

LATAM Market Update

- **Colombia: Nationwide Protest... What's next?**
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COLOMBIA: NATIONWIDE PROTEST... WHAT'S NEXT?

The nationwide protest started on November 21st extended more than we anticipate; on Friday, manifestations continued, but again, protest spilled out into vandalism and violence, and in response, Bogota's Mayor, Enrique Peñalosa declare a curfew. The last curfew in Bogotá was in 1977.

On Friday night, President Duque announced the start of dialogues with protest's leaders to discuss a social agenda, but until then, no concrete short term measures were announced, so manifestations continued during the weekend although at a much lower scale. It is worth noting that economic activities tried to continue, and we saw the commerce sector working broadly normal, except in Bogota's downtown where new protests took place.

On Sunday, Duque started what he calls "National Conversation," the first steep was a meeting with elected mayors, and further steps will be dialogues with social sectors to address social concerns.

What's next?

Despite government announcements, protests continue, again at a much lower scale than Thursday the 21st. We believe that the lack of concrete measures announcements is the main source of social discontent, and the discontent is also showing weak governability from Duque's administration.

Economic impact: It is early to calculate a possible effect on macro variables because, as we mentioned before, economic activities continued their regular progress in most of the country.

What could happen in the short term?

At the end of the year, Labour Unions, enterprises, and the government always negotiate the adjustment to next year's minimum wage. We believe that this adjustment is a key variable to calm protesters in the short term. Initially, we were expecting an increase of around 4.5%, but with the new conditions, the probability of a significant higher increment has increased. If that happens, It could increase pressures on next year's inflation and fiscal needs because the government's budget is labour-intensive and very indexed to minimum wage.

—Sergio Olarte & Jackeline Piraján

MEXICO: STAGNANT ECONOMY IN Q3-2019

Mexico's GDP figures for Q3-2019 were revised downwards from 0.1% to 0.0% q/q seasonally adjusted; In addition, figures from the previous period were also downwardly revised, (from 0.0% to -0.1%), compared with 0.4% in Q3-2018. On a

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yearly basis, GDP figures printed a contraction from -0.9% (revised from -0.8%) to -0.3% during Q3-2019, reporting slightly better than the preliminary estimate of -0.4%. By sectors, tertiary and primary activities slightly rebounded from -0.1% to 0.1% y/y (vs. 3.3% in Q3-2018) and from -0.2% to 5.4% y/y (vs. 1.0% in Q3-2018), respectively, offsetting the contraction in industrial activities from -3.0% to -1.4% (vs. 1.0% in the same quarter of last year). Overall, the Mexican economy remains stagnant, as confirmed by its cumulative growth for the year, where a negative bias prevails, given economic and political uncertainties, which have also led to declining investment and weak consumption.

Additionally, September's Global Economic Indicator (IGAE) was slightly better with an increase from -1.0% to 0.1% on a yearly basis compared with the original figures. However, in the first nine months of the year it averaged no growth (0.0%) vs 2.3% for the same period in 2018. By components, services recovered slightly from -1.1% to 0.6% y/y, and agricultural sector strongly accelerated from 3.0% to 9.4%, more than offsetting the persistent industrial contraction from -1.3% to 1.8% y/y. Seasonally adjusted, IGAE accelerated from -0.1% to -0.3%, whereas on a yearly basis printed its third consecutive decline from -0.5% to -0.3%. These results confirmed a stagnant economy, with weakness in consumption and lowering investment, confirming our view of an unfavourable economic outlook for the rest of the year.

—Miguel Saldaña

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