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Latam Daily: Chile MinFin Extends Dollar Sales; Banxico's Borja Speaks

- **Colombia: Exports contracted 2.8% y/y in January amid weaker traditional exports**

Overnight calm in equity futures and crude oil markets, trading roughly unchanged, stands in contrast to sharper action in the FX space with the dollar trading stronger into the Americas hours. Core metals are also moving in opposite directions; iron ore is tracking a 2% increase versus a 1.2% drop in copper prices.

Last night, Peru's energy and mines minister Vera said that the intensity of protests reduced "to a minimum" should result in a normalization of shipments of copper. We're keeping a close eye on whether protesters follow through today on their intention to resume blockades of a major mining supply route in the south of the country.

Though the USD is broadly stronger, its gains are relatively contained at about 0.2/3% against most of the majors in a field where the MXN is outperforming as one of the few global currencies gaining ground. The MXN is again trading below the 18 pesos mark, backed by supportive rate differentials and improved investment and growth optimism in the country.

Banxico's Dep Gov Borja, who last said the bank is nearing its terminal rate, is scheduled to speak around noon ET today in what is the only notable event in the Latam day ahead as global markets focus on the Fed's Powell's testimony to Senate at 10ET.

We saw solid gains in the CLP yesterday as well backed by hawkish comments by the BCCh's Costa. The bank's president pointed to upside surprises in growth and inflation data that suggest they are not currently considering that rate cuts will come soon—helping the front-end of the curve higher by about 5bps.

The CLP's appreciation continues this morning, up ~1% pre-market and now fully reversing the late-Feb losses, after the country's finance ministry announced yesterday that it anticipates up to USD1bn/month in dollar sales between March and June (a step down from USD2bn in February).

Markets are still implying a 25bps reduction from the BCCh at the May decision (no cut in April) ahead of tomorrow's CPI release where the median economist sees a marginal reduction in the year-on-year rate. February international trade data published this morning met the median economist's expectation with a USD2bn surplus, falling from USD2.6bn in January as non-copper exports fell by over USD1bn to February (in a seasonally normal decline).

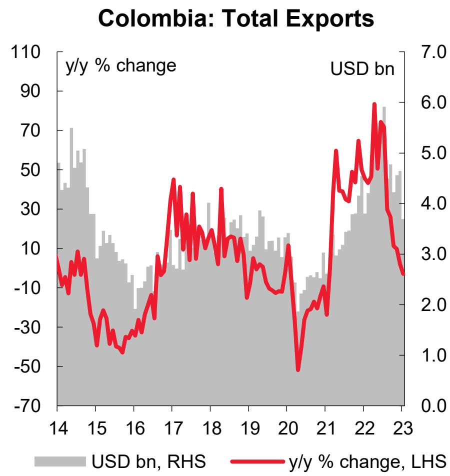
Boric's government's tax reform bill faces a two-day debate today in the lower house, with the chamber expected to vote it through ahead of a bumpier passage in Senate that will require more negotiations.

—Juan Manuel Herrera

COLOMBIA: EXPORTS CONTRACTED 2.8% Y/Y IN JANUARY AMID WEAKER TRADITIONAL EXPORTS

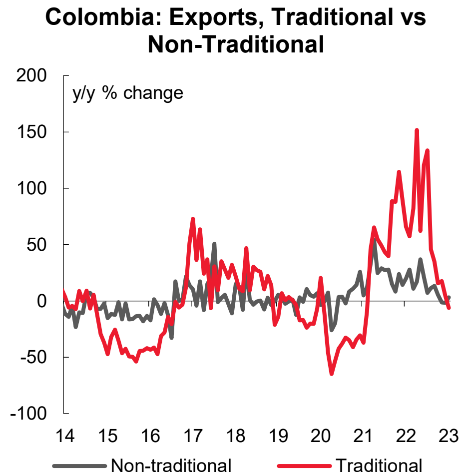
DANE released exports data on Monday, March 6. Monthly exports for January stood at USD3.69bn, a contraction of 2.8% y/y (chart 1), below the previous month's reading of USD4.64bn, and the second month in a row of year-on-year contractions. Traditional exports (related to mining and coffee) are dragging the overall export figure (-6.11% y/y). Meanwhile, non-traditional exports stood at USD1.42bn (+2.8% y/y).

Chart 1



Sources: Scotiabank Economics, DANE.

Chart 2



Sources: Scotiabank Economics, DANE.

Traditional exports contracted by 6.1% y/y in January (chart 2), posting the third annual contraction in a row. Exported volumes are offsetting the still positive effect of international commodities prices. By components, coffee exports contracted by 24.8%, explained by more moderate volume (-15.04% y/y) but also due to weaker international prices. Oil exports fell by 19.24% y/y, partially due to a 6.55% volume contraction. Lower prices are also taking a toll on oil exports. In the case of coal, the expansion of 17.26% y/y was due to better prices since exported volumes fell by 7.9%. On the other side, ferronickel sales showed a strong expansion of 70.98% y/y due to better exported volumes (+70.98% y/y).

Non-traditional exports expanded by 2.8 y/y (chart 2 again). Exports manufacturing were broadly stables (+0.1% y/y). Manufacturing products expansion of 24% y/y, offset the strong contraction in machinery and equipment sales (-19.4% y/y) and chemical products (-9.1% y/y). In the case of agricultural products, the contraction was 9.9% y/y, explained by lower banana exports (-68.3% y/y) and cattle exports (-34.5% y/y).

All in all, exports show that the positive impulse from commodities prices is vanishing. That said, the contraction in exported volumes leads to a weaker performance in traditional exports. In the non-traditional space, manufacturing exports that were robust in the past appear to reach a ceiling. Ahead of 2023, we anticipate an improvement in the current account deficit this year, driven mainly by a decline in imports, reflecting the scenario of weaker economic activity. In the case of exports, we favor more stability.

—Sergio Olarte, María (Tatiana) Mejía & Jackeline Piraján