



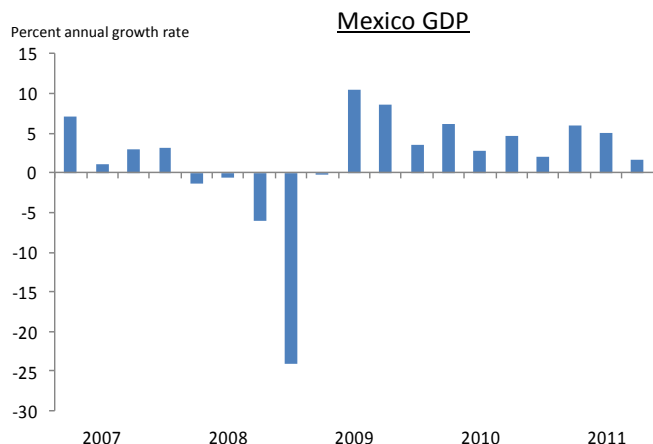
March 2012

# Mexico Economic Update

FEDERAL RESERVE BANK OF DALLAS

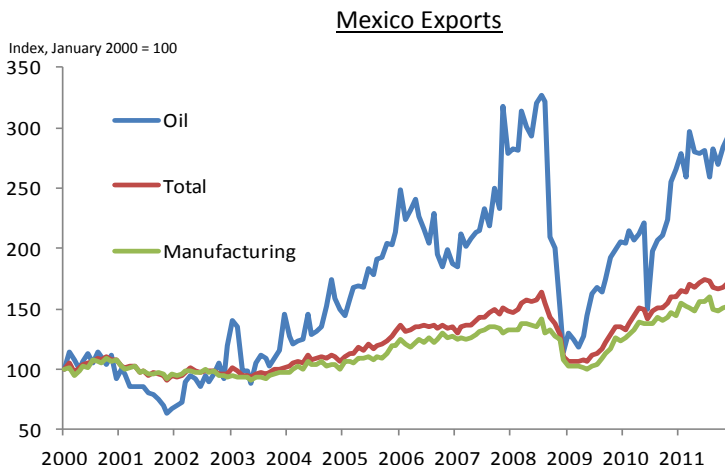
## Summary

Mexico's economy slowed in the fourth quarter, growing 1.7 percent quarter over quarter. Despite the slowdown, industrial production advanced in December and employment continued its strong growth in January. Exports and retail sales both fell in December and January. The peso has appreciated against the dollar since December, while inflation ticked up further in January.



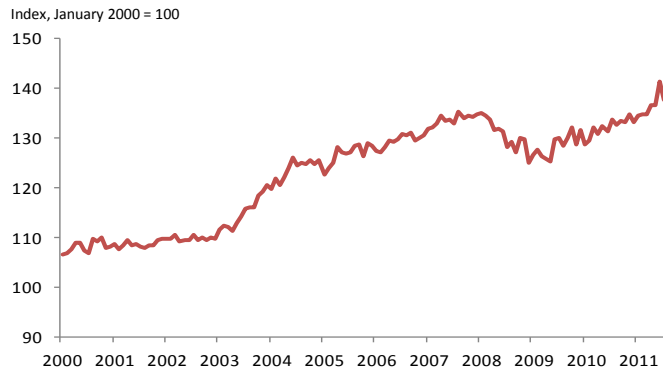
Quarterly growth of 1.7 percent in the fourth quarter was down from 5.1 percent in the third. Agricultural sector output fell sharply and services decelerated, while the industrial sector picked up. For the year, Mexico's economy grew 3.9 percent, slower than the 5.5 percent pace in 2010. The 2011 slowdown was brought about by weaker growth in manufacturing output and a decline in oil production. Mexico's gross domestic product growth is projected to decelerate to 3.3 percent in 2012, mostly as a result of a weaker U.S. economic outlook. If U.S. growth surprises on the upside, as it appears poised to do, Mexico's projections will be upwardly revised.

Exports fell 1.9 percent in January over December. Manufacturing exports increased 3.7 percent, while oil exports fell 3.8 percent. In 2011, exports increased 14 percent, a substantially slower pace than the 28 percent growth seen in 2010. Oil and manufacturing exports rose 31 percent and 10.4 percent, respectively.



