



January 2012

Mexico Economic Update

FEDERAL RESERVE BANK OF DALLAS

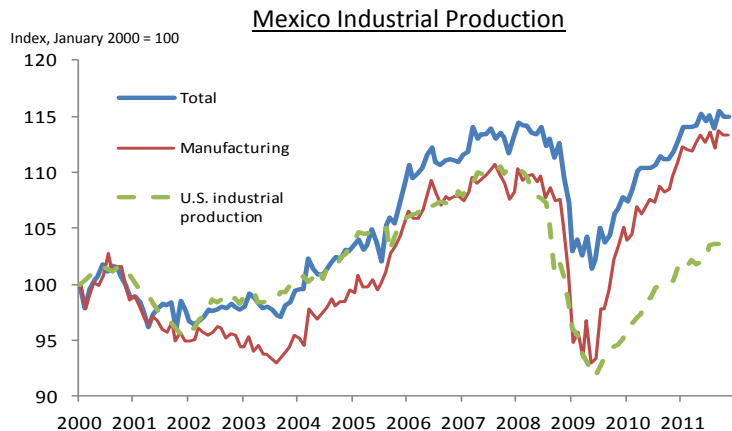
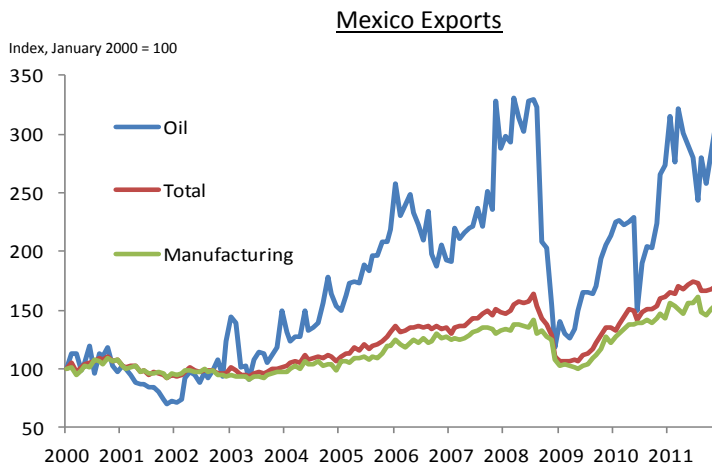
Summary

The latest data suggest a pickup in activity in the fourth quarter. Industrial production ticked up, exports rose in November, and employment grew strongly in December. The peso fell relative to the dollar in December, and inflation increased considerably in November and December. Retail sales dipped in October.



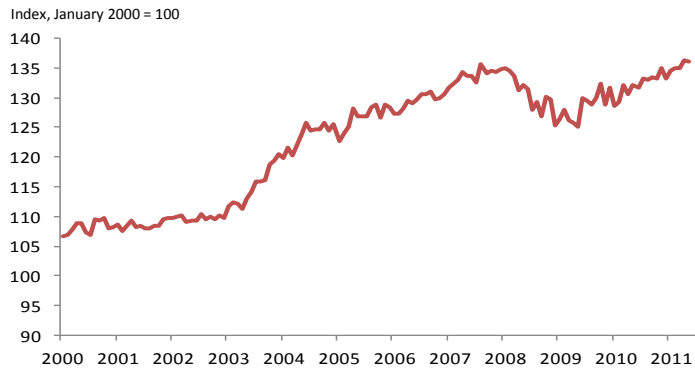
The fourth quarter 2011 gross domestic product forecast calls for 3.6 percent growth over the same period last year, which means the year would close with overall growth of 3.9 percent. Second-half growth is expected to average 4.1 percent, slightly higher than the 3.9 percent average annual growth seen the first six months of 2011.

Exports rose 2 percent in November. Manufacturing exports increased 2.4 percent, while oil exports grew 9.4 percent. Over the year (through November), exports grew 14.7 percent, a substantially slower pace than the 29 percent growth seen during the same period in 2010. Oil and manufacturing exports rose 33.5 percent and 10.9 percent through November, respectively.



