



June 2011

Mexico Economic Update

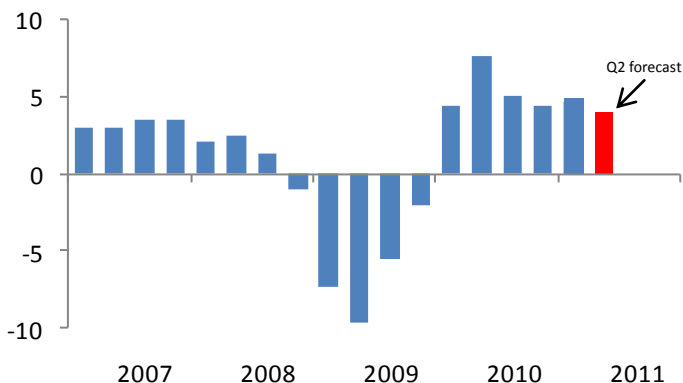
FEDERAL RESERVE BANK OF DALLAS

Summary

The latest data suggest Mexico's economic recovery continues, albeit at a slower pace. Following robust output growth in the first quarter, industrial production ticked down in March and April exports fell. Retail sales dipped in March, and April employment growth slowed from its rapid first quarter pace. The peso strengthened in April and May, and May inflation edged down.

Year-over-year percent change

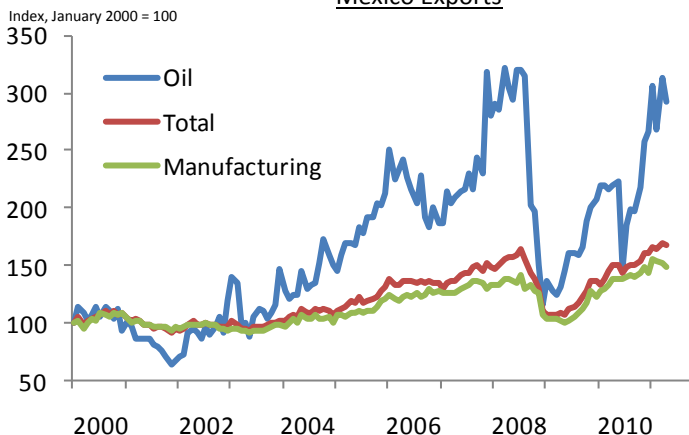
Mexico GDP



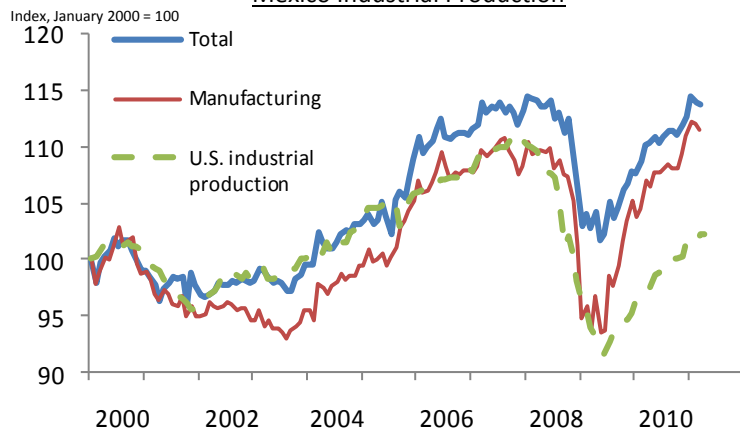
First quarter 2011 GDP grew 4.6 percent from the same period a year earlier, slightly below analysts' expectations. Oil and mining production fell as construction, services and manufacturing sectors grew from a year ago. According to Banco de México's May survey, forecasts for second quarter call for a 4 percent GDP growth, while the GDP growth forecast for all of 2011 is 4.4 percent.

After growing in March, exports fell 1.6 percent month-over-month in April. Oil exports dropped 6.4 percent, and manufacturing exports fell 2.3 percent. By year-end 2010, exports had reached precrisis levels. Year-to-date, exports have grown 17.8 percent, which compares with 32.4 percent growth in the same period last year. Oil and manufacturing exports have grown 34.9 percent and 14.9 percent, respectively.

Mexico Exports



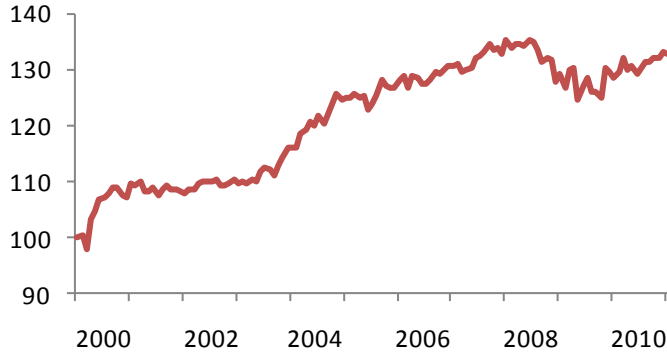
Mexico Industrial Production



Industrial production fell 0.2 percent month-over-month in March after falling 0.4 percent in February. This is the first consecutive monthly decline in IP since late 2008, and it could be related to supply disruptions in Japan. Mexico's industrial production closely tracks U.S. industrial production due to the large presence of the U.S. automotive industry in Mexico.

