

Mexico GDP Flash

GDP 3Q12: growth based on domestic demand components, while external contracts

- 3Q12 growth of 0.5% q/q, driven by domestic demand, both consumption and investment rebound from the previous quarter (1% and 0.9%, respectively). In contrast, lower external demand meant zero contribution from net exports.
- In an environment of increasing uncertainty, economic indicators support a slightly higher growth for 2012 to 3.7% BBVA Research published in early May (3% in 2013).

During the third quarter, economic activity growth stood at 0.5% q / q (seasonally adjusted), which was located almost in line with expectations a quarter ago (0.6%) but below the estimate based on the more timely data. Today, with the publication of the components of demand, we know that the origin of this difference was mainly in the major restraint in exports of goods and services, since the components of domestic demand (private consumption, government and investment total), grew to even greater rate than the previous quarter.

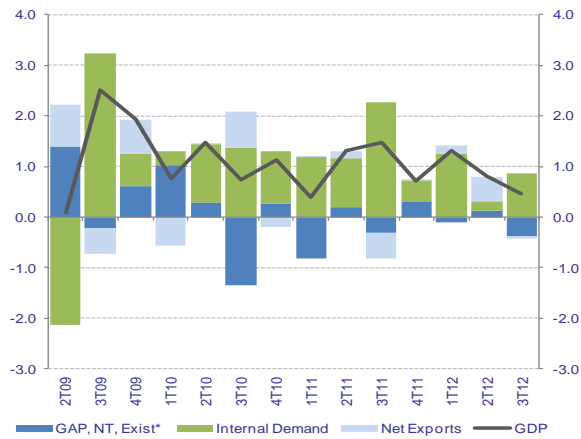
Regarding exports of goods and services, the contraction of this component was at (-)2.4% q/q, which is the lowest since the second quarter of 2009 (2.7% y/y). It is worth noting in particular the lower exports of manufactures based on trade balance data that have shown a declining trend in monthly terms, in line with the dynamics of American industry that is already reflected in the Mexican industry. Imports contracted at a rate of (-)2.3% q/q (0.7% y/y), the most affected components were final and intermediate goods. The contribution to growth from net exports to imports was nil in the quarter being reported.

By domestic demand, one must note the rebound in private consumption, which stood at 1% q/q (0.2% in the previous quarter, revised from 0.4%). Remember that this component represents about 70% of GDP. In annual terms, the increase in private consumption stood at 2%. Private consumption growth was concentrated in the durable goods component and semi-durables, in both domestic and imported, which is a positive sign on the consumer perspective. The labor mass and particularly the wage mass in the formal private sector is key for the maintenance of private consumption. In the third quarter, this measure rose 2.8% year on year and 4.5% respectively for the total employed, and the formal private sector group, respectively. In this advance is key employment growth, which grew 4.1% per year over the previous year.

The other large component of domestic demand, investment also had good growth of 0.9% q / q, above that observed in Q2 from 0.6% (revised from 0.3%). This quarterly change, implied an annual grew of 5.9%, well above the growth of the economy as a whole. Among the components of the investment, the public investment, 24% had an annual growth of 17% (the highest since 2009). Meanwhile, private investment grew more modest (1.2% y/y), focused on the machinery and equipment component.

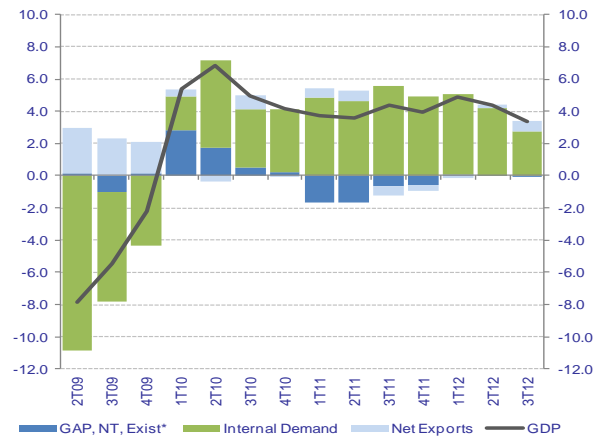
Towards the end of the year and early next, the uncertainty associated with the resolution of the "Fiscal Cliff" U.S. and its eventual impact on Mexico are emphasized. Meanwhile, trade balance industry figures for the start of Q4 suggest that moderation in activity is accentuated in recent months. We must also remember that one of the key for growth of domestic demand, that is real income component of the disposable income, has shown negative percentage changes since 2Q08, which could limit the robustness of domestic demand growth to forward. Perspective maintain order expansion of 3.7% (or slightly higher) and 3% for this year and next.

