

Economic Analysis

Industrial production increased 2.3%, YoY, sa, in September

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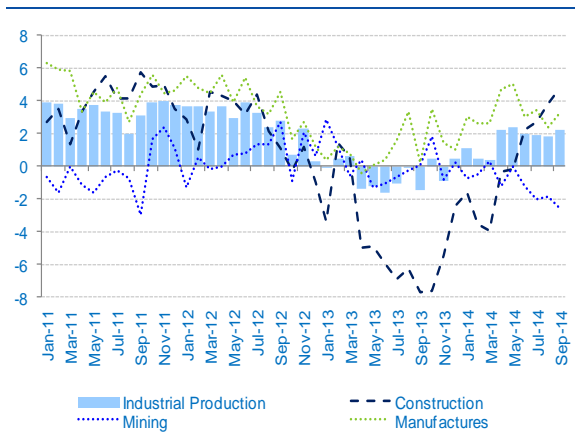
According to INEGI, Mexico's September industrial production expanded 2.3% YoY sa, equivalent to -0.1% MoM sa. In the original series industrial production grew 3.0 % annually.

The annual growth of industrial production in September (2.3% YoY, sa) was mainly due to increase in construction (4.8% YoY, sa), manufactures (3.3% YoY, sa) and electricity, gas and water (2.4% YoY, sa); though Mining fell again, now -2.6% YoY, sa (see Figure 1). This result was below our forecast (BBVA Research: 3.1 % YoY, sa), which implies a slight reduction in our growth expectations for 2014.

The monthly drop in industrial production is explained by the reduced production in sub-sectors of mining (-0.7% MoM, sa) and construction (-0.1% MoM, sa). Meanwhile, electricity, gas and water (0.5% MoM, sa) and manufacturing (0.3% MoM, sa) showed a moderate increase. This confirms a slow economic recovery, so that economic growth end of the year will be slightly less than the 2.5% originally estimated.

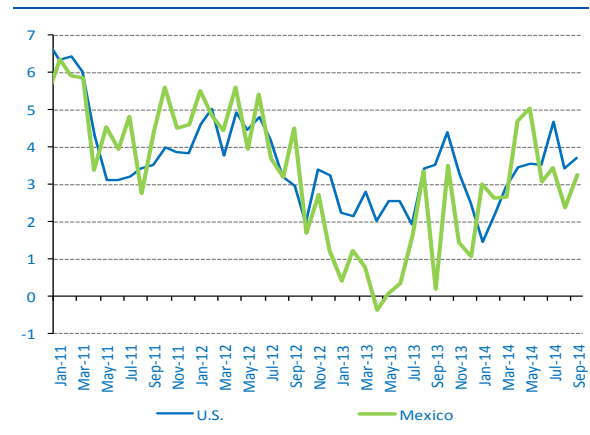
Note that the annual performance of industrial production in construction was positively impacted by private construction (residential and commercial), well above the public construction (civil works). Also, it must be emphasized that the growth of industrial production is closely linked to the external sector; in particular the performance of US manufacturing (see Figure 2), since domestic demand remains weak.

Figure 1
Mexico's Industrial production and its components (YoY %, sa)



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

Figure 2
Manufacturing production of Mexico and the U.S. (YoY %, sa)



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

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