Index, January 2000 = 100

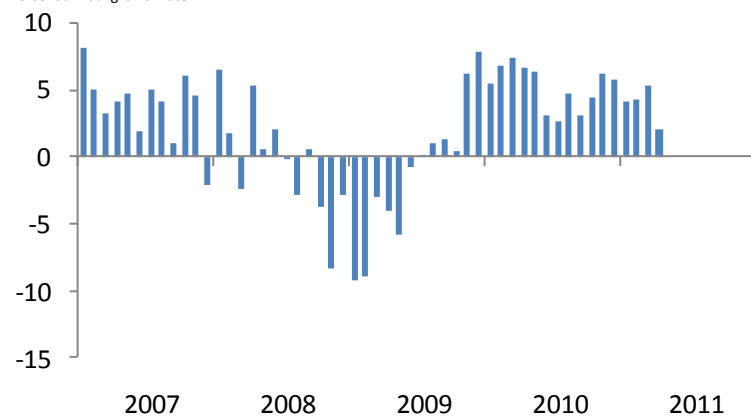
Mexico Retail Sales



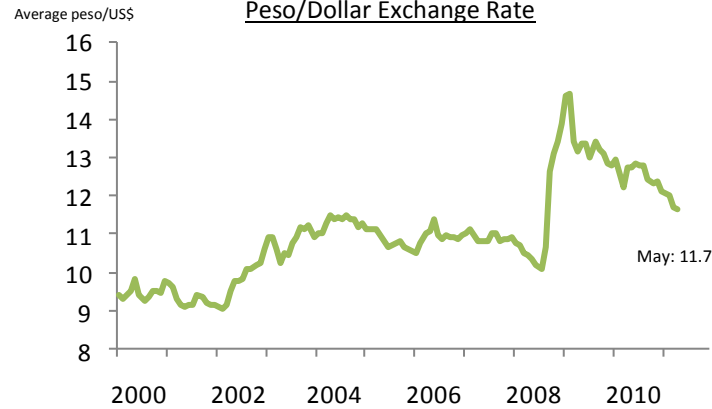
Retail sales fell 0.3 percent in March but have grown 0.3 year-to-date. Consumption recovered in 2010, led by gains in employment. Retail sales have been trending upward since fall 2009, although they are volatile month-to-month.

Formal sector employment grew at an annualized month-over-month rate of 2.1 percent in April, down from 4.9 percent growth in the first quarter (annualized rate). Mexico registered impressive employment growth during 2010 with more than 700,000 formal-sector jobs created, a figure not seen since 1998.

Mexico Formal Employment



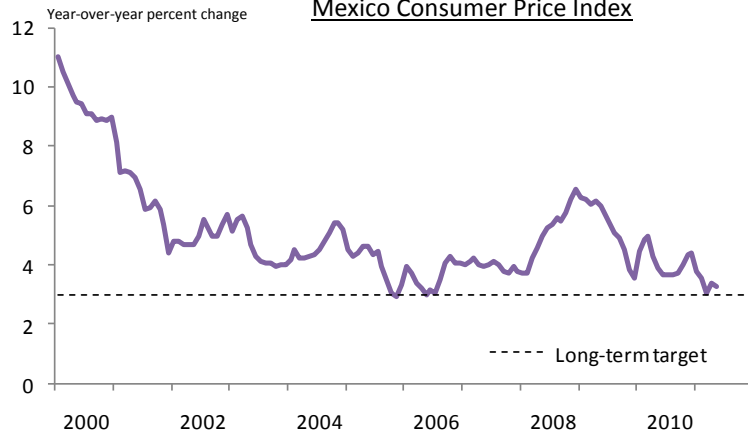
Peso/Dollar Exchange Rate



The peso continues to strengthen against the dollar. The peso/dollar exchange rate averaged 11.7 pesos per dollar during May, up from an average of 12 in March. The peso has appreciated 6.3 percent against the dollar since December; however, it is still down from 2008 levels. The peso appreciated 3.8 percent in 2010.

Prices grew 3.2 percent year-over-year in May, slightly down from 3.3 percent in April. The central bank attributed the lower pace of headline inflation to decreasing prices of fruits and vegetables, and noted the lack of broad-based price pressures.

Mexico Consumer Price Index



NOTE: All data are seasonally adjusted except GDP, and exchange rate. 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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