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## Latam Daily: Colombia Macro, Peru GDP Surprises; BanRep Survey Recap

- **Colombia: BanRep Survey—mixed inflation expectations, while consensus affirms expectations for a 75bps cut in September**

Thin Asia trading with Japan and China closed for business followed by an uneventful European morning, with no data and few headlines, has given markets little to move on aside from FT and WSJ pieces calling for the Fed to start big this week. Fed cuts pricing for Wednesday’s meeting sits today 4bps higher at 38bps—or roughly a toss-up chance of a half-point cut—building on the late-week rally that followed a pair of speculative Fed dilemma articles (also from the WSJ and FT). There’s little on tap in the G10 to shake up global markets while in Latam we have the release of Colombian retail sales and industrial/manufacturing output data at 11ET.

Over the weekend, China released another set of disappointing macro figures, with retail sales missing in August at 2.1% vs 2.5% y/y expected while investment, industrial production, and unemployment rate figures also disappointed. The data led a couple of key US banks to downgrade their 2024 China growth projections to 4.7%, on track to miss the government’s 5% goal. With Chinese data weakness comes declines in key metals prices, as iron ore sheds 1.6% today and copper falls 0.3%, but oil holds up ~0.5%. All of Euro Stoxx and FTSE cash indices, and SPX/NDX futures are practically flat.

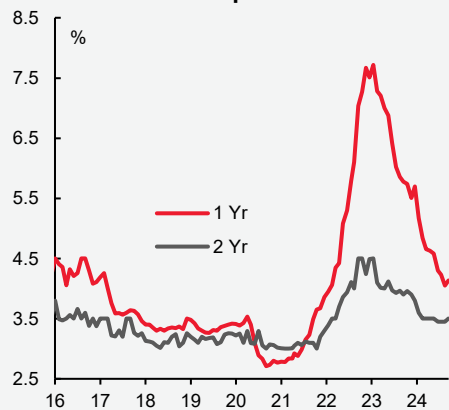
While the very front-end of the USD curve shows a 3/4bps bid, yield declines get smaller and smaller further out the curve, with 2s down 1.5bps and 30s unchanged; UK and European debt is flat to weaker. The lower US yields environment is supporting practically all major currencies against the dollar, with a 0.5% gain in the JPY a clear reflection (note that the cross fell below 140 this morning for the first time since July 2023). The MXN is lagging its key peers by virtue of being unchanged in the 19.20 area; note that on Sunday, Pres AMLO signed the judicial reform into law. Mexican markets are closed today for Independence Day.

Peru’s INEI released July GDP and August unemployment rate data on Sunday, with the former showing a much stronger than forecast rise in economic activity and the latter showing an expected uptick in the jobless rate. The 4.5% y/y jump in economic activity (vs 3.5% median) marked a massive turn from June’s 0.2% increase, with all sectors with the exception of agriculture showing positive y/y readings. Manufacturing output continued to benefit from a strong fishing season—and thus processing—going from a 0.2% y/y rise in June to a 11% increase in July. Construction printing a 7.1% y/y increase thanked a 34% jump in public projects spending. As for an obvious impact from pension fund withdrawals in late-June/July, the evidence is mixed as retail sales climbed by 3.9% but vehicles and parts sales fell 2.4%. The data reinforces expectations that the BCRP will hold at its next meeting. Note that on Friday, Peru’s government announced that they will take on the burden of Petroperu’s debt repayments over the balance of the year.

—Juan Manuel Herrera

Chart 1

Colombia: Average Headline Inflation Expectations



Sources: Scotiabank Economics, BanRep.

