LATAM Market Update

- **Chile: Aligned with our Team's forecast, growth in March was 1.9% y/y**
- **Colombia: March exports dropped 0.8% y/y; Non-traditional exports fell 2.43% y/y; BanRep's minutes continued on the dovish side**
- **Mexico: Consumer confidence recedes for the second consecutive month in April**

CHILE: ALIGNED WITH OUR TEAM'S FORECAST, GROWTH IN MARCH WAS 1.9% Y/Y

We knew that 1Q would be the worst GDP record of the year which was confirmed yesterday with a monthly GDP of 1.9% y/y in March, quite in line with our forecast which should make a 1Q growth of 1.8% y/y. However, consensus and authorities were somewhat more optimistic with a projection of 2.2% for March. The main responsible for the poor performance in March came from two sides: (1) The mining sector has shown low production levels, which is explained by the late start of new investments and transitory interruptions in some mines; (2) The low growth of employment and wages has led to slowdown in private consumption that has affected services and retail sales, and that is the main reason for the poor seasonally adjusted performance of the non-mining activity.

While our team maintains its growth forecast of 3.2% for 2019, the market had trimmed its own to 3.3% before this result and should do it again. Along the same line, the Central Bank will have to adjust its baseline scenario incorporating the significant negative surprise in 1Q (1.8% vs 2.5% expected), and the positive surprise in inflation. All in all, the message for the MPR should not change maintaining that the next hike would materialize by the end of the year.

Notwithstanding, the low starting of the year does not change the growth profile that will go from less to more, together with a relevant injection of investment in all sectors. Preliminary, we forecast a monthly GDP for April between 2.0-2.5% y/y giving the first flavour of better prints for the rest of the year. The mining sector would improve slightly, mainly influenced by copper production, but the iron production will continue to be a drag due to interruptions in some factories. Even though iron explains just a 6.6% of total mining output, its huge drop in production will continue during the whole year.

As said yesterday, the current week will be one of a relevant dataflow for the domestic economy. Trade balance and monetary data for April as a whole and first week of May, salary indices for March (today), inflation for April (tomorrow) and monetary policy (Thursday). About CPI monthly change in April, our team's forecast is 0.4% while the market is expecting 0.3%.

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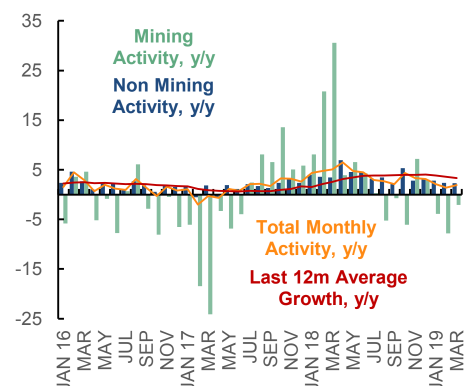
Chile: Monthly Economic Activity Indicator (IMACEC)

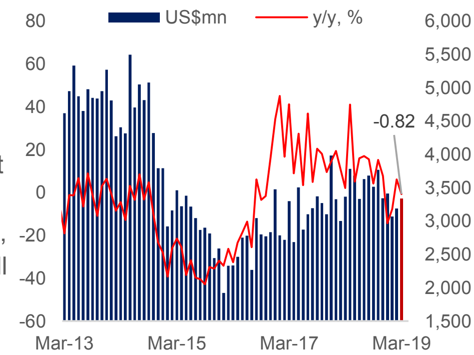


Sources: Scotiabank Economics, Banco Central de Chile.

COLOMBIA: MARCH EXPORTS DROPPED 0.8% Y/Y; NON-TRADITIONAL EXPORTS FELL 2.43% Y/Y

According to DANE, exports in the third month of 2019 were US$3.3bn and dropped +0.8% y/y. Traditional exports came in almost flat and grew 0.1% y/y with mix signals. On one hand oil-related exports expanded 21% y/y in March due to both, higher oil prices and higher quantity of oil export. On the other hand, good oil exports results were net-off by a decline of 33.7% y/y in coal exports, especially due to higher statistical effect (March and April 2018 coal exports were exceptionally high). Therefore, although traditional exports showed good levels in March-19, due to higher base statistical effects, this high levels in dollar terms did not reflect y/y, % increment. Non-traditional exports fell 2.4% y/y, especially on the back of manufacturing exports drop of 9.1% due to a significant lower plastic-related exports.

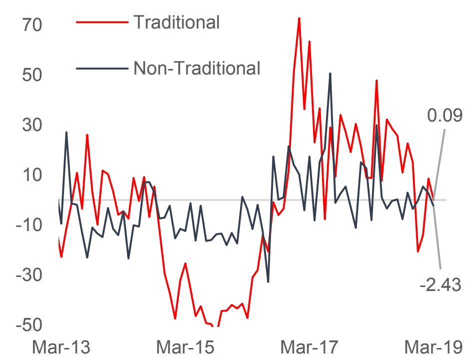
Colombia: Total Exports



Sources: DANE, Scotiabank.

This result continues in line with current account deficit of 3.8% of GDP for 2019 and GDP growth of 3.4% for this year. Having said that, external imbalance continues being one of the most relevant concerns of Colombian economy this year, since exports have been shown a rather more flattish behavior despite of higher oil prices, while imports continue increasing steady this year.

Colombia: Exports Traditional vs Non-Traditional
(y/y, %)



Sources: DANE, Scotiabank.

BanRep's minutes continued on the dovish side

Yesterday, BanRep published the minutes of the April meeting where the central bank kept the MPR at 4.25% in line with consensus. The text of the minutes continued weighting more the economic activity slack than recent inflation upward surprise. The Board said that despite higher than expected March inflation results, headline and especially core inflation measures show that the target is not in danger. On the contrary, some members of the Board stressed that the labour market is very weak and commercial credit continue stagnant, therefore, these members think that economic activity recovery is still a concern for them. Additionally, the minutes said, again, that international liquidity are much better now, which led the Board to think that Colombia will not face liquidity constrains or increments in external financing in the short run.

Finally, according to the April minutes, the only concern within the Board is the increment in current account deficit, although stressed that financing continue healthy.

Bottom line, yesterday's minutes confirm that BanRep has no rush to hiking rates and in the reaction function growth coefficient has won significance. We still think BanRep will hike only once to 4.5% in September after confirmation of 1H19 economic activity recovery.

MEXICO: CONSUMER CONFIDENCE RECEDES FOR THE SECOND CONSECUTIVE MONTH IN APRIL

In April, Consumer Confidence Index declined to 45.5 points y/y from 46.6 points y/y in March, standing above the level registered a year earlier (35.6 points). This deterioration was determined by annual drops in its five components of perception: those that evaluate the economic situation of the household (current and expected); the two that qualify the economic conditions of the country (current and planned), and the one that estimates its current condition to acquire durable consumer goods meaning that households are choosing to moderate their expectations regarding the national and family economy. In the monthly comparison the indicator recorded a drop of 0.9 points, standing at a threshold of 46.6 points out of 50, according to seasonally adjusted figures.