LATAM Market Update

- Chile: Government announces a new constitution – no agreement about who will lead the process and uncertainty about the modifications
- Mexico: Industrial activity continued to show poor results in September

**CHILE: GOVERNMENT ANNOUNCES A NEW CONSTITUTION – NO AGREEMENT ABOUT WHO WILL LEAD THE PROCESS AND UNCERTAINTY ABOUT THE MODIFICATIONS**

The Chilean government has agreed to write a new constitution, a central demand of protesters who have taken to the streets in recent weeks. Interior minister said the president, cabinet members and political allies had agreed that Congress should lead the process of rewriting the constitution. The new document would be put to a public referendum. The minister said “we must focus on the goal of reconfiguring the social contract, which has arisen as a fundamental demand of our citizens”. In the opposition, although they valued the step taken by the Government, they already anticipated their rejection of the Constituent Congress mechanism announced by the interior minister. The demand for a new constitution has penetrated the citizenship, and this was reflected in this week’s Cadem survey that revealed that 52% of respondents prefer to change the constitution in a total way. As for the formula, 54% would prefer it to be through a Constituent Assembly and only 11% would opt for the current or future Congress in accordance with the current constitution (which would be the Government’s proposal). It is not clear what the changes to the constitution would be, but most likely they would deliver a more important role to the State in activities that the private sector has today. The increase in political uncertainty has impacts on financial and economic variables according to extensive literature, and the announcement of a new constitution certainly increases the uncertainty. We maintain our baseline scenario of GDP growth between 1.5 and 1.8% in 2019 and 2.7% in 2020.

**MEXICO: INDUSTRIAL ACTIVITY CONTINUED TO SHOW POOR RESULTS IN SEPTEMBER**

In September, industrial production contracted 1.8% y/y, below the consensus forecasts (-1.4%), and adding to the 1.3% decline recorded in August. In detail, industrial activity was dragged down by an 8.3% decline in construction, while mining also fell by 2.8%. During the January-September period, industrial sector activity contracted 1.7% y/y, its lowest print since 2009. According to the seasonally and calendar adjusted figures, industrial production remained unchanged compared to the previous month. The most recent data for business confidence and vehicle production predicts a complicated outlook for the industry for the rest of the year. Without clear signs of improvement, there is some concern that industrial weakness spreads further than anticipated, leading to downward revisions in growth estimates.

—Miguel Saldaña
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