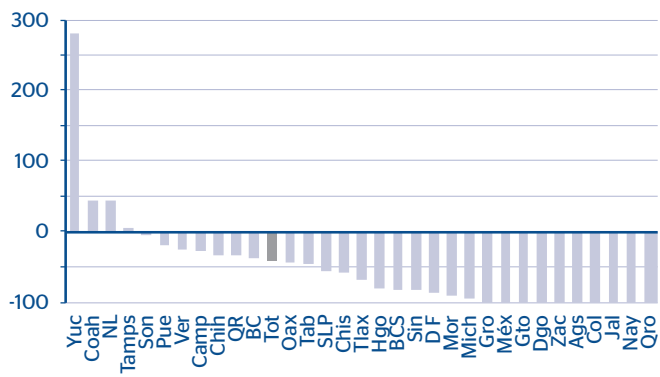
Source: BBVA Research with SMN data

Graph 47
Rainfall in December by state (2011 vs. historic average)



Source: BBVA Research with SMN data

Graph 48
Rainfall anomaly in December by state (% observed vs. average)



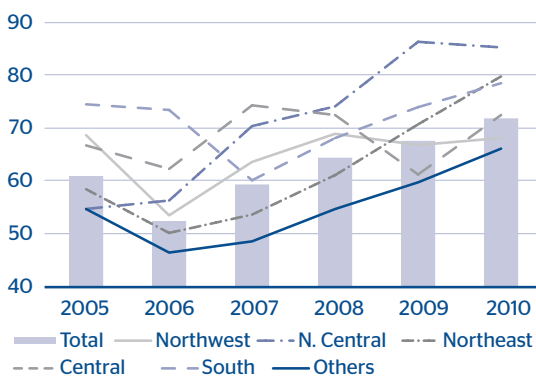
Source: BBVA Research with SMN data

In December of 2011, rainfall was lower than the average in 28 states, with zero or very close to zero rainfall in many states. This seems to indicate more severe drought at the end of 2011. Therefore the severity of the drought depends on the permanence of the differences between micro regions and on the social and economic consequences this could generate. Drought has a direct impact on agriculture that depends on rainfall, but a deferred impact on other uses that depend on the permanence of water supply. In this sense, moisture, water run-off, water-bearing stratum, dams, etc. are sources of water supply that affect the population and productive activity when conditions of drought are severe, extreme or exceptional, since this implies restrictions in the availability and use of water.

A palliative in cases of drought could be the availability of water in dams. In fact, in recent years the trend has been favorable and in 2010, the water capacity stored in dams surpassed 70%, almost 20pp above that of 2006, and by February of 2012 an average of 70% was maintained. Therefore, a part of water usage is guaranteed, but there isn't total coverage and the regional data are not homogeneous, with the highest deficiency in the northwest, with less than 40% average capacity of water stored, with important differences among the dams in the region. Also, obviously the excellent capacity of water stored in the southern part of the country is of no use for the cities or for primary activities in the northern territory. Therefore, the water stored in the dams is good but does not eliminate the problems in many regions.

Graph 49

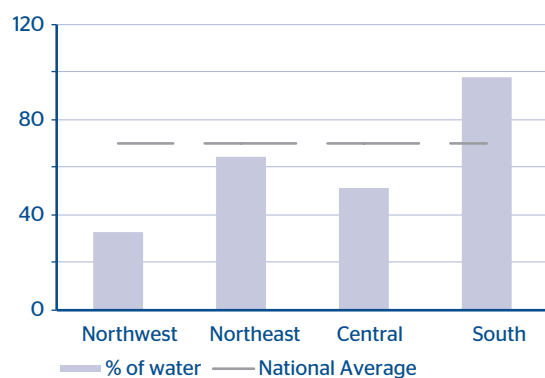
Total capacity and volume stored for irrigation by region (%)



v

Graph 50

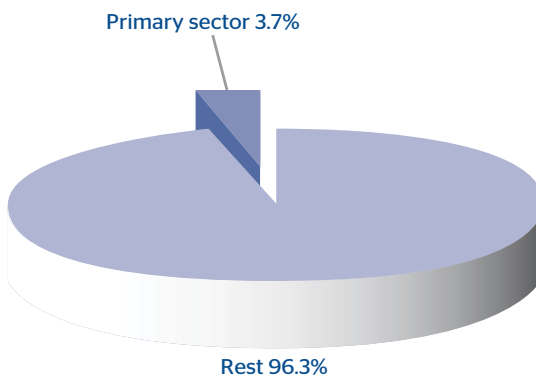
Total water stored available by region (2011, %)



Source: BBVA Research with SMN data

Graph 51

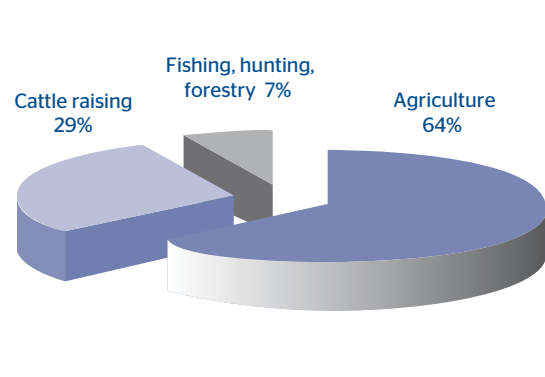
Primary sector share of total GDP (%)



Source: BBVA Research with INEGI data

Graph 52

Primary sector by components (%)



Source: BBVA Research with INEGI data

The impact of the drought on productive activity is important both sectorially and regionally, but it will have little impact on national production (GDP). Under current conditions, the greatest impact on productive activity will be in the primary sector where various situations can be differentiated: in agriculture, the implications depend on how long the drought lasts, because when conditions allow, that is when the drought period is short, sowing can be postponed and losses are lessened; in cattle raising, heads of cattle are lost, that is, this activity is decapitalized; in agricultural activities that depend on rainfall and for subsistence there are important social consequential effects, losing a harvest means losing food for those families and many times, not having water for indispensable use in the agricultural market. With irrigation, it is probable that costs will be lower if it is not dependent on rainfall and due to the possibility of having coverage. In an effort to quantify some of these costs, we will analyze some characteristics of the primary sector in Mexico.

The primary sector accounts for 3.7% of total GDP in Mexico, 64% of which comes from agriculture, 29% from cattle raising and 7% from other activities. Of course, we are speaking of an important impact, but not if production or a great part of the sector's production is lost. In fact, according to declarations by the authorities, the autumn/winter cycle will have minimum costs. Therefore, expectations until now are that the drought will have a low impact on the agricultural sector and on total growth in the country. This does not eliminate or minimize the fact that, for the families and areas affected, the situation is undoubtedly very serious.

States with the greatest impact due to drought

The greatest problems due to the drought are located in the following states: Aguascalientes, Coahuila, Chihuahua, Durango, San Luis Potosí and Zacatecas, which represent 11.2% of total GDP, 16.6% of total agricultural and livestock production and of which agricultural and livestock production of these states with regard to national GDP is 0.6%. Of course, the bad climate conditions are affecting the greater part of the national territory and in some states some areas with problems can be perceived.

Chart 12

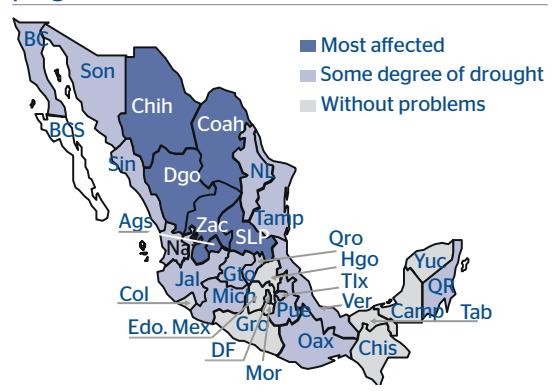
Potential impact of the drought on the states most affected

	Nominal GDP, 2010		
	Total	Agriculture and livestock	% of Total
	(Billions of nominal pesos, 2010)		
Total	12,504.7	462.7	3.7
Aguascalientes	137.5	5.9	4.3
Coahuila	388.5	10.8	2.8
Chihuahua	371.0	25.5	6.9
Durango	156.9	14.9	9.5
San Luis Potosi	238.7	9.7	4.1
Zacatecas	113.9	10.1	8.9
Total	1,406.5	76.9	5.5
% share in national GDP	11.2	16.6	0.6

Source: BBVA Research with INEGI and Conagua data

Graph 53

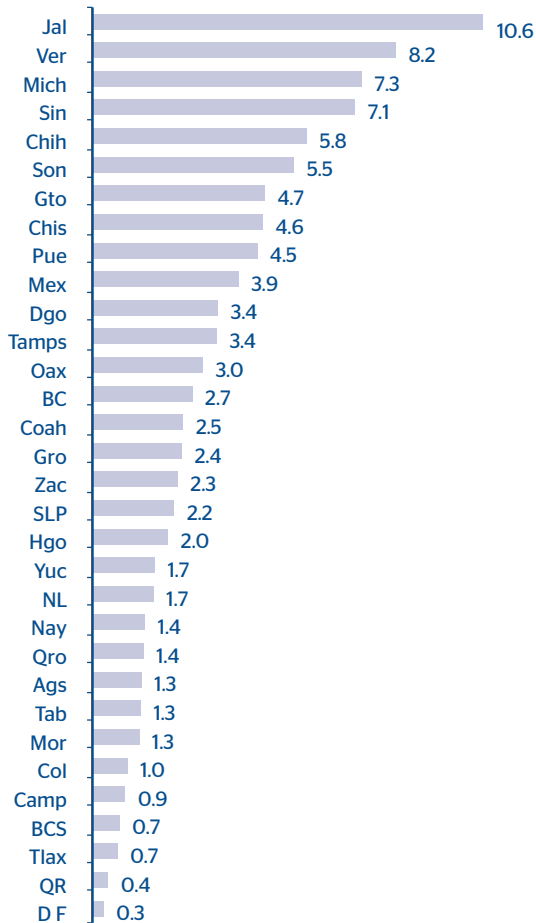
Total states affected and with support programs



