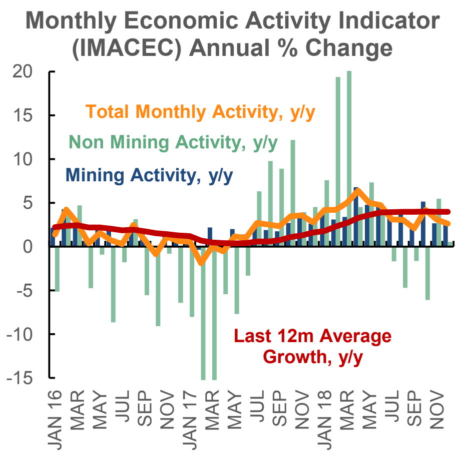
February 6, 2019

LATAM Market Update

- **Chile: Disappointing December, just enough!**

Yesterday, the Central Bank (BCCh) released the economic growth for December, that reached 2.6% y/y, much below the market expectation (very few, if any, had a sub-3% forecast), which can be considered a disappointing outcome since there were statistical factors (linked to a smaller comparison base) expected to support a better result. The change is made up of a half percent growth in the mining sector and 2.8% in non-mining sector. Considering this data, the Chilean economy would have expanded at 4% in 2018, the same average annual-rate in the last months, as can be seen in the chart. Definitive results will be known on March 18th.



Sources: Scotiabank Economics, Banco Central de Chile.

Related with this worthwhile to quote the comment of our economic team: "In March 2018 we raised our expansion projection of 3.9% for 2018. Finally, the economy expanded quite in line with our forecast and the most recent one by the Central Bank, barely reaching the symbolic 4.0% (3.96%). The consensus expects an expansion of 3.6% in 2019, above our projection of 3.2%. To achieve an expansion of a modest 3.0%, we consider a significant seasonally adjusted acceleration of non-mining activities is required after what the second half of 2018 leaves us. We only "partially" subscribed this acceleration based on a prompt approval of the Tax Modernization Bill and, externally, a maintenance of the copper price on or above USD 2.6 / lb. The National Accounts to be delivered in March could correct the expansion of GDP 2018, and we cannot rule out that we end up with 3.9%. In the best scenario, 4.0% remains."

Recall that on Thursday we will know the data of salaries for December, and, more interesting and fresher, on Friday we will know CPI for January: our team expects a monthly change of 0.3% and most of the market is in the 0.2% to 0.3% range. Indeed, just some outcome out of this range would be surprising. As usual, core indices will be interesting and specially how can be tracked the beat of the domestic demand, beyond supply-side effects. For the following three months the market is expecting 0.2% m/m changes and their annual inflation expectation was increased to 2.8%.

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