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Latam Daily: Mexican Retail Sales Slowdown; Roadblocks Impact Cement Sales in Peru

- **Peru: Weak cement sales in January combine ongoing downtrend with impact of protests**

Overnight markets traded with a risk-off feel amid higher yields as USTs reopened weaker and European yields gained on stronger-than-expected PMIs. The USD is stronger against all major currencies with the exception of the GBP and SEK (on strong PMIs and hawkish Riksbank comments, respectively). Global markets will focus on US PMI data due at 9.45ET, but our bank's focus will be on Canadian CPI for January at 8.30ET (see [here](#)).

Latam FX is mixed but trading relatively little changed. The MXN is down 0.1/2%, while the CLP, up 0.1/2%, is barely correcting its 1.2% loss yesterday as the cross trades in a 785–800 pesos band for the past handful of sessions with its rally grinding to a halt.

SPX futures are off 0.5% and setting up the index for a third straight daily loss—its first three-day-loss since mid-January—given the higher yields backdrop as well as continued anxiety around how much higher the Fed (and others, like the ECB) may go. Crude oil traded choppy around the release of PMI data this morning to now sit unchanged at writing while iron ore and copper record gains of about 1.5%—with both aiming to drift higher on Chinese demand hopes after range trading through most of the month.

Mexico published retail sales data this morning that showed an unexpected, albeit marginal, gain of 0.1% m/m (vs -0.1% median) in December, but with this partly offset by a negative revision to November sales (-0.3% vs -0.2% previously). Sales also recorded a weaker than expected gain in the y/y comparison, rising by 2.5% (vs 3.2% median and 2.4% in November). The trend in year-on-year sales growth remains negative amid slowing growth (domestically, but also in the US resulting in slowing growth in remittances) and restrictive monetary policy. Still, today's data are unlikely to sway Banxico in either direction.

Around 15ET, the results of the latest Citibanamex survey of economists will be released. These should show a higher expected terminal rate for Banxico following its surprise 50bps hike at its February decision alongside elevated core inflation. We think the bank may consider another 50bps increase at its meeting in late-March. For that, we'll pay close attention to Thursday's H1-Feb CPI release which is expected to show only a marginal deceleration in the core gauge year-on-year.

—Juan Manuel Herrera

PERU: WEAK CEMENT SALES IN JANUARY COMBINE ONGOING DOWNTREND WITH IMPACT OF PROTESTS

Local cement sales fell 13% y/y during January, according to data from the Association of Cement Producers (Asocem). It is the fourth consecutive, and the largest, drop in sales between October 2022 and January 2023. In volume terms, last month represented the lowest level since May 2021.

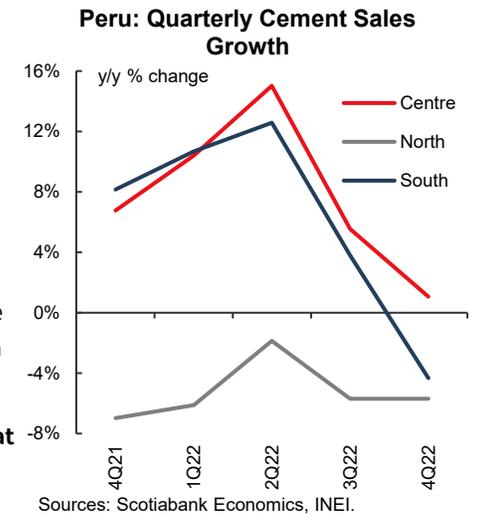
The decline is explained by lower demand for cement as well as transportation issues due to the roadblocks in central and southern areas of the country that began in mid-December 2022 and continued through much of January 2023. These roadblocks augmented the drop in cement sales in January, given that lower demand had already been recorded during Q4-2022, a quarterly drop not seen since Q2-2020, according to reports from the main companies in the sector.

In Q4-2022, the drop in cement sales was more pronounced in the north of the country (chart 1), partly due to base effects, considering that sales were the highest in historical terms during 2021. Likewise, the demand for cement in the south also fell during Q4-2022, for the first time since Q3-2020, owing partly to roadblocks. On the other hand, the demand in the central zone of the country only fell slightly during Q4-2022 since its shipments were not affected to the extent as those in the southern and northern areas of the country.

For 2023, we expect cement demand to show a slight drop compared to 2022, in line with the performance that we project for the construction sector. A decline in both private and public investment will limit cement demand, in contrast to increased activity in the development of infrastructure projects such as the Linea 2 Metro in Lima, the Callao Port (South and North), the Chancay Port, and a new terminal at the Lima airport, among others, that should limit the fall in cement sales.

—Carlos Asmat

Chart 1



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