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Latam Daily: Chile GDP Recap

- **Chile: March GDP grew 0.8% y/y, in line with our expectations but with generalized m/m decline**

Light trading overnight, with shut Japanese and Chinese markets and low-tier data, is giving us little to go with through a quiet European morning while we wait for US jobs data. USTs have been range-bound since trading began at 2ET. After rallying after-hours on Apple's earnings release, SPX futures have been confined to a 10pts or so band. Half-percent gains in copper and crude oil counter a small drop in iron ore. In currencies, moves are also minimal, but the trends in JPY, CHF, CAD, and AUD are starting to look quite decent on the back of the decline in US yields. The MXN is flat today, holding below 17.

Yesterday, Colombian markets got a late-session jolt from comments by Fin Min Bonilla who stated that the government is considering a bill to loosen the fiscal rule, in a bid to counteract weak growth. The changes would be part of an economic reactivation package that Pres Petro's team is expected to submit to Congress in coming days, with other measures including lower corporate taxes and green tax incentives. There are no details yet on what the new fiscal rule would look like, so markets are awaiting cautiously. Later today, BanRep will publish its quarterly monetary policy report, which will be followed by a press conference next Tuesday.

—Juan Manuel Herrera

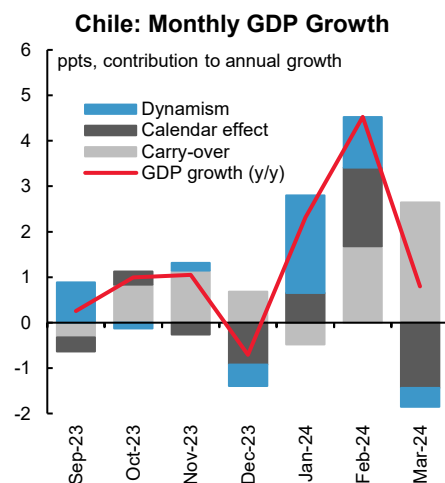
CHILE: MARCH GDP GREW 0.8% Y/Y, IN LINE WITH OUR EXPECTATIONS BUT WITH GENERALIZED M/M DECLINE

- **Economy expanded 2.5% y/y in Q1-2024 and a surprising 8.4% q/q (SAAR) in the same period**

On May 2nd, the Central Bank (BCCh) released March GDP figures, which expanded 0.8% y/y, in line with our projection and with the BCCh's baseline scenario, but below the consensus expectation (Economist Survey: 2.0%; Bloomberg: 1.1%), although a greater deceleration than we anticipated, and generalized, is observed in non-mining activities. In fact, the non-mining GDP contracted 0.6% m/m, driven by all sectors, while the mining sector showed a slightly smaller drop than anticipated by the INE.

Thus, GDP would have grown by 2.5% y/y in Q1-2024, the highest since Q2-2022. Likewise, annualized seasonally adjusted GDP growth reached our projection of 8.4% q/q (SAAR), very close to that observed in Q4-2021, and five times higher than that achieved by the US in the same period. There is no doubt that the economy has entered a recovery

Chart 1



Sources: BCCh, Scotiabank Economics.

Chart 2



Sources: BCCh, Scotiabank Economics.

May 3, 2024

phase, but there are several weak elements. Among them, we are concerned about the slowdown in services given its relationship with investment, as well as the construction sector which shows few signs of improvement. We are less concerned about commerce, which shows a recovery with more sustainable characteristics.

The working day effect may be the cause of the huge dispersion in forecasts that we have seen for this month, as well as for last February. With three fewer working days, which will be made up in April, GDP shows enormous volatility in its year-on-year growth, although much less at a seasonally adjusted level. At Scotiabank, we prefer to read the March data together with the April data, due to the unusual number of working days this year, which makes it difficult to calculate the seasonally adjusted series. For April, we maintain our GDP growth projection at around 4% y/y (with upward bias), favoured by three more working days and the carry-over effect.

—Aníbal Alarcón

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