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# Latam Weekly: Activity Readings Post CPI

## ECONOMIC OVERVIEW

- After a busy week of inflation data in Latam and the US and the BCRP's rate decision, we have a quieter week ahead in the region where the highlight is economic activity releases that in Colombia and Peru should interrupt a streak of negative prints though still show sluggish conditions. Chinese and US economic data, the PBoC's decision, and geopolitical developments await as external risks for Latam markets next week.
- Small inflation beats in Mexico and Brazil were of little consequence for central bank expectations, but decent misses in Colombian and Chilean figures mean their respective central banks could consider larger rate cuts at their first meetings of 2024. BanRep may have started small last month with a 25bps move, but the team discuss the chance that officials ramp up to a 75–100bps cut at the March meeting in today's Weekly.
- Peru's policymakers stuck to their 25bps cut script this week, but we think very encouraging inflation data mean the BCRP will now lower its reference rate by 50bps more than we previously expected for all of 2024 (250bps). Our economists have also slashed their inflation forecasts, as detailed in this week's report.

## PACIFIC ALLIANCE COUNTRY UPDATES

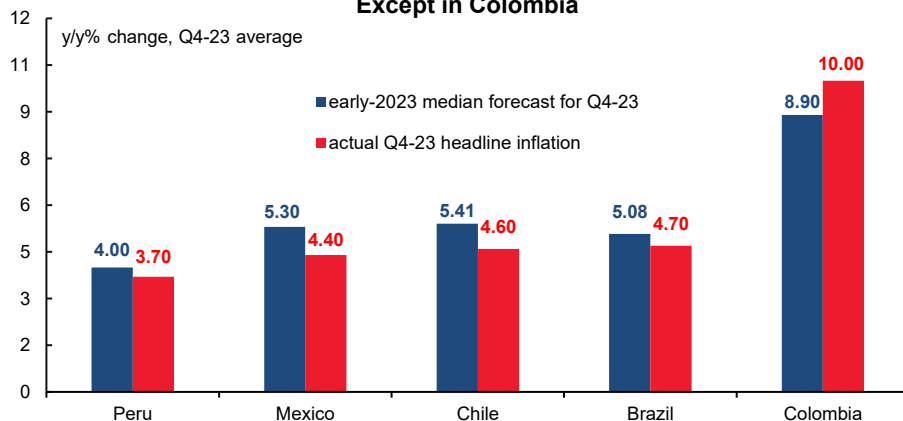
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Colombia and Peru.

## MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period January 13–26 across the Pacific Alliance countries and Brazil.

### Chart of the Week

Q4-23 Inflation Undershoots Forecasts Made in Early-2023, Except in Colombia



Sources: Scotiabank Economics, Bloomberg.

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

## Economic Overview: Activity Readings Post CPI

- **After a busy week of inflation data in Latam and the US and the BCRP's rate decision, we have a quieter week ahead in the region where the highlight is economic activity releases that in Colombia and Peru should interrupt a streak of negative prints though still show sluggish conditions. Chinese and US economic data, the PBoC's decision, and geopolitical developments await as external risks for Latam markets next week.**
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- **Peru's policymakers stuck to their 25bps cut script this week, but we think very encouraging inflation data mean the BCRP will now lower its reference rate by 50bps more than we previously expected for all of 2024 (250bps). Our economists have also slashed their inflation forecasts, as detailed in this week's report.**

We head into the middle of the month with all regional inflation data for December in hand after a mixed set of reports from Chile, Colombia, Mexico and Brazil in recent days. The US CPI print also beat expectations but markets made a bit of a mess of the data and stuck to their guns that the Fed will cut ~150bps this year. Meanwhile geopolitical risks and sovereign and corporate supply were additional drivers of global market action in recent days.

In Mexico, headline inflation exceeded economists' estimates but came in a touch softer than expected in core terms eyeing a sub-5% print in early-2024 (see [here](#)). On the whole, there wasn't much to extrapolate from the print as far as Banxico expectations are concerned, with the bank still looking on track to begin its easing cycle in March. Brazilian inflation also slightly beat forecasts, though at 4.62% y/y still managed to close the year within the 3.25% +/-1.5ppts target range set by the BCB and monthly core price gains still point to the 2024 target of 3.00% +/-1.5ppts being met, so 50bps cuts will continue.

Colombian and Chilean inflation came in decently below forecasts, especially in the latter where underlying (ex volatiles) inflation even declined month-on-month, prompting speculation of a possibly larger BCCh rate cut in late-January (see [here](#)). That's if the CLP cooperates, however. It didn't this week, recording a 2.3% decline since Friday in what was the worst performance among all major currencies. But that is far from being enough to deter the BCCh from at least continuing at a 75bps click, though it is worth monitoring. Markets are currently pricing in a total of 140–145bps in cumulative reductions for January and March, with the second meeting showing a higher implied chance of a full-point cut.

As for Colombia, the December year-on-year reading was the first in single-digit territory since mid-2022 (see [here](#)) and notable declines await in the next few prints thanks to more benign indexation effects, which may mean BanRep debate a 25 or 50bps reduction on the 31<sup>st</sup>. In today's report, our economists in Colombia discuss their expectations for a 50bps rate cut this month. Beyond the next meeting, we think that the central bank will debate much larger rate reductions at its March and Q2 meetings to adjust real policy rate settings amid fast incoming declines in inflation.

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January 12, 2024

Peru's BCRP already delivered its first rate decision of the year yesterday (January 11<sup>th</sup>), reacting to a roughly as expected 3.2% y/y inflation print in December but which showed core inflation falling below 3.00% for the first time since late-2021 (see our recap [here](#)). The BCRP's 25bps-sized cut was in line with broad expectations but there was a slight chance that encouraging inflation data and year-ahead inflation expectations falling into the bank's 1–3% target range would motivate a larger cut—certainly not yet given El Niño unknowns. Still, inflation has clearly surprised to the downside for a number of months now and that means our economists have had to revise their Peruvian inflation forecasts lower, as outlined in today's note, and also include an additional 50bps in rate cuts over 2024 than previously thought.

The very busy week that we just had with the BCRP's decision and inflation data in the Latam and the US is, unfortunately (fortunately?), followed by a relatively quiet data and events calendar in the region over the next few days. There are some notable data on tap but none are likely to shift markets or opinions to the degree that CPI releases have.

Economic activity in Peru, Brazil, and Colombia and retail sales in Brazil, Colombia, and Mexico, all for November, await. Unreliable unemployment rate data for Peru, industrial/manufacturing production readings for Colombia, and Brazilian services volumes figures fill out the calendar but should not call the shots in markets. Peru's economy may finally show a positive y/y reading in November data after six straight months of contractions since May. Colombia's economic activity has strung three months of y/y declines in the August to October period but we don't see a fourth as we project a 2.4% y/y expansion. Last November was a seasonally abnormal soft month for economic activity that provides a supportive base for year-on-year growth in November 2023.

Local markets may largely follow the trend established by US retail sales and U Michigan survey releases, and maybe CPI out of the UK and Canada (where we also get retail sales) after US prices data surprised to the upside this past Thursday. The PBoC's decision on Monday, where a small lending rate cut is expected, and Chinese Q4 GDP will be key for risk and commodity sentiment which will also take its cue from developments in the Middle East. In other geopolitical risks, Taiwanese take to the polls this weekend, with the incumbent party's candidate (supportive of the island's autonomy) leading the polls over a more China-friendly alternative. US markets are closed on Monday.

