

Industrial production – A new setback in April on manufacturing weakness

- Industrial production (April): 5.1% y/y nsa; Banorte: 6.2%; consensus: 4.2% (range: -1.3% to 6.2%); previous: -3.0%
- Industry declined 0.5% m/m, its second fall so far in the year. The result reaffirms a more modest trend, which has been more evident since November
- Construction was the only category higher (+1.8%), with widespread gains inside. Mining fell 0.3%, with losses again in the oil component. Manufacturing also declined (-1.5%), with 19 out of its 21 branches lower, albeit also facing a more challenging base effect
- We keep expecting a push from construction in the short-term, with manufacturing getting a larger role in subsequent months. On the latter, we believe autos will maintain a positive performance, but we remain on the look to this sector in the US

Rebound in annual terms, with the calendar effect dominating. Production expanded 5.1% y/y (see [Chart 1](#)), below our estimate (6.2%) but above consensus (4.2%). Inside, two of the three main components were positive. Construction grew at a double-digit pace again at 16.1%. Manufacturing also accelerated strongly, coming in at 3.8% ([Chart 2](#)). Mining (-4.1%) remained negative, with weakness prevailing. We must note that the calendar effect after the *Easter* holiday was a great driver, recalling that the days-off in 2023 happened in April. As such, using seasonally adjusted figures, industry grew 0.6%. For further details by subsectors, see [Table 1](#).

Sequential decline, dragged by manufacturing and mining. Activity fell 0.5% m/m, its second monthly decline so far this year ([Chart 3](#)). It is important to mention that the sector has slowed down relative to the beginning and middle of last year. Inside, three of its four components declined. In this sense, construction remains supported by government spending and interest in industrial spaces, while manufacturing maintains some uncertainty, in line with a lateral performance of this sector in the US. On a more negative note, a new decline in oil production impacted mining further.

In this context, manufacturing backtracked 1.5%, falling after three months higher. Out of 21 categories, 19 contracted. Thus, we highlight the 11.6% decline in oil and carbon –in line with reports of some accidents across several refineries in the country. Other items to the downside included textiles (-8.5%), clothing (-4.8%), and metallic goods (-4.6%). On the contrary, increases were seen in printing (1.0%) and base metals (0.5%). Transportation equipment declined 1.6%, contrasting with early signals from the sector. For more details see [Table 2](#).

Mining fell for a fourth month in a row, now at -0.3%. Once again, the main drag was the oil sector (-1.2%) on the back of both crude oil and natural gas extraction. Non-oil was better (+2.4%), not ruling out a slight boost from the recovery in the prices of several metals and other commodities. Volatility continued in ‘related services’, rebounding 2.0%.

Finally, construction came in at +1.8%, quite positive given the previous month’s increase (+1.3%). Civil engineering works posted a seventh month to the upside at 0.3% –consistent with efforts to complete key infrastructure works. Edification climbed 1.7%, still benefited by a somewhat positive base effect after notable losses in February. Finally, ‘specialized works’ came in at 1.9%, its first increase since November.

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We expect the positive trend in manufacturing to support industry in coming months. In our view, industry's short-term performance will remain dictated by construction, although it is likely that the sector may lose some dynamism as early as June or July on the back of the completion of several government projects. Hence, we focus on manufacturing. Overall, we maintain a relatively encouraging outlook, albeit with modest growth rates as challenges remain on the horizon.

The outlook for US activity remains positive. However, risks in the short-term –and that could exacerbate by their nature– include: (1) A possible moderation in consumption accompanied by patterns that remained skewed towards higher spending on services relative to goods, thus potentially impacting demand for imported products; and (2) the expectation that the Fed's rate cuts will be delayed further. Recalling that US industrial production has been somewhat sideways, although with some positive surprises along the way, we maintain a marginally positive view, possibly with favorable spillovers locally.

More importantly, the auto industry maintains a more certain outlook. Its recovery, which was clear throughout 2023, will continue in 2024, although probably at a slower pace and with higher demand for electric and hybrid cars (EVs). Based on an analysis from *Bloomberg* in April, China would lead relative to US, European and Japanese producers, explained by a higher level of EV production. Taking this to a national level, manufacturers such as Toyota, BMW, VW, and Mazda, to mention a few, project scenarios in line with this. In this regard, Odracir Barquera, AMIA's General Director, stated that *"...industry has recovered and will keep up the pace for the remainder of the year..."*. In addition, AMIA estimated –in February of this year– that vehicle production in 2024 would be 4 million units, with exports in a range of 3.0 and 3.5 million units.

