

## Industrial production – Generalized weakness, although still with a positive outlook

- **Industrial production (November): 2.8% y/y nsa; Banorte: 4.8%; consensus: 4.9% (range: 3.9% to 6.2%); previous: 5.6%**
- **Sequentially, industry fell 1.0% m/m, its biggest setback so far in the year. All its components declined, with weakness concentrated in construction (-2.9%) and mining (-1.4%). Manufacturing was more modest at -0.5% –with 10 of the 21 categories inside to the downside–**
- **Despite today's results, we believe that the outlook for construction continues to be favorable, with its main drivers still in play. However, the outlook for manufacturing is more complex, considering a still challenging global backdrop**
- **In this sense, we believe that the performance of the sector in the first half of 2024 will continue to be supported by construction –mainly due to efforts to finish key projects–, although we do not rule out that additional resilience in the US could provide some support to manufacturing**

**Moderation in industry's annual pace of growth.** Production increased 2.8% y/y (see [Chart 1](#)), below consensus (4.9%) and our estimate (4.8%). Inside, construction once again was the main driver with an 18.0% increase –although with a relevant moderation vs. October. Manufacturing was also lower at -0.3%, while mining was the weakest at -2.4% ([Chart 2](#)). With seasonally adjusted figures, the result was slightly higher at 3.0% y/y. For details, see [Table 1](#).

**Sequentially, industry posted its largest setback so far in the year.** Industry declined 1.0% m/m ([Chart 3](#)), ending with eight months of gains. Even though all components inside fell, we believe that it does not necessarily reflect the cyclical position of the economy, acknowledging that several drivers of activity still are in play. In this sense, we believe that the result suffered from some adverse circumstantial factors: highlighting: (1) Some weakness in US industry, with the auto sector restarting production after the UAW strike; (2) some uncertainty regarding the performance in other regions (e.g. China and Eurozone); and (3) a slowdown in some construction projects given that the end of the year was near.

In this sense and leading losses, construction decreased 2.9%. Although the result is skewed by a challenging base effect, it is relevant to mention that the sector had experienced higher volatility in the last three months relative to what we saw earlier in the year. Therefore, edification fell 4.0% –not enough to erase the 5.1% gain of the previous month–, while civil engineering works backtracked 1.0%. More positively, specialized works grew 1.3%, adding two months of improvements.

Mining fell 1.4%, impacted by the volatility of services related to the sector (-19.6%, previous: 10.2%). Meanwhile, the oil-related component was unchanged (0.0%), in line with mixed production data from Pemex and the CNH. Lastly, the non-oil component rose 0.6%, breaking with three months of declines and positive at the margin considering a still challenging outlook regarding some raw materials prices.

Manufacturing came in at -0.5%, adding to the -0.4% of the previous month. Inside, 10 of the 21 categories declined. Among the most relevant results, we highlight a 3.0% fall in transportation equipment, even despite the auto workers' strike having ended in the last days of October. In addition, other items with relevant declines include textile raw materials (-3.5%), metal-based goods (-4.9%) and machinery and equipment (-2.6%).



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and Market Strategy  
[juan.alderete.macal@banorte.com](mailto:juan.alderete.macal@banorte.com)



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
[francisco.flores.serrano@banorte.com](mailto:francisco.flores.serrano@banorte.com)



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
[yazmin.perez.enriquez@banorte.com](mailto:yazmin.perez.enriquez@banorte.com)



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
[cintia.nava.roa@banorte.com](mailto:cintia.nava.roa@banorte.com)




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On the positive side, we highlight a strong rebound on oil- and carbon-related products (15.5%), ending four months of losses, as well as an improvement on electronic items (0.8%). For more details see [Table 2](#).

**We expect industry to continue contributing to economic growth in coming months, although we do not rule out some divergence between sectors.** We believe that the factors that have driven industry during most of 2023 will continue in the short-term. So, we think that the two key factors that will keep setting the trend are: (1) Uncertainty regarding the performance of external demand; and (2) strength in domestic components. Regarding the former, most recent signs in the US suggest that the ‘soft landing’ could materialize, although weakness in other regions still implies relevant challenges. On the former, we believe that this trend will continue at least during 1H24, giving relevant support to the sector.

