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Latam Weekly: Banxico to Cut, Regional and G10 Inflation On Tap

ECONOMIC OVERVIEW

- A key week awaits in Latam and the G10 with top-tier data on tap and a few more central bank decisions to possibly prolong the market whiplash of recent days.
- Mexican CPI and economic activity data could surprise significantly lower and lift the odds of a 50bps cut by Banxico on Thursday. Still, as discussed by our team in today's weekly, a cautious 25bps rate cut remains the likelier move.
- Brazilian mid-month inflation could influence BCB expectations, but markets may get more insights to move to from the bank's meeting minutes and its quarterly inflation report.
- Colombia's government is fast approaching a September 25th deadline to present a budget proposal to congress after the rejection of its most recent plan. Data-wise, it's quiet in Colombia, but today our colleagues outline their call for a 75bps cut by BanRep when officials meet on the 30th.

PACIFIC ALLIANCE COUNTRY UPDATES

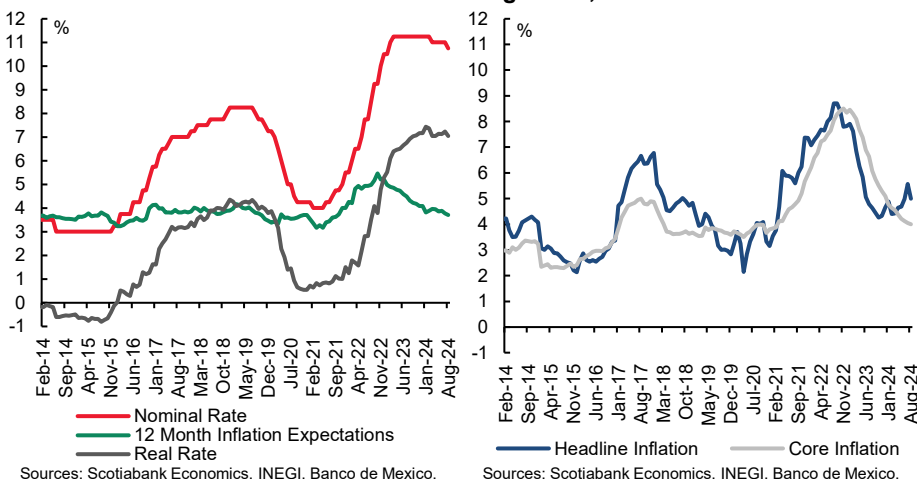
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Colombia and Mexico.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period September 21–October 4 across the Pacific Alliance countries and Brazil.

Charts of the Week

Mexico's Inflation & Real Rates: Cooling Down, but the Job's Not Done



Sources: Scotiabank Economics, INEGI, Banco de Mexico.

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

Economic Overview: Banxico to Cut, Regional and G10 Inflation On Tap

- **A key week awaits in Latam and the G10 with top-tier data on tap and a few more central bank decisions to possibly prolong the market whiplash of recent days.**
- **Mexican CPI and economic activity data could surprise significantly lower and lift the odds of a 50bps cut by Banxico on Thursday. Still, as discussed by our team in today's weekly, a cautious 25bps rate cut remains the likelier move.**
- **Brazilian mid-month inflation could influence BCB expectations, but markets may get more insights to move to from the bank's meeting minutes and its quarterly inflation report.**
- **Colombia's government is fast approaching a September 25th deadline to present a budget proposal to congress after the rejection of its most recent plan. Data-wise, it's quiet in Colombia, but today our colleagues outline their call for a 75bps cut by BanRep when officials meet on the 30th.**

A key week awaits in Latam and the G10 with top-tier data on tap and a few more central bank decisions to possibly prolong the market whiplash of recent days. Last Thursday, traders were close to going into the weekend confident that the Fed was going to cut by 25bps to then be sharply jolted by talk of a 50bps cut that Powell and company ultimately delivered. Today, markets are a bit undecided about what the Fed may do in November, but also what Banxico on Thursday, and BanRep on the 30th may decide on.

Data releases and events next week will help us get a bit more clarity for these central bank decisions, but there's also important items on the calendar that may impact the outlook for policy rates in Brazil, the Eurozone and the UK, and Canada. For the ECB and the BoE Monday's PMIs out of the Eurozone, France, Germany, and the UK should be closely monitored, as should August CPI data out of France and Germany (only 5bps are priced in for the ECB's October meeting). Canadian GDP out on Friday for July with an August 'early indicator' may trim the implied toss-up odds of a 50bps cut by the BoC next month. On Tuesday, the RBA is expected to hold its policy rate at 4.35%, and on Thursday, the SNB is seen cutting 25bps.

In Brazil, IPCA-15 (mid-month) inflation figures out on Wednesday are the data highlight, but Tuesday's BCB September meeting minutes (when it hiked 25bps) and Thursday's BCB quarterly inflation report may be of greater importance for markets that are pricing in almost another 100bps in BCB tightening over the balance of the year. This is already an extremely hawkish stance by traders that they hope will be validated by next week's two BCB publications, but they have already set a high bar and maybe Campos Neto and Galipolo may not want markets to get carried away.

Before getting into what awaits in the Pacific Alliance, we should highlight the key US figures on tap. Monday's PMIs for August will be closely watched for signs that the domestic economy is perhaps slowing faster than feared, especially as it may impact the employment side of the dual mandate; PMIs out of Europe are also relevant for global growth perspectives. Thursday's Q2 GDP revisions, jobless claims, and durable goods orders figures are also worth a look, but it may be Friday's PCE inflation (the

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Fed's preferred measure) that catches the market's attention as a lower print may embolden those betting on another 50bps cut by the Fed in November (35bps priced in).

Moving on to the PAC, Mexico's calendar is the busiest of all with retail sales, economic activity, international trade data and, above all, Banxico's rate decision on Thursday. In today's report our colleagues in Mexico outline their expectation for a 25bps cut—though after the Fed's 50bps there may be some forecasters expecting a parallel move in Mexico. Could next week's data push Banxico towards 50? Maybe, but economic activity would have to come in well lower than expected and mid-month inflation would have to show a more pronounced decline in core inflation.

The week will start with retail sales and economic activity readings, with the latter expected to show an ok increase of 1.5–2.0% y/y that would leave behind the 0.6% y/y contraction in June when the economy held flat on a month-on-month basis. On Tuesday, bi-weekly CPI for September is expected to show a 3-handle for core inflation—even if just a few hundredths below 4%—while headline inflation ticks lower but remaining above 4.50%. Banxico does not seem too concerned with the trends in headline inflation, where food prices have been a key explanation for its acceleration from 4.4% in February to as high as 5.6% in July in full-month data. Softish growth, a big Fed cut, core inflation looking better behaved, etc., they may just go for it, though we think 25bps is the more adequate, cautious, move; markets are pricing in about a one-in-three chance of a half-point cut.

Calendars are relatively bare elsewhere in Latam, but we highlight the release of the BCCh's meeting minutes on Monday. These may inform markets that are split regarding the size of October's rate cut. On Tuesday, before Chilean markets closed for three days, implied market pricing showed about 35bps in cuts, but this was before the Fed, of course. Tuesday PPI data should not be a market mover, nor should Wednesday's BCCh traders survey, though this last one could give us a fresh look into the view of market participants (do note it often doesn't differ significantly from what we actually see on screens...from traders).

