

Economic Analysis

Mexico | The slow increased of industrial production in February (0.2% MoM, sa) pushes down our growth expectations for 2015

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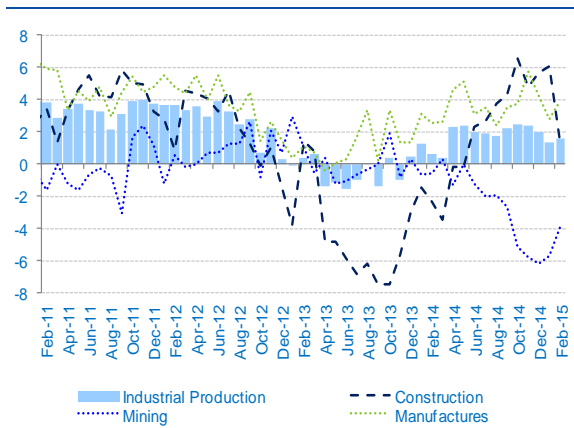
According to INEGI, Mexico's February industrial production increased 0.2% MoM sa, equivalent to 1.6% YoY sa.

Industrial output rose only 0.21% MoM in February, what was below market forecast (BBVA Research: 0.36% MoM, sa, consensus: 0.40% MoM, sa). The weak monthly growth of industrial production was mainly due to fell in construction (-2.2% MoM, sa). Meanwhile, increased mining (1.5% MoM, sa); manufactures (1.0% MoM, sa), and electricity, gas and water, although this sector marginally (0.1% MoM, sa). Those results confirm a modest start in 2015.

February's industrial production showed an annual increase of 1.6%, ae. This performance was explained by an increased in manufacturing (3.9% YoY, sa); electricity, gas and water (3.8% YoY, sa), and construction (1.4% YoY, sa). The mining showed (for 11 consecutive months) a drop (-5.9% YoY, sa). Additionally, the January figure was revised up significantly from 0.8% to 1.4% YoY, sa (see figure 1).

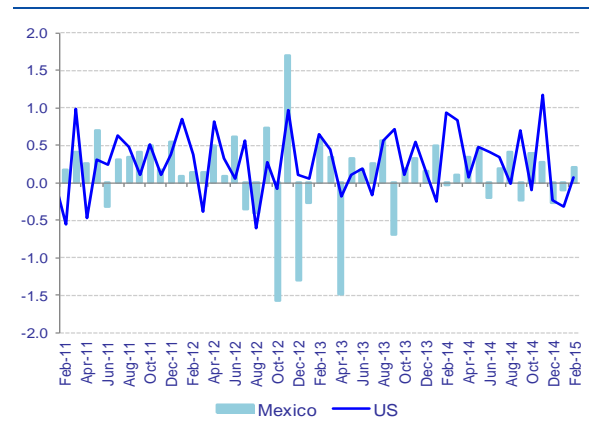
The performance of industrial production in Mexico is related with the evolution of US industrial production, which only increased in February 0.1% MoM, sa, (see figure 2). This weak result shows the notable absence of the domestic market as a growth engine of the country to cope with the fluctuations of external demand. That press down our growth expectations in 2015. On the basis of the latest industrial production; falls in construction; external demand lower than expected; cuts in public spending, and negative producer confidence, we see strong downside risks, especially with regard to growth in the first-quarter, although we expect a better performance in the second-quarter, linked to an increase in US demand, after passing the pothole related to climate.

Figure 1
Mexico's Industrial production and its components (YoY %, sa)



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

Figure 2
Industrial production of Mexico and U.S. (MoM %, sa)



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

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