

LATAM Market Update

- **Mexico: Industrial production continues on negative ground**
- **Peru: 1Q trade surplus mildly below expectations**

MEXICO: INDUSTRIAL PRODUCTION CONTINUES ON NEGATIVE GROUND

As expected after the release of 2019-1Q GDP, March's industrial production kept decreasing by a fifth consecutive month from -1.0% y/y in February to -0.1% y/y real (vs. -0.3% consensus). Hence, in 2019-1Q industrial production average shrunk -0.7% y/y (vs -0.8% 2018-1Q). The lower decline was due to a greater dynamism in manufacturing, from 0.8% y/y in February to 2.8%; a rebound in utilities, from -1.3% y/y to 0.9% y/y; a smaller fall in mining, from -6.5% y/y in February to -6.0%; meanwhile, construction exhibited a bigger drop, from -1.0% y/y in February to -2.9% y/y. Additionally, in a s.a. basis, industrial production setback -1.3% m/m. The outlook for industrial production remains downwardly biased because investment is anticipated to continue sinking, and specially mining and construction will continue drawing back.

PERU: 1Q TRADE SURPLUS MILDLY BELOW EXPECTATIONS

Peru registered a US\$1.2bn trade surplus in 1Q19. This was down 37%, y/y, and is moderately low versus our full-year forecast of a US\$6.6bn surplus. For comparison, in 2018 the surplus was just over US\$7bn. Our 2019 forecast is still in the cards (barely), however, as 1Q is typically the weakest in the year for exports, due to the impact of rains on mining exports. Exports were down 6.6%, y/y, with mining exports down over 14%. Rains, however, were only part of the problem this year, as metal prices had also slipped, and protests halted copper exports from the Las Bambas mine. Somewhat more worrisome, for what it says about domestic demand growth, was the 0.9% y/y decline in imports and 1.0% decline in consumer goods imports. For the time being, we are not changing our full-year forecasts, although if metal prices continue soft, and considering a probable weak fishing/fishmeal season in 2Q, for the full-year surplus to surpass US\$6bn, has become significantly more challenging.

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