

Industrial production – Broad gains support an acceleration in 2024

- **Industrial production (May): 1.0% y/y nsa; Banorte: 1.4%; consensus: 1.0% (range: -0.7% to 1.9%); previous: 5.1%**
- **Industry climbed 0.7% m/m –its best result in 11 months–, erasing the 0.4% loss seen in April**
- **Construction was the main driver again, up 2.5% and with three consecutive months exhibiting strong gains. Mining was also strong at 2.0%, despite prevailing challenges in the sector. Manufacturing was unchanged (0.0%), with 14 out of 21 categories to higher and despite some disruptions at the end of the period**
- **We believe that industrial dynamism will moderate in coming months on greater headwinds for construction. Nevertheless, manufacturing could pick up some of the slack**

Less growth in annual terms on a more difficult base effect. Production expanded 1.0% y/y (see [Chart 1](#)), below our call (1.4%) but in line with consensus. By sectors, only one of the three main components was positive, this being construction at 10.2% –with a strong boost from edification. Manufacturing fell 1.4% ([Chart 2](#)), with a mixed performance inside. Lastly, mining stayed negative at -2.4%, with adverse results once again in oil. Using seasonally adjusted figures, industry grew 0.6% y/y, without relevant distortions as opposed to recent months. For details by subsectors, see [Table 1](#).

Sequential rebound after a backlash in April. Activity rose 0.7% m/m, more than compensating for the -0.4% observed in April and with mostly positive results inside ([Chart 3](#)). Overall, figures are consistent with our call of higher economic dynamism in 2Q24. Three of the four components grew, consistent with timely signals and more positive sentiment lately.

In construction (2.5%), it is quite clear that appetite for industrial parks remains as a key driver. Going to the details, edification led with a 5.2% advance, rather positive considering a very challenging base. More surprisingly, civil engineering works fell 4.2%. On the other hand, 'specialized works' were unchanged at 0.0%, coming from a relatively low level after losses in previous months.

Mining picked up 2.0%, ending with a four-consecutive month move downwards. Once again, oil was negative at -0.1%, with mixed figures regarding crude and gas extraction. The non-oil sector was much better, up 9.1%, despite a difficult base effect, likely helped by the recent boost to some commodity prices. 'Related services' fell 3.4%, still with very high volatility.

In manufacturing (0.0%), autos kept showing dynamism, in addition to an acceleration in US industrial activity –despite a flat performance so far this year– that contributed positively. Out of 21 categories, 14 grew. We note the 0.7% increase in transportation, consistent with early figures. Others that went higher included plastics and rubber (3.5%), beverages and tobacco (2.9%), and clothing (1.5%). On the contrary, losses were concentrated in oil and carbon (-2.9%), electronics (-1.7%), and base metals (-1.0%). On the latter, we highlight the possible impact from the strike in *ArcelorMittal* during the last week of the month, apart from other sectors that faced more challenging base effects. For more details see [Table 2](#).

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We continue to expect a moderation in industry in the second half of 2024, although some support could prevail from manufacturing. We think that several of the drivers that benefited the sector in 2023 and 1H24 could continue, albeit with others depleting to some extent due to a number of factors, which we detail in the following paragraphs. Thus, we believe that in coming quarters growth rates will moderate, although remaining positive given a favorable expectation for several sectors, possibly even showing greater dynamism than we expected just a few months ago.

Regarding construction, we believe that momentum associated with public works will continue. Turning to edification, we think that support will extend, especially in industrial and commercial spaces. In this regard, the *Mexican Chamber of the Construction Industry* (CMIC in Spanish) anticipates sector growth between 3% and 5% by the end of 2024, attributing a 1.6% expansion in investment to nearshoring. At the same time, they state that 40% of national construction firms have already benefited from this phenomenon. Finally, they estimate the need for industrial parks for the next five years to be in the order of 15 million square meters.

