

Mexico Flash

In line with expectations, the industrial production increased 0.5% m/m in July (4.5% y/y). Good performance in construction and manufacturing components.

- The industry growth in July was in line with expectations (expected BBVA Research: 0.6%, observed 0.5% m/m).
- Unless the branch of electricity, gas and water, the rest of the branches showed monthly growth, stand construction and manufacturing.
- The industry dynamics observed is consistent with good economic growth in 3Q12.

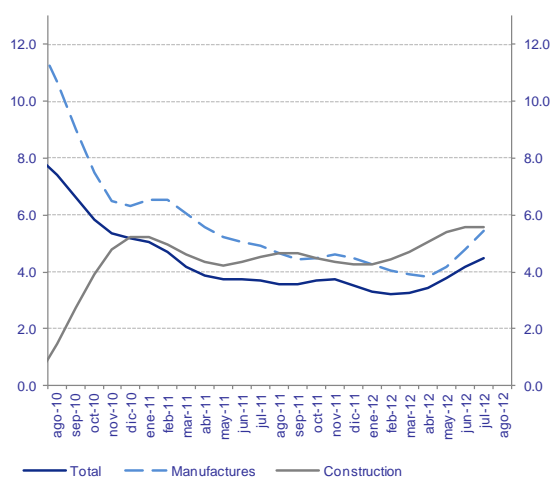
In line with expectations, industrial production growth rate was 0.5% m/m in July. With this result in terms of annual growth rates, the industry expanded 4.5% In July, the contribution of the manufacturing and construction was more balanced than previous month, contributing 0.3 and 0.2 pts to growth respectively.

Within manufacturing, **the recovery continues in branches related more to the external demand**, which are the ones with significant weight in the industry. **This is the case of the transportation equipment**, with nearly 20% weight of manufacturing and has stood for monthly growth. Remember that while the average monthly growth in industry trend so far this year (January to July) is 0.4% m/m (3.7% y/y) in the case of the transport equipment the average monthly growth rate is 2% m/m (13.5% y/y, in trend series).

Meanwhile, the construction industry had a monthly growth in July of 0.8% m/m (6.2% y/y), driven mainly by building component 1.4% m/m (7.6% y/y). Based on data from the National Survey of Construction Companies, it is notable the contribution of the public component in the growth of the construction value in real terms this year.

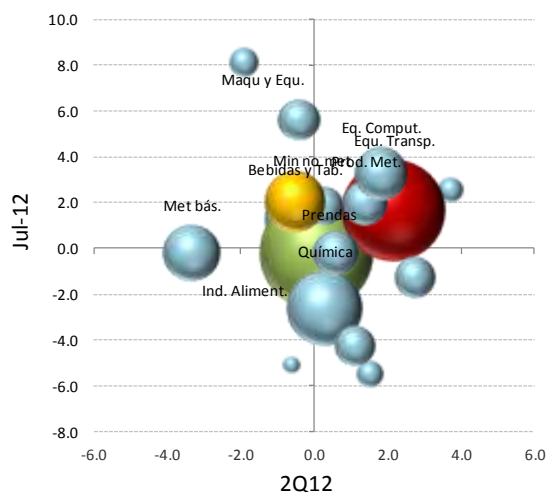
Based on available information, **economic activity in Q3 continued to show good growth, even better than expected at the beginning of the quarter. However, some signs of moderation persist**, as the slower pace of expansion in leading indicators for Mexican manufacturing, as the U.S. ISM, or the slower expansion of industrial employment in August. We maintain the GDP growth forecast of 3.7% for the year.

Graph 1
Industrial production, trend (y/y%)



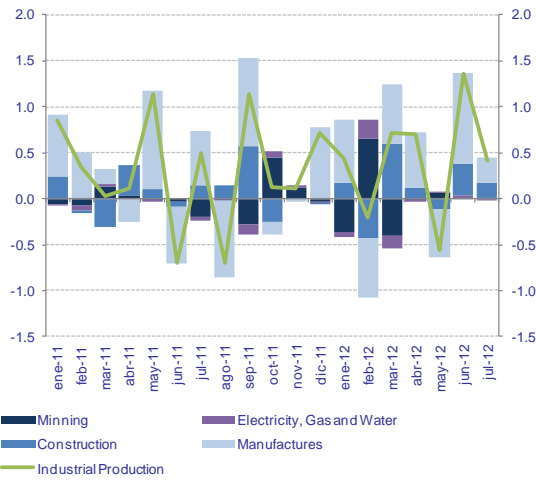
Source: BBVA Research

Graph 2
Manufactures & components, quarterly average m/m% and July m/m%



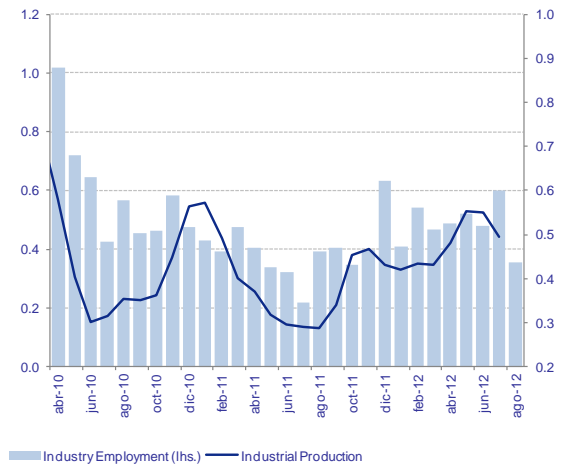
Source: BBVA Research

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



Source: BBVA Research

Graph 4
Industrial production & employment (m/m%)



Source: BBVA Research

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