In Colombia, we only have a couple of confidence survey readings, but the main thing to watch will be the progress—or maybe lack of it—in budget negotiations after the government's proposal was slapped down by lawmakers earlier this month, and now the September 25th deadline is fast approaching (we've seen this before in Colombia, however, of waiting until the last moment). In today's report, our team in Colombia also takes the opportunity to update us on their views for BanRep's rate decision on the 30th. Then, despite some recent upside surprises in growth (with poor breadth, notably), they expect that policymakers led by Villar will lower the reference rate by a larger 75bps with an eye on supporting the economy amid better-behaved (albeit still-elevated) inflation.

Pacific Alliance Country Updates

Colombia—Recent Macro Developments At-A-Glance and Expectations About BanRep's Future Debate

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BanRep will have an interest rate decision on September 30th, and the outlook seems to favour an acceleration in the easing cycle, however, it is important to remember that BanRep is looking for consistent signals to make an acceleration in the easing cycle that can be sustained for more than just one meeting. In this piece we will highlight some elements to keep in mind.

Inflation has made significant progress since the peak reached in March 2022 (13.3%) falling by 7.22 ppts to the current 6.12%, and in the last two months, it has surprised well below expectations. Most of the components in the CPI basket are showing inflation pressures that are even lower compared to the usual pre-pandemic behaviour, while few but still relevant items such as rent fees are taking longer to normalize due to their indexed nature.

Interest rates have had a much more gradual decline, a reduction of 2.5 ppts from their maximum of 13.25%, reflecting a much more cautious stance by the BanRep board than was estimated at the beginning of 2024. This cautious behaviour was the common approach for many central banks, even the Federal Reserve delayed the kick off of the easing cycle more than initially expected.

But time flies and the year is almost over, and the outlook is more optimistic. And although in the past, the macroeconomic outlook was not sufficiently compliant with expectations, it now seems to provide the confidence to pave the way for a new economic cycle.

- Since the beginning of BanRep's easing cycle in December 2023, the board has made it clear to us that the objective is to get inflation back to the target by mid 2025, emphasizing a gradual reduction in rates that in the future does not generate an interruption of the easing cycle.
- The behaviour of economic activity, although it may have been present in some discussions of the board, has not been of significant concern for the majority of the board, despite the signs of a rather weak economy. In 2023, the lowest economic growth in history was recorded (0.6%). In 2024 growth has been leveraged by a minority of activities, in addition to the fact that the current account deficit has reached the lowest level in the last fifteen years (which in the case of Colombia shows economic weakness).
- We expect international financial conditions will influence BanRep's next steps. The Federal Reserve started its easing cycle by aggressively cutting their rates by 50bps, but signaling that the pace of cuts will be data dependent and that the terminal rate will be higher than in recent history. In our perspective, the Fed's decision provides confidence to accelerate the easing cycle in Colombia.
- The fiscal risk premium is still incorporated in local assets, and the exchange rate operates at a fair level according to the fundamentals, however, recent market volatility could be part of the list of concerns against accelerating the easing cycle for some board members, especially in the middle of the discussion of next year's fiscal budget.
- Regarding inflation, as mentioned at the beginning, it has shown favourable behaviour. Analysts' expectations for the end of 2024 have been adjusted downwards. However, weather events are uncertain, and the lack of rain can affect utility fees at the beginning of 2025, as well as the price of some agricultural foods that depend on rain for their cultivation.
- Additionally, the increase of the minimum wage will be an intense discussion, since in the last three years we have seen increases based on historically high inflation, and it may be worrying if the adjustment in this year far exceeds inflation.

In conclusion, we believe that the evolution of inflation, more relaxed international financial conditions, and the need to support economic recovery, may provide BanRep with the appropriate scenario to accelerate the cycle of cuts by 75bps and take the rate to 10% at its next meeting. If this is the case, and understanding the characteristics of consistency in BanRep's movements, a 75bps cut in September would be on track for the rate to reach 8.50% by the end of the year.

Mexico—Growth and Inflation: Banxico’s Key Monetary Policy Decision

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Next Thursday, Banxico will make its monetary policy decision, which will be decisive in setting the pace of the cutting cycle, after the Federal Reserve was more aggressive than expected. For our part, we expect a cut of 25 basis points, reaching a rate of 10.50%, and a rate at the end of the year of 10.25%, at least in the base scenario. However, the environment may change, since the Citibanamex Survey will be published on Friday, where analysts will announce their position on Banxico’s cut. Several participants will probably point to a cut of 50 basis points, in addition to reviewing the trajectory of inflation, the exchange rate and growth (chart 1).

On the one hand, economic activity has decreased so far this year, mainly in the industrial sector, while the services sector has maintained a good pace. We believe that the members of the Governing Board will focus on this argument of lower growth to justify the cut, since last week the industrial production indicators were mixed, private consumption slowed, and gross fixed investment fell.

We consider that the pace of cuts should be moderate to ensure convergence to the 3.0% target, after the significant rebound that brought inflation to 5.57% in July, and which slowed to 4.99% in August, mainly due to the increase in the non-core component, specifically in fruits and vegetables, as well as in energy. We expect inflation to continue to slow, but Banxico must act cautiously to prevent significant increases in inflation.

At the moment, the implicit rate curve expects a rate of 10.22% in three months, that is, two cuts of 25 basis points, while the TIIE curve at the three-month node is observed close to 10.97% (chart 2). The cut will also depend on the inflation print for the first half of September, which will be published on Tuesday, September 24th, with markets expecting to see at lower levels than previously recorded.

Chart 1

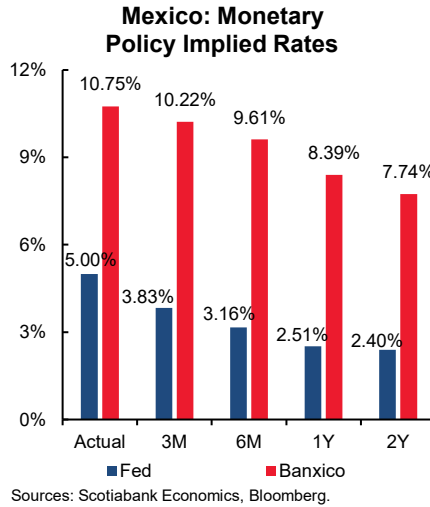
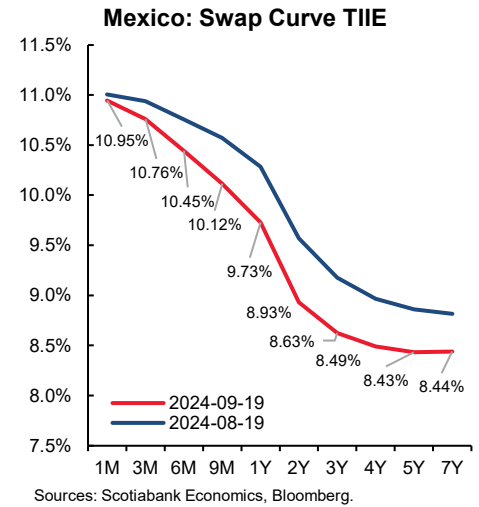