Source: BBVA Research with SMN data

Graph 54

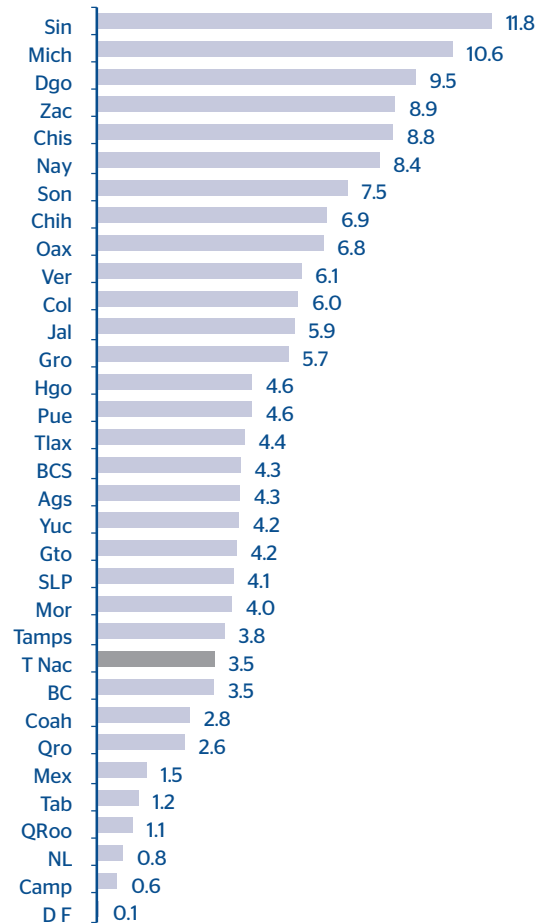
Primary sector GDP, 2010
(Share of national total GDP, %)



Source: BBVA Research with INEGI data

Graph 55

Primary sector GDP, 2010
(Share of total GDP in each state, %)

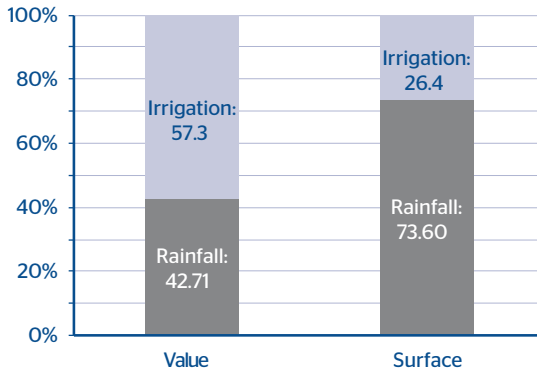


Source: BBVA Research with INEGI data

The importance of the sector by state can be seen in two ways: 1) How much does the state contribute to national production; and 2) How important is the sector in each state. Of the six states with the greatest agricultural and livestock production, only Chihuahua is among the most affected by the drought; and, of the six states with the greatest share of the primary sector in its economy, only Zacatecas is among the most affected by the drought; from this standpoint, the impact is relatively lower.

The sector is heterogeneous and it is difficult to generalize; for example, 57% of the value of agricultural production depends on irrigation, although 73% of the land depends on rainfall; 26 million people live in the rural zone and 6 million work in the primary sector. Of the six states with more workers in the sector, none are in critical conditions and in those where the sector is relatively more important only Zacatecas is among the states most affected by the drought.

Graph 56
Agricultural production, 2008. Characteristics of the distribution of production and of the land



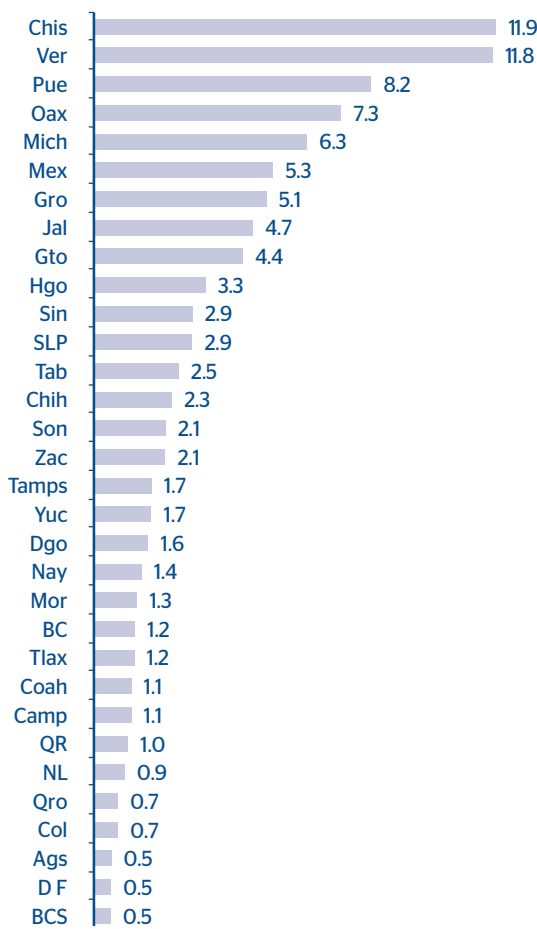
Source: BBVA Research with INEGI and Conagua data

Chart 13
Population, 2010. Indicators of the population at risk

	Millions
Total	112.3
Rural	26.0
Number of locations, thousands	189
Agriculture and livestock EAP	6.0

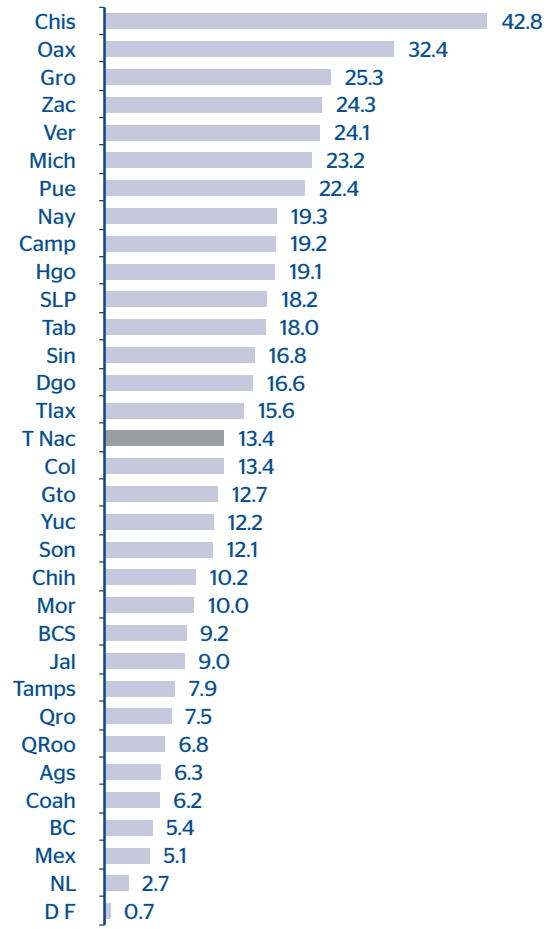
Source: BBVA Research with INEGI data
EAP: Economically Active Population

Graph 57
EAP in the primary sector, 2010 (Share in national total, %)



Source: BBVA Research with INEGI data

Graph 58
EAP in the primary sector, 2010 (Share in total of the state, %)