## Pacific Alliance Country Updates

### Colombia—BanRep Could Speed Up Easing Cycle in H1-2024

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In its last official meeting of 2023, BanRep started the easing cycle in Colombia with a cautious cut of 25bps, taking the monetary policy rate to 13.00%. In our opinion, the December decision sent the message of a change in the monetary policy stance rather than thinking that this 25bps pace would be the benchmark pace of easing. Therefore, the next question/discussion regards the speed of the cutting cycle.

One of the main reasons BanRep had a split decision at the start of the easing cycle was the assessment of the progress and potential future risk of inflation. However, thinking from a monetary policy reaction function perspective, we think BanRep could speed up the easing cycle in upcoming meetings due to three reasons around the expected evolution of inflation:

- I. A high statistical base in 2023 will contribute to reducing inflation in 2024 (chart 1). Core inflation statistical effects are atypically high in H1-2024, which will help inflation ex-food and regulated prices (68% of the CPI basket) to drop significantly from 9% in December 2023 to around 6% by June 2024, while food prices should continue to help headline inflation for the same reason, a high base statistical effect in the H1-2024. The tailwind generated from statistical base effects will be concentrated only during H1-2024; in H2-2024, this effect will vanish as monthly inflation figures look closer to historical averages, and in that sense, we expect moderate inflation progress by the end of the year.
- II. As headline inflation decelerates, inflation expectations will get closer to the central bank target of 3%, making the ex-ante real policy rate look too restrictive. This inflation correction can be used as an argument by the dovish members of the board to speed up the easing cycle.
- III. Governor Villar stressed at the December press conference that the positive output gap already closed, and the economy can start to run below potential during Q1-2024, making it less relevant to have a restrictive real policy rate.

According to our calculations, headline inflation will be below 7.5% by February, while economic activity will continue its underperformance. Therefore, a 25bps pace would mean a too restrictive ex-post real policy rate, while headline inflation below 8% will make inflation expectations converge faster to the target, which contributes to a higher ex-ante real rate.

We expect, then, that a cut of 50 bps will be discussed, while at the March meeting we do not discard a move between 75 to 100bps cut to catch up y/y inflation deceleration, trying to keep real ex-post policy rate around neutral (2 to 2.5%).

Since we anticipate that y/y inflation deceleration will be more significant in the first half of the year, we expect BanRep to fine tune the easing cycle accordingly. Therefore, we expect March, May, and June meetings to be more aggressive in the policy rate normalization getting 9.5% by June's meeting and ending 2024 at 7%. Of course, these projections will highly depend on disinflationary pace. In fact, the way that we see easing cycle speed is keeping real ex-post rate as close to neutral as possible, thus if inflation starts to surprise up, BanRep won't be able to cut policy rate as quickly.

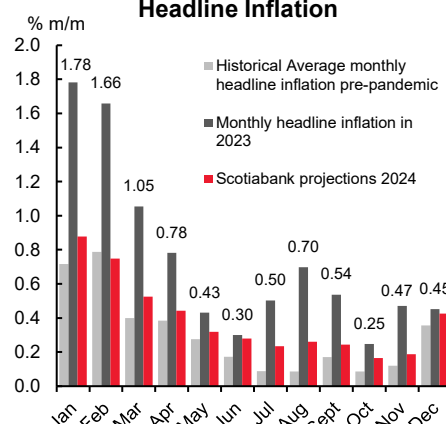
### Peru—New Figures for a New Year

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We are reducing our inflation forecast for year-end 2024 from 3.5% to 2.4%. Inflation was one of the nicer surprises during 2023. The year started with inflation at 8.7% and ended it at 3.2%. This is just a hair above the target range ceiling (the target range is 1.0% to 3.0%). Indeed, we expect inflation to fall into the target range in January when the figure is released on February 1<sup>st</sup>. Although it's early in the

Chart 1

Colombia: Comparison Monthly Headline Inflation



Sources: Scotiabank Economics, DANE.

month, key prices we follow are currently suggesting nil or even slightly negative inflation for January (chart 2).

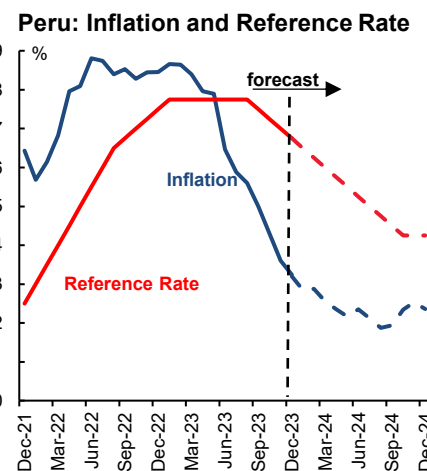
The strong downtrend in inflation over the past few months is part of the reason for our new 2024 inflation view. However, there are fundamental reasons behind this trend that we are considering. The first is that our original forecast presumed a strong Niño in early 2024, and recent information now suggests that El Niño is more likely to be weak-to-moderate, thereby having less of an impact on agriculture production and on transportation. The second reason is that domestic demand has been proving particularly weak going into 2024.

One could understand if the BCRP decided to remain a bit cautious early in 2024, until there's greater confirmation that El Niño will, in fact, be weak, which should occur in a question of a few weeks. Having said this, however, the downtrend in inflation has been strong enough to give the BCRP more room to continue lowering rates month by month without interruption. We no longer expect the BCRP to take a monthly pause or to in reducing its reference in Q1. Instead, we expect the BCRP to continue with 25bps reductions month by month, until reaching a terminal rate of 4.25% early in Q4.

Our terminal rate of 4.25% is consistent with what the BCRP considers the real neutral rate of 2.0% and with inflation expectations of 2.4%. It is possible to build a viable scenario in which inflation expectations fall below 2.4% and domestic demand remains persistently weak, in which case the reference rate could fall below 4.25%. However, our base scenario appears to be closer to a stable state, and anything more aggressive would make us feel like we're getting ahead of ourselves.

Meanwhile, on Monday, January 15<sup>th</sup>, November GDP figures will be released. Most of the pre-released figures so far suggest mildly positive GDP growth in November. The figures that have been pre-released include mining, up 10.6% y/y, agriculture & livestock, up 1.2% y/y (a turnaround from earlier months) and Fishing rising a significant 61.0% y/y. On the other side of the slate, oil & gas declined 8.0%, and cement sales fell 8.4%, which will drag construction GDP down by a similar figure. On balance, the figures suggest GDP growth of between nil and +0.5%. The most important thing about November GDP, however, will be parsing the sectors growth figures to see what their trends suggest regarding how strongly the economy may turn around in 1Q2024.

Chart 2



Sources: Scotiabank Economics, BCRP.

