# Latam Daily: Chile Pension Update; Colombia Forecasts; Surprise Mexico Trade Deficit

- **Chile: Constitutional Court refused to accept government's petition against third round of pension asset withdrawals**
- **Colombia: Citi survey showed analysts keep raising their GDP forecasts, but policy rates expected to remain stable**
- **Mexico: Surprise trade deficit in March**

## CHILE: CONSTITUTIONAL COURT REFUSED TO ACCEPT GOVERNMENT'S PETITION AGAINST THIRD ROUND OF PENSION ASSET WITHDRAWALS

**On Tuesday, April 27, the Constitutional Court rejected the week-old request from President Piñera's Government to hear a challenge against the third round of pension-fund asset withdrawals approved by Congress.** The Court's final count was 7–3 against studying the request; the Constitutional Court's President, María Luisa Brahm, voted in favour of considering the petition.

**After this setback, President Piñera decided to enact the original third-withdrawal bill approved by Congress last week.** It has been estimated by the pension funds regulator that a third round of withdrawals would lead to disinvestment of around USD 19 bn in assets

**Pres. Piñera also indicated that in the coming days he would remove from Congress' docket the government's alternative third-withdrawal bill that his administration unveiled on Monday, April 26.** It had sought to modify the approach to the withdrawals by including, amongst other things, a bonus payment for those citizens whose pension funds assets have already been drained, a tax requirement for high-income earners who withdraw assets, and a refunding mechanism through public and employer contributions.

**After the Constitutional Court's announcement, Chile's main equity index, the S&P IPSA, fell more than 2%, which reflected investors' greater sense of political uncertainty ahead of the May 15/16 elections.** We expect to see some additional short-run adjustments in the local stock market, some upward pressure on interest rates, and further appreciation of the peso, conditional on the evolution of copper prices.

**—Jorge Selaive**

## COLOMBIA: CITI SURVEY SHOWED ANALYSTS KEEP RAISING THEIR GDP FORECASTS, BUT POLICY RATES EXPECTED TO REMAIN STABLE

**April's Citi Survey, which BanRep uses as one of its measures of expectations for inflation, the monetary policy rate, growth, and exchange rates, came out on Tuesday, April 27.** Key points included:

- **Growth forecasts improved.** In 2021, GDP recovery is expected to hit a pace of 4.99% y/y, higher than the previous survey's 4.87% y/y consensus, while in 2022 and 2023, economic growth is expected at 3.58% y/y and 3.44% y/y, respectively.

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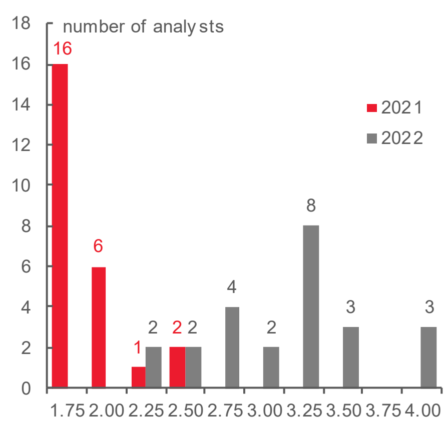
Chart 1

Colombia: Repo Rate Expectations for End-2021 & End-2022




Sources: Scotiabank Economics, Citi Survey.

- **Inflation expectations for 2021 increased slightly, but remained anchored for 2022.** April's inflation rates are, on average, projected to be 0.33% m/m and 1.68% y/y; we anticipate 0.29% m/m and 1.64% y/y on the back of positive contributions from foodstuffs, gasoline, education and utility prices, partially offset by other prices impacted by the new lockdowns. For December 2021, the survey's average inflation projection is 2.81% y/y, slightly higher than the previous survey (2.72% y/y); it is worth noting that 52% of analysts see a risk of inflation closing above the 3% target. Having said that, by December 2022, inflation is expected to hit 3.07% y/y, slightly above the central bank's target.

- **Market consensus pointed to rate stability.** All analysts surveyed thought the monetary policy rate would remain at 1.75% in the April 30 BanRep Board meeting; for the remainder of 2021, analysts' projections are dispersed between stability and 75 bps of hikes, although 16 out of 25 economists surveyed expected rates to remain unchanged in 2021. In 2022, the average policy rate forecast is 3.00%, although half of the respondents looked forward to an even higher policy rate by the end of next year (chart 1).

