

## LATAM Market Update

- **Mexico: First half of June, headline inflation decreased in its annual variation but core component resists to slowdown; April's Global Indicator of Economic Activity (IGAE in Spanish) showed mixed figures**

In terms of its biweekly variation, during the first half of June, headline inflation was 0.01%, below market consensus (+0.08%), even though the increase in its core component was slightly higher than expected (+0.16%.) In its annual comparison, headline inflation was at the upper end of Banxico's target range (+4.00%), while core inflation remained at high levels (+3.87%), still exhibiting some resistance to decrease. The non-core component had a 4.34% y/y variation, down from the previous fortnight (5.15% y/y). The slowdown in the first half of June was driven mainly by declines in non-core components such as the prices of fruits and vegetables (-1.38%) and those in the energy sector (-0.5%), particularly, prices fell for onion, tomato, lemon, low-octane gasoline and domestic gas.

The IGAE increased 0.12% monthly, according to seasonally adjusted figures from the National Institute of Statistics and Geography (INEGI in Spanish). The positive monthly s.a. result was due to an increase in one of the three main activity groups: the industry sector which reversed the -1.2% m/m variation from March to an increase of 1.5% in April, while the agricultural and services sectors remained in negative territory (-2.6% m/m) and (-0.3% m/m), respectively. On the negative side, the Global Indicator of Economic Activity, without seasonal adjustment, reported a contraction in real annual figures during the month, from 1.3% y/y in March to -1.4% y/y in April (vs. 4.5% a year ago), and well below market expectations (-0.1% y/y). This result was mainly driven by a drop in services (which represents 63.3% of GDP in 2019-1Q), whose rate went from 1.8% to -0.8% y/y, it's first decline in six years; also, there was a more accentuated contraction of the industry, from -0.1% y/y in March to -2.9% y/y in April; as well as a deceleration of the agricultural component, from 5.4% previously to 1.3% y/y. Also to consider, the IGAE accumulated an average growth rate during the Jan-April period, of 0.5% which compares with 2.0% registered in the same period of last year.

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