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Latam Weekly: Quiet at Home, Busy Abroad

ECONOMIC OVERVIEW

- After a noisy June of surprising Banxico and BCRP decisions and a stronger-than-expected showing for Morena in Mexico's elections, July starts out quietly in Latam.
- Next week's data highlights, Peru CPI and Chile economic activity, both come out on Monday, with regional markets looking perhaps more exposed to the results of France's first round elections on Saturday, a flood of US data, and thin trading with holidays in Colombia, the US, and Canada.
- In today's report, our team in Chile outlines the impact of the unfreezing of electricity fares on their inflation projections, while our economists in Colombia cover the main points of the country's Pension Reform.

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 and Colombia.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period June 29–July 12 across the Pacific Alliance countries and Brazil.

Economic Overview: Quiet at Home, Busy Abroad

- **After a noisy June of surprising Banxico and BCRP decisions and a stronger-than-expected showing for Morena in Mexico's elections, July starts out quietly in Latam.**
- **Next week's data highlights, Peru CPI and Chile economic activity, both come out on Monday, with regional markets looking perhaps more exposed to the results of France's first round elections on Saturday, a flood of US data, and thin trading with holidays in Colombia, the US, and Canada.**
- **In today's report, our team in Chile outlines the impact of the unfreezing of electricity fares on their inflation projections, while our economists in Colombia cover the main points of the country's Pension Reform.**

We're leaving behind a busy June—where a couple of central bank surprises ([dovish Banxico](#) and [hawkish BCRP](#)) and Mexican market volatility on political risks were the Latam highlights—to quietly kick off a new month in the region with a data calendar that has only a few items to follow. Next week's data highlights, Peru CPI (see our preview [here](#)) and Chile economic activity, both come out on Monday, leaving the rest of the week relatively bare aside from a couple of economists surveys in Mexico and BanRep's meeting minutes.

Given the quiet backdrop, regional markets look more liable to take their cue from developments abroad, where elections in France and the UK and a flood of US data will drive overall trading sentiment. Choppy trading may also be in store amid thin volumes with Canadian and Colombian markets shut on Monday and the US out on Thursday. Markets are liable to open with a bang on Monday to price in results from France, while Colombian trading will have to wait until Tuesday to react to BanRep's likely 50bps rate cut today (Friday the 28th).

In today's report, our team in Chile outline the impact on inflation from the unfreezing of electricity fares that Congress approved earlier this month. Based on a ~60% increase in household power bills by early-2025 (across likely three increases beginning in July), our economists have lifted their end-2024 inflation forecast to 4.0% from 3.0% previously (and to 3.5% from 3.0% at end-2025). Our Bogota team covers the main points of the country's Pension Reform which, although approved by Congress, still faces some uncertainty around the timing of its entry into force.

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Pacific Alliance Country Updates

Chile—Increase in Electricity Fares and its Impact on Inflation

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Unfreezing electricity fares would imply a cumulative increase in household bills of almost 60% through January 2025. After a prolonged period of frozen electricity fares for regulated clients (households and SMEs), Congress approved the plan proposed by the government to begin to pay off the debt with the electricity generating companies, which will imply strong increases over the next seven months. In this way, a significant increase in electricity fares for small consumption clients is projected for July 2024 due to upward adjustments in the charges of the different components of the rate. Additionally, a new and significant upward adjustment in the rate is expected for October of this year, which will be followed by another in January 2025. With this, it is projected that electricity fares for regulated clients would increase by close to 60% over the next seven months.

We estimate a direct impact of 1.1 ppts on the accumulated CPI to January 2025. The indirect impacts could be more persistent. Electricity fares represent 2.2% of the CPI basket, so the direct impact of the projected increases will be significant on the total CPI, but not on core CPI (ex-volatile CPI), as electricity bills belong to the basket of volatile products. Likewise, we estimate that the indirect impact is transmitted to the basket through different channels and at different times. Initially, those products where electricity is relevant within the cost structure would be the first to transfer part—or all—of the adjustment in the electricity rate. An emblematic example is bread, whose weight in the basket is 2.2%. Therefore, the increase in the Unidad de Fomento (UF) will imply that these highly inflation-indexed services build some persistence to the shock of higher electricity rates within the basket. Another key example is shelter, whose weight is 7.2%. Finally, there are several services that adjust their prices based on past year inflation, which would prolong the persistence of the shock even until the beginning of next year. This is the case for educational services, whose weight within the basket is 4.2%.

We reiterate the upward adjustment in our CPI projection for 2024 and 2025. The direct effects will be concentrated in July and October, which leads us to revise upward our inflation projection for December of this year, up to 4% y/y. In 2025, the rate increase would occur in January, which leads us to increase our projection to 3.5% y/y for December of next year.

Pension Reform in Colombia

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- **Potential impacts on capital markets are contained. The regulatory framework of the reform should be in the spotlight.**

The Pension Reform was approved in the House Plenary, the last of the four necessary debates, on Friday, June 14th, 2024. The approval took place under an unorthodox but still legal procedure: the House approved the same text that was approved by the Senate without further discussion and ignored approved proposals that took place during the third debate in the seventh commission of this chamber.

The reform is pending the presidential signature. However, if revised or sued by this instance, it could still face the challenge of the Constitutional Court. It could take many months before we hear the final word from this court. For now, Pension Reform is expected to be fully implemented in a year, and details around the legal framework of the pension reform are in the spotlight.

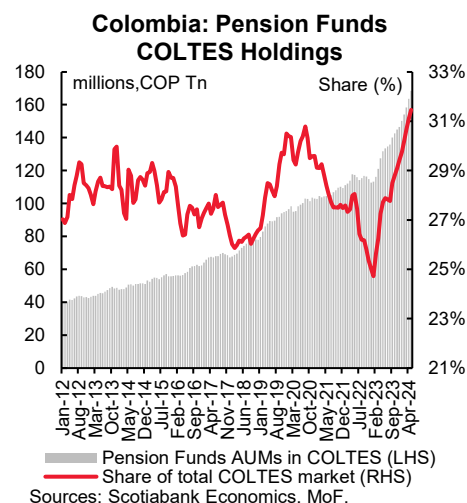
Key points about the reform:

- **Implementation will take one year from the law's sanction.** This is a very ambitious deadline since it requires enormous legal frameworks and the creation of the public fund infrastructure, which we believe the government or Colpensiones is not ready to implement or receive in this timeframe.
- **The pensions framework will consist of a system of integrated and complementary pillars.** The first group, the solidarity pillar, guarantees a subsidy for those older adults who are in a situation of vulnerability; according to the MoF, the approximate cost will be ~0.2% of GDP. The second is the semi-contributory pillar, which provides a life annuity for those who contributed but did not meet the minimum number of weeks required for a pension. The third is the contributory pillar, in which all the formal employees in Colombia

make mandatory contributions. This will create a new fund that guarantees a high replacement rate; however, it limits the benefit up to 2.3 minimum wages (which is currently around USD 730), which means that contributions to this pillar can be over a minimum salary and limited up to 2.3 minimum salaries. The fourth pillar is individual savings, which will be managed by existing private pension funds with contributions above the threshold of 2.3 minimum wage threshold.

