January 10, 2025

Industrial production – Small rebound in November suggests a slowdown in 4Q24

- **Industrial production (November): -1.4% y/y nsa; Banorte: -0.9%; consensus: -1.4% (range: -1.8% to -0.5%); previous: -2.1%**
- **Industrial activity rebounded 0.1% m/m, quite modest after the 1.1% contraction in October. We believe this confirms a slowdown trend in 4Q24, reflecting some weakness on both the external and domestic fronts**
- **By sectors, manufacturing grew 0.7% m/m, with 14 of its 21 categories higher –with the 3.8% expansion in transportation standing out. Mining was lower at 0.4%, driven by 'related services', although with the oil component again down. Finally, construction came in at -1.8%, with declines in both edification and civil engineering**
- **We believe that industrial production could remain sluggish at the start of 2025. Some challenges will extend at least to the first quarter, exacerbated by an environment of greater external uncertainty. However, other drivers could gain momentum as the year progresses**

Industrial activity adds four months in contraction in annual terms. Production fell 1.4% y/y (see Chart 1), in line with consensus (-1.4%) but lower than our estimate (-0.9%). Manufacturing turned negative at -0.2% (Chart 2), despite a more favorable base effect. Meanwhile, mining continued its negative streak at -4.7%, accumulating 17 months of declines. Construction also contracted at -4.2%. Regarding calendar effects, the period had one less working day than in 2023. Thus, with seasonally adjusted figures, the result was marginally better at -0.9% y/y. For more details, see Table 1.

Modest monthly advance. Activity grew 0.1% m/m, rather small considering the 1.1% loss seen in October (Chart 3). While results were mostly positive, this was largely driven by favorable base effects. The overall outlook continued exhibiting signs of fragility. On the external side, manufacturing demand did not change substantially, extending the sluggishness of US industry. Construction metrics were better at the margin, with government spending and sentiment indicators positive, albeit with employment mixed (IMSS losses and ENOE gains).

By sectors, manufacturing grew 0.7%, failing to recover the previous month's loss (-1.8%). This contrasts with the US, where this sector fell 0.5%, while our country's manufacturing exports fell again, albeit modestly (-0.2%). In detail, 14 of the 21 categories increased. The most relevant were 'others' (+12.4%), furniture (+5.6%), and transportation (+3.8%) –consistent with what was reported by AMIA. Losses concentrated in oil and carbon (-8.2%), basic metals (-4.0%), and electrical equipment (-1.7%).

Mining grew 0.4%. The oil component came in at -2.4% –highlighting contractions in ten of the eleven months so far this year– which was anticipated on reports of lower oil and gas production. The non-oil item stood at -1.6%, consistent with the drop in non-oil mining exports within the trade balance. Finally, 'related services' increased 41.4% after two months of sharp declines.

Construction fell 1.8% (Table 2), with a weak performance. Civil engineering contracted 3.1%, down for a fifth consecutive month and contrasting with the acceleration in government spending on physical investment in the period. Edification backtracked 2.0%, continuing its streak of volatility since the middle of the year. Finally, specialized works rose 3.5% after three months down.

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Industrial production will have a weak start of the year, although it will likely gain momentum as it progresses. The beginning of 2025 will maintain some of the headwinds seen at the end of 2024, highlighting the weakness of external demand. In addition, uncertainty will be greater given: (1) The expectation that Donald Trump could start implementing punitive measures on trade and immigration; and (2) the rules, definitions, and timetable for government infrastructure projects this year.

Delving into those points, different industry sectors are keeping an eye on Trump's first executive orders. His tone during the campaign and the different statements as President-elect on tariffs remains a relevant focus, specifically given the effects they could have on manufacturing. In this regard, earlier this week he reiterated his vision of imposing broad taxes on imports, ruling out the possibility that these measures will be limited to critical or key goods. Regarding the second, the *Report on the First 100 days* of the six-year term –to be released on January 12th– will be relevant, as well as analyzing the content of the *Plan Mexico* –to be presented on January 13th by the executive branch. Regarding the first, details will be unveiled about the $800 billion already earmarked in the *2025 Spending Budget* for priority projects (remembering that the government will focus on railroads). Meanwhile, the *Plan Mexico*, seeks to boost private investment *"...that generates wellbeing and that they settle those places that promote development..."*, in the words of President Claudia Sheinbaum. It will also complement the National Development Plan. We believe that it will be important to review whether it considers public-private partnerships, a figure that she mentioned as viable in the government project for EVs.

On foreign trade, the federal government has taken some fiscal measures that could positively impact certain manufactured goods. As of January 1st, all products imported using digital platforms from countries that do not have a trade agreement (*e.g. Aliexpress*, *Shein*, *Temu*) will be subject to a 19% tax (which contemplates usual VAT of 16% plus a 3% import tax). This measure is in addition to the 15% tax on intermediate textile products and 35% on those already manufactured announced in December. According to the Economy Minister, Marcelo Ebrard, these new taxes on imports are "*...to protect our national industry; and we close this door which they are abusing...*"; adding that "*...the national textile industry needs a competitive and fair environment to maintain its relevance in the market and continue generating jobs...*". The *National Chamber of the Textile Industry* has calculated that this decree will result in the recovery of almost 70 thousand jobs. Going forward, we do not rule out similar measures in a context of world trade reconfiguration and the current administration's closer alignment of reducing the trade deficit with China.

