LATAM Market Update

- **Chile: External Sector impacted in November**
- **Mexico: Inflation reported its slowest pace in the last three years**

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CHILE: EXTERNAL SECTOR IMPACTED IN NOVEMBER

External sector resented the social outbreak again in November. Total exports fell 12% y/y driven by pulp (-38%) and copper (-9%). Imports also contracted 8% y/y, with imports of durable goods being the ones with the greatest fall (-21%). The positive note was shown by the imports of other machinery and generator engines that expanded very modestly 16% and 26% y/y, respectively. For now, the data that have been revealed for November anticipate retail sales falling 12% y/y and manufacturing in a very benign setting having null variation. Preliminary, we estimate monthly GDP growth in November in the range -4% /-2% y/y.

MEXICO: INFLATION REPORTED ITS SLOWEST PACE IN THE LAST THREE YEARS

In November, headline inflation reported 0.81% m/m (vs previous 0.85% in November 2018, and 0.83% expected by markets). Thus, on a yearly basis, headline inflation reported an increase of 2.97% (vs 4.72% in November 2018), its lowest pace in the last three years. By components, core inflation reported a monthly variation of 0.22% (vs. 0.23% expected and 0.25% in November 2018), while non-core inflation registered a monthly increase of 2.62% (2.66% last year). On a year-over-year basis, core inflation increased by 3.65% (vs. 3.63% in 2018) and non-core inflation increased by 0.98% (vs. 8.07% in a similar month in 2018). These results, combined with the economic slack, reinforce the possibility of an additional 25 bps cut rate in Banxico's monetary policy meeting next week, as already anticipated by the market.

—Miguel Saldaña