

Latam Daily: Early Signs of Election Surprise in Peru; Gradual Recovery in Mexico IP

- Mexico: February's industrial production data showed continued signs of gradual recovery
- Peru: Early indications pointed to possible surprise in presidential elections' first round

MEXICO: FEBRUARY'S INDUSTRIAL PRODUCTION DATA SHOWED CONTINUED SIGNS OF GRADUAL RECOVERY

February's industrial production data, released on Friday, April 9, by [INEGI](#), showed continued signs of gradual recovery. Gains were driven mainly by construction, which offset to some extent the impact of adverse weather conditions in northern Mexico and the southern United States on manufacturing and electricity generation.

In seasonally-adjusted terms, industrial activity notched up a ninth consecutive month of advances, although since November there have been rather modest increases: in February, sequential growth accelerated from 0.2% m/m to 0.4% m/m. Construction and mining growth accelerated from 1.7% m/m to 2.5% m/m, and from 1.2% m/m to 2.3% m/m, respectively. Manufacturing growth slowed for a second consecutive month, from -1.2% m/m to -2.1% m/m, as did growth in utilities generation, from -1.9% m/m to -3.8% m/m. Within manufacturing, production plants in several states were affected by reduced energy availability stemming from intense cold in the southern US.

On an annual basis, industrial activity continued to trim its gaps compared with the year before, from -5.0% y/y in January to -4.5% y/y in February (chart 1). This made for a 23rd month in which production has been lower than the year prior. Construction led the improvement as the sector softened its losses from -10.2% y/y to -4.4% y/y; mining also closed its gaps from a year ago, going from -3.4% y/y to -2.5% y/y. Together, these two sectors largely compensated for the deeper declines in manufacturing, from -3.4% y/y to -4.7% y/y, and utilities, from -4.9% y/y to -9.9% y/y, which were both caused by adverse weather conditions and energy shortages in the southern US.

In the coming months, semiconductor bottlenecks in the automotive industry could continue to lead to production holdups, lower installed capacity utilization, and smaller manufacturing output. For 2021, we maintain our view that external demand will lead the recovery, albeit with an outlook marked by persistent uncertainty.

—Paulina Villanueva

PERU: EARLY INDICATIONS POINTED TO POSSIBLE SURPRISE IN PRESIDENTIAL ELECTIONS' FIRST ROUND

Both exit polls and early returns pointed to a better-than-expected performance by labour leader Pedro Castillo in Sunday's first round of voting in Peru's presidential elections. Early exit polls implied that Castillo

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Chart 1

Mexico: Industrial Production



Sources: Scotiabank Economics, INEGI.

could win around 16% of votes cast in the Sunday, April 11, process, followed by conservative Keiko Fujimori and economist Hernando de Soto, both at around 12% shares. In actual vote tallies compiled early on Monday, April 12, that accounted for about 16% of ballots cast, Castillo's support hovered around 15.7%.

Castillo's performance appears much stronger than the 6–9% share of support anticipated in major polls as recently as early last week (see our April 7 [Latam Daily](#)), but numbers are likely to shift further as additional polling stations report results. None of the 18 candidates is expected to secure the 50%+1 share of votes that would allow them to ensure a win in the first round of voting. Instead, the top two candidates are expected to advance to a second vote scheduled for June.

—Brett House

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