In detail, construction maintains elements to continue with its favorable performance, highlighting: (1) Infrastructure spending by the federal government, still focused on the conclusion of the *Tren Maya* and the *Corridor Transístmico* and (2) higher demand for industrial spaces –and eventually housing– in areas positively impacted by nearshoring. In this context, and in line with what was mentioned before, it is very likely that the sector will maintain strong growth rates in coming months, moderating in the second half of 2024.

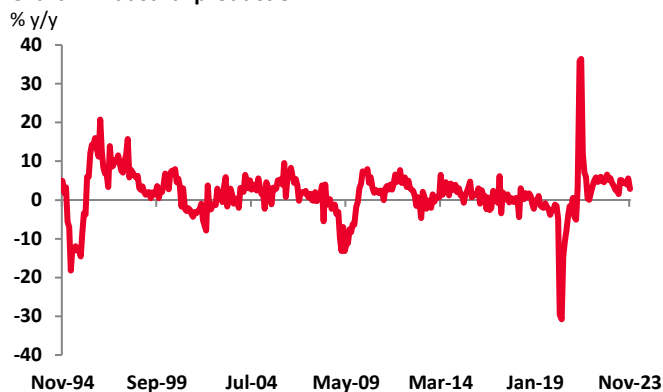
Regarding mining and manufacturing, these will continue to be influenced mainly by external dynamism. So, on the positive side, we believe the soft landing in the US could provide some relief in the short-term. In addition, and specifically for the auto sector, the outlook for auto parts and auto assembly is positive. According to AMIA, some of the key drivers for the sector include: (1) Production of hybrid and electric vehicles in the country –which began in 4Q23 and will continue to expand in 2024; and (2) a higher interest on units manufactured in Mexico. Moreover, INA estimates growth of 3.1% y/y for auto parts in 2024. However, in broad terms, downward risks also persist. One of the main concerns continues to be the low dynamism of the Chinese economy, with stimulus measures expected to continue at least in the first half of the year. In addition, we must add the possibility of new disruptions to supply chains due to heightened risks in the Red Sea and the continuation of other wars (e.g. Ukraine and Gaza).

