



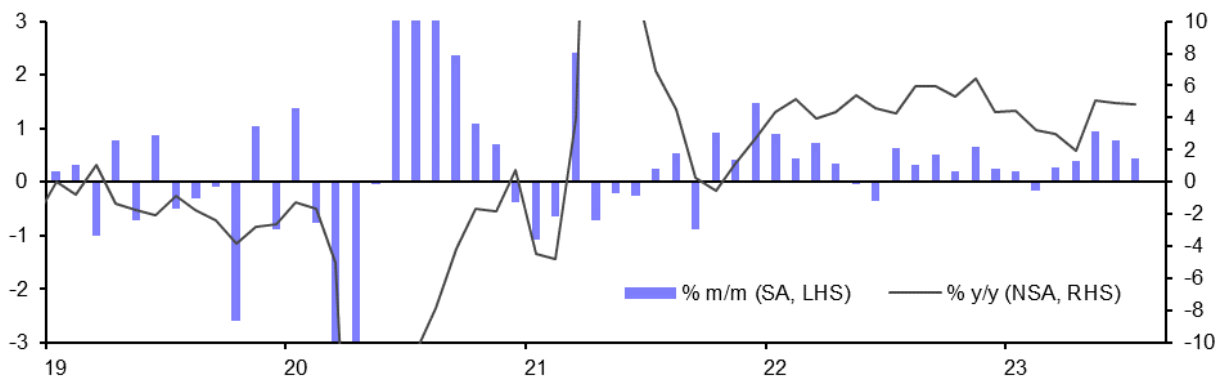
LATIN AMERICA RAPID RESPONSE

Mexico Industrial Production (Jul.)

Industry continuing to hold up well, for now

- Mexico's industrial sector posted a slightly larger-than-expected 0.5% m/m increase in output in July and the survey evidence suggests that activity continued to hold up well in August. But we still think that a period of sluggish growth in the US, as well as high interest rates domestically, will weigh on the sector over the coming quarters.
- The outturn followed a 0.8% m/m increase in June and was a bit better than the 0.4% m/m rise anticipated by the Refinitiv consensus. (See Chart 1.) Output has now increased for five consecutive months and, on a 3m/3m basis (which aligns with quarterly GDP growth), jumped by 2.0% – the strongest since April 2022.
- The breakdown of the data showed that the rise in output in July was driven by manufacturing (+0.3% m/m), construction (+2.0% m/m) and utilities (+3.5% m/m). (See Table 1.) This more than offset a sharp 2.6% m/m decline in mining production. Within manufacturing, there was another hefty rise in transport equipment which left it 8% above its pre-virus peak. But the big picture is that the manufacturing sector as a whole has stagnated since the tail-end of 2022.
- More timely indicators suggest that industrial activity continued to hold up well in the middle of Q3. The IMEF manufacturing index as well as the manufacturing PMI picked up last month, the latter to its highest reading since early 2016. Even so, with tight policy at home likely to curtail growth over the rest of this year and the US economy set for a period of sluggish growth, we expect Mexican industry to struggle over the next few quarters.

Chart 1: Industrial Production



Sources: Refinitiv, INEGI, Capital Economics

Table 1: Industrial Production*

	Headline		Mining		Utilities		Construction		Manufacturing	
	% m/m	% y/y	% m/m	% y/y	% m/m	% y/y	% m/m	% y/y	% m/m	% y/y
Feb-23	0.4	1.9	0.7	3.4	-2.3	0.4	-0.6	-5.0	1.1	-1.9
Mar-23	0.9	5.1	0.2	3.6	2.4	2.0	7.1	6.2	-0.9	-2.9
Apr-23	0.8	4.9	-0.4	1.6	-2.0	0.3	3.3	6.3	0.6	-1.4
May-23	0.5	4.8	-2.6	-0.7	3.5	4.8	2.0	6.4	0.3	-0.2

Sources: Refinitiv, INEGI. * m/m data are seasonally adjusted, y/y data are not seasonally adjusted



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