Chart 2



Forecast Updates

2022		2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	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	3.3	3.2	2.8	2.0	1.8	1.8	2.0	3.0	2.9	3.0	1.9
CPI (y/y %, eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.2	4.5	4.4	4.3	4.0	3.8	3.9	5.8	4.6	4.4	3.9
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	7.9	6.9	6.7	6.5	7.3	7.2	7.2	7.1	7.9	7.4	7.0	7.2
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	10.50	10.75	11.25	11.50	11.50	11.00	10.50	13.75	11.75	11.25	10.50
Foreign exchange (USDBRL, eop)	5.28	5.06	4.79	5.03	4.86	5.01	5.59	5.42	5.33	5.30	5.26	5.25	5.26	5.28	4.86	5.33	5.26
Chile																	
Real GDP (y/y % change)	-2.3	0.3	-0.4	0.6	0.4	2.5	1.6	2.6	4.1	1.9	3.1	2.7	2.4	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	4.3	4.5	4.8	4.3	3.7	3.5	12.8	3.4	4.5	3.5
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.5	8.7	8.3	7.9	7.4	8.0	8.3	8.0	7.3	7.9	8.5	8.1	7.9
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	4.50	4.25	4.25	11.25	8.25	5.25	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	979	940	900	890	870	870	870	870	851	879	890	870
Colombia																	
Real GDP (y/y % change)	2.1	2.7	0.4	-0.7	0.2	0.8	2.1	1.9	1.3	3.5	3.1	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	5.8	5.2	3.6	3.0	3.2	3.1	13.1	9.3	5.2	3.1
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.4	11.9	10.4	10.6	10.4	12.3	11.0	11.0	10.8	11.2	10.2	10.8	11.3
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	1.5	2.1	1.3	1.1	1.3	1.4	1.5	1.4	3.7	3.2	1.5	1.4
CPI (y/y %, eop)	7.8	6.8	5.1	4.5	4.7	4.4	5.0	4.6	4.6	4.1	3.8	3.8	3.8	7.8	4.7	4.6	3.8
Unemployment rate (% avg)	3.0	2.7	2.8	3.0	2.7	2.5	2.7	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	10.50	10.25	9.75	9.25	8.75	8.00	10.50	11.25	10.25	8.00
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	16.56	18.32	19.80	20.50	20.70	20.80	21.00	21.30	19.50	16.97	20.50	21.30
Peru																	
Real GDP (y/y % change)	1.8	-0.4	-0.5	-0.9	-0.4	1.4	3.6	3.3	3.4	3.6	2.3	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	2.1	2.5	2.1	2.5	2.3	2.4	8.5	3.2	2.5	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	5.25	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	0.6	0.9	1.3	1.7	1.7	1.8	2.0	2.1	3.8	1.2	1.1	1.9
CPI (y/y %, eop)	6.7	5.1	3.5	3.7	3.2	2.8	2.7	2.4	2.5	2.3	2.1	2.1	2.1	6.7	3.2	2.5	2.1
Unemployment rate (% avg)	5.1	5.1	5.3	5.5	5.8	5.9	6.2	6.6	6.7	6.7	6.7	6.6	6.5	5.3	5.4	6.4	6.7
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	4.75	4.25	3.75	3.25	3.00	3.00	3.00	4.25	5.00	3.75	3.00
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	2.3	1.8	1.8	1.5	1.5	1.6	1.9	2.5	2.5	1.6
CPI (y/y %, eop)	7.1	5.7	4.0	3.6	3.2	3.2	3.2	2.8	2.4	2.4	2.4	2.3	2.2	7.1	3.2	2.4	2.2
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.7	3.8	4.0	4.3	4.4	4.3	4.3	4.3	4.2	3.6	3.6	4.1	4.3
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.00	4.75	4.25	3.75	3.50	3.50	4.50	5.50	4.75	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 August 30, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2022	2023				2024				2025							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2022	2023	2024f	2025f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	0.9	0.8	0.4	-	-0.1	-0.1	0.1	-	-	0.6	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.2	0.1	0.2	0.1	-	-	-	-	0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.2	-0.2	-	-	-	-	-	-	-0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.25	0.75	1.00	1.00	0.50	0.50	-	-	0.75	0.50
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.8	-	0.3	-0.4	0.1	0.2	-	-	0.2	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-0.25	-0.25	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	20.00	-	-	-	-	-	-	20.00	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-0.3	-0.4	-0.5	-0.5	-0.2	-0.3	-	-	-0.4	-0.3
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-0.1	0.1
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-0.3	-0.5	-0.5	-0.1	-0.1	-	-	-	-0.3	-0.2
CPI (y/y %, eop)	-	-	-	-	-	-	-	-0.3	0.1	0.1	-	-	0.1	-	-	0.1	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-0.25	-0.25	-0.25	-0.25	-	-	-	-	-0.25	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	1.00	1.60	1.20	1.20	1.20	1.30	-	-	1.60	1.30
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.1	0.5	-	0.1	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.1	0.1	-	0.3	-	-	-	-	0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-0.25	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-0.1	-0.2	-0.3	-0.2	-	0.1	-	-	-0.1	-0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.1	-0.1	-0.2	0.1	-0.1	-	-	-	-0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	0.1	0.1	0.1	0.1	-	-	-	-	0.1	0.1
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-0.25	-0.50	-0.50	-0.25	-0.25	-	-	-0.25	-0.25
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.2	0.1	-	-0.3	-0.3	-0.2	-	-	0.1	-0.2
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-0.4	-0.5	-0.2	-	-	-	-	-0.4	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	0.2	0.2	0.1	0.2	0.2	0.1	-	-	0.1	0.2
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-0.25	-0.25	-0.25	-0.25	-	-	-	-	-0.25	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on August 30, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting			BNS Forecast		BNS guidance for next monetary policy meeting
	Current	Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	10.75%	Nov-06	11.00%	11.25%	10.50%	
Chile, BCCh, TPM	5.50%	Oct-17	5.50%	5.25%	4.25%	We project that the BCCh will maintain the policy rate at the October meeting.
Colombia, BanRep, TII	10.75%	Sep-30	10.00%	8.50%	5.50%	BanRep will meet to decide about rates again in September. The domestic context in which the headline inflation resumes its downward trend, employment is deteriorating, and the core economic activity remains weak, now couples with a better international context for financial markets. Under this scenario we affirm our call for a 75 bps rate cut, a pace that in our opinion can be sustained by the rest of the meetings of the year to close at 8.50% in December 2024.
Mexico, Banxico, TO	10.75%	Sep-26	10.50%	10.25%	8.00%	Next Thursday, Banxico will make its monetary policy decision, which will be decisive in setting the pace of the cutting cycle, after the Federal Reserve was more aggressive than expected. For our part, we expect a cut of 25 basis points, reaching a rate of 10.50%, and a rate at the end of the year of 10.25%, at least in the base scenario. However, the environment may change, since the Citibanamex Survey will be published on Friday, where analysts will announce their position on Banxico's cut. Several participants will probably point to a cut of 50 basis points, in addition to reviewing the trajectory of inflation, the exchange rate and growth.
Peru, BCRP, TIR	5.25%	Oct-10	5.25%	5.00%	4.25%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1



