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Latam Weekly: Banxico and BCRP, Latam CPI

ECONOMIC OVERVIEW

- After a busy week of central bank decisions and key data, we turn the page to a busy week of central bank decisions and key data, with Banxico and BCRP rate announcements and regional CPI prints on tap.
- Both central bank decisions are too close to call, so neither of two cuts nor two holds nor one cut and one hold would greatly surprise economists and markets. In today's report, our teams in Mexico and Peru discuss their expectations for next week's decisions, with a likelier cut and a likelier hold in store.
- A hot Mexican CPI print the morning of Banxico's decision could flip expectations. Chile's inflation reading could make or break an early-September cut, while Brazilian data will not be enough to motivate more BCB easing.
- On the other hand, a nice slowdown in still-high Colombian inflation may be good enough for a larger 75bps cut in September; BanRep's meeting minutes may offer some guidance on Monday.

PACIFIC ALLIANCE COUNTRY UPDATES

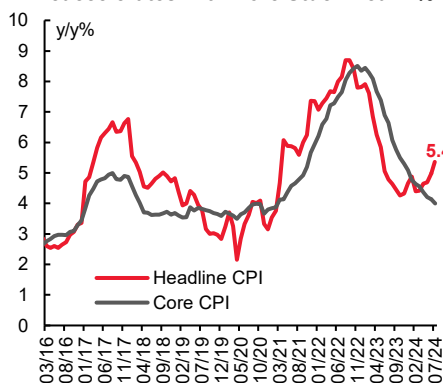
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period August 3-16 across the Pacific Alliance countries and Brazil.

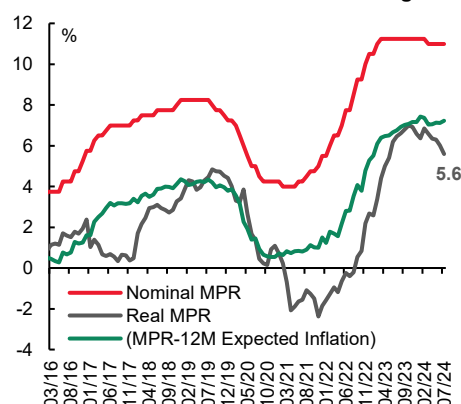
Charts of the Week

Mexican Headline Inflation Reaccelerates with Core Stuck Near 4%



Sources: Scotiabank Economics, Banco de Mexico, INEGI, Bloomberg.
*July 2024 is BNS forecast

Banxico's Restrictiveness is Prolonged



Sources: Scotiabank Economics, Banco de Mexico, INEGI, Bloomberg.
*July 2024 is BNS forecast

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

Economic Overview: Banxico and BCRP, Latam CPI

- **After a busy week of central bank decisions and key data, we turn the page to a busy week of central bank decisions and key data, with Banxico and BCRP rate announcements and regional CPI prints on tap.**
- **Both central bank decisions are too close to call, so neither of two cuts nor two holds nor one cut and one hold would greatly surprise economists and markets. In today's report, our teams in Mexico and Peru discuss their expectations for next week's decisions, with a likelier cut and a likelier hold in store.**
- **A hot Mexican CPI print the morning of Banxico's decision could flip expectations. Chile's inflation reading could make or break an early-September cut, while Brazilian data will not be enough to motivate more BCB easing.**
- **On the other hand, a nice slowdown in still-high Colombian inflation may be good enough for a larger 75bps cut in September; BanRep's meeting minutes may offer some guidance on Monday.**

From a busy week of central bank decisions and key data, we turn the page to a busy week of central bank decisions and key data. From an unsurprising 50bps cut by BanRep and no change by the BCB, to a surprising rate hold by the BCCh, we now await highly uncertain rate announcements by Banxico and the BCRP on Thursday. That same morning's release of Chilean and Mexican CPI and Friday's Colombian and Brazilian CPI will be in focus on the data front after a relatively quiet first half of the week—more so since Peru and Colombia are closed for business on Tuesday and Wednesday, respectively.

Outside of Latam, things maybe do calm down a bit after the recent run of G10 central bank decisions with only the RBA due to announce a likely unchanged cash rate. Meanwhile, on the ex-Latam data front, US ISM services, Canadian jobs, Chinese international trade and CPI, and New Zealand employment are the highlight. Australian and Canadian markets are also shut for holidays on Monday. As always, central bankers' comments may move markets as will geopolitical developments with Middle East risks as the top concern.

Starting with Mexico, our economists preview next week's CPI and Banxico decision in today's report. Banxico's decision has gone from likely cut, to toss-up, to now maybe likelier hold according to markets (10/11bps priced in pre-US jobs data) but it's anyone's guess. The bank's rate hold at 11.00% at its June meeting came with a relatively dovish statement that was reinforced by dovish meeting minutes. A weaker-than-expected economic performance so far in 2024 would also act as motivation for a cut, as would an expected deceleration in core inflation to very near 4.0% in next week's CPI release. We think a cut is more likely than a hold.

But, it's difficult for officials to ignore the significant rise in inflation to 5.61% y/y in the first half of July—even if it's mainly due to non-core items. The MXN coming under pressure from local and foreign political developments, an overall risk-off market tone, and a massive unwinding of MXN carry trade positions (namely in relation to the JPY, where the BoJ unexpectedly hiked this week), among other drivers, means Banxico needs to be cautious about rate differentials with other countries. To be fair, the near certainty of a September rate cut by the Fed is likely of comfort for Banxico officials.

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Peru was the first country in Latam to publish July CPI data, with headline inflation surprising to the downside and just slightly above the BCRP's 1–3% target band, at 2.1%. Considering a two-meeting pause, this result would maybe marginally tilt the balance in favour of a rate cut of 25bps next week. But, our team thinks that the BCRP will hold its reference rate at 5.50% for a third time. As they argue in today's Weekly, headline inflation remaining stuck just above 3.0% for a number of months and the bank finding itself in no need to rush (it may be better to just wait for the Fed in September) favours a hold. Our economists also write an early look into June GDP growth, with recent data pointing to a soft reading no higher than 2%.

Chile's CPI print due Thursday will be monitored for signals that would support a restart of BCCh rate cuts at its September 3rd meeting. After a somewhat surprising rate hold (its first in the cutting cycle) earlier this week (see [here](#)), our economists think that if next week's inflation data overshoots the bank's June projections then the BCCh will opt for another rate hold, choosing to monitor a few more prints before easing again. An on- or below-expectations reading would satisfy conditions for a September cut, with the latter scenario possibly resulting in new Monetary Policy Report projections showing a lower terminal rate.

A 6-handle is finally in store for Colombian headline inflation in data due for release on Friday. Our team in Bogota projects a 6.92% y/y rise in headline CPI as base effects turn more favourable to help the headline reading fall from 7.18% in June. Core inflation will still hold in the 7s, however, as the indexation beast retains its place among the drivers that have prevented a faster convergence of inflation to target. Nevertheless, the 0.3ppts slowdown that our team projects in core inflation, from 7.64% to 7.32%, is a step in the right direction. BanRep's latest decision, where it chose to lower its overnight rate by 50bps as expected (see [here](#)), didn't give us too much in terms of guidance so we're hoping that the minutes to the meeting, out on Monday, reinforce our projection for a 75bps cut in late-September—with next week's nice decline in inflation supporting this view.

