

Mexico Flash

Negative surprise in industrial production at the end of 2012 -2.1% mom, -1.1% yoy.

- The decline in the industry due to the fall in the four components that make it up. It is worth noting for its weight, the drop in manufactures (-)1.1% mom and in the construction industry (-) 2.7% mom.
- This indicator confirms the lower optimism about the evolution of the economy at the end of last year and it remains cautious about the dynamics at the beginning of the year. We maintain estimate for the fourth quarter in the order of 0.5% qoq and the average growth of GDP for 2012 would have been 3.9%.

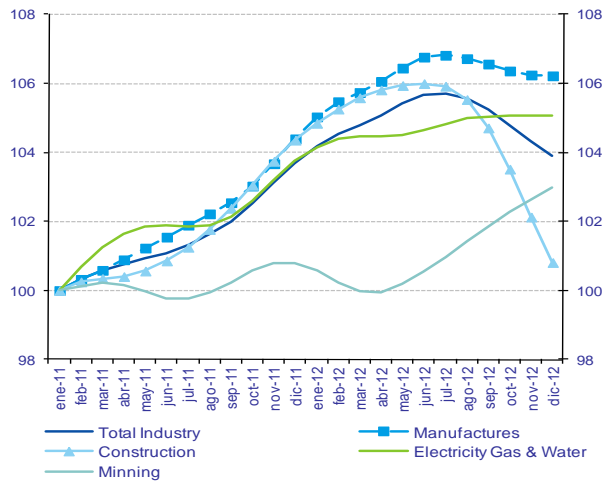
Far below expectations (0.1% mom BBVA Research), industrial production contracted (-) 2.1% per month in December 2012 in seasonally adjusted (SA), 0% in annual comparison in this series, (-) 1.1% in the original series. It must be said that the drop was significant and even involved a surprise in the statistical sense (more than one standard deviation of the historical monthly changes). The drop in manufacturing output involved key branches that joined a fall in the construction industry particularly high.

In manufacturing, highlights the fall in the transport equipment industry, that as was mentioned a month ago, the fall of automobile production was of around -9.5% per month. In the case of the complete transportation equipment industry, it fell (-)4.7% per month in the last month of the year, remember that this branch weighs 18% of total manufacturing output. Another important branches for its weight and sharp fall are the non-metallic minerals (-) 4.2% (6.3% in manufacturing) and metal products (-) 3.7% (3.2% of total). **In December 2012, almost half (47%) of the branches of the manufacturing industry showed declines from the previous month.** This dynamic contrasts negatively with average monthly variation observed in the previous three months, with growth of 0.3%.

The construction industry showed the strongest decline since September 2009, with decrease of (-)2.7% mom. The four branches that make up the industry (building construction, civil construction and specialized works for construction) also fell from the previous month.

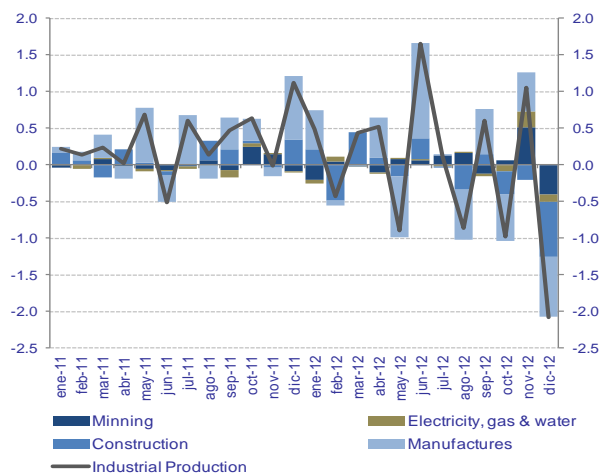
While the decline in production is strongly related to the moderation in external demand, remember that the U.S. industry increased from 1.4% monthly increase in November to 0.3% m / m in December, it will be very important to monitor the dynamic branches closest to domestic demand, on average, fell near (-) 3% per month in December. **Meanwhile, available indicators for January: automobile production and related manufacturing and producer sentiment indicator IMEF point to rebound in the first month of the year. Such is the case of automotive production with growth close to 6.0% per month and producer confidence (0.7% monthly).** But others like the aggregate indicator or trend indicators related domestic and external demand for products of the company, agree in pointing to moderation in February. Meanwhile IMEF indicator both manufacturing and non-manufacturing, which is a diffusion index that takes the threshold of 50 that separates the 'optimism' of 'pessimism' stood at 52.1 points in manufacturing and the non-manufacturing 51.7 points, although emphasizes the latter's monthly decline, equivalent to (-) 4.8% from the previous month. Based on these data it should be attentive to the evolution of the variables related to domestic demand and monitor possible moderation.

Graph 1
Industrial production, trend (Jan 2011=100)



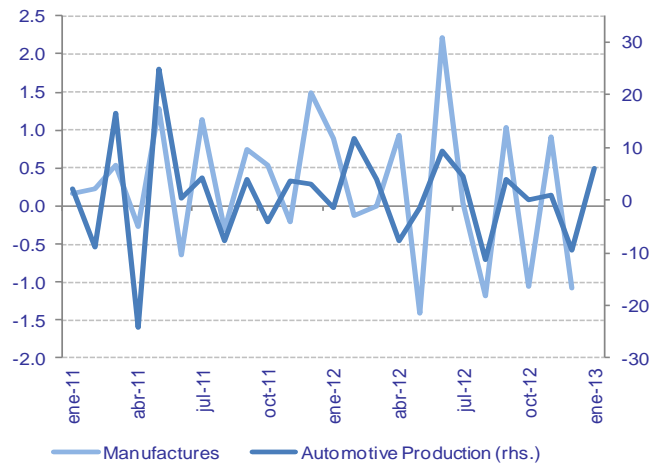
Source: BBVA Research

Graph 3
Industrial Production & Contributions (m/m%)



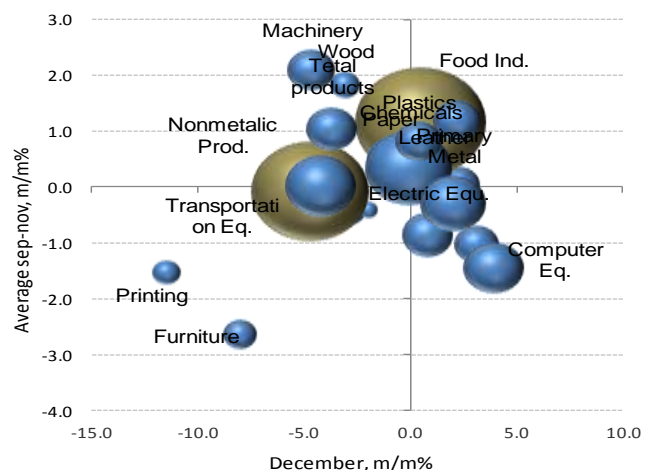
Source: BBVA Research

Graph 2
Manufactures and Automotive Production (mom%, seasonal adjusted series)



Source: BBVA Research

Graph 4
Manufacture Production (monthly average sept-nov & dec 2012 mom%)



Source: BBVA Research

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