

Economic Analysis

# Industrial Production increased 2.1%, YoY, sa, in August

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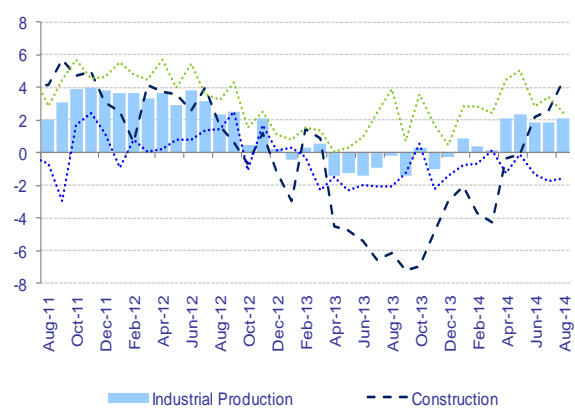
**According to INEGI, Mexico's August Industrial Production expanded 2.1% YoY sa, equivalent to 0.37% MoM sa.**

This expansion was mainly driven by an important MoM increase in subsector of Construction (1.17%, sa); Electricity, Gas and Water (0.97% MoM, sa), and Mining (0.29%, sa). Meanwhile, Manufactures decreased 0.31% MoM, sa. This confirms our expectation of continue, but slow, economic recovery at the end of the year.

Since April this year, the Industrial Production has shown annual growth rates of around 2%, sa. In August Industrial Production had a 2.1% YoY sa growth, which was in line our forecast (BBVA Research: 2.2%). This result was mainly due to an increase in Construction (4.5% YoY, sa); Manufactures (2.4% YoY, sa), and Electricity, Gas and Water (1.3% YoY, sa), but Mining fell 1.6% YoY, sa.

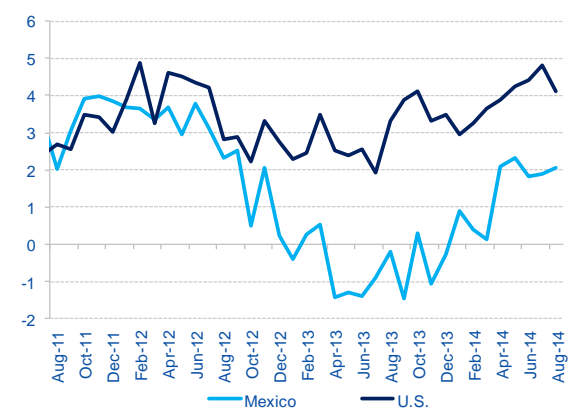
The performance of the Industrial sector in August is relevant because it is linked to a sharp increase in Construction subsector, which remained in negative territory since April 2013 until May 2014 (see Figure 1). Additionally, we must remain vigilant at the performance of Manufacturing, since their highs and lows are closely tied to weak domestic demand, despite the improvement in US Industrial Production and its strong links with Mexico production (see Figure 2).

Figure 1  
**Mexico: Industrial Production and its components (YoY %, sa)**



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

Figure 2  
**Industrial Production: Mexico and the U.S. (YoY %, sa)**



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

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