



Economics Group

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Mexican Industrial Production Ended 2015 Very Weak

Mexican industrial production dropped 0.1 percent in December and ended the whole year up only 1.0 percent. The most important contributor to growth was the manufacturing sector.

Industrial Production Slows Further in December

Confirming what had been clear earlier in the year, Mexican industrial production ended 2015 very weak, fundamentally driven down by a dismal performance by the mining sector during the whole of 2015 and a very weak construction sector during the last quarter of the year. Industrial production dropped 0.1 percent in December compared to the previous month and ended the whole year up only 1.0 percent, down from a growth rate of 2.6 percent during the whole of 2014. Output in the Mexican mining sector, which is comprised primarily of petroleum production, plunged 1.1 percent versus November and 5.8 percent during full-year 2015. This was the worst year since 1993, the first year for which industrial production data are available.

The construction sector improved for the whole of 2015, growing at a 2.5 percent rate compared to a 2.0 percent growth rate in 2014. However, the sector contracted 1.7 percent in December compared to November to close a very weak fourth quarter.

Manufacturing Saved the Day in December

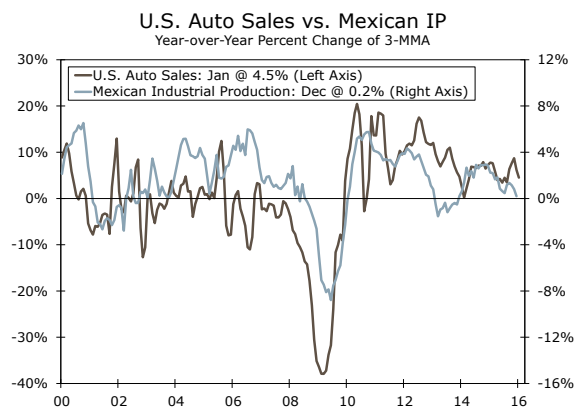
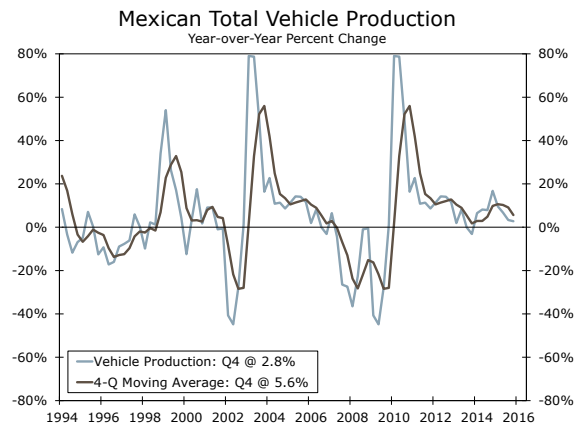
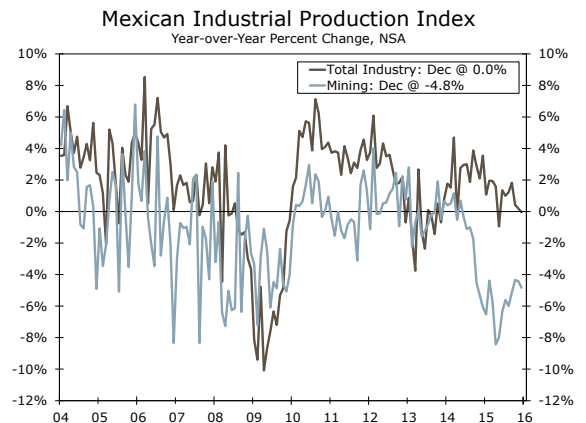
Manufacturing production helped the industrial production index during the last stretch as the sector posted a relatively strong 0.3 percent improvement in December compared to November. That said, the manufacturing sector suffered from the slowdown in automobile demand during the last quarter of the year as the manufacturing index increased 2.9 percent during the whole of 2015 compared to a growth rate of 3.9 percent in 2014.

Meanwhile, the public utilities sector also contributed to the slowdown at the end of the year as public utilities production dropped 0.8 percent in December. However, the index remained in positive territory for the whole of 2015.

Prospects for the Sector Are not Brighter for 2016

The prospects for the industrial sector will remain under pressure for this year as well, particularly as the mining sector continues to face severe headwinds. The manufacturing sector will remain positive as long as demand for automobiles from the United States remains strong. However, the weakening of the construction sector, if sustained, could weaken the industrial production index further this year.

This does not bode well for the Mexican economy in 2016. The Mexican fiscal sector is already facing severe headwinds from the hit from lower petroleum prices and production. Thus, expect Mexican economic growth to remain under pressure this year from a very weak industrial sector and an extremely contractionary fiscal policy.



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