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GLOBAL ECONOMICS

LATAM DAILY

April 3, 2025

Latam Daily: 'Status Quo' for Mexico Post Liberation Day, MoF Budget; Colombia Exports

- **Mexico: USMCA partners 'survive' Liberation Day; MinFin updates fiscal and macro forecasts**
- **Colombia: Exports almost unchanged in February, reflecting weak growth in mining product exports**

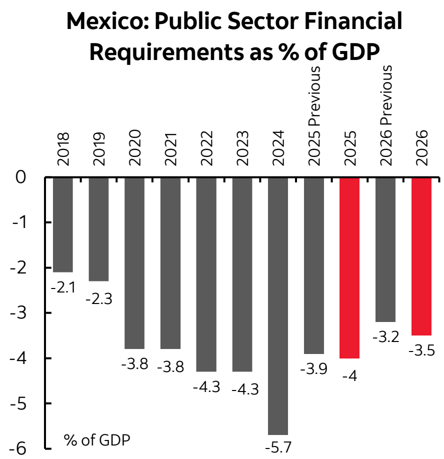
MEXICO: USMCA PARTNERS 'SURVIVE' LIBERATION DAY

It seems that Mexico and Canada fared well on "Liberation Day," according to the Factsheet where President Trump declares the imposition of reciprocal tariffs as a national emergency **here**, the existing IEEPA orders on fentanyl/migration remain in effect and are not impacted by this new order. This means that goods compliant with the USMCA are exempt from tariffs, while non-USMCA compliant goods will face a 25% tariff. Additionally, non-USMCA compliant energy and potash will only face a 10% tariff. Furthermore, light vehicles will be subject to a generalized 25% tariff, with the ability to deduct only the percentage of components produced in the U.S. **here**. According to the Peterson Institute **here**, components from the United States represent approximately 38% of the value of the vehicle. Finally, it is worth noting that the Factsheet mentions that if the existing IEEPA orders on fentanyl/migration are ended, USMCA compliant goods would continue to receive preferential treatment, while non-USMCA compliant goods would be subject to a 12% reciprocal tariff.

MEXICAN MINFIN UPDATES FISCAL AND MACRO FORECASTS

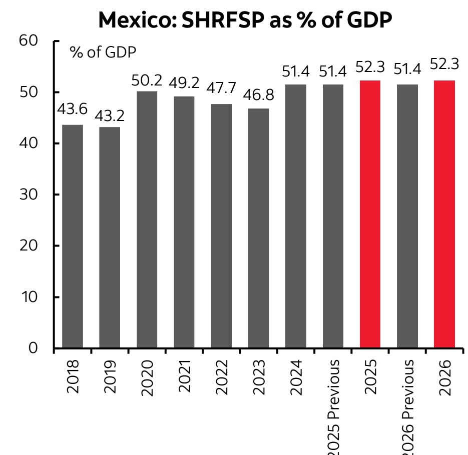
The Mexican Ministry of Finance presented the Preliminary General Economic Policy Criteria, which contains the updated macroeconomic framework for 2025 (table 1). Overall, it highlights the downward revision in the expected growth range for the current year, along with estimates of higher debt as a percentage of GDP. The government now forecasts growth between 1.5–2.3%, which, lower than the 2.0–3.0% estimated in November's Economic Package, but still optimistic compared to the 0.5% of private analysts of the latest Bank of Mexico Expectations' Survey. It is important to mention that the FinMin did not consider a scenario where tariffs are imposed by the United States on Mexican imports, which contrasts with the OECD's central scenario, and anticipates a -1.3% decline in 2025. For the following year, the changes in forecasts were of lesser magnitude (1.5–2.5% vs. 1.6% of private analysts), predicting greater stabilization of the public balance, although with debt

Chart 1



Years after 2024 represent forecast by SHCP.
Sources: Scotiabank Economics, SHCP.

Chart 2



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Sources: Scotiabank Economics, SHCP.