It's a similar week for Brazil, with the BCB's hawkish hold meeting minutes out on Tuesday and IPCA inflation on Friday. However, another acceleration is expected here towards the mid-4s in headline inflation, a reading that clearly acts to postpone even further another would-be cut by Brazilian officials.

Pacific Alliance Country Updates

Mexico—CPI and Banxico Preview

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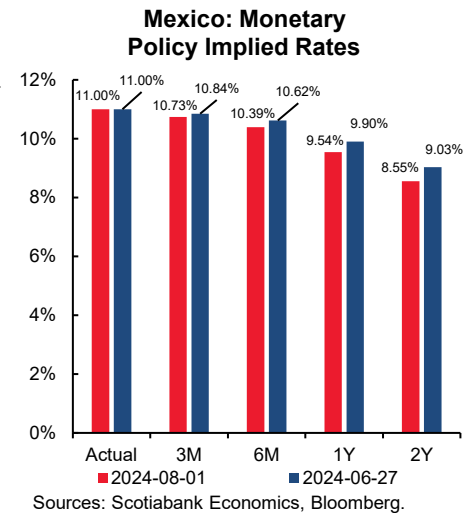
Banxico’s monetary policy decision on Thursday is next week’s focal point, published some hours after the morning’s release of July’s inflation reading. Since the June decision, in which the central bank held its rate in a split vote, with one member in favour of a 25bps cut, the market reacted by discounting a less restrictive rate over the horizon thanks to a more dovish-than-expected statement. Similarly, the analyst consensus still anticipates that the next cut will take place at this week’s meeting. However, given the inflation print for the first half of July, which came out considerably higher than expected (5.61% y/y vs. 5.33% consensus) owing to a rebound in the agricultural items, and an environment of greater both domestic and international political uncertainty (the progress of constitutional reforms in Mexico, and the surprises of the US presidential election campaign), which has led to a higher USDMXN with greater volatility, have increased the chance that the cut could be delayed until the September 26th meeting.

From the cutting standpoint, the lower-than-expected GDP flash for the second quarter (2.2% y/y vs. 2.4% expected), the declining performance of core inflation (despite the stickiness of services above 5.0%), and the expectation of Fed cuts from September add to the case for a cut this week.

According to our call, the increase in agricultural items could continue to drive headline inflation in July, soaring from 4.98% to 5.40%. On the contrary, we believe that the core component will continue to decline, approaching the 4.0% threshold from 4.13% in the previous month. In this sense, the upsurge in headline inflation does not seem to be enough of an argument for the market (nor for some members of the Board of Governors) to think about another pause, possibly under the consideration that this increase would be transitory, and that it will not pass through to the core component. Nevertheless, an above-expectations headline inflation, or a rebound in the merchandise and/or services components could be a sufficient argument for waiting a little longer and move the cut to the next meeting.

By the end of September, most of AMLO’s proposed reforms will surely have been voted on, or at least the two of them that could have the most implications in terms of rule and state capacity; the reform to the judicial sector, and the reform to dismantle autonomous regulators. Furthermore, if inflation behaves as expected, it would have already passed its highest level of the year after the upsurges in agricultural items, even though year-end inflation expectations have moved up, expecting now 4.65% y/y from 4.25% previously according to the Banxico Survey. Thus, we believe that in the case that Banxico opts to pause this week, the outlook for two cuts during the remainder of the year will remain unchanged, as this rate change would simply shift to the September meeting, maintaining the expectation of an additional cut in December and closing the year at 10.50% (chart 1).

Chart 1



Peru—Uncertainty Abounds Regarding the BCRP August Decision and June GDP Growth

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Yearly inflation came in at 2.1% in July. This is down from 2.3% in June, and below our expectations, also at 2.3% (chart 2). This inflation figure is teetering on the pivot point between just good enough to justify a cut in the BCRP reference rate in August, and not compelling enough to require one. The context surrounding the BCRP decision is also balanced. Peru’s core inflation remained stationed just above 3.0%, and of course the BCRP has stressed on numerous occasions its desire to see core inflation decline in a more convincing fashion before lowering its reference rate again. And, the BCRP, with an eye on the potential impact of changes in interest rate differentials on PEN assets prices and the FX rate, has signaled its desire to avoid taking Peru’s reference rate to par or lower vis-à-vis the Fed rate for any

extended period of time. However, market consensus now expects the Fed to lower its rate as soon as September. This could conceivably encourage the BCRP to resume reducing rates in August, as the two rates would coincide at 5.50% for only one month.

The arguments in favour and against the BCRP lowering its rate in August are, therefore, fairly even. This heightens the uncertainty regarding the BCRP’s decision next week. We are inclined to believe that it’s more likely that the BCRP will keep its reference rate stable for one last month. This is for two reasons. The first is the fact that core inflation has hovered around 3.0% for six months now, and, thus, continues to resist falling convincingly into the BCRP target range. The second is simply, from the BCRP’s point of view, why hurry? There is no pressing need to reduce the reference rate quickly.

JUNE GDP BLUES

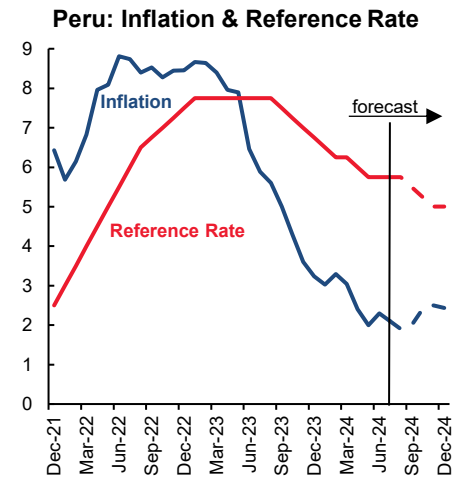
Certain sector GDP growth figures and indicators for June were also released on August 1st. Foremost among these was fishing GDP, up 56.8% y/y in June. In case this seems like a lot, remember that fishing GDP rose 330% y/y in May and 158% y/y in April. In fact, the number for June reflects a fishing season that was winding down. Having said that, it was still a good month.

It was not a good month for mining. Mining GDP plunged 8.1% y/y in June. Every major metal fell, from zinc (-21%), to copper (-12%) to gold (-2.5%). Copper output has been disappointing throughout 2024 so far. This may possibly reflect lower cut-off grades, financially enabled by high copper prices during this period. Production only increased in certain minor metals, namely molybdenum, tin and silver, but their weights are not great. Oil and gas fell -3.5% y/y, although this was more predictable, given the trend of recent months.

To round out a weakish month, domestic demand indicators were also weak, with electricity output up a very marginal 0.06% y/y and cement demand down 5.5% y/y. In past months, government investment offset low cement demand in bolstering construction GDP growth. The impact of government investment for June, 6.7% y/y (as opposed to double-digit figures in previous months) might not be enough to push construction GDP into positive territory.