Table 1
GDP: Contributions to quarterly growth



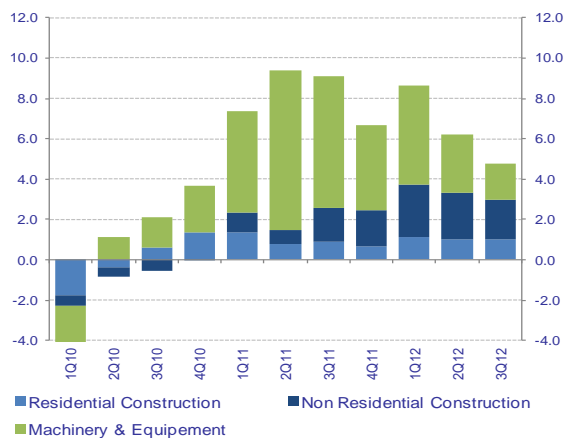
Source: BBVA Research with INEGI data

Chart 1
GDP: Contributions to yearly growth



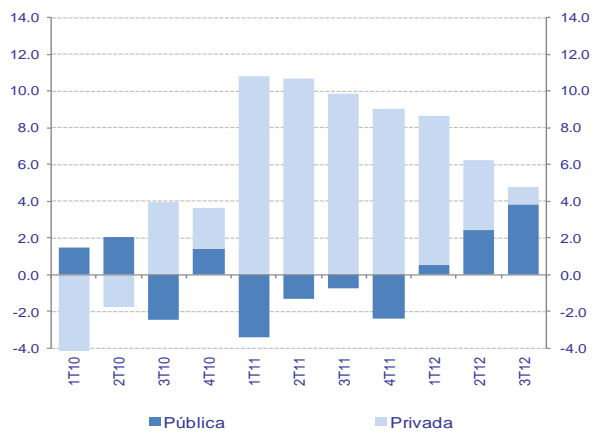
Source: BBVA Research with INEGI data

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



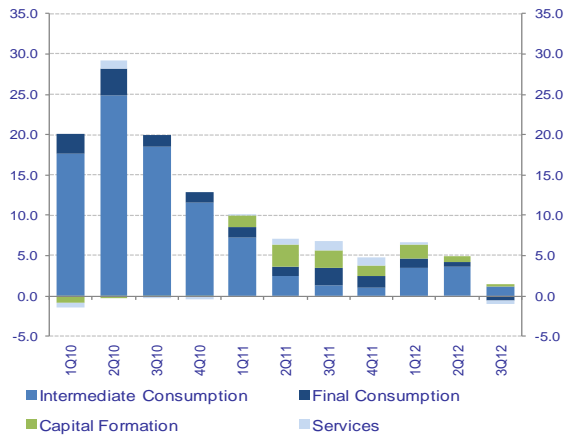
Source: BBVA Research with INEGI data

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



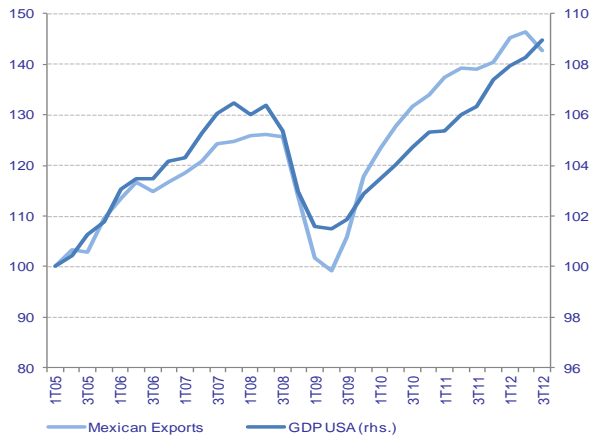
Source: BBVA Research with INEGI data

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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