Chart 2

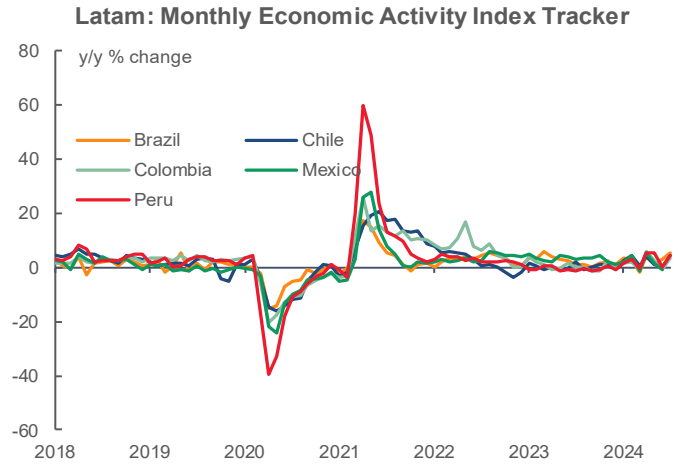


Chart 3

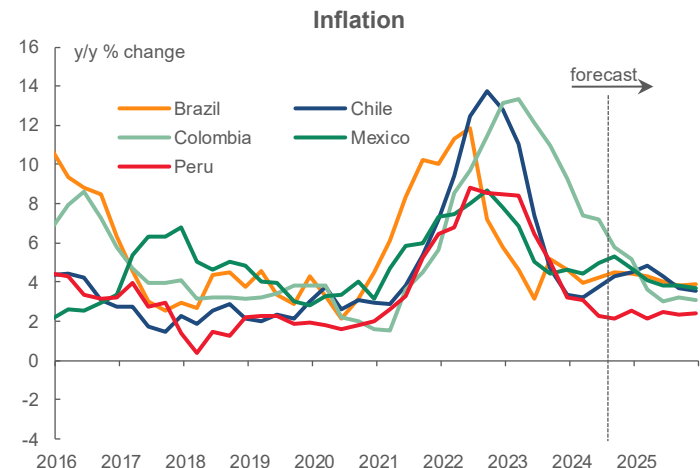


Chart 4

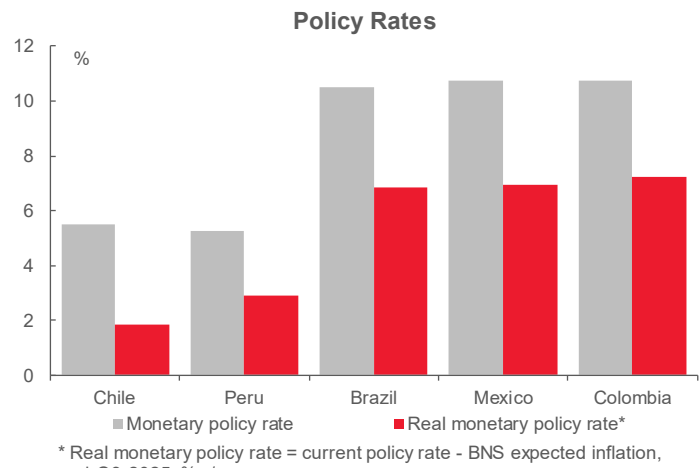
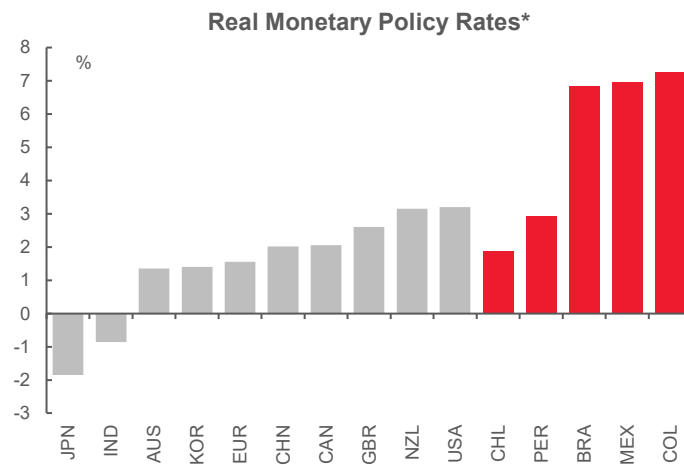


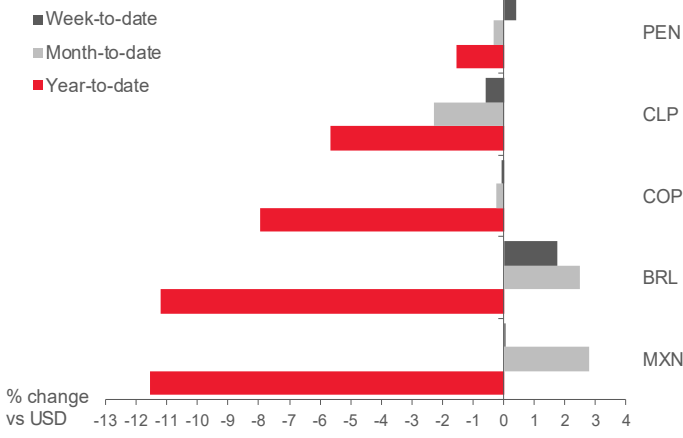
Chart 5



Key Market Charts

Chart 1

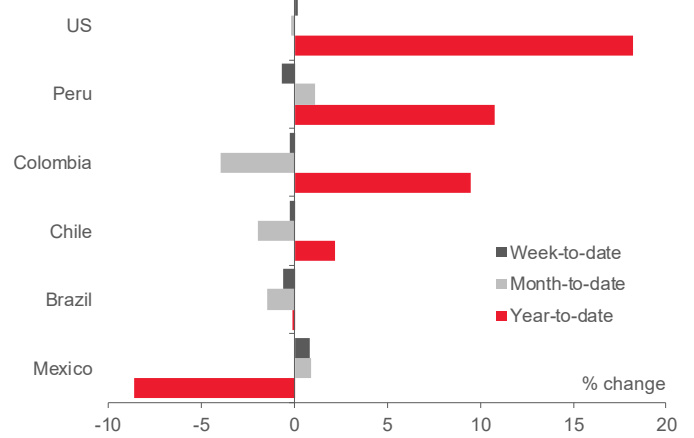
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

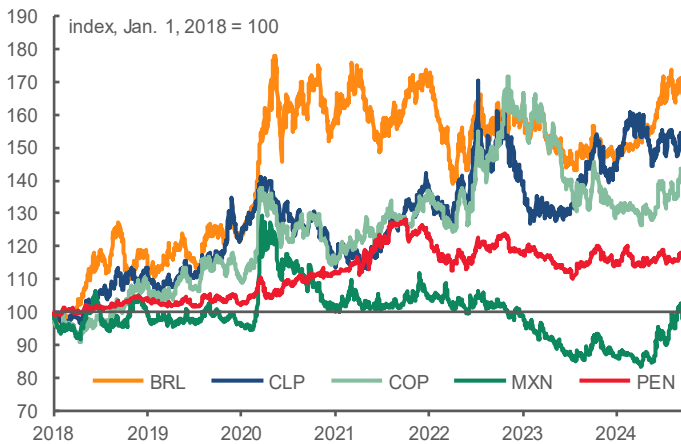
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

