

LATAM Market Update

- **Mexico: Trade balance unexpected surplus in December and annual data with the highest deficit since 2015**
- **Peru: Government to outline measures to promote an improved environment for private sector investment**

MEXICO: TRADE BALANCE UNEXPECTED SURPLUS IN DECEMBER AND ANNUAL DATA WITH THE HIGHEST DEFICIT SINCE 2015

In December, the official figures of the trade balance in Mexico reported a monthly surplus of 1,836 million dollars (md), standing above the deficit registered in December 2017 (-2.7 md) and what was expected by analysts (-900 md). This result was determined by a contraction in imports, whose variation went from 10.4% in November to -0.8% in December 2018 (vs. 8.4% in December 2017), and by a greater dynamism in exports, whose rate of advance went from 2.8% to 4.3 % in the same period (vs. 8.4% one year earlier).

On the other hand, cumulative figures for 2018, trade balance reported a deficit of 13,704 md, which represents the highest negative balance since 2015. The deficit was primarily driven by the increased deficit recorded by oil products, going from -18,309 md in 2017 to -23,190 md in 2018. Moreover, during 2018 the country exported 10.1% (450, 572 md) more merchandise compared to 2017, while on the side of imports it refers to 10.4% increase (464, 276 md) at an annual rate.

PERU: GOVERNMENT TO OUTLINE MEASURES TO PROMOTE AN IMPROVED ENVIRONMENT FOR PRIVATE SECTOR INVESTMENT

Hugo Perea, Vice-Minister at the Ministry of Finance, stated in an interview that the government was adopting a two-pronged approach to growth: 1. consolidate the “cyclical rebound” in the short-term, and 2. promote a more competitive and productive environment for private sector investment in the medium-term. One of the things the government has done for the former, has been to work with the new regional and local governments to prevent the sharp decline in public sector investment that usually occurs after regional elections years. Hopefully, the government will be more successful than in the past in helping regional governments in their investment agenda, however we are not betting on it (once again, due to past experience), and continue to forecast lower regional and local government investment in 2019. As for the business environment, Perea stated that the government will announce in a few days time, an outline for improving “competitiveness and productivity” in the country. However, policy measures themselves will take longer: the MEF has given itself up to 180 days to determine concrete measures. We understand that the government would like to include elements of a labor reform, although it’s difficult to see such elements being approved by Congress. Outside of that, there are really two things that the government needs to do. One is to modernize and strengthen the institutions that businesses need to work with, and to reduce the tremendous amount of red tape that businesses face. The other is to accelerate infrastructure investment.

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