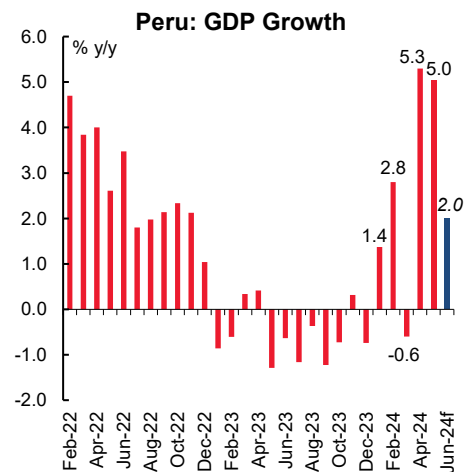
June GDP, then, will not come close to the 5%+ growth levels of April–May. With luck it might reach 2.0% (chart 3). Maybe.

Chart 2



Sources: Scotiabank Economics, BCRP.

Chart 3



Sources: Scotiabank Economics, INEI.

Forecast Updates

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2e	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	1.8	2.1	2.3	2.0	1.9	1.9	1.9	3.0	2.9	2.2	1.9
CPI (y/y % , eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.2	4.3	4.2	4.0	3.8	3.7	3.8	5.8	4.6	4.2	3.8
Unemployment rate (% , avg)	7.9	8.8	8.0	7.7	7.4	7.9	6.9	7.0	7.0	7.6	7.4	7.4	7.4	7.9	7.4	7.2	7.5
Central bank policy rate (% , eop)	13.75	13.75	13.75	12.75	11.75	10.75	10.50	10.50	10.50	10.50	10.25	9.75	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	5.59	5.31	5.25	5.22	5.18	5.18	5.20	5.28	4.86	5.25	5.20
Chile																	
Real GDP (y/y % change)	-2.3	0.3	-0.4	0.6	0.4	2.3	1.8	2.0	4.4	2.6	3.8	2.6	1.2	2.1	0.2	2.7	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
Colombia																	
Real GDP (y/y % change)	2.2	2.7	0.3	-0.7	0.3	0.7	3.0	1.3	1.1	3.5	2.8	2.6	2.6	7.3	0.6	1.5	2.9
CPI (y/y % , eop)	13.1	13.3	12.1	11.0	9.3	7.4	7.2	6.1	5.6	4.2	3.6	3.5	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	10.00	8.50	7.00	5.50	5.50	5.50	12.00	13.00	8.50	5.50
Foreign exchange (USDCOP, eop)	4,853	4,623	4,172	4,068	3,855	3,852	4,153	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)	4.4	3.6	3.5	3.4	2.3	1.6	2.2	1.6	1.6	1.8	1.5	1.6	1.4	3.7	3.2	1.8	1.6
CPI (y/y % , eop)	7.8	6.8	5.1	4.5	4.7	4.4	5.0	4.9	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	2.8	3.2	3.2	3.3	3.3	3.4	3.5	3.3	2.8	2.9	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	18.32	18.80	18.90	19.50	19.60	19.80	20.00	19.50	16.97	18.90	20.00
Peru																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-0.9	-0.4	1.4	4.2	3.2	2.9	3.6	2.2	2.0	2.3	2.7	-0.6	3.0	2.5
CPI (y/y % , eop)	8.5	8.4	6.5	5.0	3.2	3.0	2.3	2.0	2.4	2.1	2.2	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	6.6	6.7	6.5	7.2	6.5	6.4	6.2	7.7	6.8	6.9	6.6
Central bank policy rate (% , eop)	7.50	7.75	7.75	7.50	6.75	6.25	5.75	5.50	5.00	4.75	4.50	4.25	4.25	7.50	6.75	5.00	4.25
Foreign exchange (USDPEN, eop)	3.81	3.76	3.63	3.78	3.70	3.72	3.84	3.80	3.75	3.75	3.75	3.80	3.78	3.81	3.70	3.75	3.78
Canada																	
Real GDP (y/y % change)	2.2	2.0	1.3	0.7	1.0	0.5	0.8	1.4	1.9	2.0	2.0	2.0	2.0	3.8	1.2	1.2	2.0
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	6.5	6.6	6.6	6.6	6.6	6.5	5.3	5.4	6.3	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	3.75	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	1.37	1.38	1.36	1.34	1.32	1.32	1.30	1.36	1.32	1.36	1.30
United States																	
Real GDP (y/y % change)	0.7	1.7	2.4	2.9	3.1	2.9	3.1	2.1	1.7	1.8	1.8	1.8	1.8	1.9	2.5	2.4	1.8
CPI (y/y % , eop)	7.1	5.7	4.0	3.6	3.2	3.2	3.2	2.8	2.8	2.9	2.6	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	4.0	4.1	4.2	4.2	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 July 19, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022		2023			2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2e	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	0.2	0.1	-	-	-0.1	-0.1	-0.1	-	-	0.1	-0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.1	0.1	0.1	0.2	-	-	-	-	0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-0.5	-0.4	-0.2	-0.2	-0.4	-0.4	-0.4	-	-	-0.1	-0.3
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	0.25	0.25	0.25	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	0.20	0.16	0.15	0.13	0.11	0.11	-	-	0.16	0.11
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCPL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-0.2	-0.4	-0.2	-	-	-	-	-	-	-0.2	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-0.1	-	-0.1	-0.1	-0.1	-0.2	-0.2	-	-	-	-0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	0.2	0.2	0.1	0.1	0.1	0.1	-	-	0.1	0.1
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	0.3	0.2	0.2	0.1	0.1	-0.1	-0.1	-	-	0.1	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-0.1	-0.1	-	0.1	0.1	-	-	-	-0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	0.1	0.1	0.1	-	-	-	-	-	-	-
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 July 19, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

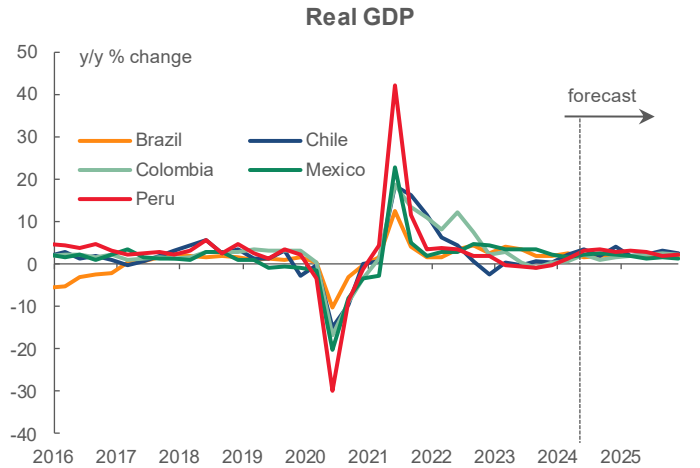
Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	10.50%	Sep-18	10.50%	10.50%	9.50%	
Chile, BCCh, TPM	5.75%	Sep-03	5.50%	5.25%	4.25%	We anticipate a 25 bps cut to 5.50% at the September meeting.
Colombia, BanRep, TII	10.75%	Sep-30	10.00%	8.50%	5.50%	As inflation is expected to resume the downward trend, employment data started to deliver negative surprises, and economic activity remains stagnant, we expect the central bank to have enough arguments to accelerate the easing cycle in September. The publication of the Monetary Policy Report is key to monitor how the risk assessment has evolved, and to look for signals of a potential acceleration in the easing cycle since the next meeting.
Mexico, Banxico, TO	11.00%	Aug-08	10.75%	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 minutes showed some dovish bias in the last meeting in 3 of the 5 members of the board. In this sense, it looks like members of the board are weighing the opposing risks of a depreciating USDMXN and lower economic activity on inflation. As financial volatility eases after the initial post-election spike, we think those members could vote for a less restrictive stance in the next meeting. However, given the upside trend in non-core items, and headline inflation above expectations in recent prints, we think there is still some possibility of leaving the rate unchanged at the August meeting, although the base scenario is that Banxico cuts the rate 25 bps. to 10.75%.
Peru, BCRP, TIR	5.75%	Aug-08	5.75%	5.00%	4.25%	Headline inflation in July fell from 2.3% to 2.1%, approaching the midpoint of the target range (2.0%). However, core inflation remained at 3.0%, the upper limit of the target range (1%-3%). This indicates that core inflation is still persistent, having stayed at this level for 6 consecutive months without showing clear signs of easing. Uncertainty abounds regarding the BCRP August decision, however, we are inclined to think that the interest rate will remain unchanged.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

