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Latam Weekly: Peru GDP, Colombia Macro, and Busy Ex-Latam Week

ECONOMIC OVERVIEW

- The key Latam week did not disappoint. Thursday and Friday CPI beats in Colombia and Chile, and a surprising rate hold by the BCRP caught local markets off-guard.
- After a packed week in the Pacific Alliance, we now have a relatively quiet few days where comments by regional central bankers (and global data) may be an important risk for local traders unsure about upcoming policy announcements.
- Peru GDP and Colombian macro figures for January are the Pacific Alliance data highlight. In Brazil, we get the last of the key regional inflation figures for February.

PACIFIC ALLIANCE COUNTRY UPDATES

- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Colombia and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period March 9–22 across the Pacific Alliance countries and Brazil.

Economic Overview: Peru GDP, Colombia Macro, and Busy Ex-Latam Week

- **The key Latam week did not disappoint. Thursday and Friday CPI beats in Colombia and Chile, and a surprising rate hold by the BCRP caught local markets off-guard.**
- **After a packed week in the Pacific Alliance, we now have a relatively quiet few days where comments by regional central bankers (and global data) may be an important risk for local traders unsure about upcoming policy announcements.**
- **Peru GDP and Colombian macro figures for January are the Pacific Alliance data highlight. In Brazil, we get the last of the key regional inflation figures for February.**

The key Latam week did not disappoint. Although things started out quietly with no major data of note, Thursday and Friday CPI beats in Colombia and Chile, and a surprising rate hold by the BCRP caught local markets off-guard and heightened uncertainty around the path for monetary policy in the region. In contrast, Mexican inflation readings were aligned with bi-weekly data released two weeks prior, with limited takeaways for rate expectations.

Outside of the region, there weren't many surprises from the ECB nor the BoC, and US data prior to Friday's jobs report generally came in line with expectations. Powell noting the Fed is not far from the required confidence for cuts had been the highlight for global rates markets this morning before the (weak under the hood) US labour report triggered a chunky rally. Next week, the ex-Latam calendar has US CPI, UK jobs/wages/GDP, Chinese CPI, and the PBoC's decision as the main things to watch between today and Friday.

After a packed week in the Pacific Alliance, we now have a relatively quiet few days where comments by regional central bankers may be an important risk for local traders unsure about upcoming policy announcements. Our economists' calls of respective 75bps and 100bps cuts by BanRep and the BCCh at their upcoming decisions were challenged by above consensus inflation data that raise the odds of smaller moves—and, accordingly, our Chile colleagues now see 'only' a 75bps move next month.

Colombia's economy has also looked better than we expected, so in today's report our economists in Bogota discuss their upward revision to their growth projections on a better outlook for private consumption. Still, their 75bps call is left unchanged. Friday's January industrial/manufacturing production and retail sales data will help us refine forecasts for economic activity figures that come out on the 18th. With these, we may have more clarity on what BanRep will do on the 22nd as the next prices release is not until early-April.

There's also no more CPI data on the calendar prior to the BCCh's April 2nd meeting, and there are limited on-calendar triggers for cuts repricing in coming days. The only figures that may make a difference, January sectoral output and economic activity data, do not come out until late-March/early-April. So, as far as BCCh expectations go, it will be up to local officials to give their take next week on the latest prices readings and whether these change their view on the return to on-target inflation.

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March 8, 2024

Peru's central bank surprised everyone with its rate hold decision, but then gave us no clear reason for why it chose to do this. Hopefully we get some colour from them next week. Though it did not cut the reference rate, the bank lowered reserve requirements (RR)—a rare policy adjustment—which suggests the BCRP is still keen on providing support for the economy.

Maybe stronger than expected inflation in February prompted a more cautious rates approach from a bank that has policy meetings every month. Maybe the firming up of expectations that the Fed will not cut earlier than June means the BCRP has to be more mindful of the US-Peru rate differential and so can't cut every month. Now, it is important to note that the RR reduction results in an immediate liquidity injection, and its 50bps.

December GDP data showed that Peruvian economic activity surprisingly contracted by 0.7% y/y in the final month of 2023, for an annual contraction of 0.6%. Next Friday's release of January GDP should show a solid start to the year for Peru's economy. In today's report, the team outline their projection of 1.8% y/y growth as well as their expectation that inflation will fall below the 3% ceiling in March. They also discuss the latest political developments in the country and possible implications.

Mexican inflation data were certainly not as exciting as those from Colombia and Chile so most determinants still point to Banxico kicking off the easing cycle on the 21st. There's still some anxiety around this and whether the central bank will start out slowly with rate cuts, perhaps skipping some meetings; it may also be sensitive to rate differential vis-à-vis the Fed. There's not much in Mexico's calendar next week to change our and the market's opinion, but we'll keep an eye on Tuesday's industrial and manufacturing production data as a forecasting input for January economic activity figures out the day after Banxico's meeting.

Brazil's IBGE is the last of the key countries in the region to release CPI data for February, on Tuesday, with economists expecting a modest deceleration in headline inflation in year-on-year terms, but with monthly headline and core inflation picking up which may add to the idea that the BCB will soon shift to a lower pace of cuts—at one of its May or June decisions. Retail sales and services volumes data are also on tap.

Pacific Alliance Country Updates

Colombia—Macro Dilemmas that Motivate the Caution Before the Action

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Colombia’s macro picture is far from being simple; economic activity delivered a negative surprise in 2023, posting a weaker-than-expected GDP growth of 0.6% that reflected a significant moderation in the domestic demand (chart 1), going from an expansion of 7.6% in 2022 to a moderate 2.3% growth in 2023, especially amid a deceleration in private consumption, passing from an expansion of 9.4% in 2022 to 1.2% in 2023, and a significant contraction on investments (-26.0% in total investments including inventories changes), all in a context in which the public sector wasn’t effective in implementing the fiscal budget. The previous picture was revealed on February 15th, and since then, many relevant actors in the economic scenario have highlighted the need of better and sharper action from policymakers, emphasizing that the main target currently should be to make the Colombian economy achieve a recovery and high quality path for economic growth to make it sustainable. In fact, this is also a medium-term concern for the credit rating agency S&P. That said, amid recent economic data at Scotiabank Colpatria Economics, we revised the GDP growth forecast for 2024 to 1.4% as private consumption is expected to recover in the second half of the year, while the recovery in investment is expected to start due to an increase in inventories in the H1-2024, while in the H2-2024, we expect a better contribution from private projects.

Economic activity deceleration drove an important reduction in the current account deficit, which fell from USD 21.4 bn in 2022 to USD 9.72 bn in 2023 (~-55% y/y), which as a proportion of GDP represents a reduction from 6.2% deficit to a deficit of 2.67% of GDP, the main driver in the deficit reduction was the lower trade deficit of goods (chart 2), in which the contraction in imports (-17.1% y/y) outpaced the contraction in exports (-11.7% y/y). That said, the external deficit mirrored the weakening of domestic demand and contributed to moderate FX upside pressures observed during 2022 when the economy exhibited a strong activity that was also reflected in historically high imports. Ahead of 2024, the current account deficit is projected at 3.5% of GDP (~USD 13 bn), which will be compatible with a mild recovery in domestic demand and the increase in international purchases to rebuild inventories.

In the case of fiscal accounts, the almost straightforward overcompliance of the fiscal rule could face challenges. In 2023, the fiscal deficit was reported at 4.2% of GDP (primary deficit of 0.3% of GDP), while the target for 2024 is to widen the deficit towards 5.3% of GDP (primary deficit of 0.9% of GDP, chart 3). The context of a negative output gap poses a challenge for tax revenues but also allows the government to manage a higher deficit. In any case, we think that there is confidence in the compliance of the fiscal rule; however, what concerns us the most is the implementation of the budget and the quality of the fiscal spending, especially when the economic activity is still weak and a boost from the public sector is more than needed.