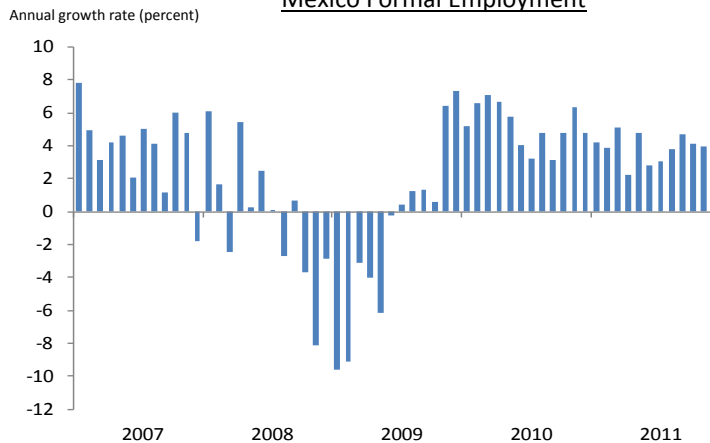
Industrial production (IP) edged up 0.1 percent month over month in November after falling 0.5 percent in October. U.S. IP fell 0.2 percent in November after growing 0.6 percent in October. Mexico's industrial production typically tracks U.S. IP, due in part to the U.S. automotive industry's large presence in Mexico.

Mexico Retail Sales



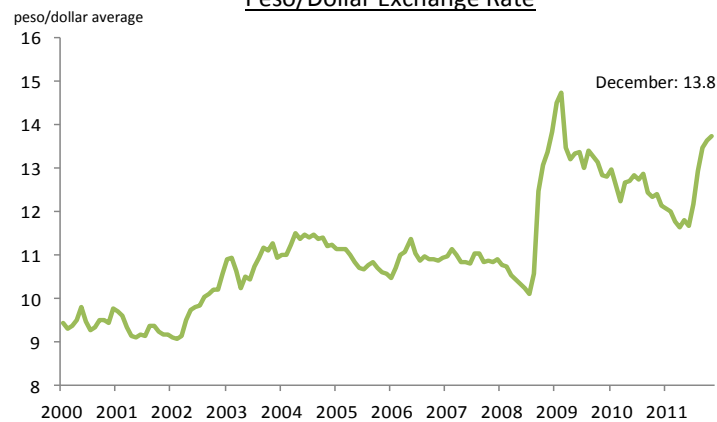
Retail sales fell 0.1 percent in October after rising 1 percent in September. Retail sales grew 2.3 percent in 2011 (through October). Consumer confidence fell 0.7 percent in December. Growth in domestic consumption has been an important part of Mexico's recovery since the 2009 financial crisis.

Formal-sector employment closed the year strongly, growing at an annualized rate of 5.6 percent in December (month over month). In the fourth quarter, employment grew at a 4.3 percent quarter-over-quarter, annualized rate, up from 3.5 percent growth in the third quarter and 3.7 percent growth in the second. Mexico added over 590,000 jobs in 2011.



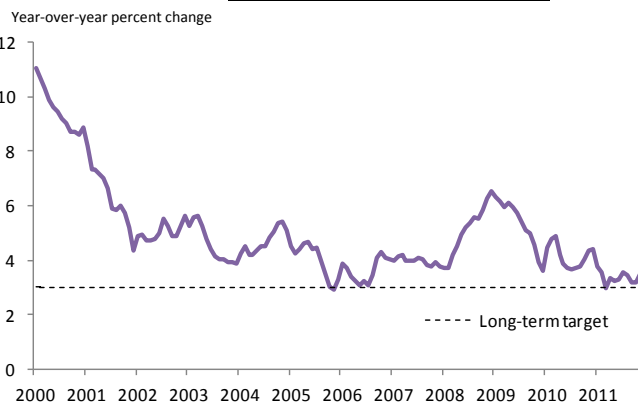
Mexico Formal Employment

Peso/Dollar Exchange Rate



The peso has weakened considerably against the dollar since July. The exchange rate averaged 13.8 pesos per dollar during December, down from an average of 13.6 in November. The peso has depreciated 9.8 percent against the dollar since December 2010 and 15 percent since July 2011.

Prices rose 3.8 percent year over year in December after increasing 3.5 percent in November. Higher food prices pushed up the consumer price index, although household goods and health care prices also spiked. Inflation has been accelerating with the weakening peso.



Mexico Consumer Price Index

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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