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Table of Contents

Economic Overview	2-3
Pacific Alliance Country Updates	4-6
Forecast Updates	7-9
Key Economic Charts	10
Key Market Charts	11
Yield Curves	12-14
Market Events & Indicators	15-16

Latam Weekly: Latam and US CPI Week, Uncertain BCRP Decision

ECONOMIC OVERVIEW

- We have a key week ahead in Latam and the G20, packed with CPI figures and another round of central bank decisions. Market uncertainty regarding the path for rates has heightened of late, as have risks to commodity prices amid geopolitical events. Economic resilience and still-high inflation with growing energy prices risks leave us in a wait-and-see mode. The BCRP, BoC, and ECB will likely remain in that mode next week.
- Peru's central bank may still opt to cut, but it's a tough one to call and we favour a second straight hold. The uncertain decision comes amid political noise in the country after another failed attempt to impeach the President that may now be followed by progress in the authorization of pension fund withdrawals.
- Colombian CPI tonight may jolt local markets once they reopen on Monday, with price action for the rest of the week at risk of external events and political developments at home. On Monday, Chilean prices figures should show the impact of a weaker CLP and stronger fuel prices.
- Tuesday's Mexican inflation data may not surprise much with mid-month readings already in hand, but it should reinforce worries about elevated core inflation that partly explains our decision to raise our Banxico end-2024 rate forecast by 50bps. This Sunday, we have the first Presidential debate with two months to go until the June vote.

PACIFIC ALLIANCE COUNTRY UPDATES

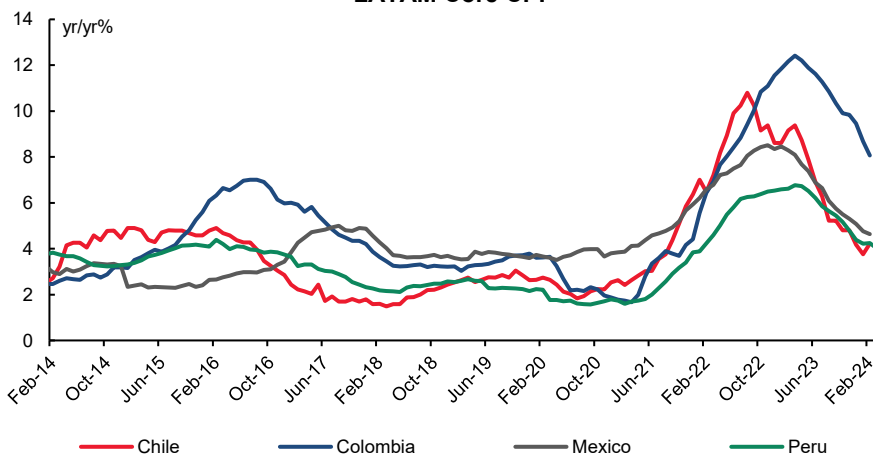
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Colombia and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period April 6-19 across the Pacific Alliance countries and Brazil.

Chart of the Week

LATAM Core CPI



Sources: Scotiabank Economics, IBGE, INE, BanRep, INEGI, BRCP.

Chart of the Week: Prepared by: Cesar Amador, Economic Analyst.

Economic Overview: Latam and US CPI Week, Uncertain BCRP Decision

- **We have a key week ahead in Latam and the G20, packed with CPI figures and another round of central bank decisions. Market uncertainty regarding the path for rates has heightened of late, as have risks to commodity prices amid geopolitical events. Economic resilience and still-high inflation with growing energy prices risks leave us in a wait-and-see mode. The BCRP, BoC, and ECB will likely remain in that mode next week.**
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We have a very busy week ahead in Latam and the G20, packed with CPI figures and another round of central bank decisions. The second quarter has begun with a sense of uncertainty in markets, with relatively thin volumes given the holidays and some sharp moves that look out of line with fundamentals. Next week's events may help economists and traders firm up their views for the summer cycle of G10 rate cuts. Rate cuts are well underway in Latam, but in hindsight these may now look a bit stretched or due for a more steady pace.

The global data run and decisions by BCRP, ECB, and BoC officials (among others) will be a source of clarity for markets...but we may have to be cautious in our certainty of the path ahead. Heightened supply risks owing to the war in the Middle East have driven crude oil prices to their highest levels since October, challenging economists' inflation forecasts to see a possibly more delayed return to on-target inflation.

Colombian, Chilean, Mexican, and US (and even Chinese) CPI data out over the next few days should reflect rising fuel prices already but these could turn into a greater, more worrying, driver of higher inflation if the recent trend in crude prices—and in geopolitical clashes—continues. This is something that policymakers will surely take into account when they meet next week.

The BoC and ECB are not ready to cut, but the latter still remains on track to do so at its meeting in June. Nevertheless, considering wage growth uncertainty and now energy prices again being a greater inflation nuisance, the ECB may choose to be ultra-conditional in a very faint teeing up of a cut that could disappoint markets that have been eagerly awaiting the first move by the world's #2 central bank.

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The other main source of ex-Latam risks next week concerns the world's #1 central bank. US inflation is expected to rise to its highest year-on-year point since last September, and core prices growth is expected to only marginally slow, remaining elevated; the Fed's meeting minutes could also give us some clues around risks to the three cuts outlined in the 'dots'.

For the BCRP, the strong progress made in inflation since mid-2023 hit a wall in early-2024 with some disappointingly high readings, where the February 'beat' prompted the bank to surprise with an unchanged reference rate at its March decision (see [here](#)). After the meeting we thought it more likely that the BCRP would resume rate cuts in April. We now think it's more likely to pause again, a call that our team outlines in today's Latam Weekly. While we wait for the rate decision on Thursday, we'll also keep track of political developments in Peru. Congress rejected moving forward with two separate impeachment motions against Boluarte, but political noise and accusations will likely continue. Maybe Congress will now refocus on the passage of another pensions withdrawal bill.

Colombia's DANE kicks off the CPI data week tonight. We're counting this one as 'next week' as markets will not be able to react to this key data release until they reopen on Monday—as one should have become used to by now with Colombian data and central bank decisions. For today's release, our economists expect a 0.71% m/m inflation reading (vs 0.68% Bloomberg median) driven by higher rents (indexation), health services, and transportation against softer food prices and tradables (thanks to stronger COP).

After opening to March CPI figures, local markets will have little of note to trade on data-wise (there's only consumer confidence figures to highlight), but, as in Peru, political news may influence trading. Earlier this week Petro's government took control of one of the country's top health insurers as his health reform bill headed towards an eventual rejection in the Senate on Wednesday. In today's Latam Weekly, our team discuss the monetary policy outlook and how fiscal and political risks—alongside macro drivers—may be acting to keep BanRep cautious about a steep pace of policy easing.

Our economists project that Chilean inflation, out on Monday, accelerated slightly in March to print a 0.7% m/m increase in prices (translated into a non-chained 3.5% y/y) owing to transportation, educational services, and housing prices that would account for 0.6ppts of the 0.7ppt rise for the month. Within transportation, it will be higher fuel prices and airfares that will drive most of the rise in prices of the overall category. The weaker CLP has been a headache for BCCh officials, as the positioning of markets for sharp rate cuts led a depreciatory narrowing of Chile's rate differential to the US—but also regional peers.

There's also the fact that economic figures have outperformed expectations of late, leading the BCCh to revise its 2024 growth forecast significantly higher to align closer to our economists' projection of 3%, as they discuss in today's report. In their view, "we believe that the Board will act with greater flexibility depending on inflation prints in coming months, so we do not rule out pauses in the cutting process throughout the year if higher-than-expected inflation is observed", but they note that they continue to project year-end policy rate of 4.50%—50bps below the corridor midpoint in the latest BCCh MPR's forecasts. We'll see where economists polled by the BCCh stand, with results to the bank's survey due on Wednesday.