Forecast Updates

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Brazil</b>																	
Real GDP (y/y % change)	2.7	4.2	3.5	2.0	2.1	1.3	1.1	1.6	2.0	1.9	1.9	1.8	1.8	3.0	2.9	1.5	1.9
CPI (y/y %, eop)	5.8	4.7	3.2	5.2	4.6	3.8	3.9	3.9	3.9	3.7	3.7	3.7	3.5	5.8	4.6	3.9	3.5
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.8	8.5	8.4	8.3	8.2	8.6	8.4	8.4	8.3	7.9	8.2	8.3	8.5
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	9.75	9.25	9.00	9.00	8.75	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	4.97	4.97	4.96	4.96	4.98	4.99	5.01	5.02	5.28	4.86	4.96	5.02

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Chile</b>																	
Real GDP (y/y % change)	-2.3	-0.7	-0.8	0.6	0.8	2.0	2.4	1.2	2.4	1.9	2.1	3.3	2.7	2.4	0.0	2.0	2.5
CPI (y/y %, eop)	12.8	11.1	7.6	5.1	3.9	3.0	3.1	3.0	3.0	3.0	3.0	3.0	3.0	12.8	3.9	3.0	3.0
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.6	8.4	8.5	8.4	8.0	8.4	8.4	8.0	7.1	7.9	8.7	8.3	8.0
Central bank policy rate (% eop)	11.25	11.25	11.25	9.50	8.25	7.25	5.50	4.50	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	850	850	850	850	851	879	870	850

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Colombia</b>																	
Real GDP (y/y % change)	2.1	3.0	0.4	-0.3	1.3	1.7	1.8	1.7	2.2	2.4	2.3	2.5	2.4	7.3	1.1	1.8	2.4
CPI (y/y %, eop)	13.1	13.3	12.1	11.0	9.3	6.6	6.1	5.1	4.5	3.3	2.9	2.8	2.8	13.1	9.3	4.5	2.8
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.3	11.7	10.1	10.4	9.6	11.5	9.9	10.2	9.4	11.2	10.1	10.3	10.3
Central bank policy rate (% eop)	12.00	13.00	13.25	13.25	13.00	11.50	9.50	8.00	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

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Mexico</b>																	
Real GDP (y/y % change)	4.5	3.5	3.4	3.3	3.5	3.8	4.0	2.4	2.1	1.8	1.4	1.6	1.4	3.9	3.4	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	3.1	3.0	3.1	3.2	3.2	3.3	3.3	3.4	3.5	3.3	2.9	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	17.70	17.80	18.10	18.40	18.70	18.90	19.25	19.50	19.50	16.97	18.40	19.50

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Peru</b>																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-1.0	1.0	1.5	2.8	3.0	1.9	2.6	2.5	1.5	1.3	2.7	-0.2	2.3	2.0
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	6.8	7.2	6.5	6.6	6.4	7.0	6.5	6.4	6.2	7.7	6.9	6.7	6.5
Central bank policy rate (% eop)	7.50	7.75	7.75	7.50	6.75	6.00	5.25	4.50	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

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Canada</b>																	
Real GDP (y/y % change)	2.2	1.8	1.2	0.5	0.8	0.2	0.1	0.7	1.1	1.8	2.3	2.8	3.0	3.8	1.1	0.5	2.5
CPI (y/y %, eop)	6.7	5.1	3.5	3.7	3.0	2.9	2.7	2.5	2.1	2.3	2.1	1.9	2.0	6.7	3.0	2.1	2.0
Unemployment rate (% avg)	5.1	5.0	5.2	5.5	5.8	6.1	6.3	6.6	6.7	6.7	6.7	6.6	6.5	5.3	5.4	6.4	6.6
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	4.75	4.25	4.00	3.50	3.25	3.25	3.25	4.25	5.00	4.00	3.25
Foreign exchange (USDCAD, eop)	1.36	1.35	1.32	1.36	1.35	1.33	1.33	1.28	1.28	1.25	1.25	1.25	1.25	1.36	1.35	1.28	1.25

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>United States</b>																	
Real GDP (y/y % change)	0.7	1.7	2.4	2.9	2.6	2.1	1.6	0.6	0.8	1.1	1.5	1.8	1.8	1.9	2.4	1.3	1.6
CPI (y/y %, eop)	7.1	5.8	4.1	3.6	3.2	3.0	2.8	2.9	2.5	2.4	2.4	2.2	2.2	7.1	3.2	2.5	2.2
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.9	4.0	4.1	4.2	4.3	4.4	4.5	4.6	4.6	3.6	3.7	4.1	4.5
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.25	4.75	4.00	3.50	3.25	3.25	3.25	4.50	5.50	4.00	3.25
Foreign exchange (EURUSD, eop)	1.07	1.08	1.09	1.06	1.05	1.10	1.10	1.12	1.12	1.18	1.18	1.18	1.18	1.07	1.05	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 December 1, 2023.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Brazil</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-0.07	-	-	-	-	-	-	-	-	-	-0.07	-	-

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Chile</b>																	
Real GDP (y/y % change)	-	-	-	-	0.7	0.7	-0.1	-0.1	-0.5	-0.7	0.1	0.3	0.1	-	0.2	-	-
CPI (y/y %, eop)	-	-	-	-	-0.6	-0.6	-0.7	-0.8	-	-	-	-	-	-	-0.6	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-0.25	-0.25	-0.25	-0.25	-	-	-	-	-	-	-0.25	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	9.00	-	-	-	-	-	-	-	-	-	9.00	-	-

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Colombia</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	0.2	0.3	0.3	0.2	0.3	0.3	0.2	0.2	0.3	-	-	0.1	0.3
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-395	-200	-200	-200	-200	-200	-200	-200	-200	-	-395	-200	-200

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Mexico</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	0.3	-	-	-	-	-	-	-	-	-	0.3	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-0.53	-	-	-	-	-	-	-	-	-	-0.53	-	-

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023f	2024f	2025f
<b>Peru</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-0.4	-1.4	-2.1	-1.7	-1.1	-	0.6	0.2	-0.1	-	-0.4	-1.1	-0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-0.50	-0.75	-0.75	-0.50	-0.25	-0.50	-0.50	-0.50	-	-	-0.50	-0.50
Foreign exchange (USDPEN, eop)	-	-	-	-	-0.08	-0.10	-0.10	-	-	-	-	-	-	-	-0.08	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics, Consensus Economics.  
Changes in estimates and forecasts since previous *Latam Weekly* on December 1, 2023.