Source: BBVA Research with INEGI data

Chart 14

Production value of the main agricultural products, relative breakdown, 2010 - %

	Cyclical crops							Perennial crops					
	Corn	Sorghum	Tomato	Chili	Potato	Beans	Wheat	Avocado	Cherry coffee	Lime	Orange	Banana	
Production value breakdown of the main products, %													
	100.0	37.3	8.9	8.4	7.5	6.6	5.8	5.6	8.0	3.3	3.1	2.8	2.7
Production value breakdown of each product by state, %													
Tot nal	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Ags	0.2	0.0	0.3	0.4	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.1
BC	0.0	0.1	17.0	0.8	0.3	0.0	16.2	0.0	0.0	0.1	0.2	0.0	0.0
BCS	0.1	0.1	4.9	3.0	4.4	0.4	0.5	0.1	0.0	0.0	0.5	0.0	0.0
Camp	1.7	0.4	0.4	0.2	0.0	0.3	0.0	0.0	0.0	0.4	1.5	0.0	0.0
Coah	0.2	0.1	1.8	0.4	1.5	0.3	0.5	0.0	0.0	0.0	0.0	0.0	0.0
Col	0.2	0.1	0.7	0.5	0.0	0.0	0.0	0.0	0.2	23.2	0.3	4.2	0.0
Chis	6.6	0.8	2.6	0.8	1.7	8.5	0.0	0.2	41.5	0.2	0.5	35.6	0.0
Chih	4.2	0.7	0.3	14.7	6.1	8.9	6.6	0.0	0.0	0.0	0.0	0.0	0.0
D F	0.1	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dgo	1.1	0.3	0.1	2.2	0.2	6.0	1.1	0.3	0.0	0.1	0.1	0.0	0.0
Gto	5.1	22.6	5.1	4.4	2.4	3.7	8.3	0.0	0.0	0.0	0.0	0.0	0.0
Gro	6.0	0.6	0.7	0.3	0.0	0.9	0.0	0.6	2.3	3.2	0.2	5.6	0.0
Hgo	2.9	0.0	0.6	0.8	0.2	2.6	0.1	0.1	1.5	0.1	0.6	0.0	0.0
Jal	14.5	3.1	6.7	3.0	2.8	1.0	2.8	2.6	0.4	2.4	0.3	5.2	0.0
Méx	7.3	0.0	3.8	0.1	5.7	0.8	0.7	2.2	0.1	0.1	0.0	0.0	0.0
Mich	6.5	7.8	4.5	3.0	5.3	1.1	2.7	89.2	0.0	24.7	0.2	6.0	0.0
Mor	0.6	3.3	4.1	0.1	0.2	0.3	0.0	2.2	0.0	0.3	0.2	0.0	0.0
Nay	0.8	3.6	0.7	0.7	0.0	7.6	0.0	1.3	1.8	0.8	0.0	2.5	0.0
NL	0.3	1.2	1.3	1.7	10.6	0.3	1.6	0.2	0.0	0.0	5.1	0.0	0.0
Oax	3.9	0.5	2.9	0.9	0.0	3.5	0.5	0.2	9.3	12.1	2.0	2.8	0.0
Pue	5.5	1.5	1.7	1.3	3.7	4.1	0.1	0.3	12.3	1.6	6.0	1.8	0.0
Qro	1.2	0.7	2.0	1.1	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
QR	0.3	0.1	0.0	0.9	0.0	0.3	0.0	0.0	0.0	0.1	1.3	0.4	0.0
SLP	0.7	2.1	5.0	9.5	0.0	2.6	0.0	0.0	0.2	0.3	11.7	0.0	0.0
Sin	18.4	9.2	21.8	19.8	21.9	23.8	1.1	0.0	0.0	0.1	0.6	0.0	0.0
Son	0.9	0.7	2.5	4.0	22.9	1.6	53.0	0.0	0.0	0.0	5.9	0.0	0.0
Tab	0.6	0.3	0.0	0.3	0.0	0.4	0.0	0.0	0.0	2.2	2.1	26.0	0.0
Tamps	1.9	39.4	2.1	4.4	0.1	0.4	0.0	0.0	0.0	2.5	16.8	0.0	0.0
Tlax	1.3	0.0	0.0	0.0	1.1	0.6	3.9	0.0	0.0	0.0	0.0	0.0	0.0
Ver	5.0	0.5	1.8	2.0	6.4	2.9	0.0	0.1	30.2	22.1	41.3	9.7	0.0
Yuc	0.6	0.0	0.1	0.6	0.0	0.1	0.0	0.3	0.0	3.5	2.6	0.1	0.0
Zac	1.3	0.1	4.5	18.1	2.2	16.2	0.3	0.0	0.0	0.1	0.0	0.0	0.0

Source: BBVA Research with Sagarpa (Department of Agriculture, Livestock, Rural Development, Fisheries and Nutrition) data

In general terms, the main agricultural and livestock producers are not in critical condition due to drought. Among the main producers of some selected crops, only Chihuahua is among the states with severe water problems. Chihuahua produces 14.7% of chili pepper and 8.9% of wheat production. In fact, one characteristic of the production of the primary sector is its dispersion among the states, respecting of course their geographic agricultural potential and with some notable exceptions, such as avocado in Michoacán, with 89.2% of national production, wheat in Sonora (53.0%) and coffee in Chiapas (41.5%). This is another characteristic that helps limit the impact. Of course, it should be recalled that we are not referring to impact at the state level such as that due to the extreme freezing weather in 2011, but of implications in micro regions.

Therefore, with the drought, the economic impact will surely be lower than the social effects, communities without water, without food, without employment or with few alternate jobs, which imply support actions that in the final instance are recurrent although they have been more intense now. We cannot minimize the population affected because it "only" represents slightly more than 2% of the national total, two million five hundred thousand people distributed among two thousand three hundred communities and in various states, an effort that requires resources and coordination among the different government levels. The cost of the "Estrategia Integral para la Atención a la Sequía" ("Integral Strategy for Attention to the Drought") is estimated to be around 34 billion pesos, which represents 1% of the 2012 federal budget.

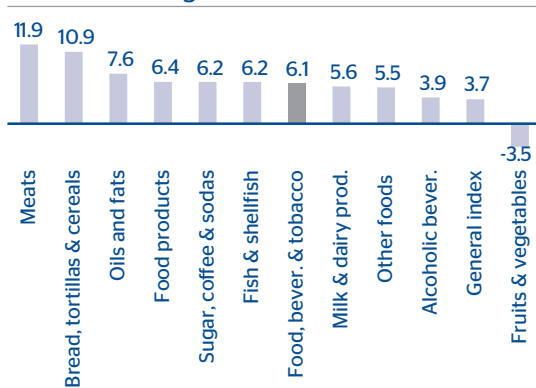
The impact on prices has been lower than expected

Through the month of March of this year, annual inflation measured by the Consumer Price Index was 3.7%, slightly lower than that of December 2011 of 3.8%. Therefore, the drought does not seem to have had a significant impact on prices. Nevertheless, when inflation is viewed from the standpoint of expense objectives, food is the area with the greatest increase (6.1%) and housing with the lowest (1.5%). Therefore, the increase in some agricultural products has been offset mainly by housing and health.

The increase in some agricultural products is more evident when reviewing other generic products, such as for example, meats (11.9%), bread, tortillas and cereals (10.9%); and oils and fats (7.6%), among the main ones. Among these, there are also some products that offset at least a little, such as fruits and vegetables (-3.5%). The volatility of these prices is normal and because of this they are considered in headline inflation, which has the characteristic of greater fluctuation than core inflation.

Graph 59

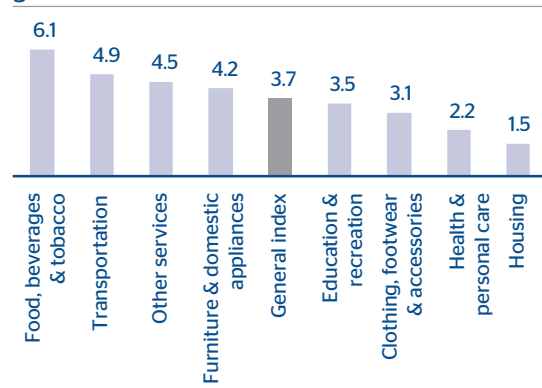
Inflation by expense objective, March 2012, (Annual % change)



Source: BBVA Research with INEGI data

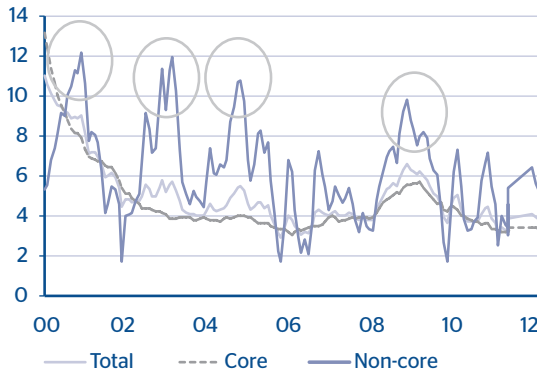
Graph 60

Inflation March 2012, food products with the greatest annual increase (%)



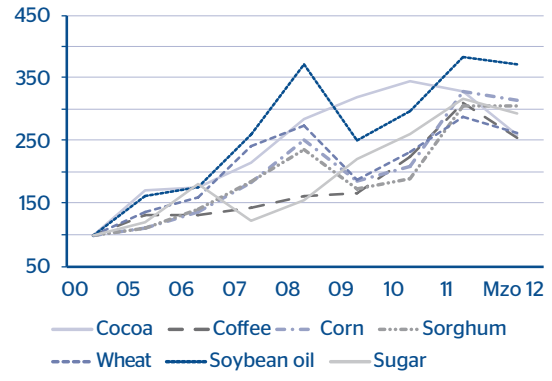
Source: BBVA Research with INEGI data

Graph 61
Consumer prices
(Annual % change, data through March, 2012).



Source: BBVA Research with INEGI data

Graph 62
International prices of agricultural products
(Index 2000 = 100. Prices in real dollars.
Available through March 2012)



Source: BBVA Research with World Bank data

High agricultural prices are not characteristic in Mexico

The high prices of some agricultural and livestock products should be reviewed in an international context of rising prices, which implies simply that local prices follow international prices when products are exported or if imports are made at high prices. There is no doubt that there is a bubble in the prices of food products but with little impact on total inflation.

Conclusion: a differentiated regional impact

Drought is a frequent phenomenon in Mexico and the cycles could worsen due to global warming. The social impacts are more important than the economic. This does not imply that the economic cost is minimized, but it is manageable. Geographic and product diversification allows lowering the costs of adverse climate conditions.

The impact on inflation has been moderate and is related both to internal and external factors. It is evident that there is nothing certain in terms of meteorological forecasts, but the probabilities point in two directions: the drought will not be permanent, and the stronger and longer it is, the change is closer. For example, in February of this year, rainfall surpassed by 65.6% its historic average, and the intensity of the drought diminished, between December 2011 and February 2012, from 54.6% of the territory to 48.8%. However, there is nothing that guarantees that the rains will normalize in the next cycle, so therefore, these topics and their related programs are permanent.