Mexican inflation for the whole of March is not seen all that different to the bi-weekly print as is generally the case, so there is limited room for surprise. Figures out on Tuesday are expected to show headline inflation around 4.5% y/y, marginally up from 4.4% in February, in contrast to practically unchanged core inflation at 4.6%. The sequential prints may be a bit more worrying, as core CPI is expected to print a large 0.5% m/m rise for the second consecutive month as progress in core prices growth stalls at the start of 2024, supporting Banxico's cautious start to its rate cutting cycle. The minutes to the March rate decision, alongside recent data, told us that the bank will prefer to hold its policy rate unchanged at its May decision, and we think that Banxico will cut by 50bps fewer over the course of 2024 than in our previous forecast round (see tables at the back).

Again pivoting to politics, the first presidential debate ahead of the June elections takes place on Sunday, April 7th. We may get a bit more colour from the leading candidates (Sheinbaum and Galvez) on their policy views, though there likely won't be anything that could materially move markets (maybe something on fiscal plans?). Election polls since autumn have shown Galvez chipping away at Sheinbaum's lead, but the latter's advantage remains close to 25ppts and unlikely to be done away in the two months until the vote.

Pacific Alliance Country Updates

Chile—We Reaffirm Our Forecast of 3% GDP Growth this Year, at the Upper End of the Central Bank's Projection

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The central bank is moving towards our GDP growth projection for this year. Benchmark rate cuts will depend on inflation data. In its Monetary Policy Report (IPoM), the central bank (BCCh) raised its GDP growth projection for this year by 0.75ppts to a range between 2 and 3% (centered at 2.6%). By expenditure components, the revision was mainly explained by a greater external impulse, which would favour the growth of exports. Regarding domestic demand, the IPoM anticipates 2% growth for private consumption, with no major changes with respect to the previous IPoM, and a 2% drop for investment, which is significantly lower than the BCCh's December estimate. In this context, the BCCh estimates that the output gap turned positive in the immediate term due to the upside surprises in GDP growth in January and February, although it will close again in coming quarters. With this, we continue to project that GDP will grow 3% in 2024, which would be at the top end of the central bank's projection.

The recent appreciation of the peso supports our projection of lower inflation starting in the second quarter. In response to the depreciation of the peso during the first quarter, the BCCh raised its inflation projection for December from 2.9% to 3.8% y/y, as well as the ex-volatile CPI projection from 3.2% to 3.8% y/y. Higher global costs and higher inflation records in the first two months of the year also explained part of the upward revision. In this context, the central part of the corridor for the benchmark rate incorporates 150bps of cuts for the remainder of the year, which would be concentrated in the May and June meetings (-50bps, respectively).

Looking ahead, we believe that the Board will act with greater flexibility depending on inflation prints in coming months, so we do not rule out pauses in the cutting process throughout the year if higher-than-expected inflation is observed. However, in our central scenario we project that the policy rate will stand at 4.5% in December of this year—below the trajectory reflected in the center of the rate corridor (5%)—consistent with our inflation projection of around 3% for December. The appreciation that we foresee for the peso in the coming months—which has been materializing rapidly in recent days—would help to reverse the inflationary surprises of the first quarter. This, together with adequate inventory levels and an economy that would not be in a position to generate relevant inflationary pressures, leads us to project that CPI readings will be low for the remainder of the year.

Colombia—Monetary Policy Outlook in a Context of Political Worries

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Despite 2024 beginning with the expectation that it would be the year of the global easing cycle, it has taken more time than expected due to a slowdown in headline inflation deceleration in developed countries, along with more resilient economic activity, especially in the US. Therefore, the Fed and ECB have shown more caution and patience before starting the easing cycle, while Latam countries had to slow down the pace of monetary policy normalization due to a higher-for-longer international rate and a slower pace of headline inflation deceleration.

In that context, the Colombian central bank, BanRep, started a gradual easing cycle in December last year, which also has consolidated and proved that BanRep is a very orthodox independent central bank that weighs significantly more hitting the inflation target sooner than the recent significant economic activity deceleration. In fact, even though headline inflation has dropped more than 1.5ppts since December and 2.4ppts since they started the easing cycle, the policy rate has dropped 1ppt, increasing the real rate at the margin, while economic activity came in much weaker last year, growing only 0.6%. The beginning of the year has not shown a strong recovery of the economy; even the market and multilaterals have recently reduced GDP growth expectations. The reasons behind this excess of graduality from BanRep owe to somewhat technical views but also, for the first time in many years, political reasons:

- The international rate being higher for longer not only makes the neutral rate higher in Colombia (currently at 2.4% in real terms) but also raises fears that a quicker easing cycle pace can harshly weaken the local currency, which has happened recently in Chile.

- Missing the target for the third year in a row puts the credibility of BanRep at risk which is something that the board has stressed and makes them more cautious about accelerating the easing cycle.
- Services inflation is stickier than expected due to higher indexation effects, especially rent fees. However, this argument is somehow contradictory since higher rates have caused the housing supply to fall and mortgage credit to decelerate, which increased rent demand, boosting prices.
- The board is concerned about fiscal accounts sustainability. Recent comments from the fiscal rule independent committee about the possibility that the Central Government cannot comply with the fiscal rule this year increased fears that country's risk perception will worsen, which can depreciate the COP significantly, thus putting the disinflation process at risk.
- Finally, the minutes of the March meeting explicitly show concerns about political uncertainty that generated the communication strategy of Petro's administration and the proposal to change the constitution and modify the main target of BanRep to a more broad and economic activity focus rather than keep inflation targeting framework.

The last two reasons are the ones that worry us the most since, for the first time, we see that not only is fiscal sustainability a real concern of the board, but also the possibility of changing the economic framework status quo has made the board become even more orthodox and, in a call for independence, prefer to delay the easing cycle and not helping economic activity recovery thinking in a long run perspective, rather than perform a counter-cyclical policy or at least neutral so as to not harm domestic demand too much.

Down the road, we think that BanRep will continue to weigh political issues which will be a crucial part of the decision-making process. Therefore, although for now we keep our forecast of 7.50% as a December 2024 rate, we think that a scenario where inflation convergence continues under a low growth but a higher real rate gaining momentum can translate into a policy rate that ends the year in the vicinity of 8.00% rather than 7.50%.

The debate for 2025 could be even tougher because, despite the tilt to the hawkish side in 2024, in 2025 the government will have the right to change two board members. These members could become the majority group if they join the finance minister and Acosta, two members that have a dovish bias. This point makes us think that the end of the easing cycle could still be around 5.50% in 2025.

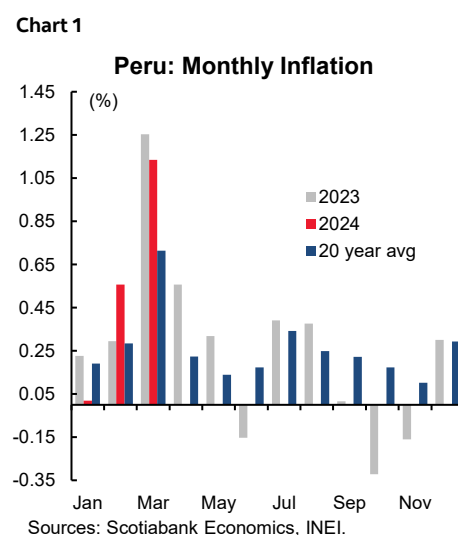
Peru—The BCRP: Pondering the Reference Rate

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Next Thursday, April 11th, the BCRP will hold its monetary policy session, and, for the first time in ages, the BCRP has us on the edge of our seats as to what it will do. Will it keep the reference rate at 6.25% as it did in March, or will it implement a 25bps reduction, as it did in the six months prior to March? If we judge the BCRP by its words, it should maintain the reference rate next week. The reason the BCRP gave for not lowering the rate in March was because inflation in February had jumped out of the target range, as had core inflation. BCRP officials have also commented that the risk of rate differential inversion with the Fed policy rate had been a factor in its decision for a pause in its policy.