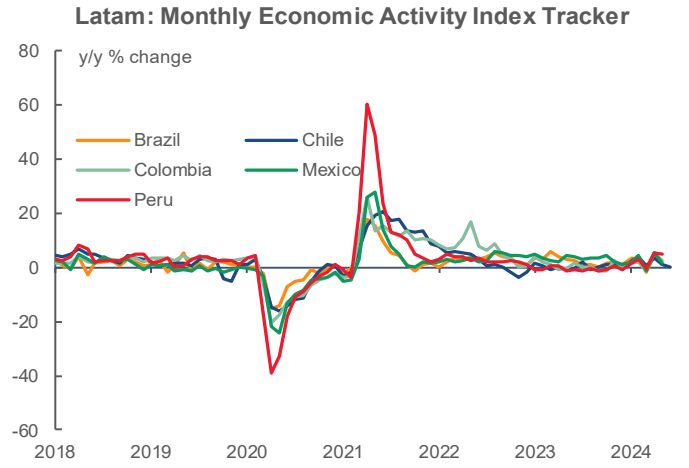
Key Economic Charts

Chart 1



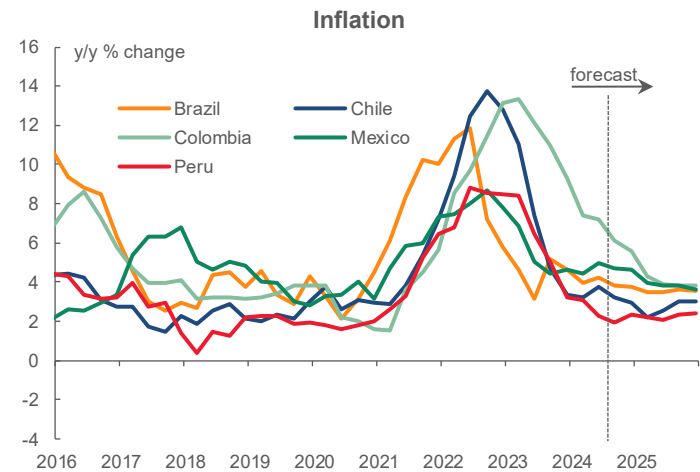
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



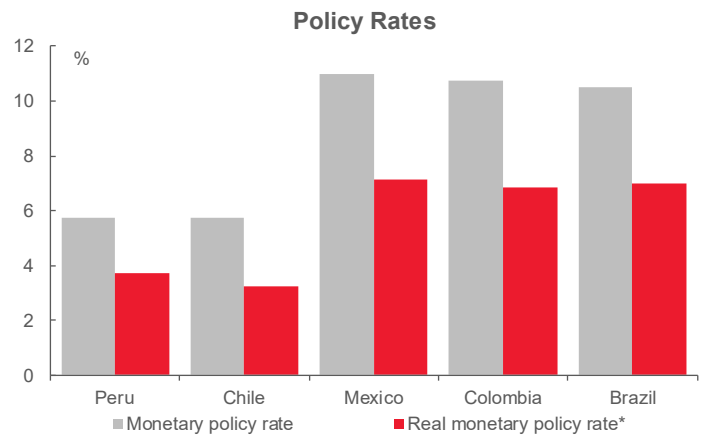
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

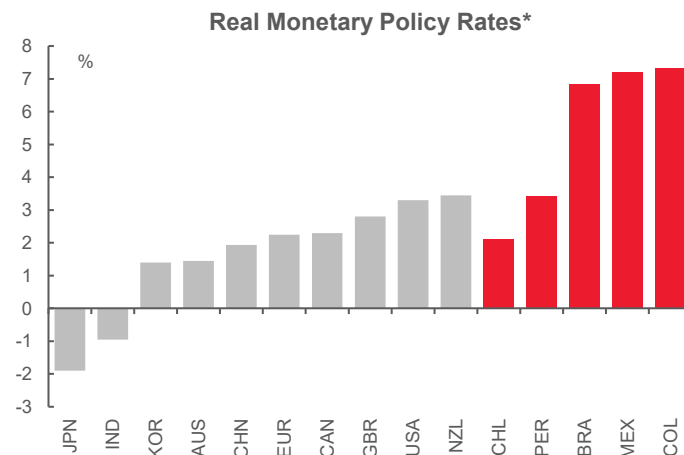
Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2025, % y/y.

Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5

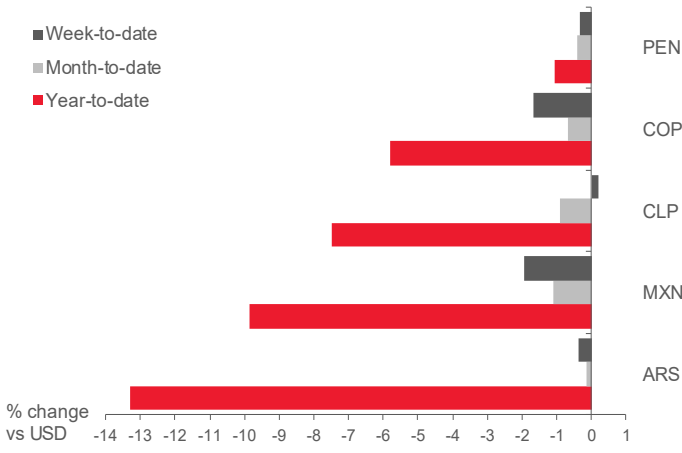


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

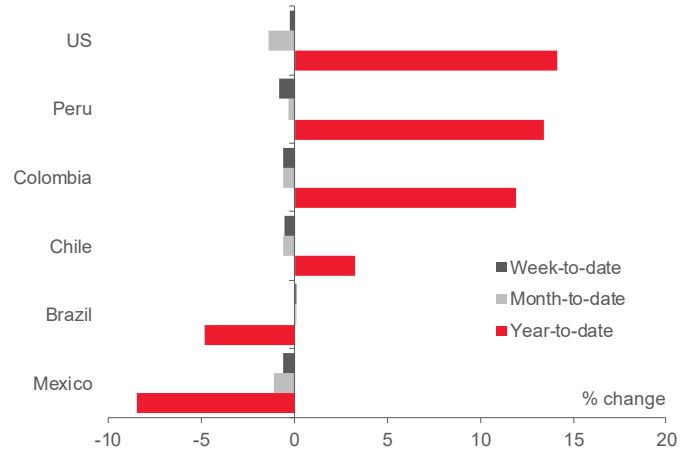
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