**Forecast Updates: Central Bank Policy Rates and Outlook**

**Latam Central Banks: Policy Rates and Outlook**

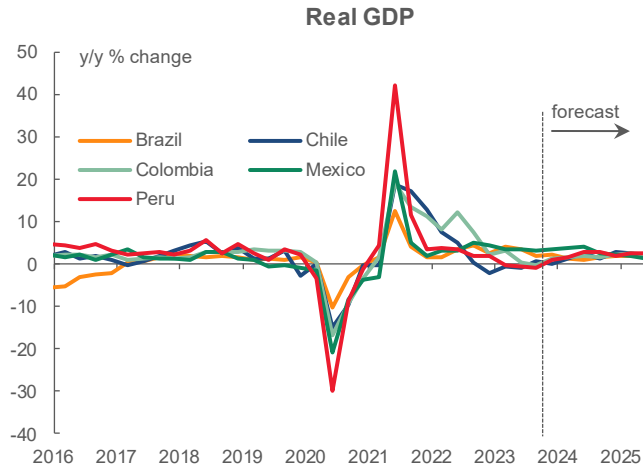
	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2024	End-2025	
<b>Brazil, BCB, Selic</b>	11.75%	Jan-31	10.75%	9.00%	8.50%	
<b>Chile, BCCh, TPM</b>	8.25%	Jan-31	7.25%	4.25%	4.25%	We anticipate a 100 bps cut to 7.25% at the January meeting.
<b>Colombia, BanRep, TII</b>	13.00%	Jan-31	12.50%	7.00%	5.50%	In December, the central bank kicked off the easing cycle with a cautious rate cut of 25 bps. Economic contraction in recent months weighed in the balance of risk of the central bank. The minimum wage increase was set at 12%, which, in any case, is disinflationary compared with the increase registered in 2023 (16%). In January, some board members could put the possibility of a 50 bps cut on the table. We think that in H1-2024, BanRep will have space to speed up the easing cycle, given our expectation of a steep inflation correction.
<b>Mexico, Banxico, TO</b>	11.25%	Feb-08	11.25%	9.50%	7.50%	Banxico minutes signaled that the Board could cut the target rate in the last month of Q1 or in Q2. Private consensus stand for a first cut in March, in line with Scotiabank's expectations. However, the minutes also emphasized the importance of data dependent decisions. Upside risks in inflation remain, as economic activity has gained momentum, and the procyclical fiscal policy for 2024 has lifted expectations of a higher demand. In this sense, the next inflation prints, amid stickiness in the core component and setbacks in the non-core items, will be highly relevant to consider the future the monetary policy.
<b>Peru, BCRP, TIR</b>	6.75%	Feb-08	6.50%	4.25%	4.00%	We expect a new interest rate cut of 25 bps in February after both inflation expectations and core inflation returned to the target range. Weak economic performance is also an influencing factor.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.



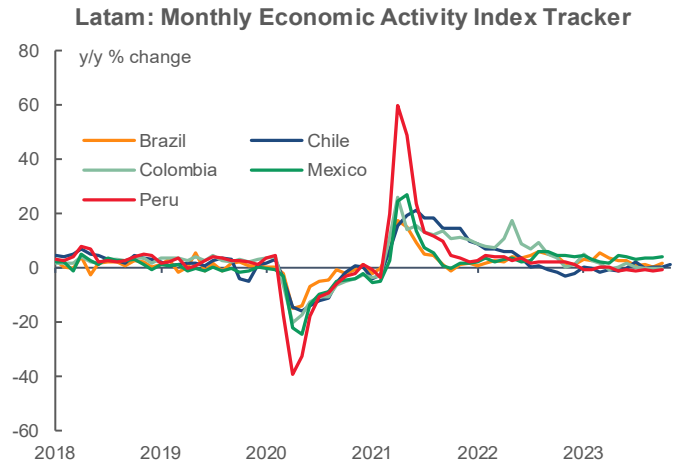
Key Economic Charts

Chart 1



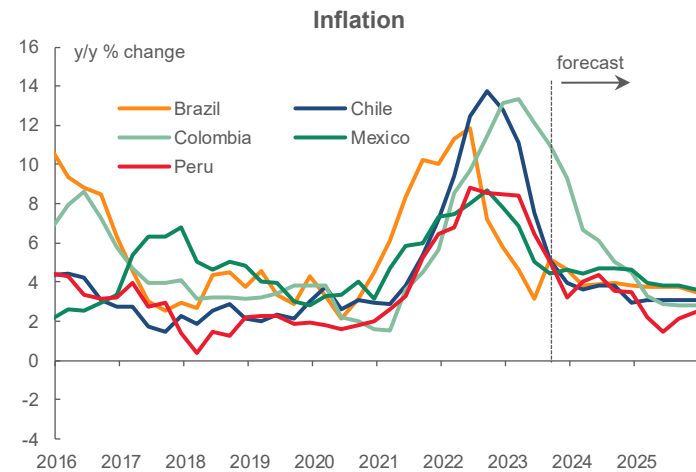
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



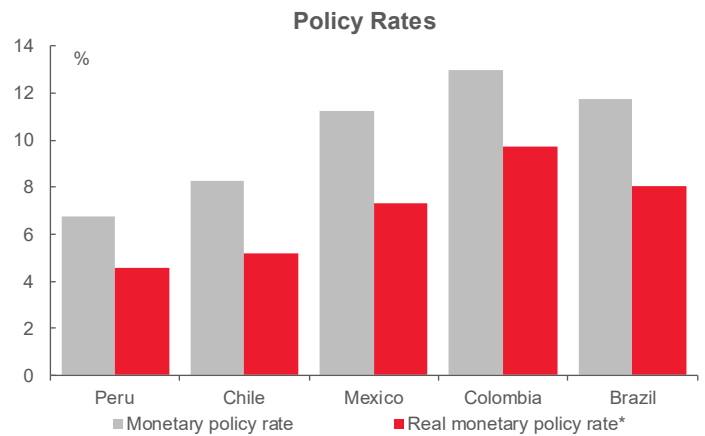
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



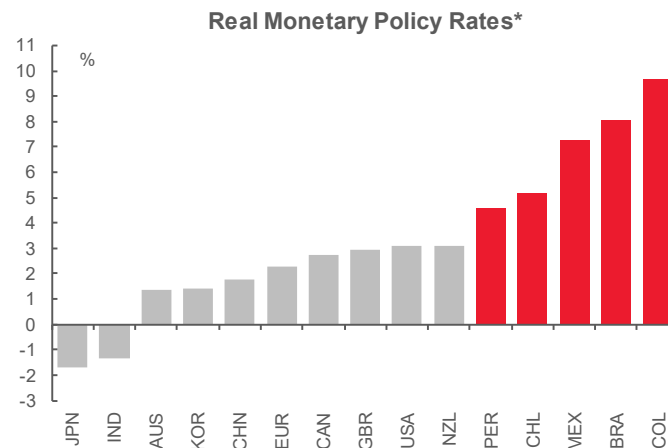
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

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

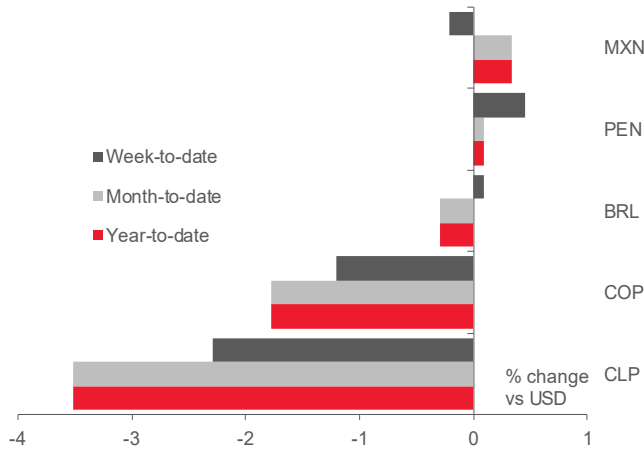


\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

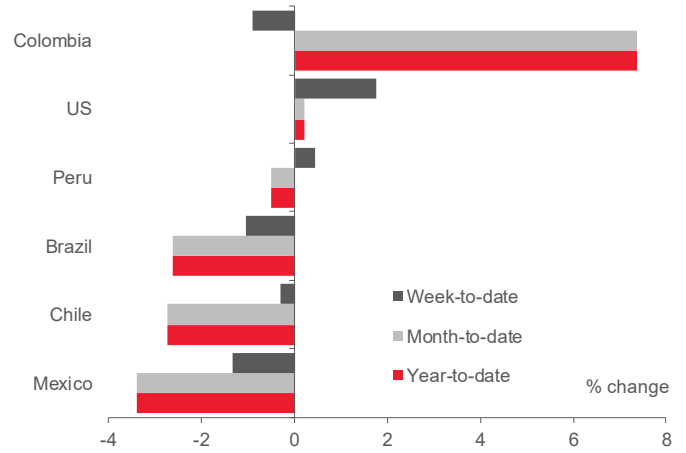
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