All of these factors subsist... to a degree. Yearly inflation to March fell to 3.05% from 3.3%, and core inflation remained stable at 3.1%. Both remained above the 3.0% range. Furthermore, nothing has changed in terms of rate differentials. Given expectations of when and at what pace the Fed will begin reducing rates, the BCRP would still need to pace itself carefully to avoid negative differentials between Peru's and the U.S. reference rates from appearing this year.

So, if the arguments that the BCRP used to justify not moving its reference rate in March remain in April, logic would dictate that the BCRP would once again leave its policy rate unchanged. And, indeed, we consider this the likeliest scenario.



April 5, 2024

There are (partial) caveats, however. Inflation for April 2024 will compare to a 0.56% m/m rise in April 2023, which was well above the twenty year average of 0.22%. This opens the possibility that inflation in April 2024 will be lower than last year, and closer to the historical average. Maybe. It's still too early in the month for the key prices we follow to be indicative of the full monthly trend. And there is one price to watch out for. Gasoline prices have begun to rise. Not much, but enough to put the BCRP on alert.

An additional question mark is whether the impact of last year's El Niño on agricultural productivity has ended, as a normalization of agricultural production could lead to a sharp decline in inflation. This should occur eventually, and once it does, the BCRP will have more room, and indeed, pressure, to lower rates again.

The other caveat is timing. The BCRP has lowered its reference rate below the Fed rate at least at one time in the (distant) past. Although it has signaled its discomfort with allowing this situation to arise again, it is conceivable that the BCRP may accept this rate inversion if it is convinced that it will last for only a short period of time.

These caveats are not quite compelling enough for us to be convinced that the BCRP will resume lowering its rates next week, however. It's possible. But, the mildly more probable scenario seems to be one more, and possibly the last, monthly pause.

On another note, noise around President Boluarte's Rolex watch and other accusations of enrichment continue in the press and among opposition politicians. However, in practice, Congress shrugged off the issue, and on April 3rd voted against proceeding with two (separate) motions to impeach President Boluarte. Markets breathed a sigh of relief, and the PEN immediately rallied. What is still pending is the vote on the withdrawal of AFP (pension) funds. This could occur at any time. Those in Congress that are opposed to the withdrawal have been trying to drag out the issue, although it seems difficult for further delay to occur. Once the vote does come up, the motion is likely to be passed with a clear majority.

Forecast Updates

2022		2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1e	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	1.9	1.6	1.9	2.2	2.0	2.0	2.0	2.0	3.0	2.9	1.9	2.0
CPI (y/y % eop)	5.8	4.7	3.2	5.2	4.6	4.0	3.9	3.8	3.7	3.5	3.5	3.6	3.6	5.8	4.6	3.7	3.6
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	8.1	8.0	7.9	7.7	8.3	8.1	8.0	7.9	7.9	7.4	7.7	8.0
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	5.01	4.96	4.95	4.94	4.95	4.97	5.00	5.03	5.28	4.86	4.94	5.03
Chile																	
Real GDP (y/y % change)	-2.3	0.3	-0.4	0.6	0.4	2.4	3.6	2.1	4.0	2.0	2.3	3.2	2.6	2.1	0.2	3.0	2.5
CPI (y/y % eop)	12.8	11.1	7.4	4.7	3.4	3.5	3.5	3.2	3.0	2.2	2.5	3.0	3.0	12.8	3.4	3.0	3.0
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.5	8.7	8.3	7.8	7.3	7.9	8.2	7.9	7.2	7.9	8.5	8.0	7.8
Central bank policy rate (% eop)	11.25	11.25	11.25	9.50	8.25	7.25	5.50	4.75	4.50	4.25	4.25	4.25	4.25	11.25	8.25	4.50	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	979	940	900	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	7.4	7.0	5.9	5.5	4.1	3.8	3.8	3.7	13.1	9.3	5.5	3.7
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	12.25	10.75	9.00	7.50	6.50	5.50	5.50	5.50	12.00	13.00	7.50	5.50
Foreign exchange (USDCOP, eop)	4,853	4,623	4,172	4,068	3,855	3,852	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	2.9	3.7	2.4	2.1	1.8	1.4	1.6	1.4	3.9	3.2	2.8	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	2.8	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	10.75	10.25	10.00	9.25	9.00	8.50	8.00	10.50	11.25	10.00	8.00
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	16.56	17.60	17.90	18.20	18.50	18.80	19.25	19.50	19.50	16.97	18.20	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	3.0	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	3.72	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	1.35	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	3.8	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	1.08	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 8, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	0.2	0.2	0.2	0.1	-	0.1	-	-	-	-	0.1	-
CPI (y/y %, eop)	-	-	-	-	-	0.1	-0.1	-0.1	-0.1	-0.1	-0.1	-	-	-	-	-0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-0.1	-0.1	-0.1	-0.2	-0.1	-0.1	-	-	-	-	-0.2	-0.1
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	0.07	-	-	-	-	-	-	-	-	-	-	-
Chile																	
Real GDP (y/y % change)	-	1.0	0.4	-	0.2	1.4	1.1	0.6	1.0	-0.4	0.3	0.1	-	-0.3	0.4	1.0	-
CPI (y/y %, eop)	-	-	-	-	-	0.5	0.5	0.2	-	-0.6	-0.6	-0.2	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	0.3	-0.2	-0.6	-0.7	-0.5	-0.2	-0.1	0.1	-	-	-0.3	-0.2
Central bank policy rate (% eop)	-	-	-	-	-	-	0.50	0.50	0.25	-	-	-	-	-	-	0.25	-
Foreign exchange (USDCPL, eop)	-	-	-	-	-	109.00	70.00	30.00	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	0.4	0.5	0.5	0.5	0.2	0.2	0.1	0.1	-	-	0.5	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	0.25	0.25	0.50	0.50	0.25	-0.25	-	-	-	-	0.50	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-197	-	-	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-0.9	-0.3	-	-	-	-	-	-	-	-	-0.3	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	0.25	0.25	0.50	0.25	0.50	0.50	0.50	-	-	0.50	0.50
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-0.84	-0.10	-0.10	-0.20	-0.20	-0.10	-	-	-	-	-0.20	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	0.4	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-0.06	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	0.02	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-0.02	-	-	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics, Consensus Economics. Changes in estimates and forecasts since previous *Latam Weekly* on Mar 8, 2024.

