



April 2012

# Mexico Economic Update

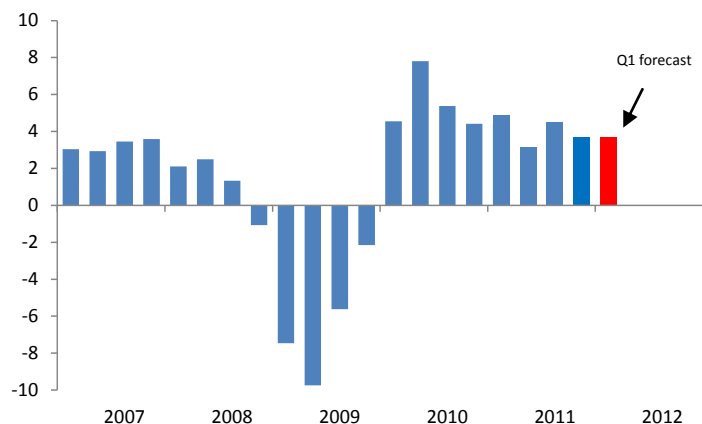
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## Summary

Mexico's economy likely expanded at a moderate pace in the first quarter 2012 after slowing significantly in the fourth quarter of 2011. Exports increased in February, retail sales rose in January and employment continued its strong growth in February. Industrial production, however, fell in February. The peso appreciated against the dollar, and inflation declined in February and March.

Year-over-year percent change

### Mexico GDP

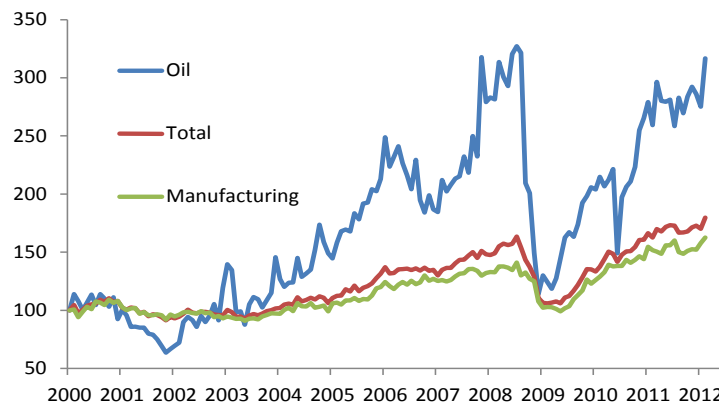


First quarter 2012 forecasts call for 3.7 percent growth over the same period last year. With slightly better than expected economic data coming in, Mexico's GDP growth forecast for 2012 has been revised up slightly to 3.4 percent. Growth is expected to decelerate in the second half of the year to an average of 3.2 percent.

Exports grew 5.7 percent in February over January. Manufacturing exports increased 3 percent, while oil exports rebounded from January, growing 15.1 percent. However, export growth is subdued so far in 2012 compared with 2011. Total exports increased 6.4 percent during the first two months of the year, a substantially slower pace than the 21.4 percent growth seen during the same time in 2011. Oil and manufacturing exports grew 9.9 percent and 4.6 percent, respectively.