### COLOMBIA: BANREP SURVEY—MIXED INFLATION EXPECTATIONS, WHILE CONSENSUS AFFIRMS EXPECTATIONS FOR A 75BPS CUT IN SEPTEMBER

The central bank (BanRep) released a survey of economists’ expectations for September. Inflation expectations showed mixed behaviour; expectations for the year-end decreased, while in the medium-term, the change was mild on average. The one-year inflation expectation is at 4.19%, up by 7bps, while the two-year horizon (September 2026) decreased by 7bps to 3.94% (chart 1). As for short-term inflation expectations for

September, the expectation is at 0.27% m/m, which could lead to inflation falling to 5.84% from the current 6.12%. Scotiabank Colpatría's projection is 0.22% m/m and 5.84% y/y. Despite the truck drivers' strike having an impact on food inflation, it is expected to vanish, while the rest of the items are expected to have moderate changes.

In the case of the monetary policy rate, consensus affirmed a 75bps rate cut as the base case scenario for the September 30<sup>th</sup> meeting. However, the year-end 2024 expectation increased by 25bps to

8.75%, and for Dec-2025, the expectation is 6%, while the terminal rate of 5.50% will be reached in Q3-2026. At Scotiabank Colpatría, the projection is for three consecutive cuts of 75bps this year to close at 8.50%, while the terminal rate is expected to be 5.50% in H2-2025.

Ahead of September's meeting, the central bank board will have plenty of arguments to debate about whether to accelerate the easing cycle or not. Economic activity is showing mixed behaviour in which traditional private activities such as commerce and industry remain weak, inflation has been in a consistent downward trend, inflation expectations show credibility in the disinflationary process, the current account deficit is very narrow and employment data is pointing to a stagnation. On the other side, the volatility in the FX has increased, however without reaching concerning levels to think about a huge impact on inflation. Having said that, at Scotiabank we maintain our expectation for a cut of 75bps to 10% at September's meeting.

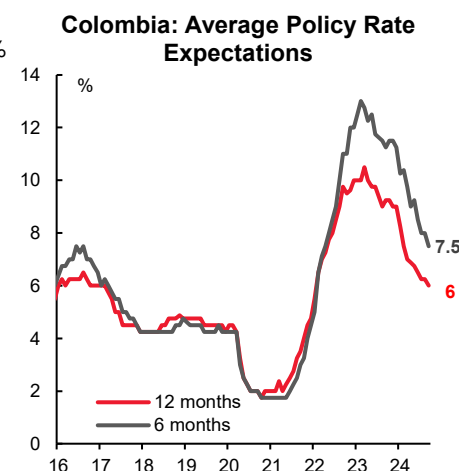
**Key points from the survey :**

- **Short-term inflation expectations.** For September, the consensus is 0.27% m/m, which implies an annual inflation rate of 5.84% y/y (compared to 6.12% in August). The maximum expectation is 0.27% and the minimum is 0.11%. Scotiabank Economics' projection is 0.22% m/m and 5.79% y/y. Core inflation excluding food projected by analysts is 0.25% m/m.
- **Medium-term inflation expectations improved.** Inflation expectations for December fell by 14bps to 5.56% y/y (table 1). Similarly, expectations for the one-year horizon were 4.19% y/y (+3bps). The two-year inflation expectation fell by 3bps to 3.49%.
- **Monetary policy rate.** The median expectation points to a rate cut of 75bps at the September meeting, however for October the expectation is a 50bps cut, and in December a 75bps cut, which is a path that is not compatible with the traditional approach of the central bank. The 2025 expectation for the year-end remains at 6% (chart 2).
- **FX.** Projections for the US dollar exchange rate for the end of 2024 averaged 4,191 pesos (147 pesos above the previous survey). For December 2025, respondents, on average, expect an exchange rate of 4,075 pesos.

	Average	Change vs previous survey, bps
Sept-2024, m/m % change	0.27	...
Dec-2024, y/y % change	5.56	-14
1Y ahead, y/y % change	4.19	3
Dec-2025, y/y % change	3.94	7
2Y ahead, y/y % change	3.49	-3

Sources: Scotiabank Economics, BanRep.

Chart 2



Sources: Scotiabank Economics, BanRep.

—Jackeline Piraján

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