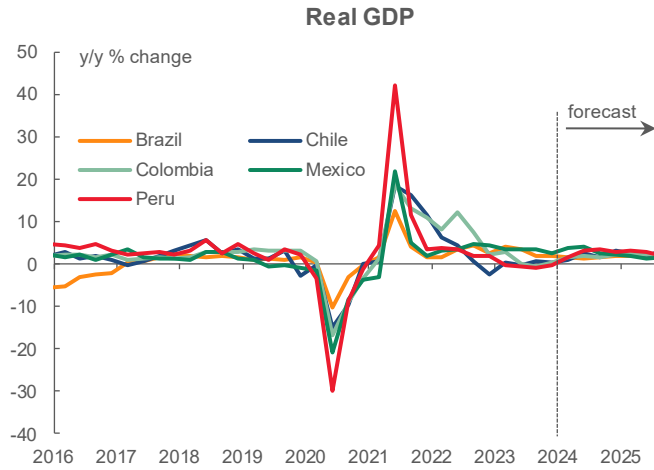
Forecast Updates: Central Bank Policy Rates and Outlook

	Next Scheduled Meeting			BNS Forecast		BNS guidance for next monetary policy meeting
	Current	Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	10.75%	May-08	10.75%	9.00%	8.50%	
Chile, BCCh, TPM	6.50%	May-23	6.00%	4.25%	4.25%	We anticipate a 50-basis-point cut, bringing the interest rate to 6.00%, at the May meeting.
Colombia, BanRep, TII	12.25%	Apr-30	11.50%	7.00%	5.50%	The central bank decided to accelerate the easing cycle, maintaining a cautious approach as concerns around the compliance of the fiscal rule and noisy political announcements could imply challenges for the domestic risk premium. Inflation reduction and economic growth deceleration support the necessity of having lower rates; however, the majority of the board could continue to be tilted to the hawkish side as a signal of independence but also as a signal of concern around political developments.
Mexico, Banxico, TO	11.00%	Jun-27	10.75%	10.00%	8.00%	The minutes of Banxico’s March meeting revealed the arguments behind the votes for a rate cut, and in the case of Deputy Governor Espinosa, the arguments for leaving the rate unchanged. Another argument used by some of the members was that, although the inflationary outlook remains uncertain and with an upward balance of risks, some shocks have begun to be mitigated and the disinflation process has progressed since the rate has stood in restrictive territory. We believe that the Board will leave the rate unchanged at the next monetary policy meeting with gradual adjustments during the year, raising our year-end rate outlook to 10.0%.
Peru, BCRP, TIR	6.25%	Apr-11	6.25%	4.25%	4.00%	BCRP will hold its monetary policy rate, and, for this first time in ages, the BCRP has us on the edge of our seats as to what it will do. If we judge the BCRP by its words, it should maintain the reference rate next week. The reason the BCRP gave for not lowering the rate in March was because inflation in February had jumped out of the target range, as had core inflation.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

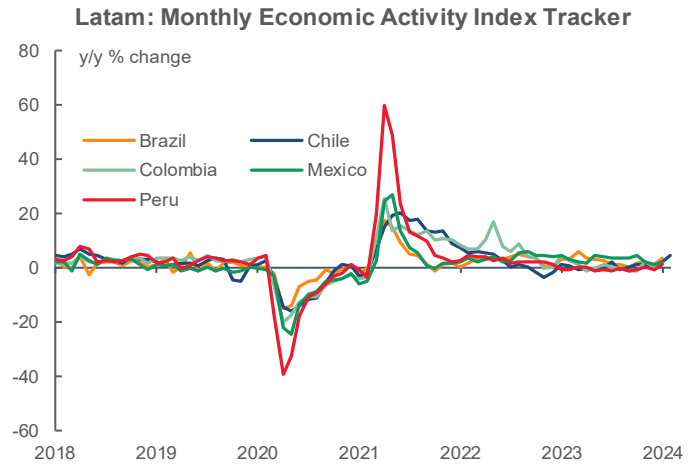
Key Economic Charts

Chart 1



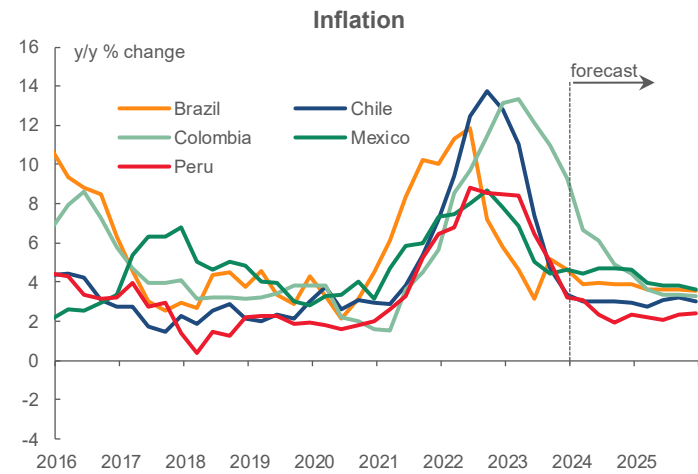
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



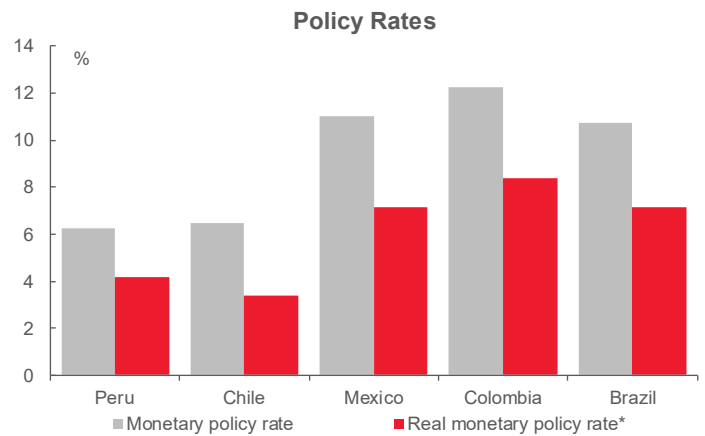
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



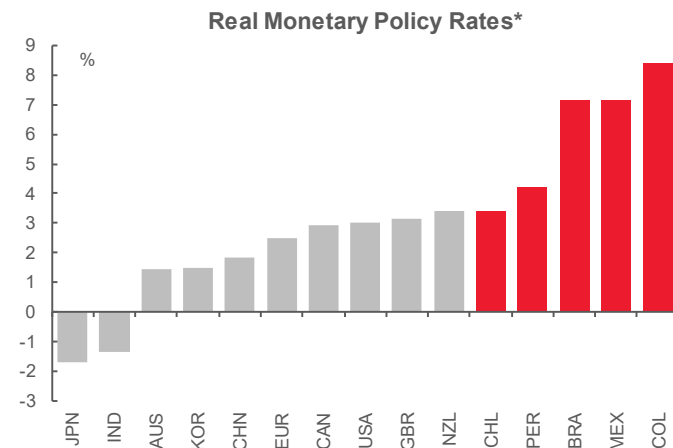
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2025, % y/y. Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5

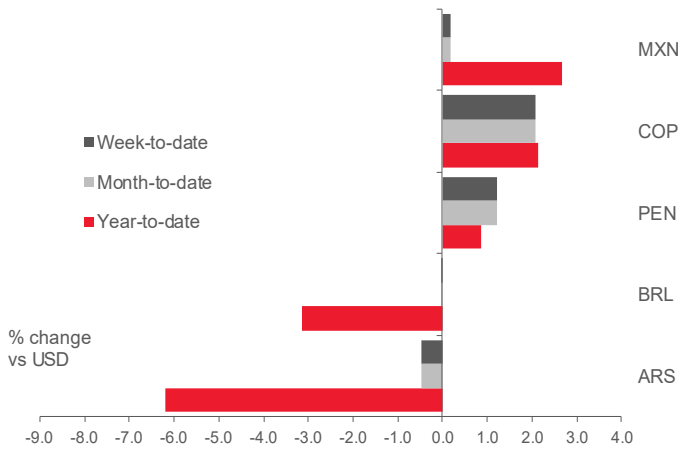


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

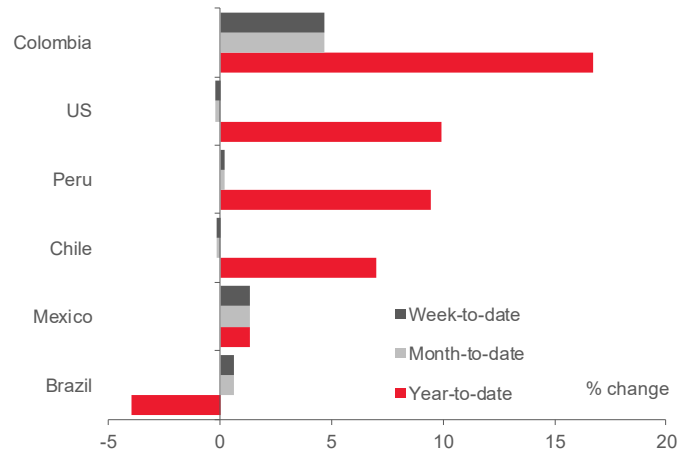
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