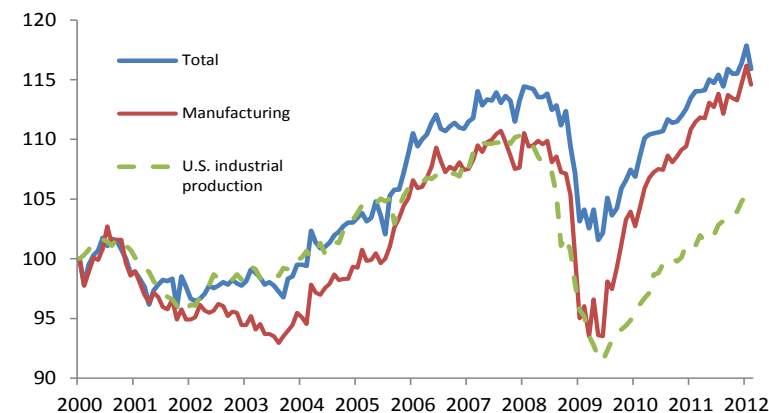
Index, January 2000 = 100

### Mexico Exports



### Mexico Industrial Production

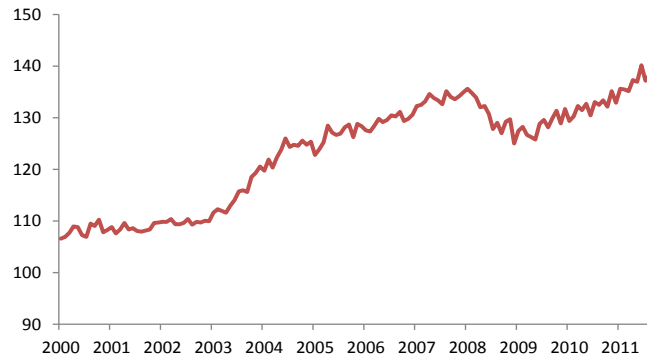
Index, January 2000 = 100



Industrial production (IP) fell 1.7 percent month over month in February after growing 1.3 percent in January. U.S. IP held steady in February after increasing 0.5 percent in January. Mexico's industrial production typically tracks U.S. IP, due in part to the U.S. automotive industry's large presence in Mexico.

## Mexico Retail Sales

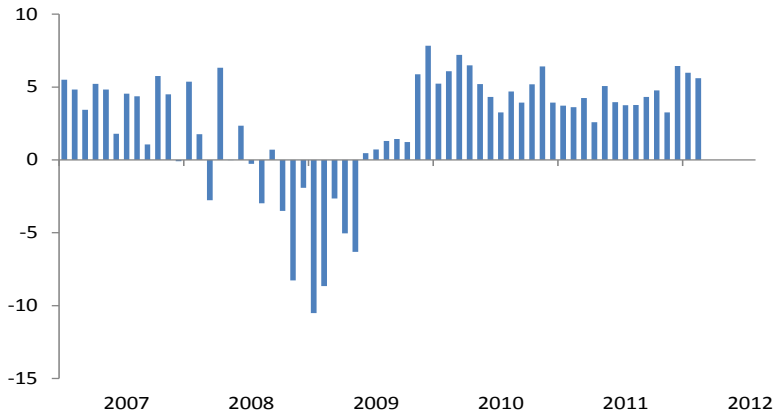
Index, January 2000 = 100



Retail sales grew 0.9 percent month over month in January after falling 2.1 percent in December. Overall, retail sales grew 3.1 percent in 2011 (December over December). Despite rising retail sales, consumer confidence was essentially flat in February and March.

## Mexico Formal Employment

Annual growth rate (percent)



Formal-sector employment expanded at an annualized rate of 5.6 percent in February (month over month). Since December, Mexico has added over 145,000 jobs.

## Peso/Dollar Exchange Rate

Peso/dollar average

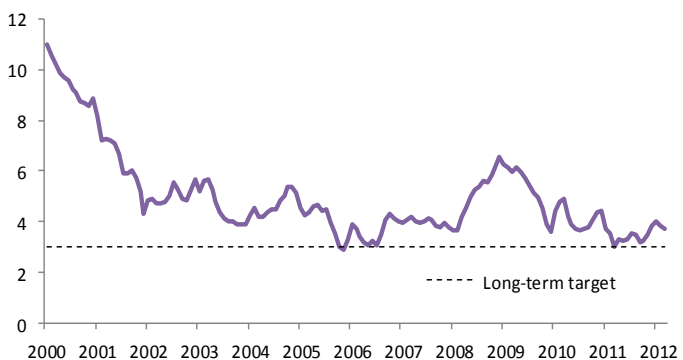


The peso has strengthened 7.6 percent against the dollar since December. The exchange rate averaged 12.8 pesos per dollar during March, down from an average of 13.7 in December.

## Mexico Consumer Price Index

Inflation ticked down in February and March relative to January. Prices rose 3.8 percent year over year in February and 3.7 percent in March, which compares with 4 percent in January. Fruit and vegetable prices surged between October and January due to inclement weather conditions, but declined during February and March. Meat and egg prices also dropped in March. Without food and energy, prices increased 3.3 percent year over year in both February and March.

Year-over-year percent change



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

**SOURCES:** Gross domestic product, industrial production, consumer price index and retail sales: Instituto Nacional de Estadística y Geografía; exports, exchange rate: Banco de México; formal employment: Instituto Mexicano del Seguro Social; U.S. industrial production: Federal Reserve Board.

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