March 4, 2019

LATAM Market Update

- **Chile: A week with plenty of information to check forecast and designs**
- **Peru: February inflation, at 2.0%, is just where the Central Bank wants it**

CHILE: A WEEK WITH PLENTY OF INFORMATION TO CHECK FORECASTS AND DESIGNS

The current week will have plenty of data and news. First up, today the INE (Spanish Acronym for National Statistic Office) will release the commerce data for January. An overview suggests the market is expecting a growth of around 2.3% y/y, but considering quantitative indirect data and qualitative information gathered before, the risk of that forecast is likely downwardly biased. On Tuesday, the Central Bank (BCCh) will publish the Monthly Economic Activity Index also for January, which the market range of estimation is between 2% y/y and 3% y/y. On Thursday, the INE will release the salary index for January, a variable that has shown a slowdown trend since 2014 reason why (among others) has been losing some importance. Prior to that, the BCCh will release a relevant chunk of fresher data: money, foreign trade and banking loans for February. As we have been checking recently, exports and imports have been weakening and something more along the same line should be expected. As said in a previous report (Feb 18th, cyclically we expect some improvement in the rate of growth of banking loans, while the money (M1) growth should continue rather stable. Finally on Friday, the INE will release the CPI index. Most of the market (including our team) is expecting 0.1% but there are some forecasts pointing to 0%. About CPI, excluding foods and energy, our team expects a 0.3% monthly change, remarking the serious effect of the declining energy prices. All that, not forgetting this is the first week of March (very important for the re-starting of some activities, including politics) amidst a set of markets that will continue giving us swinging (or jittering) effects.

PERU: FEBRUARY INFLATION, AT 2.0%, IS JUST WHERE THE CENTRAL BANK WANTS IT

Inflation in February was a subdued 0.13%, taking the 12-month rate to 2.0%. So far, the impact of rains on food prices continues to be very mild, and compensated, at least in February, by lower fuel prices. Inflation is exactly where the Central Bank wants it to be. That alone means there is little pressure, or hurry, for the CB to raise its reference rate. There are few signs of demand pressure, with the possible exception being in housing. As a result, we do not expect the CB to raise its policy rate over the next six months. We shall see if things have changed enough during this period to raise rates late in the year, or in early 2020. We expect higher inflation in March, but this will be linked to seasonal events (the start of the new school year), which the CB is sure to take into account.

CONTACTS

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

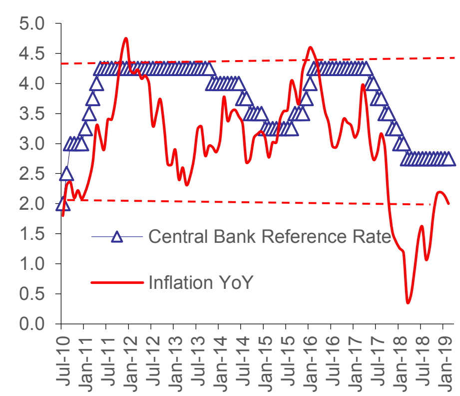
Guillermo Arbe
511.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

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

Sergio Olarte
57.1.745.6300 (Colombia)
Scotiabank Colombia
sergio.olarte@co.scotiabank.com

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

Inflation and Central Bank Reference Rate



Sources: BCR, INEI, Scotiabank Peru.