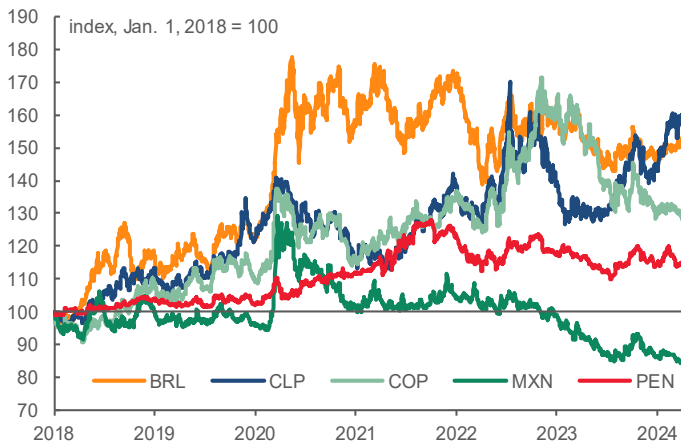
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

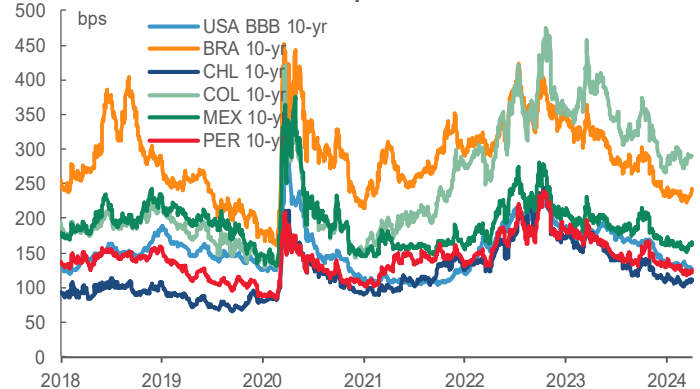
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

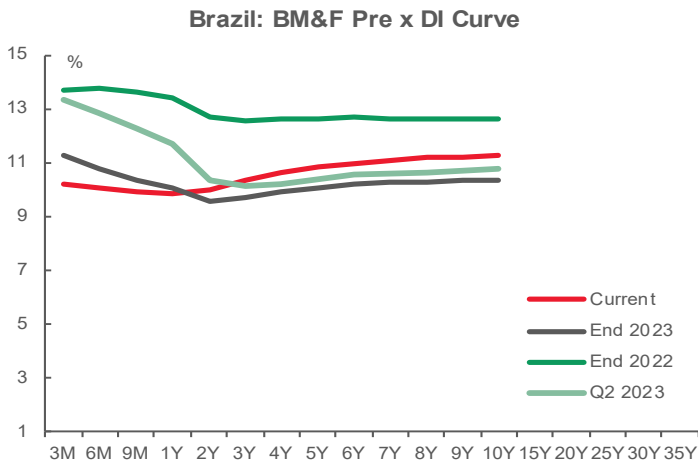
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

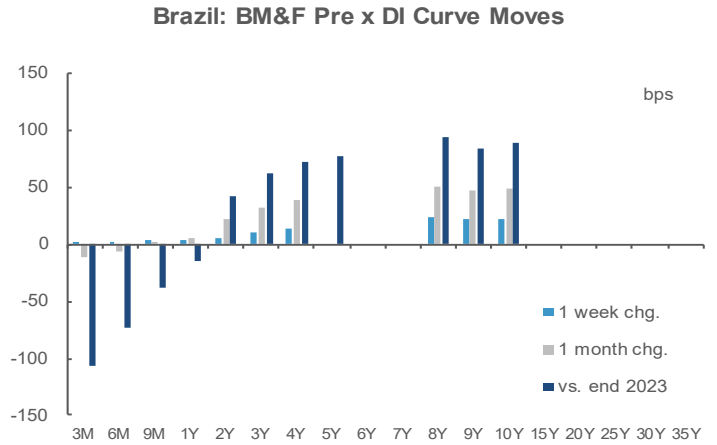
Yield Curves

Chart 1



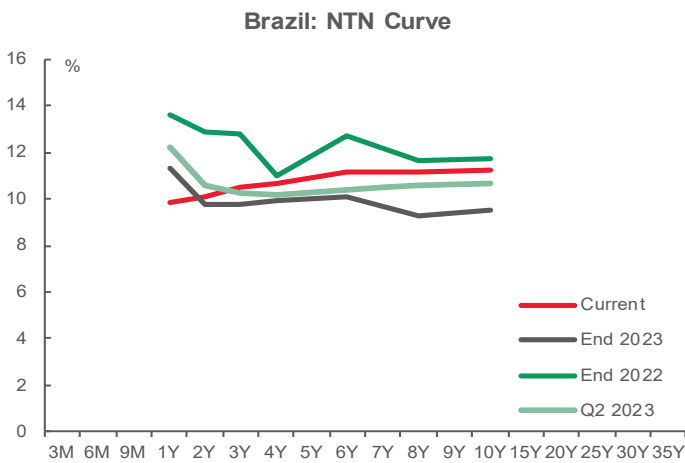
Sources: Scotiabank Economics, Bloomberg.

Chart 2



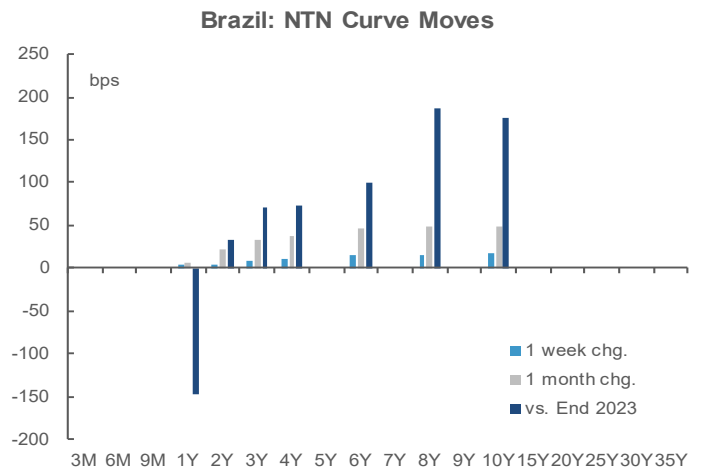
Sources: Scotiabank Economics, Bloomberg.

