

## LATAM Market Update

- **Mexico:** Unemployment rate steady in May, amid decelerating job creation and rapid wage growth
- **Peru:** Dichotomy between investment and consumption reflected in loans growth; Moody's sees little wrong with Peru

### MEXICO: UNEMPLOYMENT RATE STEADY IN MAY, AMID DECELERATING JOB CREATION AND RAPID WAGE GROWTH

In May, the unemployment rate printed at 3.51%, close to the level reported in April (3.50%) and below the market consensus (3.60%). In spite of representing the second lowest rate for a similar month since 2008, the unemployment level was higher than that registered during the same month in the previous year (3.22%), which is consistent with the deceleration observed in formal job creation. In this respect, the growth of new insured workers softened in May for a 10<sup>th</sup> month in a row (+2.4% over the last 12 months), recording its lowest gain in more than 9 years. On the other hand, the labour force participation reached 60.2% of the economically active population, up from 59.69% in April and 60.07% a year ago.

Broadly, the report suggests that the labour market remains robust and supportive; nonetheless, it seems to be cooling down amid a less buoyant economic outlook, a deceleration in formal job creation and an acceleration in wage growth.

### PERU: DICHOTOMY BETWEEN INVESTMENT AND CONSUMPTION REFLECTED IN LOANS GROWTH; MOODY'S SEES LITTLE WRONG WITH PERU

This week's release of May loans growth data saw a strengthening in the divorce between weakish business loans growth, 4.6%, y/y, and the much stronger 11.2% growth in household loans (see graph). Aggregate loans growth was 7.1%. Loans growth is clearly aligned with what we are seeing in the economy, namely weak investment growth (business loans) on one hand, and robust consumption (household loans) on the other. The trend patterns are different, however. Whereas household loans growth has begun stabilizing, with some likelihood that it will start to decline from the admittedly unsustainably high current levels, there is no clear indication that the downtrend in business loans is ending.

Moody's maintained its "A3" rating and "stable" Outlook for Peru debt. This was not a surprise. If anything, with fiscal accounts much stronger than expected at this time in the year (a 1.5% fiscal surplus in the year-to-June), one might wonder if there isn't perhaps room to improve the rating a notch. Moody's stated that they were concerned about the challenges of weak institutions and high levels of corruption. Uncertainty surrounding the approaching 2021 presidential elections probably did not help either. Of interest, Moody's expects Peru GDP growth to average 3.7% from here until 2022.

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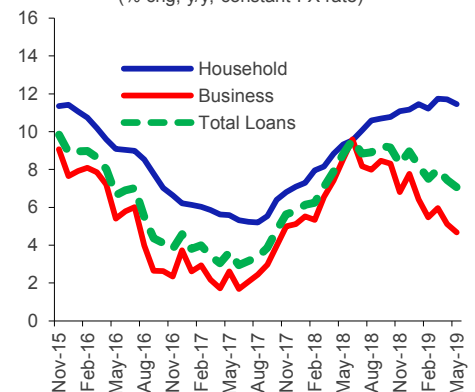
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**Peru: Loans Growth**  
(% chg, y/y; constant FX rate)



Sources: ASBanc, Estudios Económicos - Scotiabank Peru

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