- Population with more than 900 weeks of pension contributions (~17 years working) in the case of males and more than 750 weeks (14.5 years working) in the case of females will be excluded from the implementation of the reform.** Having said that, we don't expect a significant disruption in assets under management in the pension system. Instead, we could have a situation of increase in AUMs since the contribution of active affiliates in the public system will go to the sovereign pension fund instead of continuing to the pay-as-you-go scheme in which those contributions are used to fund current pension payments. It is worth noting that currently around 27% of total active affiliates on the pension system (2.8 out of the 10.2 million active affiliates) contribute to the public pillar.
- About the new sovereign pension fund.** The central bank is in charge of safeguarding the resources of this fund. However, there is a lack of understanding of the specific role of the central bank. During the third debate, BanRep asked Congress to specify the scope of the responsibility with the fund. However, the final law is not so clear in that regard.
- The cumulation phase of the sovereign would last until around 2060, according to Asofondos (pension fund association).** Total AUMs in the pension system could reach a maximum of around 32% of GDP before starting the decumulation phase. However, the maximum funding ratio (assets/Present Value of Liabilities) of the sovereign pension fund will be at maximum ~24%; that said, during the decumulation phase, savings could vanish significantly ~10% of PIB by 2070 (passing from 32% of GDP to 23% of GDP), which represents a challenge in the long term.
- The definition of the investment regime of the sovereign fund is key to assess the impact in the capital market.** A liability-driven approach is appropriate to the sovereign fund, however it is important to see the assets allowed to invest in. Given current capabilities of the central bank we think the fund will be focused in traditional assets, since alternative investments demands a deeper expertise.
- Competition in the private pension system could maintain good liquidity in the COLTES market.** Despite the current reform pension funds will be allowed to charge fees of 0.7% over AUMs (which is not a pro-performance-oriented incentive). We think competition will be motivated if other companies such as trust companies can enter into the market of private pension (mandatory and voluntary). In terms of voluntary pension, we think people now have more motivation to save for their retirement and it is good for capital markets and insurance markets of life annuities. Currently pension funds holdings in the COLTES markets is above 30% (chart 1).
- Pensions are an ongoing concern, so we see the necessity of further discussions in the medium term.** As we highlighted before, the potential short-term shock from the pension reform is apparently low; however, Colombia needs to continue discussing a parametric pension reform in terms of the size of contribution (currently at 16% but only 25% of it in charge of individuals and the rest came from companies) and pension age (currently at sixty-two for males and fifty-seven for females). The discussion must be complemented by strategies to reduce the informality in the labour market (currently around 60% nationwide).

Chart 1



All in all, Colombia will start a transition to a new pension scheme. The impact in capital markets measured as pension AUMs in the system will be almost null, at least in the forthcoming thirty-six years; after that, the decumulation period of the new sovereign pension fund will be a concern. The regulatory framework around the investment regime of the new and existing pension funds will be relevant to assess the potential impact on capital markets, especially the COLTEs market.

Forecast Updates

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	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	2.5	1.6	2.0	2.3	2.0	2.0	2.0	2.0	3.0	2.9	2.1	2.0
CPI (y/y %, eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.3	4.2	4.1	3.9	3.6	3.7	3.8	5.8	4.6	4.1	3.8
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	7.9	7.4	7.4	7.2	7.8	7.8	7.8	7.8	7.9	7.4	7.3	7.8
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	10.50	10.50	10.50	10.25	10.00	9.50	9.50	13.75	11.75	10.50	9.50
Foreign exchange (USDBRL, eop)	5.28	5.06	4.79	5.03	4.86	5.01	5.37	5.11	5.09	5.07	5.05	5.07	5.09	5.28	4.86	5.09	5.09

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Chile																	
Real GDP (y/y % change)	-2.3	0.3	-0.4	0.6	0.4	2.3	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	3.2	3.8	4.0	4.0	4.6	4.0	3.6	3.5	12.8	3.4	4.0	3.5
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	5.75	5.50	5.25	5.00	4.75	4.50	4.25	11.25	8.25	5.25	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	979	940	900	870	870	870	870	870	851	879	870	870

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Colombia																	
Real GDP (y/y % change)	2.2	2.7	0.3	-0.7	0.3	0.7	1.9	1.3	1.8	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	7.2	6.2	5.6	4.2	3.6	3.4	3.4	13.1	9.3	5.6	3.4
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.4	11.9	10.8	10.6	10.4	12.3	10.9	11.0	10.7	11.2	10.2	10.9	11.2
Central bank policy rate (% eop)	12.00	13.00	13.25	13.25	13.00	12.25	11.25	9.75	8.25	6.75	5.50	5.50	5.50	12.00	13.00	8.25	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

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Mexico																	
Real GDP (y/y % change)	4.4	3.6	3.5	3.4	2.3	1.6	2.4	2.0	1.8	1.8	1.5	1.6	1.4	3.7	3.2	2.0	1.6
CPI (y/y %, eop)	7.8	6.8	5.1	4.5	4.7	4.4	4.8	4.6	4.5	4.0	3.8	3.8	3.7	7.8	4.7	4.5	3.7
Unemployment rate (% avg)	3.0	2.7	2.8	3.0	2.7	2.5	3.0	3.2	3.2	3.3	3.3	3.4	3.5	3.3	2.8	3.0	3.4
Central bank policy rate (% eop)	10.50	11.25	11.25	11.25	11.25	11.00	11.00	10.75	10.50	10.00	9.50	8.75	8.00	10.50	11.25	10.50	8.00
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	16.56	18.70	18.80	18.90	19.50	19.60	19.80	20.00	19.50	16.97	18.90	20.00

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Peru																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-0.9	-0.4	1.4	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	2.2	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	7.7	7.5	7.5	7.1	7.3	6.9	6.6	6.3	7.7	6.8	7.4	6.8
Central bank policy rate (% eop)	7.50	7.75	7.75	7.50	6.75	6.25	5.75	5.00	4.75	4.50	4.00	4.00	4.00	7.50	6.75	4.75	4.00
Foreign exchange (USDPEN, eop)	3.81	3.76	3.63	3.78	3.70	3.72	3.75	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	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Canada																	
Real GDP (y/y % change)	2.2	2.0	1.3	0.7	1.0	0.5	0.9	1.4	2.0	2.1	2.1	2.2	2.2	3.8	1.2	1.2	2.1
CPI (y/y %, eop)	6.7	5.1	3.5	3.7	3.2	2.8	2.7	2.3	2.6	2.5	2.0	2.2	2.1	6.7	3.2	2.6	2.1
Unemployment rate (% avg)	5.1	5.1	5.3	5.5	5.8	5.9	6.2	6.3	6.4	6.5	6.5	6.5	6.4	5.3	5.4	6.2	6.5
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	4.75	4.25	4.00	3.75	3.50	3.25	3.25	4.25	5.00	4.00	3.25
Foreign exchange (USDCAD, eop)	1.36	1.35	1.32	1.36	1.32	1.35	1.38	1.38	1.36	1.34	1.32	1.32	1.30	1.36	1.32	1.36	1.30

