

## Latam Daily: Mexico's Record Trade Surplus; Early Peek at January Inflation in Peru

- Mexico: 2020 ended with a record trade surplus
- Peru: Preliminary look at January inflation

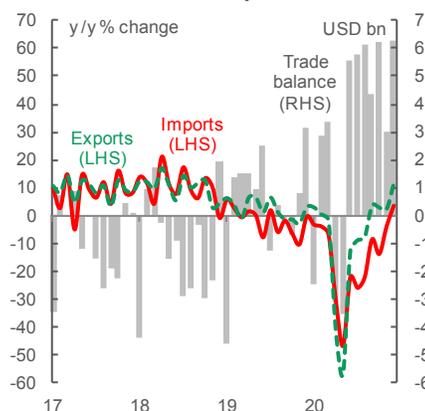
### MEXICO: 2020 ended with a record trade surplus

According to December [trade figures](#) published by INEGI on Thursday, January 28, the monthly trade surplus reached a record level of USD 6.26 bn (chart 1), exceeding market expectations for a print of USD 4.6 bn. As a result, the 12-month accumulated surplus amounted to USD 34.5 bn in 2020 (chart 2), the highest annual level in the history of the indicator and well above 2019's USD 5.3 bn figure. Unprecedented monthly trade surpluses in the second half of 2020 drove this exceptional result. External demand growth outpaced its domestic counterpart, where growth in imports of consumer and capital goods fared poorly throughout most of 2020. The 2020 non-oil trade balance hit its own record at USD 48.5 bn, up from USD 26.8 bn in 2019 (chart 2, again). The trade deficit in oil narrowed from USD -21.4 bn in 2019 to USD -14.0 bn in 2020.

The December trade numbers originated from a vigorous increase in annual exports growth, which accelerated from 2.3% y/y in November to 11.5% y/y (chart 1, again). Within exports, the annual increase in non-oil exports stood out, which rose from 3.3% y/y in November to 13.1% y/y in December, owing to a strong performance from manufacturing exports (up 13.6% y/y). December also saw some paring in recent annual declines in oil exports, from -17.1% y/y in November to -14.2% y/y in December.

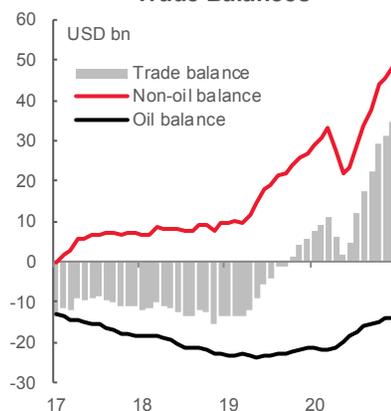
December's boost in exports more than compensated for the first annual rise in imports in the last 17 months, up from -3.9% y/y in November to 3.7% y/y (chart 1, again). Within imports:

Chart 1

**Mexico: Trade Balance & Main Components**


Sources: Scotiabank Economics, INEGI.

Chart 2

**Mexico: 12-Month Major Trade Balances**


Sources: Scotiabank Economics, INEGI.

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- Capital goods attenuated their contraction from -12.9% y/y in November to -4.9% y/y in December, which still marked a 21st month of consecutive year-on-year declines;
- Consumer imports softened their annual losses from -16.3% y/y in November to -6.7% y/y; and
- Intermediate goods showed annual gains—for the first time since September 2019—with growth rising from -0.3% y/y in November to 6.7% y/y in December.

Finally, total trade (i.e., exports + imports) during 2020 showed a decrease of -12.6% y/y as exports were down by -9.3% y/y, while imports fell by -15.8% y/y—in both cases their largest annual drop since 2009. Looking ahead, disruptions from recent pandemic developments in Mexico and its major trading partners could dent both exports and imports in the short term.

—Paulina Villanueva

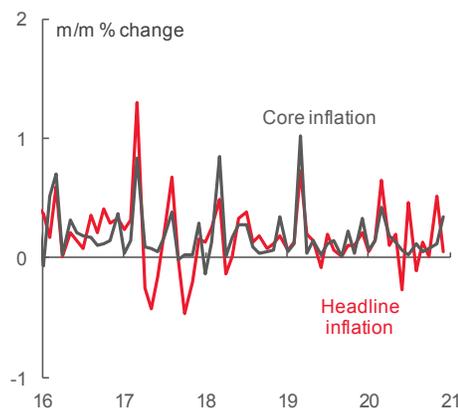
**PERU: PRELIMINARY LOOK AT JANUARY INFLATION**

Headline inflation for the month of January is currently tracking at 0.4% m/m, up from December's 0.05% m/m (chart 3). This is moderately high and would raise the 12-month rate from December's 2.0% y/y to 2.3% y/y (chart 4). Core inflation is faring better, trending down from 0.34% m/m in December to 0.1% m/m at present, which would keep core inflation at 1.8% y/y in annual terms, the same as in December. Gasoline and poultry are driving price pressures, which one might see as transitory, but soft commodity import prices (i.e., maize and soybeans) are also rising, which could be more persistent. In fact, poultry prices may be responding to maize feed prices. It is still too early in the year to start modifying our inflation forecast. However, if the current trend is ratified by the full-month official figures, due for release on Monday, February 1, it would imply that our 2% y/y forecast for all of 2021 has some upside risk to it. Note, however, that the expected slowdown in demand due to the recent intensification in restrictions may well dampen price pressures.

—Guillermo Arbe

Chart 3

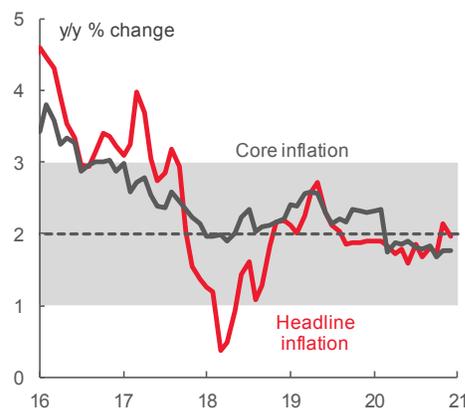
Peru: Headline & Core Inflation



Sources: Scotiabank Economics, BCRP, INEI.

Chart 4

Peru: Headline & Core Inflation



Sources: Scotiabank Economics, BCRP, INEI.

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