

## Latam Economic Update

- **Peru:** The BCR keeps the reference rate at 0.25%
- **Mexico:** April's industrial production posts its sharpest decline since 1994

### PERU: THE BCR KEEPS THE REFERENCE RATE AT 0.25%

Peru's Central Bank, BCR, left the reference rate at 0.25% yesterday. This was as expected. In fact, we do not expect a change in rate until late in 2021. The BCR did change its view on inflation. It is now expecting inflation to fall below the 1% floor of its target range, whereas previously it had expected the rate to just reach the floor. This helps justify keeping the reference rate low for longer. The BCR also highlighted that business expectations had risen. Outside of that, the BCR report was very similar to May, with the same emphasis on providing liquidity.

—Guillermo Arbe

### MEXICO: APRIL'S INDUSTRIAL PRODUCTION POSTS ITS SHARPEST DECLINE SINCE 1994

April's industrial production figures, released on June 11 by INEGI, posted its sharpest annual decline since records have been kept (1994), -29.3% y/y (chart 1), significantly lower than market expectations (-19.4% y/y). This result was driven by severe contractions in manufacturing activity and construction of -35.3% y/y and -38.0% y/y, respectively, while utilities (-3.5% y/y) and mining (-3.6% y/y) posted more moderate drops. Year-to-date, industrial production has fallen by -9.3% y/y (versus -0.9% y/y in January–April of 2019), the worst performance for a similar period since the Global Financial Crisis in 2009. On a seasonally adjusted basis, industrial production also posted a historical decline, falling from -3.3% m/m in March to -25.1% m/m in April.

Even though automobile data in early May pointed towards a severe backdrop in Mexico's industrial activity, these results reveal that containment measures to limit the spread of COVID-19 took an even bigger toll than anticipated on the country's industrial production. This, will probably lead to a further deterioration in growth expectations.

—Alejandro Stewens

#### 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)

**Mario Correa**  
52.55.5123.2683 (Mexico)  
Scotiabank Mexico  
[mcorrea@scotiabank.com.mx](mailto:mcorrea@scotiabank.com.mx)

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

**Jorge Selaive**  
56.2.2939.1092 (Chile)  
Scotiabank Chile  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

#### TODAY'S CONTRIBUTORS:

**Alejandro Stewens**  
52.55.5123.2686 (Mexico)  
Scotiabank Mexico  
[astewens@scotiabank.com.mx](mailto:astewens@scotiabank.com.mx)

Chart 1

Mexico: Industrial Production



Sources: Scotiabank Economics, INEGI.

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