**Table 1: Industrial production**

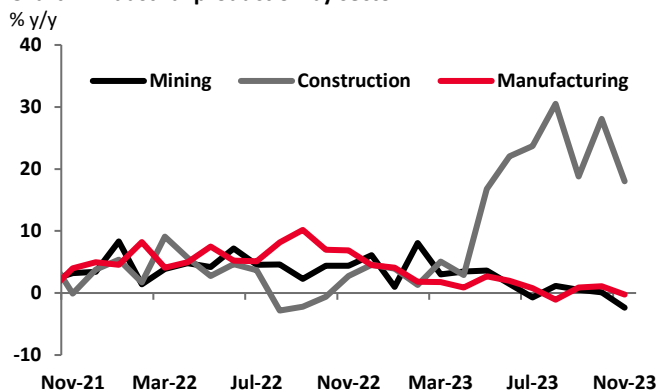
% y/y nsa, % y/y sa

	nsa				sa	
	Nov-23	Nov-22	Jan-Nov'23	Jan-Nov'22	Nov-23	Nov-22
<b>Industrial Production</b>	<b>2.8</b>	<b>5.7</b>	<b>3.8</b>	<b>5.3</b>	<b>3.0</b>	<b>5.5</b>
<b>Mining</b>	<b>-2.4</b>	<b>4.4</b>	<b>1.7</b>	<b>4.6</b>	<b>-2.3</b>	<b>4.4</b>
Oil and gas	1.1	3.2	3.3	3.8	1.1	3.1
Non-oil mining	-4.1	5.2	-1.8	5.0	-4.0	5.2
Services related to mining	-26.2	12.2	1.8	9.8	-24.7	14.8
<b>Utilities</b>	<b>5.5</b>	<b>2.0</b>	<b>3.8</b>	<b>0.5</b>	<b>5.7</b>	<b>2.2</b>
<b>Construction</b>	<b>18.0</b>	<b>2.8</b>	<b>15.4</b>	<b>2.7</b>	<b>19.3</b>	<b>3.7</b>
Edification	8.5	1.5	5.2	1.0	9.8	2.2
Civil engineering	65.8	5.2	79.1	7.1	69.0	6.3
Specialized works for construction	14.1	8.5	4.1	7.6	14.3	9.6
<b>Manufacturing</b>	<b>-0.3</b>	<b>6.9</b>	<b>1.3</b>	<b>6.5</b>	<b>-0.4</b>	<b>6.5</b>
Food industry	-0.5	2.5	-0.9	3.1	-0.2	2.3
Beverages and tobacco	-2.9	2.2	-3.8	6.5	-2.8	1.9
Textiles - Raw materials	-6.6	-16.4	-9.4	1.9	-6.2	-16.2
Textiles - Finished products ex clothing	-3.1	-2.1	-1.8	-4.7	-1.4	-1.9
Textiles - Clothing	-4.1	-2.9	-9.8	6.3	-2.1	-2.8
Leather and substitutes	-6.6	0.7	-1.1	7.6	-5.3	-0.2
Woodworking	-10.6	-4.9	-11.0	-2.4	-10.4	-5.6
Paper	-7.5	-0.5	-5.2	3.9	-7.2	-1.1
Printing and related products	-8.8	9.2	-0.4	11.6	-8.5	9.6
Oil- and carbon-related products	-14.3	18.9	-3.1	16.5	-15.5	16.4
Chemicals	-0.3	-6.0	-3.2	1.6	0.4	-5.4
Plastics and rubber	-3.9	1.4	-2.7	5.7	-3.9	1.5
Non-metallic mineral goods production	-6.7	3.5	-2.8	2.5	-6.8	3.1
Basic metal industries	-2.9	6.0	0.1	3.5	-3.2	5.7
Metal-based goods production	-4.2	4.8	3.2	7.2	-3.7	4.7
Machinery and equipment	-5.1	9.9	1.3	6.5	-4.2	8.8
Computer, communications, electronic, and other hardware	3.2	17.4	1.5	12.3	1.2	16.6
Electric hardware	0.9	1.8	0.8	4.0	1.0	2.2
Transportation equipment	6.6	17.6	10.0	10.4	5.9	17.4
Furniture, mattresses, and blinds	-4.4	-10.8	-8.5	-0.2	-4.7	-11.0
Other manufacturing industries	3.9	0.9	2.8	4.2	3.8	1.0