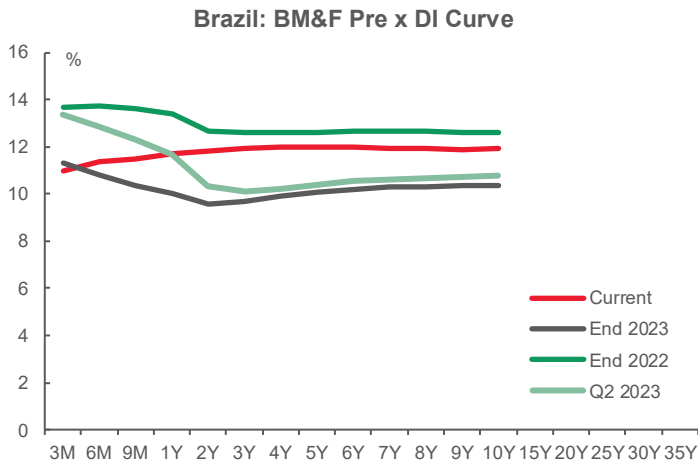
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

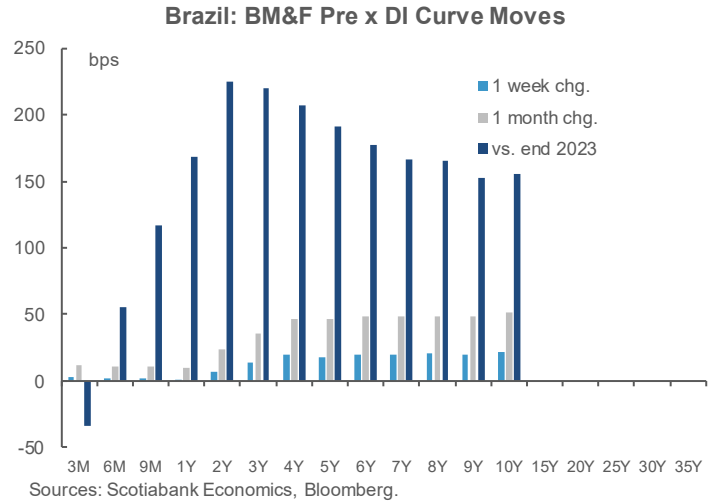
Yield Curves

Chart 1



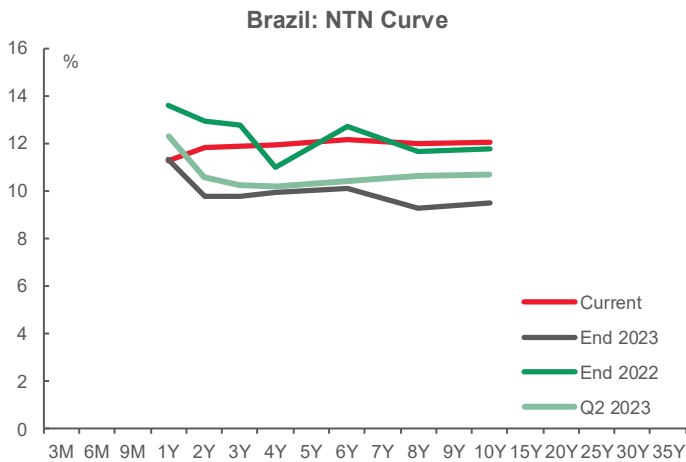
Sources: Scotiabank Economics, Bloomberg.

Chart 2



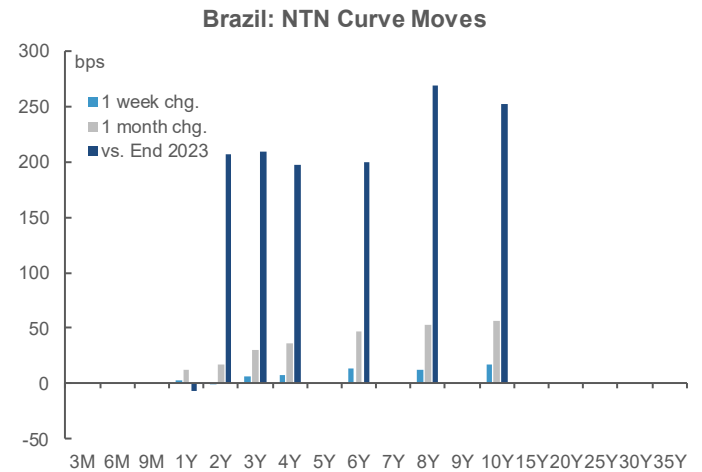
Sources: Scotiabank Economics, Bloomberg.

Chart 3



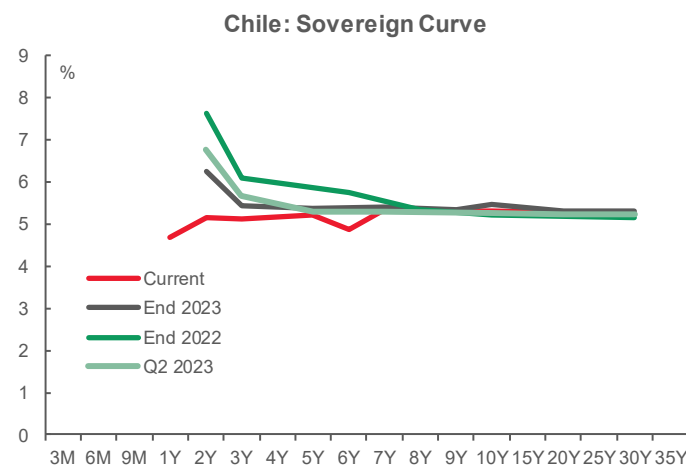
Sources: Scotiabank Economics, Bloomberg.

Chart 4



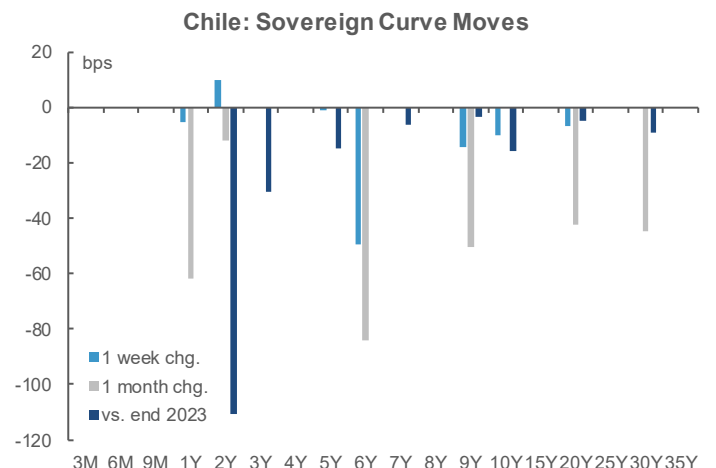
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

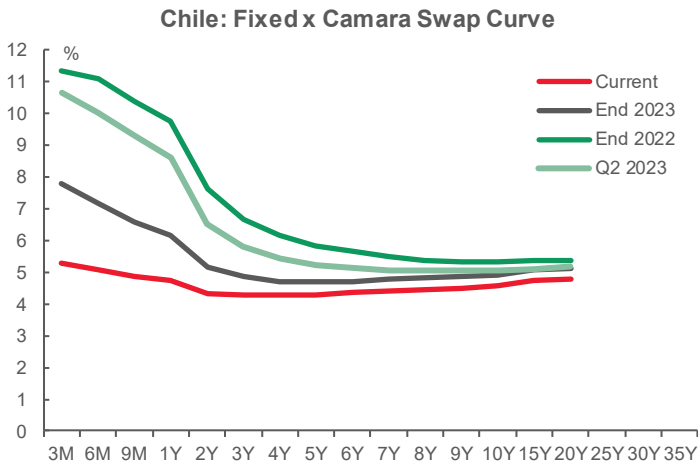
Chart 6



Sources: Scotiabank Economics, Bloomberg.

