

LATAM Market Update

- **Chile: Government announces a new constitution – no agreement about who will lead the process and uncertainty about the modifications**
- **Mexico: Industrial activity continued to show poor results in September**

CHILE: GOVERNMENT ANNOUNCES A NEW CONSTITUTION – NO AGREEMENT ABOUT WHO WILL LEAD THE PROCESS AND UNCERTAINTY ABOUT THE MODIFICATIONS

The Chilean government has agreed to write a new constitution, a central demand of protesters who have taken to the streets in recent weeks. Interior minister said the president, cabinet members and political allies had agreed that Congress should lead the process of rewriting the constitution. The new document would be put to a public referendum. The minister said “we must focus on the goal of reconfiguring the social contract, which has arisen as a fundamental demand of our citizens”. In the opposition, although they valued the step taken by the Government, they already anticipated their rejection of the Constituent Congress mechanism announced by the interior minister. The demand for a new constitution has penetrated the citizenship, and this was reflected in this week's Cadem survey that revealed that 52% of respondents prefer to change the constitution in a total way. As for the formula, 54% would prefer it to be through a Constituent Assembly and only 11% would opt for the current or future Congress in accordance with the current constitution (which would be the Government's proposal). It is not clear what the changes to the constitution would be, but most likely they would deliver a more important role to the State in activities that the private sector has today. The increase in political uncertainty has impacts on financial and economic variables according to extensive literature, and the announcement of a new constitution certainly increases the uncertainty. We maintain our baseline scenario of GDP growth between 1.5 and 1.8% in 2019 and 2.7% in 2020.

MEXICO: INDUSTRIAL ACTIVITY CONTINUED TO SHOW POOR RESULTS IN SEPTEMBER

In September, industrial production contracted 1.8% y/y, below the consensus forecasts (-1.4%), and adding to the 1.3% decline recorded in August. In detail, industrial activity was dragged down by an 8.3% decline in construction, while mining also fell by 2.8%. During the January-September period, industrial sector activity contracted 1.7% y/y, its lowest print since 2009. According to the seasonally and calendar adjusted figures, industrial production remained unchanged compared to the previous month. The most recent data for business confidence and vehicle production predicts a complicated outlook for the industry for the rest of the year. Without clear signs of improvement, there is some concern that industrial weakness spreads further than anticipated, leading to downward revisions in growth estimates.

—Miguel Saldaña

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@scotiabank.com.mx

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

Jorge Selaive
56.2.2939.1092 (Chile)
Scotiabank Chile
jorge.selaive@scotiabank.cl

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a "call to action" or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with "Global Banking and Markets", is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.