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Latam Daily: Mexico CPI and Banxico Minutes, Peru GDP

- Mexico: Retail sales moderated their rise in September, while wholesale sales showed a strong increase, highlighting intermediation and vehicles; Citibanamex survey showed multiple rates scenarios for 2024**

Closed Treasury markets with US and Japan holidays saw quiet trading in Asia hours with a bit more activity in Europe on the release of better than expected PMIs in the Eurozone and the UK. The G10 day ahead is very quiet aside from ECB meeting minutes and speakers. In Latam, the highlights are Mexican H1-Nov CPI at 7ET and Banxico's meeting minutes at 10ET, accompanied by Peru Q3 GDP data after the close.

SPX futures and Eurozone and UK indices are all little changed, while UST futures and EGBs are bear steepening against bear flattening, very weak, gilts on a strong PMIs beat. The PMIs beat has the GBP leading all key majors with a 0.5% rally in a widespread dollar-negative market where the MXN finds itself lagging with only a 0.1% rise. In the commodities space, oil has been chopping around between the \$76 and \$77/bbl in WTI, sitting 1.0% lower at writing, but still about \$2.5/bbl higher than yesterday's lows on OPEC's meeting postponement. Iron ore is off 1%, in contrast to a 0.5% rise in copper.

Mexico's bi-weekly H1-Nov inflation is expected to print an unchanged to slightly higher headline of 4.2/3% but a slight deceleration in core inflation to 5.3% from 5.5%; still all too high, especially in services running around 5.3%. Banxico's November meeting minutes will likely be more interesting for markets. At this decision, the bank surprisingly tweaked guidance on the time that will be spent at the rates peak, switching from the overnight rate having to remain at 11.25% "for an extended period" to "for some time". The minutes may shed some light on why officials favoured this language tweak which has raised the odds of a Q1 rate cut versus those of a Q2 cuts start.

Monthly data showed that Peruvian GDP fell a surprisingly large 1.3% y/y in September (see [Latam Daily](#)), exceeding our already more negative than consensus forecast of a 0.8% drop. It was a particularly worrying result, considering that weakness was not simply concentrated in El Niño-impacted primary sectors, but spread throughout domestic demand industries, especially manufacturing and construction. With the monthly data at hand, Peru's economy contracted for a third consecutive quarter, by 1.0% y/y in Q3 according to our economists' estimates—in line with the median of forecasts submitted to Bloomberg. Today, plenary Congressional debate will begin on the 2024 Budget that needs to be approved no later than November 30.

—Juan Manuel Herrera

Chart 1



Sources: Scotiabank Economics, INEGI.

MEXICO: RETAIL SALES MODERATED THEIR RISE IN SEPTEMBER, WHILE WHOLESALE SALES SHOWED A STRONG INCREASE, HIGHLIGHTING INTERMEDIATION AND VEHICLES

September retail sales moderated their pace to 2.3% y/y from 3.2% previously. By components, trade in groceries remained at 2.8%, textile products slowed down to 4.1% (previously 10.7%), self-service and department stores increased to 11.4% (10.1% previously), health care 1.2% (0.3% previously), while the deepest drop was in recreation and personal use items at -11.5% (4.6% previously). In its monthly comparison, sales fell -0.2% m/m from -0.5% previously, with five of its nine components in the negative. On an annual basis, wholesale trade increased to 7.1% y/y from 2.8%, the largest increase was in intermediation at 46.9% y/y (19.4% previously) and vehicles at 22.6% (14.8%), while the deepest drop was textiles at -8.7% (-16.9% previously). On a monthly basis, wholesale sales increased to 3.9% m/m from 3.6% previously.

November 23, 2023

In the cumulative comparison, data contrast a little since retailers have grown from January to September 4.3% YTD, and the most relevant components have been in department stores (10.2%), internet (14.9%) and textiles (15.3%). On the other hand, wholesalers recorded a cumulative annual fall of -1.1% YTD, with the deepest falls being in raw materials (-5.1%), food (-2.3%) and textiles (-0.1%), however, it seems that the trend is to converge with retailers in the coming months, after having shown 5 months of negative annual change so far this year.

The perspective is that sales will slow down in the short term according to the effect of the monetary policy rate, mainly retail sales, while wholesale sales may continue with their upward trend for a few months, due to the high growth shown during this year. However, we consider that retail and wholesale will both benefit in 2024 by the increase in public expenditures published in the 2024 economic package, in line with our expectation of strong economic activity in the first half of the year.

CITIBANAMEX SURVEY SHOWED MULTIPLE RATES SCENARIOS FOR 2024

In the Citibanamex Survey, the average response points to slightly lower inflation at the end of the year at 4.61% (4.65% previously), and 4.05% (4.01% previously) in 2024. All respondents expect the rate to remain at current levels of 11.25% by the end of the year, and they expect the first cut to be in March 2024, at -25 bps, although two participants expect it could be -50 bps. By the end of next year, they foresee a rate of 9.25%, although with several possible scenarios in a range of 10.25%–8.0%. The average growth remained at 3.4% for this year and at 2.1% for 2024, although we anticipate that 2024 will be revised upwards in the next surveys. Finally, the average exchange rate rise was revised downwards by \$17.83 (\$17.93 previously) by the end of the year, and by 2024 at \$18.70 (\$18.73 previously), due to the recent strengthening of the USD/MXN.

—Miguel Saldaña & Brian Pérez

Chart 2

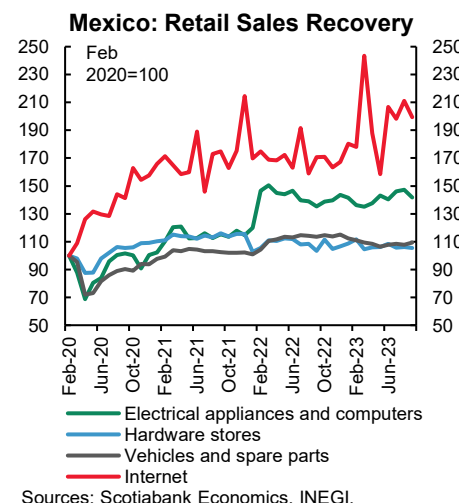
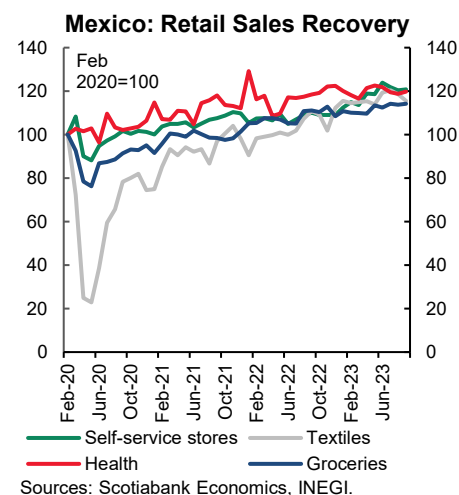


Chart 3



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