Chart 3



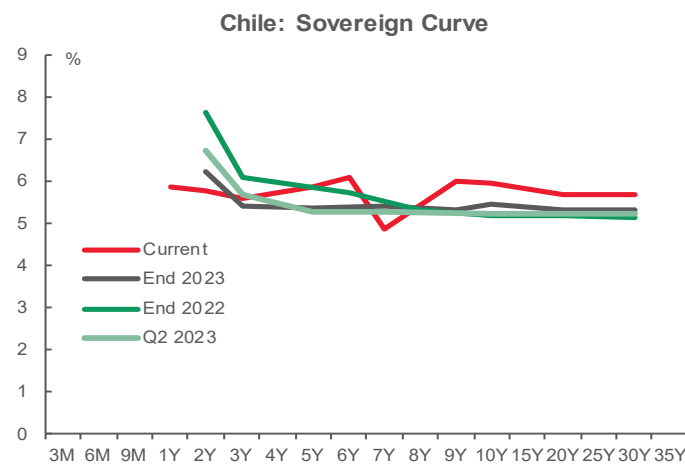
Sources: Scotiabank Economics, Bloomberg.

Chart 4



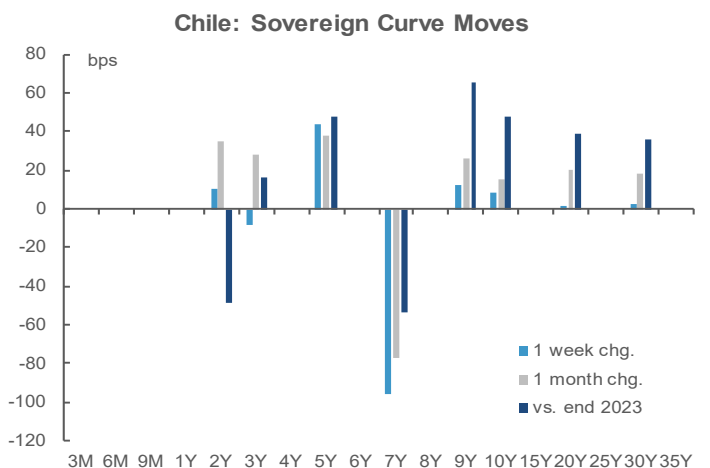
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

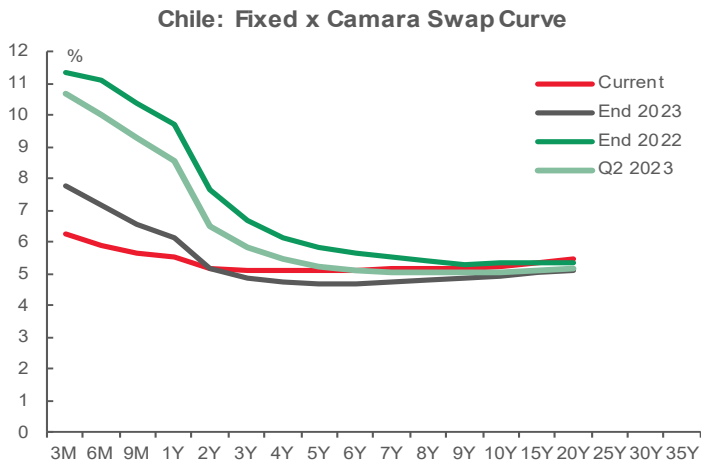
Chart 6



Sources: Scotiabank Economics, Bloomberg.

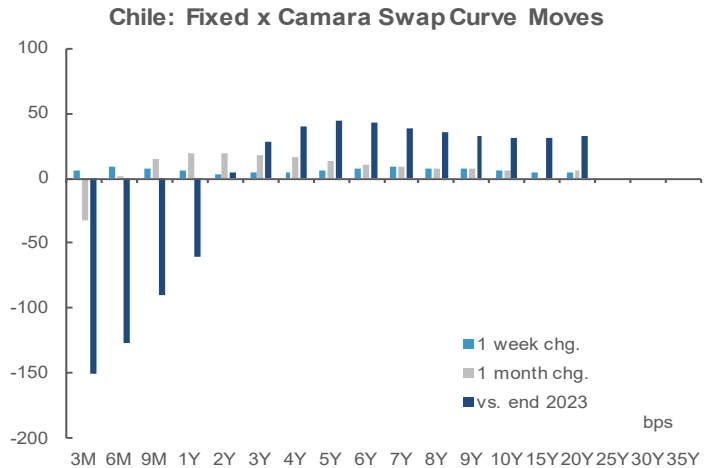
Yield Curves

Chart 7



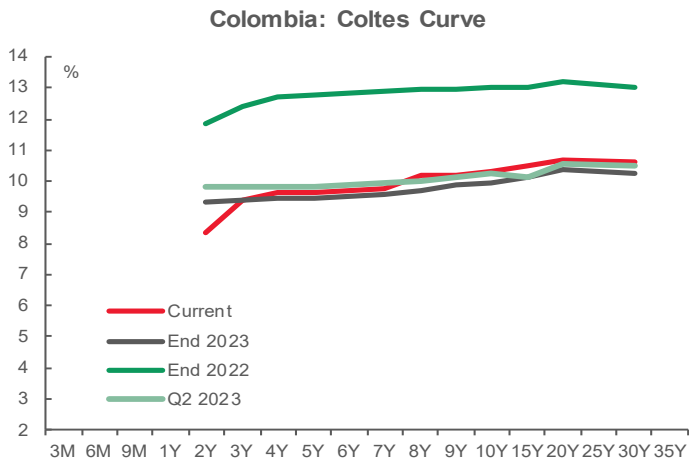
Sources: Scotiabank Economics, Bloomberg.

Chart 8



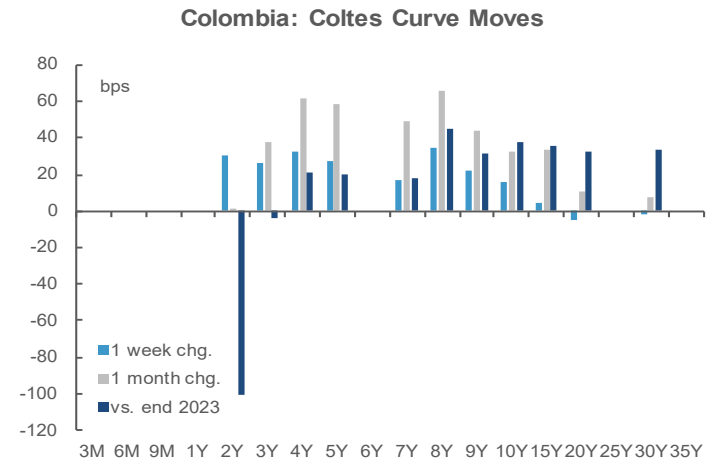
Sources: Scotiabank Economics, Bloomberg.

Chart 9



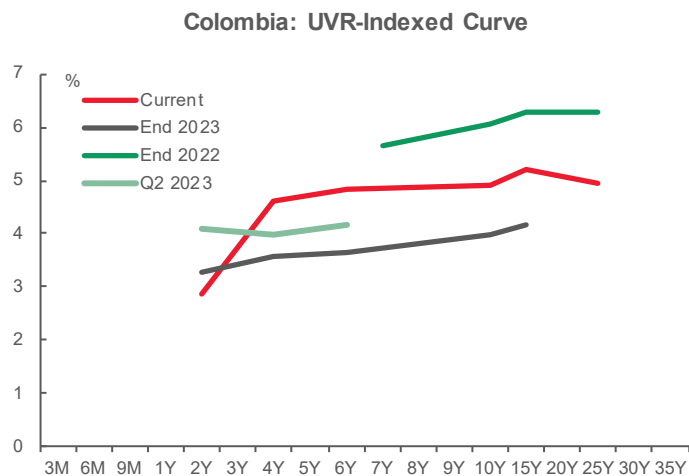
Sources: Scotiabank Economics, Bloomberg.