Source: INEGI

**Chart 1: Industrial production**


Source: INEGI

**Chart 2: Industrial production by sector**


Source: INEGI

**Table 2: Industrial production**

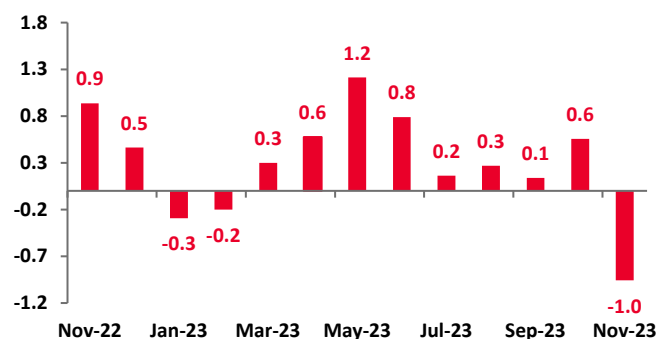
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Nov-23	Oct-23	Sep-23	Sep-Nov'23	Jun-Aug'23
<b>Industrial Production</b>	<b>-1.0</b>	<b>0.6</b>	<b>0.1</b>	<b>0.4</b>	<b>0.9</b>
<b>Mining</b>	<b>-1.4</b>	<b>0.6</b>	<b>-1.0</b>	<b>-1.0</b>	<b>-1.0</b>
Oil and gas	0.0	-0.1	-0.7	-0.4	-0.2
Non-oil mining	0.6	-0.4	-0.5	-1.0	-1.3
Services related to mining	-19.6	10.2	-3.7	-5.4	-4.0
<b>Utilities</b>	<b>-0.4</b>	<b>0.0</b>	<b>-0.2</b>	<b>1.2</b>	<b>2.7</b>
<b>Construction</b>	<b>-2.9</b>	<b>4.6</b>	<b>-4.0</b>	<b>0.0</b>	<b>3.3</b>
Edification	-4.0	5.1	3.4	5.0	3.6
Civil engineering	-1.0	4.5	-22.6	-14.2	0.5
Specialized works for construction	1.3	4.2	-4.1	1.9	4.3
<b>Manufacturing</b>	<b>-0.5</b>	<b>-0.4</b>	<b>1.6</b>	<b>0.7</b>	<b>0.4</b>
Food industry	0.0	-0.6	0.9	0.5	1.2
Beverages and tobacco	-0.1	-1.5	5.9	3.2	1.1
Textiles - Raw materials	-3.5	-4.0	4.7	0.6	3.8
Textiles - Finished products ex clothing	1.7	-0.9	3.9	-0.3	-4.3
Textiles - Clothing	1.6	-1.0	0.5	2.0	3.4
Leather and substitutes	-3.4	-0.9	0.2	-3.2	-1.6
Woodworking	-0.1	-0.5	0.8	0.2	1.7
Paper	0.2	-2.0	-0.2	-1.0	-1.1
Printing and related products	-11.7	7.3	-0.7	0.1	1.0
Oil- and carbon-related products	15.5	-12.2	-7.0	-10.9	-7.4
Chemicals	-1.3	0.8	0.5	1.3	1.2
Plastics and rubber	-0.6	0.2	0.3	-0.9	-1.7
Non-metallic mineral goods production	1.3	-2.9	1.1	-1.9	-2.2
Basic metal industries	4.5	-6.3	1.2	0.4	2.0
Metal-based goods production	-4.9	-6.8	4.2	-0.3	3.8
Machinery and equipment	-2.6	1.4	1.8	1.5	1.2
Computer, communications, electronic, and other hardware	0.8	2.7	0.8	2.1	0.1
Electric hardware	0.0	0.8	-0.3	0.6	0.4
Transportation equipment	-3.0	-0.8	6.4	2.5	0.6
Furniture, mattresses, and blinds	-0.9	3.1	-1.4	-1.1	-2.3
Other manufacturing industries	2.0	-0.9	2.7	1.8	0.5

Source: INEGI

**Chart 3: Industrial production**

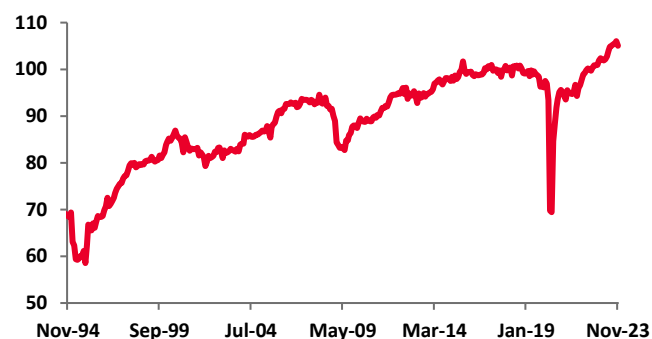
% m/m sa



Source: INEGI

**Chart 4: Industrial production**

Index sa



Source: INEGI

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We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Paula Lozoya Valadez, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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**Raquel Vázquez Godínez**  
Assistant  
raquel.vazquez@banorte.com  
(55) 1670 - 2967



**María Fernanda Vargas Santoyo**  
Analyst  
maria.vargas.santoyo@banorte.com  
(55) 1103 - 4000 x 2586

## Economic Research



**Juan Carlos Alderete Macal, CFA**  
Executive Director of Economic Research and Market Strategy  
juan.alderete.macal@banorte.com  
(55) 1103 - 4046



