

## Latam Economic Update

- **Argentina:** Authorities repeat that we're on their last debt offer
- **Mexico:** Formal jobs numbers kept decreasing in June

### ARGENTINA: AUTHORITIES REPEAT THAT WE'RE ON THEIR LAST DEBT OFFER

Pres. Fernandez said in an interview on Monday, July 13, that the authorities' latest [debt restructuring offer](#), released on July 5, is the last proposal the country will make to creditors. The President reiterated Economy Minister Guzman's efforts last week to rule out any further changes to the authorities' fourth set of terms to treat the USD 65 bn in external-law bonds currently in default. The comments from both leaders underscore their willingness to go ahead with a partial exchange that could leave some holdouts. The government spelled out last week that it would be prepared to proceed with their proposed debt swap if (1) two thirds of total eligible debt is tendered; (2) a minimum of 60% of at least one series of the 2005 exchange bonds and 2016 Macri bonds is offered; and (3) more than 50% of both the 2005 exchange bonds and the 2016 Macri bonds, respectively, are put forward.

The current offer closes on August 4 and a range of paths could ensue. It would obviously be best for Argentina if all USD 65 bn in eligible bonds were tendered in the exchange, or at least enough to ensure that any holdouts are swept up in the existing bonds' collective action and aggregation clauses. Under a scenario where enough bonds are provided to the swap to meet the authorities' minimum thresholds, but where some holdouts remain untreated after the exchange, Argentina would have to make some hard decisions about how to deal with these bondholders. The prospect of a long, drawn-out legal wrangle, similar to the saga between 2005 and 2016 when Argentina was shut out of international debt markets, would become real again.

—Brett House

### MEXICO: FORMAL JOBS NUMBERS KEPT DECREASING IN JUNE

IMSS data released on Sunday, July 12 showed that Mexico's formal jobs numbers declined in June by -83.3k positions (chart 1), the weakest result for any June since 2001 despite the re-opening of activities in some states. Thus, total formal jobs decreased by -921.6K in the first half of 2020 and -1.1 mn in the March–June period (chart 1). With this, formal jobs totalled 19.5 mn in June compared with 20.4 mn in the same month of 2019, a -4.3% y/y decrease and the weakest pace since records began in 1997. Average nominal wages rose by 8.1% y/y in June versus 5.1% y/y in May and 2.5% y/y a year ago, but this was partially a result of lay-offs of low-wage workers. Overall, with this result, we maintain our outlook that more than one million jobs will be lost by the end of 2020, in line with consensus expectations.

—Miguel Saldaña

#### 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)

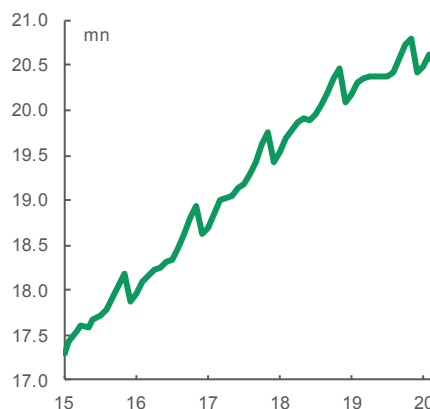
**Jorge Selaive**  
56.2.2939.1092 (Chile)  
Scotiabank Chile  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

#### TODAY'S CONTRIBUTORS:

**Miguel Saldaña**  
52.55.5123.0000 Ext. 36760 (Mexico)  
Scotiabank Mexico  
[msaldanab@scotiabank.com.mx](mailto:msaldanab@scotiabank.com.mx)

Chart 1

Mexico: Formal Employment



Sources: Scotiabank Economics, Bloomberg.

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