

# Mexico Flash

## Industrial production in June surprising upward, 1.3% m/m (4.2% y/y) and emphasizes performance of manufacturing

- Industry grows higher than expected (0.7% m/m expected) with the second largest increase since March 2010.
- All branches of industry showed growth, but the two with higher weight highlights: manufacturing with 1.6% and construction 1.5% monthly.
- The observed dynamics of the industry is consistent with a vigorous economic growth in the 2Q12, similar or even slightly higher than the 1Q12.

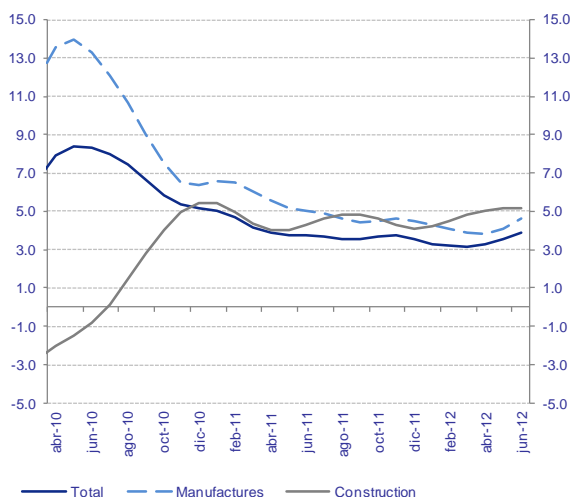
Higher than expected, industrial production grew at rate of 1.3% in June. With this result in terms of annual rates the industry expanded 4.2% and confirmed the improvement in the trend indicator, which average 3.2% in the first quarter and 3.6% in the second. Components in industrial activity include both manufacturing (1.6% m/m) construction (1.5% m/m). While slightly behind but with positive growth are the branches of electricity, gas and water with 0.4% m/m and the mining industry with 0.1% m/m.

Within manufacturing, the recoveries in the activities related to a greater extent with the outer cycle, with significant weight in the industry are important. Such is the case of branches as transport equipment with monthly growth of 7.4% which is the highest since July last year, representing growth of 18.5% annually. Remember that this sector contributes about 18% of total value added of the industry. It is recalled that in the first quarter, the average expansion of this sector was 2%, which practically was maintained during the second quarter (2.1%).

Meanwhile, the construction industry growth was 1.5% m/m and highlighted the building component with 2.2%, 5.9% and 5.5% respectively year on year total and building component of construction. It is worth mentioning that the construction has gained from public involvement in recent months, particularly in the period March to May.

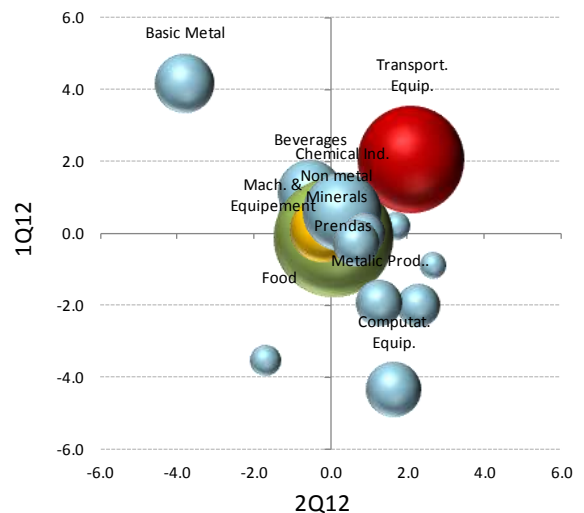
Based on juncture information, we believe that the country's productive activity to be published on Thursday 16, point to GDP that expanded around 0.9% in 2Q12, slightly above our estimate at the beginning of the quarter, 0.7 % but still in line with the forecast growth of 3.7% for the year.

Graph 1  
**Industrial production, trend (y/y%)**



Source: BBVA Research

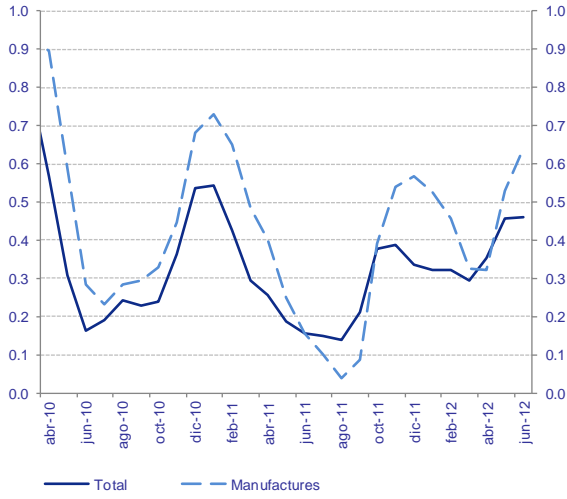
Graph 2  
**Manufactures & components, quarterly average m/m%**



Source: BBVA Research

Graph 3

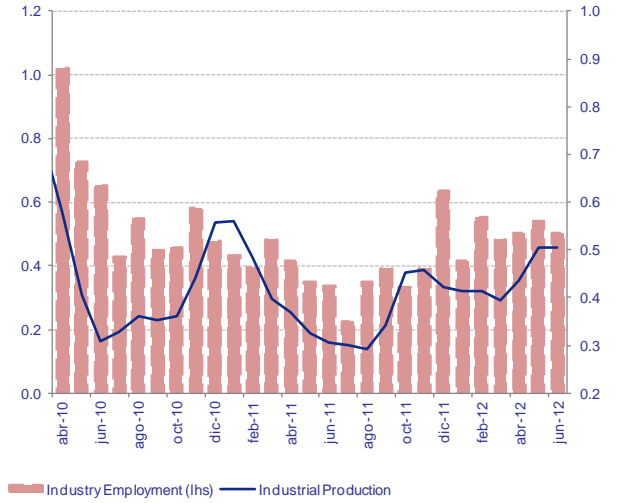
**Industrial Production & Manufactures (m/m%)**



Source: BBVA Research

Graph 4

**Industrial production & employment (m/m%)**



Source: BBVA Research

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