On the prices side, recent results demonstrate that the strongest disinflation phase has started. Statistical base effects and lower indexation are the two key components for the inflation reduction. January and February’s inflation cumulated more than a 150bps correction vs the inflation at the end of 2023, and we project inflation could hover around 7% to 6.5% by mid-2024, which is encouraging but still points to a significant deviation from BanRep’s inflation target range defined between 2% and 4%, and an expectation that the achievement of the inflation target won’t take place before mid-2025. Either way, we expect inflation to continue making progress to close the year around 5%, which will continue encouraging the discussion for rate cuts.

In the previous context, the favourite word for BanRep is ‘caution’. Inflation is still well above the target while the economic activity reflects in part a desired deceleration but also a concern about investments. A couple of BanRep’s board members said they are considering

Chart 1

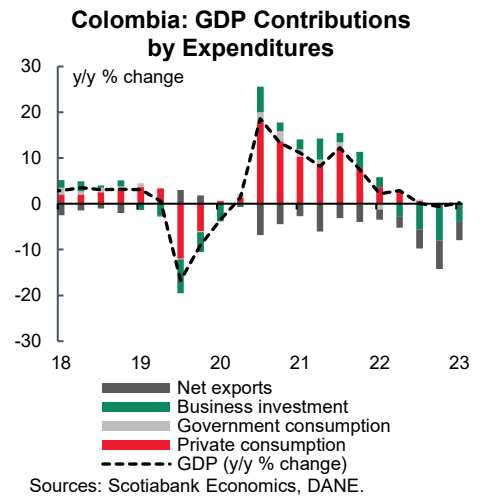
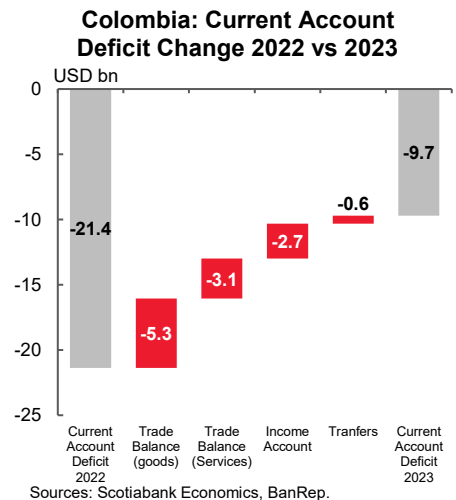


Chart 2



accelerating the easing cycle, while Governor Villar continues to lean to the conservative side. The Finance Minister has mentioned that he will vote for a 100bps rate cut to avoid a significant spike in the real rate. At Scotiabank Colpatría, we project a 75bps rate cut, which will maintain the monetary policy rate at a restrictive territory but avoid putting more pressure on the economy than necessary. If our scenario materializes, the rate-cutting cycle will stimulate a gradual economic recovery during H2-2024 (chart 4).

Last but not least, the legislative period in Congress started in mid-February. However, discussions of social reforms are facing significant challenges. The government has struggled to find enough quorum for the Pension Reform discussion and is running out of time before the bill is archived (the deadline to continue the debate is June 20th), while in the case of Health Reform, uncertainty about the fiscal cost is delaying the discussion. At Scotiabank Colpatría we think the challenging environment for reforms will continue. However, inaction from the policy makers is also a concern. We don't expect domestic assets to build risk premiums around political uncertainty. Having said that, the issue around public sector inaction could derive in a challenging context in the medium term for economic growth, which could continue preventing Colombia from going back to the investment grade privilege sometime soon.

All in all, Colombia's macro is not simple. However, macroeconomic fundamentals are evolving gradually to a condition that could allow the central bank to continue taking lower interest rates. If that happens, we expect economic growth to start to recover. However, the headwind will continue on the public sector's side. Market volatility is diminishing on the FX side, however, we think markets are waiting for more signals from monetary policy to act and decide on a direction, while on the fixed income side, volatility is driven by the Federal Reserve but mostly waiting for the moment to materialize the total return behind the easing cycle.

Peru—The Government Needs Growth

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The Dina Boluarte regime is facing numerous political fronts and opponents, and high inflation and negative growth throughout much of 2023 did not help. Inflation has now come down. What the government needs now is to show growth, and January GDP, to be released on March 15th, may well comply. Finally!

The preliminary growth figures for January that have been released so far are encouraging: cement sales +9% y/y; electricity +4%; mining +4%. This adds to a sharp increase, reportedly of 137% y/y, in public spending. This latter figure mostly translates to higher construction GDP, but not in this magnitude. On the downside, agriculture declined 2.8%, due to the lagging effect from 2023 productivity lapses, and fishing fell 27%, as the recent government-mandated fishing season started early (fishing GDP was +52% in October and +61% in November, but ended in December, whereas the previous year the season had run from November to January). These numbers overall suggest GDP growth mildly below our initial 1.8% y/y growth estimate for January, mainly because mining growth came in lower, possibly because of the impact of seasonal rains.

Where there may be some upside to our GDP growth estimate is if the impact of public investment on construction is greater than we are expecting, or if the celerity of the rebound in domestic demand occurs faster. On this score, it's interesting to note that the

Chart 3

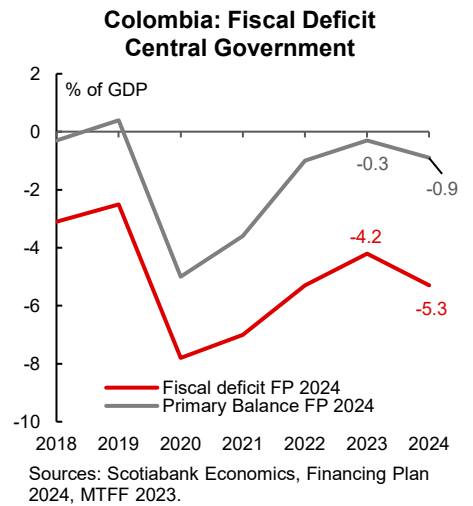


Chart 4

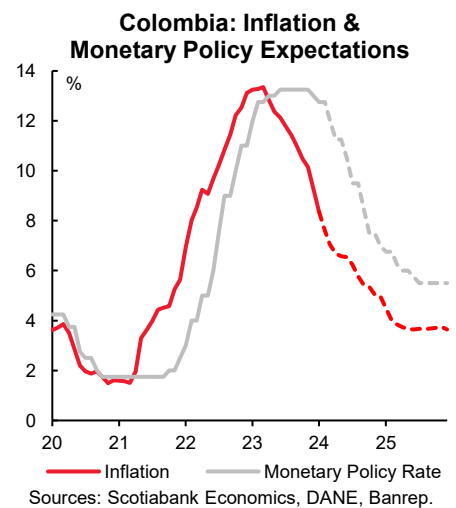
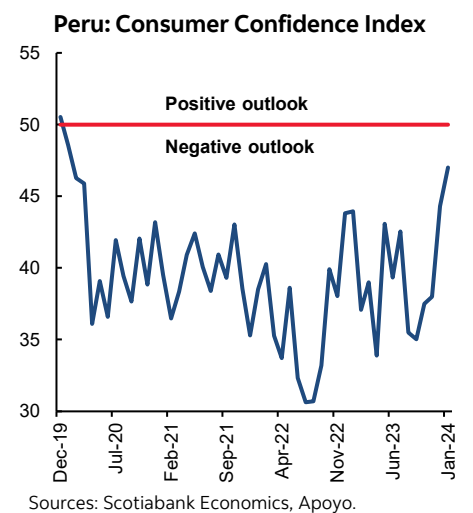


Chart 5



March 8, 2024

consumer confidence index improved to a four-year high in January–February. It's still negative, but it's the least negative it has ever been since the Covid pandemic started. You can probably thank low inflation for that (chart 5).