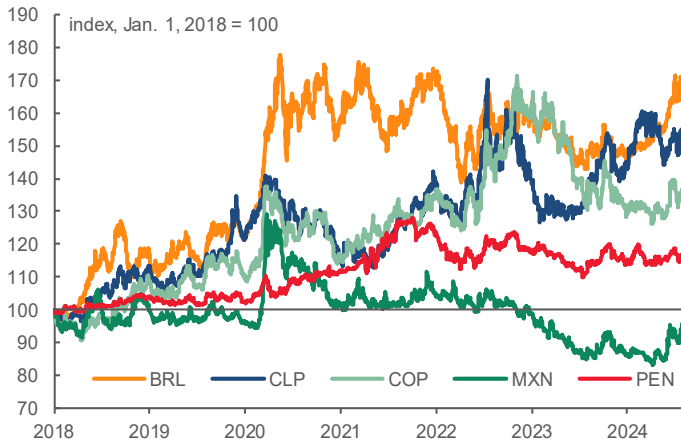
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

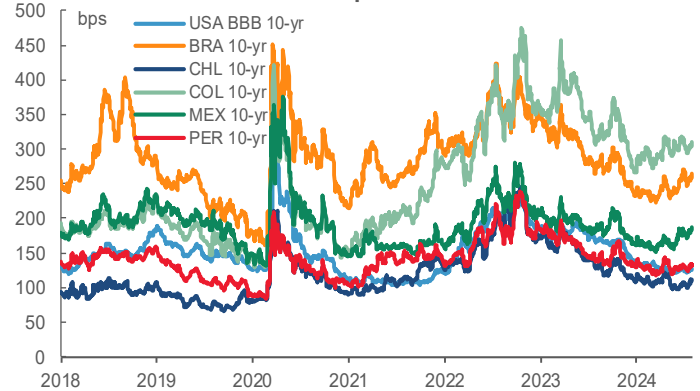
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

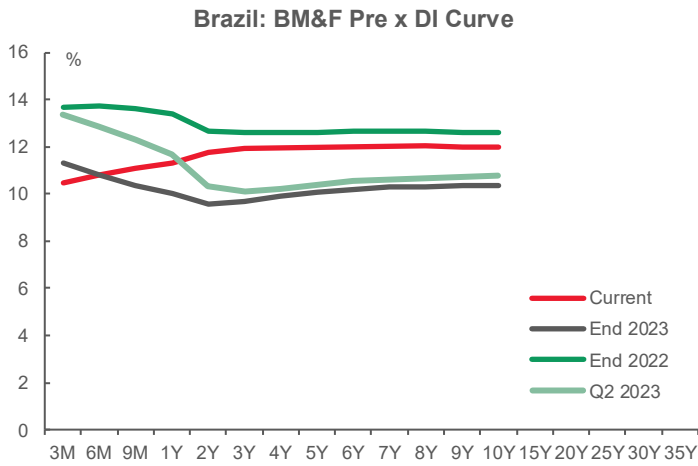
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

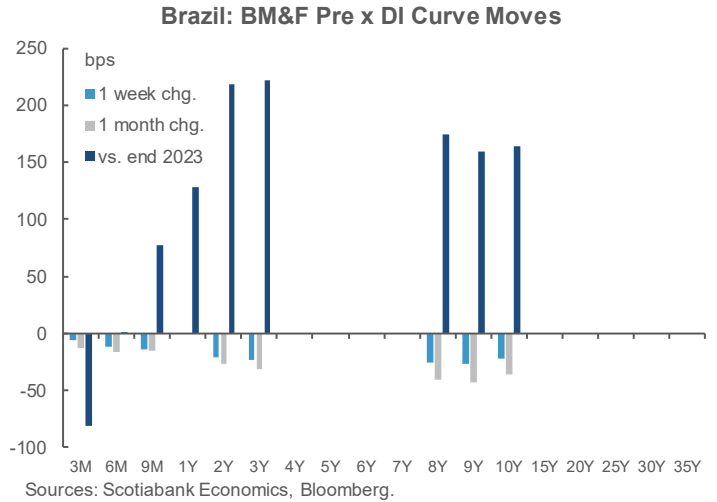
Yield Curves

Chart 1



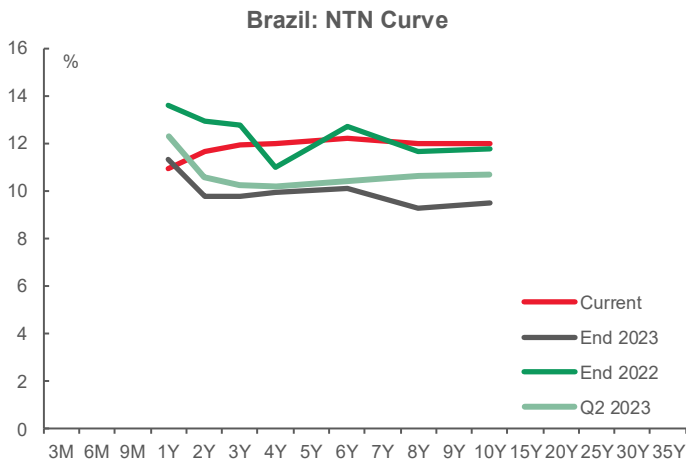
Sources: Scotiabank Economics, Bloomberg.

Chart 2



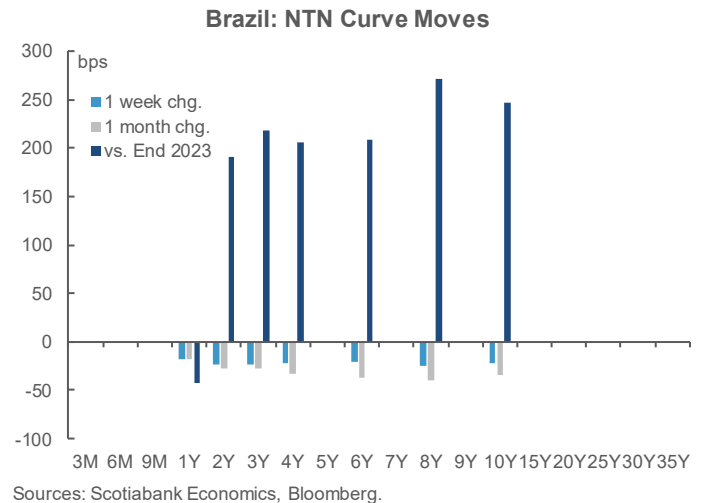
Sources: Scotiabank Economics, Bloomberg.