5. Appendix

5a. Indicators of economic performance by state

 Chart 15
Selected indicators

	GDP*/				AAGR ³ , % 2003-2010			Place in the National					
	GDP* 2010 ¹	Popula- tion ²	GDP* 2010, dollars	inhab. 2010, dollars	Real GDP	Popula- tion	Real GDP inhab.	GDP 2010	GDP inhab. 2010	Remi- ttances 2010	Employ- ment ⁴ 2010	Rec. Fed. ⁵	Comp. ⁶
National	12,505	112,337	989,612	8,809	2.2	1.4	4.4						
Mexico City	2,160	8,851	170,944	19,313	1.8	0.1	4.7	1	2	9	1	3	1
Mexico	1,172	15,176	92,789	6,114	3.3	1.6	4.8	2	25	4	3	1	28
Nuevo Leon	938	4,653	74,233	15,952	3.2	1.8	4.4	3	4	24	4	7	2
Jalisco	787	7,351	62,294	8,475	2.0	1.4	3.4	4	13	3	2	4	14
Campeche	645	822	51,068	62,093	-3.7	1.5	5.1	5	1	31	28	27	12
Veracruz	590	7,643	46,715	6,112	3.4	1.0	6.0	6	23	7	5	2	26
Guanajuato	491	5,486	38,888	7,088	2.5	1.7	3.7	7	18	2	7	8	22
Tabasco	462	2,239	36,599	16,349	4.7	1.8	10.8	8	3	29	25	13	29
Puebla	424	5,780	33,545	5,804	2.9	1.3	4.4	9	28	5	12	6	24
Coahuila	389	2,748	30,746	11,187	2.0	1.6	3.4	10	5	26	10	20	4
Tamaulipas	388	3,269	30,670	9,383	1.6	1.5	2.9	11	10	16	9	12	8
Chihuahua	371	3,406	29,362	8,619	1.4	1.0	3.2	12	14	17	6	14	9
Baja California	339	3,155	26,864	8,515	1.6	2.5	1.7	13	15	20	8	16	6
Sonora	321	2,662	25,396	9,538	3.1	1.7	5.3	14	9	23	11	17	11
Michoacan	301	4,351	23,807	5,472	2.0	1.1	4.2	15	27	1	15	10	25
Sinaloa	264	2,768	20,924	7,560	2.6	0.8	5.6	16	17	15	13	15	10
San Luis Potosi	239	2,586	18,893	7,307	2.9	1.0	5.7	17	19	11	16	19	17
Queretaro	232	1,828	18,375	10,052	4.1	2.5	5.0	18	6	19	14	24	3
Chiapas	229	4,797	18,156	3,785	1.6	1.9	2.8	19	32	13	20	5	30
Hidalgo	194	2,665	15,385	5,773	2.6	1.9	5.3	20	24	10	23	18	27
Oaxaca	194	3,802	15,369	4,043	1.6	1.0	4.5	21	31	6	24	9	32
Guerrero	186	3,389	14,722	4,344	1.7	1.0	3.5	22	29	8	26	11	31
Quintana Roo	177	1,326	13,993	10,556	3.6	3.5	2.7	23	8	30	18	26	13
Yucatan	175	1,956	13,851	7,083	3.5	1.4	5.1	24	20	28	17	21	18
Durango	157	1,633	12,416	7,604	1.4	1.1	3.9	25	16	18	21	23	21
Morelos	139	1,777	10,989	6,183	1.7	1.6	2.3	26	22	14	22	25	16
Aguascalientes	138	1,185	10,885	9,185	3.6	2.0	4.1	27	11	22	19	29	5
Zacatecas	114	1,491	9,018	6,050	3.8	1.1	7.8	28	21	12	27	22	20
Baja California Sur	75	637	5,964	9,362	4.8	4.1	3.5	29	7	32	29	32	7
Nayarit	74	1,085	5,882	5,421	3.4	1.9	4.2	30	26	21	30	28	23
Colima	70	651	5,504	8,461	2.5	2.3	3.3	31	12	27	31	31	15
Tlaxcala	68	1,170	5,370	4,590	1.5	1.7	3.0	32	30	25	32	30	19

¹ Billions of pesos

² Población 2010, thousands of people, BBVA Research estimate

³ Average Annual Growth Rate

⁴ Total registered workers by the Social Security Institute (IMSS)

⁵ Federalized resources

⁶ State competitiveness index (IMCO, 2010)

* It refers to the gross added value. The sum of the state figures does not coincide with national due to the net taxes to subsidies figures

 ** Detailed information can be consulted entity in the electronic version of this document at www.bbva.com

Source: BBVA Research with INEGI, Conapo, Banxico, IMSS, SHCP, IMCO (Instituto Mexicano de la Competitividad, A.C.) data.

Chart 16

Region: high development

	Mexico City					
	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	3.5	nd	3.5	4.0	4.6	nd
Primary Sector	-4.8	nd	-9.4	6.2	-0.9	nd
Secondary Sector	-2.8	nd	-2.3	7.0	11.1	nd
Tertiary Sector	4.3	nd	4.1	3.2	3.8	nd
Manufacturing production (annual % change)	-2.4	-1.9	-0.7	-3.6	-0.5	-2.5
Construction** (annual % change)	-23.6	36.3	-14.3	-6.9	29.0	80.9
Public works	-29.9	45.8	-11.1	-12.0	33.8	119.2
Private works	-16.9	27.7	-16.9	-1.8	24.3	53.6
Retail sales (annual % change)	1.3	6.1	5.2	5.5	5.2	5.5
Wholesale sales (annual % change)	4.8	1.7	5.7	5.1	3.8	0.5
Total Employment (annual % change)	1.3	4.9	4.9	5.0	4.9	4.6
Industry	-4.5	6.7	8.2	7.6	5.7	5.4
Services	2.8	4.3	4.1	4.3	4.6	4.4
Total air traffic (passengers transport, annual % change)	0.2	9.8	-2.3	6.7	13.3	20.4
Federalized resources (annual % change)	2.7	3.9	-4.5	2.1	4.0	-2.4
Participations (Branch 28)	8.1	3.5	1.0	3.8	2.5	7.3
Contributions (Branch 33)	-1.7	5.3	-3.1	13.9	7.9	3.2
Remittances (annual % change)	3.6	15.1	11.6	11.5	18.6	18.4

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 17

Region: tourism

	Baja California Sur						Quintana Roo					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	6.3	nd	5.2	7.4	4.3	nd	2.3	nd	4.9	4.1	7.0	nd
Primary Sector	7.9	nd	-1.3	12.9	0.5	nd	22.3	nd	1.8	6.4	-7.4	nd
Secondary Sector	0.8	nd	3.6	14.9	3.3	nd	-17.2	nd	5.8	4.8	22.1	nd
Tertiary Sector	7.5	nd	5.7	4.0	4.8	nd	4.6	nd	4.7	3.7	5.6	nd
Manufacturing production (annual % change)	-3.7	-3.5	0.5	3.2	-7.4	-9.3	-0.2	-1.6	-0.2	-1.3	0.6	-5.2
Construction** (annual % change)	-29.1	-10.2	-24.6	-19.4	-3.2	-14.4	-29.6	52.8	-27.1	16.4	46.6	121.6
Public works	-21.1	-27.7	-20.8	-27.2	-14.4	-43.2	-32.7	59.6	-19.9	60.7	44.8	131.4
Private works	-35.9	8.4	-23.9	-11.6	-3.3	-17.6	-28.4	50.2	-30.3	0.5	47.3	118.6
Retail sales (annual % change)	2.8	-1.4	10.3	-4.4	-1.9	0.5	-1.7	2.9	2.3	0.4	-0.4	1.6
Wholesale sales (annual % change)	10.6	5.0	11.9	17.8	7.4	3.1	-7.8	5.1	-2.1	-14.8	-1.2	4.6
Total Employment (annual % change)	-1.7	2.2	1.0	1.1	2.5	4.3	1.5	2.8	3.6	3.1	2.2	2.2
Industry	-7.3	-3.3	-3.6	-5.9	-3.1	-0.7	-6.7	1.0	-0.9	-1.9	0.6	6.0
Services	-0.5	3.9	2.4	3.3	4.4	5.4	3.2	3.1	4.5	4.1	2.4	1.3
Total air traffic (passengers transport, annual % change)	5.3	0.5	-2.5	-2.1	-1.6	8.5	10.3	6.1	4.0	3.6	4.9	12.9
Federalized resources (annual % change)	-5.0	16.6	14.2	-6.0	34.6	26.0	3.1	4.5	5.1	-1.8	8.2	6.4
Participations (Branch 28)	4.6	7.1	5.7	10.5	5.7	6.6	7.2	6.1	2.3	5.0	4.8	13.0
Contributions (Branch 33)	0.9	2.6	24.4	-9.3	3.4	-7.3	0.3	4.6	4.8	2.4	15.1	-3.1
Remittances (annual % change)	5.6	8.0	-6.9	9.4	19.3	11.0	1.5	5.9	7.9	4.8	9.2	1.8

