Scotiabank

GLOBAL ECONOMICS

LATAM DAILY

July 10, 2024

Contributors

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.601.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

Carlos Asmat, Senior Economist
+51.1.211.6000 Ext. 16853 (Peru)
carlos.asmat@scotiabank.com.pe

Latam Daily: Mexico CPI and Peru Auto Sales Recap

- **Mexico: Inflation grazes 5% due to rise in agricultural prices; Consumer confidence improved in June, but remains in contraction**
- **Peru: New car sales should recover in H2-24**

MEXICO: INFLATION GRAZES 5% DUE TO RISE IN AGRICULTURAL PRICES

Inflation rose to 4.98% in June from 4.69% (vs. 4.84% consensus), core inflation moderated to 4.13% from 4.21% (vs. 4.24% consensus). Merchandise decelerated 3.28% (3.38% previously), and services fell to 5.15% (5.22% previously). On the other hand, non-core inflation showed a strong increase of 7.67% (6.19% previously), highlighting agricultural inflation that rose 10.36% (8.44% previously). In its monthly comparison, headline inflation rose 0.38% (-0.19% previously, 0.24% consensus), the core component 0.22% (0.17% v, 0.24% consensus) and non-core 0.87% (-1.28% previously), see chart 1.

In detail, the product with the highest monthly impact on inflation was chayote, which rose +128.6% m/m, followed by oranges +31.4%, while on the decline, tomato stood out -12.8% and Serrano chili -27.02%. The state with the greatest prices increase was Oaxaca, and the one where prices decreased the most was Zacatecas.

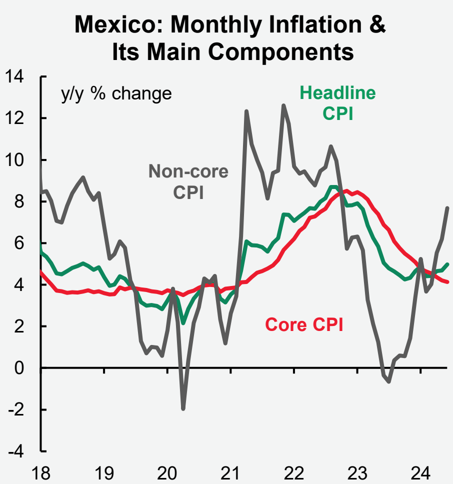
The monthly increase in prices came from the most volatile components, mainly due to fruits and vegetables, affected by climatic phenomena (now hurricanes), and problems in the local supply chain. The good news comes from core inflation that continues to decelerate, although at a slow pace, supported by merchandise (table 1). These data overall challenge Banxico's governing board regarding a possible cut in August, given annual inflation aims to return to a five handle.

CONSUMER CONFIDENCE IMPROVED IN JUNE, BUT REMAINS IN CONTRACTION

In June, consumer confidence rose to 47.5 points (vs. 46.9 previously) with seasonally adjusted series, remaining in contraction territory. Inside, two of its five components showed a monthly drop. The current situation of households fell to 52.4 (-0.2 points), household expectations rose to 58.5 (+0.9 points), both remain in positive. The country's current economic situation 44.0 (+1.4 points), while the country's expectations increased to 52.1 (+2.0 points). Finally, the possibility of purchasing durable goods fell to 30.5 (-0.9 points). The indicator shows that the consumer has seen a significant improvement in both the household economy and the country in general, since three components exceed 50 points (chart 3).

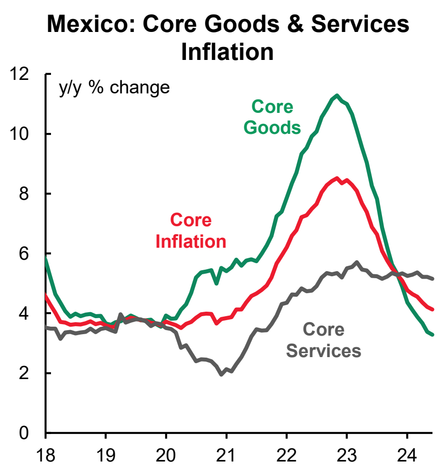
—Brian Pérez

Chart 1



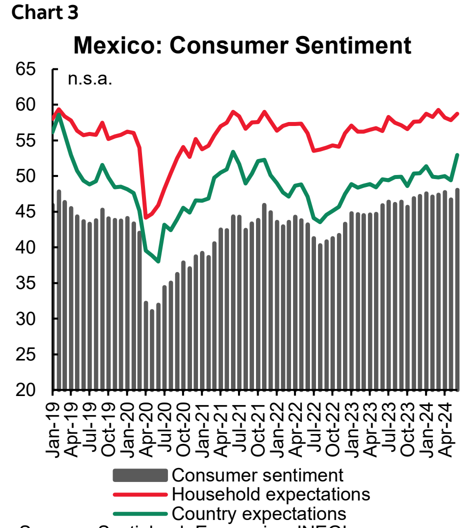
Sources: Scotiabank Economics, INEGI.

Chart 2



Sources: Scotiabank Economics, INEGI.

Chart 3



Sources: Scotiabank Economics, INEGI.

