

Latam Daily: Chile's Tough Anniversary; Colombia GDP Retreat; Peru Housing Robust

- **Chile:** Commemoration of a year since the 2019 social outbreak
- **Colombia:** Economic activity contracted by -10.63% y/y in August with mixed signals among sectors
- **Peru:** Pres. Vizcarra confronts new allegations of corruption; Lima home sales continue robust

CHILE: COMMEMORATION OF A YEAR SINCE THE 2019 SOCIAL OUTBREAK

Around 25k people gathered in Santiago's downtown on Sunday, October 18, to commemorate the first anniversary of the 2019 social outbreak. On the positive side, the majority of people demonstrated in peaceful terms and with no direct attacks on critical infrastructure. Metro stations, for instance, came through the protests undamaged. However, some individuals vandalized storefronts and burned down two Catholic churches, provoking strong condemnations from the authorities and most public figures.

We see a possibility that these events could provoke some antipathy toward the protestors' goals that could shift some votes, especially amongst Catholic groups, toward "no" in the constitutional referendum coming up on Sunday, October 25. In this context, the market could be positively surprised if the proposal to write a new constitution wins by less than 60% of the votes and the mixed convention (i.e., 50% of Congresspeople and 50% of elected constituents) comes out as the option chosen to write a new constitution. All of the latest polls show that the referendum will likely produce a vote in favour of a new constitution, but the probable margin of victory is unclear.

If this scenario of a close vote materializes, which would point to a reduction in the polarization in the electorate, we should expect a positive effect on Chilean asset prices: an appreciation of the CLP and a rise in the domestic stock market.

—Carlos Muñoz

COLOMBIA: ECONOMIC ACTIVITY CONTRACTED BY -10.63% Y/Y IN AUGUST WITH MIXED SIGNALS AMONG SECTORS

On Monday, October 19, DANE released August's Economic Activity Indicator (i.e., ISE, the main GDP proxy), which showed deterioration from July's recovery, mainly owing to increasing mobility restrictions in Bogota and Medellín (chart 1). August's contraction of -10.63% y/y was worse than July's results (-9.7% y/y), while, on a seasonally adjusted basis, the economy contracted -1.19% m/m on the back of deterioration in agriculture.

Primary activities were down -11.5% y/y and -4.6% m/m sa. The downturn was driven by low production of flowers, bananas, and coffee, while in mining activities, output was stable compared with the previous month.

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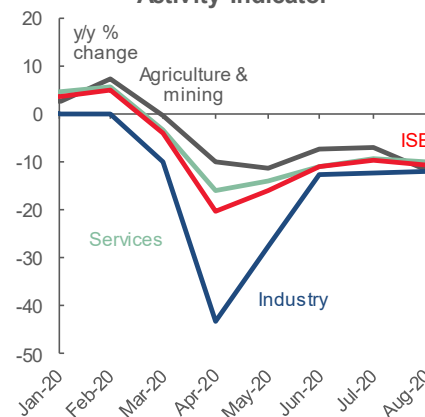
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Chart 1

Colombia: ISE Monthly Economic Activity Indicator



Sources: Scotiabank Economics, DANE.

Secondary sectors were down by -12.1% y/y, although they expanded by 3.0% m/m sa from July to August, led by building activities. However, industrial activities lost momentum as regional lockdowns halted some operations in Colombia's main cities.

Services-related activities were also down -10.1% y/y and -0.1% m/m sa owing to mobility restrictions that weighed against transportation services and retail sales activities. Nevertheless, financial activities and real estate activities were up in year-on-year terms.

All in all, August's economic activity numbers showed that regional quarantines almost stopped progress on the economic recovery (chart 2). According to DANE estimates for September, economic activity accelerated since mobility restrictions were lifted and around 95% of the economy was open.

—Sergio Olarte & Jackeline Piraján

PERU: PRES. VIZCARRA CONFRONTS NEW ALLEGATIONS OF CORRUPTION; LIMA HOME SALES CONTINUE ROBUST

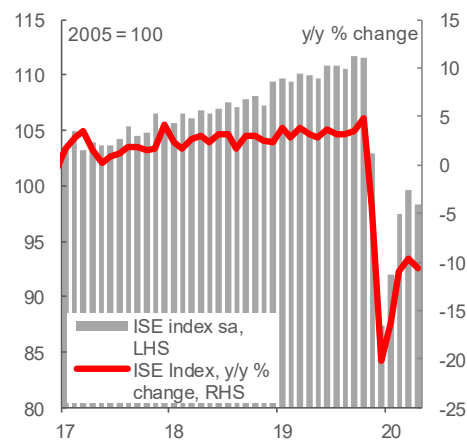
The Attorney General's office (Fiscalía) has broadened an inquiry regarding President Vizcarra. The inquiry involves accusations that have emerged of possible acts of corruption during Pres. Vizcarra's term as Governor of Moquegua. Over the past weekend, a leading newspaper published statements by protected witnesses regarding payoffs in regard to the construction of a hospital in Moquegua during Pres. Vizcarra's tenure as Governor. On Sunday, Pres. Vizcarra denied the allegations on a TV news program. It is quite likely that the investigation by the Fiscalía will not conclude until after Vizcarra's presidential term is over in July 2021. However, the recent events enable those members of Congress interested in ousting Pres. Vizcarra to once again raise the issue of his impeachment. The move would be highly controversial, not only for what it means for the presidency and the country, but also because one of the motivations for ousting Pres. Vizcarra would presumably be to open the door to postponing the elections, which is something that many members do not support.

In more signs of recovery, home sales in Lima were up for the third consecutive month, in year-on-year terms, in September (chart 3), according to the local real estate association (Asociación de Empresas Inmobiliarias del Perú). Although home sales were off their near-term high in July, they were still up 1% y/y in September. Home sales have soared since the lockdown was lifted in July, defying expectations. Two forces appear to be in play. One is just the unleashing of pent-up demand after the lockdown. This would explain why home sales have been losing a bit of steam more recently, as pent-up demand may now be exhausted. The other reason could be linked to changing home location preferences, as more people view working at home as an increasingly permanent option.

—Guillermo Arbe

Chart 2

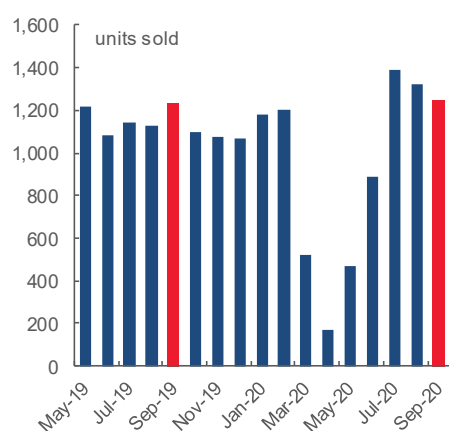
Colombia: ISE Monthly GDP Proxy



Sources: Scotiabank Economics, DANE.

Chart 3

Peru: Lima Home Sales



Sources: Scotiabank Economics, ASEI.

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