

LATAM Market Update

- **Mexico: Industrial production declined at a more moderate pace**

MEXICO: INDUSTRIAL PRODUCTION DECLINED AT A MORE MODERATE PACE

Although industrial sector activity remained in negative territory, the pace of its decline moderated somewhat at the beginning of the year, following a sharp fall at the end of 2018. In this respect, industrial production contracted 0.9% yoy in January, beating market expectations (-2.0% yoy), and on the heels of a disappointing -2.5% yoy December print. Furthermore, industrial production expanded 0.6% mom in January, driven by significant improvement in overall categories, reversing its trend of three consecutive months of negative readings (-0.5% in December 2018).

In its annual comparison, the improvement was concentrated in manufacturing and construction activity, which expanded 1.3% and 1.7% yoy from 0.2% and -4.3% yoy, respectively. On the other hand, mining and utilities decreased -10.5% and -1.5% yoy from -8.4% and -1.4% yoy, respectively. For 2019, industrial sector activity is poised to weaken further amid a constant decline in the oil production platform, which will continue to drag down the mining sector. Moreover, the heightened uncertainty, diminished investor confidence, tighter financial conditions, and a possible slowdown in external demand is viewed with concern for both construction and manufacturing activity.

CONTACTS

Eduardo Suárez, VP, Latin America Economics

52.55.9179.5174 (Mexico)
Scotiabank Economics
eduardo.suarez@scotiabank.com

Guillermo Arbe

511.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa

52.55.5123.2683 (Mexico)
Scotiabank Mexico
mcorrea@scotiabank.com.mx

Sergio Olarte

57.1.745.6300 (Colombia)
Scotiabank Colombia
sergio.olarte@co.scotiabank.com

Benjamin Sierra

56.2.2619.4974 (Chile)
Scotiabank Chile
benjamin.sierra@scotiabank.cl

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