

## Contributors

**Juan Manuel Herrera**

Senior Economist/Strategist  
+44.207.826.5654  
Scotiabank GBM  
[juanmanuel.herrera@scotiabank.com](mailto:juanmanuel.herrera@scotiabank.com)

**Guillermo Arbe**, Head Economist, Peru  
+51.1.211.6052 (Peru)  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Sergio Olarte**, Head Economist, Colombia  
+57.1.745.6300 Ext. 9166 (Colombia)  
[sergio.olarte@scotiabankcolpatria.com](mailto:sergio.olarte@scotiabankcolpatria.com)

**Jorge Selaive**, Head Economist, Chile  
+56.2.2619.5435 (Chile)  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

**Eduardo Suárez**, VP, Latin America Economics  
+52.55.9179.5174 (Mexico)  
[esuarezm@scotiabank.com.mx](mailto:esuarezm@scotiabank.com.mx)

**TODAY'S CONTRIBUTORS:**

**Aníbal Alarcón**, Senior Economist  
+56.2.2619.5465 (Chile)  
[anibal.alarcon@scotiabank.cl](mailto:anibal.alarcon@scotiabank.cl)

## Latam Daily: Strong Inflation Beat in Post BCCh; BCB, BCRP, and Castillo Trial Ahead

- **Chile: Benchmark rate stays at 11.25%; BCCh awaits confirmation to cut**

Markets are trading with a mixed tone with only minor support from COVID-19 policy tinkering in China against weak macro data for the country showing a depressed economy. Chinese imports fell 10.6% y/y in November (even contracting in CNY terms) while exports were also very soft which may reflect issues in production related to virus restrictions on industry but also a weakening global growth picture—something that was echoed by heavyweight US CEOs yesterday.

**Crude oil prices are softer** after the API reported a sizable draw in crude inventories but also a large increase in gasoline and distillate stocks. **Iron ore and copper prices are down on the day** on the back of soft Chinese data. Meanwhile, the USD is mixed with no clear sense of direction as the one-week countdown to the Fed decision begins; the North American data and events run is limited to the BoC's announcement at 10ET.

**Chilean CPI data for November released this morning sharply beat economists' (and our) expectations, recording increases of 13.3% y/y and 1.0% m/m** (versus median estimates of 12.9% and 0.5%), accelerating from 12.8% y/y and 0.5% m/m in October. Prices excluding volatile items also rose 0.9% after a very slight 0.1% increase in the previous month. Today's print will sting the BCCh, which yesterday announced an unchanged policy rate accompanied by cautious comments on the economic outlook (see Chile section below).

The CLP has opened practically unchanged on the day as markets decide whether today's data means the BCCh will keep rates higher for longer—or if an erosion of real rates is on the horizon.

**The BCCh published its quarterly *Monetary Policy Report* shortly before writing, which shows a higher expected inflation** for end-2023 (3.6% vs 3.3%) versus its September release.

**Peru's BCRP and Brazil's BCB have policy announcements this evening, with only the former expected to adjust policy rates higher by 25bps.** This may not be the final increase in the BCRP's cycle as they maintain a data-dependent approach that could see more hikes early next year. **However, the main event in Peru today will be the impeachment proceedings against Castillo**, with the president's opposition expected to fall short of the two-thirds majority required to remove him from office.

**As for the BCB, it is expected to leave rates unchanged** while likely pointing to elevated core inflation as well as the risks that additional public spending would pose to the inflation picture. On that note, we're watching developments on the fiscal plans front after Brazil's Senate's constitution and justice committee approved a BRL145bn fiscal cap exclusion for social spending (down from BRL175bn); a vote is due later today. The 'watered-down' amendment was already expected by markets.

—Juan Manuel Herrera

December 7, 2022

**CHILE: BENCHMARK RATE STAYS AT 11.25%; BCCH AWAITS CONFIRMATION TO CUT**

**We continue to see a cut of “no less” than 100bps at the January meeting, if modest inflation is confirmed in the near term.**

**On Tuesday, December 6, the central bank (BCCh) maintained the benchmark rate at 11.25%, which was not only broadly expected, but also consistent with its message from the meeting last October.** The focus of this meeting was on the bias rather than the decision regarding the policy rate, given the release of the *Monetary Policy Report* (December 7). **For now, the BCCh is not giving signs of a change in the bias of monetary policy, but it shows that it is trying to fully anchor inflation expectations** two years ahead (currently at 3.5%) as a crucial indicator to determine a change of course.

**Regarding the meeting held on October 12, the BCCh has found signs that the work of monetary policy is on the right track.** In our view, the relevant discussion for monetary policy in Chile is “when” to make the adjustment. Since we raised our early policy rate easing call, the market has internalized a 440bps cut in the benchmark rate one year ahead, with a 50bps cut seen at the January meeting. **We continue to believe that the market has not yet fully incorporated the withdrawal of restrictiveness in monetary policy in the very short term.**

By the January 26 meeting, the BCCh will have a new monthly activity record (November) and two inflationary records (November and December), together with the usual battery of conjuncture indicators. In this scenario, **we reaffirm our call for a cut in the benchmark rate of “no less” than 100bps** which would be aligned with normal inflationary records, especially the CPI for December.

**If our view materializes, 2-year inflation expectations would continue towards 3%,** giving enough room to cut the reference rate. For its part, activity would continue its convergence towards sustainable growth.

—Aníbal Alarcón

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: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, 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 authorized 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 authorized 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., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat 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.