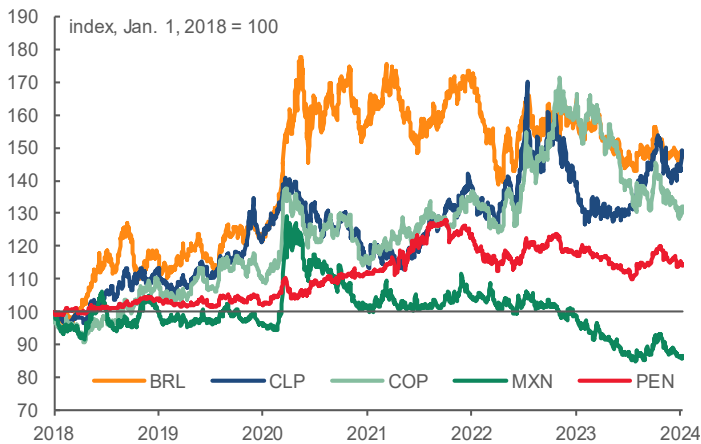
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

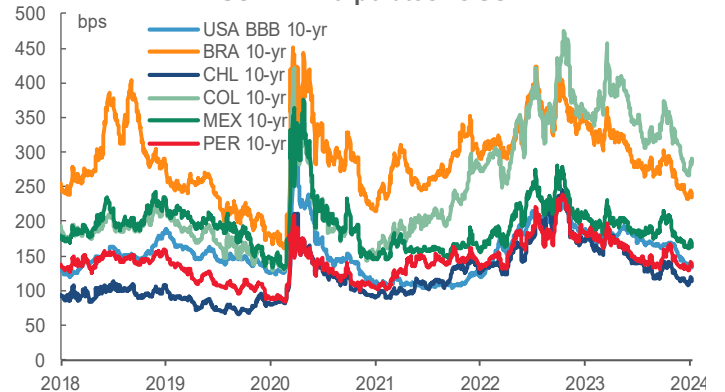
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

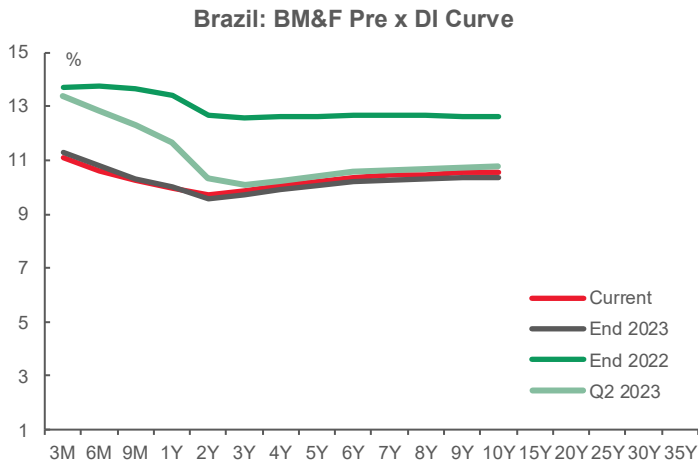
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US\*



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

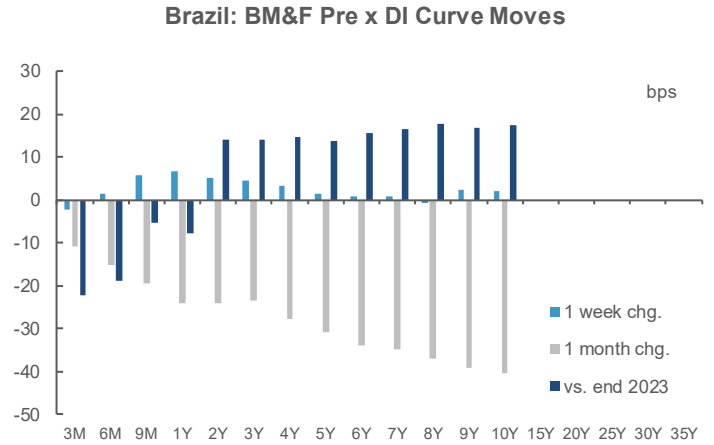
Yield Curves

Chart 1



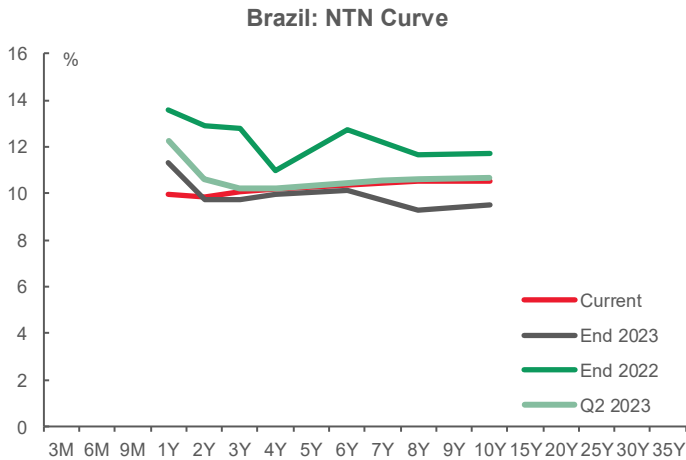
Sources: Scotiabank Economics, Bloomberg.

Chart 2



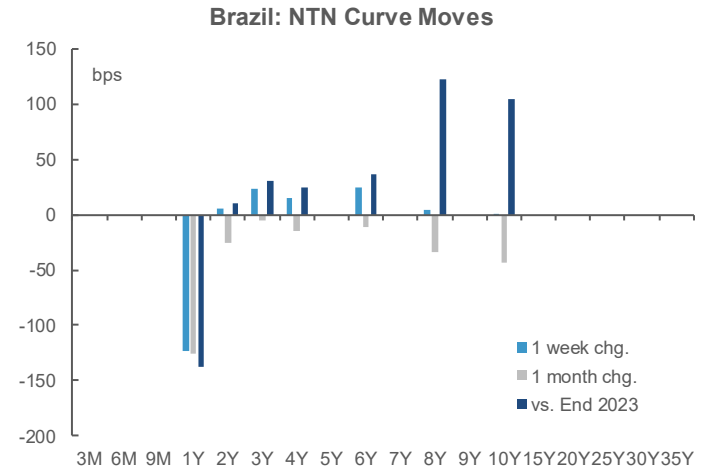
Sources: Scotiabank Economics, Bloomberg.