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 18

Region: industrialized

	Aguascalientes						Baja California					
	2010	2011	1T10	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	8.7	nd	14.6	4.2	4.4	nd	4.2	nd	4.4	3.1	6.3	nd
Primary Sector	5.1	nd	2.4	-2.5	-45.7	nd	-7.0	nd	4.9	9.4	-2.9	nd
Secondary Sector	13.4	nd	31.1	4.5	1.7	nd	3.1	nd	5.8	1.8	8.3	nd
Tertiary Sector	4.9	nd	3.9	3.0	4.8	nd	5.2	nd	3.6	3.4	5.7	nd
Manufacturing production (annual % change)	15.4	8.0	30.9	5.7	9.2	8.1	8.1	7.1	9.1	6.3	6.5	6.6
Construction** (annual % change)	-19.7	-1.7	23.7	-19.5	-3.5	-13.0	-10.6	3.2	-18.0	-6.0	-1.1	3.6
Public works	1.9	-27.3	85.3	-16.0	-39.6	-47.5	12.2	15.2	-10.0	0.2	1.2	28.5
Private works	-31.6	19.4	-11.4	-21.2	34.3	24.1	-24.4	-7.6	-23.9	-11.6	-3.3	-17.6
Retail sales (annual % change)	-0.5	4.9	4.9	-0.9	0.4	3.9	3.3	3.0	6.6	2.0	-0.3	1.4
Wholesale sales (annual % change)	1.7	7.4	7.4	5.6	4.4	10.3	-4.1	2.0	-3.1	-2.3	-0.9	0.7
Total Employment (annual % change)	4.6	3.2	1.7	2.5	2.3	3.6	5.1	4.0	5.7	4.8	3.1	2.5
Industry	5.7	4.6	2.5	4.8	3.1	3.2	5.7	4.1	7.2	3.9	2.9	2.5
Services	3.9	1.8	1.5	0.5	1.7	3.8	2.6	3.9	4.5	4.8	3.2	3.0
Total air traffic (passengers transport, annual % change)	2.5	11.6	-0.1	10.1	6.0	2.1	5.9	-1.0	4.7	-2.6	-0.8	-4.1
Federalized resources (annual % change)	-6.6	9.5	-5.1	3.5	7.9	10.4	3.1	1.9	-1.5	-2.4	11.9	0.7
Participations (Branch 28)	8.5	5.5	14.5	5.9	3.9	8.1	11.1	0.5	-5.6	0.2	2.4	6.1
Contributions (Branch 33)	1.8	3.0	-0.5	0.4	9.8	-1.6	0.1	3.8	7.4	3.5	20.3	-14.3
Remittances (annual % change)	4.3	4.1	-9.5	0.4	7.7	6.3	8.2	13.9	15.6	11.1	15.7	13.4

	Chihuahua						Coahuila					
	2009	2010	3T10	4T10	1T11	2T11p	2009	2010	3T10	4T10	1T11	2T11p
Economic Activity (QIEAS*) Total	4.5	nd	3.3	0.6	2.5	nd	12.2	nd	7.8	6.4	6.1	nd
Primary Sector	2.9	nd	3.6	-3.5	11.3	nd	-1.4	nd	2.5	8.0	3.3	nd
Secondary Sector	5.4	nd	4.2	-2.2	-0.6	nd	21.2	nd	10.5	7.2	6.2	nd
Tertiary Sector	4.1	nd	2.6	2.6	3.2	nd	5.7	nd	5.2	5.5	6.4	nd
Manufacturing production (annual % change)	0.8	0.6	5.9	-1.9	1.4	3.0	32.2	7.5	11.0	6.8	5.6	6.7
Construction** (annual % change)	2.7	-3.8	-24.0	-17.7	1.8	-16.5	-3.6	7.5	28.3	12.1	11.5	6.5
Public works	-6.2	-8.2	23.7	-26.4	2.0	-22.4	3.0	6.8	58.7	34.2	13.7	22.1
Private works	11.2	-0.3	-48.1	-11.1	1.6	-12.0	-6.3	7.8	16.1	4.0	10.4	0.7
Retail sales (annual % change)	0.7	6.5	6.5	4.0	2.6	8.9	3.8	3.8	7.0	2.7	-1.5	4.7
Wholesale sales (annual % change)	-2.7	1.2	1.2	0.2	-4.4	-0.4	5.7	2.8	7.2	7.4	5.0	1.1
Total Employment (annual % change)	5.7	2.8	0.9	2.6	1.9	2.6	8.6	9.0	11.3	9.7	8.4	6.7
Industry	7.9	4.1	1.0	3.1	3.2	4.6	13.8	12.7	17.9	14.2	10.9	8.7
Services	3.7	1.3	1.3	2.1	0.0	0.3	3.3	4.7	4.1	4.6	5.4	4.5
Total air traffic (passengers transport, annual % change)	5.9	1.0	-3.7	-2.8	-0.4	12.3	-13.9	18.0	2.5	20.1	24.4	24.3
Federalized resources (annual % change)	7.1	1.7	6.3	-1.0	4.1	2.7	7.5	1.8	2.6	-2.8	11.7	-3.2
Participations (Branch 28)	11.3	0.8	15.2	-0.3	1.9	4.4	12.1	5.7	3.4	3.8	6.7	9.4
Contributions (Branch 33)	1.9	4.4	-1.9	1.9	11.9	-0.3	0.0	4.1	2.6	1.4	12.1	1.2
Remittances (annual % change)	-2.3	5.2	-8.8	3.3	9.0	9.5	0.0	5.3	-5.2	6.7	9.1	10.8

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 19

Region: industrialized

	Jalisco						Mexico					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	57	nd	6.2	3.5	5.8	nd	75	nd	5.7	3.7	3.1	nd
Primary Sector	50	nd	8.8	-3.0	3.9	nd	4.3	nd	-1.7	-10.2	12.3	nd
Secondary Sector	3.9	nd	9.0	3.4	6.7	nd	12.5	nd	7.3	1.1	-2.3	nd
Tertiary Sector	6.3	nd	4.5	4.0	5.5	nd	4.6	nd	4.8	5.6	6.0	nd
Manufacturing production (annual % change)	5.6	4.9	8.3	2.7	4.6	4.4	12.9	6.7	6.5	8.6	4.5	7.3
Construction** (annual % change)	9.9	12.5	13.7	7.9	12.3	18.9	44.3	-20.5	48.3	9.2	-21.0	-34.8
Public works	16.3	21.3	26.1	29.8	18.6	33.4	153.1	-29.3	146.8	15.8	-37.5	-43.3
Private works	5.4	5.6	5.3	-9.2	6.9	8.4	-4.2	-10.1	6.7	3.1	4.6	-23.7
Retail sales (annual % change)	3.1	5.6	6.8	5.2	6.5	5.4	2.4	9.4	3.0	5.8	10.2	8.2
Wholesale sales (annual % change)	1.8	0.9	-1.3	-2.3	-1.0	-1.6	0.9	4.8	2.0	2.3	7.0	0.0
Total Employment (annual % change)	4.1	4.4	5.0	4.6	4.2	3.9	4.4	4.8	5.7	4.3	4.5	4.6
Industry	5.0	4.5	7.6	5.6	3.0	2.1	6.7	4.4	6.5	3.7	4.0	3.4
Services	3.3	4.2	3.0	3.6	4.9	5.2	2.9	5.1	5.1	4.8	4.9	5.7
Total air traffic (passengers transport, annual % change)	6.2	0.8	-2.2	-2.5	-4.4	12.7	-17.4	-31.2	-16.1	-29.1	-39.4	-41.9
Federalized resources (annual % change)	10.5	3.3	7.6	4.5	-1.1	2.3	10.2	5.3	11.2	2.4	8.5	-0.6
Participations (Branch 28)	11.9	6.4	7.0	4.8	3.9	9.6	16.6	8.0	15.3	0.2	5.6	10.7
Contributions (Branch 33)	1.5	5.7	5.6	3.0	11.2	3.5	2.9	6.8	7.0	4.9	10.9	4.4
Remittances (annual % change)	3.7	7.8	5.7	3.5	13.3	8.9	-3.6	1.1	-2.9	0.1	5.4	1.5

	Nuevo Leon						Queretaro					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	7.1	nd	7.3	6.4	7.6	nd	7.3	nd	8.7	7.9	8.5	nd
Primary Sector	10.6	nd	-0.3	-20.4	21.2	nd	8.4	nd	-5.4	1.7	0.3	nd
Secondary Sector	9.5	nd	12.9	10.9	9.0	nd	7.9	nd	15.4	13.2	11.9	nd
Tertiary Sector	5.2	nd	3.8	4.1	6.9	nd	6.6	nd	5.2	4.6	6.8	nd
Manufacturing production (annual % change)	14.8	11.1	14.5	10.0	11.2	9.1	14.2	8.7	11.0	7.0	8.4	8.8
Construction** (annual % change)	17.5	-2.7	27.8	8.9	4.5	-15.6	-8.8	23.0	3.1	14.4	3.5	26.4
Public works	97.2	-0.4	138.7	23.8	13.2	-15.3	23.1	21.0	74.8	28.1	29.8	23.4
Private works	-5.7	-4.2	-3.1	1.4	-0.5	-15.8	-21.3	24.2	-23.6	6.7	-7.7	28.3
Retail sales (annual % change)	2.4	4.7	3.1	3.4	0.2	3.5	6.2	6.1	8.5	7.5	1.5	4.8
Wholesale sales (annual % change)	15.1	7.1	8.2	2.3	2.3	3.7	1.0	16.7	4.1	8.3	12.1	15.9
Total Employment (annual % change)	5.6	5.2	6.3	5.4	5.0	4.3	9.1	9.5	10.6	9.6	9.3	8.6
Industry	7.7	6.6	9.3	7.3	6.0	4.1	14.3	12.0	15.5	13.8	11.1	7.9
Services	4.2	4.3	4.3	4.0	4.3	4.5	5.1	7.4	6.6	6.0	7.7	9.1
Total air traffic (passengers transport, annual % change)	2.9	2.7	1.8	4.0	2.2	2.8	0.1	34.0	20.8	37.1	42.8	35.4
Federalized resources (annual % change)	8.0	2.7	-4.4	1.4	7.4	6.9	3.5	7.1	4.3	6.1	7.8	9.9
Participations (Branch 28)	9.0	6.1	-8.1	-1.9	34.9	3.6	4.7	7.0	4.4	7.6	5.8	10.5
Contributions (Branch 33)	1.5	4.4	4.6	2.5	10.3	0.6	0.7	5.1	4.6	3.8	12.6	0.0
Remittances (annual % change)	-3.0	8.6	1.3	8.5	13.6	10.7	-1.4	8.0	5.5	3.7	11.3	11.7