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Table 1: Mexico—Macroeconomic Projections 2025-2026

Groups of Consumption	2025		2026		2025
Macro Variables	**CGPE**	**GPE Pre-criteria**	**CGPE**	**GPE Pre-criteria**	**Consensus**
GDP	(2.0-3.0%)	(1.5-2.3%)	(2.0-3.0%)	(1.5-2.5%)	0.50
Inflation	3.50	3.50	3.0	3.00	3.70
End of Period Interest Rate (CETES 28d)	8.00	8.00	7.0	7.00	8.08*
End of Period Exchange Rate (MXN/USD)	18.50	20.00	18.0	19.70	20.80
Price of the Mexican Mix ($/b)	57.80	62.40	61.7	55.30	68.15**
Oil Production (million barrels of oil)	1891.00	1761.80	1902.0	1775.40	1690.8***
Public Sector Financial Requirements as % of GDP (RFSP)	-3.90	[-3.9-(-4.0%)]	-3.2	[-3.2%-(-3.5%)]	-4.30
RFSP Historical Balance as % of GDP	51.40	52.30	51.4	52.30	-
Primary Balance	0.60	0.60	0.5	0.50	-
Budget Revenues	22.30	22.40	22.2	21.70	-
Expenditure	25.50	25.70	24.9	24.40	-

* Estimated by Banxico
**Current Price of the Mix
***Figures as of January 2025
Sources: Scotiabank Economics, SHCP, Banxico, Bloomberg.

stabilized at higher levels. Coinciding with this, we believe that the impact of lasting tariffs on Mexican imports in the United States would foster a recessionary period in the economy, diverging from the government estimates.

Other variables also maintained greater optimism than the market. For example, the year-end USDMXN estimate is $20.0 compared to $20.80 from the private sector. Expected inflation is also lower, at 3.5%, compared to 3.70% from private analysts. Meanwhile, the expected interest rate is in line with the consensus, at 8.0% for the 28-day Cetes rate, although this is explained by a less restrictive Bank of Mexico Governing Board since the end of last year, which has led to downward revisions in expected rates.

In addition to the more optimistic revisions compared to the Economic Package and private analysts' estimates, there were also significant changes in public finance variable estimates. We highlight a higher level of the broadest measure of debt (Historical Balance of the Public Sector Financial Requirements) as a percentage of GDP, which rose from 51.4% to 52.3% for 2025 and 2026 (chart 1). The deficit of the Public Sector Financial Requirements (RFSP), initially estimated at 3.9% in the Economic Package, remained in a range of 3.9–4.0% now. For the following year, the RFSP estimate has a range of 3.2–3.5%. This reflects a limited margin to carry out countercyclical policy amid the economic sluggishness, especially considering that, according to the SHCP, one of the economy's drivers will be public investment (chart 2).

Particularly noteworthy is the slight estimated advance in budget revenues; this may be due to higher oil revenues thanks to the increase in oil prices and a possible depreciation of the exchange rate, along with greater tax collection efficiency, which compensates for lower economic activity. However, since revenue estimates are based on growth estimates, and we believe the latter is overestimated, hence revenues could face downward pressures during the fiscal year. Government officials have mentioned that the public finances are covered through stabilization funds against shocks that could affect government revenues, not counting a possible inflow of resources derived from a possible operational surplus, if applicable, from the Bank of Mexico. On the other hand, estimated net spending for the year stood at 25.7% of GDP (vs. 25.5%), equivalent to a real annual decline of -3.0%. However, the financial cost remains estimated at 3.9% of GDP during the fiscal year, unchanged from the November estimate. In this regard, the fact that the cut in programmable spending is not enough to avoid an increase in spending (and debt) is partly explained by a possible increase in the value of dollar-denominated instruments. Looking ahead, the government's ability to continue cutting spending without affecting key government areas amid pressure for social services remains unclear.