Chart 3



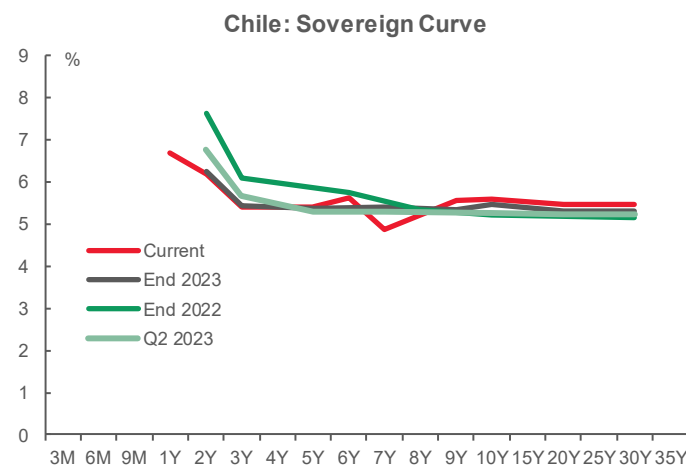
Sources: Scotiabank Economics, Bloomberg.

Chart 4



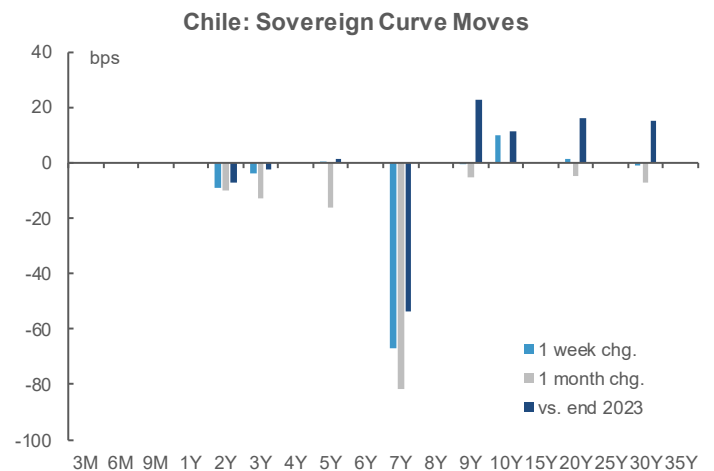
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

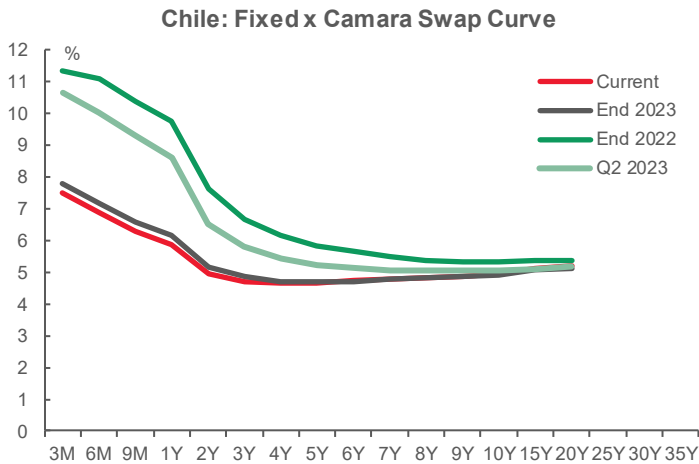
Chart 6



Sources: Scotiabank Economics, Bloomberg.

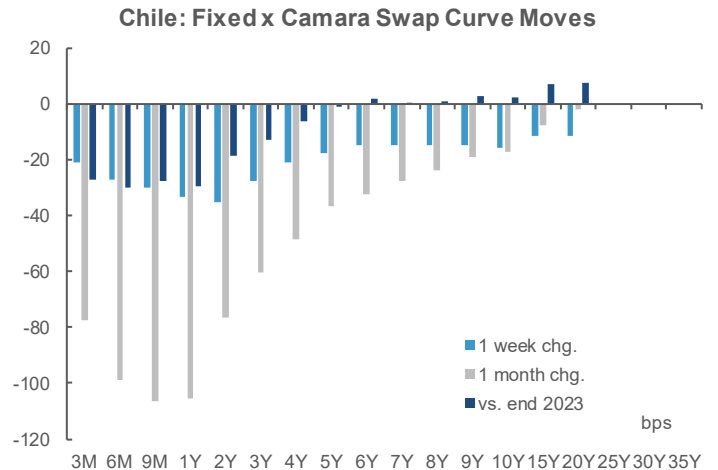
Yield Curves

Chart 7



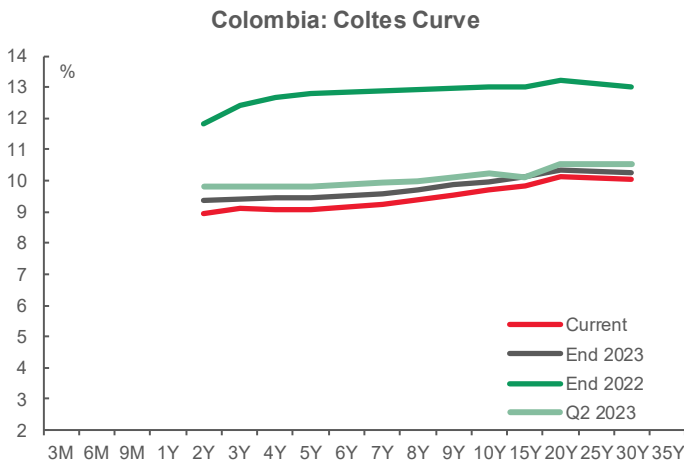
Sources: Scotiabank Economics, Bloomberg.

Chart 8



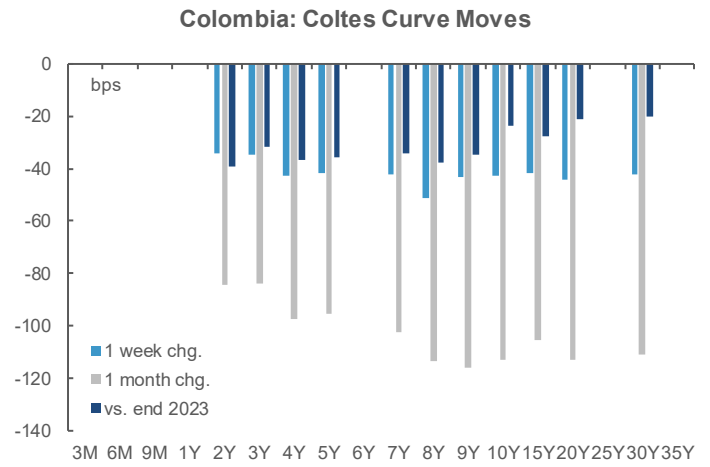
Sources: Scotiabank Economics, Bloomberg.