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 20

Region: industrialized

	Sonora						Tamaulipas					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	5.2	nd	6.9	4.2	9.4	nd	1.0	nd	0.2	1.1	3.2	nd
Primary Sector	5.5	nd	-1.4	-10.9	6.3	nd	0.8	nd	-5.6	-7.5	22.8	nd
Secondary Sector	5.1	nd	9.8	7.0	12.6	nd	-1.0	nd	-4.4	-3.1	-1.4	nd
Tertiary Sector	5.1	nd	6.2	5.7	8.1	nd	2.1	nd	3.3	4.2	5.1	nd
Manufacturing production (annual % change)	11.1	7.5	8.1	6.7	5.3	10.0	7.4	0.1	2.5	3.3	-3.5	-1.5
Construction** (annual % change)	-16.3	17.5	-6.7	22.2	0.0	22.5	8.6	2.9	31.5	10.9	9.7	4.9
Public works	-22.9	26.8	34.9	75.0	6.3	33.9	12.2	-0.8	28.5	3.1	10.4	1.2
Private works	-10.5	10.4	-31.4	-8.5	-4.3	14.8	2.7	9.5	38.1	23.8	8.6	11.4
Retail sales (annual % change)	0.2	6.5	0.3	0.0	1.4	5.0	0.4	0.8	4.2	0.9	-4.7	0.3
Wholesale sales (annual % change)	-1.7	4.0	-0.7	9.3	5.6	-1.4	2.5	0.4	6.4	7.3	3.7	5.9
Total Employment (annual % change)	5.9	4.9	4.9	4.6	5.5	4.5	2.7	0.3	2.3	0.3	-0.9	-0.5
Industry	6.3	6.9	9.0	6.0	6.1	6.4	4.8	-0.3	4.1	-0.3	-2.9	-1.7
Services	4.6	4.6	5.1	5.9	4.5	3.2	0.8	1.0	0.7	1.1	1.3	0.9
Total air traffic (passengers transport, annual % change)	3.0	6.6	-0.7	1.4	9.3	15.7	-5.7	17.4	-4.1	11.8	20.9	40.7
Federalized resources (annual % change)	4.8	9.6	15.5	-4.1	11.2	17.2	4.7	0.8	1.9	-5.9	-2.3	9.7
Participations (Branch 28)	7.9	6.9	7.6	6.0	5.9	8.2	12.6	1.0	0.8	-6.4	3.3	6.9
Contributions (Branch 33)	1.1	3.3	27.8	-29.6	42.7	-6.0	-0.2	3.0	-4.1	1.3	12.8	3.3
Remittances (annual % change)	4.9	11.8	21.1	13.5	13.0	0.7	-2.9	10.5	8.0	6.0	15.0	13.1

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 21

Region: medium development

	Campeche						Colima					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	-1.9	nd	-1.8	-2.3	-8.2	nd	12.0	nd	9.2	12.2	11.6	nd
Primary Sector	7.8	nd	-20.5	5.3	-2.0	nd	6.7	nd	4.0	-14.4	2.6	nd
Secondary Sector	-2.8	nd	-3.2	-4.2	-10.7	nd	33.8	nd	15.6	41.8	29.0	nd
Tertiary Sector	1.9	nd	6.8	6.8	3.9	nd	5.3	nd	7.7	4.7	5.2	nd
Manufacturing production (annual % change)	6.6	-0.7	-7.4	1.1	2.4	2.6	3.8	6.5	15.9	-0.4	0.8	10.3
Construction** (annual % change)	-3.9	-4.0	16.3	6.4	7.7	-19.1	28.7	26.0	47.5	4.7	78.3	26.1
Public works	-6.5	-2.5	13.8	-3.8	3.9	-13.0	36.2	35.2	47.8	34.0	161.3	40.8
Private works	2.1	-15.1	34.5	10.9	37.4	-6.4	15.4	6.8	46.7	76.6	-26.6	-6.4
Retail sales (annual % change)	-3.8	1.8	0.2	-3.8	1.6	4.8	6.9	3.2	11.4	4.5	0.1	5.0
Wholesale sales (annual % change)	1.9	7.4	1.5	8.3	7.5	11.3	22.4	19.1	14.7	8.4	26.2	1.0
Total Employment (annual % change)	-0.9	5.1	4.7	3.8	5.7	6.1	5.8	6.9	9.5	9.3	5.9	3.1
Industry	-4.4	1.2	6.1	2.6	-2.2	-1.4	13.7	11.8	21.8	19.9	8.4	-0.6
Services	1.6	7.3	4.0	4.4	10.2	10.5	3.0	5.5	5.4	5.9	5.2	5.3
Total air traffic (passengers transport, annual % change)	0.3	2.8	-3.9	-6.7	4.7	17.4	-9.9	8.8	-10.6	-6.2	16.9	44.5
Federalized resources (annual % change)	6.4	4.2	4.5	2.5	3.3	6.4	4.0	7.0	9.5	1.9	6.4	9.8
Participations (Branch 28)	10.2	2.7	-2.9	-4.3	7.2	11.9	4.0	6.5	4.6	7.6	6.2	7.8
Contributions (Branch 33)	0.2	3.8	3.1	0.8	12.2	-0.6	0.6	3.3	-8.3	2.2	19.2	4.9
Remittances (annual % change)	-1.3	4.9	-1.5	4.7	10.5	5.5	4.3	7.0	7.3	3.1	9.4	8.3

	Durango						Guanajuato					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	4.3	nd	5.6	1.3	3.1	nd	11.4	nd	6.1	5.1	4.0	nd
Primary Sector	-1.3	nd	2.6	5.3	3.6	nd	-4.2	nd	5.7	18.6	-0.5	nd
Secondary Sector	3.2	nd	11.1	2.6	4.6	nd	20.4	nd	7.3	3.3	4.1	nd
Tertiary Sector	5.8	nd	3.2	0.0	2.9	nd	6.8	nd	5.1	5.2	4.1	nd
Manufacturing production (annual % change)	1.1	4.9	8.8	5.5	4.0	2.0	18.8	0.9	5.9	0.5	0.5	-3.3
Construction** (annual % change)	-7.2	25.6	-10.8	22.3	7.4	35.0	-13.5	26.2	7.6	11.8	9.8	30.6
Public works	-3.4	25.1	-5.0	38.9	12.4	15.4	-24.6	22.1	-10.9	-11.2	29.5	17.8
Private works	-15.7	26.8	-23.8	-22.0	-3.4	90.8	-2.5	29.3	27.7	35.3	-1.0	40.8
Retail sales (annual % change)	2.6	2.6	4.0	2.6	-1.6	1.7	6.0	5.1	7.0	6.2	2.3	5.5
Wholesale sales (annual % change)	10.3	-4.7	11.1	6.4	-1.6	-8.0	6.4	8.1	5.6	11.2	8.5	11.8
Total Employment (annual % change)	4.4	4.7	2.8	4.1	6.0	6.1	5.4	5.4	5.5	5.0	5.7	5.5
Industry	8.4	8.9	5.0	7.1	11.4	12.0	7.1	7.2	6.8	6.2	7.6	7.9
Services	1.3	1.1	1.3	1.5	1.0	0.5	4.0	3.7	0.0	0.0	0.0	0.0
Total air traffic (passengers transport, annual % change)	-4.6	12.3	2.0	14.0	10.2	22.0	-2.5	0.5	-5.5	0.1	-3.8	11.6
Federalized resources (annual % change)	-2.1	3.9	5.7	6.8	7.0	-3.3	6.6	8.4	9.3	8.2	9.7	6.6
Participations (Branch 28)	11.2	4.0	1.5	5.0	2.8	7.1	15.6	9.9	13.0	7.6	7.5	11.2
Contributions (Branch 33)	0.8	3.4	3.3	0.4	11.1	-0.9	1.7	6.6	7.1	4.1	12.4	3.2
Remittances (annual % change)	1.3	9.7	10.2	6.7	13.4	8.7	2.0	8.6	9.2	4.8	11.2	9.5

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 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 22

