

Regional Economic Report

July – September 2015

Summary

In the third quarter of 2015, economic activity generally presented a greater dynamism as compared to the first half of the year. This mainly derived from a favorable performance of the agricultural sector, commerce and the services sector, as well as from a rebound of industrial activity. It should be noted that the growth rate varied among regions.¹ In the Northern and the North-Central regions economic activity expanded due to the performance of the manufacturing and construction industries, as well as the sectors of commerce and tourism. In the Central region, economic activity was driven by a greater dynamism of the agricultural sector and commerce, while the manufacturing and construction industries moderated their growth. Finally, the dynamism of economic activity in the Southern region remained low, which mainly resulted from the performance of the construction sector and oil mining.

Annual headline inflation observed minimum lows in all regions of Mexico. This was due to both the absence of demand-related pressures and the direct and indirect effects on inflation generated by lower prices of generalized-use inputs, such as energy prices, commodity prices and telecommunication services prices. However, the adjustment in relative prices associated to depreciation of the national currency against the U.S. dollar was mainly manifested in the prices of durable goods, without generating second round effects.

In general, interviewed business agents expect the demand for their goods and services to expand over the following twelve months. According to the referred business contacts, this growth expectation is subject to both upward and downward risks. Among upward risks, they mentioned a possible acceleration of investment in the energy sector, the automobile sector, the aerospace sector, the electronics sector and tourism, as well as a greater than expected growth of the U.S. economy. One of the factors associated to the regional economic growth is the type of goods and services produced. In this regard, Box 1 delves into the degree of economic complexity of the federal entities, such as the function of the type of activities carried out.

As regards downward risks to economic activity, business agents interviewed in four regions emphasized the presence of new episodes of the exchange rate volatility, a lower dynamism of the international economic activity and a possibility of a further deterioration of the perception of public safety.

As to inflation expectations over the next twelve months, business agents anticipate that annual changes of the sales prices of own goods and services, of the costs of inputs and the wage costs will be generally lower than the previous year.

¹ Regionalization: Northern: Baja California, Sonora, Chihuahua, Coahuila, Nuevo León and Tamaulipas; North-Central: Aguascalientes, Baja California Sur, Colima, Durango, Jalisco, Michoacán, Nayarit, San Luis Potosí, Sinaloa and Zacatecas; Central: Distrito Federal, Estado de México, Guanajuato, Hidalgo, Morelos, Puebla, Querétaro and Tlaxcala; and Southern: Campeche, Chiapas, Guerrero, Oaxaca, Quintana Roo, Tabasco, Veracruz and Yucatán.