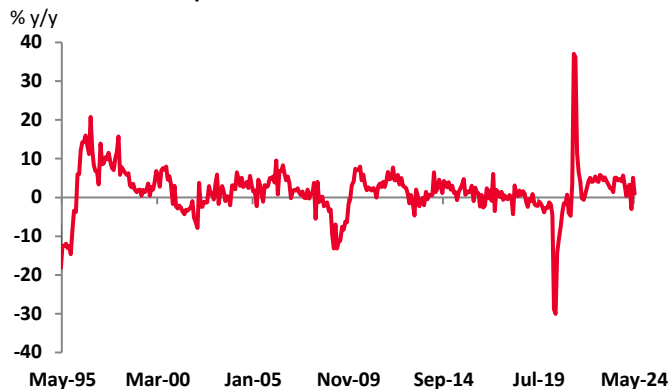
Turning to manufacturing, we believe that some branches will remain highly dependent on the performance of related industries in the US. While activity as a whole in said country has been relatively resilient, the sector in particular has shown some stagnation, so the outlook remains somewhat uncertain. However, we believe that some sectors could gain more ground at the expense of their peers in China as trade tensions continue to rise. Finally, others such as autos continue to benefit from relatively robust global –and US– demand. On a more short-term basis, we continue to expect a negative impact from the aforementioned strike at *ArcelorMittal* –a company that supplies around 30% of the country’s steel–, which has already lasted 49 days, and which went to court on Wednesday, July 10th. Initially, the shock may have been focused on this sector, although we cannot rule out an adverse spill-over to others that depend on this material as an input.

Table 1: Industrial production

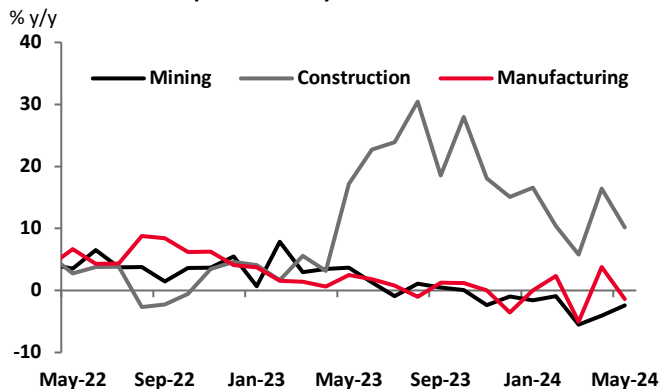
% y/y nsa, % y/y sa

	nsa				sa	
	May-24	May-23	Jan-May'24	Jan-May'23	May-24	May-23
Industrial Production	1.0	5.0	1.7	2.9	0.6	3.8
Mining	-2.4	3.7	-2.9	3.6	-2.5	3.5
Oil and gas	-7.4	4.6	-4.6	4.5	-7.4	4.6
Non-oil mining	12.5	-0.8	2.7	-0.3	12.2	-1.0
Services related to mining	-13.7	14.8	-9.0	11.7	-13.6	13.8
Utilities	5.1	0.3	2.3	1.6	4.8	-0.2
Construction	10.2	17.2	11.8	6.4	9.4	15.9
Edification	14.0	6.1	7.9	0.5	12.2	4.1
Civil engineering	3.4	105.1	31.4	45.1	3.3	101.9
Specialized works for construction	0.4	-2.0	4.2	0.2	0.8	-1.4
Manufacturing	-1.4	2.5	-0.2	1.9	-1.8	1.0
Food industry	0.7	-2.5	0.0	-0.8	0.7	-3.7
Beverages and tobacco	2.3	-4.3	2.2	-2.6	3.2	-6.2
Textiles - Raw materials	-7.9	-12.0	-7.4	-10.0	-7.6	-13.0
Textiles - Finished products ex clothing	-9.0	3.5	-3.9	-1.7	-8.5	0.4
Textiles - Clothing	-9.7	-14.5	-6.8	-11.9	-8.3	-15.6
Leather and substitutes	-10.1	-1.0	-14.4	1.7	-10.2	-3.6
Woodworking	-2.9	-16.6	-7.1	-12.2	-2.9	-18.0
Paper	-3.3	-3.5	-5.5	-1.8	-3.5	-5.3
Printing and related products	-4.8	6.6	-3.6	-0.9	-5.4	4.3
Oil- and carbon-related products	2.2	-6.1	10.1	-0.3	3.3	-4.7
Chemicals	1.1	-2.5	3.1	-4.1	1.6	-3.7
Plastics and rubber	0.4	1.2	-0.7	-1.1	0.1	-0.6
Non-metallic mineral goods production	-2.7	0.6	-2.5	-0.7	-2.6	0.2
Basic metal industries	-3.2	-4.8	-3.5	0.7	-2.9	-4.5
Metal-based goods production	-3.6	-1.9	-2.3	-1.9	-3.0	-3.8
Machinery and equipment	-3.9	1.9	-3.7	3.7	-4.5	0.8
Computer, communications, electronic, and other hardware	-2.1	5.4	2.4	2.6	-2.3	2.4
Electric hardware	-0.2	-2.4	-2.7	1.3	-0.5	-3.6
Transportation equipment	-3.4	17.7	-0.9	11.5	-5.1	14.7
Furniture, mattresses, and blinds	-11.3	-3.6	-3.6	-8.5	-11.2	-4.9
Other manufacturing industries	9.3	2.5	6.4	3.4	9.2	1.3