In summary, the update of public finance estimates indicates the difficulty the administration will face in terms of balance amid an economic weakness scenario. Additionally, investors will remain attentive to the fiscal management of Pemex's debt, which recently announced a payment to suppliers to meet its financial obligations. With a debt-to-GDP ratio limited to the upside, the fiscal space for the next fiscal year will remain reduced. In this regard, another pending issue remains, the possibility of a medium-term fiscal reform. Thus, the macro framework remains more optimistic than estimated by private sector analysts, so it will be important to closely monitor the development of public finance results in the coming months, in an environment where potential impacts from the Mexico-United States trade relationship could result in a significant fiscal imbalance.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña

COLOMBIA: EXPORTS ALMOST UNCHANGED IN FEBRUARY, REFLECTING WEAK GROWTH IN MINING PRODUCT EXPORTS

DANE published export data on Wednesday, April 2nd. Monthly exports in February stood at US$3.78 billion FOB, a decrease of -0.8% compared to February 2024 (chart 3). Compared to the previous month, total exports registered a slight increase of 0.1%. Overall, non-traditional exports continue to show a positive trend, while traditional exports decreased year-on-year due to a slower growth in coal, oil, and ferronickel exports.

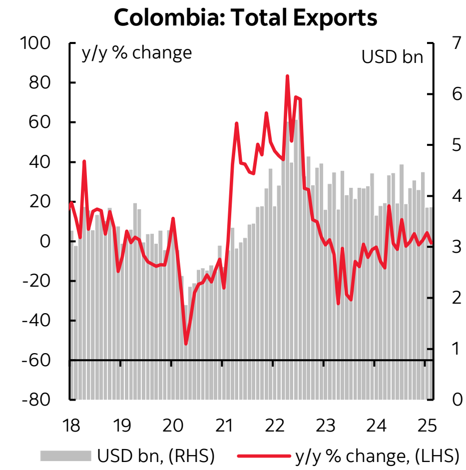
The drop in total exports is mainly due to a decrease in oil exports, which represent approximately 25% of total exports. In February, oil exports fell by -22.7%, resuming the negative trend seen in the second half of 2024. The decline in oil exports is due to less favourable international prices. The average price of a barrel of oil was USD 75 in February 2025, representing a decrease of -8.2% compared to the average price in February 2024 (81.7 USD/b).

On the positive side, coffee exports maintained a positive trend. Coffee exports represented 11.2% of total exports, registering an increase of 70.9% y/y to US$421.8 million FOB, but showing a marginal decrease of -8.8% m/m. In other sectors, manufacturing registered a growth of 2.4% y/y, driven mainly by the export of essential oils, paper, and some textiles. Meanwhile, non-monetary gold exports registered a growth of 38% y/y, contributing 2.3 percentage points to the total.

- **In February, traditional exports stood at USD 1.783 billion FOB, registering a decrease of -12.14% y/y.** International prices have influenced lower coal and oil exports. Oil exports decreased by -22.7% y/y in monetary terms, while in volume terms, oil exports reached their lowest level since February 2021. Coal exports fell by -26.28% y/y, while ferronickel exports fell by 3.66% y/y.
- **Non-traditional exports stood at US$1.99 billion FOB, registering a 12.1% y/y increase.** Non-traditional exports have maintained a positive trend over the last 9 months, reaching a significant share of 53% of total exports (chart 4). Exports of food and agricultural products excluding coffee fell by -3.75% y/y, with declines in animal products, vegetables and fruits, and some oils. Meanwhile, manufactured exports increased by 2.4% y/y, with personal care oils and perfumes contributing the most, followed by paper and cardboard. Non-monetary gold exports totaled US$321 million (+37.1% y/y).

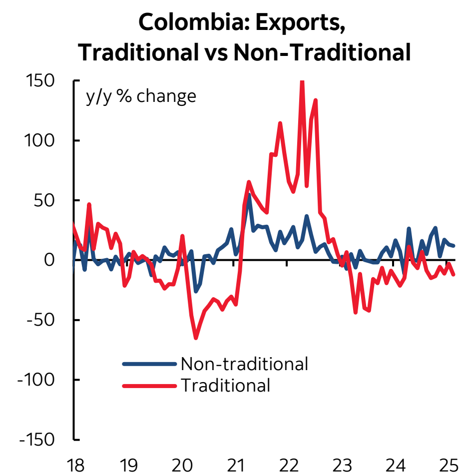
—Daniela Silva

Chart 3



Sources: Scotiabank Economics, DANE.

Chart 4



Sources: Scotiabank Economics, DANE.