2022		2023				2024				2025							
Q4		Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
United States																	
Real GDP (y/y % change)	0.7	1.7	2.4	2.9	3.1	2.9	2.8	1.9	1.5	1.7	1.7	1.9	1.9	1.9	2.5	2.3	1.8
CPI (y/y %, eop)	7.1	5.7	4.0	3.6	3.2	3.2	3.3	2.9	2.9	2.9	2.5	2.2	2.2	7.1	3.2	2.9	2.2
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.7	3.8	4.0	4.0	4.1	4.1	4.1	4.1	4.1	3.6	3.6	4.0	4.1
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.25	5.00	4.50	4.00	3.50	3.50	4.50	5.50	5.00	3.50
Foreign exchange (EURUSD, eop)	1.07	1.08	1.09	1.06	1.10	1.08	1.07	1.07	1.09	1.11	1.11	1.15	1.15	1.07	1.10	1.09	1.15

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
 Red indicates changes in estimates and forecasts since previous *Latam Weekly* on June 07, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	-0.1	-	-0.1	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	0.2	0.2	0.2	0.2	0.1	-	0.1	-	-	0.2	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-0.2	-0.2	-0.2	-0.2	-0.1	-	-	-	-	-0.2	-0.1
Central bank policy rate (% eop)	-	-	-	-	-	-	0.25	0.25	0.25	0.25	0.50	0.25	0.25	-	-	0.25	0.25
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	0.28	0.04	0.04	0.04	0.03	0.02	0.02	-	-	0.04	0.02
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	0.3	0.8	1.0	2.1	1.5	0.6	0.5	-	-	1.0	0.5
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	0.25	0.75	0.75	0.75	0.50	0.25	-	-	-	0.75	-
Foreign exchange (USDCPL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-0.1	-0.1	-0.2	-0.1	-0.1	-0.1	-	-	-	-0.2	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-0.6	-0.6	-0.6	-	-	-	-	-	-	-0.4	-
CPI (y/y %, eop)	-	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	0.25	0.50	0.50	0.75	0.50	0.25	-	-	-	0.50	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	1.10	0.90	0.70	1.00	0.80	0.55	0.50	-	-	0.70	0.50
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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. Changes in estimates and forecasts since previous *Latam Weekly* on June 07, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

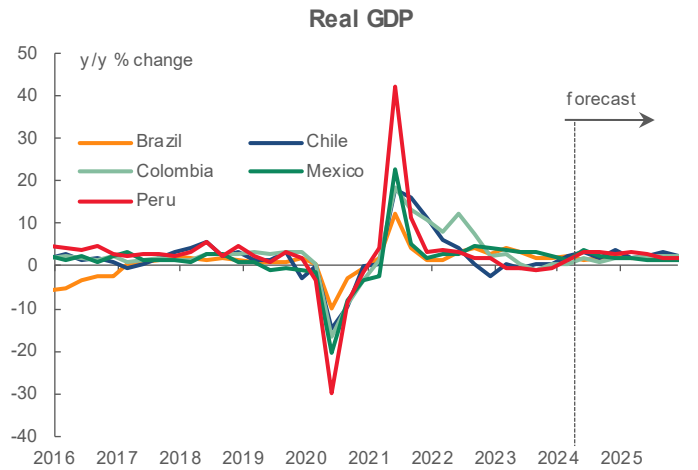
Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	10.50%	Jul-31	10.50%	10.50%	9.50%	
Chile, BCCh, TPM	5.75%	Jul-31	5.50%	5.25%	4.25%	We anticipate a 25 bps cut to 5.50% at the July meeting, conditional on June inflation.
Colombia, BanRep, TII	11.75%	Jun-28	11.25%	8.25%	5.50%	June's monetary policy meeting is key to assessing whether there is a possibility of seeing an acceleration in the easing cycle in the future. Economic activity data has been mixed but still points to weak domestic demand. Inflation expectations continued decreasing, and the international financial situation eased. All the above allows for the possibility of an increase in the easing cycle in the future.
Mexico, Banxico, TO	11.00%	Aug-08	11.00%	10.50%	8.00%	Banxico kept the policy rate unchanged at 11.00% in a 4-1 vote, with Deputy Governor Mejia voting for a 25 bps cut. The statement opened the door to a cut in August, as the Board believes that the recent depreciation of the USDMXN partly offsets weaker economic activity. However, the Board acknowledges an upside balance of inflation risk. For now, we maintain our forecast for a cut at the September meeting, as non-core inflation and political developments could continue to create uncertainty and complicate the outlook in upcoming decisions.
Peru, BCRP, TIR	5.75%	Jul-11	5.75%	4.75%	4.00%	The BCRP surprised by keeping its rate at 5.75% at the June meeting. Signalling a slowdown in the rate reduction pace, but it is not clear which months. We are inclined to believe the rate will remain stable at the July meeting.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

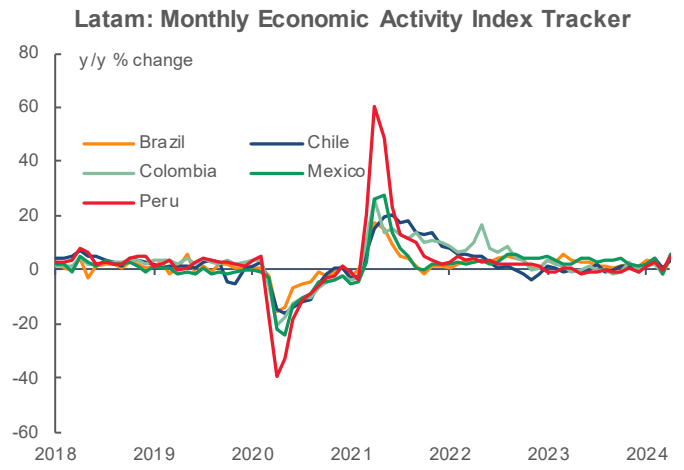
Key Economic Charts

Chart 1



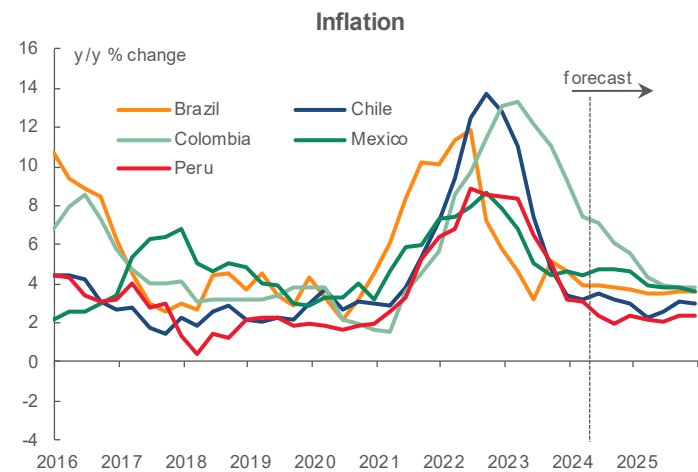
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



