LATAM Market Update

- **Mexico: April's unemployment rate with mixed results**
- **Peru: The Central Bank published its first quarter economic indicators report**

MEXICO: APRIL'S UNEMPLOYMENT RATE WITH MIXED RESULTS

In April, the unemployment rate showed mixed results since its original measurement reported an increase between March and April going from 3.25% to 3.50% and was above last year's level (3.40%), while measured by seasonally adjusted figures the report shows it decelerated from 3.55% in March to 3.45% in April (vs. 3.37% a year earlier). The participation rate was 59.69% (vs. 60.00% in March and 59.39% one year earlier).

Overall, we reaffirm our perspective of a less favorable scenario for the labour market in 2019, given a deterioration in investment levels for this year, as a result of greater uncertainty, and coupled with the concerns pointed out by the Board of Governors of Mexico's Central Bank that wage increases could generate cost pressures with future implications for formal employment.

PERU: THE CENTRAL BANK PUBLISHED ITS FIRST QUARTER ECONOMIC INDICATORS REPORT

On Friday, the Central Bank published its first quarter Economic indicators report.

The main figures for 1Q19 include:

- GDP growth, 2.3%; although this was already known, based on monthly GDP figures, the key is that it is well below expectations before the quarter began
- Domestic demand , 1.7%; very weak, mostly on investment, both public (negative, expected) and private (disappointing)
- Private Investment, 2.9%; weak, and a worrisome harbinger for the economy going forward
- Non-mining, -0.5%; this is perhaps the most shocking figure released by the CB; we expected low non-mining investment, but not a decline
- Mining, 36.7%; exceeding expectations, but accounts for only 15% of total private investment
- Public Investment, -10.9%; terrible at first sight, but par for the course in a year with new regional and local authorities
- Private Consumption, 3.4%; the most robust component of demand, although underperforming mildly compared to 3.8% in full-year 2018
- Exports volume, 1.6%; it's all non-commodity, up 9.3% (mainly agroindustry), as commodity exports (mainly mining and fishmeal) fell 1.7%
- Fiscal balance (% of GDP), 3.6%; normally positive in 1H, which is the main tax period; even so, a strong number

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- Current account (% of GDP), -0.7%; this annualizes to nearly 3%, but note that if non-remitted dividends are excluded, the number would actually be about +0.3%

The main message: macro balances are strong, but are not feeding into growth. Although disappointing growth is largely due to special issues (fishmeal-weather; new public authorities), at the same time, private investment is pointing in an unhealthy direction.

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