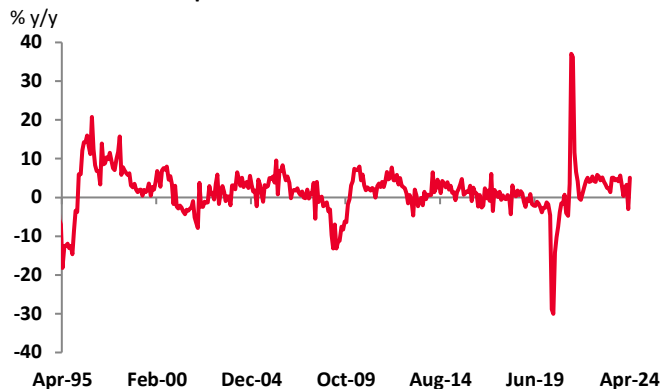
Finally, as mentioned in our last [View from the Top](#), this category faces some risks. Nonetheless, the possibility of an extension of the positive performance in the medium-term is feasible. This is especially relevant with the progress of some companies on production lines for hybrid and electric vehicles and auto parts that will supply related inputs. Barquera stated that *"...there will already be three electric vehicles being produced in Mexico, (which) will help us to significantly increase the total number produced by the end of 2024..."* A relevant fact related to the latter is the estimate of the IEA, which predicted that by year-end, EV sales would grow by more than 20%, with 1 out of every 5 cars purchased worldwide of this type.

Table 1: Industrial production

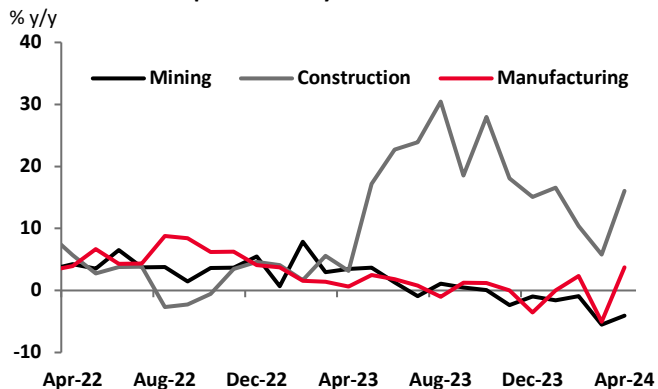
% y/y nsa, % y/y sa

	nsa				sa	
	Apr-24	Apr-24	Jan-Apr'24	Jan-Apr'23	Apr-24	Apr-24
Industrial Production	5.1	1.3	1.9	2.4	0.6	2.5
Mining	-4.1	3.5	-3.0	3.6	-5.1	3.6
Oil and gas	-7.8	5.8	-3.8	4.4	-7.7	6.0
Non-oil mining	5.0	0.2	0.3	-0.1	1.1	0.2
Services related to mining	-4.6	-4.3	-7.9	11.0	-5.8	-5.8
Utilities	3.7	-1.7	1.6	2.0	2.1	-1.5
Construction	16.1	3.2	12.1	3.6	12.6	4.1
Edification	13.2	-5.3	6.3	-1.0	9.0	-4.8
Civil engineering	27.1	65.3	41.0	31.4	25.8	67.9
Specialized works for construction	14.0	-6.5	5.1	0.8	11.4	-6.7
Manufacturing	3.8	0.6	0.2	1.8	-2.1	2.2
Food industry	2.0	-1.9	-0.2	-0.4	-1.9	-0.3
Beverages and tobacco	3.6	-4.2	2.2	-2.1	-1.6	-2.2
Textiles - Raw materials	1.1	-9.7	-7.3	-9.5	-11.6	-8.2
Textiles - Finished products ex clothing	-1.1	0.6	-2.3	-3.2	-9.9	3.2
Textiles - Clothing	-2.7	-13.8	-6.0	-11.3	-11.7	-11.6
Leather and substitutes	-10.3	2.8	-15.5	2.4	-20.5	4.6
Woodworking	-3.0	-16.9	-8.1	-11.0	-10.1	-14.9
Paper	-1.7	-3.0	-6.0	-1.4	-7.2	-1.7
Printing and related products	6.6	-7.2	-3.3	-2.9	0.3	-5.7
Oil- and carbon-related products	0.9	1.7	12.0	1.3	-1.2	1.2
Chemicals	7.2	-5.9	3.6	-4.5	-0.2	-4.4
Plastics and rubber	6.0	-3.1	-1.0	-1.7	-3.4	-1.4
Non-metallic mineral goods production	1.6	-4.1	-2.4	-1.1	-3.3	-3.6
Basic metal industries	-0.7	-1.6	-3.5	2.1	-2.9	-1.2
Metal-based goods production	2.5	-3.7	-1.9	-2.0	-6.1	-0.8
Machinery and equipment	2.1	2.1	-3.6	4.1	-3.8	4.1
Computer, communications, electronic, and other hardware	8.5	-2.5	3.6	1.8	3.5	-0.1
Electric hardware	3.8	0.1	-3.4	2.3	-1.7	0.9
Transportation equipment	5.0	12.8	-0.2	10.0	-5.6	15.7
Furniture, mattresses, and blinds	3.5	-11.7	-1.4	-9.8	-4.5	-9.9
Other manufacturing industries	10.3	-2.5	5.7	3.7	1.8	-1.1