Chart 3



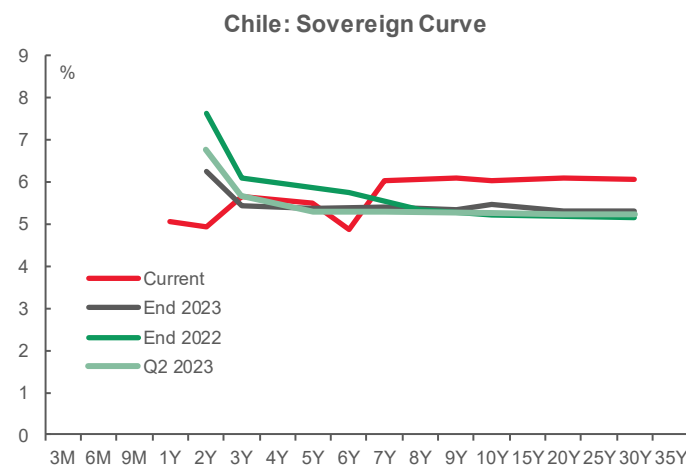
Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

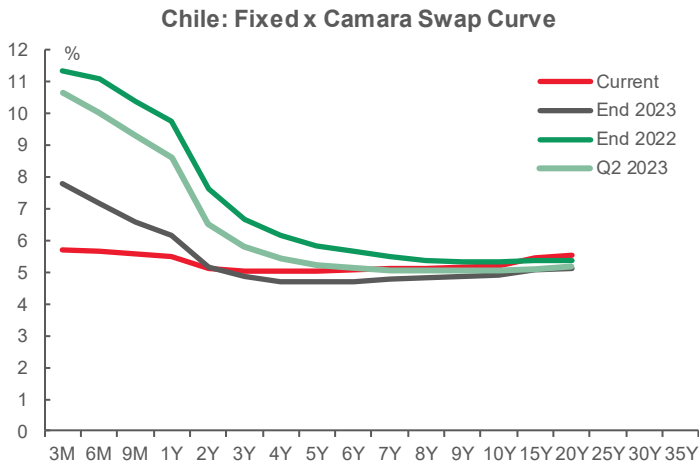
Chart 6



Sources: Scotiabank Economics, Bloomberg.

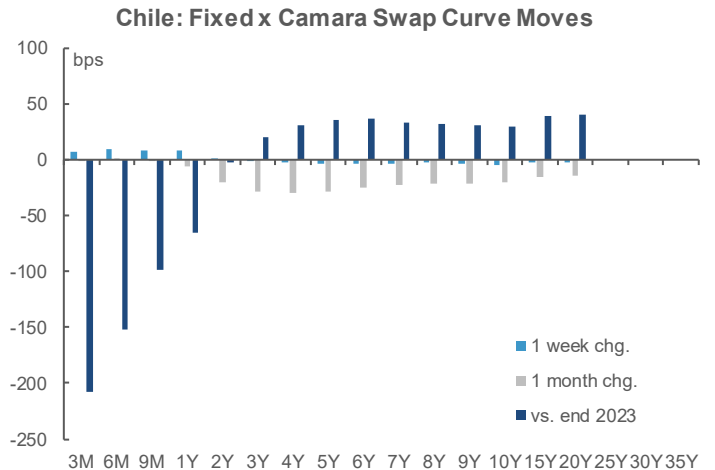
Yield Curves

Chart 7



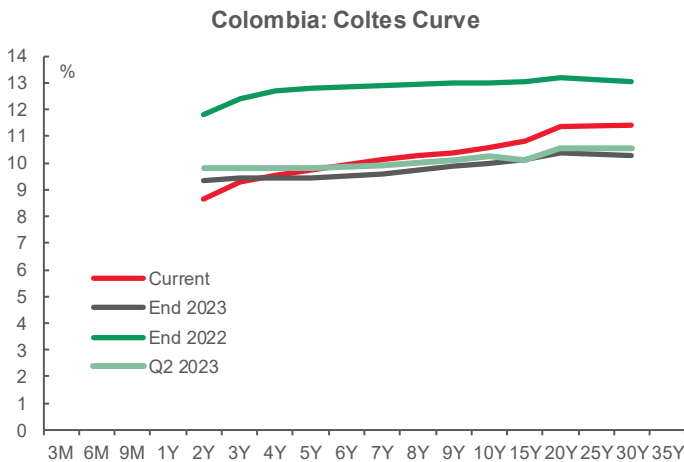
Sources: Scotiabank Economics, Bloomberg.

Chart 8



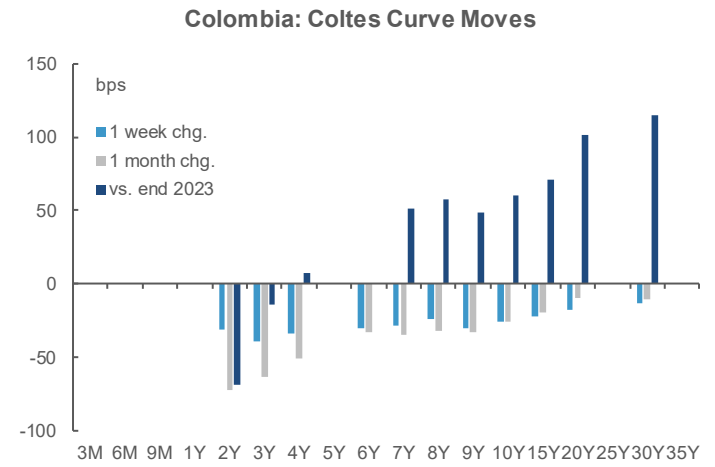
Sources: Scotiabank Economics, Bloomberg.

Chart 9



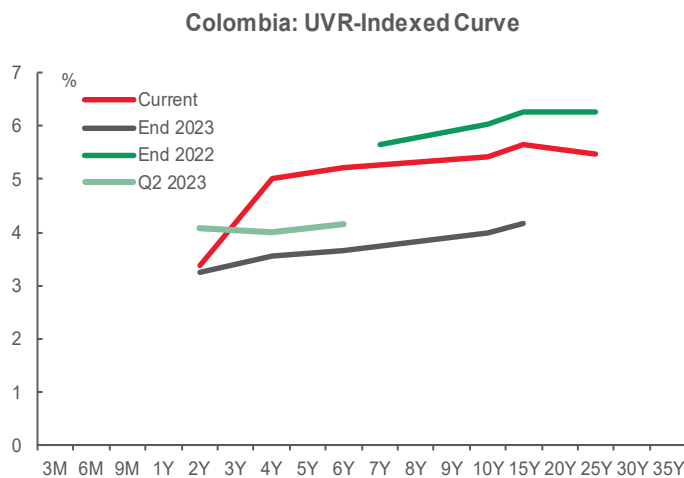
Sources: Scotiabank Economics, Bloomberg.