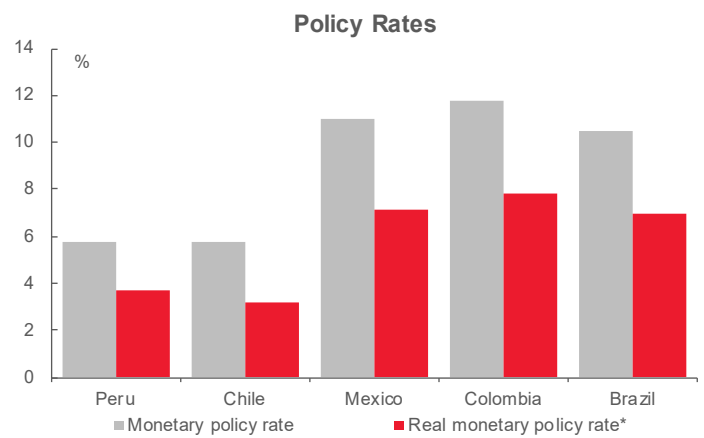
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

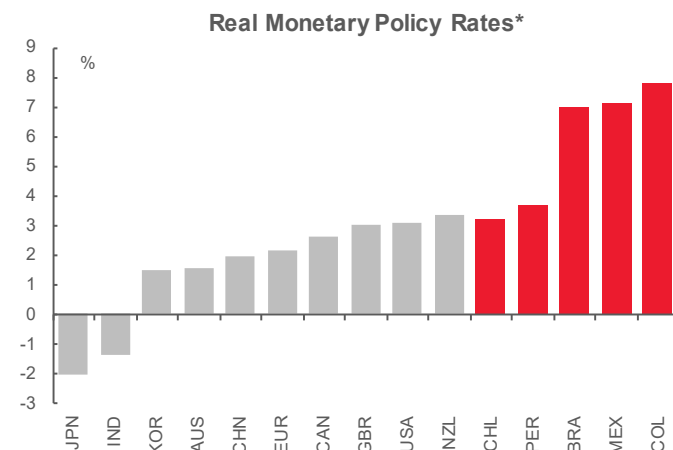
Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2025, % y/y.

Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5

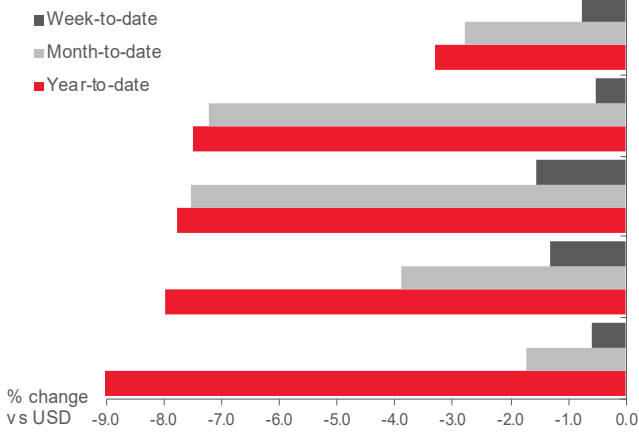


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

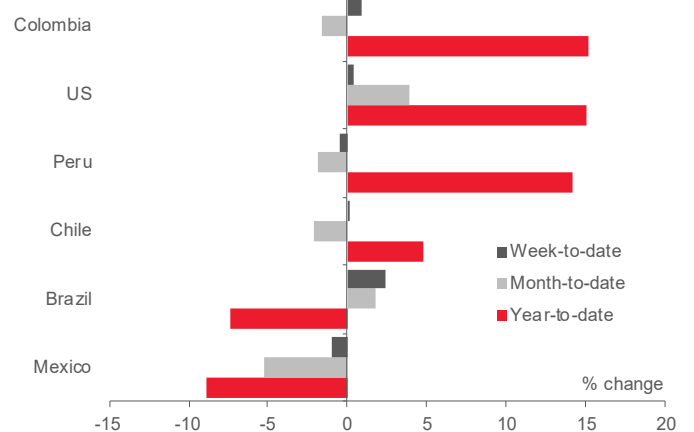
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

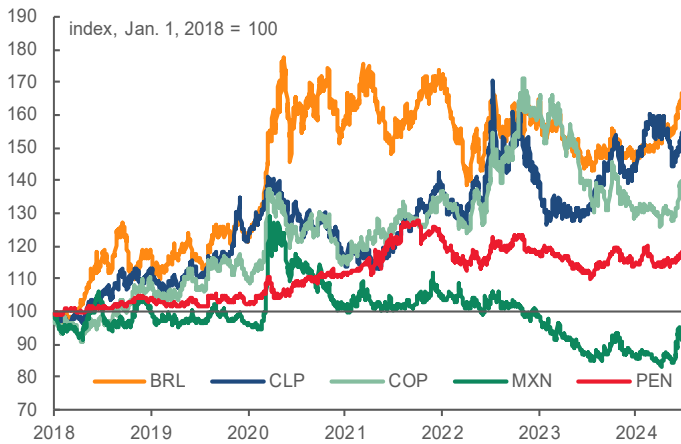
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

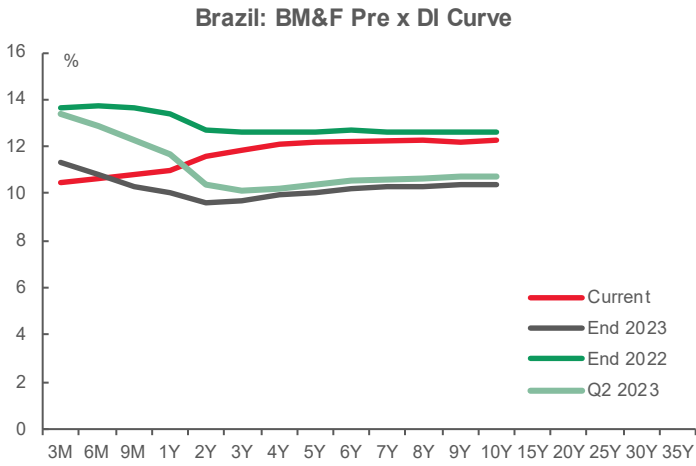
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