Source: INEGI

Chart 1: Industrial production


Source: INEGI

Chart 2: Industrial production by sector


Source: INEGI

Table 2: Industrial production

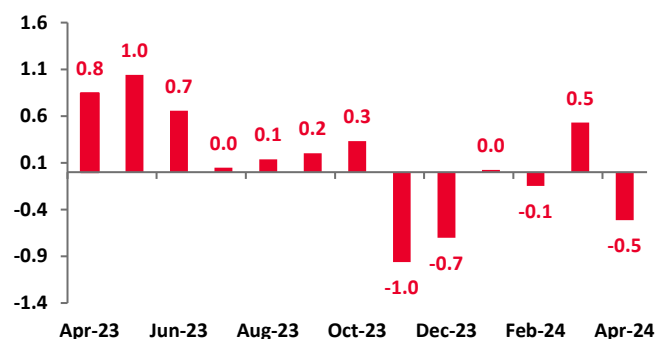
% m/m sa; % 3m/3m sa

	Apr-24	% m/m Mar-24	Feb-24	% 3m/3m Feb-Apr'24	Jan-Mar'24
Industrial Production	-0.5	0.5	-0.1	-0.18	0.8
Mining	-0.3	-1.3	-0.8	-1.74	0.6
Oil and gas	-1.2	-1.1	-0.6	-2.88	2.2
Non-oil mining	2.4	-1.2	-0.1	1.41	-0.3
Services related to mining	2.0	-3.6	-7.8	-2.22	-4.9
Utilities	-1.5	0.3	1.1	0.00	-1.9
Construction	1.8	1.3	-2.0	0.09	-0.6
Edification	1.7	1.4	-3.4	-0.91	-3.5
Civil engineering	0.3	3.1	3.6	6.85	15.9
Specialized works for construction	1.9	-2.7	-4.6	-6.91	-10.3
Manufacturing	-1.5	0.6	0.6	0.10	1.8
Food industry	-1.8	0.9	0.6	-0.47	1.9
Beverages and tobacco	-3.9	1.1	0.9	0.75	1.8
Textiles - Raw materials	-8.5	6.5	1.1	3.65	1.9
Textiles - Finished products ex clothing	-3.7	3.8	-3.4	-2.24	11.2
Textiles - Clothing	-4.8	-1.6	-4.5	-7.12	1.1
Leather and substitutes	-2.8	-1.0	-0.9	-5.05	5.3
Woodworking	-1.5	-3.1	0.4	-3.01	-0.9
Paper	-0.6	1.1	0.7	0.51	2.3
Printing and related products	1.0	0.2	-2.1	-4.36	-4.5
Oil- and carbon-related products	-11.6	7.3	-2.8	4.70	8.6
Chemicals	-3.1	1.3	0.9	1.77	0.6
Plastics and rubber	-3.6	2.4	1.6	1.20	1.9
Non-metallic mineral goods production	-1.0	-2.7	0.3	0.53	-0.1
Basic metal industries	0.5	-2.7	-2.7	-2.65	-2.4
Metal-based goods production	-4.6	3.3	-1.6	-1.12	3.0
Machinery and equipment	-0.1	0.0	1.3	0.98	3.2
Computer, communications, electronic, and other hardware	-0.7	0.7	0.1	-0.60	-0.5
Electric hardware	-0.2	1.4	-0.3	-1.31	-0.8
Transportation equipment	-1.6	-0.5	3.3	0.57	6.4
Furniture, mattresses, and blinds	-4.2	-0.5	1.2	-0.24	-1.0
Other manufacturing industries	-5.1	2.6	0.2	0.75	2.0

Source: INEGI

Chart 3: Industrial production

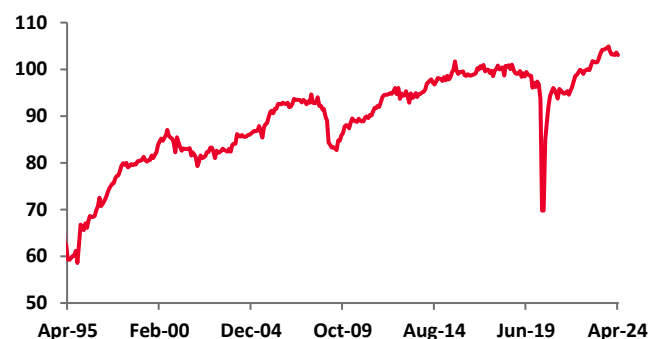
% m/m sa



Source: INEGI

Chart 4: Industrial production

Index sa



Source: INEGI

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