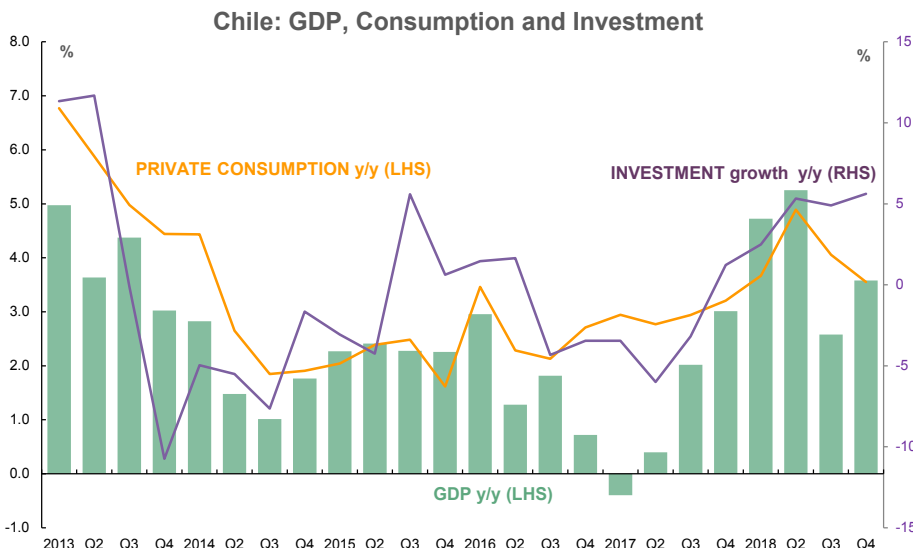


LATAM Market Update

- **Chile:** No big surprises in national accounts data for 2018. Recovery is evident
- **Colombia:** Inflation expectations are anchored. Banrep will only hike once this year according to analysts

CHILE: NO BIG SURPRISES IN NATIONAL ACCOUNTS DATA FOR 2018. RECOVERY IS EVIDENT

According to the Central Bank, the GDP grew 4% last year, aligned with market expectation. As expected, some revisions to previous data were applied; among these revisions, it is interesting to note that the trough of growth in the previous weak cycle was reached in 2017 (instead of 2016, as previously estimated). Among the most important sectors, mining expanded 5.2% (after contraction or very low growth in the previous four years), the manufacturing sector grew at 3.9% (its best performance since 2011), and business services (a very pro-cyclical and usually leading sector) expanded at 3.2%—also the strongest in seven years. Data show that domestic demand grew 4.7% in 2018, the fastest rate since 2012, led by investment (also 4.7%, the first positive change since 2013), while consumption increased 4% but most of it was private (Government consumption increased just 2.2%, its lowest rate in the last decade). For the rest of the week we do not expect significant economic news, and most of the attention should be focused on how markets assimilate these data and other developments, both domestic and international.



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

COLOMBIA: INFLATION EXPECTATIONS ARE ANCHORED. BANREP WILL ONLY HIKE ONCE THIS YEAR ACCORDING TO ANALYSTS

On Friday night (March 15th), BanRep published its March survey. Inflation expectations (IE) fell significantly for 2019 and remain anchored for longer tenors. In fact, IE for December 2019 dropped by 18bps to 3.23% due to the downward

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February CPI surprise (recall that for February consensus looked for 0.74% m/m and CPI m/m came in at 0.57%). Analysts continue to expect that 1-year inflation expectations will hover around 3.3% and 2-year IE will come in at 3.28%.

BanRep's March survey also showed that, following more dovish comments from some board members, analysts think that BanRep will keep policy rate at 4.25% for longer with a 25bps hike to 4.5% in September and another 25bps hike in February next year to 4.75%.

Finally, BanRep's survey results showed that analysts continue thinking that the COP will hover around COP\$3120 this year and appreciate a bit in 2020 to COP\$3100.

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