Finally, we anticipate that government spending on flagship projects will move more decisively in the second half of the year. Also, lower uncertainty and a more advanced accommodative cycle from Banxico will help industry gain some momentum. While performance by sector is likely to remain mixed, we see potential for both construction and manufacturing.

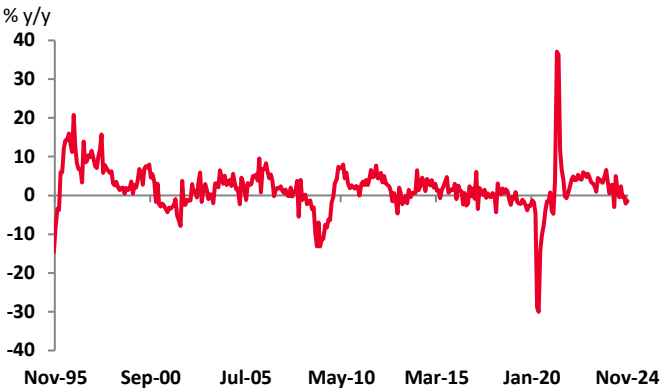
Table 1: Industrial production

% y/y nsa, % y/y sa

	nsa				sa	
	Nov-24	Nov-23	Jan-Nov'24	Jan-Nov'23	Nov-24	Nov-23
Industrial Production	**-1.4**	**3.4**	**0.5**	**3.7**	**-0.9**	**3.3**
Mining	**-4.7**	**-3.7**	**-4.2**	**0.5**	**-4.5**	**-3.5**
Oil and gas	-9.0	0.1	-5.7	2.2	-9.0	0.0
Non-oil mining	0.3	-6.2	1.4	-3.9	0.4	-6.0
Services related to mining	22.6	-27.2	-10.3	2.2	22.4	-27.1
Utilities	**2.9**	**-0.1**	**2.0**	**-2.4**	**2.9**	**0.0**
Construction	**-4.2**	**22.0**	**3.7**	**15.4**	**-4.4**	**22.0**
Edification	6.3	9.3	7.4	7.0	6.4	9.8
Civil engineering	-31.9	80.7	-5.6	64.3	-31.7	80.3
Specialized works for construction	-6.0	19.6	-1.0	9.0	-7.3	18.3
Manufacturing	**-0.2**	**0.0**	**0.3**	**1.7**	**0.5**	**-0.1**
Food industry	-0.3	0.0	-0.2	-0.1	-0.3	0.1
Beverages and tobacco	-2.2	-2.6	1.3	-3.9	-1.4	-2.3
Textiles - Raw materials	-5.2	-7.6	-6.5	-8.8	-3.4	-6.9
Textiles - Finished products ex clothing	-4.8	-3.8	-5.9	-2.6	-5.9	-2.2
Textiles - Clothing	-13.8	-2.3	-9.4	-6.4	-13.9	-0.5
Leather and substitutes	-9.7	-9.0	-14.0	-1.1	-8.2	-8.1
Woodworking	-1.6	-10.8	-5.5	-10.5	-2.0	-10.8
Paper	1.3	-7.7	-3.0	-4.8	1.5	-7.4
Printing and related products	3.8	-7.1	-1.8	-0.8	5.1	-7.3
Oil- and carbon-related products	-5.3	-14.3	11.9	-3.2	-4.8	-14.3
Chemicals	-0.3	1.0	2.5	-2.4	0.4	2.0
Plastics and rubber	-1.8	-2.7	0.1	-2.3	0.0	-2.7
Non-metallic mineral goods production	-2.6	-5.0	-1.8	-1.5	-2.3	-5.0
Basic metal industries	-6.1	-2.5	-5.3	0.7	-6.3	-2.9
Metal-based goods production	-1.1	-0.9	-1.8	3.5	-0.1	-0.3
Machinery and equipment	-2.5	-7.1	-5.0	1.8	-1.8	-6.6
Computer, communications, electronic, and other hardware	-2.1	1.5	-0.8	1.6	-2.2	-0.3
Electric hardware	-0.8	2.0	0.5	2.2	0.4	2.2
Transportation equipment	2.1	7.7	1.6	10.3	4.2	6.7
Furniture, mattresses, and blinds	2.0	-6.9	-3.2	-9.6	3.0	-7.2
Other manufacturing industries	26.6	-2.6	12.0	-0.8	27.6	-2.0

