

Economic Analysis

# Industrial production shows a small monthly increase in May (0.1%, sa)

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**According to INEGI, Mexico's May industrial production expanded 2.1% YoY sa, equivalent to 0.1% MoM sa.**

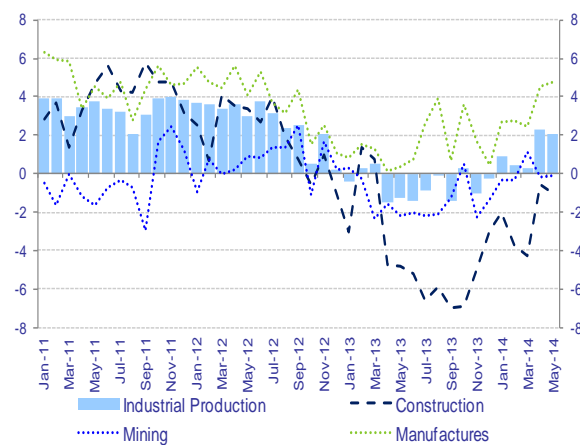
This small monthly increase was mainly driven by a moderated MoM increase in the Manufacturing sector (0.4%, sa). Electricity, Gas and Water decreased 1.2% MoM sa, Mining fell 0.2% MoM sa, and Construction decrease 0.1% MoM sa. This suggests a weak economic growth for a second quarter.

**The improvement in manufacturing is strongly linked to the improvement in external demand, but it has not been enough to offset the weak domestic market.**

May's Industrial production had a 2.1% YoY sa growth, which was slightly below our forecast (BBVA Research: 2.6%). This result was mainly due to an increase in manufacturing (4.8% YoY, sa). Meanwhile, Electricity, Gas and Water grew 1.2% YoY, sa, but Construction decreased 1.1% YoY, and Mining fell 0.1% YoY, sa.

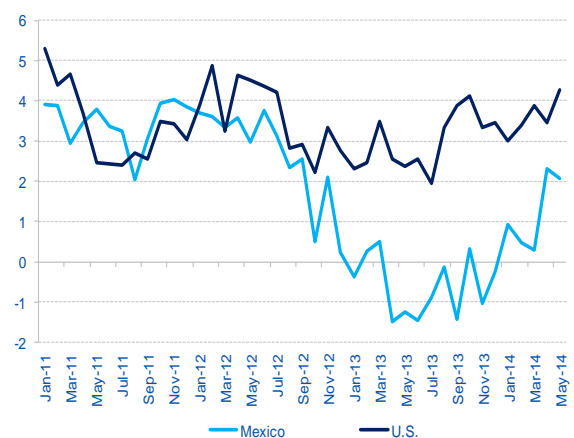
The Industrial sector's performance in May, especially in Manufacturing (see Figure 1), is stronger linked to U.S. demand, especially the manufacturing output. However, the gap between the growth of industrial production in Mexico and the United States had been persistent (see Figure 2).

Figure 1  
**Mexico: Industrial Production and its components (YoY %, sa)**



Source: BBVA Research with INEGI data; sa = seasonally adjusted.

Figure 2  
**Industrial Production: Mexico and the U.S. (YoY %, sa)**



Source: BBVA Research with INEGI data; sa = seasonally adjusted.

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