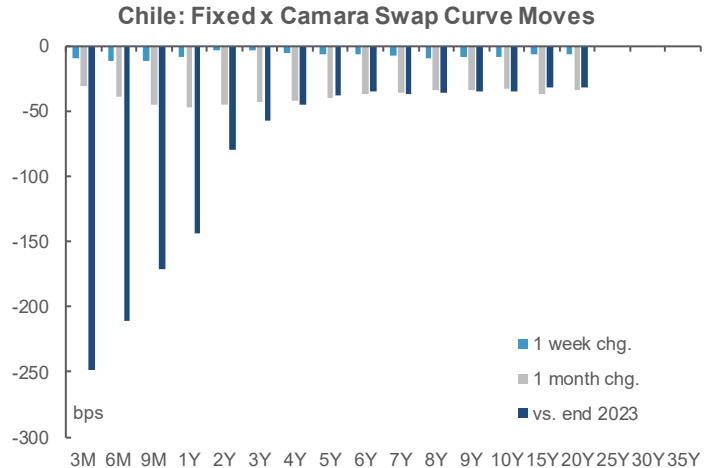
Yield Curves

Chart 7



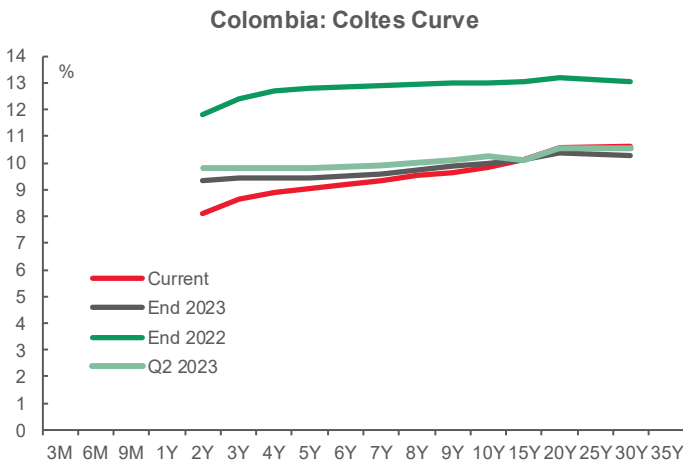
Sources: Scotiabank Economics, Bloomberg.

Chart 8



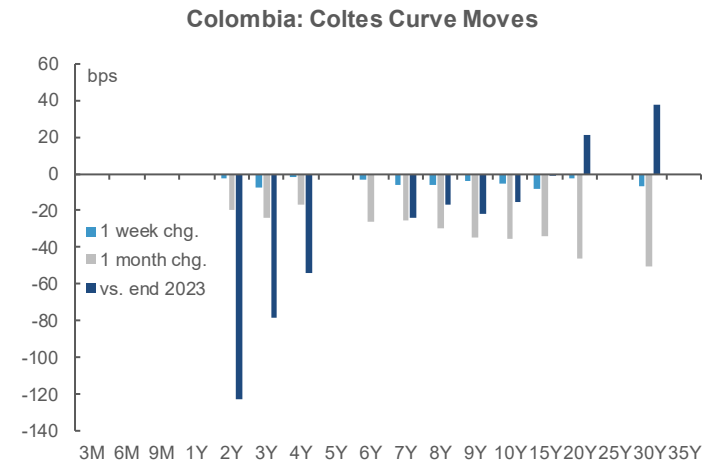
Sources: Scotiabank Economics, Bloomberg.

Chart 9



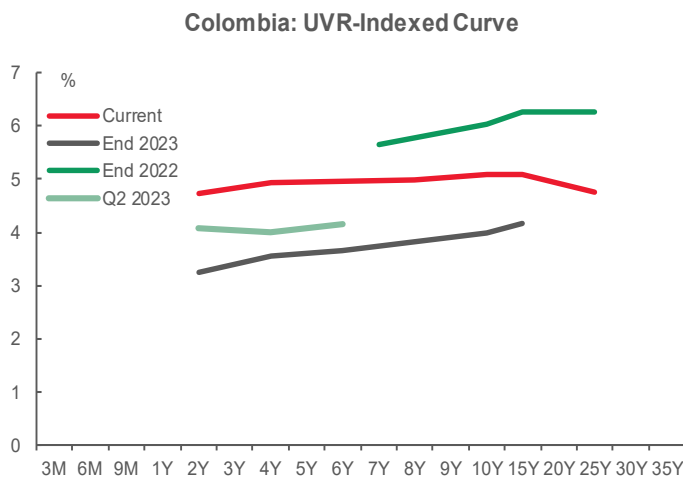
Sources: Scotiabank Economics, Bloomberg.

Chart 10



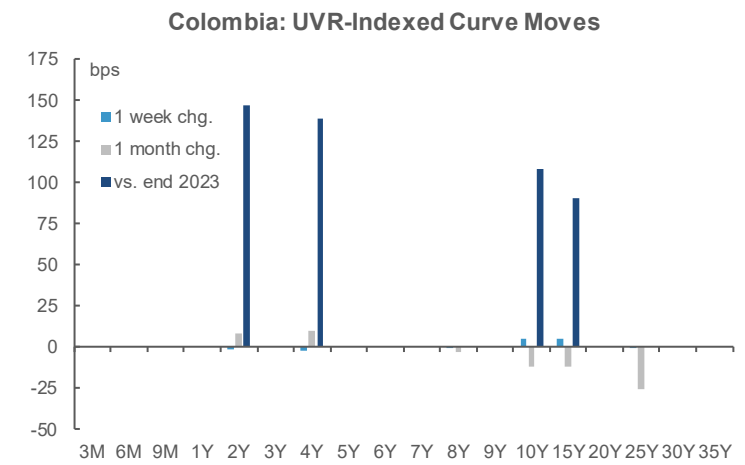
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

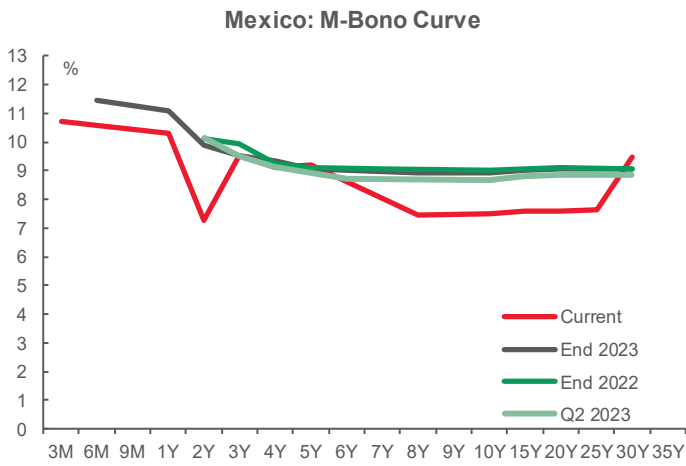
Chart 12



Sources: Scotiabank Economics, Bloomberg.

