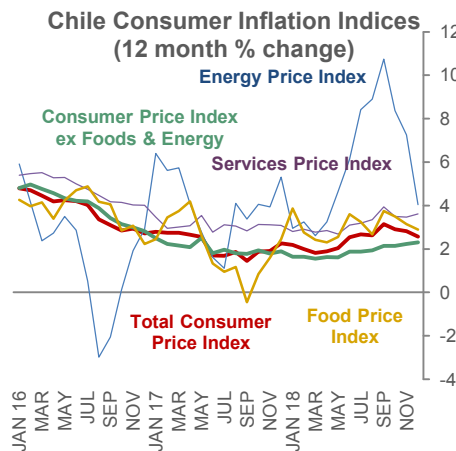


LATAM Market Update

- **Chile:** December CPI aligned with market expectation
- **Peru:** Investment in government-supervised transportation infrastructure rose 14% in the year-to-November; In a victory for Vizcarra, the Attorney General resigns

CHILE – DECEMBER CPI ALIGNED WITH MARKET EXPECTATION

The CPI in December showed a monthly decrease of 0.1%, aligned with most of the market, basically dominated by declines in both fresh foods and fuel. Excluding these kinds of goods the index increased 0.3%, driven by a seasonal effect of transportation and an increasing but still limited inflation of imported goods prices. With this information, the inflation of the year reached 2.6%, below the reference of 3% (which is the target of the Central Bank in 2 years). For January our team expects a monthly increase of 0.1%. Remember that January will be gauged with a new basket, in which services are more relevant. Considering these chunk of data and the activity index for November (released on Monday), our economic team estimates that Central Bank has reasons enough to hike the Monetary Policy Rate at its next meeting, scheduled for January 30th.



Sources: Scotiabank Economics, Instituto Nacional de Estadísticas (INE).

PERU: INVESTMENT IN GOVERNMENT-SUPERVISED TRANSPORTATION INFRASTRUCTURE ROSE 14% IN THE YEAR-TO-NOVEMBER; IN A VICTORY FOR VIZCARRA, THE ATTORNEY GENERAL RESIGNS

Investment in government-supervised transportation infrastructure rose 14% in the year-to-November. However, total investment was still a rather modest US\$667mn. The main projects included: Lima Metro Line 1, Lima Metro Line 2, Tranche II of the Trans-Andean highway, the San Martín port.

For those following Peru's version of House of Cards, the Attorney General, Pedro Chávarry, announced by Twitter, that he would resign. Chávarry was under tremendous pressure after having tried to remove on New Year's Eve the two prosecutors in the Odebrecht–Lava Jato case. This had widely been seen as an attempt to thwart the investigations that involved prominent political figures, including Keiko Fujimori, Alan García, Pedro Pablo Kuczynski, among others. This is a victory for the Vizcarra regime, which had been pressuring Chávarry to resign for some time. It also weakens the political opposition which, until recently, had been supporting Chávarry. Chávarry will be replaced by Zoraida Ávalos, who had been one of the two (out of four total) Supreme Prosecutors that had called for Chávarry's resignation. With this crisis close to resolution, and the resulting strengthened Presidency, there is a greater possibility that politics in 2019 will henceforth be more subdued and predictable than in 2018.

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