

Mexico Flash

Industrial production in April: 0.7% m/m, about the same as expected, external demand continues to pull in activity

- Industrial production slightly higher than expected (0.5% expected, 0.7% observed).
- Good performance in the manufacturing industry (1.1%) and mining lags (-0.5% m/m). In manufacturing, especially good performance on branches related with external demand.
- The observed dynamics of the industry is consistent with economic growth in the 2Q12 something less than 1Q12 and around 3.7% and for the entire year.

Slightly higher than expected (0.5% m / m), industrial production rose 0.7% m / m in April. With this result, in terms of annual growth rates, the trend stabilizes at around 3.6% (var% y / y from trend), somewhat below the 3.9% at annual growth the during the previous year. Among the components of industrial activity highlights the growth of manufacturing (1.1% m / m) vs. 0.2% in construction; -0.5% and -0.3% in mining and electricity gas and water, respectively.

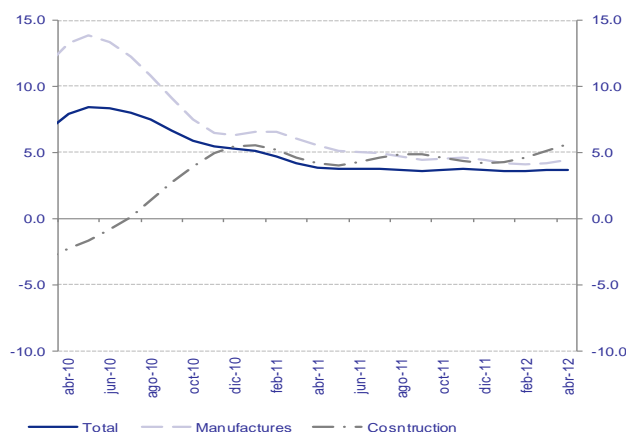
Within manufacturing, it is worth noting the growth in recent months for its growth of the branches related to the foreign market, with a strong weight in the secondary sector. Such is the case of furniture production (2.3% m/m in April), beverages and snuff (2.4% m/m), transport equipment (2.1%) and computer equipment (2.2%). And this is the main reason why the manufacturing growth has been positive differentiated from the rest of the industry (Figure 3). On the other hand, in April there was a particularly positive effect on annual basis in the transportation equipment industry, with the negative impact on the supply chain of the industry following the tsunami in Japan. This sector grew in April at an annual rate of 20.8% (12.9% growth in the 1T12), while the seasonally adjusted monthly change was 2.1%, as the average variation of the first three months of the year.

The construction industry growth moderated slightly over the first months of the year (April 0.2% m/m, 0.5% 1T12). At annual rate, this variation was 5.0%. Among its components, the most important component was the residential construction (5.4%), as anticipated, which is more closely related to the production of construction from private origin, although construction with public capital predominates, has gained importance in the first quarter of the year.

Finally, the dynamics of the industry is in line with the behavior of employment in the industry, with a gradual decline in the middle of last year that has tended to recover in the first months of this year. Thus, this positive employment could translate into slight upturn in manufacturing by the fifth month of the year.

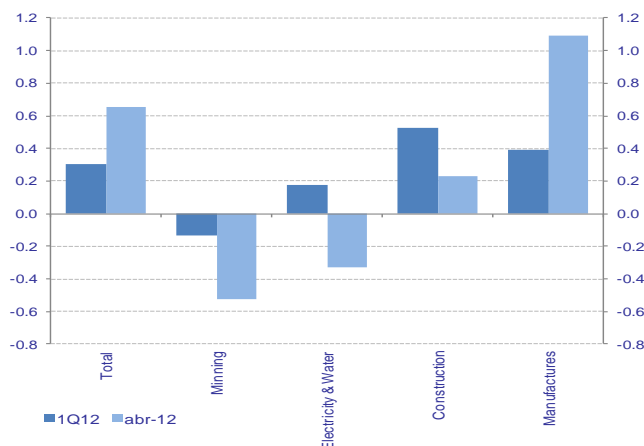
The most recent figures on activity in Mexico highlights the strength of the activity and the relatively good momentum of external demand, so that the estimated growth of 3.7% in 2012 published a month ago could even be surpassed. However, the high uncertainty and downward bias in the global environment and the statistical impact on the forecasts upward of transient phenomena (leap year correction, effects of tsunami in Japan a year ago) make us consider that the 3.7% remains a very reasonable result for the growth of 2012.

Gráfico 1
Industrial production, trend
(y/y%)



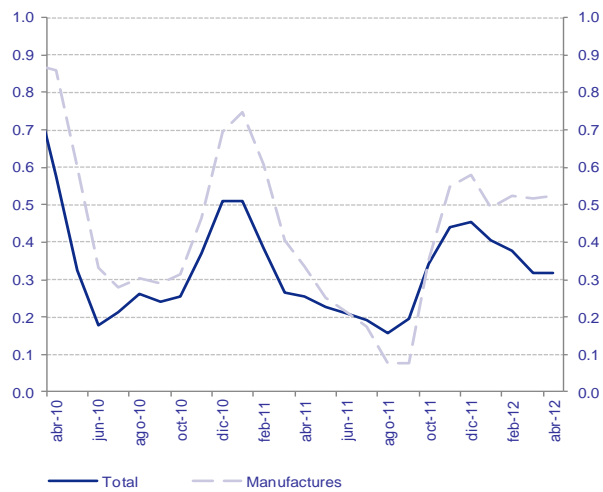
Source: BBVA Research

Gráfico 2
Industrial production & components, m/m%



Source: BBVA Research

Graph 3

Industrial Production & Manufactures (m/m%)

Source: BBVA Research

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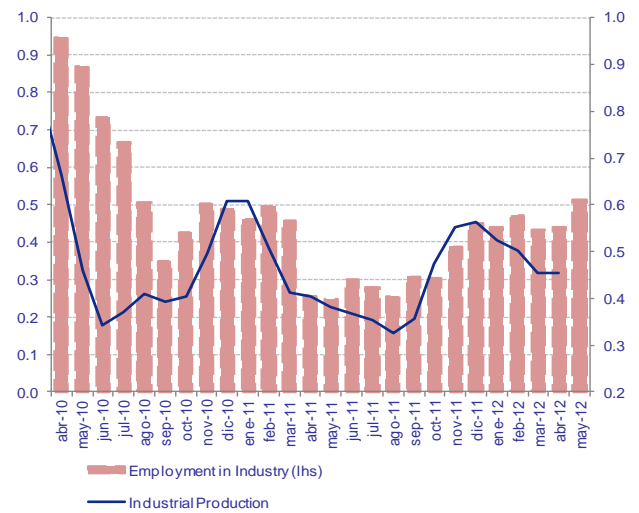
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Graph 4

Industrial production & employment (m/m%)

Source: BBVA Research