Talking about inflation, we do expect it to finally pierce the 3% ceiling to enter the target range in March. Monthly inflation in March 2023 was 1.29%, much higher than the historical average of 0.75%. Although it's early in the game, as long as monthly inflation this year is closer to the historic trend than it is to last year's figure, yearly inflation should decline from the 3.3% figure registered in February, to comfortably under 3.0%, say around 2.8%. This would be on-trend for our 2.4% by year-end and gives the BCRP all the room in the world to continue lowering its reference rate by 25bps per month, until it reaches our year-end target of 4.25%.

The government has a new head of cabinet as of yesterday, and a new finance minister since early January. Having these key new members of the cabinet begin their terms with positive growth and inflation under control may hopefully bolster political stability. The sideshow of purported sex scandals and conspiracies has lost expediency with the change in the head of the cabinet but has left wreckage in its wake which can continue to cause instability. Meanwhile, the 2026 elections are looming closer, and Congress is moving faster to implement change. On March 6th Congress approved, with a 91 to 31 vote, a change in the Constitution to institute a two-Chamber Congress. There will now be a 60-member Senate to accompany the 130-member House. This will not necessarily resolve Peru's problem with the quality of congressional representation, as the additional chamber does nothing to alter the country's dysfunctional political party system, but it will hopefully help prevent measures emerging from Congress that are questionable or that affect the country's institutionality.

Forecast Updates

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	2.7	4.2	3.5	2.0	2.1	1.7	1.4	1.7	2.1	2.0	1.9	2.0	2.0	3.0	2.9	1.8	2.0
CPI (y/y % eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.0	3.9	3.8	3.6	3.6	3.6	3.6	5.8	4.6	3.8	3.6
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	8.2	8.1	8.0	7.9	8.4	8.2	8.0	7.9	7.9	7.4	7.9	8.1
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	9.75	9.00	9.00	8.75	8.50	8.50	8.50	13.75	11.75	9.00	8.50
Foreign exchange (USDBRL, eop)	5.28	5.06	4.79	5.03	4.86	4.94	4.96	4.95	4.94	4.95	4.97	5.00	5.03	5.28	4.86	4.94	5.03
Chile					Q4e												
Real GDP (y/y % change)	-2.3	-0.7	-0.8	0.6	0.2	1.0	2.5	1.5	3.0	2.4	2.0	3.1	2.6	2.4	-0.2	2.0	2.5
CPI (y/y % eop)	12.8	11.1	7.4	4.7	3.4	3.0	3.0	3.0	3.0	2.8	3.1	3.2	3.0	12.8	3.4	3.0	3.0
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.5	8.4	8.5	8.4	8.0	8.4	8.4	8.0	7.1	7.9	8.5	8.3	8.0
Central bank policy rate (% eop)	11.25	11.25	11.25	9.50	8.25	7.25	5.00	4.25	4.25	4.25	4.25	4.25	4.25	11.25	8.25	4.25	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	870	870	870	870	870	870	870	870	851	879	870	870
Colombia																	
Real GDP (y/y % change)	2.2	2.9	0.1	-0.6	0.3	1.0	2.1	0.9	1.7	1.8	2.2	2.4	2.3	7.3	0.6	1.4	2.2
CPI (y/y % eop)	13.1	13.3	12.1	11.0	9.3	7.0	6.5	5.4	5.0	3.9	3.6	3.7	3.6	13.1	9.3	5.0	3.6
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.4	11.6	10.2	10.2	10.3	12.0	10.4	10.7	10.2	11.2	10.2	10.6	10.8
Central bank policy rate (% eop)	12.00	13.00	13.25	13.25	13.00	12.00	10.50	8.50	7.00	6.25	5.75	5.50	5.50	12.00	13.00	7.00	5.50
Foreign exchange (USDCOP, eop)	4,853	4,623	4,172	4,068	3,855	4,049	4,078	4,102	4,116	4,120	4,125	4,140	4,150	4,853	3,855	4,116	4,150
Mexico																	
Real GDP (y/y % change)	4.5	3.6	3.4	3.5	2.5	3.8	4.0	2.4	2.1	1.8	1.4	1.6	1.4	3.9	3.2	3.1	1.6
CPI (y/y % eop)	7.8	6.8	5.1	4.5	4.7	4.5	4.7	4.7	4.6	4.0	3.8	3.8	3.6	7.8	4.7	4.6	3.6
Unemployment rate (% avg)	3.0	2.7	2.8	3.0	2.7	3.0	3.1	3.2	3.2	3.3	3.3	3.4	3.5	3.3	2.8	3.1	3.4
Central bank policy rate (% eop)	10.50	11.25	11.25	11.25	11.25	11.00	10.50	10.00	9.50	9.00	8.50	8.00	7.50	10.50	11.25	9.50	7.50
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	17.40	17.70	18.00	18.40	18.70	18.90	19.25	19.50	19.50	16.97	18.40	19.50
Peru																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-0.9	-0.4	1.6	3.2	3.3	2.7	3.2	2.9	1.9	2.1	2.7	-0.6	2.7	2.5
CPI (y/y % eop)	8.5	8.4	6.5	5.0	3.2	2.6	2.3	1.9	2.4	2.2	2.1	2.3	2.4	8.5	3.2	2.4	2.4
Unemployment rate (% avg)	7.1	7.5	6.6	6.7	6.4	6.8	6.3	6.4	6.1	6.5	6.2	6.2	5.9	7.7	6.8	6.4	6.2
Central bank policy rate (% eop)	7.50	7.75	7.75	7.50	6.75	6.25	5.50	4.75	4.25	4.25	4.00	4.00	4.00	7.50	6.75	4.25	4.00
Foreign exchange (USDPEN, eop)	3.81	3.76	3.63	3.78	3.70	3.78	3.70	3.80	3.75	3.75	3.75	3.80	3.75	3.81	3.70	3.75	3.75
Canada																	
Real GDP (y/y % change)	2.2	1.8	1.0	0.5	0.9	0.7	0.6	1.2	1.3	1.5	1.9	2.3	2.5	3.8	1.1	0.9	2.0
CPI (y/y % eop)	6.7	5.1	3.5	3.7	3.2	3.2	3.1	2.7	2.2	2.4	2.1	2.0	2.0	6.7	3.2	2.2	2.0
Unemployment rate (% avg)	5.1	5.1	5.3	5.5	5.8	5.9	5.9	6.1	6.3	6.4	6.4	6.4	6.4	5.3	5.4	6.1	6.4
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	5.00	4.75	4.25	3.75	3.50	3.25	3.00	4.25	5.00	4.25	3.00
Foreign exchange (USDCAD, eop)	1.36	1.35	1.32	1.36	1.32	1.33	1.33	1.28	1.28	1.27	1.27	1.25	1.25	1.36	1.32	1.28	1.25
United States																	
Real GDP (y/y % change)	0.7	1.7	2.4	2.9	3.1	3.1	2.7	1.8	1.4	1.2	1.4	1.6	1.6	1.9	2.5	2.3	1.5
CPI (y/y % eop)	7.1	5.7	4.0	3.6	3.2	2.9	2.8	2.8	2.8	2.6	2.5	2.3	2.2	7.1	3.2	2.8	2.2
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.7	3.7	3.7	3.8	3.8	3.9	4.1	4.2	4.3	3.6	3.6	3.8	4.1
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.25	4.50	4.25	3.75	3.25	3.00	4.50	5.50	4.50	3.00
Foreign exchange (EURUSD, eop)	1.07	1.08	1.09	1.06	1.10	1.10	1.10	1.12	1.12	1.15	1.15	1.18	1.18	1.07	1.10	1.12	1.18

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics, Consensus Economics. Red indicates changes in estimates and forecasts since previous *Latam Weekly* on Mar 1, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	0.2	0.1	0.1	0.1	-	-	-	-0.1	-	-	0.2	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-0.2	-0.1	-0.1	-0.1	-	0.2	-0.6	-0.7	-	-	-0.1	-0.3
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-0.01	-	-	-0.01	-0.02	-0.03	-0.03	-0.03	-	-	-0.01	-0.03
	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023e	2024f	2025f
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCPL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-0.7	0.3	-0.8	-0.5	-0.6	-0.1	-0.1	-0.1	-	-	-0.4	-0.2
CPI (y/y % eop)	-	-	-	-	-	0.4	0.4	0.5	0.6	0.3	0.3	0.4	0.3	-	-	0.6	0.3
Unemployment rate (% avg)	-	-	-	-	-	-0.1	-0.1	-0.2	0.2	0.1	0.1	-	0.1	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-0.30	-0.10	-0.10	-	-	-	-	-	-	-	-	-
	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	0.25	0.25	0.25	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics, Consensus Economics. Changes in estimates and forecasts since previous *Latam Weekly* on Mar 1, 2024.

