

Contributors
Juan Manuel Herrera

Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.601.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Latam Daily: Mexico Industrial Production Recap

- **Mexico: Industrial production surprised to the upside with monthly rebounds in construction and manufacturing in January**

MEXICO: INDUSTRIAL PRODUCTION SURPRISED TO THE UPSIDE WITH MONTHLY REBOUNDS IN CONSTRUCTION AND MANUFACTURING IN JANUARY

In January, industrial activity increased 2.9% y/y after stagnating 0.0% in December. Construction rebounded 17.9% (14.8% previously), utilities moderated 0.6% (2.2% previously), manufacturing rebounded slightly 0.1% (-4.0% previously) and mining deepened its decline to -1.6% (-1.2% previously). In the monthly comparison, industrial production rebounded 0.4% m/m from a previous -0.7%, with seasonally adjusted monthly figures. Construction and manufacturing increased 2.2% and 0.2% respectively, while utilities dropped for the fifth consecutive time -0.8%, and mining fell -0.4%.

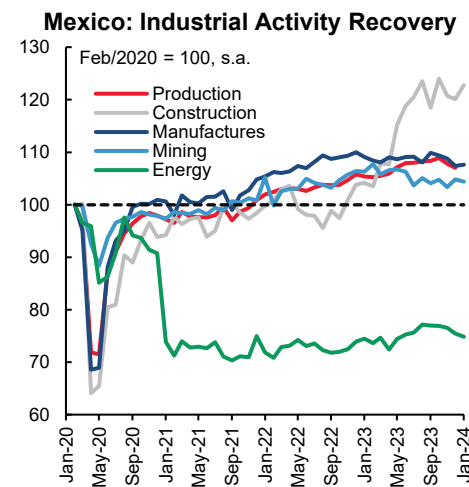
On one hand, construction continues with double digit increases, mainly supported by civil engineering works (+53.4% y/y), facing some pressure to finish the public projects of the current administration, so we believe that construction will slow down as the change of administration approaches and the emblematic works are finished (chart 1).

On the other hand, energy and utilities is stagnant, with no clear signs of changing its trend, as the index stands at 66.71 points, far from the base year 2018=100 points (chart 2). Mining shows a decline in two of its three components, oil and gas (-2.5%) and metallic minerals (-0.4%), see chart 2 again.

Lastly, manufactures have been quite irregular, even with annual declines during 2023, in line with the performance of the sector in the United States, which has also been down. The exception to this performance is transportation equipment, although it presented a more moderate advance in January (0.5% vs. 4.8% in all of 2023). The main components with declines were leather products (-12.8%), wood (-6.8%), machinery and equipment (-6.2%), paper (-6.8%) and textiles (-0.7%). Manufacturing could have an important recovery if trade with the U.S. continues to increase and nearshoring projects materialize, and we believe that less restrictive rates could help the recovery of the sectors with greater setbacks (table 1).

Chart 1


Sources: Scotiabank Economics, INEGI.

Chart 2


Sources: Scotiabank Economics, INEGI.

Table 1: Mexico— Industrial Production by Components

Sector/Subsector	Part. % GDP Ind.	% real annual				% m/m S.A.	
		Jan		Jan-Dec			
		Q4 2023	2023	2024	2022	2023	Dec
Total Industry	31.7	3.6	2.9	5.3	3.5	-0.7	0.4
Mining	3.8	1.0	-1.6	4.7	1.4	1.4	-0.4
Oil and Gas	2.4	3.8	-2.5	3.7	3.0	-0.9	-1.2
Min. Non-Metallic	1.1	1.5	-0.4	5.1	-2.0	-0.1	2.4
Utilities	1.3	3.7	0.6	0.3	3.7	-1.4	-0.8
Construction	6.3	4.1	17.9	2.8	15.6	-0.5	2.2
Building	4.2	2.8	11.3	1.0	5.4	-1.1	3.3
Civ. Eng	1.4	9.3	53.4	7.6	78.7	2.1	0.7
Specialized Work	0.7	5.3	11.5	8.7	4.0	0.4	-0.5
Manufactures	20.2	4.1	0.1	6.3	0.9	-1.3	0.2
Food	3.8	1.2	-0.4	2.9	-1.0	-0.4	-1.3
Beverages and tobacco	1.0	0.2	1.8	6.2	-3.8	0.9	0.1
Textile Supplies	0.1	-10.2	-8.0	0.1	-9.4	-2.8	1.4
Textile products	0.1	0.9	-0.7	-4.5	-2.3	-1.3	2.3
Clothing	0.2	-4.3	-2.3	4.9	-9.6	-5.6	2.8
Leather Products	0.1	2.0	-12.8	7.0	-2.0	-3.4	-1.3
Wood	0.1	-8.0	-8.0	-3.1	-11.0	-2.1	-0.9
Paper	0.4	0.0	-6.8	3.1	-5.4	-1.1	-0.8
Print	0.1	0.7	-0.6	10.7	0.2	14.2	-10.2
Oil derivatives	0.7	6.2	11.9	15.9	-2.4	8.7	6.4
Chemistry	1.3	-1.8	3.1	1.0	-3.2	0.1	2.4
Plastic and Rubber	0.6	0.6	-2.2	5.4	-2.9	0.5	-1.4
Non-metallic products	0.6	3.6	-3.7	2.5	-3.4	-1.6	3.8
Basic metal industry	1.0	4.5	-1.2	3.6	-0.4	-1.9	2.9
Metal Products	0.8	6.8	-1.9	7.5	2.2	2.8	-1.7
Machinery and equipment	0.8	8.6	-6.2	5.9	0.9	-0.6	-0.6
Computer equipment	2.0	7.2	3.0	13.2	1.2	-0.5	-1.2
Electrical generation equipment	0.8	0.9	-4.8	3.8	0.7	-0.2	-2.6
Transportation equipment	4.8	9.4	0.5	10.3	8.6	-5.7	0.8
Furniture	0.2	-11.8	0.1	-1.1	-8.3	-0.2	0.6
Other manufactures	0.2	11.9	2.9	4.3	3.1	5.2	-3.3

Sources: Scotiabank Economics, INEGI

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—Brian Pérez & Miguel Saldaña

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