Region: medium development

	Hidalgo						Michoacan					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	4.3	nd	6.5	1.1	7.3	nd	4.4	nd	4.0	3.3	5.4	nd
Primary Sector	1.6	nd	2.0	-5.6	1.6	nd	-0.8	nd	4.3	2.0	10.7	nd
Secondary Sector	-0.3	nd	9.2	-0.5	8.5	nd	3.9	nd	6.1	4.5	4.2	nd
Tertiary Sector	7.7	nd	4.8	2.6	6.9	nd	5.3	nd	3.2	3.1	4.9	nd
Manufacturing production (annual % change)	0.1	5.9	9.6	3.3	9.0	2.3	5.9	-3.2	-4.4	-1.5	-0.4	-6.4
Construction** (annual % change)	13.7	-0.4	44.2	33.3	-23.1	2.2	15.6	15.3	-0.5	9.1	1.3	21.6
Public works	8.6	14.3	47.7	123.5	-14.3	9.5	11.6	-4.8	-4.1	-1.3	-25.1	-7.1
Private works	17.8	-11.1	41.3	1.4	-30.5	-4.5	19.5	33.9	3.6	18.4	22.3	50.1
Retail sales (annual % change)	nd	nd	nd	nd	nd	nd	0.0	7.8	4.0	-2.0	5.3	9.4
Wholesale sales (annual % change)	nd	nd	nd	nd	nd	nd	-4.1	-1.7	-6.5	-1.1	-2.6	-2.3
Total Employment (annual % change)	2.4	7.6	7.1	7.6	7.9	7.6	4.4	3.6	3.7	3.1	3.9	3.8
Industry	1.4	12.8	11.8	13.6	13.1	12.7	4.5	4.1	4.8	3.4	6.2	2.1
Services	3.6	3.0	3.1	2.4	3.2	3.2	3.4	3.1	2.4	2.4	3.3	4.4
Total air traffic (passengers transport, annual % change)	na	na	na	na	na	na	-5.5	-10.2	-18.1	-20.5	-17.5	21.6
Federalized resources (annual % change)	6.0	4.2	12.6	3.0	-0.3	1.6	5.9	4.2	5.0	3.2	17.3	-8.0
Participations (Branch 28)	11.6	8.0	8.9	5.0	6.6	11.3	15.8	7.9	9.5	7.4	4.7	9.7
Contributions (Branch 33)	1.3	3.4	3.7	4.9	6.2	-0.9	0.5	4.4	3.6	1.1	21.4	-7.6
Remittances (annual % change)	-4.7	6.4	3.4	2.8	10.4	8.9	0.7	4.5	4.0	-0.1	7.3	7.3

	Morelos						Nayarit					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	6.8	nd	5.2	4.1	3.2	nd	6.1	nd	4.1	1.1	1.5	nd
Primary Sector	-0.7	nd	3.7	16.3	4.3	nd	6.7	nd	30.4	8.8	-3.9	nd
Secondary Sector	12.9	nd	6.0	3.9	-0.1	nd	-2.2	nd	-7.8	-8.1	-1.3	nd
Tertiary Sector	3.8	nd	4.6	3.4	5.2	nd	8.7	nd	3.3	2.9	3.3	nd
Manufacturing production (annual % change)	9.5	8.4	14.5	4.7	6.7	8.4	3.3	-3.8	-6.1	-8.7	9.3	-6.3
Construction** (annual % change)	-2.2	-6.3	-14.4	5.4	-2.8	-0.5	-8.4	7.0	-14.1	-5.8	-4.0	36.6
Public works	-12.9	-32.6	-51.3	27.3	-34.8	-64.9	-7.7	-5.5	-10.2	-21.0	-20.8	35.3
Private works	1.8	2.2	3.1	-1.2	15.1	18.3	-9.6	30.9	-19.6	27.9	30.0	39.2
Retail sales (annual % change)	3.2	2.0	7.2	0.5	-1.1	1.4	nd	nd	nd	nd	nd	nd
Wholesale sales (annual % change)	-8.4	-1.0	-9.1	-8.8	-5.9	-1.9	nd	nd	nd	nd	nd	nd
Total Employment (annual % change)	4.7	4.5	6.0	4.2	4.1	3.8	3.5	2.2	1.6	2.6	2.7	1.9
Industry	8.4	6.3	10.4	5.4	5.9	4.1	-2.1	-3.8	-6.4	-3.5	-2.2	-3.2
Services	3.0	3.7	4.0	3.7	3.3	3.6	5.8	4.2	3.9	4.6	4.4	3.9
Total air traffic (passengers transport, annual % change)	na	na	na	na	na	na	-9.4	20.2	15.1	26.7	30.0	10.6
Federalized resources (annual % change)	8.3	6.3	6.9	10.1	0.8	7.3	6.0	2.0	3.5	4.4	15.6	-12.7
Participations (Branch 28)	12.7	7.8	8.9	9.8	4.7	7.5	8.2	4.0	4.5	9.7	-1.9	3.7
Contributions (Branch 33)	0.9	3.6	7.9	0.2	11.2	-4.0	1.4	3.6	6.0	-0.4	19.9	-9.8
Remittances (annual % change)	1.4	5.6	2.0	4.3	10.4	5.7	-1.1	5.5	8.0	1.6	9.1	3.3

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 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 23

Region: medium development

	Puebla						San Luis Potosi					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	94	nd	85	54	74	nd	101	nd	65	34	65	nd
Primary Sector	29	nd	41	27	56	nd	56	nd	-7.3	0.5	2.5	nd
Secondary Sector	166	nd	165	101	126	nd	18.0	nd	9.2	3.7	8.8	nd
Tertiary Sector	58	nd	4.3	2.9	4.2	nd	5.3	nd	5.5	3.3	5.3	nd
Manufacturing production (annual % change)	200	115	190	128	149	10	12.3	13.8	14.6	11.6	12.5	16.5
Construction** (annual % change)	-21	-16.3	4.8	-13.6	-24.6	-2.5	-10.6	3.1	-8.2	0.7	-2.2	13.6
Public works	65	-18.9	7.6	-31.7	-38.1	13.4	-2.1	-31.6	-24.9	-31.9	-37.9	-26.2
Private works	-8.9	-13.9	2.4	5.2	-12.1	-16.6	-1.3	28.0	5.7	28.1	24.8	42.2
Retail sales (annual % change)	5.2	4.4	4.1	5.9	2.7	4.1	0.5	4.6	2.1	5.3	0.2	1.5
Wholesale sales (annual % change)	-1.8	-2.1	-0.7	-3.0	-4.3	-3.0	7.7	4.9	13.2	18.1	8.3	1.9
Total Employment (annual % change)	4.8	4.6	6.0	4.7	3.8	3.9	4.2	7.0	7.7	6.9	6.4	7.0
Industry	5.0	2.9	6.8	3.9	0.6	0.5	5.8	10.1	11.8	10.3	8.9	9.5
Services	4.7	5.8	5.1	5.2	6.3	6.7	2.5	4.1	3.7	3.9	3.9	4.9
Total air traffic (passengers transport, annual % change)	-7.0	-35.0	-47.1	-45.4	-33.1	0.2	12.5	7.6	9.0	4.6	4.3	12.7
Federalized resources (annual % change)	8.0	4.6	4.4	1.3	13.0	0.0	5.1	4.6	8.7	1.0	1.5	7.0
Participations (Branch 28)	18.2	3.4	0.2	6.3	0.2	7.4	14.6	6.2	4.8	4.9	3.7	11.5
Contributions (Branch 33)	2.0	5.7	7.5	3.1	10.2	1.9	1.0	2.8	3.2	-0.2	9.1	-0.7
Remittances (annual % change)	-0.1	7.0	9.4	5.5	9.0	4.4	0.6	11.2	5.7	10.9	14.5	12.8

	Sinaloa						Tabasco					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	4.7	nd	-5.3	-8.6	10.3	nd	7.3	nd	2.8	3.1	8.2	nd
Primary Sector	24.0	nd	-41.7	-60.2	83.6	nd	1.6	nd	-4.7	-0.8	0.2	nd
Secondary Sector	-5.9	nd	4.4	6.3	-0.9	nd	9.4	nd	3.3	2.9	9.5	nd
Tertiary Sector	3.8	nd	1.5	1.5	6.0	nd	3.9	nd	2.0	3.7	6.1	nd
Manufacturing production (annual % change)	1.9	2.9	4.2	0.9	2.6	3.9	3.2	8.2	13.7	8.3	18.2	-5.4
Construction** (annual % change)	-13.2	-10.4	-23.2	-22.5	-3.7	-2.2	0.7	19.8	-6.0	1.9	6.7	51.7
Public works	23.1	0.7	29.2	9.2	17.0	-13.0	5.4	13.7	0.1	7.9	6.3	34.7
Private works	-33.5	-21.9	-48.6	-41.7	-23.0	14.2	-16.1	47.8	-29.7	-19.3	8.6	137.8
Retail sales (annual % change)	0.3	5.2	-0.5	0.6	0.3	3.1	1.1	4.7	5.9	1.3	3.9	8.5
Wholesale sales (annual % change)	-10.3	-14.4	-17.5	-15.0	-22.1	-23.7	-9.6	4.2	-11.7	-5.4	-2.8	2.6
Total Employment (annual % change)	4.1	1.9	1.6	-0.1	2.5	3.5	3.4	6.0	4.3	5.0	7.2	7.3
Industry	3.2	3.7	3.7	2.4	3.2	5.4	0.8	8.6	5.4	9.0	12.3	7.7
Services	2.6	3.1	2.6	1.6	1.7	3.0	5.1	4.0	3.5	2.5	3.6	6.2
Total air traffic (passengers transport, annual % change)	1.9	-2.0	-8.2	-3.4	-0.8	5.3	-3.9	16.6	6.0	13.0	30.5	17.1
Federalized resources (annual % change)	4.9	2.8	2.5	-5.8	4.0	10.8	3.5	1.6	0.8	-3.5	2.2	7.6
Participations (Branch 28)	12.6	2.7	0.1	-0.1	6.5	5.0	4.2	0.4	-3.6	-1.2	0.6	6.3
Contributions (Branch 33)	0.3	4.4	5.8	1.4	10.3	0.6	-0.1	5.6	5.0	2.5	12.8	2.5
Remittances (annual % change)	3.1	8.7	6.2	6.8	14.1	7.6	-2.5	0.3	-1.2	-1.0	2.4	0.8