Chart 9



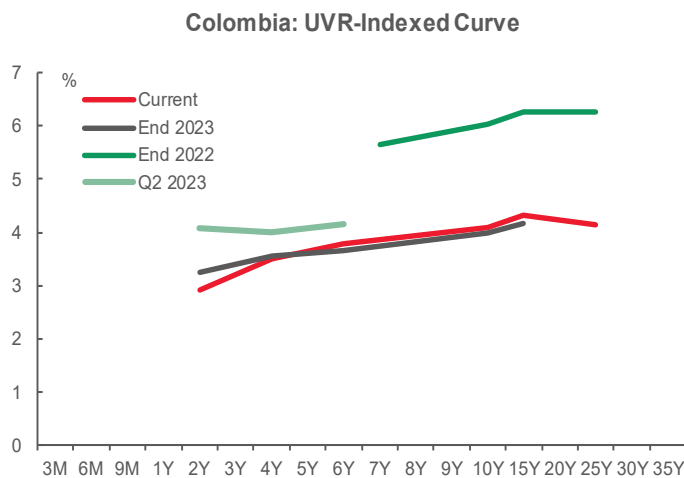
Sources: Scotiabank Economics, Bloomberg.

Chart 10



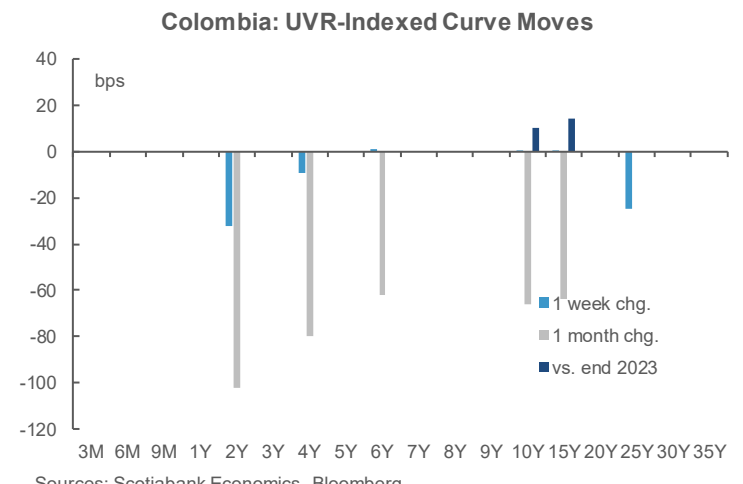
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

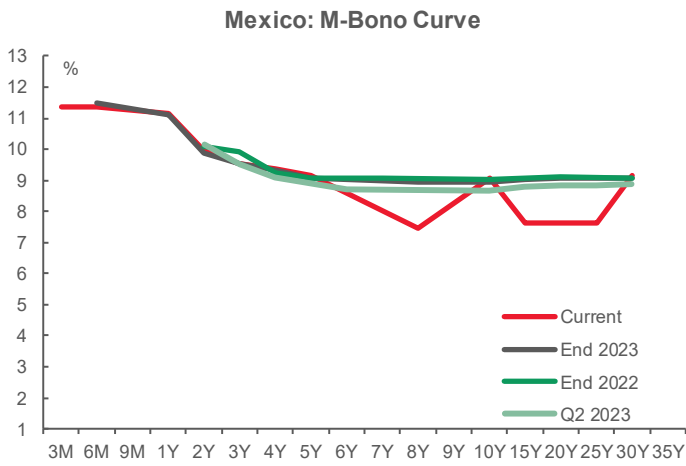
Chart 12



Sources: Scotiabank Economics, Bloomberg.

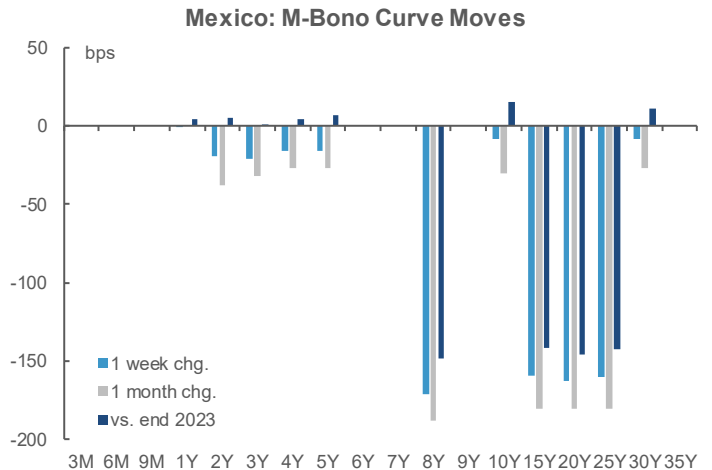
Yield Curves

Chart 13



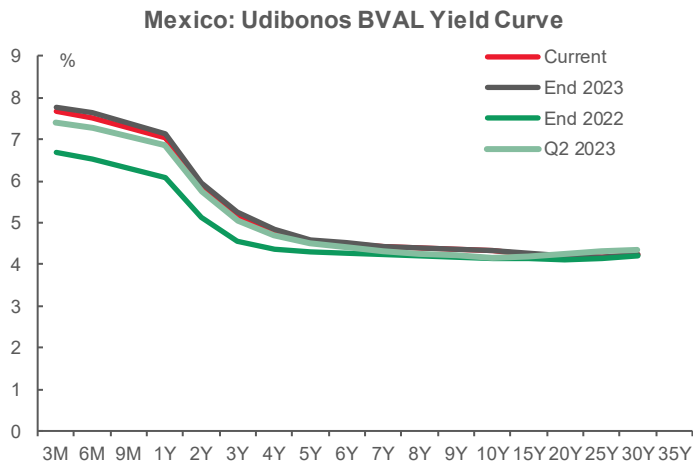
Sources: Scotiabank Economics, Bloomberg.

Chart 14



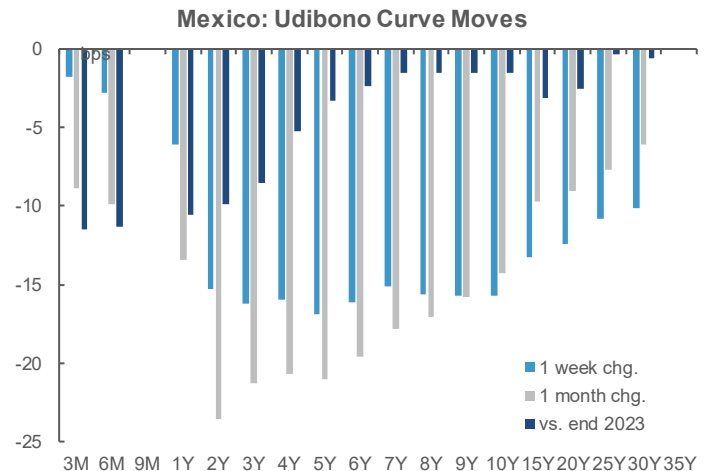
Sources: Scotiabank Economics, Bloomberg.

Chart 15



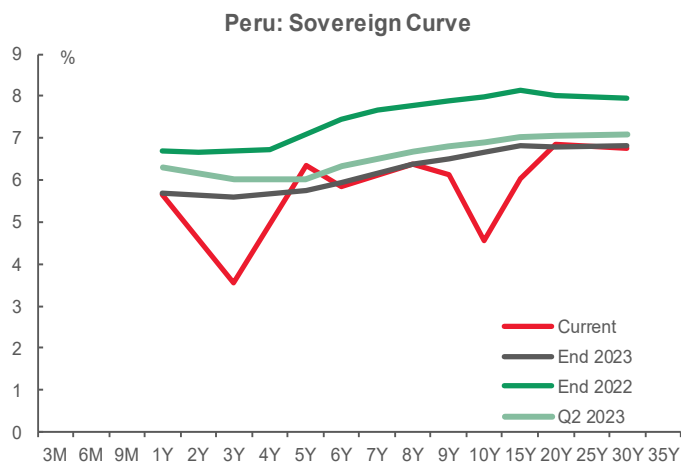
Sources: Scotiabank Economics, Bloomberg.

