

## LATAM Market Update

- **Chile: Central bank survey—doves gain ground**

### CHILE: CENTRAL BANK SURVEY—DOVES GAIN GROUND

The recent survey released by the BCCh (after dataflow of January activity and February CPI) showed that median of expectations for inflation for the current year remained at 2.7%, but the percentage expecting something above that level decreased from 46% last month, to less than 25%. For next year, although the expectation remained solidly anchored to 3%, the percentage of respondents expecting that level decreased from more than 61% to almost 56% and those expecting less than that level increased to almost 37% from 27% in February. That is to say, the market became more dovish and that was also reflected in expectation for the Monetary Policy Rate (MPR): though there are no major changes in median of values expected, proportion become less aggressive with 52.6% expecting just one hike before December and 24.6% forecasting 3.5% (two hikes of 25bp), which means a dovish turn from 40.4% expecting each of those alternatives. Something similar happened for longer forecasting horizons. Of course, that change is not only caused by the lower-than-expected CPI in February. Economic growth expectation also was trimmed, with the median of the forecasters now expecting 2.6% of annual expansion in Q1, from the previous result of 3%. The median of growth for the whole year was trimmed from 3.5% to 3.4%, and the same change was applied to the expectation for next year. Our economic team thinks the dataflow is not enough to change the expectation of a MPR hike (25bp) in July and other in Q4 though, in its view, values are a little different: growth expected for current year and the next is 3.2% and inflation for current year is 2.8%.

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