

Economic Analysis

Mexico | Industrial production fell in January 0.4% MoM, sa. This print a bias down our growth expectations for the 2015

Juan Carlos Rivas Valdivia

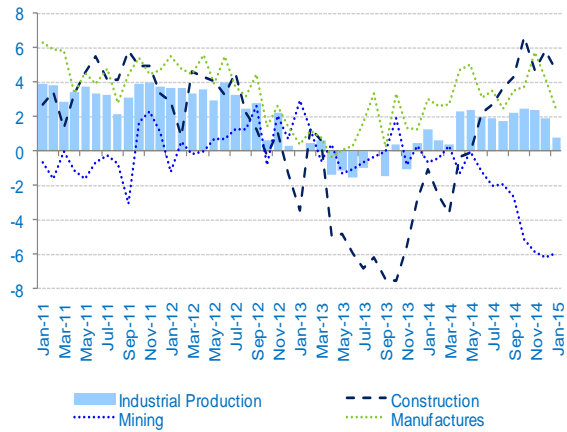
According to INEGI, Mexico's January industrial production fell 0.4% MoM sa, equivalent to 0.8% YoY sa. In the original series industrial production grew 0.3% annually.

The negative monthly growth of industrial production in January (-0.4% MoM, sa) was mainly due to fell in construction (-1.5% MoM, sa), mining (-0.5% MoM, sa) and manufactures (-0.1% MoM, sa), now contracted for a second month in a row. Electricity, gas and water only increased 0.4% MoM, sa. This result implies a very modest start in 2015 and prints doubts about the strength in the pace of growth in the year.

The annual increase of 0.8% in industrial production in January was below our forecast (BBVA Research: 2.17% YoY, sa). This performance was explained by the reduced production in mining (-5.9% YoY, sa.) Meanwhile, manufacturing (2.5% YoY, sa); electricity, gas and water (2.9% YoY, sa), and construction (4.7% YoY, sa) increased moderately (see figure 1).

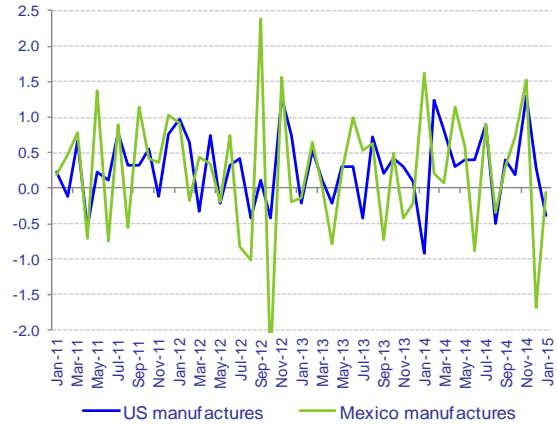
The performance of industrial production in January are bad news for the country's economic growth for the first quarter and press down expectations about economic developments in 2015. This negative result is combined with high volatility in financial markets and the expectation of increases in interest rates and fiscal contraction, given the low revenue linked to the fall in production and international prices of the Mexican crude oil. Today's data are also related to the strong bond of Mexican industry with the external sector, in particular the evolution of US manufactures, which in January decreased 0.4% MoM, sa, (See figure 2). Again put on the table the notable absence of the domestic market as a growth engine of the country to cope with the fluctuations of external demand. We hope for the coming months a moderate economic activity in the country, strongly linked to weak domestic demand, which imposes a strong downward bias in our expectations for economic growth in 2015, currently set at 3.5%.

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. (MoM %, sa)



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

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