

LATAM Market Update

- **Mexico: Slightly lower-than-expected inflation in December**
- **Peru: Finance Minister—2019 to begin with robust 4% growth**

MEXICO: SLIGHTLY LOWER-THAN-EXPECTED INFLATION IN DECEMBER

In December, headline inflation increased by 0.70% m/m, slightly below the market consensus (0.74% m/m) and last month's result (0.85% m/m), mainly driven by seasonal increases in air fares and vacation costs, which were offset by the fall of energy prices, including propane gas and gasoline. In its annual comparison, inflation accelerated its growth from 4.72% y/y in November to 4.83% y/y in December, still above the central bank's target of 3.0% ± 1 percentage points. Furthermore, the core and non-core components registered annual price increases of 3.68% (from 3.63 in November) and 8.40% (from 8.07% in November), respectively.

PERU: FINANCE MINISTER—2019 TO BEGIN WITH ROBUST 4% GROWTH

The World Bank forecast that Peru GDP would increase 3.8% in 2019. This is slightly below our own forecast of 4.0%. Meanwhile, Finance Minister Carlos Oliva, stated that he expects GDP to grow 4.0% in 1Q2019, as well, and that growth in the November-December period of 2018 was 5%. We would note that we are also expecting a jump in growth at the end of 2018, including 5% in December, although this is largely due to two temporary events: a seasonal increase in public expenditure, and a strong fishmeal season. The fishmeal season will carry into January, 2019. What will be more important is how close non-resource sectors growth will be to 4%.

The President of Congress, Daniel Salaverry, resigned from the leading opposition party, Fuerza Popular (led by Keiko Fujimori). The party, which had 72 members of Congress in 2016, is now down to 59 members, with more resignations possible. Fuerza Popular is still the largest party in the 130 member Congress, but is no longer able to impose an agenda. Peru's new Attorney General, Zoraida Avalos, announced a formal State of Emergency for the Attorney General's office. Avalos' intention is probably twofold: to have more freedom to make changes in the highly-questioned institution, and to make the Emergency Bill submitted by the Vizcarra regime to Congress, unnecessary.

CONTACTS

Eduardo Suárez, VP, Latin America Economics
52.55.9179.5174 (Mexico)
Scotiabank Economics
eduardo.suarez@scotiabank.com

Guillermo Arbe
511.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Mario Correa
52.55.5123.2683 (Mexico)
Scotiabank Mexico
mcorrea@scotiabank.com.mx

Benjamin Sierra
56.2.2619.4974 (Chile)
Scotiabank Chile
benjamin.sierra@scotiabank.cl

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.