Mexico GDP Flash

1Q12 GDP above expected (1.3% qoq vs. 0.7% estimate), which prints upward bias to 2012

- In contrast to expectations based on monthly indicators, the activity increased nearly double last quarter.
- It is worth noting the growth of industry and services, rebounding from the previous quarter.
- Without losing sight of the risks associated with global uncertainty, the positive surprise in the first quarter prints an upward bias to estimates of 2012 and 2013, at this time by 3.7% and 3.0%.

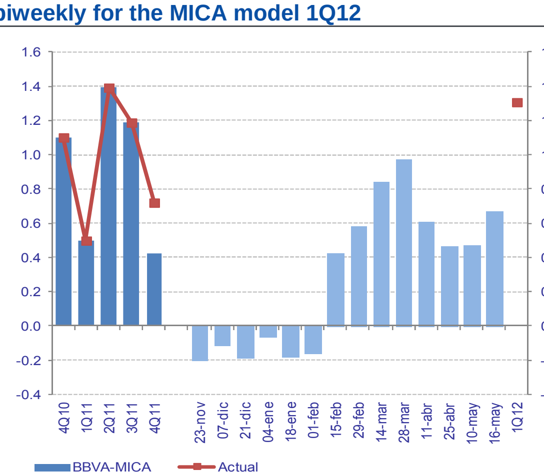
The Mexican economy grew 1.3% qoq in seasonally adjusted series in 1Q12, above our forecast of 0.7% qoq. The growth in annual terms and stood at 4.7%, implying a significant improvement over the previous quarter (3.9%) which further emphasizes the upward revision in the originally published data from the original 0.4% to 0.7% today.

Growth higher than expected due to the good performance of manufacturing, construction and in services, particularly, trade. In industry, today reported annual variation seems higher than expected based on the monthly index of industrial activity, which suggested a moderation in annual growth rate (industry: 1.5% in 1Q12, 1.0% qoq the previous quarter). Meanwhile, in the case of services, whose growth was 0.8% (0.4% previously), two components contribute to explain 0.6 pts, and are the GDP in the trade sector with quarterly growth of 2.5% (0.4% previously) and the financial services sector, with expansion of 5.4% per quarter (2.1% the previous period). Also noteworthy is the strong growth of the primary sector, 2.4% qoq (-0.3% previously), although due to the low weight of the sector's contribution to growth is marginal.

The information released today by sector and related appropriate indicators, suggest that on 14 June when we know the performance of the components of GDP by the demand side, we find an upturn in investment and export activities as well as household consumption. In investment should be recalled that the indicator data of gross investment support this trend in February (7.4% yoy, 5.8% in Q4), while key variables such as job creation and real wages in the real sector continue to make positive contributions to the growth of the wage mass. Likewise, the credit to consumption and firms has continued to underpin domestic demand, which will be key in the following quarters.

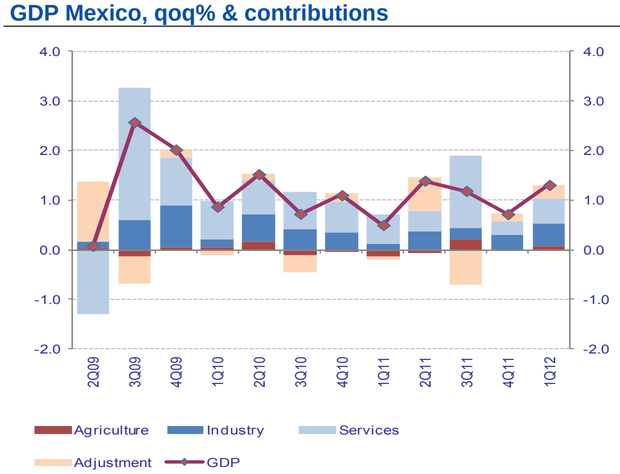
The higher than expected growth in the first quarter prints an upward bias in 2012 and 2013, so current estimates of 3.7% and 3.0% would be located in the low range of the forecast interval, equal to everything else considered the baseline scenario of BBVA Research. In particular, if the European crisis resolved positively, so that financial volatility and the risk of a decline in Mexican external demand mitigate.

Chart 1
GDP Mexico: estimated quarterly growth recorded and biweekly for the MICA model 1Q12



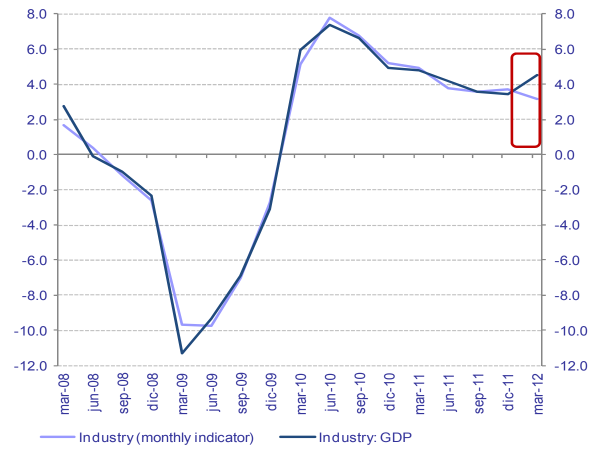
Source: BBVA Research with INEGI data

Chart 2
GDP Mexico, qoq% & contributions



Source: BBVA Research with INEGI data

Chart 3
Industry, monthly indicator & GDP, yoy%



Source: BBVA Research with INEGI data

Chart 4
GDP Mexico

	2011	1Q12			
		yoy	contr.	qoq	contr.
GDP	3.9	4.7	4.7	1.3	1.3
Agricuture	-3.0	6.7	0.2	2.4	0.1
Industry	4.0	4.5	1.4	1.5	0.4
Services	4.2	4.1	2.7	0.8	0.5
Adjustment*			0.4		0.3

* Includes aggregation gap, taxes net of subsidies and financial intermediation services indirectly measured

Source: BBVA Research with INEGI data

(*)The quarterly GDP estimates are made from BBVA Research MICA model, is constructed from contemporary indicators of activity, expenditure and financial expectations. This instrument can provide estimates of quarterly GDP growth as timely as it could be the arrival of new data, which in the case of finance is daily.

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