Scotiabank.

GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Mexico Industrial Production; Colombia Financial Plan

- **Mexico: Sharp y/y drop in industrial production in April on Easter timing, in contrast to monthly rise**
- **Colombia: MinFin unveils 2025 Financial Plan**

MEXICO: SHARP Y/Y DROP IN INDUSTRIAL PRODUCTION IN APRIL ON EASTER TIMING, IN CONTRAST TO MONTHLY RISE

In April, industrial activity surprised by registering a -4.0% annual decline, down from a 1.9% rise in March, and compared to a Bloomberg median forecast of –3.5% y/y; in workday-adjusted terms, however, it 'only' fell 0.9 y/y after a 1.4% drop in the previous month. On a monthly basis, the index showed a slight increase of 0.1% m/m from -1.2% previously, based on seasonally adjusted figures, with construction down -2.0% and manufacturing up 0.7%.

Within the industrial sector, construction fell by -6.8% y/y (5.3% previously) as buildings construction that had expanded by double digits in each of February and March flipped into negative territory while heavy and civil engineering construction recorded another massive decline, of 22% y/y, off a very high base of comparison due the past administration's mega

Table 1: Mexico—Industrial Production by Components

Sector/Subsector	Part. % GDP Ind.	% real annual April		% m/m S.A.	
	Q1 2025	2024	2025	March	April
Total Industry	**31.3**	**5.0**	**-4.0**	**-1.2**	**0.1**
Mining	3.4	-5.0	-7.7	-2.6	1.3
Oil and Gas	2.1	-7.9	-7.5	-2.4	1.0
Min. Non-Metallic	1.0	1.9	-4.8	-4.3	1.2
Utilities	1.1	1.6	-1.7	-1.1	0.1
Construction	5.9	14.8	-6.8	0.4	-2.0
Building	4.4	13.7	-4.3	0.1	-3.6
Civ. Eng	0.9	19.3	-21.8	-1.0	3.2
Specialized Work	0.7	15.0	-0.7	0.9	0.5
Manufactures	20.8	4.4	-2.6	-1.1	0.7
Food	4.0	1.9	-0.9	-0.1	0.0
Beverages and tobacco	0.9	3.6	0.4	-1.6	1.0
Textile Supplies	0.1	0.5	-9.6	0.7	0.1
Textile products	0.1	0.5	-2.6	-0.6	2.3
Clothing	0.2	-4.8	-10.2	-3.0	-0.7
Leather Products	0.1	-11.1	-6.5	-4.8	4.9
Wood	0.1	-2.9	-10.4	-5.0	-1.3
Paper	0.4	-1.6	-2.2	-4.5	1.4
Print	0.1	7.1	-0.5	-6.6	4.8
Oil derivatives	0.9	0.7	3.1	-2.8	3.9
Chemistry	1.4	8.5	-9.1	-2.9	-1.2
Plastic and Rubber	0.6	3.7	-1.9	-1.7	1.3
Non-metallic products	0.6	1.3	-7.3	-0.9	1.5
Basic metal industry	1.1	-0.6	-1.5	-2.7	2.1
Metal Products	0.7	4.4	-4.6	-5.5	1.4
Machinery and equipment	0.9	0.2	-0.9	1.9	0.3
Computer equipment	2.0	8.4	1.6	0.3	2.6
Electrical generation equipment	0.9	3.8	-0.2	-1.9	0.9
Transportation equipment	4.9	7.6	-8.8	-1.2	-0.3
Furniture	0.2	1.2	-3.9	0.4	0.0
Other manufactures	0.7	15.1	32.4	1.3	2.9

Sources: Scotiabank Economics, INEGI.

projects. Mining decreased by -7.7% (-9.4% previously), remaining in negative territory since July 2023 given the drag from the oil and gas sector. Meanwhile, utilities declined for the third consecutive month by -1.7% (-2.0% previously).

Manufacturing slipped into a 2.6% y/y contraction in April that followed a strong March showing at 3.1%, with negative readings across practically all subsectors. Calendar effects may have played an important role here, however, as the timing of Easter in April of this year compared to March in 2024 resulted in fewer working days reflected in today's data. Adjusted for working days, Mexican manufacturing expanded by 1.3% in April after a 1.0% drop in March. On a monthly seasonally adjusted basis, transportation output suffered another monthly decline, albeit smaller than in March, of 0.3% m/m from –1.2% m/m, possibly reflecting a small scaling back of operations in response to U.S. tariffs. Machinery manufacturing decelerated but remained in expansionary territory, up 0.3% in April from 2% m/m in March.

—Rodolfo Mitchell, Brian Pérez & Miguel Saldaña

COLOMBIA: MINFIN UNVEILS 2025 FINANCIAL PLAN

In a private meeting with members of Market Makers' program yesterday, the MoF presented the updated 2025 Financial Plan (sources and uses), which shows that the total fiscal deficit would be 7.1% of GDP (vs. 5.1% of GDP expected in the first update), in line with our forecast range for this year. Specifically, additional financing needs would be COP 56.4 tn (USD 13.4 bn) higher, which would be used as follows: i) COP 39 tn (USD 9.3 bn) would be used to finance the additional deficit, and ii) COP 19 tn (USD 4.5 bn) would be used to increase cash reserves at the end of the year.

The composition of the financing sources is striking, where: i) COP 12 tn (USD 2.9 bn) comes from bond issuance, ii) COP 16 tn (USD 3.8 bn) will be through increased issuance of short-term bonds (TCO), iii) COP 14 tn (USD 3.3 bn) will be obtained from government-managed funds held in trusts, and iv) COP 12 tn (USD 2.9 bn) will be raised via Total Return Swaps (TRS) with offshore banks, using TES securities as collateral. From Scotiabank Colpatria's market perspective "by avoiding excessive pressure on primary bond auctions—where we had expected at least COP 20 tn in new issuance—and instead relying on short-term debt instruments, the strategy minimizes near-term debt servicing costs".

According to the MoF, the increase in the deficit is due to the recognition of inflexible spending, without which the government would have faced a potential government shutdown in November. For now, this could affect the risk perception of rating agencies because the fiscal consolidation process expected in the first update of the 2025 Financial Plan would not occur. In contrast, the national government is even using the resources it holds in trust funds from local government entities.

This adjustment to the 2025 Financial Plan and its consistency with the fiscal accounts over the next 10 years will be reflected in the publication of the 2025 MTFF on Friday, where the suspension of the fiscal rule for at least three years will also be announced (see **here**).

While the outlook for fiscal accounts is negative, the most recent inflation data support the continued rate cuts by the central bank, where we maintain our expectation of a 25bp cut to 9%. We believe BanRep will give greater weight to the decline in inflation observed in May. However, fiscal risk will continue to be a risk to be assessed in upcoming meetings as local assets incorporate higher risk premiums.

—Valentina Guio