Source: INEGI

Chart 1: Industrial production

Source: INEGI

Chart 2: Industrial production by sector

Source: INEGI

Table 2: Industrial production

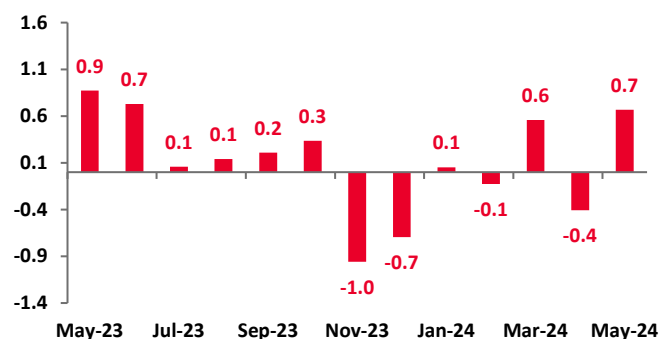
% m/m sa; % 3m/3m sa

	May-24	% m/m Apr-24	Mar-24	% 3m/3m Mar-May'24	Feb-Abr'24
Industrial Production	0.7	-0.4	0.6	0.4	-0.1
Mining	2.0	-0.3	-1.2	-1.4	-1.6
Oil and gas	-0.1	-1.6	-1.1	-3.0	-3.1
Non-oil mining	9.1	3.7	-2.0	4.3	1.6
Services related to mining	-3.4	1.2	-4.0	-10.8	-3.3
Utilities	3.5	-1.3	0.3	1.3	0.4
Construction	2.5	2.0	1.4	2.7	0.4
Edification	5.2	2.2	1.7	3.5	-0.1
Civil engineering	-4.2	-0.2	2.4	2.6	4.9
Specialized works for construction	0.0	2.0	-2.6	-4.7	-6.7
Manufacturing	0.0	-1.4	0.4	-0.2	0.0
Food industry	0.9	-1.9	1.0	-0.1	-0.5
Beverages and tobacco	2.9	-5.0	1.2	-0.7	0.4
Textiles - Raw materials	0.0	-8.9	6.5	2.2	3.3
Textiles - Finished products ex clothing	-0.7	-3.8	3.9	-1.0	-2.3
Textiles - Clothing	1.5	-4.7	-1.6	-6.2	-7.1
Leather and substitutes	4.2	-3.4	-0.7	-2.8	-4.8
Woodworking	1.0	-1.4	-3.1	-3.3	-2.8
Paper	0.3	-0.5	1.1	1.1	0.6
Printing and related products	1.6	1.0	0.3	-3.5	-4.4
Oil- and carbon-related products	-2.9	-11.6	7.3	-1.8	4.5
Chemicals	0.9	-3.1	1.3	0.6	1.7
Plastics and rubber	3.5	-3.8	1.8	1.2	1.0
Non-metallic mineral goods production	0.5	-1.0	-2.7	-1.6	0.6
Basic metal industries	-1.0	0.4	-2.7	-3.4	-2.8
Metal-based goods production	1.3	-4.5	3.2	-0.8	-1.1
Machinery and equipment	-1.3	-0.1	-0.3	-0.2	0.5
Computer, communications, electronic, and other hardware	-1.7	-0.9	0.8	-1.0	-1.0
Electric hardware	0.8	-0.2	1.5	0.6	-1.1
Transportation equipment	0.7	-1.4	-0.5	1.1	0.7
Furniture, mattresses, and blinds	-1.3	-3.5	-0.5	-2.5	-0.3
Other manufacturing industries	4.8	-5.1	2.7	1.2	1.5

Source: INEGI

Chart 3: Industrial production

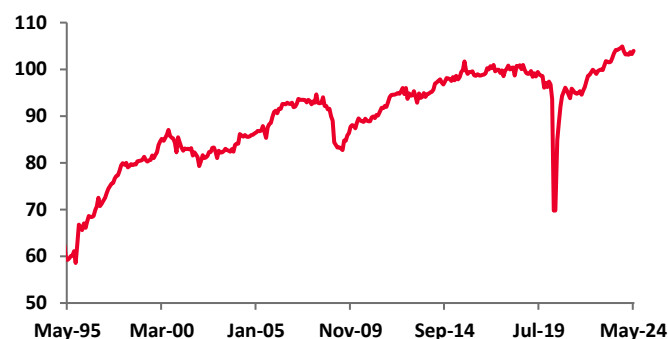
% m/m sa



Source: INEGI

Chart 4: Industrial production

Index sa



Source: INEGI

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