

BBVA Research Flash

Mexico

Lower than expected Industrial Output in August(-1.1% mom) due to decrease in activities more dependent on foreign demand

- The branches most strongly linked to external demand shrank (-) 2.3% m/m while the rest grew by 1.3%
- The fall in manufactured exports that occurred in key sectors such as car production leads to the more pronounced decrease in activity of these branches since June 2009.
- Including industrial production data for August, our real time estimation for the GDP quarterly growth using MICA BBVA model suggests 1.0% q/q growth in the 3Q11, 0.5 pp below average for the previous seven-weeks

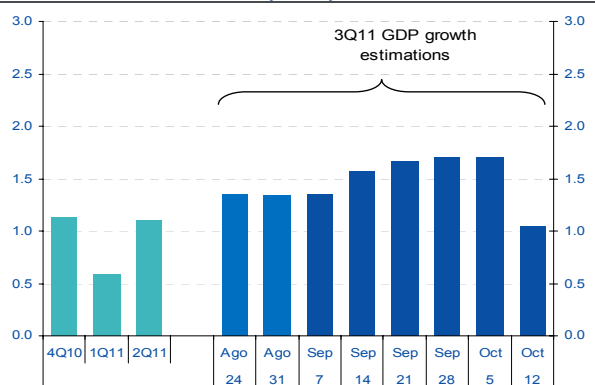
Industrial Output contracted (-)1.1% m/m vs 0.1% m/m estimation (lower than expected but the error is not statistically relevant taking into account standard deviation) and well below the average growth for the last three months, 0.2%. Yearly growth in August stood at 1.8% (3.1% when comparing seasonally unadjusted series). The reported decline in industrial production is only matched by the decline in industry in August 2009, related in that month with construction sector.

Sectors most closely linked with external demand shrank on average, (-)2.3% while the rest grew 1.3%. The branch of industry where the fall was more intense was manufacturing (-1.5%) due to decline in some key branches as automobile production (-9.4% mom, 18% weight on manufacturing activity) and computing equipment (-5.6% mom and 4.3% weight). According to figures from Mexican Automotive Association (AMIA), car production aimed at export market reduced by (-)14.3% on a monthly basis, while those branches more related to the domestic market increased 5.6%. It is worth mentioning that September AMIA data point to a slight increase in production in that month that could result in slight improvement in the industry.

Based on the characteristics of the evolution of the industry in August, the data suggest that the moderation in output would have started in July linked to weaker external demand, while domestic demand remains positive, this is not enough to offset the lower outer loop.

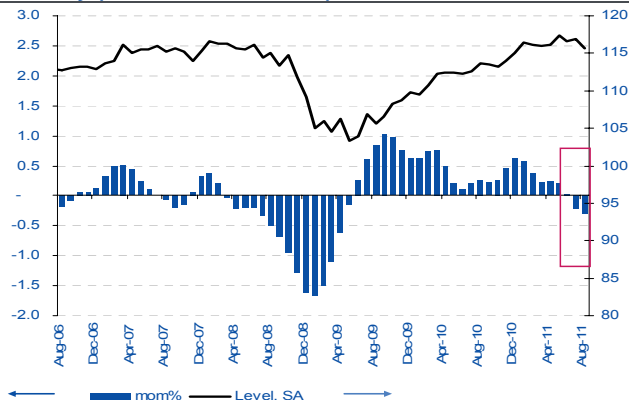
Including August Industrial Output, our real time GDP quarterly growth estimation (based on BBVA MICA) pass from the previous 1.7% to 1.0% q/q for 3Q11.

Chart 1
BBVA MICAGDP forecast (3Q11)



Source: BBVA Research

Chart 2
Industry (mom % trend & level)



Source: BBVA Research

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