

Mexico GDP Flash

2Q12 GDP: growth based on private spending and exports, contribution of public demand decreases

- 2Q12 growth of 0.9% qoq, driven by private demand components and net exports, while the public components of demand growth slightly detracted.
- Components of 2Q12 demand and available economic indicators supports a growth rate for 2012 growth slightly above 3.7% BBVA Research published in early May. However, some signs of moderation balance the persistence of forecast uncertainty.

In the second quarter **the strength of domestic demand from private sources continued**, which contributed 0.5 percentage points (pp) of quarterly advance of 0.9% of GDP in the reference quarter. Meanwhile external demand also highlighted in with 0.4 pp contribution.

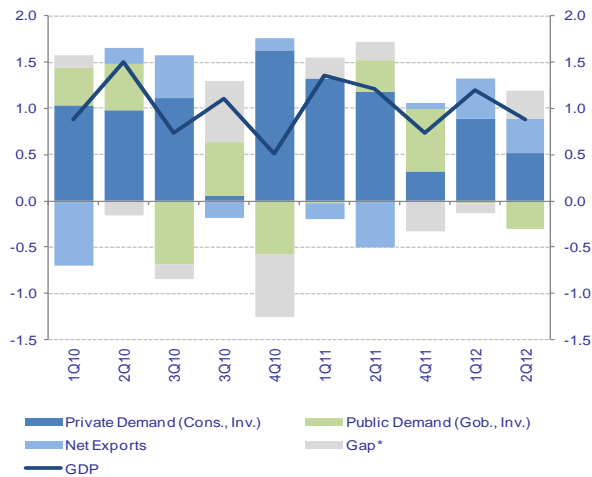
Private consumption, which accounts for about 70% of GDP, grew at rate of 0.4% qoq, which represents a good rate but lower than the 0.8% observed in the previous two quarters (both revised down from 1 % qoq initially published). In annual terms, the variation was 3.6% in the second quarter. Within the private consumption component emphasizes the participation of services of national origin. The good growth of consumption in recent months has been largely supported by the maintenance of the household disposable income, particularly those from the formal market economy. Also, credit support has been key element being both consumption and investment. It should be remembered however, that according to the data of the ENOE, despite the pace of job creation (4.5% yoy in 2Q12), labor income in real terms of total employment showed negative variation rate in annual basis since 2Q08 (-1.0% in 2Q12).

Meanwhile, **investment behaved significantly better than expected**, with a 0.3% quarterly growth, derived from the rebound in private investment that grew 2% in the quarter, with moderation over the first three months of year (8% qoq). In contrast, public investment in 2Q12 fell to (-)3%. In terms of annual growth, investment highlights with an advance of 6.2% due to strong performance of its components, particularly residential construction, non-residential, and less on machinery and equipment.

In the second quarter, exports of goods and services continued to grow steadily (1.7% qoq) but lower than in 1Q12 (4.6% qoq). While imports fell slightly from the previous quarter, (-)0.2% per quarter, which showed a **positive contribution of net exports of 0.4pp, the same as during the first quarter**.

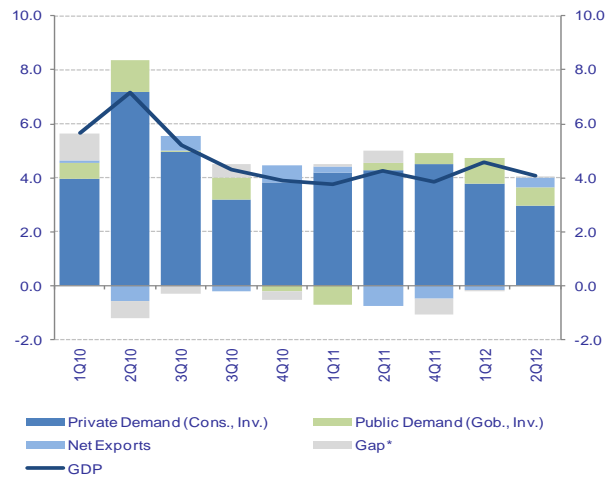
Available information for the third quarter suggests that this will have continued with good GDP growth, even higher than estimated at the beginning of the quarter of 0.5%. In any case, **we maintain the growth forecast of 3.7% for the current year but do not rule it can be slightly better**.