Chart 10



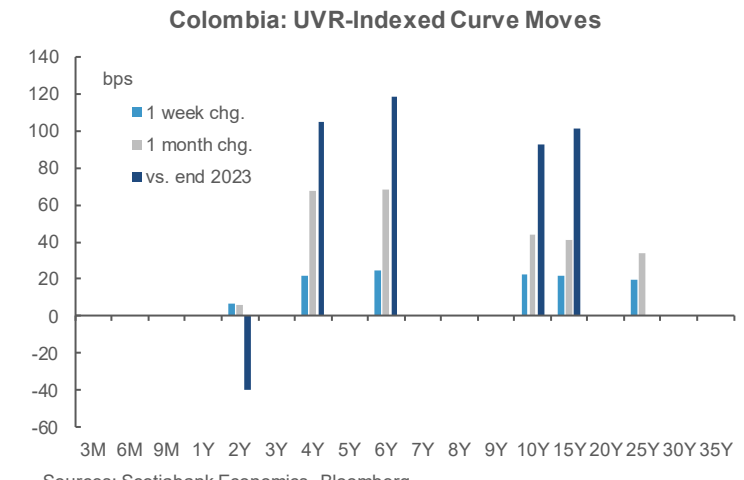
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

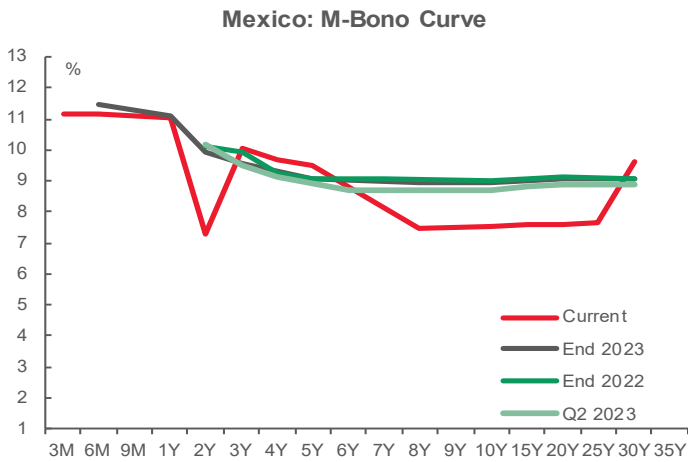
Chart 12



Sources: Scotiabank Economics, Bloomberg.

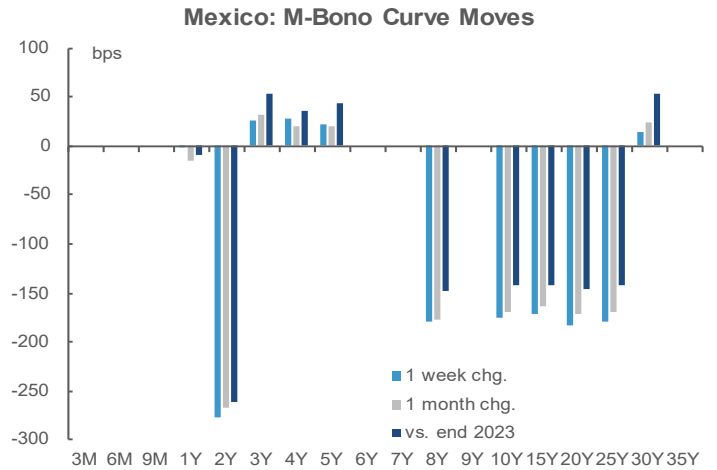
Yield Curves

Chart 13



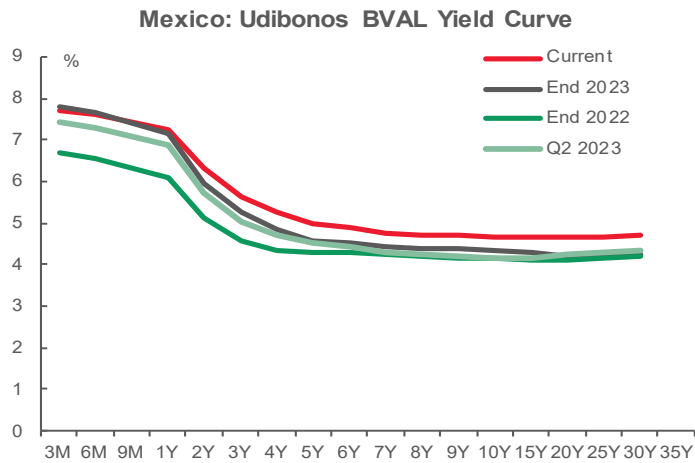
Sources: Scotiabank Economics, Bloomberg.

Chart 14



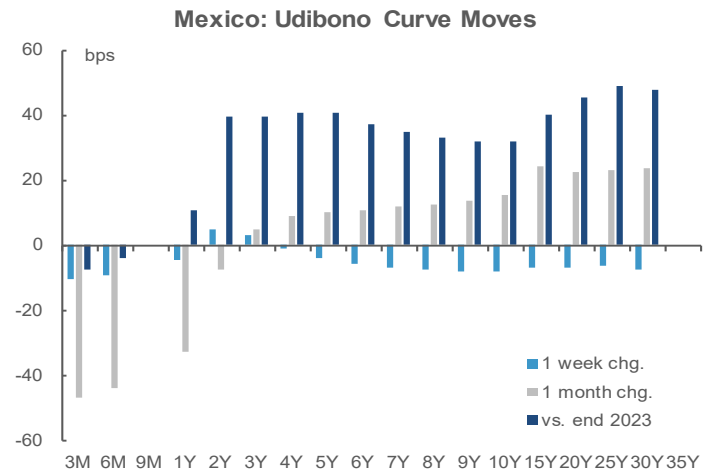
Sources: Scotiabank Economics, Bloomberg.

Chart 15



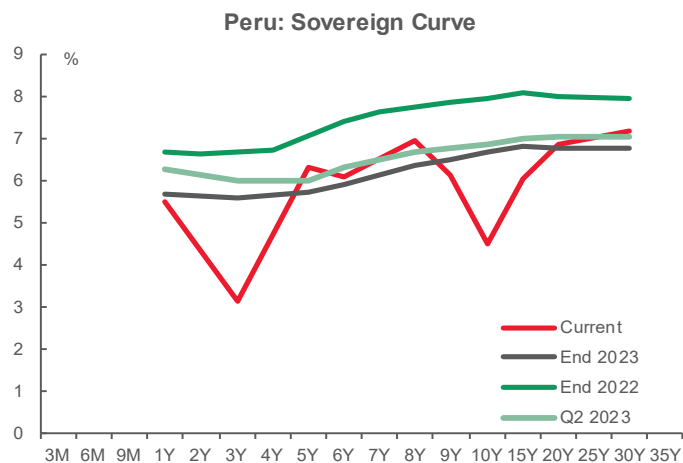
Sources: Scotiabank Economics, Bloomberg.

