



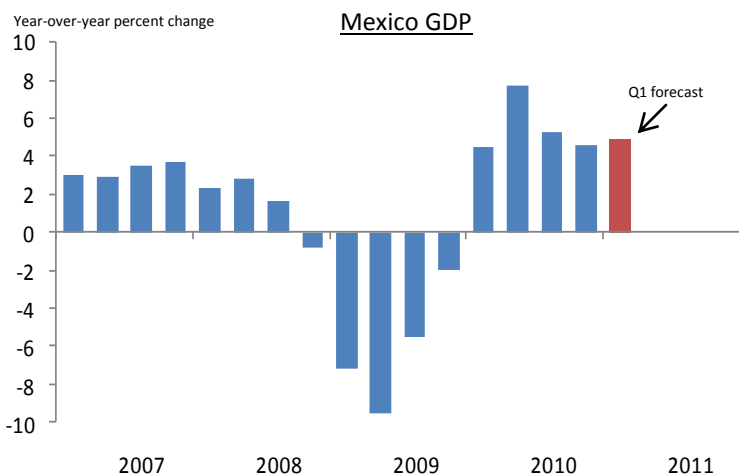
APRIL 2011

Mexico Economic Update

FEDERAL RESERVE BANK OF DALLAS

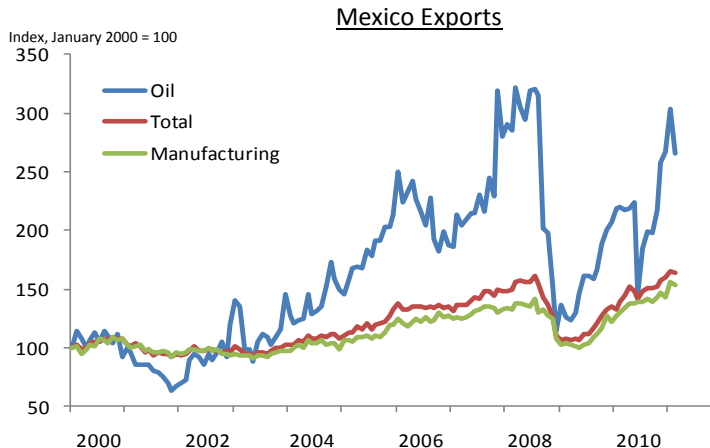
Summary

The latest data suggest Mexico's economic growth continues to be strong; output and employment are growing at last year's robust pace. Although the March inflation reading was tame, minutes from Banco de México's March meeting suggest the inflation outlook has deteriorated.



First quarter 2011 forecasts call for 4.8 percent growth according to private economists surveyed by Banco de México in March. The GDP growth forecast for all of 2011 is 4.3 percent, according to the same survey. Mexico's GDP grew 5.5 percent in 2010, exceeding expectations from both the government and private sector. Better-than-expected growth was driven by stronger manufacturing exports and a pickup in domestic demand during the second half of the year.

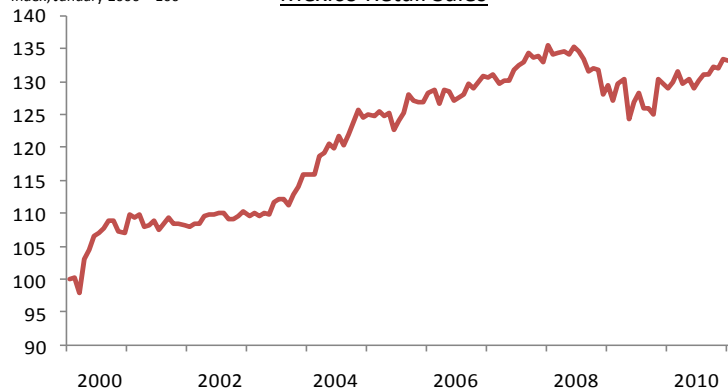
After growing in January, total exports fell 0.9 percent month-over-month in February. Oil exports dropped 12.4 percent, while manufacturing exports fell 1.6 percent. By year end 2010, exports were back to precrisis levels. Exports grew 27.8 percent in 2010. Oil and manufacturing exports grew 34.9 percent and 27.4 percent, respectively.



Industrial production grew 1.4 percent month-over-month in January, but fell 0.4 percent in February. Mexico's industrial production has followed U.S. industrial production's upward trend since late 2009 with the U.S. automotive industry as the driving force behind the manufacturing correlation between the two countries.

