

## Latam Daily: Chile FinMin Raises GDP 2021 Forecast; Mexico Industrial Activity Up m/m

- **Chile: Government's Public Finance Report—FinMin raises GDP forecast; outlook positive for bond rates and the CLP**
- **Mexico: Industrial activity modestly rebounds in May; H1-2021 levels remain below pre-pandemic**

### CHILE: GOVERNMENT'S PUBLIC FINANCES REPORT—FINMIN RAISES GDP FORECAST; OUTLOOK POSITIVE FOR BOND RATES AND THE CLP

The Ministry of Finance released its quarterly report of [public finances for Q2-2021](#) on Monday, July 12. Updating its macroeconomic projections for the year, the Ministry raised Chile's GDP growth forecast to 7.5% for 2021 (from an earlier 6.0%) given the greater dynamism of the world economy; progress of Chile's vaccination plan; the reopening of the economy; and the fiscal impulse implemented in recent months. For now, our own GDP forecast remains at 7.5% for 2021, with an upward bias.

The Ministry's document further updated the government's financing needs for this year, taking into account the above mentioned support measures implemented to support households and firms. The total amount to be financed for 2021 is estimated around US\$36.2 billion, of which US\$ 17.5 billion remains to be financed in the second half of the year. Of those, US\$15.1 billion will be financed by issuances of public debt and the remaining amount through USD asset liquidation. It should be noted that, out of the US\$ 15.1 billion of public debt, US\$8 billion would be announced soon and issued mainly in foreign currency. The Ministry of finance further estimated an effective fiscal deficit of 7.1% of GDP for 2021 and a debt level of 38.5% of GDP for 2025 (lower than previous estimate of 39.5% of GDP).

In our view, this recent disclosure of financing needs will be welcome news for bond market rates and the Chilean Peso (CLP).

—Jorge Selaive, Anibal Alarcón, & Waldo Riveras

### MEXICO: INDUSTRIAL ACTIVITY MODESTLY REBOUNDS IN MAY; H1-2021 LEVELS REMAIN BELOW PRE-PANDEMIC

Industrial activity rebounded modestly in May from -0.2% m/m (in April) to 0.1% m/m with seasonally adjusted figures, below the 0.4% m/m consensus. Construction led the advance as it grew by 2.0% m/m, (after contracting 0.1% m/m in April). Mining also showed positive results advancing 1.0% m/m for the second consecutive month; and utilities were up from -0.8% m/m in April to 1.3% m/m in May. Manufactures, meanwhile, lagged at -0.7% m/m from a previous -0.8% m/m, once again affected by inputs shortages.

In its annual comparison non-seasonally adjusted, base effect distortions compared to 2020 persisted. In May, production had a strong upsurge of 36.4% y/y (against a 36.6% y/y the previous month). Construction remained at 45.0% y/y, as manufactures moved from 52.0% y/y to 48.0% y/y (chart 1).

#### CONTACTS

**Adriana Vega**  
613.564.5204  
Scotiabank Economics  
[adriana.vega@scotiabank.com](mailto:adriana.vega@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 Ext. 9166 (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:

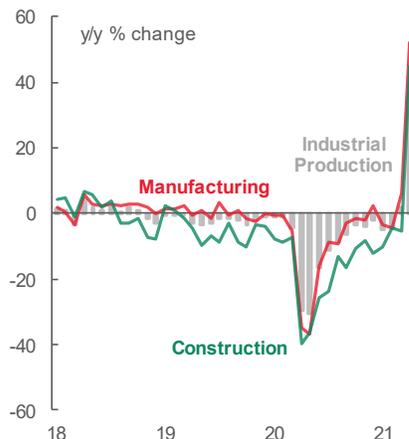
**Anibal Alarcón**  
+56.2.2619.5435 (Chile)  
Scotiabank Chile  
[anibal.alarcon@scotiabank.cl](mailto:anibal.alarcon@scotiabank.cl)

**Waldo Riveras**  
+56.2.2619.5465 (Chile)  
Scotiabank Chile  
[waldo.riveras@scotiabank.cl](mailto:waldo.riveras@scotiabank.cl)

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

Chart 1

#### Mexico: Industrial Production



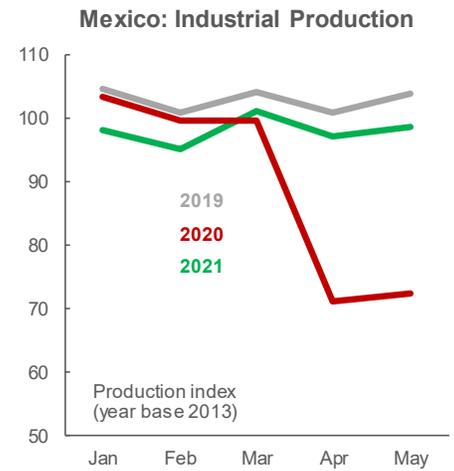
Sources: Scotiabank Economics, INEGI.

Cumulatively between from January and May, industrial production rose 9.9% YTD- a solid recovery driven mainly by export-oriented sectors. This, however, remains -4.7% below the same (pre-pandemic) period in 2019 (chart 2).

For the coming months, the strong pace of recovery in the United States could continue driving the recovery in Mexico's industrial activity. However, bottlenecks and input shortages, particularly in manufacturing, could limit production growth below its potential output.

—Miguel Saldaña

Chart 2



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