

LATAM Market Update

- **Chile: Starting an interesting week**
- **Mexico: Inflation below expectations; Mixed IGAE figures**
- **Mexico: Retail sales revenues accelerated their pace and surpassed market expectations in November; Whereas wholesales moderated their growth**
- **Peru: Finance Minister sees +4% growth in 2019, driven by private investment**

CHILE: STARTING AN INTERESTING WEEK

If last week the calendar of data releases was sparsely populated, in the current week the situation is the opposite. Putting aside the Fed meeting, whose communique might have systemic effects in markets, right after that we will know the decision of the Central Bank of Chile (BCCh) about its own Monetary Policy Meeting, which is mostly expected to hike the MPR by 25bp, to reach 3%. According to our economic team, that would be the last increase for several months (up to June, at least). It will be interesting to know how the BCCh appraises figures known after its last Monetary Policy Report (released at the beginning of December), which were mixed but some of the fresher are showing a relative slowdown. On Thursday, the National Statistics Office (INE by its Spanish acronym) will unveil a myriad of data. On one hand, the output in mining (our team expects growth of 5.5% y/y), manufacturing (we expects a contraction of 3.5% y/y) and public utilities. Besides that let's say primary data for the retail sector has been pretty weak, but that will be an issue to deal with next week. This chunk of data will allow to sharpen the estimation for the aggregate activity growth in December (currently pointing to 3.5% y/y). At the same time, we will know the unemployment rate for the last quarter of 2018, which should seasonally decrease, though recent volatility of figures has been big enough to be rather skeptical. If all that were not enough, also on Thursday the BCCh will show ultra-high frequency data up to the 3rd week of January, which is going to be very interesting to check in the previous weak trend of foreign trade (assumedly, a mirror of some areas of activity).

MEXICO: INFLATION BELOW EXPECTATIONS; MIXED IGAE FIGURES

During the first fortnight of the year, headline inflation increased by 0.11%, well below the market consensus (0.29%) and last year's result (0.24), mainly driven by a decline in energy prices. In its annual comparison, inflation moderated its growth from 4.83% in December to 4.52%, still above the central bank's target of 3.0% ± 1 pp. Core and non-core components registered annual price increases of 3.64% and 7.31%, respectively.

Real growth of the Global Indicator of Economic Activity (IGAE), measured in original figures, moderated its dynamism from 2.9% y/y in October to 1.8% y/y in

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November, surpassing the market expectation (+1.2%). On the other hand, monthly seasonally adjusted IGAE is reported to have increased from -0.3% to 0.4%, due to a modest acceleration in services, a strong rebound in agriculture and a less accentuated decrease in the industrial component.

MEXICO: RETAIL SALES REVENUES ACCELERATED THEIR PACE AND SURPASSED MARKET EXPECTATIONS IN NOVEMBER; WHEREAS WHOLESALERS MODERATED THEIR GROWTH

Cumulative, from January to November, retail sales figures remained at 2.8% (vs. +1.6% in the previous year), while the advance of wholesalers kept at 2.6% (vs. +3.0% in the previous year). The following components of retail sales stand out: online sales (+24.0%), household goods (+17.2%), and textile products (+11.8%). Meanwhile for wholesales: trade intermediation (+72.8%), textile products (+13.7%), and truck and spare parts trade for cars (+13.2%). Monthly seasonally adjusted figures showed a rebound in retail sales and a deceleration in wholesalers, varying from -1.0% to 0.4% in the first case, and from 2.1% to 0.1% in the second.

PERU: FINANCE MINISTER SEES +4% GROWTH IN 2019, DRIVEN BY PRIVATE INVESTMENT

Carlos Oliva, the Minister of Finance, stated that GDP growth in 2018 was “near” 4%. We agree. GDP growth will probably come in between 3.7% (our forecast) and 4.0%. A strong fishing season may add nearly a full percentage point to fourth quarter growth (from our original forecast of 3.9%, to closer to 4.8%). Oliva also emphasized the strength of private investment, which may be a bit of an overstatement. Private investment is rising, but very moderately. Oliva expects GDP to surpass 4% in 2019. This is possible. Our forecast is 4.0%, but we see upside to it.

Former President Alberto Fujimori (1990-2000) spent his first night back in jail, after the courts annulled an Executive decision to release him from jail (Indulto) taken by Former President Kuczynski in late 2017, for medical reasons. The courts determined that Fujimori’s health did not warrant the decision. Members of Fuerza Popular in Congress are preparing a bill that would allow people 70 years and older with a health condition to carry out their sentence at home.

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