Chart 16



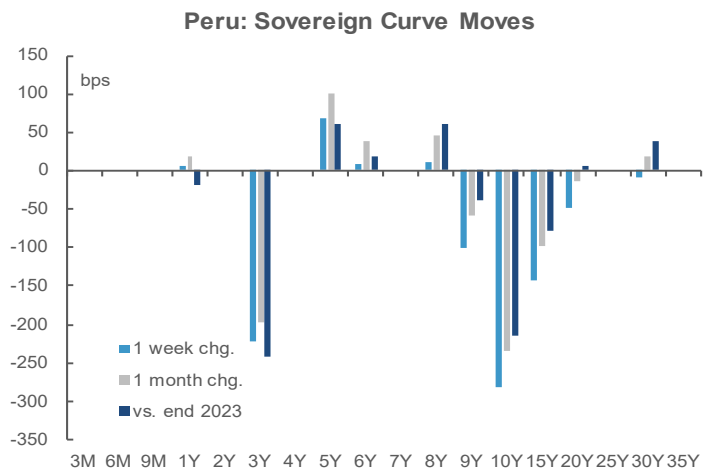
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for April 6–19

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Apr-08	7:00 FGV CPI IPC-S (%)	07-Apr	--	--	0.1	
Apr-08	7:25 Central Bank Weekly Economist Survey		--			
Apr-08	9:00 Vehicle Exports Anfavea BRL	Mar	--	--	30705	
Apr-08	9:00 Vehicle Production Anfavea	Mar	--	--	189684	
Apr-08	9:00 Vehicle Sales Anfavea	Mar	--	--	165225	
Apr-08	14:00 Trade Balance Weekly USD (mn)	07-Apr	--	--	2074.8	
Apr-09	4:00 FIPE CPI - Weekly (%)	07-Apr	--	--	0.38	
Apr-10	8:00 IBGE Inflation IPCA y/y	Mar	--	4	4.5	
Apr-10	8:00 IBGE Inflation IPCA m/m	Mar	--	0.27	0.83	
Apr-11	8:00 Retail Sales Broad y/y	Feb	--	--	6.8	
Apr-11	8:00 Retail Sales y/y	Feb	--	--	4.1	
Apr-11	8:00 Retail Sales Broad m/m	Feb	--	--	2.4	
Apr-11	8:00 Retail Sales m/m	Feb	--	--	2.5	
Apr-12	8:00 IBGE Services Volume m/m SA	Feb	--	--	0.7	
Apr-12	8:00 IBGE Services Volume y/y NSA	Feb	--	--	4.5	
Apr-15	7:25 Central Bank Weekly Economist Survey		--			
Apr-15	8:00 Economic Activity m/m	Feb	--	--	0.6	
Apr-15	8:00 Economic Activity y/y	Feb	--	--	3.45	
Apr-15	14:00 Trade Balance Weekly USD (mn)	14-Apr	--	--	2074.8	
Apr-16	7:00 FGV Inflation IGP-10 m/m	Apr	--	--	-0.17	
Apr-16	7:00 FGV CPI IPC-S (%)	15-Apr	--	--	0.1	
Apr-17	4:00 FIPE CPI - Weekly (%)	15-Apr	--	--	0.38	

CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Apr-08	8:00 CPI m/m	Mar	0.7	0.6	0.6	We project March inflation at 0.7% m/m (3.5% y/y) mainly due to increases in transportation, educational services and housing.
Apr-08	8:00 CPI y/y Chained	Mar	3.5	3.9	4.5	
Apr-08	8:30 Exports Total USD (mn)	Mar	--	--	7554.36	
Apr-08	8:30 Imports Total USD (mn)	Mar	--	--	6030.22	
Apr-08	8:30 Trade Balance USD (mn)	Mar	--	--	1524.14	
Apr-08	8:30 International Reserves USD (mn)	Mar	--	--	46552	
Apr-08	8:30 Copper Exports USD (mn)	Mar	--	--	3465.74	
Apr-10	8:30 Central Bank Economist Survey		--			
Apr 05-10	Vehicle Sales Total	Mar	--	--	22450	
Apr-19	8:30 Central Bank Traders Survey		--	--	--	

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Apr-10	Consumer Confidence Index	Mar	--	--	-9.4	
Apr-15	11:00 Industrial Production y/y	Feb	--	--	-1.51	
Apr-15	11:00 Manufacturing Production y/y	Feb	-3.8%	--	-4.26	In February, the commerce sector experienced a decline in sales expectations, according to Fenalco's indicator, which fell by 5 points to a balance of -18 percentage points (ppts). Sales expectations for the next six months also fell by 1%. However, domestic consumption grew by 0.6% year-over-year, marking the second consecutive month of growth after 14 months of decline. Inflation reduction and the pause in the increase of gasoline prices are contributing to boost domestic demand, even though consumer credit remains contracting.
						Regarding the manufacturing sector, the Purchasing Managers' Index (PMI) fell to 51.2 points in February, which is the lowest level in the last three months. However, it still remains above the 50-point threshold of the indicator.
Apr-15	11:00 Retail Sales y/y	Feb	-3.1%	--	-3.9	
Apr-15	Central Bank's Economists Survey		--			
Apr-18	12:00 Economic Activity NSA y/y	Feb	0.9%	--	1.6	Economic activity is expected to increase by 0.9% in February 2024, which is in line with a GDP growth forecast of 1% for the first quarter of the year. The retail, industrial, and construction sectors are expected to continue to perform moderately, reflecting the ongoing impact of high-interest rates on the economy and the decline in domestic demand, despite a slight rebound in some leading indicators such as household consumption expenditure in February. In contrast, public services, public administration, arts and entertainment, and real estate are expected to continue to drive economic activity, albeit at a slower pace.
Apr-19	11:00 Imports CIF Total USD (mn)	Feb	--	--	4959	
Apr-19	11:00 Trade Balance USD (mn)	Feb	--	--	-959.48	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for April 6–19

MEXICO

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Apr-09	8:00 CPI y/y	Mar	4.5	4.51	4.4	
Apr-09	8:00 CPI m/m	Mar	0.36	0.36	0.09	
Apr-09	8:00 CPI Core y/y	Mar	4.6	4.63	4.64	
Apr-09	8:00 Bi-Weekly CPI (%)	31-Mar	--	0.12	0.27	
Apr-09	8:00 CPI Core m/m	Mar	0.48	0.51	0.49	
Apr-09	8:00 Bi-Weekly CPI y/y	31-Mar	--	4.52	4.48	
Apr-09	8:00 Bi-Weekly Core CPI (%)	31-Mar	--	0.17	0.33	
Apr-09	8:00 Bi-Weekly Core CPI y/y	31-Mar	--	4.57	4.69	
Apr-09	11:00 International Reserves Weekly USD (mn)	05-Apr	--	--	217194	
Apr 05-09	Nominal Wages m/m	Mar	--	--	8.63	
Apr-10	ANTAD Same-Store Sales y/y	Mar	--	--	9.2	
Apr 05-10	Formal Job Creation Total (000's)	Mar	--	--	156.4	
Apr-11	8:00 Industrial Production NSA y/y	Feb	--	2.8	2.89	
Apr-11	8:00 Manuf. Production NSA y/y	Feb	--	--	0.05	
Apr-11	8:00 Industrial Production SA m/m	Feb	--	--	0.35	
Apr-16	11:00 International Reserves Weekly USD (mn)	12-Apr	--	--	217194	
Apr-19	8:00 Retail Sales y/y	Feb	--	--	-0.8	
Apr-19	8:00 Retail Sales m/m	Feb	--	--	-0.6	

PERU

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Apr-11	19:00 Reference Rate (%)	11-Apr	6.25	--	6.25	We observe that the Central Reserve Bank of Peru (BCRP) will maintain its policy rate, even though inflation remains above the target range.
Apr-15	11:00 Economic Activity y/y	Feb	2.5	--	1.37	GDP improved in the mining sector, mainly because higher output of molybdenum, gold and copper.
Apr-15	Lima Unemployment Rate (%)	Mar	6.8	--	7.3	Labour market improve gradually due to recovery in construction and services sectors.

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

Scotiabank Economics Latam Coverage

Local Market Coverage

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