Index, January 2000 = 100

Mexico Retail Sales

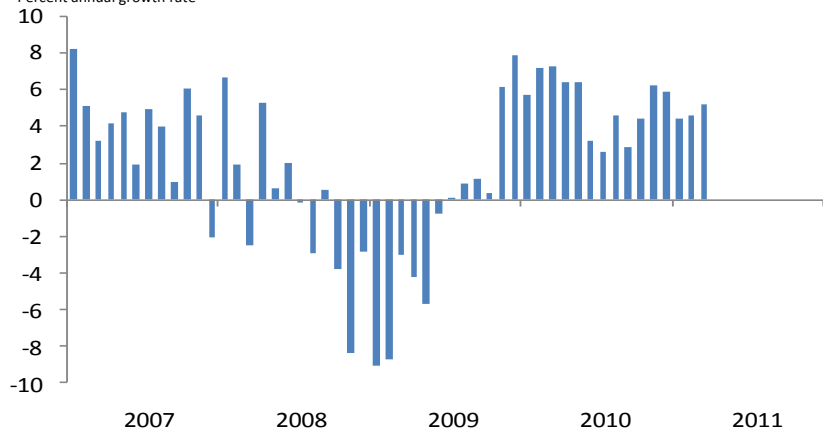


Retail sales fell 0.2 percent in January after rising 1.1 percent in December. Consumption recovered in 2010, led by gains in employment. Retail sales have been trending upward since fall 2009, although they are volatile month-to-month.

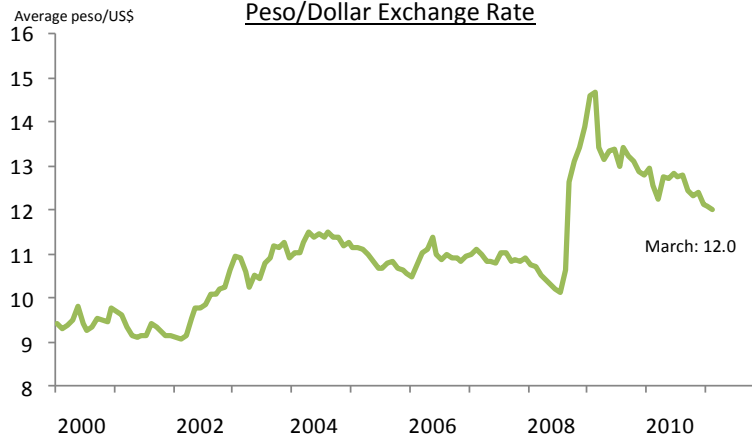
Formal sector employment grew at an annualized rate of 5.2 percent in March. Mexico registered impressive employment growth during 2010 with more than 700,000 formal-sector jobs created, a figure not seen since 1998.

Percent annual growth rate

Mexico Formal Employment



Peso/Dollar Exchange Rate

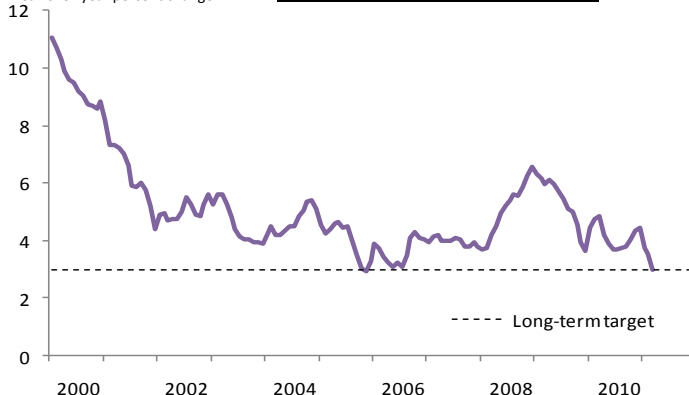


The peso/dollar exchange rate averaged 12 pesos per dollar during March. The peso has appreciated 3.2 percent against the dollar since December; however, it is still down from 2008 levels. The peso appreciated 3.8 percent in 2010.

Mexico's headline inflation hit the long term target in March. Prices grew 3 percent year-over-year in March, down from 3.5 percent in February. The central bank attributed the slower pace of headline inflation to falling prices of fruits and vegetables, lower services prices and lower government-set rates.

Year-over-year percent change

Mexico Consumer Price Index



Note: All data are seasonally adjusted except GDP, exchange rate, and CPI. GDP, exports, and retail sales are in real terms.

Sources: Gross domestic product, industrial production and retail sales: Instituto Nacional de Estadística y Geografía (INEGI); Exports, exchange rate, and consumer price index: Banco de México; Formal employment: Instituto Mexicano del Seguro Social. US industrial production: Federal Reserve Board.

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