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GLOBAL ECONOMICS

LATAM DAILY

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Latam Daily: Mexico Industrial Production Recap

- **Mexico: In November, industrial activity recorded its fourth consecutive monthly decline**

It's a quiet start to the Latam and G10 week with no major data on tap while weekend developments were light (for once), leaving markets still trading to the beat of Friday's very strong US employment report (~90k beat in payrolls, u-rate undershoot). Today's main event in Latam will be Mexico Pres Sheinbaum's presentation of her "Plan Mexico", which is taking place at writing, aimed at supporting the domestic industrial sector through the end of her term. The G10 data slate is fairly blank today, but US and UK CPI on Wednesday, followed by US retail sales on Thursday await to shake up trading (US PPI tomorrow may be noteworthy too). On the flip side, this week's Latam calendar is somewhat bare, with the highlight being Wednesday's Peru November GDP and Friday's Colombia macro flood that includes retail sales and industrial production data.

Global yields continued their post-US data rise through the Asia-Pacific session (thin trading with Japan closed for holidays) and in early European dealing before global debt found a slight bid that has neutralised losses in USTs to under 1bps, though EGBs and gilts remain weaker on the day to catch-up to Friday moves in the US. While the sovereign mood is so-so to start the week, the tone in equities remains clearly negative with 0.6–0.8% in the UK and the Eurozone, while the Nasdaq takes a ~1.5% hit at the open with tech stocks losses led by Nvidia on reports that the likes of Amazon, Microsoft, and Google are cutting back on orders for data the company's data centre products.

Risk aversion also has most currencies trading weaker against the USD, with losses of 0.4–0.5% in the GBP, EUR, and MXN the standouts as the currencies fail to recover from sharp losses on Friday. Meanwhile, the JPY is leading thanks to a 0.4% gain that takes it into the low-157s—extending its surprising gain on Friday despite the surge in US yields. WTI and Brent oil are trading about 1% higher on US sanctions on Russian crude (Brent is trading above $80/bbl), while copper and iron ore trade practically flat. Raw metal prices are failing to react positively to Chinese international trade data published on Sunday (Monday in China). Trade figures surprised higher in exports and imports, with the former showing double digit growth in year-on-year terms (19.7% vs 7.5% median) while the latter managed to rise slightly (1% vs –1% median) after two months of y/y contractions. The strong exports data opens the door to a possible beat in Q4 Chinese GDP figures out on Thursday night ET.

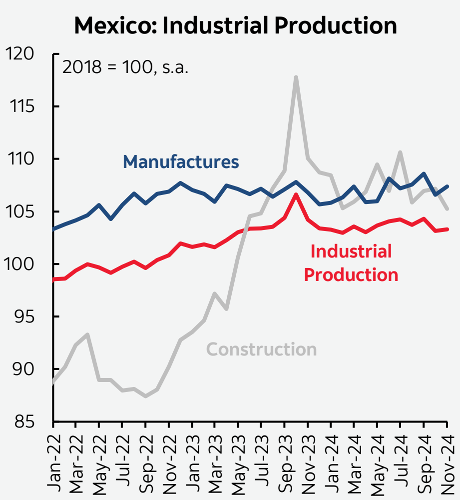
—Juan Manuel Herrera

MEXICO: IN NOVEMBER, INDUSTRIAL ACTIVITY RECORDED ITS FOURTH CONSECUTIVE MONTHLY DECLINE

In November, industrial activity fell by -1.4% y/y from -2.1% previously, marking the fourth consecutive month of declines. Within this, construction fell for the fourth consecutive month to -4.2% (-8.4% previously), mining decreased by -4.7% (-6.6% previously), remaining in negative territory since July 2023, and manufacturing declined by -0.2% (0.6% previously). On the other hand, utilities grew by 2.9% (1.2% previously). On a monthly comparison, the index decreased by -0.1% m/m from -1.1% previously, with seasonally adjusted monthly data. Manufacturing rebounded by 0.7%, while utilities rose by 0.8%, and construction fell by -1.8%. From January to November, the index has increased by 0.5% annually, compared to the same period last year.

Within mining, oil and gas extraction was the worst performing component with a -9.0% annual decline, in contrast to a 22.0% increase in mining services. In construction, the

Chart 1



Sources: Scotiabank Economics, INEGI.

-31.9% drop in civil engineering works stands out, in line with fewer infrastructure projects due to the change in administration and greater caution among investors. For manufacturing, the most affected sectors were clothes (-13.8%), leather and leather products (-9.7%), the metal industry (-6.1%), and petroleum and coal products (-5.3%), among others.

In line with the economic weakness observed throughout the year (despite the rebound in Q3-2024 due to increases in agricultural products), all production sectors have been affected by a more uncertain and complex outlook. This weakness is expected to continue during 2025, influenced by Trump's policies and the spending and investment priorities of the new administration in Mexico.

—Brian Pérez & Miguel Saldaña