

Economic Analysis

Mexico | Industrial production in total pause. Had zero growth in March (-0.02% MoM, sa)

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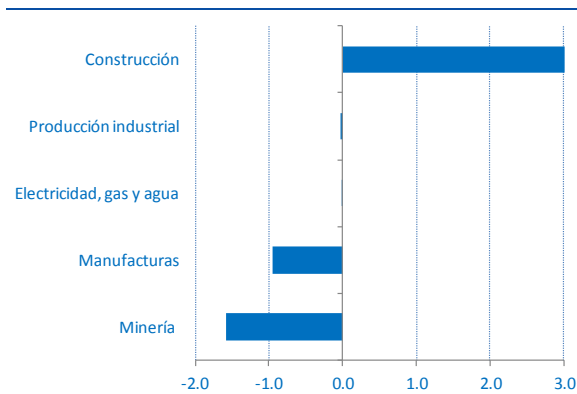
According to INEGI, Mexico's March industrial production decreased 0.02% MoM sa, equivalent to 1.44% YoY sa.

Industrial output fell 0.02% MoM in March what was below market forecast (BBVA Research: 0.35% MoM, sa, consensus: 0.40% MoM, sa). The weak monthly growth of industrial production was mainly due to fell in mining (-1.6% MoM, sa) and manufacturing (-1.0% MoM, sa). Meanwhile, it increased construction (3.0% MoM, sa) and electricity, gas and water remained unchanged (0.0% MoM, sa). Those results confirm a weak 1Q15 (see figure 1).

March's industrial production showed an annual increase of 1.4%, ae. This performance was explained by an increased in construction (4.7% YoY, sa); electricity, gas and water (3.1% YoY, sa), and manufacturing (2.4% YoY, sa). The mining continued to decline (for 12 consecutive months) with an annual drop of 5.2%, sa (see figure 2).

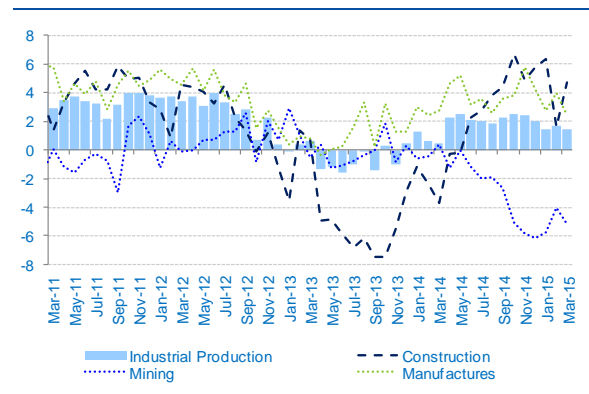
The poor performance of Mexico's industrial production in March is related to the disappointing evolution of oil extraction; the slow recovery of the construction, and the weakness of demand for Mexican manufactured goods from the US, since manufacturing output in that country grew just 0.1% MoM, sa, in March. With this, the dependence on external sector as the unique engine of growth, without the proper functioning of the internal engine puts into serious question the strength of economic growth. It confirms the strong downside risks that we had on our growth forecast first-quarter GDP. Although we expect a better performance in the second quarter, linked to higher election expenses in Mexico and increased demand for the US in the coming months.

Figure 1
Mexico's Industrial production and its components in March (MoM %, sa)



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

Figure 2
Mexico's Industrial production and its components (YoY %, sa)



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

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