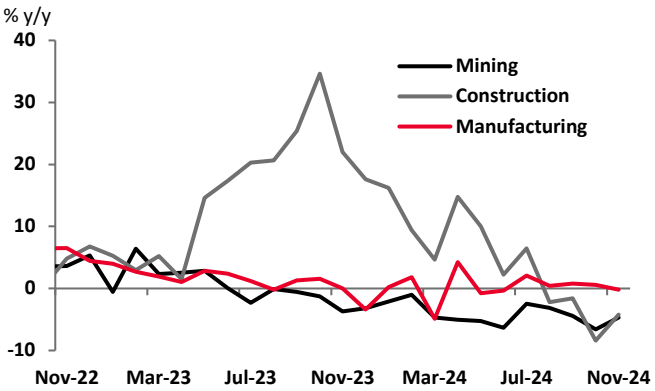
Source: INEGI

Chart 1: Industrial production



Source: INEGI

Chart 2: Industrial production by sector



Source: INEGI

Table 2: Industrial production

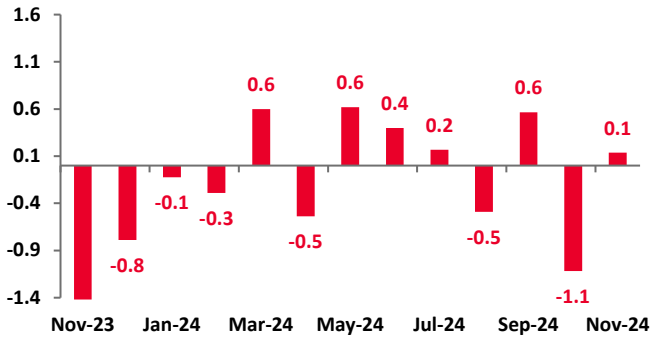
% m/m sa; % 3m/3m sa

	% m/m			% 3m/3m	
	Nov-24	Oct-24	Sep-24	Sep-Nov'24	Aug-Oct'24
Industrial Production	**0.1**	**-1.1**	**0.6**	**-0.4**	**-0.2**
Mining	**0.4**	**-1.6**	**-1.3**	**-1.6**	**-0.9**
Oil and gas	-2.4	-1.0	-0.4	-2.2	-0.9
Non-oil mining	-1.6	-0.4	0.1	-0.2	0.1
Services related to mining	41.4	-22.6	-13.9	-12.4	-9.4
Utilities	**0.8**	**0.4**	**-1.2**	**-0.2**	**-0.2**
Construction	**-1.8**	**0.2**	**1.0**	**-1.3**	**-2.2**
Edification	-2.0	0.9	4.1	2.4	0.5
Civil engineering	-3.1	-3.0	-6.8	-12.7	-10.5
Specialized works for construction	3.5	0.0	-3.9	-2.7	-2.7
Manufacturing	**0.7**	**-1.8**	**1.0**	**-0.1**	**0.4**
Food industry	0.5	-1.1	0.2	0.1	0.7
Beverages and tobacco	-0.3	-1.4	1.3	0.0	-0.5
Textiles - Raw materials	0.1	-3.5	1.0	-1.5	0.1
Textiles - Finished products ex clothing	1.1	-2.2	1.2	-0.4	-0.9
Textiles - Clothing	-0.2	-3.0	-0.8	-2.8	-0.6
Leather and substitutes	0.3	-0.4	1.2	-0.4	-2.4
Woodworking	0.7	-0.6	-1.0	-0.2	1.0
Paper	1.5	-0.6	-0.3	0.3	0.2
Printing and related products	1.9	-0.9	1.8	0.7	-1.3
Oil- and carbon-related products	-8.2	-7.4	0.3	-8.8	-1.2
Chemicals	1.3	-1.1	-1.0	-1.1	-0.9
Plastics and rubber	-0.3	-1.2	-0.7	-1.7	-0.6
Non-metallic mineral goods production	-0.1	-2.5	-2.5	-2.4	0.3
Basic metal industries	-4.0	3.4	1.8	4.1	3.1
Metal-based goods production	1.3	-3.7	0.0	-1.9	-0.7
Machinery and equipment	1.2	-2.4	0.7	-1.2	-0.6
Computer, communications, electronic, and other hardware	0.1	-1.2	3.9	1.3	-0.4
Electric hardware	-1.7	0.6	0.0	0.3	1.6
Transportation equipment	3.8	-4.3	2.2	0.3	0.8
Furniture, mattresses, and blinds	5.6	-1.3	-1.2	0.7	0.8
Other manufacturing industries	12.4	0.3	-2.7	2.6	0.8

Source: INEGI

Chart 3: Industrial production

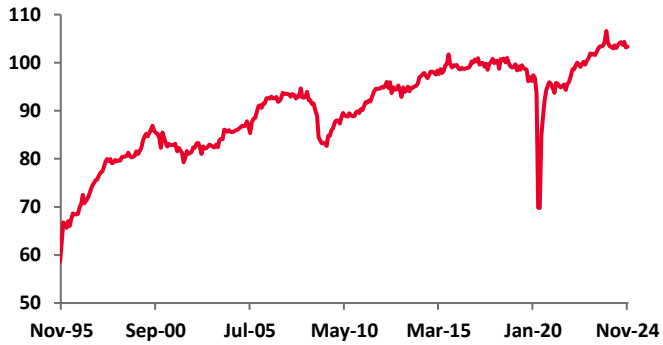
% m/m sa



Source: INEGI

Chart 4: Industrial production

Index sa



Source: INEGI

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