

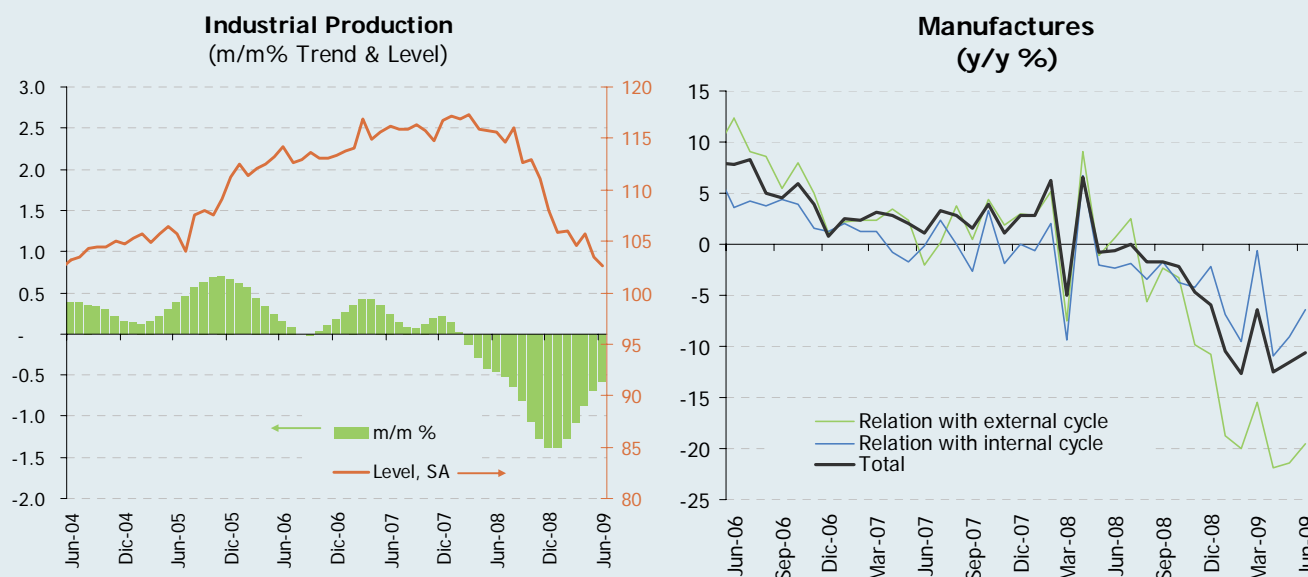


## Economic Activity Observatory

August 11, 2009

**In June, industrial output fell at one of the lowest annual rates in history. However, there are signs of recovery in the months ahead (-10.6% year over year and -0.9% month over month variations)**

- Practically in line with our forecast (-10.5%) and slightly above market expectations (-10.9%), industrial output fell in June by -10.6% in relation to the same period of the previous year. For the third consecutive month, the year over year fall in industrial output was slightly lower than market expectations, with lower drops in the monthly rate, which becomes clearer regarding the series in terms of trend, toning down the intrinsic volatility of the series.
- In June, although deterioration in the manufacturing sector continued (-15.2% year over year and -1.2% month over month) as a result of the variation in US industry, the rate of fall was lower than in previous months. It should be noted that the branches showing greater deterioration are largely those which are related to the external economic cycle, reflecting the close ties through the export channel. Despite the differences between branches, the moderation in the rate of fall in the manufacturing sector tends to be more widespread between branches, which suggests the possibility of gradual improvements in the coming months.
- Based on the rate of recovery and the outlook of US industrial dynamics, recovery of the level of industrial output will most likely be gradual, and will not become consolidated until the first months of next year.



Industrial Production													
(yoy % Original Series, except mom %: seasonal adjusted)													
	2006				2007				2008				yoy mom
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
<b>Industry</b>	<b>8.1</b>	<b>5.4</b>	<b>5.9</b>	<b>3.5</b>	<b>2.7</b>	<b>2.0</b>	<b>2.6</b>	<b>2.6</b>	<b>1.4</b>	<b>1.7</b>	<b>-1.1</b>	<b>-4.3</b>	<b>-9.8 -11.5 -10.6 -0.9</b>
Mining	4.2	0.5	2.7	-1.5	-1.1	-0.1	-0.6	-0.5	-0.8	-4.4	-2.1	-1.7	-2.0 -2.5
Electricity	8.2	10.2	14.1	16.2	4.5	2.3	2.5	5.4	7.7	4.5	0.4	-2.8	0.4 0.3
Construction	10.2	7.5	6.7	6.3	6.1	3.6	3.7	4.3	1.0	2.1	-0.7	-4.5	-6.5 0.8
Manufactures	8.6	5.9	6.0	3.3	2.5	2.0	3.1	2.7	1.8	3.2	-1.1	-5.0	-13.8 -16.4 -15.2 -1.2

Source: INEGI