

LATAM Market Update

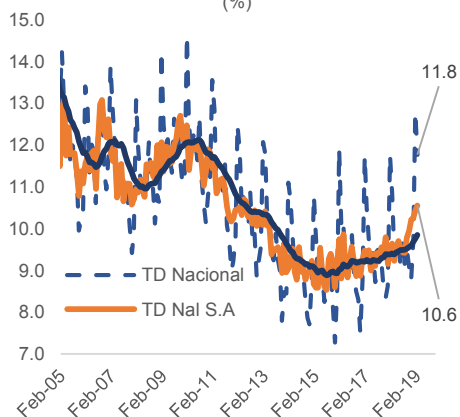
- **Colombia:** February employment data showed further deterioration, although formal employment creation improved
- **Mexico:** February's non-bank deposits increased modestly, yet financing to private sector surge at a higher rate

COLOMBIA: FEBRUARY EMPLOYMENT DATA SHOWED FURTHER DETERIORATION, ALTHOUGH FORMAL EMPLOYMENT CREATION IMPROVED

February employment data came out. Unemployment deteriorated in February, again, for both, nationwide and urban measures. In fact, nationwide unemployment came in at 11.8% (Feb-18 was 10.8%), while urban unemployment (13 cities) came in at 12.4% (Feb-18, 11.9%). Unemployment data have strong seasonality, therefore it is better to analyze seasonal adjusted series. This measure showed a flattish behaviour for the nationwide figure (10.6% vs 10.4% in Jan19) but deteriorated for the urban number (11.5% vs 10.7% in Jan-19). February unemployment data confirmed, somehow, January's deterioration. Having said that, it is worth to note that employment growth returned to a positive numbers after three months falling by 0.1% y/y. In February, annual employment growth was 0.9%. Even more interesting, wage employment (formal employment proxy) added 0.5pp out of the 0.9% y/y growth in labour creation, which can be a signal that not only employment quality is improving, but also that in the near future, employment data will be more in line with coincident indicators good behaviour.

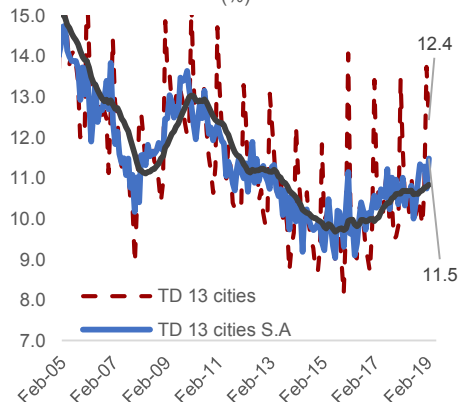
On monetary policy, weaker employment data support our call that BanRep will not hike the monetary policy rate (MPR) in 1H19 to boost economic activity, and will wait for the initial data on 2019 GDP.

Colombia: Natiowide Unemployment
(%)



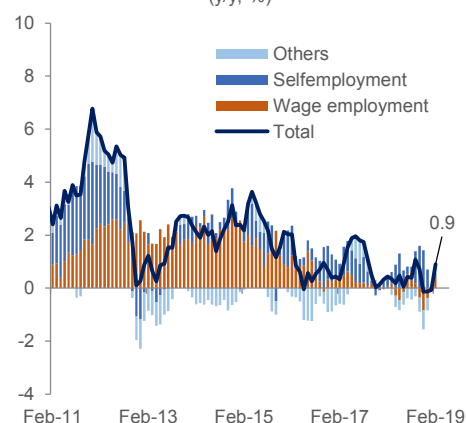
Sources: DANE, Scotiabank.

Colombia: Urban Unemployment
(%)



Sources: DANE, Scotiabank.

Colombia: Employment Growth
(y/y, %)



Sources: DANE, Scotiabank.

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MEXICO: FEBRUARY'S NON-BANK DEPOSITS INCREASED MODESTLY, YET FINANCING TO PRIVATE SECTOR SURGE AT A HIGHER RATE

In February, deposits in commercial banks from non-bank clients accelerated their annual real growth to 3.4% from 3.3% in January (vs. +4.8% in February 2018), mainly explained by a higher growth in term deposits, which advanced from 7.0% to 8.6% y/y in February that more than offset the lower dynamism in demand deposits (+0.9% in January to +0.1% y/y in February). It is noteworthy that deposits performance could worsen as economic activity slows down and, as expected by some analysts, Mexico's Central Bank starts cutting interest rates.

Furthermore, commercial banks' total financing to private sector exhibited a higher real annual rate progress, from 5.2% to 5.7% in February (vs. +5.7% a previous year), after direct financing also strengthened its pace from 5.2% to 5.7% real annual (vs. +6.0% in February 2018). Broadly, there was a widespread boost of all its major components in February: corporates from 6.5% to 7.0% y/y; consumption from 1.6% to 2.0% y/y; and housing was 5.1% to 5.6% y/y.

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