Table 1: Mexico									
Indicator	2022			2023				2024	
	II	III	IV	I	II	III	IV	I	II
Headline	7.99	8.70	7.82	6.85	5.06	4.45	4.66	4.42	4.98
Core inflation	7.49	8.28	8.35	8.09	6.89	5.76	5.09	4.55	4.13
Goods	9.91	10.84	11.09	10.12	8.26	6.20	4.89	3.88	3.28
Food, drinks and tobacco	11.84	13.38	14.14	12.95	10.49	7.57	6.25	5.01	4.22
Non-food goods	7.78	8.00	7.68	6.93	5.70	4.59	3.28	2.53	2.16
Services	4.76	5.35	5.19	5.71	5.25	5.23	5.33	5.37	5.15
Households	2.97	3.15	3.17	3.54	3.66	3.58	3.64	3.78	3.87
Education	3.30	4.49	4.49	4.88	4.85	6.59	6.60	6.36	6.35
Other services	6.61	7.44	7.07	7.72	6.66	6.32	6.46	6.46	5.96
Non-core	9.47	9.96	6.27	3.27	-0.36	0.60	3.39	4.03	7.67
Agriculture	15.02	15.05	9.52	7.24	2.89	3.25	5.66	4.92	10.36
Fruits and vegetables	14.39	14.18	7.22	5.82	3.98	6.75	11.68	12.25	19.73
Livestock	15.51	15.79	11.50	8.37	2.05	0.33	0.68	-0.78	2.89
Energy and tariffs authorized by the government	5.22	5.88	3.66	0.16	-3.08	-1.71	1.46	3.29	5.28
Energetic	5.68	6.16	2.91	-2.26	-6.95	-4.61	0.06	3.25	6.32
Government authorized tariffs	4.12	5.23	5.48	6.35	6.26	5.14	4.82	3.38	3.09

Sources: Scotiabank Economics, INEGI.

PERU: NEW CAR SALES SHOULD RECOVER IN H2-24

New car sales are expected to recover in the second half of the year. Our optimistic outlook is based on the projected recovery in domestic demand, which is expected to grow around 3% during H2-24. Furthermore, considering that auto sales in H2-23 fell by around 2% compared to H2-22 and that, on a half-year basis, sales were the lowest since H1-21, we expect a positive base effect. Furthermore, the gradual improvement in employment and purchasing power, together with lower inflationary pressures, could encourage the purchase of light vehicles. Finally, the availability of extraordinary income—CTS and pension funds—could be used as advance payments to acquire light vehicles in the second half of the year. As a result, we anticipate that new vehicle sales will increase by approximately 5% in H2-24.

Likewise, we expect that annual sales of vehicles—light and heavy—will be close to 177 thousand units. Although this level would be 3% below 2023 sales, if achieved, it would be the third highest since 2017 (180,281 units). By segment, although light vehicle sales in H2-24 would exceed H2-23 sales, according to our projections, this would not offset the lower sales in H1-24 (chart 4).

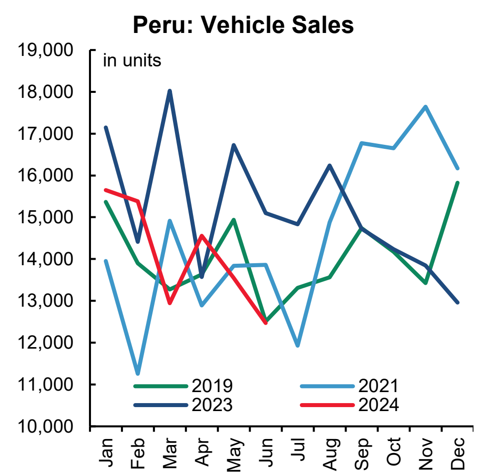
We project light vehicle sales to reach around 159,000 units in 2024, representing a decrease from the 2023 figure. In contrast, sales of heavy -duty vehicles are expected to increase, following the recent trend. It is projected that these sales will reach close to 18,000 units by the end of 2024, representing an increase over the 2023 result (chart 5).

CAR SALES IN H1-24

During H1-24 auto sales declined 11% y/y, according to Automotive Association of Peru (AAP). This drop was largely attributed to lower demand for light vehicles in H1-24 (-13% y/y). The drop in sales is linked to the weakening of household spending, in line with slight job creation and a slow rebound in private investment in Q1-24 (+0.3% YoY). However, this drop was partially offset by an increase in heavy -duty vehicle sales in H1-24 (+10% y/y). This increase was driven by higher demand for buses in tourism and private transport, as well as heavy-duty vehicles for mining and construction operations.

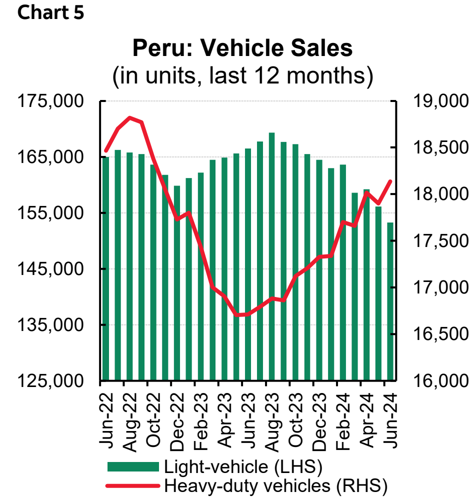
—Carlos Asmat

Chart 4



Sources: Scotiabank Economics, Asociación Automotriz del Perú (AAP).

Chart 5



Sources: Scotiabank Economics, Asociación Automotriz del Perú (AAP).