

LATAM Market Update

- **Mexico: Formal job creation continues with negative trend**
- **Peruvian GDP growth disappoints: 2.1% in February; Road to Las Bambas is unblocked**

MEXICO: FORMAL JOB CREATION CONTINUES WITH NEGATIVE TREND

In March, 48,515 jobs were created, this means 46% jobs less than a year ago. In the last 12 months, 561,511 positions were created, equivalent to an annual rate of 2.8%, the lowest annual rate since February 2014. It's important to point out that the annual variation has been decelerating for nine consecutive months. Analysts expect that this trend will continue in April due to seasonal effects.

PERUVIAN GDP GROWTH DISAPPOINTS: 2.1% IN FEBRUARY; ROAD TO LAS BAMBAS IS UNBLOCKED

GDP growth was a disappointing 2.1%, y/y, in February 2019. This was below consensus, of 2.7%, and was the second consecutive soft print, after 1.6% growth in January. Year-to-date growth now stands at 1.8%, and 12-month growth at 3.8%. Overall, February confirms what we were seeing when we switched from upside to downside on our 2019 GDP growth forecast of 4.0% (please see our [Global Outlook Report](#) released last week). Although it is still early in what promises to be a long year, reaching 4.0% is becoming more challenging. What is particularly worrisome is that—unlike January—in February, resource sectors and public investment were not the sole culprits. Fishing fell less than 10%, the decline in mining was only 0.7%, and Agriculture actually soared 7.2%. Perhaps of more concern is that the non-resource sectors linked to domestic demand were also very soft. Manufacturing (excluding processing of natural resources) rose only 1.5%, half the growth of previous months, and retail rose only 1.8%. Not all demand related sectors performed poorly, however. Electricity, telecom and financial services all rose well over 4%, while sectors such as restaurants were in the 3% range, which seems more in line with how consumption has been behaving. Construction fell 0.2%, mostly, no doubt, due to the decline in public sector investment, but perhaps also signaling soft private sector investment growth. Overall, the data still supports fairly robust consumption growth, but also seems to be pointing to weak private investment growth.

March GDP growth will only be better than February because of additional working days due to a change in month for Easter to April. Tax revenue fell 1%, y/y, in March, both in the aggregate and for sales tax. Sales tax, which is domestic demand related, had been one of our leading indicators pointing to the continuation of at least moderate domestic demand growth. The data for March does not easily support this view.

According to press reports, transit has been completely restored on the access road to MMG's Las Bambas mine, allowing trucks carrying copper concentrate to circulate freely once again. The nearly two and a half months of social conflict blocked concentrate from reaching port, thereby affecting exports (which can be recovered), but had an only minor impact on production.

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The president of the cabinet, Salvador del Solar, announced that two cabinet members have resigned. Both were under pressure from opposition in Congress to do so. The resignation of Carlos Bruce, Minister of Housing, has had to do with an investigation by the Attorney General's office on improper allocation of public sector construction projects, and Edmer Trujillo, Minister of Transportation, for bearing the political responsibility for the death of 17 people in a fire at a not-properly supervised informal bus stop. The resignations are likely to have come at the request of del Solar, although it is not clear if this is an indication that he wants to maintain a scandal-free cabinet, or if he wishes to avoid an escalation in the confrontation with opposition parties.

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