Chart 16



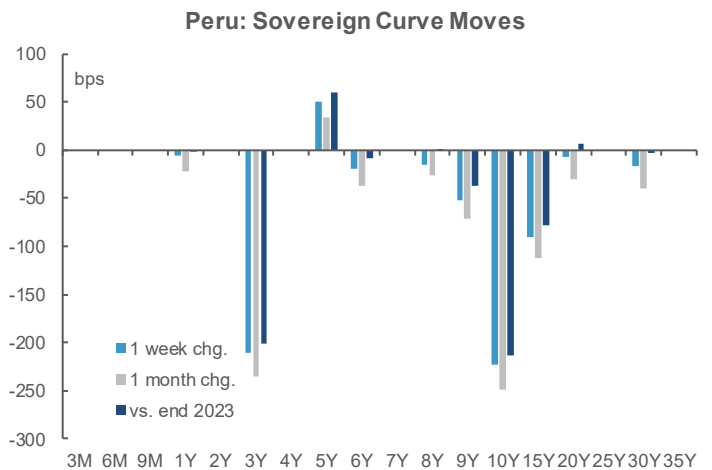
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for January 13–26

**BRAZIL**

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jan-15	13:00 Trade Balance Weekly (mn)	14-Jan	--	--	2217.1
Jan-16	6:00 FGV CPI IPC-S (%)	12-Jan	--	--	0.4
Jan-16	7:00 IBGE Services Volume m/m SA	Nov	--	-0.3	-0.6
Jan-16	7:00 IBGE Services Volume y/y NSA	Nov	--	-0.5	-0.4
Jan-17	6:00 FGV Inflation IGP-10 m/m	Jan	--	--	0.62
Jan-17	7:00 Retail Sales Broad m/m	Nov	--	--	-0.4
Jan-17	7:00 Retail Sales y/y	Nov	--	--	0.2
Jan-17	7:00 Retail Sales Broad y/y	Nov	--	--	2.5
Jan-17	7:00 Retail Sales m/m	Nov	--	--	-0.3
Jan-18	7:00 Economic Activity m/m	Nov	--	--	-0.06
Jan-18	7:00 Economic Activity y/y	Nov	--	--	1.54
Jan-22	13:00 Trade Balance Weekly (mn)	21-Jan	--	--	2217.1
Jan-23	6:00 FGV CPI IPC-S (%)	19-Jan	--	--	0.4
Jan-25	6:00 FGV Consumer Confidence	Jan	--	--	93.7
Jan-25	6:30 Current Account Balance (mn)	Dec	--	--	-1553.3
Jan-25	6:30 Foreign Direct Investment (mn)	Dec	--	--	7779.6
Jan-26	6:00 FGV Construction Costs m/m	Jan	--	--	0.26
Jan-26	6:30 Total Outstanding Loans (bn)	Dec	--	--	5654.952
Jan-26	6:30 Personal Loan Default Rate (%)	Dec	--	--	5.74
Jan-26	6:30 Outstanding Loans m/m	Dec	--	--	0.9
Jan-26	7:00 IBGE Inflation IPCA-15 m/m	Jan	--	--	0.4
Jan-26	7:00 IBGE Inflation IPCA-15 y/y	Jan	--	--	4.72
Jan-26	10:00 Bloomberg Jan. Brazil Economic Survey		--	--	
Jan 15-25	Formal Job Creation Total	Dec	--	--	130097
Jan 22-25	Tax Collections (mn)	Dec	--	--	179392

**CHILE**

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jan-24	7:00 PPI m/m	Dec	--	--	-1.1
Jan-26	6:30 Central Bank Economist Survey		--	--	
Jan-26	10:30 Bloomberg Jan. Chile Economic Survey		--	--	

**COLOMBIA**

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jan-15	Central Bank's Economists Survey		--	--	--
Jan-17	10:00 Industrial Production y/y	Nov	--	--	-2.2
Jan-17	10:00 Manufacturing Production y/y	Nov	-5.5	--	-5.9 Data available as of November 2023 show that the manufacturing and trade sectors would have shown a slight improvement in the final months of 2023. In commerce, the Retail Sales Perception Indicator showed a significant improvement, while in the case of industry, the Colombian Manufacturing PMI improved in November.
Jan-17	10:00 Retail Sales y/y	Nov	-7.7	--	-11
Jan-18	11:00 Economic Activity NSA y/y	Nov	2.4	--	-0.41 The slowdown in the economy this year will allow economic activity to reach a level more in line with the economy's long-term productive capacity. Despite the -0.3% year-on-year contraction in the ISE in October, we expect economic activity to turn positive in November, in line with GDP growth of 1.3% in the fourth quarter of this year, leading to economic growth of 1.1% in 2023.
Jan-22	10:00 Imports CIF Total (USD mn)	Nov	--	--	5375.7
Jan-22	10:00 Trade Balance (mn)	Nov	--	--	-960.2
Jan-23	Industrial Confidence	Dec	--	--	-7.1
Jan-23	Retail Confidence	Dec	--	--	12.3
Jan-26	11:30 Bloomberg Jan. Colombia Economic Survey		--	--	--

**MEXICO**

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jan-16	10:00 International Reserves Weekly (mn)	12-Jan	--	--	212408
Jan-19	7:00 Retail Sales y/y	Nov	--	--	3.4
Jan-19	7:00 Retail Sales m/m	Nov	--	--	0.8
Jan-22	Banamex Survey of Economists		--	--	
Jan-23	10:00 International Reserves Weekly (mn)	19-Jan	--	--	212408
Jan-24	7:00 Economic Activity IGAE m/m	Nov	--	--	-0.09
Jan-24	7:00 Economic Activity IGAE y/y	Nov	--	--	4.24
Jan-24	7:00 Bi-Weekly CPI y/y	15-Jan	--	--	4.86
Jan-24	7:00 Bi-Weekly CPI (%)	15-Jan	--	--	0.48
Jan-24	7:00 Bi-Weekly Core CPI y/y	15-Jan	--	--	4.98
Jan-24	7:00 Bi-Weekly Core CPI (%)	15-Jan	--	--	-0.01
Jan-25	7:00 Unemployment Rate NSA (%)	Dec	--	--	2.71
Jan-26	7:00 Trade Balance (mn)	Dec	--	--	629.94
Jan-26	7:00 Imports (mn)	Dec	--	--	49621.46
Jan-26	7:00 Exports (mn)	Dec	--	--	50251.39
Jan-26	10:15 Bloomberg Jan. Mexico Economic Survey		--	--	--

**PERU**

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jan-15	Lima Unemployment Rate (%)	Dec	6.8	--	6.6 Labour market continues weak, due to lower private investment level.
Jan-15	Economic Activity y/y	Nov	0.0	0.1	-0.82 Slight GDP improve by agricultural and mining output recovery.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Scotiabank Economics Latam Coverage

## Local Market Coverage

## CHILE

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