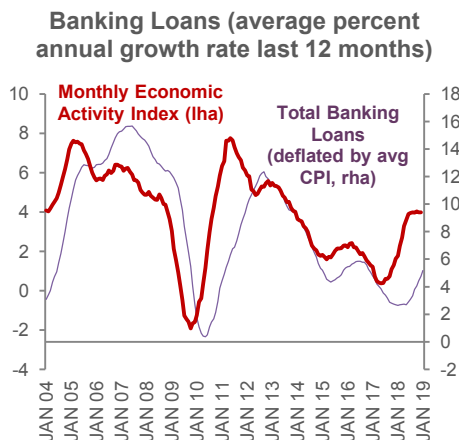


LATAM Market Update

- Chile: Banking loans growing as cyclically as expected

Given that last Friday the Central Bank released some data for the first week of February it is interesting to make some digressions. As far as banking loans are concerned, it is interesting to note a normal and stable uptrend, very moderate, which seems to stay in last high frequency dataflow. Why we can say that is normal? Well, looking at the attached chart, and considering data in a basis of 12 months average growth we see a clear correlation between economic activity growth and the expansion of banking loans, but (sometimes forget) with a lag usually between 2q and 4q. This suggests the average acceleration of loans has steam to continue in the following couple of quarters but some stabilization (don't forget we are talking of 12 month average growth) should be seen towards the end of the present year.



Sources: Scotiabank Economics, Central Bank of Chile (BCCh).

By the way, since this extremely high frequency data is very volatile and seasonal adjustments are not very trustable, I use to compare the last 4 weeks average with the same period for the previous year. Sometimes adjustments have to be applied, but it is not so frequently and this time is not the case. Going to the data, while basic money (M1) continues to grow at a relatively stable—and perhaps limited—pace (around 10%). If some additional slowdown in money growth can be expected, it seem to be limited in coming few months.

For the same period and taking the same basis (annual change of last 4 weeks average), foreign trade figures continued being rather weak. Exports were contracting (not much, however) dominated by contraction in mining and not very supported by a limited growth in other (agricultural and manufacturing). More demanding comparison bases are helping to pressing the changes. On the contrary, imports accelerated in the 1st week of the month, but within a moderate trend, dominated by capital goods imports (closely related with investment), while both consumption and intermediate goods (even excluding energy) remained in the doldrums (close to zero). This mix of foreign trade seems to depict the cyclical starting point of the economy, though we have to say this combination is not particularly supportive for domestic asset prices, at least, for now.

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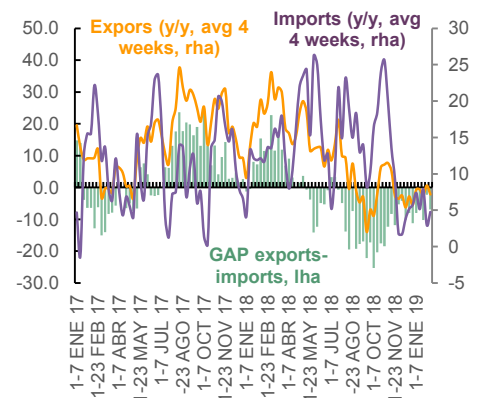
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Exports and Imports Annual Growth



Sources: Scotiabank Economics, Central Bank of Chile (BCCh).

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