

Mexico Flash

Industrial production in November rose 0.9% mom, good progress in manufacturing, construction setback

- Rebound in industry linked to improvement in manufacturing production in key sectors such as automotive, chemical industry, machinery and equipment.
- It is worth noting the moderation in construction sector (-)1.0% mom, with loss of momentum mainly in construction of civil engineering.
- Mixed Signals on available data for December moderate optimism about the pace of economic activity at the end of last year. We maintain 3.7% estimate.

Almost in line with estimates (1.1% BBVA Research), industrial production rose 0.9% in November. What was the result of the expansion of mining and manufacturing components with gains of 3.4 and 1.1% mom, respectively, while electricity, gas and water as well as the construction industry showed a decline in monthly terms of - 0.3 and -1.0% respectively. **In annual terms, the industry rose 3.2% in seasonally adjusted terms (2.8% in the original series).**

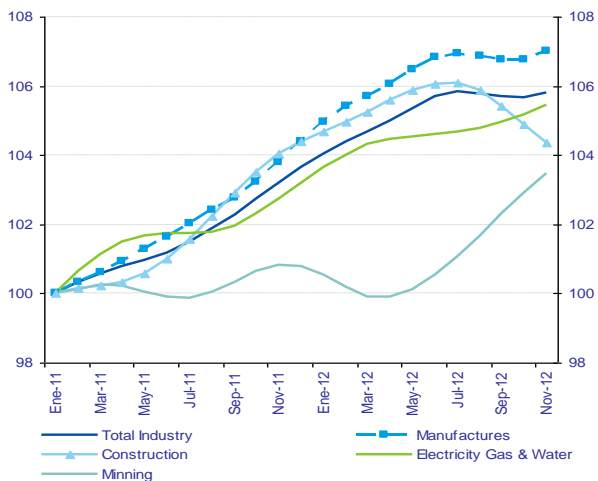
The November rise in the domestic industry is in line with the improvement in terms of external demand, reflected in the growth of 9.4% yoy in manufacturing exports (6.4% average in 3Q12), and influenced by the improvement in the American industry (3.0% yoy in November, 4.0% average in 3Q12). Good data in the context of soft moderation in recent months.

In manufacturing were especially relevant dynamics linked to export industries such as transport equipment with growth of about 9% yoy (original series), or manufacture of machinery and equipment (13%). Highlights include cases like the food industry, beverages and snuff, chemical industry and machinery where the spike in November was significantly higher than that observed in the third quarter.

We note the significant moderation in the construction industry, which are regressing in terms of trend stands out among the other components. While the four components of the construction industry contracted (annual terms), negatively highlights the construction component of civil engineering or heavy work, with annual decline of (-)2.2% (not seasonally adjusted), the strongest since July 2007. Based on the National Survey of Construction Companies available until October, more affected components were civil building and irrigation water and sanitation, and both public and private.

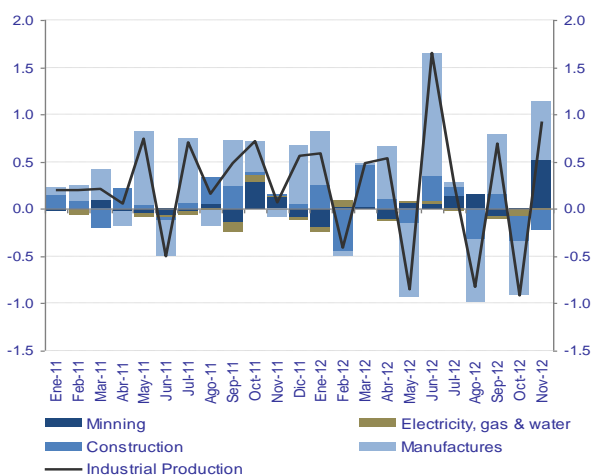
Available indicators of December, are mixed: on the one hand relevant indicators of trust and IMEF point producer in the sense that there will be continued good optimism about the country's situation in the coming months, a situation linked to the progress in investment and in fact worsened optimism both domestic and foreign demand for company products (Survey of manufacturing producers). For its part, the ISM and the indicator American Mexican IMEF continued in December area aimed at expansion (50.7 and 52.8 points, respectively). Despite this, the automotive production in the last month of the year fell by about 23,000 units from the previous month, close to (-)9.5% monthly change. This bad data in the automotive sector leads to temper the optimism about the end of 2012. **We maintain the GDP growth forecast of 3.7% or slightly higher for the year.**

Graph 1
Industrial production, trend (Jan 2011=100)



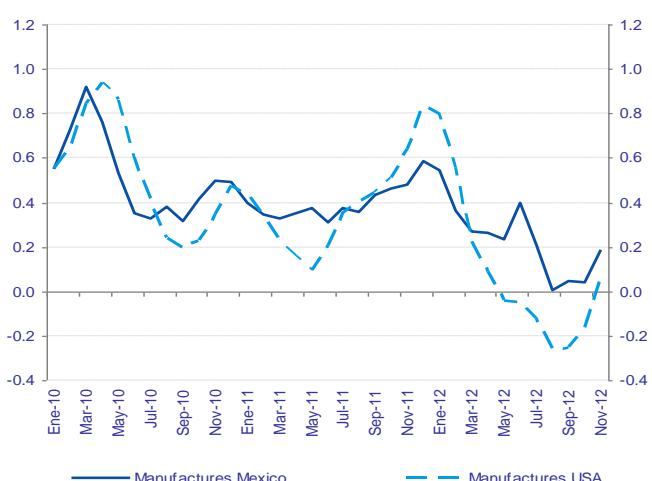
Source: BBVA Research

Graph 3
Industrial Production & Contributions (m/m%)



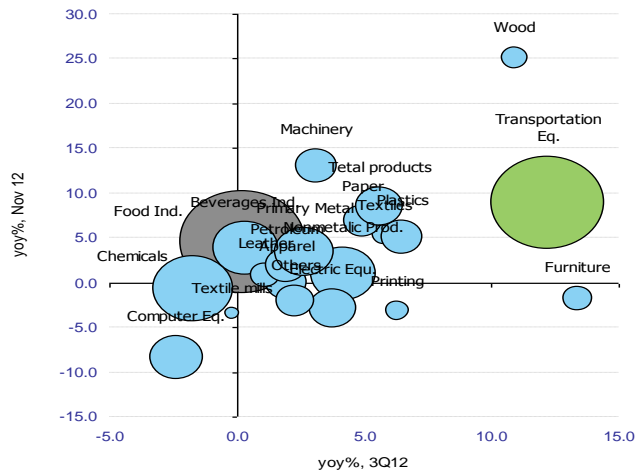
Source: BBVA Research

Graph 2
Manufactures Mexico & USA, mom% trend



Source: BBVA Research

Graph 4
Manufacturing Production yoy% 3Q12 & Nov12



Source: BBVA Research

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