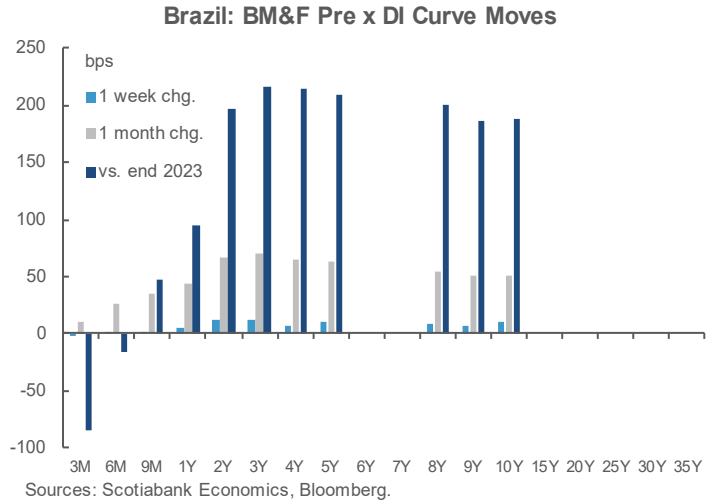
Yield Curves

Chart 1



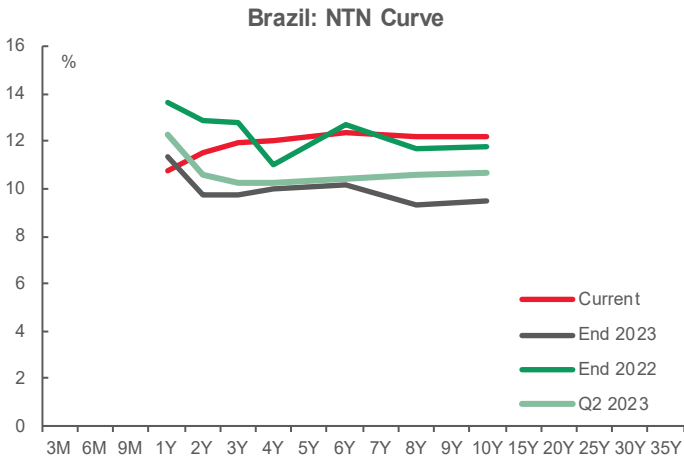
Sources: Scotiabank Economics, Bloomberg.

Chart 2



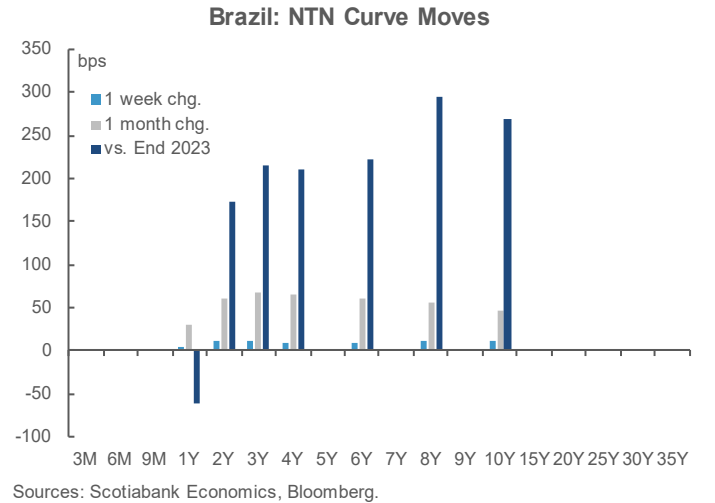
Sources: Scotiabank Economics, Bloomberg.

Chart 3



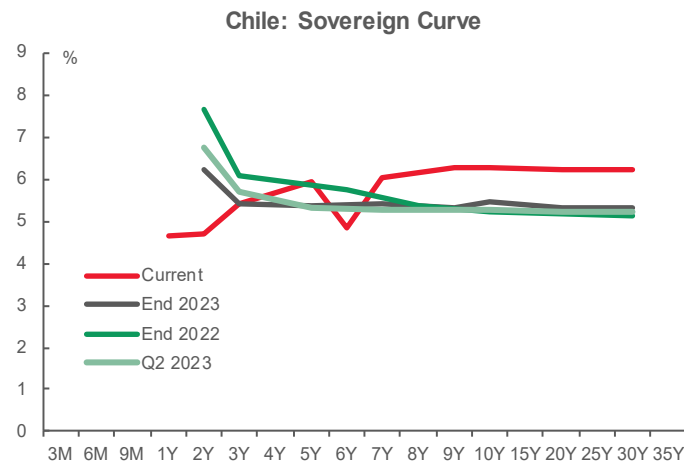
Sources: Scotiabank Economics, Bloomberg.

Chart 4



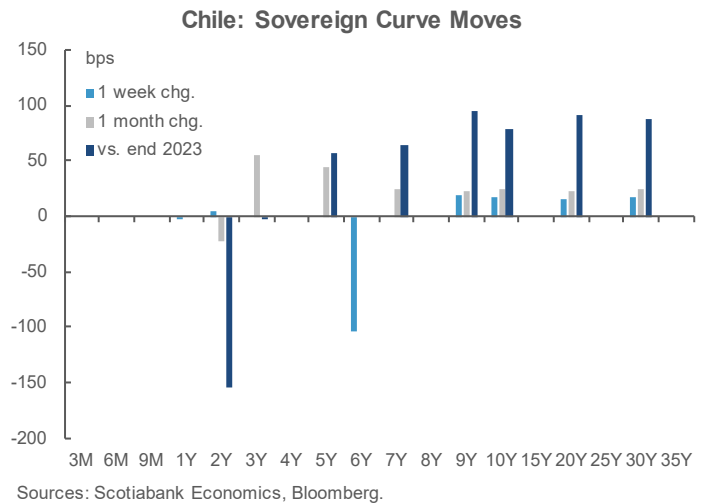
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

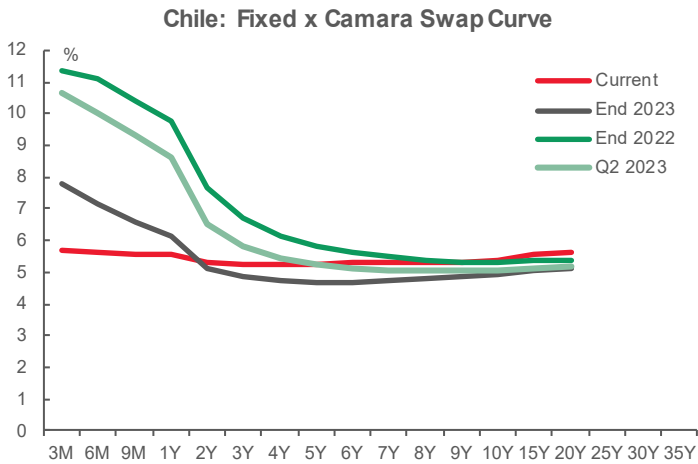
Chart 6



Sources: Scotiabank Economics, Bloomberg.