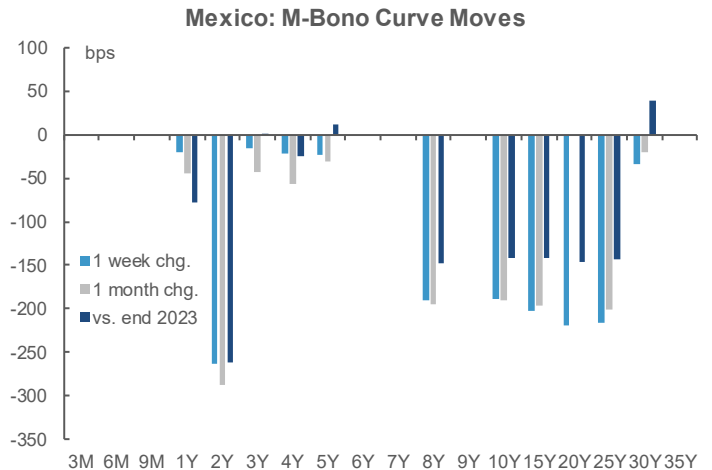
Yield Curves

Chart 13



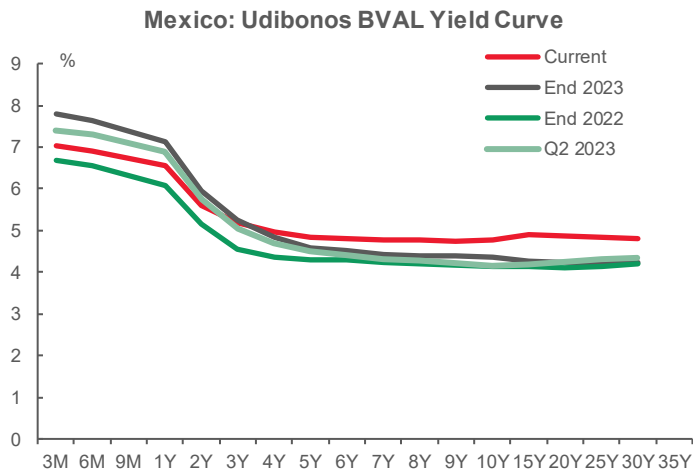
Sources: Scotiabank Economics, Bloomberg.

Chart 14



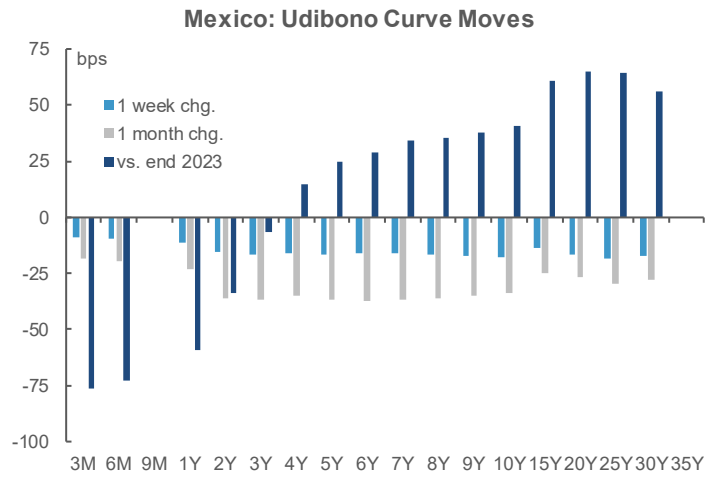
Sources: Scotiabank Economics, Bloomberg.

Chart 15



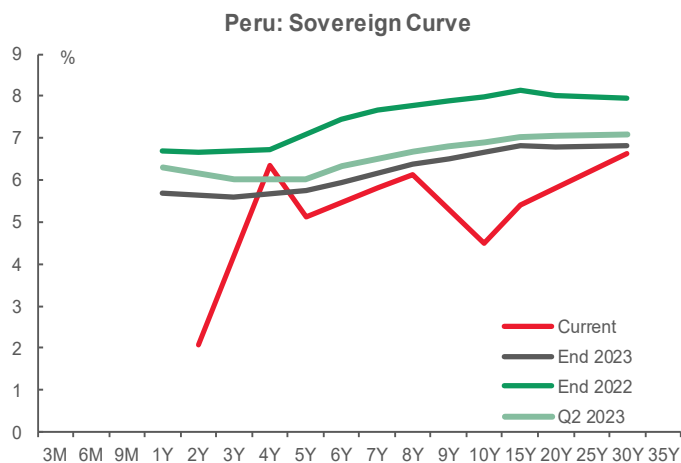
Sources: Scotiabank Economics, Bloomberg.

Chart 16



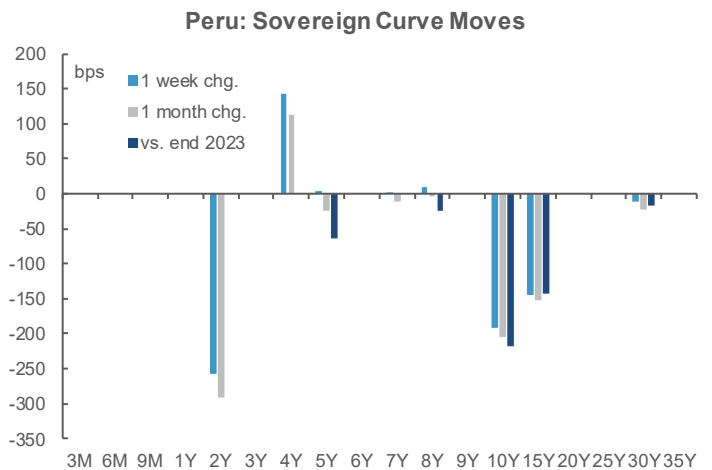
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for September 21–October 4

