

## LATAM Market Update

- **Chile: No meaningful changes in high frequency data; Closer-to-the-weekend news will be more relevant**
- **Mexico's economic activity picks up in January**
- **Peru: Arrest of community leaders adds uncertainty to social conflict situation at MMG's Las Bambas copper mine**

### CHILE: NO MEANINGFUL CHANGES IN HIGH FREQUENCY DATA; CLOSER-TO-THE-WEEKEND NEWS WILL BE MORE RELEVANT

Yesterday, the Central Bank released some very high frequency data referred to the first fortnight of March. There are no meaningful changes: money (M1) continued growing just above 8% y/y, and foreign trade remained similar to previous week. Since comparison bases were not very different than those in the previous register, one can conclude there are no dramatic changes. Summing up, this seems coherent with an economic growth that will remain in a steady state (and rather lazy) in the first half of the year.

For the coming days the agenda is sparsely populated but March 29<sup>th</sup> will be a super Friday: in the morning we will know data for industrial sectors (manufacturing, mining and public utilities for February plus the labour market data for the mobile quarter finished that month). About the former the market is expecting that manufacturing should grow just 2.2% y/y, while industrial production (which also includes mining and public utilities) might have fallen 2.4% y/y. As far as the labour market is concerned the unemployment rate estimated by our team to have reached 6.8% (implying no change with respect to the previous number, despite seasonal effect should pose for a tiny decrease).

Later that day (at 6pm) the Central Bank will finish its Monetary Policy Meeting: though no change in the rate is expected (and most of the market is increasingly expecting a more dovish attitude due to both slow growth and the new attitude of the Fed), it will be interesting to appraise how deep will be the expected shift to a less hawkish tone can be. On Monday, the quarterly Monetary Policy Report will be released, where it was promised to include a revision to foreign conditions for the domestic economy (hopefully, the last weaker turn abroad should be considered). By the way, for the following report (slated for June) it is expected to see some increase in the gap between actual and potential GDP growth and (therefore) some cut in the (assumed) neutral Monetary Policy Rate.

### MEXICO'S ECONOMIC ACTIVITY PICKS UP IN JANUARY

Despite the gasoline shortages, railway blockades and the significant monthly seasonally adjusted (s.a.) contraction in services during December, economic activity recovered its dynamism in January, both on its annual comparison n.s.a. and on its monthly figures. The real annual growth of the Global Indicator of Economic Activity (IGAE) accelerated from 0.0% in December to 1.3% in January (vs. +2.0% a year before), exceeding market expectations (0.5%).

#### CONTACTS

**Eduardo Suárez, VP, Latin America Economics**  
52.55.9179.5174 (Mexico)  
Scotiabank Economics  
[eduardo.suarez@scotiabank.com](mailto:eduardo.suarez@scotiabank.com)

**Guillermo Arbe**  
511.211.6052 (Peru)  
Scotiabank Peru  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Mario Correa**  
52.55.5123.2683 (Mexico)  
Scotiabank Mexico  
[mcorrea@scotiabank.com.mx](mailto:mcorrea@scotiabank.com.mx)

**Sergio Olarte**  
57.1.745.6300 (Colombia)  
Scotiabank Colombia  
[sergio.olarte@co.scotiabank.com](mailto:sergio.olarte@co.scotiabank.com)

**Benjamin Sierra**  
56.2.2619.4974 (Chile)  
Scotiabank Chile  
[benjamin.sierra@scotiabank.cl](mailto:benjamin.sierra@scotiabank.cl)

Moreover, the monthly progress of IGAE rebounded from -0.4% in December to 0.2% in January due to the improvement of its three components: Services (from -0.6% Dec to 0.3% Jan), Industrial (from -0.5% Dec to 0.6% Jan), and Agriculture (from -2.5% Dec to 0.3% Jan).

While the January economic data exceeded market expectations, progress failed to offset the contraction observed in December. Most analysts believe that the outlook for economic activity continues to be biased to the downside.

### **PERU: ARREST OF COMMUNITY LEADERS ADDS UNCERTAINTY TO SOCIAL CONFLICT SITUATION AT MMG'S LAS BAMBAS COPPER MINE**

The situation at MMG's Las Bambas mine got more complicated after community leaders and lawyers were arrested, accused of extortion. Those arrested were the Fuerabamba community president, Gregorio Rojas, and lawyers Jorge Chávez, Frank Chávez and Carlos Vargas. They were detained in Lima, where they had travelled for talks with the government. The community of Fuerabamba has blocked the main road access to Las Bambas since early February on demands for financial retribution for the use of the road which they claim is on their property. A fifth person, Leonidas Quino, was also arrested after dynamite and armament were found at his home. It is not clear how aware government officials were that the arrests, ordered by the courts, would take place. The Minister of mines, Francisco Ismodes, stated that the government would seek to continue talks with the community. The protests that ensued after the detentions have been fairly mild, at least so far. However, the recent events are likely to stall progress in unblocking the road which the company uses to transport its concentrate to port.

The Central Bank CEO, Renzo Rossini, stated that Peru's economy continues to require expansionary monetary and fiscal policies. This is an additional sign that the Central Bank is not likely to raise rates for some time.

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