Table 1
GDP: Contributions to quarterly growth



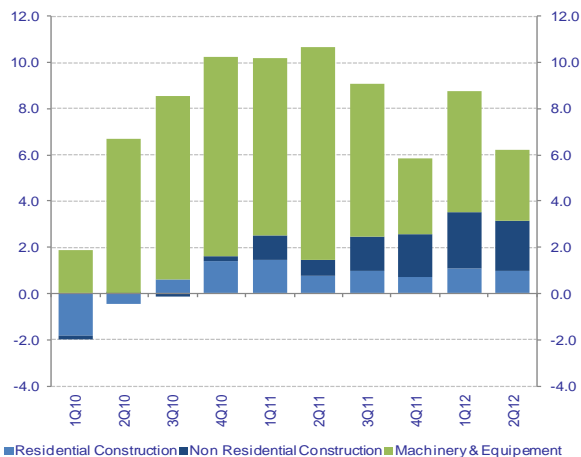
Source: BBVA Research with INEGI data

Chart 1
GDP: Contributions to yearly growth



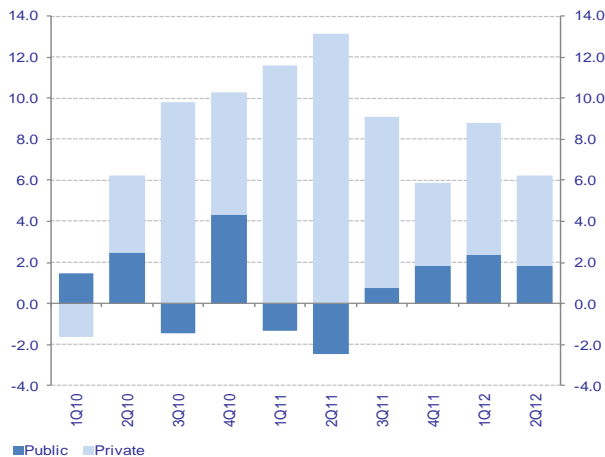
Source: BBVA Research with INEGI data

Chart 4
Total Investment (y/y% & components)



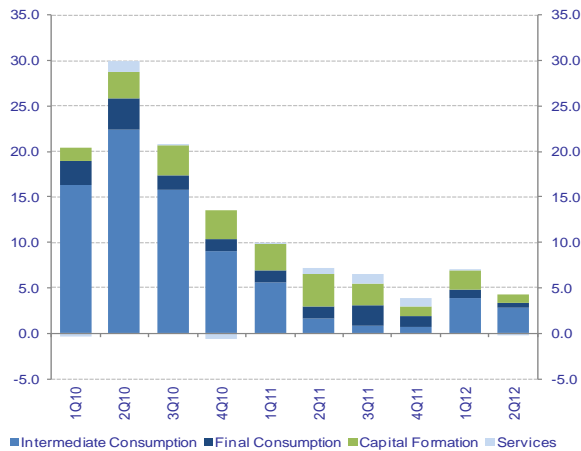
Source: BBVA Research with INEGI data

Chart 5
Total Investment (y/y% & components)



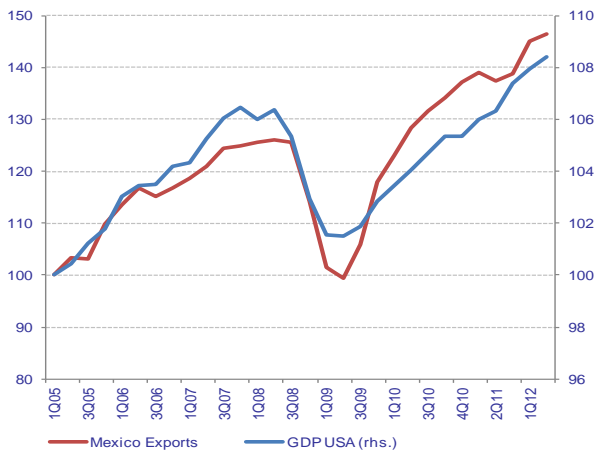
Source: BBVA Research with INEGI data

Chart 6
Imports (y/y% & components)



Source: BBVA Research with INEGI data

Chart 7
Exports & US GDP (1Q05=100)



Source: BBVA Research with INEGI data

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