



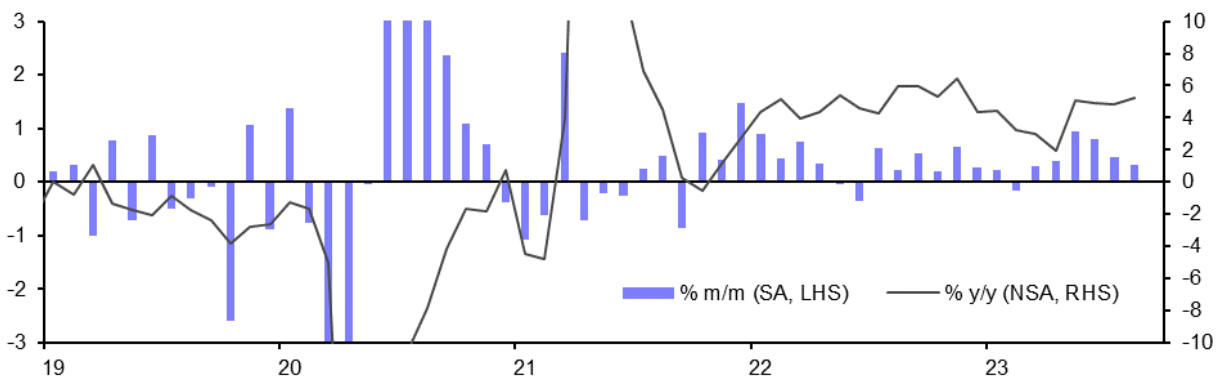
LATIN AMERICA RAPID RESPONSE

Mexico Industrial Production (Aug.)

Construction boom helps to offset manufacturing weakness

- Mexico’s industrial sector posted a modest 0.3% m/m rise in output in August as another jump in construction output more than offset renewed weakness in manufacturing. But more timely indicators suggest that activity has lost some momentum recently and we expect tight monetary policy, alongside weak growth in the US, to curtail growth in industry over the coming quarters.
- The outturn followed a 0.5% m/m rise in July and was in line with the Refinitiv consensus. (See Chart 1.) Industrial production has now increased for six consecutive months and, on a 3m/3m basis (which aligns with quarterly GDP growth), output rose by 2.0%.
- The breakdown of the data showed that the rise in production in August was underpinned by stronger activity in the construction, mining and utilities sectors. (See Table 1.) The construction sector in particular is booming, with output there up by another 2.4% m/m and 10.7% 3m/3m, perhaps reflecting robust demand for industrial real estate. The rise in mining output in August failed to recoup losses endured in July. The manufacturing sector remained a weak spot, with production falling by 0.7% m/m.
- More timely indicators suggest that industry lost a bit of momentum at the end of Q3. Both the IMEF manufacturing index and the manufacturing PMI produced by S&P Global fell back in September, with the latter falling below the 50-mark that (in theory) separates expansion from contraction for the first time in more than a year. We continue to think that the combination of tight monetary policy at home and a period of weak growth in the US will weigh on Mexico’s industrial sector 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
May	0.9	5.1	0.2	3.6	2.5	2.0	7.3	17.6	-0.9	2.3
Jun.	0.8	4.9	-0.4	1.6	-2.2	0.3	3.5	22.9	0.5	1.7
Jul.	0.5	4.8	-2.6	-0.7	4.5	4.8	2.2	25.6	0.2	0.8
Aug.	0.3	5.2	1.6	1.4	2.6	8.9	2.4	30.8	-0.7	-0.6

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



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