

LATAM Market Update

- **Mexico: In 1Q-2019 the current account accumulated a deficit equivalent to 1.8% of GDP**

In the first quarter of 2019, the current account balance of payments recorded a deficit of 5.63 billion USD, equivalent to 1.8% of GDP. This negative balance was lower by 4.17 billion dollars compared to that reported during January–March 2018. This improved performance is mainly explained by a reduction in the deficit of balance of services and a strong inflow of remittances. Meanwhile, the deficit in goods was relatively stable compared to that observed during the same period in the previous year. Inside the balance of goods, both oil and non-oil deteriorated marginally. The deficit in the balance of non-oil goods increased by 31 million dollars, while the non-oil surplus decreased by 58 million dollars. The financial account presented a net debt that implied the entrance of resources for 4.63 billion dollars. This balance was derived, fundamentally, from the combination of net debt of 8.31 billion USD for direct foreign investment and -5.20 billion USD in portfolio investment plus other investments +4.5 billion USD plus reserve assets +4.4 billion USD. In terms of direct foreign investment, it accelerated compared to the previous three quarters, although flows were slightly lower than those registered in 1Q-2018. However, it is relevant to note that this evolution was derived from an increase in the reinvestment of profits, since the flows of new debt instruments decreased.

Overall, although the economy continued to raise funds through the financial account, these flows remain exposed to external shocks in an environment of high uncertainty that has been complicating the financial landscape.

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
olarteas@colpatria.com

Jorge Selaive
56.2.2939.1092 (Chile)
Scotiabank Chile
jorge.selaive@scotiabank.cl

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