

Economic Analysis

Industrial Production shows a small monthly decrease in June (-0.2%, sa)

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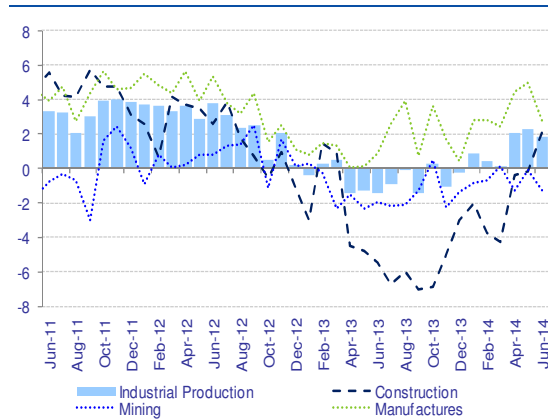
According to INEGI, Mexico's June Industrial Production expanded 1.8% YoY sa, equivalent to -0.2% MoM sa.

This small monthly drop was mainly driven by an important MoM decrease in Manufacturing sector (-0.7%, sa) and Mining sector (-0.6%, sa). Meanwhile, Construction increase 1.2% MoM, sa, and Electricity, Gas and Water have a null growth 0.0% MoM, sa. Those confirm our expectation about a weak economic growth for a second quarter.

Because of effects of annual comparison, with poor results in the previous year, June's Industrial Production had a 1.8% YoY sa growth, which was slightly below our forecast (BBVA Research: 2.1%). This result, in annual terms, was mainly due to an increase in manufacturing (2.8% YoY, sa). Meanwhile, Construction increased 2.1% YoY, Electricity, Gas and Water grew 1.6% YoY, sa, but Mining fell 1.3% YoY, sa.

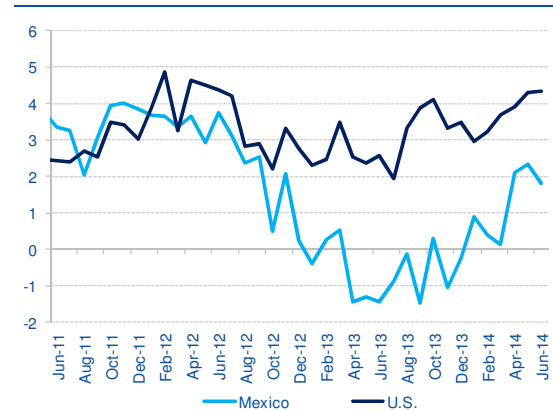
The Industrial sector's performance in June, especially in Manufacturing (see Figure 1), as we have been warning, is strongly linked to weak domestic demand, despite the improvement in US Industrial Production and its strong links with Mexico (see Figure 2).

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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