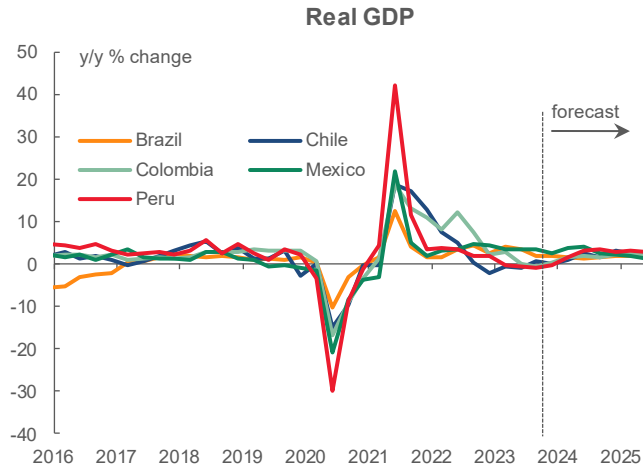
Forecast Updates: Central Bank Policy Rates and Outlook

Brazil, BCB, Selic	11.25%	Mar-20	10.75%	9.00%	8.50%	
Chile, BCCh, TPM	7.25%	Apr-02	6.25%	4.25%	4.25%	We anticipate a 100 bps cut to 6.25% at the April meeting.
Colombia, BanRep, TII	12.75%	Mar-22	12.00%	7.00%	5.50%	Since January's BanRep meeting, macroeconomic numbers in Colombia have evolved in the right way to support accelerating the easing cycle. However, we have mixed opinions among the board about the potential size of the forthcoming cut. Governor Villar remains conservative and cautious; while a couple of board members express that there are arguments to accelerate the cutting cycle; Minister Bonilla is now calling for a 100 bps rate cut. For Scotiabank Colpatría, a 75 bps cut is likely given the inflation reduction in the previous couple of months, and the economy is delivering weaker-than-expected results.
Mexico, Banxico, TO	11.25%	Mar-21	11.00%	9.50%	7.50%	Banxico minutes showed a further discussion regarding inflation trends, and the future of monetary policy. In the last meeting, three members of the Board were confident of a first cut in the March meeting, as they expect inflation to continue downwards. Deputy Governor Heath stated that it would be an error to start the cutting cycle if it is unclear that Banxico is winning the battle against inflation. With this, we reinforce our expectation of a first cut in March, in line with consensus, but not in a unanimous decision. Amid a highly uncertain environment, we do not rule out the possibility of fewer than currently expected cuts during the year.
Peru, BCRP, TIR	6.25%	Apr-11	6.00%	4.25%	4.00%	The central bank surprised by maintaining its interest rate in March, reflecting an attitude of greater caution, which conditions the April decision to the evolution of inflation and its expectations.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

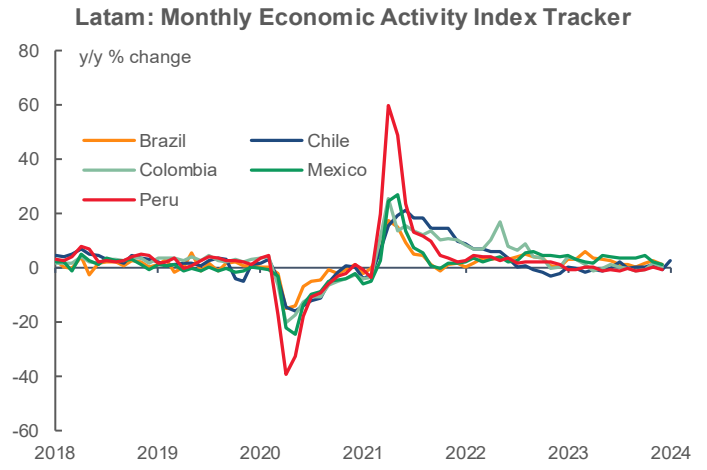
Key Economic Charts

Chart 1



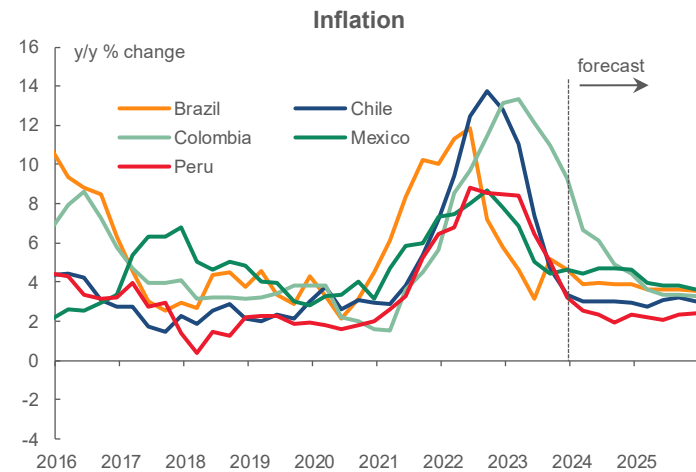
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



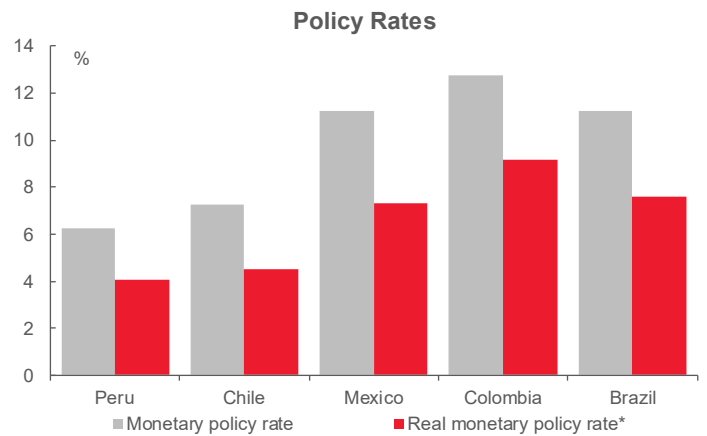
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



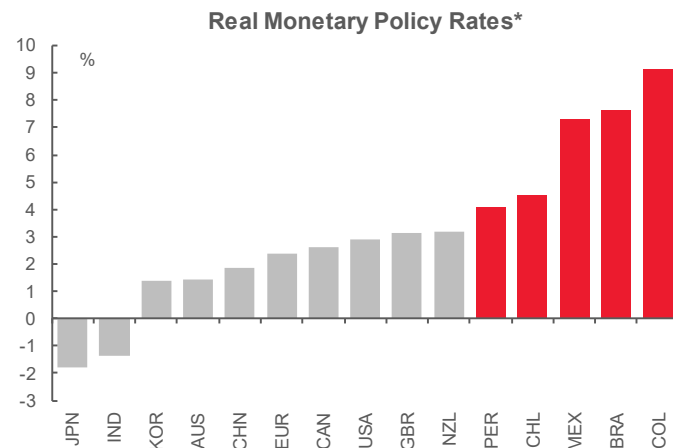
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2025, % y/y. Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5