Industrial production (IP) edged up 0.8 percent month over month in December after growing 0.1 percent in November. U.S. IP grew 1.1 percent in December after falling 0.1 percent in November. Mexico's industrial production typically tracks U.S. IP, due in part to the U.S. automotive industry's large presence in Mexico.

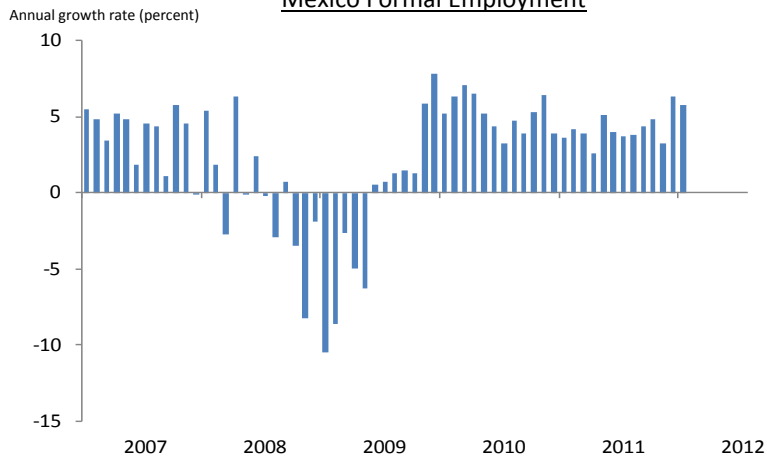
### Mexico Retail Sales



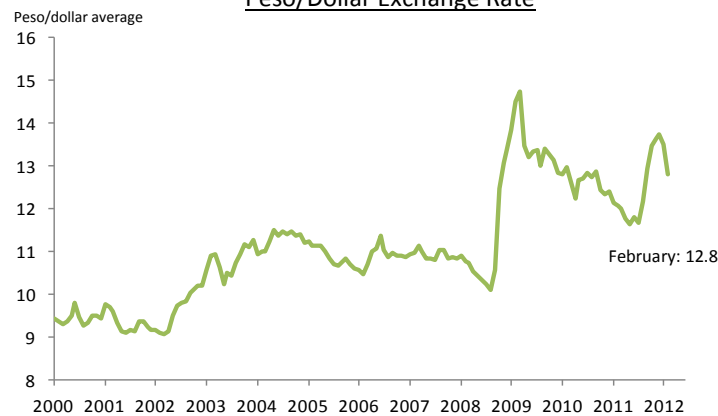
Retail sales fell 2.6 percent month over month in December after growing 3.5 percent in November. Overall, retail sales grew 2.9 percent. Consumer confidence increased 2.6 percent in December. Growth in domestic consumption has been an important part of Mexico's recovery since the 2009 financial crisis.

### Mexico Formal Employment

Formal-sector employment grew at an annualized rate of 5.8 percent in January (month over month). Overall, employment grew 4.1 percent in 2011 (December over December). Mexico added over 600,000 jobs last year.



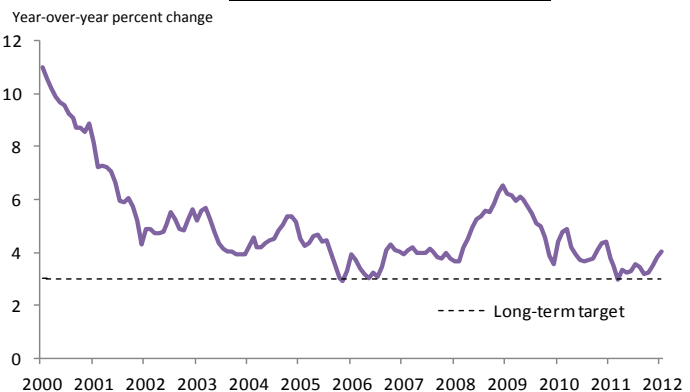
### Peso/Dollar Exchange Rate



The peso has strengthened 8.6 percent against the dollar since December. The exchange rate averaged 12.8 pesos per dollar during February, up from an average of 13.5 in December.

### Mexico Consumer Price Index

Prices rose 4 percent year over year in January. Higher food prices continued pushing up the consumer price index. Food, beverages and tobacco products increased 7.2 percent. Agricultural products jumped 7.4 percent, driven by a 12.7 percent increase in meat and egg prices. Energy-related products rose 5.8 percent. Without food and energy, prices increased 3.3 percent in January.



**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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