

## Industrial production – November’s 1.3% yoy growth explained by a calendar effect

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- **Industrial production (November): 1.3% yoy; Banorte-Ixe: 1.2%; consensus: 0.5% (range: -1% to 1.2%); previous: -1.4%**
- **IP’s growth during November was explained by a calendar effect which added a working day to the annual comparison**
- **Correcting for this calendar effect industrial production increased 0.3% yoy**
- **November’s scant growth was explained by the 2.3% increase in manufacturing output coupled with the recession of the mining industry**
- **With today’s figures, the mining industry now adds 30 consecutive months in contraction**
- **In addition, construction output posted a 2.4% yoy growth; however, civil engineering construction declined 14% yoy**
- **In seasonally adjusted terms, industrial output posted a null monthly growth**
- **Looking ahead, we expect industrial production to show a marginal recovery in the first quarter of the year**

**Calendar effect behind November’s 1.3% growth.** *INEGI* just published its IP report for November, where the headline index posted a 1.3% yoy expansion, marginally above our 1.2% forecast (consensus: 0.5% yoy). IP’s growth during November was explained by a calendar effect which added a working day to the annual comparison. Correcting for this effect, industrial production increased 0.3% yoy. Year-to-date, industrial production has fallen 0.1%.

Taking a look at the breakdown, and analyzing the calendar-adjusted figures, manufacturing output increased 2.3% yoy. Moreover, construction output grew 2.4%, as a result of the 7.6% growth in building projects, whereas public civil engineering construction projects declined 14% yoy, given the fiscal cuts implemented by the Federal Government.

Also, mining activity fell 9.1% 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 30 consecutive months in contraction. Finally, utilities increased 2.4%, as shown in the table on the next page.

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**Industrial production: November 2016**

% yoy

Original figures	Nov-16	Nov-15	Jan-Nov, '16	Jan-Nov, '15
Total	1.3	-0.1	0.0	1.0
Mining	-9.1	-4.4	-6.0	-4.6
Utilities	2.4	3.3	3.2	2.4
Construction	3.6	-1.4	1.9	2.9
Manufacturing	4.3	1.9	1.2	2.5
Adjusted by calendar effect	Nov-16	Nov-15	Jan-Nov, '16	Jan-Nov, '15
Total	0.3	-0.3	-0.1	1.1
Mining	-9.1	-4.4	-6.3	-4.6
Utilities	2.4	3.3	3.2	2.4
Construction	2.4	-1.1	1.8	3.0
Manufacturing	2.3	1.4	1.0	2.6
Contribution to growth	Nov-16	Nov-15	Difference	
Total	1.3	-0.1	1.4	
Mining	-1.8	-0.9	-0.9	
Utilities	0.2	0.2	-0.1	
Construction	0.8	-0.3	1.2	
Manufacturing	2.1	0.9	1.2	

Source: INEGI, Banorte-Ixe

**In seasonally adjusted terms, IP posted a null growth.** Taking a look at the breakdown, manufacturing output edged-up 0.7% m/m. However, construction activity fell 0.9% m/m, while mining declined 1% m/m. With these figures, industrial production also posted a 3m/3m null annualized growth, explained by the 11.5% fall in mining output, coupled with manufacturing's 2.2% 3m/3m saar growth (refer to the charts on the third page).

**Industrial production: November 2016**

% m/m sa

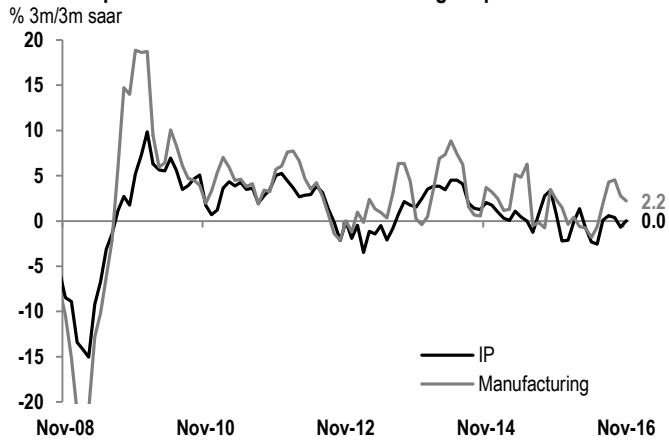
	Nov-16	Oct-16	Difference
Total	0.0	0.2	-0.2
Mining	-1.0	0.0	-1.0
Utilities	0.1	0.4	-0.3
Construction	-0.9	1.1	-2.0
Manufacturing	0.7	0.3	0.4

Source: INEGI, Banorte-Ixe

**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 first quarter of the year. In addition, the uncertainty around the commercial relationship between Mexico and the US will probably boost the flow of exports during this period.

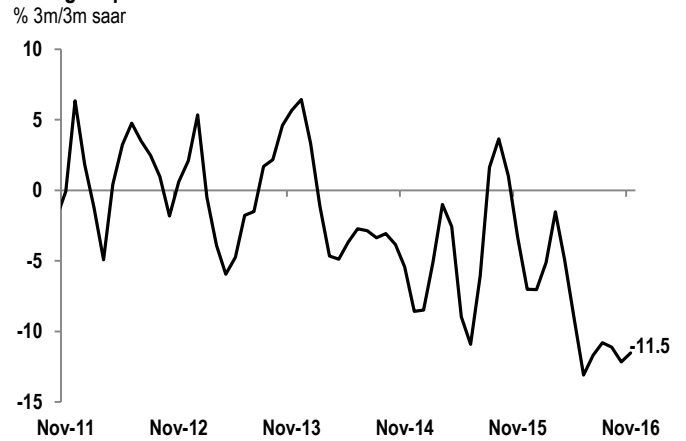
However, we also believe that construction output will continue to decelerate. As we have mentioned throughout our publications, the MXN\$76.4 billion (around US\$ 3.5 billion) fiscal cut that the Federal Government will implement in 1Q17 will affect the construction of public infrastructure projects, which will partially offset the upward trends in private construction projects in the first quarter of the year.

**Industrial production: Total and manufacturing output**



Source: Banorte-lxe; INEGI

**Mining output**



Source: Banorte-lxe; INEGI

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