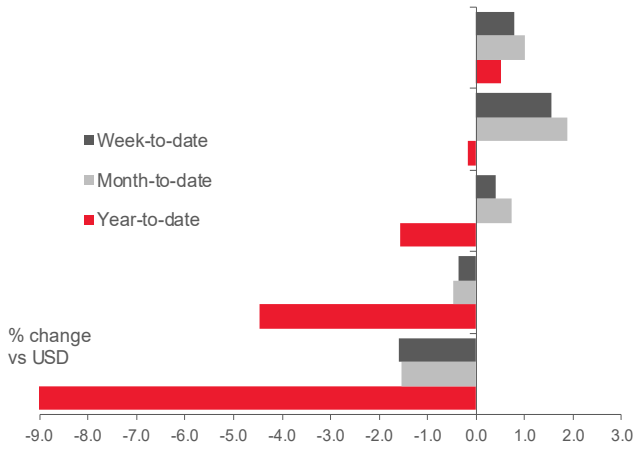


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

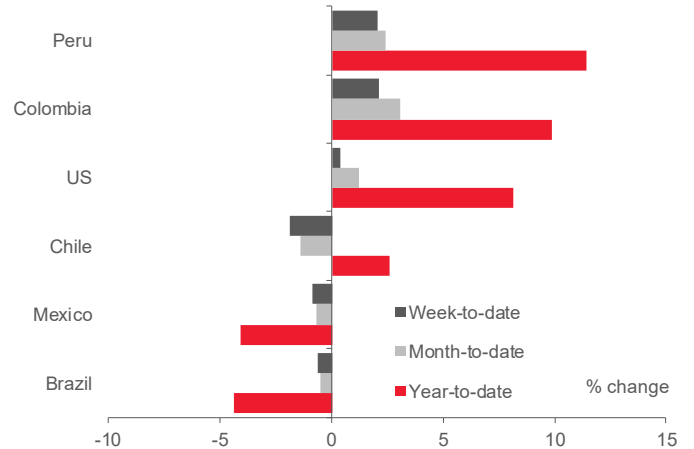
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

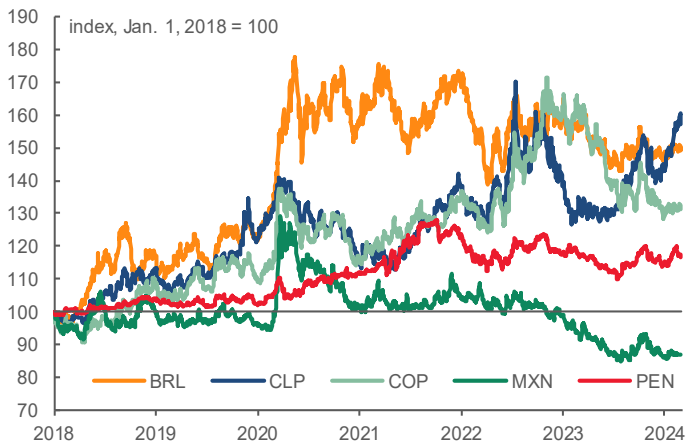
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

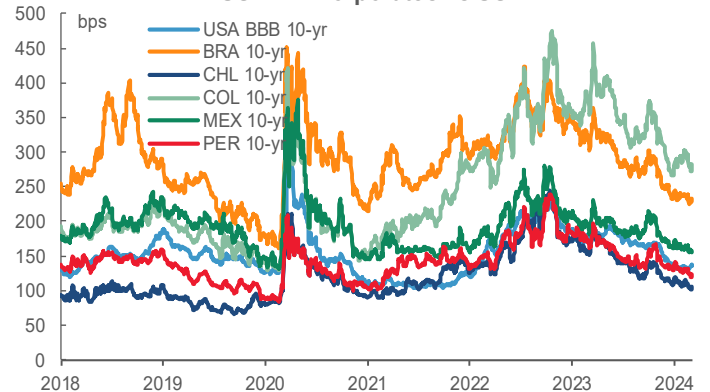
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

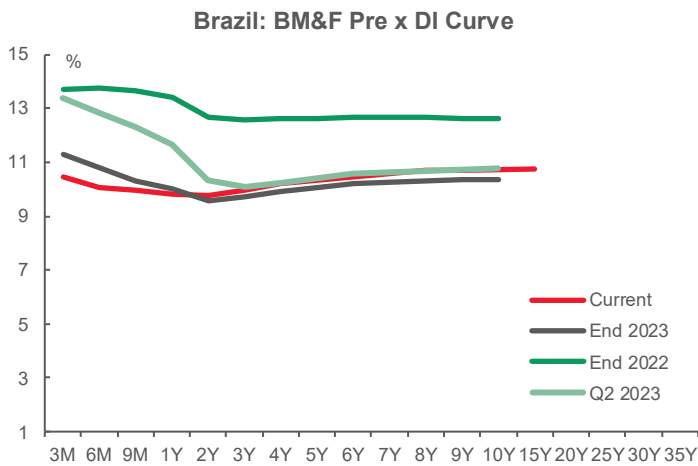
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.
Sources: Scotiabank Economics, Bloomberg.

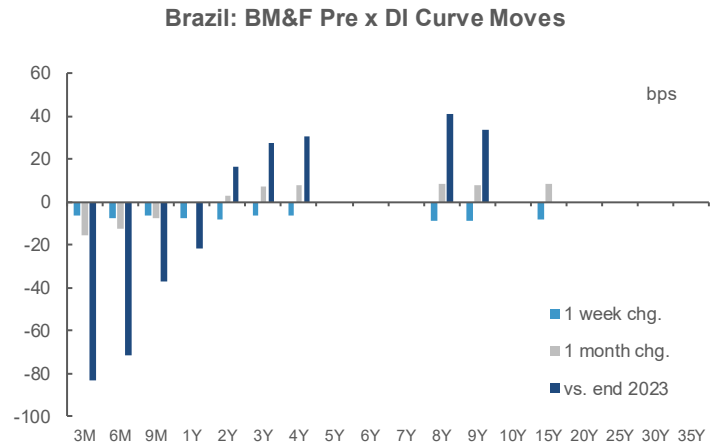
Yield Curves

Chart 1



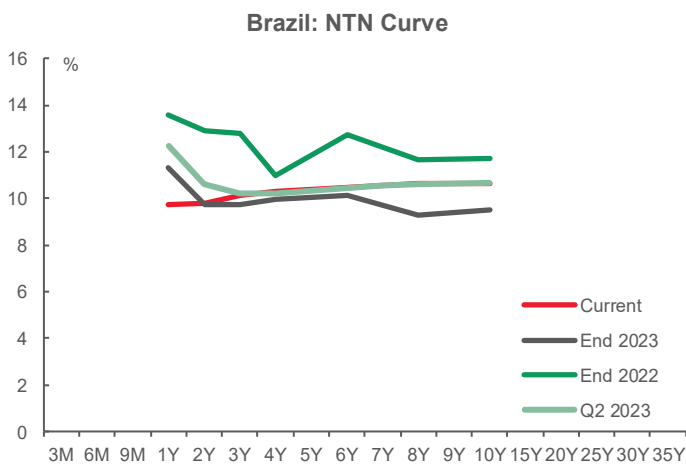
Sources: Scotiabank Economics, Bloomberg.

