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Latam Daily: Mexico's IGAE; BCCh FX Forwards; Colombia Survey; Peru Cabinet Reshuffle

- **Chile:** Gradual end of the FX forward program: a first step toward monetary policy easing
- **Colombia:** Citi survey—the majority of analysts expects rate stability in Friday's meeting
- **Peru:** Partial cabinet reshuffle

European markets opened in a negative mood that has lifted the USD against nearly all major currencies while havens outperform. A sharp weakening in the CNH/CNY is likely partly to blame for the dollar's rally in early-London hours. SPX futures are trading 0.4% lower on the day, while bond markets are bid, flattening. Commodity markets are on the backfoot, with crude oil down ~0.5% against a 1.5–2% drop in copper and iron ore. Global markets will watch second tier US data (house prices, consumer confidence, Fed surveys) while keeping an eye on central bank speakers and risks around the US banking sector after worrying results yesterday from First Republic Bank.

In Latam, we await the publication of Mexican economic activity data out at 8ET for February. INEGI's early economic indicator for February puts growth at 4.2%, slightly above the Bloomberg consensus median of 4.0% after a 4.4% gain in Jan; with early data for March, INEGI is penciling in a 3.8% y/y expansion, a solid pace at this point of the economic and tightening cycle. We got a slightly softer than expected H1–Apr inflation print yesterday in Mexico which only marginally weighed on front-end rates as markets still remain unconvinced that Banxico will hike again next month (and in fact are leaning towards no hike). The MXN was unfazed, closing under the 18 pesos level and outperforming this morning by sitting unchanged on the day.

Elsewhere in the region, there's a busy political calendar in Chile where the senate mining committee will debate the government's mining royalty bill—which has failed to gather enough opposition support, even after lowering the tax burden to 48% from 50% or higher floated prior to the tabling of the bill. A lower house committee will also debate new pension savings withdrawal proposals, though these will likely be unsuccessful; note that Fitch Ratings said yesterday that another of these could have a negative impact on corporate ratings as funds exit the system (reducing available monies to borrow for companies).

—Juan Manuel Herrera

CHILE: GRADUAL END OF THE FX FORWARD PROGRAM: A FIRST STEP TOWARD MONETARY POLICY EASING

On Friday, the central bank (BCCh) announced the gradual reduction of its USD9.1 bn FX forward operations (see our [Latam Daily](#)) at a daily pace of USD50mn approximately. This measure was adopted in the context of the FX intervention program implemented in July 2022 in response to the rise in domestic uncertainty and volatility. The program considered FX intervention up to USD25 bn, of which up to USD10 bn corresponds to FX forward operations (see our [Latam Daily](#)). In 2022, September 30, the BCCh announced the end of the program and the rollover of the FX forward operations up to January 2023, which was extended up to June 2023 due to high volatility in financial markets.

For this week, the BCCh announced the rollover of USD43 bn per day on average (USD2.1 bn in total). Following last Friday's announcement, the CLP has depreciated 3% to CLP815 (+20 pesos). We estimate that the impact of the end of the total program (USD9.1 bn) would imply a CLP depreciation of around 20–30 pesos, of which a large part was internalized between Friday and Monday.

April 25, 2023

In our view, it is a first step towards the beginning of monetary policy easing since it would be highly inconsistent to maintain the total rollover of forwards with a reduction in the benchmark rate.

—Aníbal Alarcón

COLOMBIA: CITI SURVEY—THE MAJORITY OF ANALYSTS EXPECT RATE STABILITY AT FRIDAY'S MEETING

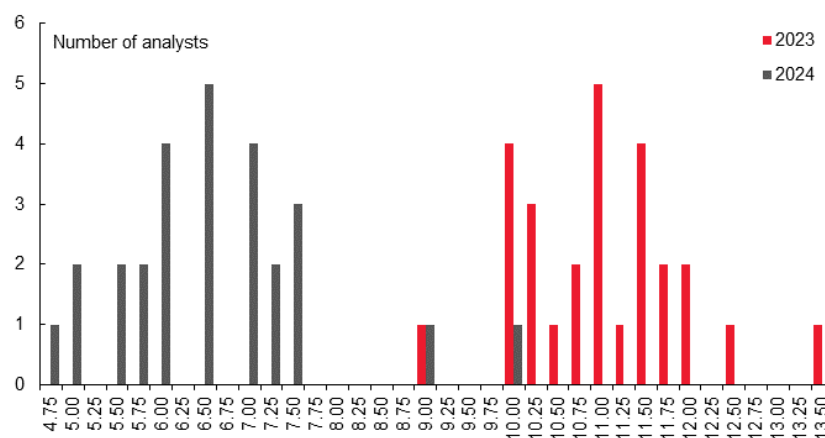
The April Citi survey, which BanRep uses as one of its measures of inflation expectations, monetary policy rate, GDP and COP, was published on Monday April 24.

Highlights:

- Economic growth shows a decelerating path. For 2023 it is estimated at 1.05% (+5bps vs previous survey), while the rebound expected for 2024 was revised to the downside for the fourth month in a row and now is at 2.28%.
- Analysts expect the peak in inflation to be confirmed in April. April's monthly inflation rate is expected at 0.89% m/m on average, which will make headline inflation fall from 13.34% to 12.94%. By the end of 2023, inflation is expected at 9.05% (+22 bps vs previous survey), and by the end of 2024 it is expected at 4.82% (10 bps above the previous survey), which is still above the central bank target range between 2% and 4%.

Chart 1

Colombia: Repo Rate Expectations for End-2023 & 2024



Sources: Scotiabank Economics, Citi Survey.

- Scotiabank Economics is above consensus with 1.16% m/m and 13.25% y/y. We differ in the consensus due to observed significant increases in utility fees in Bogota. The other upside forces we are projecting for March include food inflation and gasoline prices.
- For the April monetary policy meeting, 17 out of the 27 analysts in the survey expect rate stability at 13%, and ten analysts expect a 25bps hike to 13.25%. For December 2023, expectations range between 9% and 13.50%, and the median is 11%. For December 2024, the expected range is between 4.75% and 10%, and the median response is 6.50% (chart 1).
- At Scotiabank Economics, the official call is for rate stability amid an economic slowdown and inflation expectations affirming a peak.
- USDCOP forecast for December 2023 is at 4682 pesos, while for Dec-2024 it is at 4575 pesos.

—Sergio Olarte, Santiago Moreno, & Jackeline Piraján

PERU: PARTIAL CABINET RESHUFFLE

The President Boluarte government replaced four members of its 18-member cabinet on Sunday. The changes seemed to have been strongly influenced by the Head of the Cabinet, Alberto Otárola. The cabinet changes involved the ministries of Education (the new head is Magnet Márquez), Labor (Antonio Varela), Foreign Trade (Carlos Mathews) and Justice (Daniel Maurate).

One of the four former ministers, Oscar Becerra (Education), had come under heavy criticism because of remarks he had made in favour of the death penalty and for disparaging a human rights organization, among other unseemly outbursts. Apparently, the former Minister of Justice was removed after having had a falling out with cabinet head Otárola. His replacement, Maurate is, however, controversial.

Key positions, such of the Minister of Finance, were not modified, so the changes should not disrupt government performance much. At first glance, the modifications appear more neutral than helpful or harmful for the government politically, although they do seem to suggest to what extent cabinet head Otárola has President Boluarte's ear. The cabinet changes decidedly took a back seat in the press to the return of ex-President Alejandro Toledo, who was extradited from the US over the weekend, and will face corruption charges in Peru.

—Guillermo Arbe

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