



REUTERS

MEXICO CITY - Mexico's annual growth rate sped up in July on the afterglow of election spending and despite a sluggish U.S. economy, but analysts are sticking to their predictions of a slowdown in the second half of this year.

Latin America's second-largest economy expanded by a stronger-than-expected 4.7 percent compared with a year earlier on solid performances by both the services and industrial sectors, the national statistics agency, or INEGI, said on Tuesday.

The growth is up from 3.7 percent in June and beat forecasts in a Reuters poll for 4.3 percent growth.

"The economy has been expanding at a solid and steady pace throughout the year, showing remarkable resilience to the sluggish performance of the U.S. economy and unsettled global backdrop," Alberto Ramos from Goldman Sachs wrote in a research note.

"Net exports remain a key engine of growth which attests to strong external competitiveness of the economy," he said.

The monthly figures were less upbeat though, supporting the view that the economy may be about to shift into lower gear.

Growth slowed to 0.7 percent in July from June, down from 0.9 percent in the previous month but not as dramatic a slowdown as expected by analysts, who forecast a gain of just 0.2 percent.

Government spending in the run-up to the July 1 election boosted public infrastructure projects, created jobs and kept cash flowing to consumers, analysts said.

But that election effect will likely wane in the remainder of the year, said Alfredo Coutiño, director of Latin America at Moody's Analytics. President-elect Enrique Peña Nieto takes office on Dec. 1.

"July's strong growth will be followed by the beginning of the deceleration that traditionally happens in the second half of the last year of each administration," he said.

Previously released data showed the economy losing some momentum. Gross domestic product eased to 4.1 percent in the second quarter from 4.5 percent in the first and retail sales dropped in July, although exports rebounded and the jobless rate improved.

Finance Secretary José Antonio Meade has estimated the economy would grow between 3.5 percent and 4 percent in both 2012 and 2013.

The economic data released on Tuesday



Finance Secretary José Antonio Meade (C) forecasted a 3.5-4% economic growth rate in '12.

Mexico's growth rate picks up

Analysts predict slowdown in 2nd half

showed that in July the services sector grew 0.4 percent on a monthly basis for 4.8 percent annual growth while the industry grouping that includes utilities, mining, construction and manufacturing advanced 0.5 percent in the month and 4.9 percent in the year.

The smaller agriculture sector shrank 3.62 percent in July but advanced 5 percent on the year.

Softer growth could keep inflation at bay after prices surged to a 21.2-year high in early

September, and give the Bank of Mexico some room to hold interest rates steady for longer.

The central bank signaled earlier this month it could raise its benchmark rate, which has held at 4.50 percent since mid-2009, if inflation pressures became more widespread.

But minutes from the Sept. 7 meeting showed only two members of the five-member board were hawkish, while the rest downplayed the latest price surge as temporary.