Chart 2



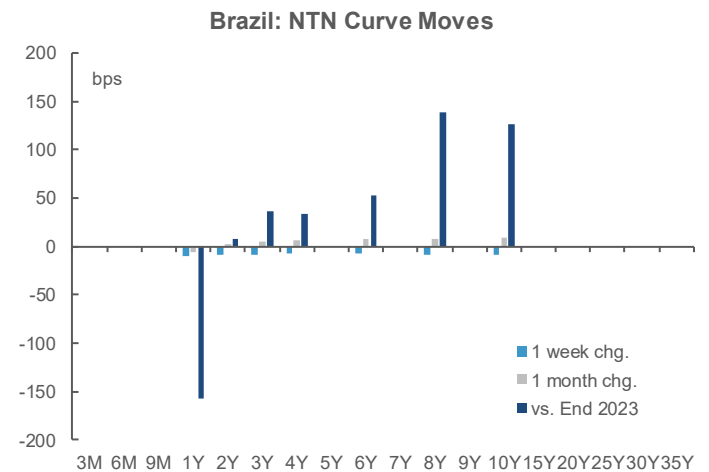
Sources: Scotiabank Economics, Bloomberg.

Chart 3



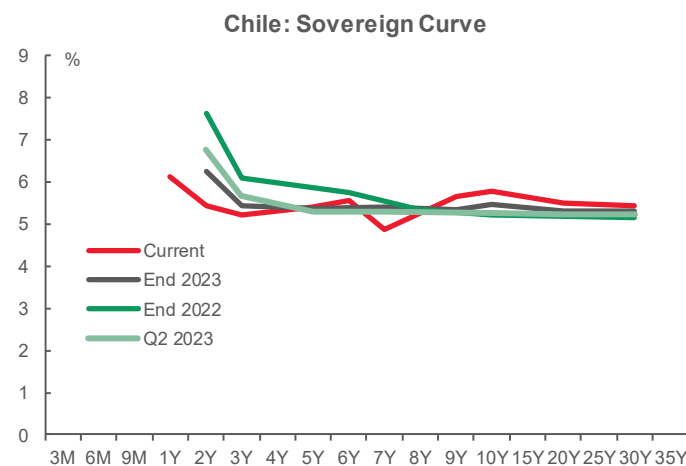
Sources: Scotiabank Economics, Bloomberg.

Chart 4



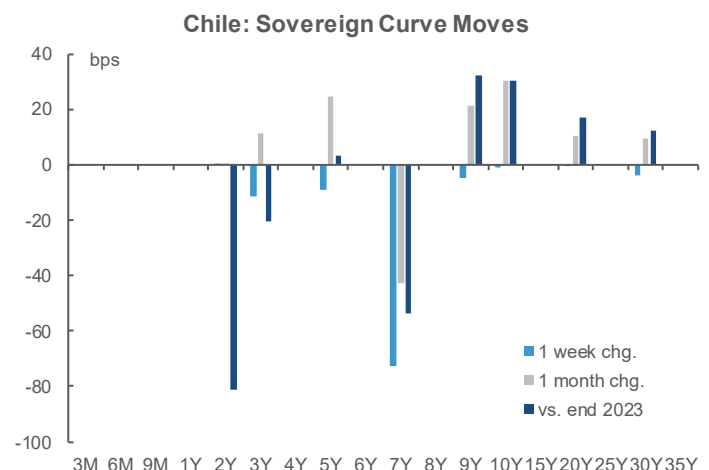
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

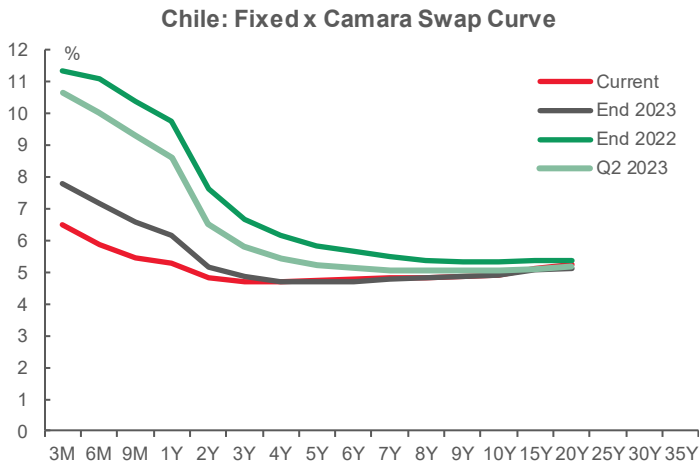
Chart 6



Sources: Scotiabank Economics, Bloomberg.

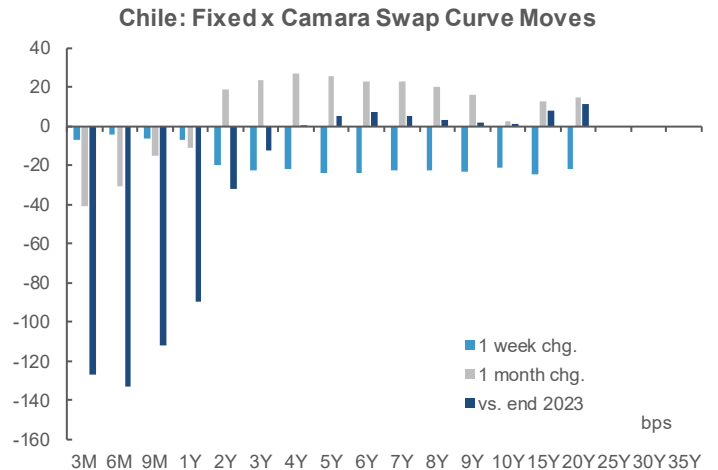
Yield Curves

Chart 7



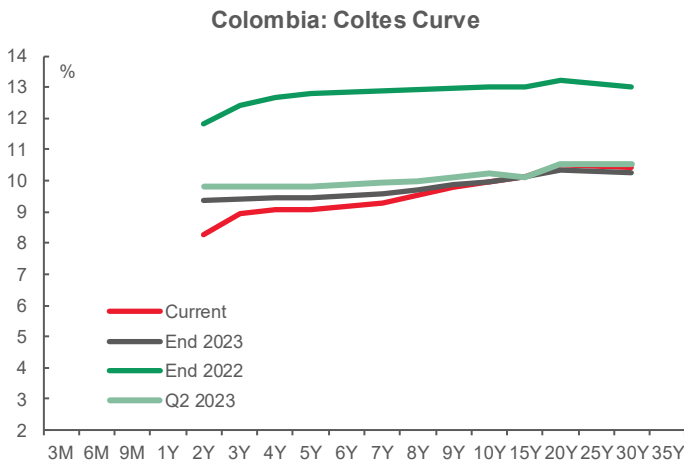
Sources: Scotiabank Economics, Bloomberg.

Chart 8



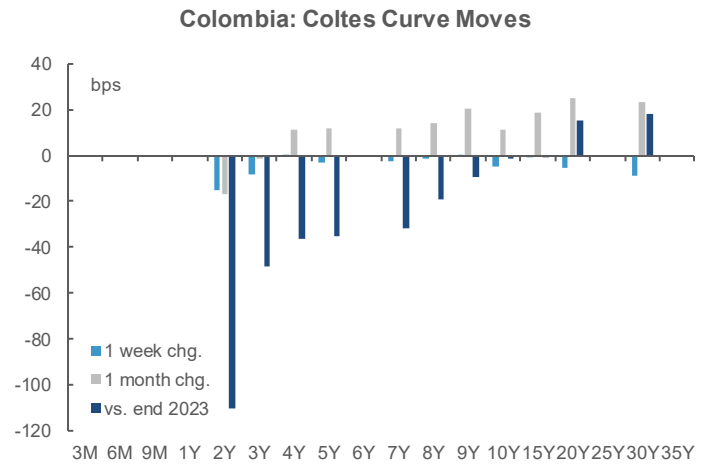
Sources: Scotiabank Economics, Bloomberg.