**Yazmín Selene Pérez Enríquez**  
Senior Economist, Mexico  
yazmin.perez.enriquez@banorte.com  
(55) 5268 - 1694

## Market Strategy



**Manuel Jiménez Zaldívar**  
Director of Market Strategy  
manuel.jimenez@banorte.com  
(55) 5268 - 1671



**José Itzamna Espitia Hernández**  
Senior Strategist, Equity  
jose.espitia@banorte.com  
(55) 1670 - 2249



**Leslie Thalía Orozco Vélez**  
Senior Strategist, Fixed Income and FX  
leslie.orozco.velez@banorte.com  
(55) 5268 - 1698



**Juan Carlos Mercado Garduño**  
Strategist, Equity  
juan.mercado.garduno@banorte.com  
(55) 1103 - 4000 x 1746

## Quantitative Analysis



**Alejandro Cervantes Llamas**  
Executive Director of Quantitative Analysis  
alejandro.cervantes@banorte.com  
(55) 1670 - 2972



**José De Jesús Ramírez Martínez**  
Senior Analyst, Quantitative Analysis  
jose.ramirez.martinez@banorte.com  
(55) 1103 - 4000



**Andrea Muñoz Sánchez**  
Analyst, Quantitative Analysis  
andrea.muñoz.sanchez@banorte.com  
(55) 1103 - 4000



**Alejandro Padilla Santana**  
Chief Economist and Head of Research  
alejandro.padilla@banorte.com  
(55) 1103 - 4043



**Itzel Martínez Rojas**  
Analyst  
itzel.martinez.rojas@banorte.com  
(55) 1670 - 2251



**Francisco José Flores Serrano**  
Director of Economic Research, Mexico  
francisco.flores.serrano@banorte.com  
(55) 1670 - 2957



**Cintia Gisela Nava Roa**  
Senior Economist, Mexico  
cintia.nava.roa@banorte.com  
(55) 1103 - 4000



**Marissa Garza Ostos**  
Director of Equity Strategy  
marissa.garza@banorte.com  
(55) 1670 - 1719



**Carlos Hernández García**  
Senior Strategist, Equity  
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250



**Isaías Rodríguez Sobrino**  
Analyst, Fixed Income, FX and Commodities  
isaias.rodriguez.sobrino@banorte.com  
(55) 1670 - 2144



**Paula Lozoya Valadez**  
Analyst, Equity  
paula.lozoya.valadez@banorte.com  
(55) 1103 - 4000



**José Luis García Casales**  
Director of Quantitative Analysis  
jose.garcia.casales@banorte.com  
(55) 8510 - 4608



**Daniel Sebastián Sosa Aguilar**  
Senior Analyst, Quantitative Analysis  
daniel.sosa@banorte.com  
(55) 1103 - 4000 x 2124



**Lourdes Calvo Fernández**  
Analyst (Edition)  
lourdes.calvo@banorte.com  
(55) 1103 - 4000 x 2611



**Katia Celina Goya Ostos**  
Director of Economic Research, Global  
katia.goya@banorte.com  
(55) 1670 - 1821



**Luis Leopoldo López Salinas**  
Economist, Global Internacional  
luis.lopez.salinas@banorte.com  
(55) 1103 - 4000 x 2707



**Víctor Hugo Cortes Castro**  
Senior Strategist, Technical  
victorh.cortes@banorte.com  
(55) 1670 - 1800



**Hugo Armando Gómez Solís**  
Senior Analyst, Corporate Debt  
hugoa.gomez@banorte.com  
(55) 1670 - 2247



**Gerardo Daniel Valle Trujillo**  
Analyst, Corporate Debt  
gerardo.valle.trujillo@banorte.com  
(55) 1670 - 2248



**Miguel Alejandro Calvo Domínguez**  
Senior Analyst, Quantitative Analysis  
miguel.calvo@banorte.com  
(55) 1670 - 2220



**Jazmin Daniela Cuautencos Mora**  
Strategist, Quantitative Analysis  
jazmin.cuautencos.mora@banorte.com  
(55) 1103 - 4000