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 24

Region: medium development

	Tlaxcala						Veracruz					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	73	nd	4.9	2.6	2.9	nd	4.9	nd	2.2	0.1	1.5	nd
Primary Sector	50	nd	-1.2	-3.9	-7.2	nd	-2.5	nd	2.5	-2.4	1.4	nd
Secondary Sector	11.2	nd	7.3	4.2	2.1	nd	5.2	nd	-0.5	-0.5	-1.8	nd
Tertiary Sector	5.6	nd	3.9	2.4	3.9	nd	5.4	nd	3.9	0.8	3.8	nd
Manufacturing production (annual % change)	9.8	7.9	11.2	10.4	6.3	4.3	0.9	0.3	-1.1	-0.3	-1.0	3.7
Construction** (annual % change)	39.6	-31.3	47.5	-62.1	-64.6	-30.8	6.8	-9.3	9.0	-9.3	0.5	-10.7
Public works	51.1	-50.7	-48.6	-41.7	-23.0	14.2	2.4	-14.9	2.1	-15.9	-12.7	-11.3
Private works	7.7	44.6	11.7	-8.8	-36.7	-37.2	19.0	4.2	29.6	7.0	36.3	-9.6
Retail sales (annual % change)	nd	nd	nd	nd	nd	nd	3.4	3.5	3.3	5.1	2.6	3.1
Wholesale sales (annual % change)	nd	nd	nd	nd	nd	nd	-3.7	-3.3	0.2	-4.3	-3.0	-3.5
Total Employment (annual % change)	7.0	5.6	8.1	7.2	6.1	1.1	3.8	1.8	2.3	0.7	1.2	3.1
Industry	7.0	4.5	8.9	6.9	5.1	-2.2	4.9	1.2	1.7	-1.0	0.7	3.4
Services	7.2	7.3	7.0	7.9	7.8	6.5	3.2	2.3	2.8	1.7	1.6	3.0
Total air traffic (passengers transport, annual % change)	na	na	na	na	na	na	-5.4	3.4	-6.3	-4.8	7.5	19.9
Federalized resources (annual % change)	6.8	2.1	2.5	2.7	6.9	-2.8	7.1	3.9	6.7	-1.7	4.6	6.0
Participations (Branch 28)	12.1	4.6	3.8	5.0	3.2	6.6	15.4	7.7	12.4	2.8	4.4	10.9
Contributions (Branch 33)	1.3	4.8	3.8	1.3	12.3	2.3	0.5	4.0	4.3	0.9	10.1	0.9
Remittances (annual % change)	0.0	6.0	9.8	4.3	8.4	1.9	-4.4	2.7	3.7	1.8	4.6	0.7

	Yucatan						Zacatecas					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	7.1	nd	2.6	2.4	2.3	nd	5.5	nd	0.4	0.0	-1.7	nd
Primary Sector	1.0	nd	-0.2	7.2	6.6	nd	2.9	nd	3.0	4.7	-6.3	nd
Secondary Sector	11.4	nd	-1.0	-1.6	-5.6	nd	9.2	nd	-1.7	-2.6	-7.3	nd
Tertiary Sector	5.6	nd	3.8	3.5	4.8	nd	4.0	nd	1.3	0.8	2.7	nd
Manufacturing production (annual % change)	4.7	-4.7	2.7	-3.0	-1.3	-14.5	7.1	-3.2	-5.7	-6.0	-9.1	9.5
Construction** (annual % change)	-4.2	-2.9	-12.3	-0.3	-0.5	-8.0	-9.6	10.5	-1.8	-8.5	0.2	16.9
Public works	-11.5	-19.7	-27.8	-37.0	-12.6	-13.4	-19.7	9.0	1.4	-4.4	-10.8	33.8
Private works	6.8	18.3	15.3	59.4	15.0	-2.3	19.0	4.2	29.6	7.0	36.3	-9.6
Retail sales (annual % change)	1.5	4.6	0.0	0.1	3.0	2.8	-0.2	3.0	-0.7	-2.7	-6.1	0.7
Wholesale sales (annual % change)	-1.0	1.4	-3.3	3.9	0.8	0.1	-9.3	1.5	0.2	-3.3	3.9	0.3
Total Employment (annual % change)	3.1	2.4	2.7	2.0	2.6	2.4	5.3	4.5	4.7	3.4	4.8	5.3
Industry	2.5	1.0	2.6	0.3	1.0	0.0	9.0	8.6	9.2	7.1	9.3	9.0
Services	3.6	3.2	2.7	2.9	3.4	3.6	3.3	2.1	2.1	1.0	2.1	3.0
Total air traffic (passengers transport, annual % change)	8.8	8.7	-0.9	7.8	5.1	22.9	3.6	-8.8	-15.4	-24.8	-17.2	33.3
Federalized resources (annual % change)	2.7	5.3	3.6	2.5	8.7	6.1	-1.6	3.7	4.6	-11.4	4.3	21.8
Participations (Branch 28)	6.5	4.8	1.9	6.9	3.5	7.0	11.1	6.1	7.7	6.5	2.6	7.3
Contributions (Branch 33)	0.4	4.4	3.6	2.0	10.4	1.7	1.0	3.6	4.4	-23.5	10.0	41.4
Remittances (annual % change)	2.6	4.4	0.4	4.8	7.2	5.2	1.6	7.4	4.1	5.9	11.1	8.2

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

Chart 25

Region: high marginalization

	Chiapas						Guerrero					
	2010	2011	1T11	2T11	3T11	4T11	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	104	nd	61	58	00	nd	46	nd	3.2	-0.6	-0.2	nd
Primary Sector	1.0	nd	0.4	8.0	10.0	nd	1.7	nd	15.7	-3.9	0.7	nd
Secondary Sector	24.2	nd	11.7	9.8	-12.1	nd	10.9	nd	-1.8	-7.7	-2.9	nd
Tertiary Sector	6.6	nd	4.6	4.0	4.4	nd	3.6	nd	3.4	1.3	0.4	nd
Manufacturing production (annual % change)	3.9	-9.7	-4.4	-4.5	-5.1	-22.7	1.1	1.7	-0.2	2.4	0.3	4.3
Construction** (annual % change)	37.5	-8.3	21.9	-2.0	6.8	-18.8	-18.2	-6.4	-22.8	-17.2	-8.6	-1.2
Public works	41.6	-14.2	10.7	-16.2	-5.4	-21.6	-8.1	-6.3	-13.7	13.4	-23.5	-4.3
Private works	27.9	6.9	57.5	23.9	45.9	-9.5	-2.5	29.3	-31.4	-40.2	12.1	3.3
Retail sales (annual % change)	1.0	5.2	2.0	0.3	1.0	4.1	-1.8	-3.4	0.0	0.6	-3.4	2.5
Wholesale sales (annual % change)	-8.2	-2.9	-7.8	-10.5	-4.0	-2.3	-1.5	-7.5	-5.7	2.8	-4.1	-7.8
Total Employment (annual % change)	5.4	4.9	6.0	5.2	4.7	3.9	-0.9	-0.3	0.2	0.4	0.0	-2.0
Industry	8.1	-0.5	5.2	-0.6	-3.2	-3.1	-10.4	-3.2	-1.6	-3.4	-3.1	-4.9
Services	5.3	6.3	6.2	6.4	6.9	5.5	2.4	0.5	0.6	1.5	1.1	-1.0
Total air traffic (passengers transport, annual % change)	-1.6	18.8	14.3	22.6	22.5	16.0	-1.1	-1.3	-12.6	-13.7	-22.1	4.6
Federalized resources (annual % change)	8.0	3.4	5.4	-7.0	7.3	9.0	6.6	7.8	5.2	8.3	14.5	3.8
Participations (Branch 28)	10.6	5.3	6.3	3.0	3.4	8.6	16.5	11.0	11.0	14.3	6.3	12.3
Contributions (Branch 33)	0.4	5.4	5.6	2.3	11.6	2.1	0.5	3.6	3.5	0.5	10.1	0.6
Remittances (annual % change)	-5.7	3.4	7.0	2.8	2.6	1.8	0.2	4.9	5.7	1.5	8.5	4.3

	Oaxaca					
	2010	2011	1T11	2T11	3T11	4T11
Economic Activity (QIEAS*) Total	4.2	nd	3.3	0.8	0.6	nd
Primary Sector	-1.8	nd	1.5	4.7	4.8	nd
Secondary Sector	4.1	nd	13.1	4.4	-2.7	nd
Tertiary Sector	4.8	nd	1.0	-1.0	1.3	nd
Manufacturing production (annual % change)	-8.0	3.2	7.6	1.8	-4.9	9.4
Construction** (annual % change)	24.1	16.1	67.5	55.4	20.5	5.8
Public works	26.6	8.4	70.6	48.7	5.0	-2.0
Private works	8.4	71.3	42.9	98.9	127.7	51.1
Retail sales (annual % change)	14.0	-1.1	14.5	13.5	-0.9	-1.4
Wholesale sales (annual % change)	-10.1	-3.1	-7.7	-6.4	-4.7	-3.3
Total Employment (annual % change)	1.2	2.4	1.6	2.5	3.5	2.0
Industry	-2.7	1.7	0.8	2.2	5.2	-1.1
Services	2.8	2.4	1.8	2.7	2.6	2.6
Total air traffic (passengers transport, annual % change)	-8.5	0.7	-26.0	-7.1	10.0	36.1
Federalized resources (annual % change)	5.3	3.4	6.4	5.7	-2.6	3.9
Participations (Branch 28)	15.4	7.0	6.0	6.2	6.4	9.3
Contributions (Branch 33)	0.7	3.8	8.1	5.0	5.8	-9.0
Remittances (annual % change)	0.0	9.9	6.8	4.4	15.2	13.3

* Quarterly Indicator of Economic Activity Statewide (Indicador Trimestral de la Actividad Económica Estatal); ** Production value in real terms; na = not available
 Source: INEGI, IMSS, Pemex, SCT, Sector, CNBV, Banxico and SHCP-UCEF

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