Chart 9



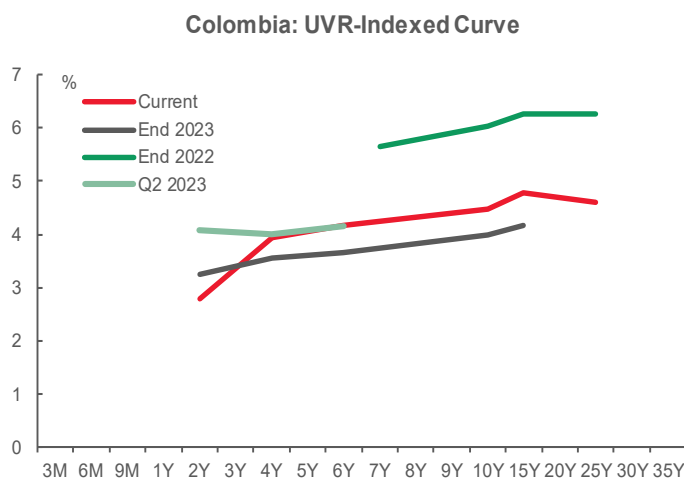
Sources: Scotiabank Economics, Bloomberg.

Chart 10



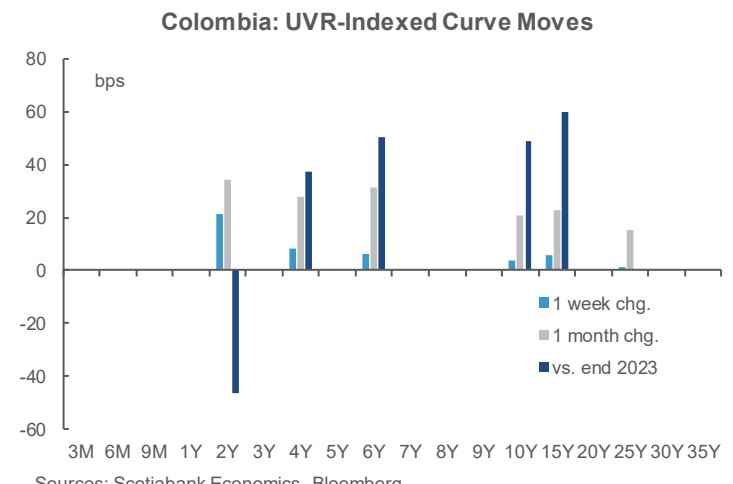
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

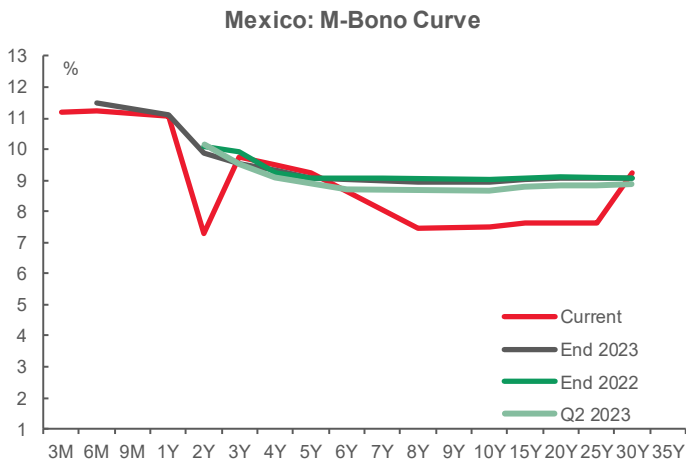
Chart 12



Sources: Scotiabank Economics, Bloomberg.

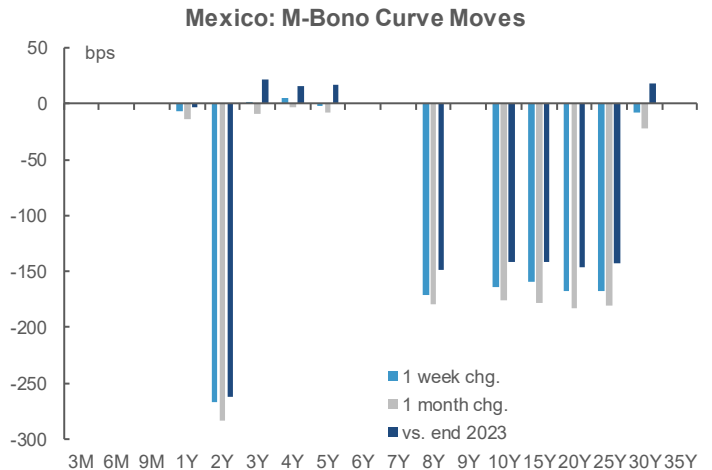
Yield Curves

Chart 13



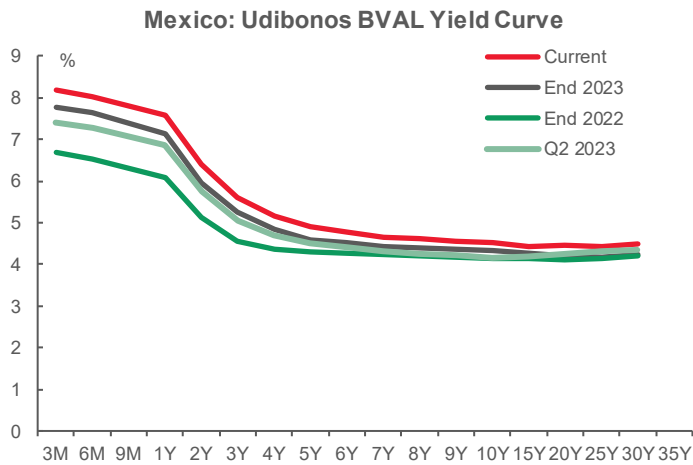
Sources: Scotiabank Economics, Bloomberg.

Chart 14



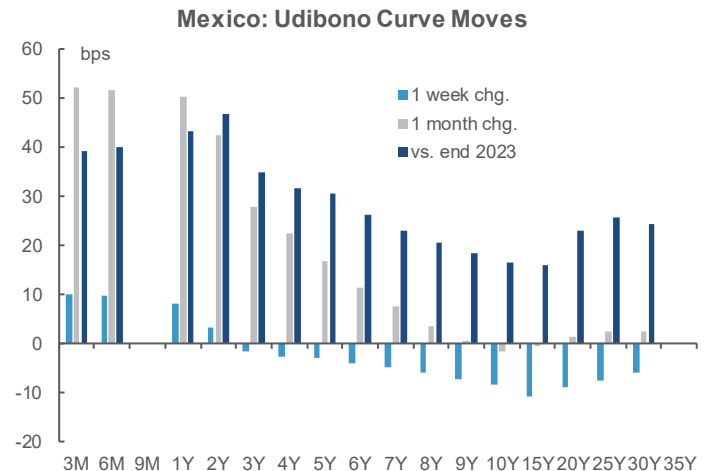
Sources: Scotiabank Economics, Bloomberg.

Chart 15



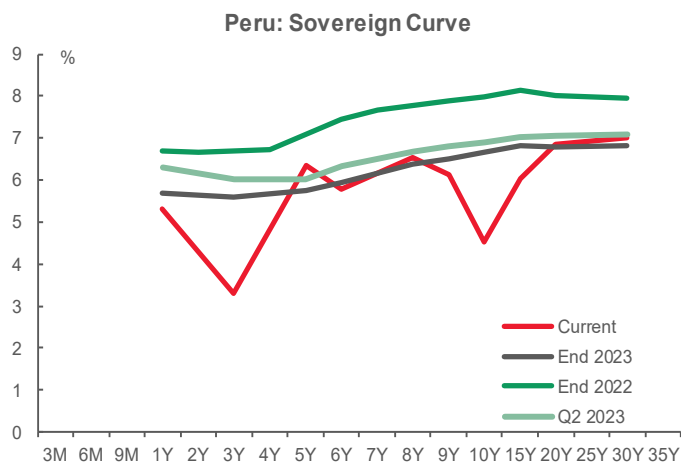
Sources: Scotiabank Economics, Bloomberg.

