

Economic Analysis

# Industrial production decreased 0.3%, MoM, sa, in December

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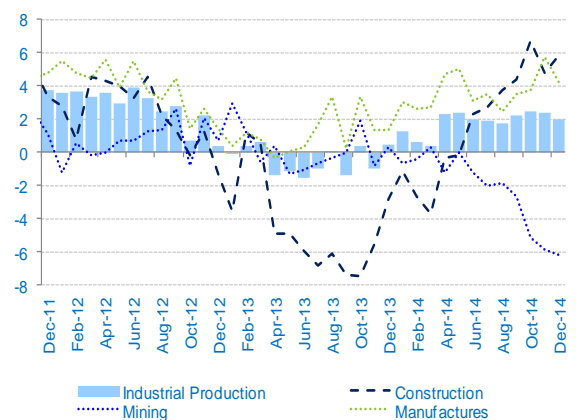
**According to INEGI, Mexico's December industrial production expanded 2.0% YoY sa, equivalent to -0.3% MoM sa. In the original series industrial production grew 3.0 % annually.**

The annual growth of industrial production in December (2.0% YoY, sa) was mainly due to increase in construction (5.9% YoY, sa), manufactures (4.2% YoY, sa) and electricity, gas and water (1.9% YoY, sa); though mining accumulated nine consecutive months of fall, now -6.2% YoY, sa (see Figure 1). The result was below our forecast (BBVA Research: 2.7 % YoY, sa), which implies a weak economic activity for 2014.

Surprisingly, the monthly drop in industrial production in December is explained by the reduced production in sub-sectors of manufacturing (-1.6% MoM, sa) and mining (-0.8% MoM, sa). Meanwhile, electricity, gas and water and construction increased 1.7% MoM, sa and 1.1% MoM, sa, respectively.

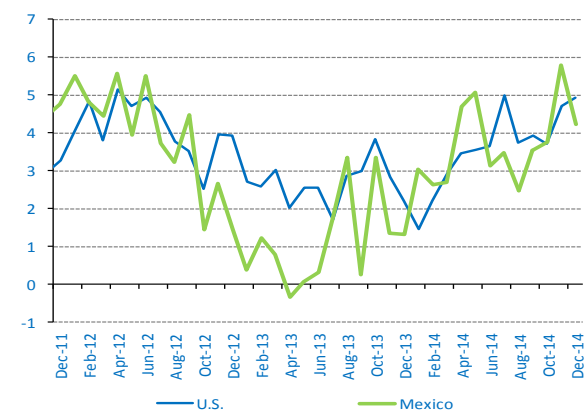
Note that the performance of December's industrial production in Mexico was surprising because despite being closely linked to the external sector, in particular with the evolution of US manufacturing (which in December rose 0.3% MoM sa), in Mexico was observed a significant drop (see Figure 2). This further illustrates the need to strengthen the internal market as an engine of economic growth.

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. (YoY %, sa)**



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

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