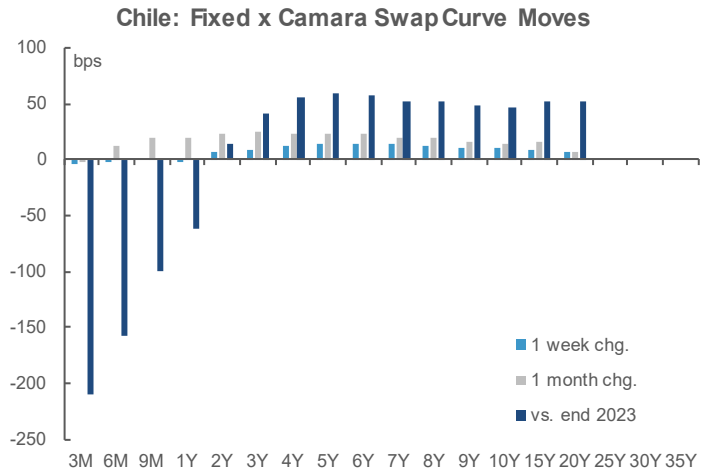
Yield Curves

Chart 7



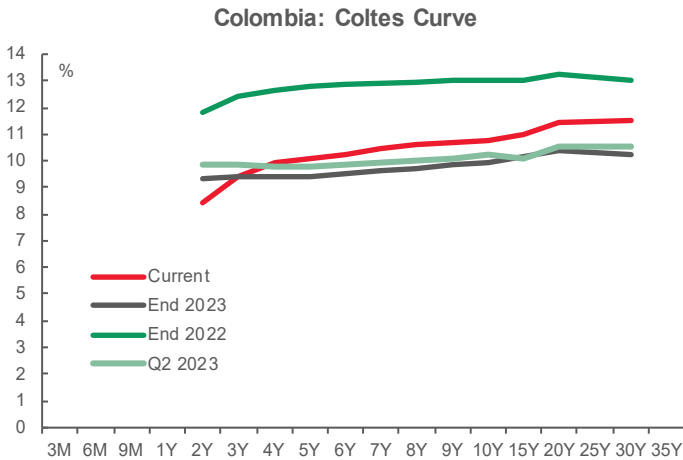
Sources: Scotiabank Economics, Bloomberg.

Chart 8



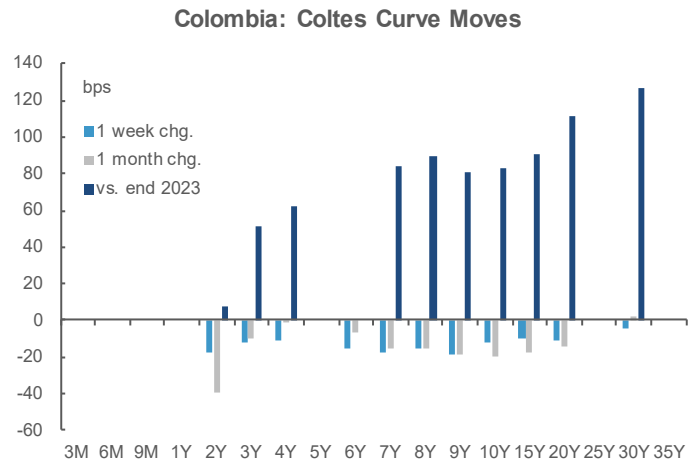
Sources: Scotiabank Economics, Bloomberg.

Chart 9



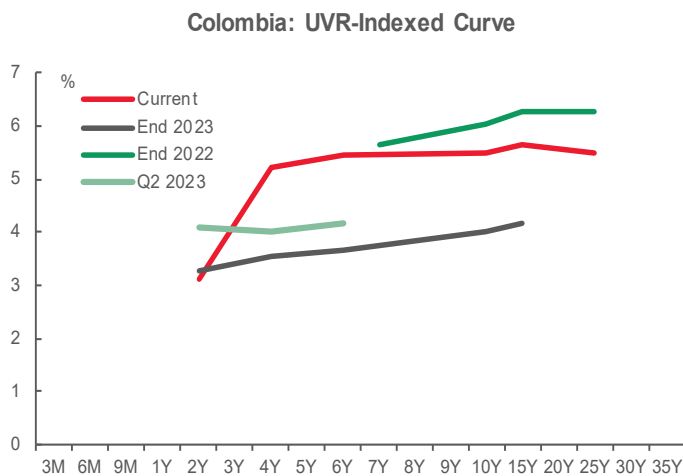
Sources: Scotiabank Economics, Bloomberg.

Chart 10



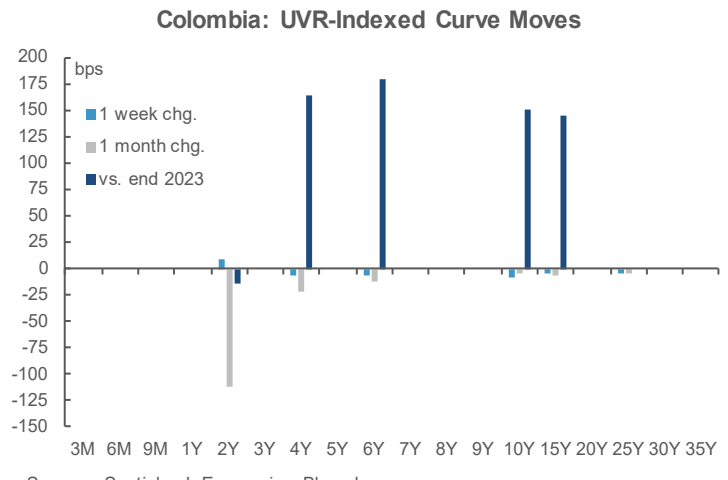
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Chart 12