Chart 16



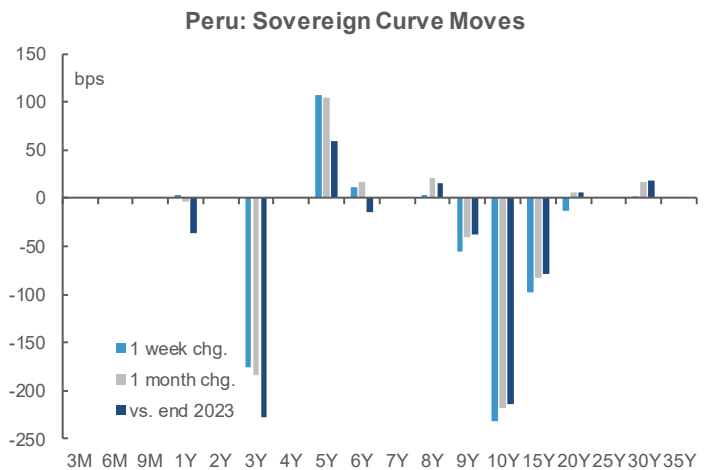
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for March 9–22

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Mar-11	4:00 FIPE CPI - Weekly (%)	07-Mar	--	--	0.46
Mar-11	7:25 Central Bank Weekly Economist Survey		--		
Mar-11	14:00 Trade Balance Weekly (USD mn)	10-Mar	--	--	1484.3
Mar-12	8:00 IBGE Inflation IPCA y/y	Feb	--	4.45	4.51
Mar-12	8:00 IBGE Inflation IPCA m/m	Feb	--	0.79	0.42
Mar-13	Formal Job Creation Total	Jan	--	91607	-430159
Mar-14	8:00 Retail Sales Broad y/y	Jan	--	2.7	0
Mar-14	8:00 Retail Sales y/y	Jan	--	1.7	1.3
Mar-14	8:00 Retail Sales Broad m/m	Jan	--	0.7	-1.1
Mar-14	8:00 Retail Sales m/m	Jan	--	0.3	-1.3
Mar-15	8:00 IBGE Services Volume m/m SA	Jan	--	-0.6	0.3
Mar-15	8:00 IBGE Services Volume y/y NSA	Jan	--	1.9	-2
Mar-18	7:00 FGV Inflation IGP-10 m/m	Mar	--	--	-0.65
Mar-18	7:00 FGV CPI IPC-S (%)	15-Mar	--	--	0.56
Mar-18	7:25 Central Bank Weekly Economist Survey		--		
Mar-18	8:00 Economic Activity m/m	Jan	--	--	0.82
Mar-18	8:00 Economic Activity y/y	Jan	--	--	1.36
Mar-18	14:00 Trade Balance Weekly (USD mn)	17-Mar	--	--	1484.3
Mar-19	4:00 FIPE CPI - Weekly (%)	15-Mar	--	--	0.46
Mar-20	17:30 Selic Rate (%)	20-Mar	11.00	--	11.25
Mar-22	7:00 FGV Consumer Confidence	Mar	--	--	89.7
Mar 15-25	Formal Job Creation Total	Feb	--	91607	-430159
Mar 20-25	Tax Collections (BRL mn)	Feb	--	--	280636

CHILE

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Mar-12	7:30 Central Bank Economist Survey		--		
Mar 07-12	Vehicle Sales Total	Feb	--	--	22450
Mar-18	7:30 GDP q/q	4Q	0.2	--	0.33
Mar-18	7:30 Current Account Balance (USD mn)	4Q	--	--	-4494.9
Mar-18	7:30 GDP y/y	4Q	0.2	--	0.59
Mar-22	8:00 PPI m/m	Feb	--	--	0.8

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Mar-11	Consumer Confidence Index	Feb	--	--	-7.9
Mar-15	11:00 Industrial Production y/y	Jan	--	--	-3.2
Mar-15	11:00 Manufacturing Production y/y	Jan	-3.51	--	-6.77 The Fenalco Sales Perception indicator improved slightly in January, rising 2 points to -13, still below its historical average. Business expectations also improved, although they remain below the historical average. In the automotive sector, vehicle registrations in January were 16.6% lower than in the same month of 2023 and 4.4% lower than in December, indicating an unfavourable start to the year. In the manufacturing sector, the PMI showed a significant improvement, reaching 55.1 points in January, pointing to a slower improvement in manufacturing activity.
Mar-15	11:00 Retail Sales y/y	Jan	-3.20	-0.8	-4.7
Mar-15	Central Bank's Economists Survey		--		
Mar-18	11:00 Imports CIF Total (USD mn)	Jan	--	--	5256.7
Mar-18	11:00 Trade Balance (USD mn)	Jan	--	--	-546.05
Mar-18	12:00 Economic Activity NSA y/y	Jan	0.5	--	0.12 For 2024, the economy is expected to operate below its potential, although with better growth than last year. Economic activity is expected to increase by 0.5% in January 2024, which is in line with a GDP growth forecast of 1% for the first quarter of the year.
Mar-19	Industrial Confidence	Feb	--	--	0.2
Mar-19	Retail Confidence	Feb	--	--	14.5
Mar-22	14:00 Overnight Lending Rate (%)	22-Mar	12.00	--	12.75 Inflation reduction and weaker-than-expected GDP numbers bring on the cards the possibility of accelerating the easing cycle. A 75 bps move will be enough to maintain a restrictive stance without significantly increasing the pressure on the economy.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for March 9–22

MEXICO

<u>Date</u>	<u>Time</u> <u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Mar 07-11	Nominal Wages m/m	Feb	--	--	9.29	
Mar-11	ANTAD Same-Store Sales y/y	Feb	--	--	3.5	
Mar-12	8:00 Industrial Production NSA y/y	Jan	--	--	0.01	
Mar-12	8:00 Manuf. Production NSA y/y	Jan	--	--	-3.98	
Mar-12	8:00 Industrial Production SA m/m	Jan	--	--	-0.74	
Mar-12	11:00 International Reserves Weekly (USD mn)	08-Mar	--	--	213903	
Mar-19	8:00 Aggregate Supply and Demand (%)	4Q	--	--	2.7	
Mar-20	11:00 International Reserves Weekly (USD mn)	15-Mar	--	--	213903	
Mar-20	Banamex Survey of Economists		--	--		
Mar-21	8:00 Retail Sales y/y	Jan	--	--	-0.2	
Mar-21	8:00 Retail Sales m/m	Jan	--	--	-0.9	
Mar-21	15:00 Overnight Rate (%)	21-Mar	11.00	--	11.25	
Mar-22	8:00 Economic Activity IGAE m/m	Jan	--	--	-0.05	
Mar-22	8:00 Economic Activity IGAE y/y	Jan	--	--	1.09	
Mar-22	8:00 Bi-Weekly CPI y/y	15-Mar	--	--	4.35	
Mar-22	8:00 Bi-Weekly CPI (%)	15-Mar	--	--	0.06	
Mar-22	8:00 Bi-Weekly Core CPI y/y	15-Mar	--	--	4.66	
Mar-22	8:00 Bi-Weekly Core CPI (%)	15-Mar	--	--	0.19	

PERU

<u>Date</u>	<u>Time</u> <u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Mar-15	11:00 Economic Activity y/y	Jan	1.4	--	-0.74	GDP would grow again due to rebound to sectors linked to domestic demand as construction and services are partially offset by a fall in fishing and agricultural sectors.

Forecasts at time of publication.
Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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