

## Latam Daily: Mexico Auto Industry Retreated in April; Electoral Gap Narrows in Peru

- Mexico: Auto industry retreated in April on semiconductor shortages
- Peru: Poll shows electoral gap narrowing, but political uncertainty is hitting sentiment

### MEXICO: AUTO INDUSTRY RETREATED IN APRIL ON SEMICONDUCTOR SHORTAGES

According to April [data](#) published on Friday, May 7, by INEGI, Mexico's automotive industry suffered the effects of semiconductor shortages in the month and recorded a -11.3% m/m drop in production: total output declined from 303,545 units in March to 269,180 units in April. While Mexico's automotive sector has rebounded substantially from last year's shutdowns, various supply-chain problems mean that plants continue to operate below their potential.

Year-on-year comparisons are, of course, heavily distorted by last year's pandemic restrictions. In April 2020, the entire industry produced only 3,722 vehicles. For the four-month January–April period, cumulative production moved into positive territory compared with a year ago, up 16.3% y/y (chart 1). For the coming months, level effects should produce very strong annual increases, but output will continue to be affected by the global shortage of computer chips. This problem is likely to continue until at least the second half of the year, but some analysts believe that it could persist until end-2021.

Domestic auto sales also pulled back in April by -12.5% m/m. Total volumes sold amounted to 83,612 units compared with about 35k in April 2020, an increase of 139.4% y/y. Total sales in the first four months of 2021, however, were up only 3.3% y/y (chart 1 again), a testament to the still-gradual recovery in Mexico's overall domestic demand.

Auto exports completed the trio of sequential declines in April with a fall of -8.4% m/m: total exports amounted to 234,584 units compared with 256k in March. While April 2021's exports obviously compared favourably with the paltry 31k units shipped abroad in April last year, accumulated exports during January to April were up only 10.7% y/y (chart 1 again). This was a relatively small gain in the context of the strong recovery in economic activity underway in the US.

—Paulina Villanueva

### PERU: POLL SHOWS ELECTORAL GAP NARROWING, BUT POLITICAL UNCERTAINTY IS HITTING SENTIMENT

The most recent opinion polls show a narrower gap in electoral preferences between Pedro Castillo and Keiko Fujimori. Castillo maintains the lead in all polls, but his share of support has progressively declined from 41% (DATUM) to 36% (IEP) and 34% (CPI), and his lead over Fujimori has gone from 5 ppts (DATUM) to 6 ppts (IEP), and finally to 2 ppts (CPI), which is close to a statistical tie given the CPI poll's margin of error. With four weeks to go before the June 6

#### CONTACTS

**Brett House, VP & Deputy Chief Economist**  
416.863.7463  
Scotiabank Economics  
[brett.house@scotiabank.com](mailto:brett.house@scotiabank.com)

**Guillermo Arbe**  
51.1.211.6052 (Peru)  
Scotiabank Peru  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Sergio Olarte**  
57.1.745.6300 (Colombia)  
Scotiabank Colombia  
[sergio.olarte@scotiabankcolpatria.com](mailto:sergio.olarte@scotiabankcolpatria.com)

**Jorge Selaive**  
56.2.2619.5435 (Chile)  
Scotiabank Chile  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

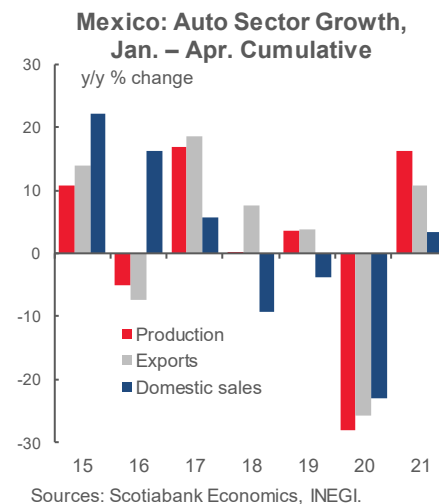
**Eduardo Suárez**  
52.55.9179.5174 (Mexico)  
Scotiabank Mexico  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

#### TODAY'S CONTRIBUTORS:

**Mario Guerrero**  
51.1.211.6000 Ext. 16557 (Peru)  
Scotiabank Peru  
[mario.guerrero@scotiabank.com.pe](mailto:mario.guerrero@scotiabank.com.pe)

**Paulina Villanueva**  
52.55.5123.6450 (Mexico)  
Scotiabank Mexico  
[pvillanuevac@scotiabank.com.mx](mailto:pvillanuevac@scotiabank.com.mx)

Chart 1



second-round presidential vote, Castillo has shown signs that he is prepared to act within Peru's existing institutional and legal frameworks. He has signed a pact along with 10 policy commitments to gain the endorsement of defeated leftist presidential candidate Verónica Mendoza, he has announced that he will sign agreements with civil-society and religious organizations on priorities important to them, and he has promised legal stability to the business community. In turn, Fujimori has signed an accord in favour of the protection of democracy, Peru's institutional division of powers, freedom of speech, and the implementation of additional social programs.

**On the economic front, Peru's external trade accounts printed a surplus of USD 0.4 bn in March.** In accumulated terms, a surplus of USD 2.4 bn was registered during Q1-2021 and a total of USD 9.0 bn over the last 12 months, in line with the USD 14.5 bn that the BCRP expects in 2021. Peru's external terms of trade continued to improve (up 19.8% y/y) and import volumes were up 16% compared with March 2019, a clear sign that domestic demand is recovering. Peru's trade trajectory should continue to make gains in April and May with the price of copper at its highest level in 10 years.

**Peru's improving economic fundamentals are yet to be reflected in sentiment on the outlook for the country's economy.** The BCRP's April [survey of macroeconomic expectations](#), released on Thursday, May 6, showed a progressive deterioration in the outlook for the economy compared with readings at beginning of the year. Expectations for 12-month economic growth went down from a consensus of 8.6% y/y in January to 7.2% y/y in April; expected inflation for 12 months out rose from 1.98% y/y in January to 2.30% y/y in April; and consensus projections of the USDPEN exchange rate at end-2021 rose from 3.56–3.60 in February to 3.60–3.65 in April. Business sentiment also deteriorated in April, reflecting ongoing electoral and political uncertainty.

**Finally, in the last week, Congress voted to override the government veto of the bill that enables the third round of withdrawals of private pension-fund assets up to a limit of PEN 17,600 for each account holder.** The text of the regulations to enable the law should be published no later than May 21. The official projection of likely total withdrawals is PEN 38 bn (i.e., 24% of AUM in the private pension funds). The government indicated that it may challenge this law in the Constitutional Court.

—Mario Guerrero

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