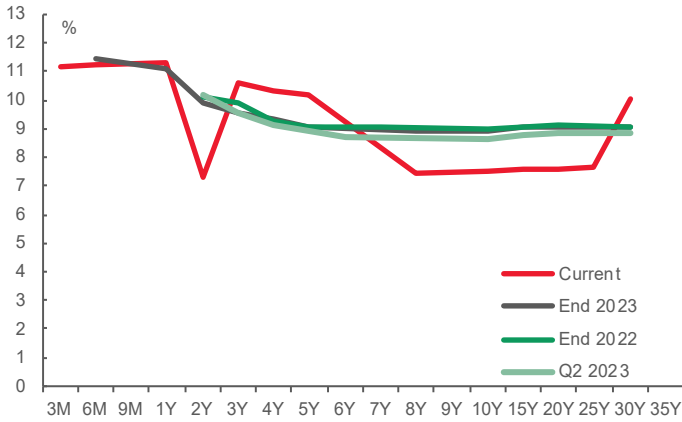


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 13

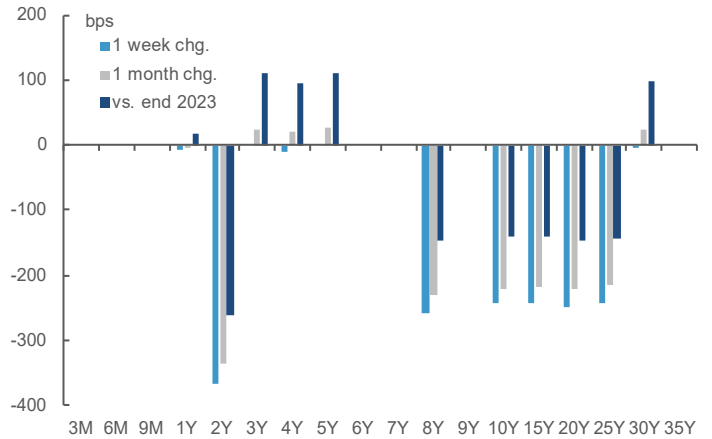
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

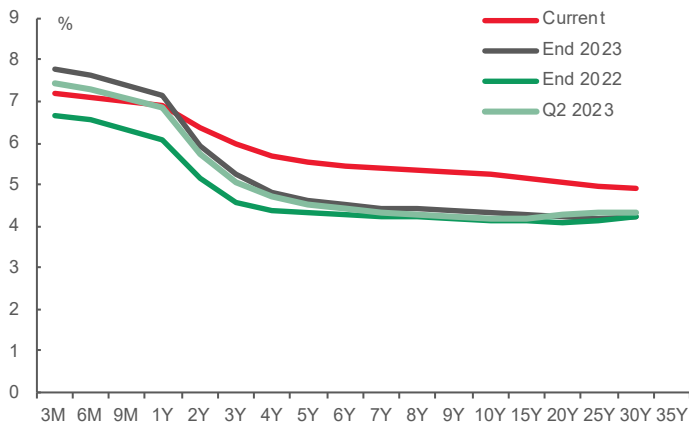
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

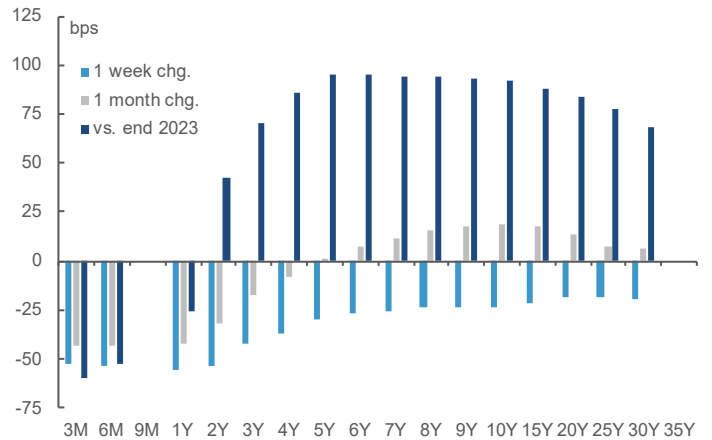
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

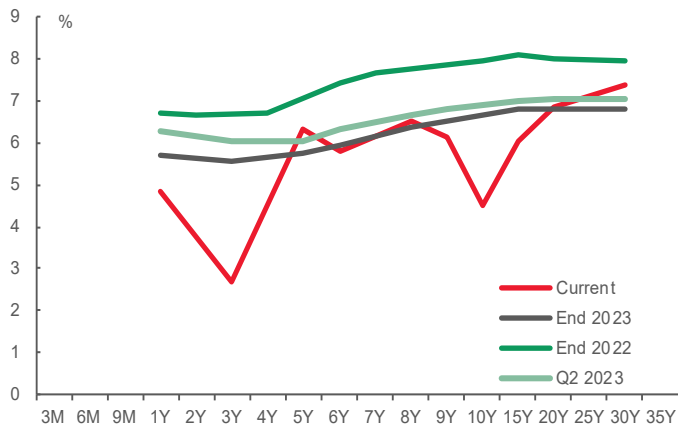
Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 17

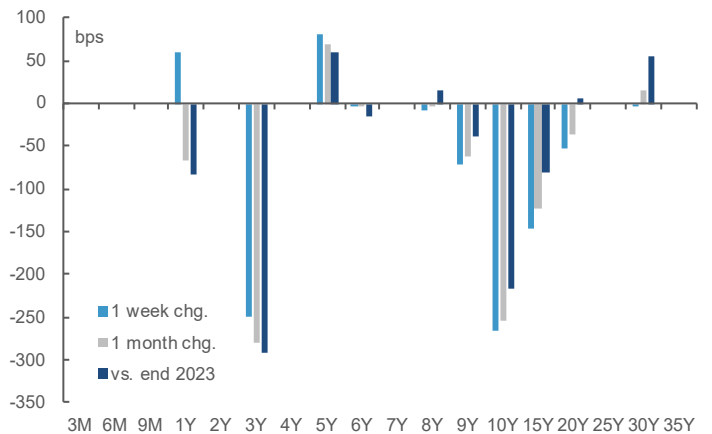
Peru: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 18