Chart 10



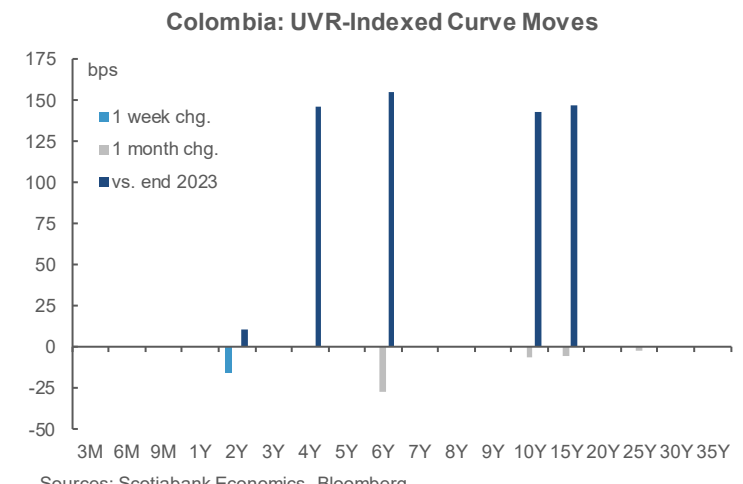
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

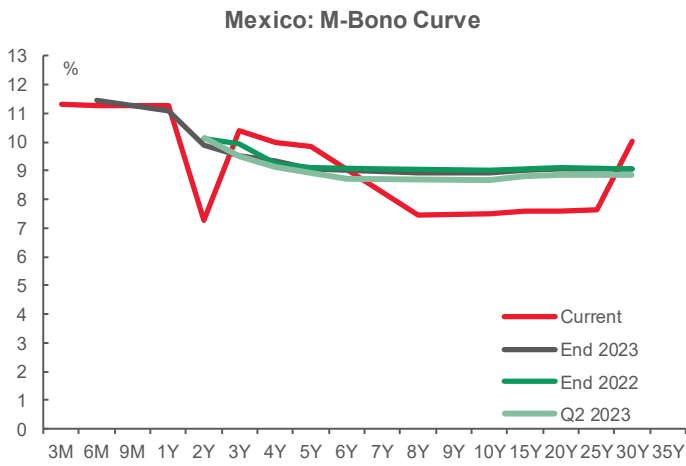
Chart 12



Sources: Scotiabank Economics, Bloomberg.

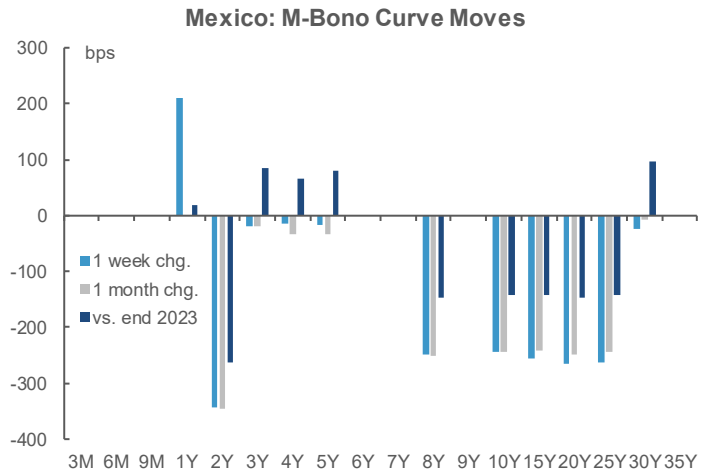
Yield Curves

Chart 13



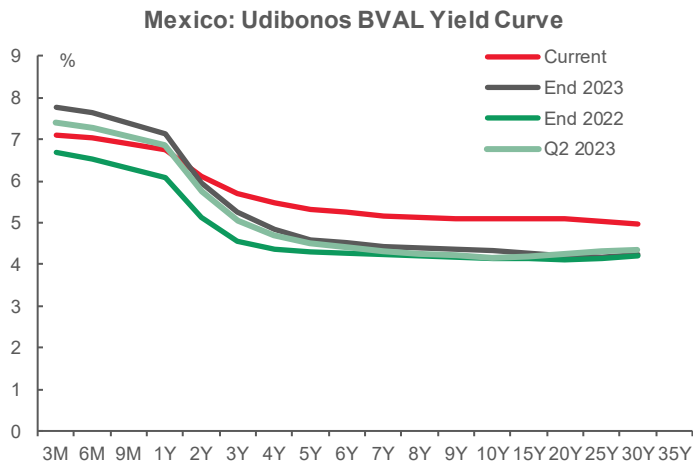
Sources: Scotiabank Economics, Bloomberg.

Chart 14



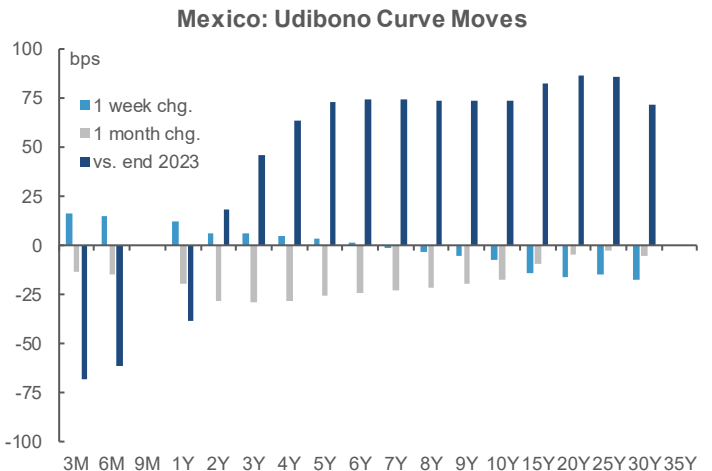
Sources: Scotiabank Economics, Bloomberg.

Chart 15



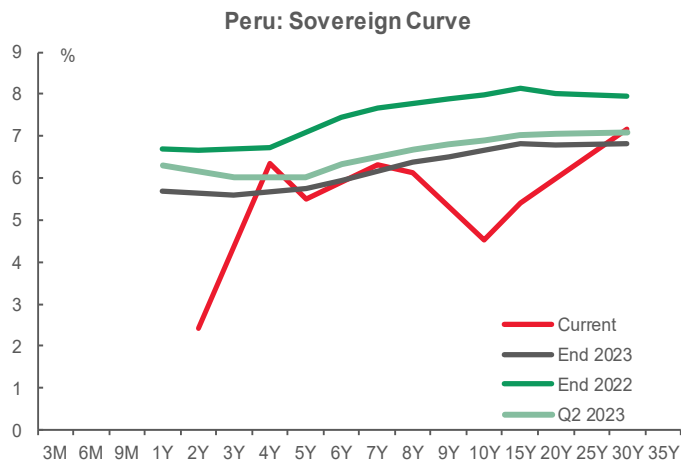
Sources: Scotiabank Economics, Bloomberg.

Chart 16



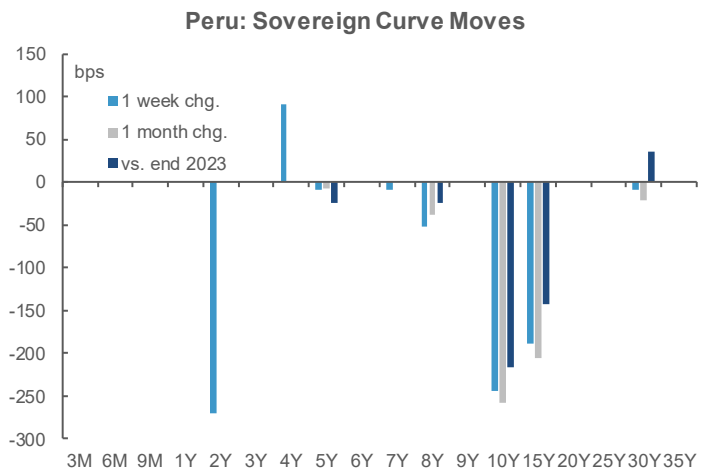
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for August 3–16

