

LATAM Market Update

- **Mexico:** Aggregate supply and demand deteriorated further in 2Q19
- **Peru:** Bank loans growth to August mirrors the economy—moderate pace, with consumption more robust than investment

MEXICO: AGGREGATE SUPPLY AND DEMAND DETERIORATED FURTHER IN 2Q19

During 2Q19, aggregate supply and demand exhibited a decrease for the first time in a decade, partly due to weakened economic activity. Several factors, mainly driven by lingering uncertainty, weighed against economic agents' outlook. Furthermore, a higher-than-anticipated deceleration is noticed and is expected to hold in the short-term as foreign and domestic risks prevail. Therefore, 2Q19 supply and demand figures declined -1.0% y/y (vs. +1.4% 1Q19). Within the supply side, real GDP fell -0.8% y/y (vs. +1.2% in 1Q19) and imports decreased -1.4% y/y (vs. +1.9% 1Q19). Meanwhile, on the demand side, private consumption printed its worst performance and its first annual decline in a decade (-0.3% y/y in 2Q19 vs. +1.1% y/y in 1Q19); gross capital formation contracted even further, from -0.8% y/y in 1Q19 to -7.3% y/y in 2Q19; while public sector consumption declined to -2.3% y/y (vs. -0.8% in 1Q19) and exports softened to 2.5% y/y (vs. +2.7% in 1Q19).

—Daniel Mendoza

PERU: BANK LOANS GROWTH TO AUGUST MIRRORS THE ECONOMY—MODERATE PACE, WITH CONSUMPTION MORE ROBUST THAN INVESTMENT

Bank loans rose 7.7%, y/y, in August. This was a moderate acceleration from 7.3% in July. Overall, bank loans growth has been stable, in the 7% range, throughout most of 2019, and, given moderate GDP growth, should continue in that range for the remainder of the year, in line with our full-year forecast of 7.5%. Household loans continue to outpace business loans by a wide margin: 12.1% to 5.2% in August. This should also not change much, as consumption, and greater penetration driven by an expansion in the use of APPs, drive household loans. Meanwhile, slower business loans growth is in line with low private investment growth. The overall stability in loans growth mirrors the relative stability of domestic demand. The fact that household loans are outpacing business loans reflect that consumption growth is more robust than investment. All of this has been a constant throughout the year, with little signs of changing soon.

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