

## LATAM Market Update

- **Mexico: June Inflation in line with expectations; US announces anti-subsidy duties on steel from Mexico and China; Minister of Finance abruptly resigned**

The consumer price index rose 0.06% in June from the previous month, in line with expectations and below the figure reported a year earlier (0.39%), this being its lowest variation for a similar month since 2013. However, core inflation continues to increase (0.30%) mostly because of higher prices in transport, entertainment and hospitality services tariffs due to stronger seasonal demand. Non-core inflation remained in negative territory, going from -1.66% in May to -0.68% in June, substantially explained by lower fuel prices.

Annual inflation fell to 3.95% year-on-year from 4.28% in May. The drop was driven by a decrease in the non-core component which declined to 2.83% from 5.50% prior. Excluding agricultural, energy and government-regulated prices, inflation rose to 3.85% in June from 3.77% in May.

The Department of Commerce announced on Monday night its preliminary determinations in the countervailing duty (CVD) investigations of imports of fabricated structural steel from Canada, China, and Mexico. In the China and Mexico investigations, Commerce made affirmative determinations, finding that exporters received countervailable subsidies rates. Based on these preliminary determinations, the Department of Commerce will instruct US Customs and Border Protection to collect cash deposits from importers of fabricated structural steel from China and Mexico; this means that as of this date the exports of the Mexican companies involved will be subject to the payment of anti-subsidy duties upon entering the US market. The investigation began on January 4<sup>th</sup> this year, meaning these anti-subsidy duties have no relation whatsoever with the duties imposed on steel and aluminum under Section 232 which refers to US national security. Mexico's ministry of economy added they also have nothing to do with the threat to impose tariffs on all Mexican exports to the US announced by President Donald Trump on May 30<sup>th</sup>. A final decision is due on or around November 19<sup>th</sup> of this year.

Mexico's Finance Minister Carlos Urzúa abruptly resigned via Twitter, citing conflicts of interest and policy disagreements within Andres Manuel Lopez Obrador's administration. Arturo Herrera, the deputy finance minister, was named as Urzua's replacement. Meanwhile, the deputy finance minister position remains vacant. The resignation of the minister subjects the Mexican economy to greater uncertainty, especially, given the way in which the resignation occurred.

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