BRAZIL

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Aug 02-04	Vehicle Sales Fenabrave	Jul	--	--	241342	
Aug-05	7:25 Central Bank Weekly Economist Survey		--			
Aug-05	9:00 S&P Global Brazil Composite PMI	Jul	--	--	54.1	
Aug-05	9:00 S&P Global Brazil Services PMI	Jul	--	--	54.8	
Aug-06	7:00 Central Bank Meeting Minutes		--			
Aug-06	14:00 Imports Total USD mn	Jul	--	--	22332.8	
Aug-06	14:00 Exports Total USD mn	Jul	--	--	29043.7	
Aug-06	14:00 Trade Balance Monthly USD mn	Jul	--	--	6710.96	
Aug-07	7:00 FGV Inflation IGP-DI y/y	Jul	--	--	2.88	
Aug-07	7:00 FGV Inflation IGP-DI m/m	Jul	--	--	0.5	
Aug 06-07	Vehicle Exports Anfavea	Jul	--	--	28957	
Aug 06-07	Vehicle Production Anfavea	Jul	--	--	211035	
Aug-08	7:00 FGV CPI IPC-S (%)	07-Aug	--	--	0.54	
Aug-09	4:00 FIPE CPI - Weekly (%)	07-Aug	--	--	0.01	
Aug-09	8:00 IBGE Inflation IPCA y/y	Jul	--	--	4.23	
Aug-09	8:00 IBGE Inflation IPCA m/m	Jul	--	--	0.21	
Aug 08-09	Vehicle Sales Anfavea	Jul	--	--	214304	
Aug-12	7:25 Central Bank Weekly Economist Survey		--			
Aug-12	14:00 Trade Balance Weekly USD mn	11-Aug	--	--	1492.7	
Aug-13	8:00 IBGE Services Volume m/m SA	Jun	--	--	0	
Aug-13	8:00 IBGE Services Volume y/y NSA	Jun	--	--	0.8	
Aug-14	8:00 Retail Sales Broad y/y	Jun	--	--	5	
Aug-14	8:00 Retail Sales y/y	Jun	--	--	8.1	
Aug-14	8:00 Retail Sales Broad m/m	Jun	--	--	0.8	
Aug-14	8:00 Retail Sales m/m	Jun	--	--	1.2	
Aug-16	7:00 FGV Inflation IGP-10 m/m	Aug	--	--	0.45	
Aug-16	7:00 FGV CPI IPC-S	15-Aug	--	--	0.54	
Aug-16	8:00 Economic Activity m/m	Jun	--	--	0.25	
Aug-16	8:00 Economic Activity y/y	Jun	--	--	1.3	

CHILE

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Aug-07	8:30 Exports Total USD mn	Jul	--	--	7682.15	
Aug-07	8:30 Imports Total USD mn	Jul	--	--	5692.36	
Aug-07	8:30 Trade Balance USD mn	Jul	--	--	1989.78	
Aug-07	8:30 International Reserves USD mn	Jul	--	--	44063	
Aug-07	8:30 Copper Exports USD mn	Jul	--	--	4096.66	
Aug-07	9:00 Nominal Wage y/y	Jun	--	--	6.89	
Aug 01-07	IMCE Business Confidence	Jul	--	--	45.29	
Aug-08	8:00 CPI m/m	Jul	0.5	0.7	-0.1	We project the main increases to come from food and housing (electricity
Aug-08	8:00 CPI y/y Chained	Jul	4.2	--	4.2	rates).
Aug-12	8:30 Central Bank Economist Survey		--			
Aug 07-12	Vehicle Sales Total	Jul	--	--	22567	
Aug-13	8:30 Central Bank Traders Survey		--			

COLOMBIA

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Aug-05	11:00 Exports FOB USD mn	Jun	--	--	4446.71	
Aug-05	18:00 Colombia Monetary Policy Minutes		--			
Aug-08	19:00 CPI m/m	Jul	0.26	0.31	0.32	The headline inflation will resume the downward trend after the
Aug-08	19:00 CPI y/y	Jul	6.92	6.98	7.18	interruptions in May and June readings. Food inflation is expected to be
Aug-08	19:00 CPI Core m/m	Jul	0.27	0.31	0.33	moderate, while the main upside forces will still come from lodging and
Aug-08	19:00 CPI Core y/y	Jul	7.32	7.36	7.64	utilities prices.
Aug-12	Consumer Confidence Index	Jul	--	--	-12.7	
Aug-14	11:00 Industrial Production y/y	Jun	--	--	-2.44	
Aug-14	11:00 Manufacturing Production y/y	Jun	--	--	-3.57	
Aug-14	11:00 Retail Sales y/y	Jun	--	--	-1.74	
Aug-15	12:00 Economic Activity NSA y/y	Jun	--	--	2.45	
Aug-15	12:00 GDP NSA y/y	2Q	--	--	0.7	
Aug-15	12:00 GDP q/q	2Q	--	--	1.1	
Aug-15	Central Bank's Economists Survey		--			
Aug-16	11:00 Imports CIF Total USD mn	Jun	--	--	5535.52	
Aug-16	11:00 Trade Balance USD mn	Jun	--	--	-798.53	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for August 3–16

MEXICO

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Aug-06	8:00 Vehicle Exports	Jul	--	--	295742
Aug-06	8:00 Vehicle Production	Jul	--	--	344206
Aug-06	11:00 International Reserves Weekly USD mn	02-Aug	--	--	221725
Aug-06	Citi Survey of Economists		--	--	
Aug-08	8:00 CPI m/m	Jul	0.89	--	0.38
Aug-08	8:00 CPI y/y	Jul	5.40	--	4.98
Aug-08	8:00 CPI Core m/m	Jul	0.27	--	0.22
Aug-08	8:00 CPI Core y/y	Jul	4.00	--	4.13
Aug-08	8:00 Bi-Weekly CPI (%)	31-Jul	--	--	0.71
Aug-08	8:00 Bi-Weekly CPI y/y	31-Jul	--	--	5.61
Aug-08	8:00 Bi-Weekly Core CPI (%)	31-Jul	--	--	0.18
Aug-08	8:00 Bi-Weekly Core CPI y/y	31-Jul	--	--	4.02
Aug-08	15:00 Overnight Rate (%)	08-Aug	10.75	10.75	11.00
Aug 05-08	Formal Job Creation Total (000's)	Jul	--	--	-29.56
Aug-09	8:00 Manuf. Production NSA y/y	Jun	--	--	-1.37
Aug-09	8:00 Industrial Production NSA y/y	Jun	--	--	0.99
Aug-09	8:00 Industrial Production SA m/m	Jun	--	--	0.67
Aug 07-09	Nominal Wages y/y	Jul	--	--	9.7
Aug-12	8:00 Consumer Confidence	Jul	--	--	47.5
Aug-13	11:00 International Reserves Weekly USD mn	09-Aug	--	--	221725
Aug 12-19	ANTAD Same-Store Sales y/y	Jul	--	--	3.3

PERU

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Aug-08	19:00 Reference Rate (%)	08-Aug	5.75	--	5.75
Aug-15	11:00 Economic Activity y/y	Jun	2.0	--	5.04
Aug-15	11:00 Lima Unemployment Rate (%)	Jul	6.5	--	6.6

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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