- **The USDCOP forecasts anticipated a slight appreciation in the currency through December 2021.** On average, respondents expected a level of USDCOP 3,507 by the end of 2021 (previous survey: 3,486) and USDCOP 3,467 in 2022.

**—Sergio Olarte & Jackeline Piraján**

## MEXICO: SURPRISE TRADE DEFICIT IN MARCH

**According to INEGI data released on April 27, Mexico's March recorded a surprise trade deficit of USD -3.0 bn versus the USD 3.4 bn surplus in the Bloomberg consensus (chart 2).** The move into deficit from February's USD 2.7 bn trade surplus was driven by a surge in imports (31.4% y/y), which hit their highest year-on-year growth rate since August 2010 (36.5% y/y). March's boost in imports was a good sign that domestic demand is starting to revive after lagging external demand for much of the pandemic. In contrast, exports rose at a more leisurely 12.2% y/y.

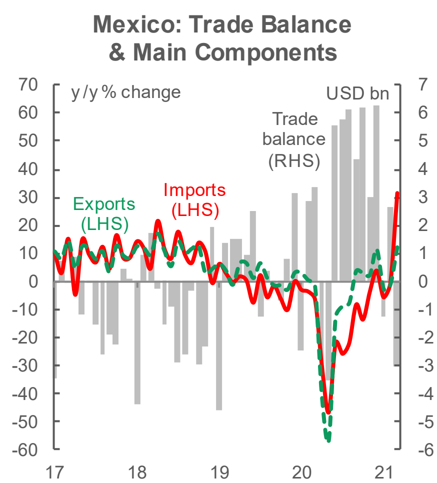
**By components, intermediate-good imports led the way, with a 33.8% y/y rise, followed by capital-good imports, with a 31.1% y/y increase; consumer-good imports lagged somewhat with a 16.2% y/y gain, which pointed to the recovery in domestic demand being at least partially linked to manufacturing.** Export growth was driven by a 70.8% y/y upturn in oil exports and a 10.2% y/y rise in the non-oil component. In this last component, manufactures moved up from -2.7% y/y in February to 9.9% y/y as climate conditions normalized in the US and energy supply became more stable, which boosted economic activity. The auto sector remained affected by supply-side disruptions related to chip shortages, but its output gap compared with last year improved from -10.0% y/y in February to -5.2% y/y.

**Mexico's 12-month rolling trade surplus came down from January's two-decade high of USD 35.7 bn to USD 29.2 bn in March (chart 3).** Even after this retreat, the moving one-year trade surplus remains about three-times larger than March 2020's USD 10.9 bn, a testament to how much both domestic demand and the oil sector remain dampened. Both the non-oil and oil trade balances in March edged Mexico back from its record annual overall surplus in January.

**On a monthly basis, imports rebounded with growth of 18.4% m/m sa versus 2.70% m/m sa in February, while exports turned from -3.15% m/m sa to 4.30% m/m sa.** Under this lens, March's figures reflected recoveries in both the domestic and foreign markets, but with signs of a possible change in dynamics between imports and exports. The March trade data lend some support to our expectations of stronger domestic activity in the coming months. Looking forward, however, the outlook remains uncertain, as pandemic and vaccination efforts are still unpredictable, both in Mexico and its main trading partners.

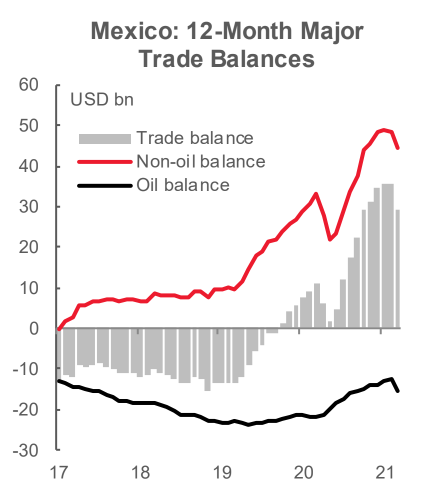
**—Miguel Saldaña**

Chart 2




Sources: Scotiabank Economics, INEGI.

Chart 3




Sources: Scotiabank Economics, INEGI.