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for June 29–July 12

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jul-01	7:00 FGV CPI IPC-S (%)	28-Jun	--	--	0.45
Jul-01	7:25 Central Bank Weekly Economist Survey		--	--	
Jul-01	9:00 S&P Global Brazil Manufacturing PMI	Jun	--	--	52.1
Jul-02	4:00 FIPE CPI - Monthly (%)	Jun	--	--	0.09
Jul-03	8:00 Industrial Production m/m	May	--	--	-0.5
Jul-03	8:00 Industrial Production y/y	May	--	--	8.4
Jul-03	9:00 S&P Global Brazil Composite PMI	Jun	--	--	54
Jul-03	9:00 S&P Global Brazil Services PMI	Jun	--	--	55.3
Jul-04	14:00 Imports Total USD mn	Jun	--	--	21803.8
Jul-04	14:00 Exports Total USD mn	Jun	--	--	30338.2
Jul-04	14:00 Trade Balance Monthly USD mn	Jun	--	--	8534.4
Jul 03-05	Vehicle Sales Fenabrave	Jun	--	--	194257
Jul 04-05	Vehicle Exports Anfavea BRL	Jun	--	--	26760
Jul 04-05	Vehicle Production Anfavea	Jun	--	--	166733
Jul 04-05	Vehicle Sales Anfavea	Jun	--	--	194256
Jul-08	7:00 FGV Inflation IGP-DI y/y	Jun	--	--	0.88
Jul-08	7:00 FGV Inflation IGP-DI m/m	Jun	--	--	0.87
Jul-08	7:00 FGV CPI IPC-S (%)	05-Jul	--	--	0.45
Jul-08	7:25 Central Bank Weekly Economist Survey		--	--	
Jul-08	14:00 Trade Balance Weekly USD mn	07-Jul	--	--	755.9
Jul-10	8:00 IBGE Inflation IPCA y/y	Jun	--	--	3.93
Jul-10	8:00 IBGE Inflation IPCA m/m	Jun	--	--	0.46
Jul-11	8:00 Retail Sales Broad y/y	May	--	--	4.9
Jul-11	8:00 Retail Sales y/y	May	--	--	2.2
Jul-11	8:00 Retail Sales Broad m/m	May	--	--	-1
Jul-11	8:00 Retail Sales m/m	May	--	--	0.9
Jul-12	8:00 IBGE Services Volume m/m SA	May	--	--	0.5
Jul-12	8:00 IBGE Services Volume y/y NSA	May	--	--	5.6

CHILE

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jul-01	8:30 Economic Activity m/m	May	--	--	-0.26
Jul-01	8:30 Economic Activity y/y	May	3.0	--	3.5 Consistent with our GDP growth projection of 3.0% y/y for 2024.
Jul-05	9:00 Nominal Wage y/y	May	--	--	6.4
Jul-05	10-Jul Vehicle Sales Total	Jun	--	--	23337
Jul 01-05	IMCE Business Confidence	Jun	--	--	45.3
Jul-08	8:00 CPI m/m	Jun	--	--	0.3
Jul-08	8:00 CPI y/y Chained	Jun	--	--	4.1
Jul-08	8:30 Central Bank Traders Survey		--	--	
Jul-08	8:30 Exports Total USD mn	Jun	--	--	8091
Jul-08	8:30 Imports Total USD mn	Jun	--	--	6494
Jul-08	8:30 Trade Balance USD mn	Jun	--	--	1598
Jul-08	8:30 International Reserves USD mn	Jun	--	--	45812
Jul-08	8:30 Copper Exports USD mn	Jun	--	--	4355
Jul-10	8:30 Central Bank Economist Survey		--	--	--

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jul-02	11:00 Davivienda Colombia PMI Mfg	Jun	--	--	49.8
Jul-04	11:00 Exports FOB USD mn	May	--	--	4408.8
Jul-04	18:00 Colombia Monetary Policy Minutes		--	--	
Jul-08	19:00 CPI m/m	Jun	0.32	0.31	0.43 May inflation showed that rent fees continue to pressure prices, and food began to show
Jul-08	19:00 CPI y/y	Jun	7.18	7.14	7.16 greater influence due to lower statistical bases. In the coming months, the disinflationary
Jul-08	19:00 CPI Core m/m	Jun	0.3	0.34	0.41 process will be more gradual, especially due to the negative base of food one year ago. The
Jul-08	19:00 CPI Core y/y	Jun	7.61	7.62	7.83 rest of the CPI components are expected to have moderate increases.
Jul-10	Consumer Confidence Index	Jun	--	--	-14.1

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

Market Events & Indicators for June 29–July 12

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jul-01	11:00 Remittances Total USD mn	May	--	--	5422
Jul-01	11:00 Central Bank Economist Survey		--	--	
Jul-01	14:00 IMEF Manufacturing Index SA	Jun	--	--	49.8
Jul-01	14:00 IMEF Non-Manufacturing Index SA	Jun	--	--	50.0
Jul-02	8:00 Gross Fixed Investment SA m/m	Apr	--	--	0.8
Jul-02	8:00 Gross Fixed Investment NSA y/y	Apr	--	--	2.6
Jul-02	8:00 Private Consumption y/y	Apr	--	--	2.9
Jul-02	11:00 S&P Global Mexico Manufacturing PMI	Jun	--	--	51
Jul-02	11:00 International Reserves Weekly USD mn	28-Jun	--	--	220045
Jul-03	8:00 Vehicle Domestic Sales	Jun	--	--	119985
Jul-04	8:00 Leading Indicators (m/m)	May	--	--	0.1
Jul-05	Banamex Survey of Economists		--	--	
Jul-09	8:00 CPI y/y	Jun	4.79	--	4.69
Jul-09	8:00 Consumer Confidence	Jun	--	--	46.7
Jul-09	8:00 CPI m/m	Jun	0.2	--	-0.2
Jul-09	8:00 Vehicle Exports	Jun	--	--	310655
Jul-09	8:00 Vehicle Production MXN	Jun	--	--	365574
Jul-09	8:00 CPI Core m/m	Jun	0.3	--	0.2
Jul-09	8:00 CPI Core y/y	Jun	4.21	--	4.21
Jul-09	8:00 Bi-Weekly CPI (%)	30-Jun	--	--	0.2
Jul-09	8:00 Bi-Weekly Core CPI (%)	30-Jun	--	--	0.2
Jul-09	8:00 Bi-Weekly CPI y/y	30-Jun	--	--	4.8
Jul-09	8:00 Bi-Weekly Core CPI y/y	30-Jun	--	--	4.2
Jul-09	11:00 International Reserves Weekly USD mn	05-Jul	--	--	220045
Jul 05-09	Nominal Wages y/y	Jun	--	--	9.2
Jul-10	ANTAD Same-Store Sales y/y	Jun	--	--	8.1
Jul 05-10	Formal Job Creation Total (000's)	Jun	--	--	-25.2
Jul-11	11:00 Central Bank Monetary Policy Minutes		--	--	
Jul-12	8:00 Manuf. Production NSA y/y	May	--	--	3.8
Jul-12	8:00 Industrial Production NSA y/y	May	--	--	5.1
Jul-12	8:00 Industrial Production SA m/m	May	--	--	-0.5

PERU

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Jul-01	11:00 Lima CPI y/y	Jun	2.2	2.3	2.0 Slight increase from 2.0% y/y in May, but still firmly in BCRP target range.
Jul-01	11:00 Lima CPI m/m	Jun	-0.02	--	-0.09
Jul-11	19:00 Reference Rate (%)	11-Jul	5.75	--	5.75 The BCRP has been signalling pauses in their policy rate. We expect another stable month.

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

Scotiabank Economics Latam Coverage

Local Market Coverage

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