

Industrial production – Mining industry impacts September’s output

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- **Industrial production (September): -1.3% yoy; Banorte-Ixe: -1.5%; consensus: -0.9% (range: -1.9% a 1.6%); previous: 0.3%**
- **IP’s contraction during September was explained by the moderate growth of manufacturing output and the recession of the mining industry**
- **With today’s figures, the mining industry now adds 28 consecutive months in contraction**
- **Despite the 1% yoy growth of construction output, civil engineering construction declined 14% yoy**
- **In seasonally adjusted terms, industrial output grew 0.1% m/m, while manufacturing output decreased 0.2% m/m**
- **Looking ahead, we expect industrial production to show a marginal recovery in the coming months**

Industrial production continues to decelerate. *INEGI* just published its IP report for September, where the headline index posted a 1.3% yoy contraction, above our -1.5% forecast (consensus: -0.9% yoy).

Taking a look at the breakdown, manufacturing output increased 0.4% yoy (Banorte-Ixe: 0.9%). Moreover, construction output grew 1%, as a result of the 3.1% growth in building projects, whereas public civil engineering construction projects declined 14.1% yoy, given the fiscal cuts implemented by the Federal Government.

Also, mining activity fell 9.7% as a result of the significant contraction in Mexico’s oil production, and the lower investment in Mexico’s drilling projects. With today’s figure, mining activity now adds 28 consecutive months in contraction. Finally, utilities increased 2%, as shown in the table on the next page.

In seasonally adjusted terms, IP grew 0.1% m/m. Taking a look at the breakdown, manufacturing output edged-down 0.1% m/m. However, construction activity grew 1.4% m/m, while mining declined 1.7% m/m. With these figures, industrial production is flat at 0% 3m/3m saar from -2.6% in 2Q16. Moreover, manufacturing production edged-up to 4.3% 3m/3m saar from -1% in 2Q16 (refer to the charts on the third page).

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Looking ahead, we expect a marginal recovery in industrial production. We continue to believe that Mexico's manufacturing industry will show a recovery in the coming months. We expect that the further depreciation of the Mexican currency, stemming from the results of the US election, will benefit exports in the final quarter of 2016. Moreover, uncertainty around the commercial relationship between Mexico and the US will boost the flow of exports at the end of the current year.

We also believe that construction output will continue to fall. As we have mentioned throughout our publications, the fiscal cuts implemented by the Federal Government, which have affected the construction of public infrastructure projects, will overcompensate the upward trends in private construction projects in the last quarter of the year.

Industrial production: September 2016

% yoy

Original figures	Sep-16	Sep-15	Jan-Sep, '16	Jan-Sep, '15
Total	-1.3	1.7	0.0	1.3
Mining	-9.7	-4.2	-5.3	-4.7
Utilities	2.0	2.2	3.4	2.3
Construction	1.0	3.3	1.5	3.7
Manufacturing	0.4	3.4	1.1	2.8
Contribution to growth	Sep-16	Sep-15	Difference	
Total	-1.3	1.7	-3.0	
Mining	-1.9	-0.9	-1.1	
Utilities	0.2	0.2	0.0	
Construction	0.2	0.7	-0.5	
Manufacturing	0.2	1.7	-1.4	

Source: INEGI, Banorte-Ixe

Industrial production: September 2016

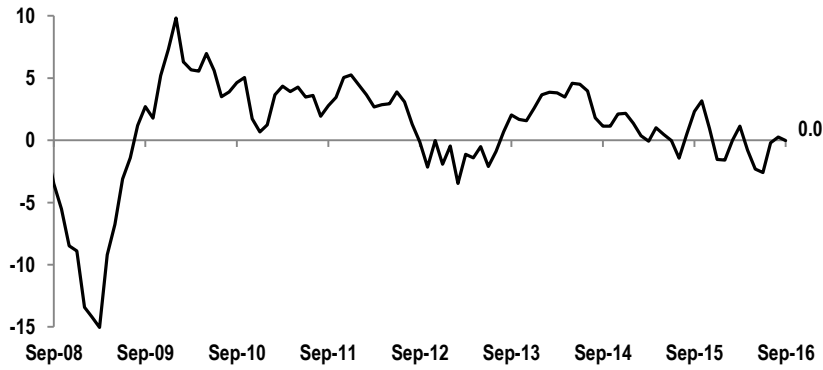
% m/m sa

	Sep-16	Aug-16	Difference
Total	0.1	-0.4	0.5
Mining	-1.6	-1.6	0.0
Utilities	-0.3	-1.0	0.8
Construction	1.4	-0.6	1.9
Manufacturing	-0.1	0.1	-0.2

Source: INEGI, Banorte-Ixe

Industrial production

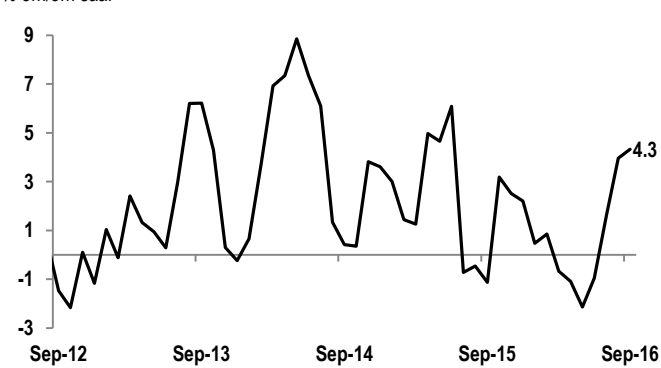
% 3m/3m saar



Source: Banorte-lxe; INEGI

Manufacturing production

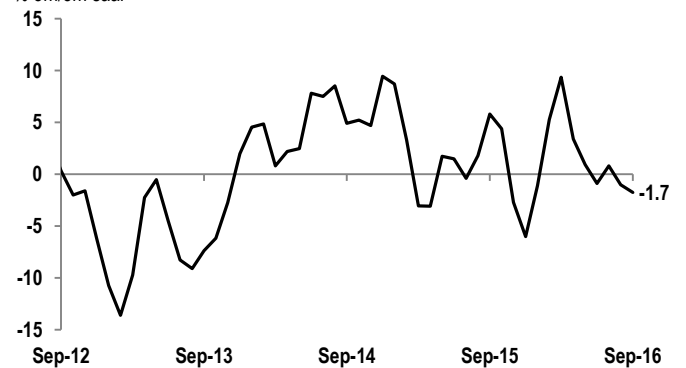
% 3m/3m saar



Source: Banorte-lxe; INEGI

Construction output

% 3m/3m saar



Source: Banorte-lxe; INEGI

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