BRAZIL

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Sep-23	7:00 FGV CPI IPC-S (%)	20-Sep	--	--	--
Sep-23	7:25 Central Bank Weekly Economist Survey		--	--	--
Sep-23	14:00 Trade Balance Weekly USD mn	22-Sep	--	--	--
Sep-24	7:00 Central Bank Meeting Minutes		--	--	--
Sep-24	7:00 FGV Consumer Confidence	Sep	--	--	--
Sep-25	4:00 FIPE CPI - Weekly (%)	22-Sep	--	--	--
Sep-25	7:00 FGV Construction Costs m/m	Sep	--	--	--
Sep-25	7:30 Current Account Balance USD mn	Aug	--	--	--
Sep-25	7:30 Foreign Direct Investment USD mn	Aug	--	--	--
Sep-25	8:00 IBGE Inflation IPCA-15 m/m	Sep	--	--	--
Sep-25	8:00 IBGE Inflation IPCA-15 y/y	Sep	--	--	--
Sep 16-25	Formal Job Creation Total	Aug	--	--	--
Sep 20-25	Tax Collections BRL mn	Aug	--	--	--
Sep-26	7:00 Central Bank Quarterly Inflation Report		--	--	--
Sep-26	Federal Debt Total BRL bn	Aug	--	--	--
Sep-27	7:00 FGV Inflation IGPM m/m	Sep	--	--	--
Sep-27	7:00 FGV Inflation IGPM y/y	Sep	--	--	--
Sep-27	7:30 Total Outstanding Loans BRL bn	Aug	--	--	--
Sep-27	7:30 Personal Loan Default Rate (%)	Aug	--	--	--
Sep-27	7:30 Outstanding Loans m/m	Aug	--	--	--
Sep-27	8:00 National Unemployment Rate (%)	Aug	--	--	--
Sep-27	Central Govt Budget Balance BRL bn	Aug	--	--	--
Sep-30	7:25 Central Bank Weekly Economist Survey		--	--	--
Sep-30	7:30 Primary Budget Balance BRL bn	Aug	--	--	--
Sep-30	7:30 Nominal Budget Balance BRL bn	Aug	--	--	--
Sep-30	7:30 Net Debt % GDP	Aug	--	--	--
Oct-01	7:00 FGV CPI IPC-S (%)	30-Sep	--	--	--
Oct-01	9:00 S&P Global Brazil Manufacturing PMI	Sep	--	--	--
Oct-02	4:00 FIPE CPI - Monthly (%)	Sep	--	--	--
Oct-02	8:00 Industrial Production m/m	Aug	--	--	--
Oct-02	8:00 Industrial Production y/y	Aug	--	--	--
Oct-03	9:00 S&P Global Brazil Composite PMI	Sep	--	--	--
Oct-03	9:00 S&P Global Brazil Services PMI	Sep	--	--	--
Oct-04	14:00 Imports Total USD mn	Sep	--	--	--
Oct-04	14:00 Exports Total USD mn	Sep	--	--	--
Oct-04	14:00 Trade Balance Monthly USD mn	Sep	--	--	--
Oct 02-04	Vehicle Sales Fenabrave	Sep	--	--	--
Oct 04-07	Vehicle Exports Anfavea BRL	Sep	--	--	--
Oct 04-07	Vehicle Production Anfavea	Sep	--	--	--
Oct 04-07	Vehicle Sales Anfavea	Sep	--	--	--

CHILE

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Sep-24	8:00 PPI m/m	Aug	--	--	--
Sep-25	7:30 Central Bank Traders Survey		--	--	--
Sep-30	8:00 Retail Sales y/y	Aug	--	--	--
Sep-30	8:00 Commercial Activity y/y	Aug	--	--	--
Sep-30	8:00 Unemployment Rate (%)	Aug	--	--	--
Sep-30	8:00 Industrial Production y/y	Aug	--	--	--
Sep-30	8:00 Manufacturing Production y/y	Aug	--	--	--
Sep-30	8:00 Copper Production Total mt	Aug	--	--	--
Oct-01	7:30 Economic Activity m/m	Aug	--	--	--
Oct-01	7:30 Economic Activity y/y	Aug	--	--	--
Oct 01-07	IMCE Business Confidence	Sep	--	--	--

COLOMBIA

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Sep-25	Industrial Confidence	Aug	--	--	--
Sep-25	Retail Confidence	Aug	--	--	--
Sep-30	11:00 Urban Unemployment Rate (%)	Aug	9.6	--	-- We continue to see weak job creation. The unemployment rate is expected to deteriorate compared to the previous year, given that economic activity remains at a moderate growth rate. The publication will be the last thing the board knows before the monetary policy meeting, and if there is a significant deterioration it could support the acceleration of the easing cycle.
Sep-30	11:00 National Unemployment Rate (%)	Aug	9.9	--	--
Sep-30	14:00 Overnight Lending Rate (%)	30-Sep	10.00	--	-- We expect BanRep to cut the interest rate by 75bps. The macro scenario shows a significant decline in inflation, and economic activity needs some impetus in key sectors such as commerce, construction and manufacturing. With the Fed's decision, we believe there will be more points in favour of accelerating.
Oct-01	11:00 Davivienda Colombia PMI Mfg	Sep	--	--	--
Oct-02	11:00 Exports FOB USD mn	Aug	--	--	--
Oct-03	18:00 Colombia Monetary Policy Minutes		--	--	--

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for September 21–October 4

MEXICO

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Sep-23	8:00 Retail Sales y/y	Jul	--	--	--
Sep-23	8:00 Retail Sales m/m	Jul	--	--	--
Sep-23	8:00 Economic Activity IGAE y/y	Jul	--	--	--
Sep-23	8:00 Economic Activity IGAE m/m	Jul	--	--	--
Sep-24	8:00 Bi-Weekly CPI (%)	15-Sep	0.13	--	--
Sep-24	8:00 Bi-Weekly Core CPI y/y	15-Sep	3.95	--	--
Sep-24	8:00 Bi-Weekly Core CPI (%)	15-Sep	0.21	--	--
Sep-24	8:00 Bi-Weekly CPI y/y	15-Sep	4.7	--	--
Sep-24	11:00 International Reserves Weekly	20-Sep	--	--	--
Sep-26	15:00 Overnight Rate (%)	26-Sep	10.50	--	--
Sep-27	8:00 Exports USD mn	Aug	--	--	--
Sep-27	8:00 Imports USD mn	Aug	--	--	--
Sep-27	8:00 Trade Balance USD mn	Aug	--	--	--
Sep-30	11:00 Net Outstanding Loans MXN bn	Aug	--	--	--
Sep-30	Mexican Public Balance MXN bn	Aug	--	--	--
Oct-01	11:00 Remittances Total USD mn	Aug	--	--	--
Oct-01	14:00 IMEF Manufacturing Index SA	Sep	--	--	--
Oct-01	14:00 IMEF Non-Manufacturing Index SA	Sep	--	--	--
Oct-02	8:00 Gross Fixed Investment SA m/m	Jul	--	--	--
Oct-02	8:00 Gross Fixed Investment NSA y/y	Jul	--	--	--
Oct-02	8:00 Vehicle Domestic Sales	Sep	--	--	--
Oct-02	8:00 Private Consumption y/y	Jul	--	--	--
Oct-02	11:00 S&P Global Mexico Manufacturing PMI	Sep	--	--	--
Oct-02	11:00 Central Bank Economist Survey		--	--	--
Oct-02	11:00 International Reserves Weekly USD mn	27-Sep	--	--	--
Oct-03	8:00 Leading Indicators (m/m)	Aug	--	--	--
Oct-04	8:00 Unemployment Rate NSA (%)	Aug	--	--	--
Oct-04	8:00 Vehicle Exports	Sep	--	--	--
Oct-04	8:00 Vehicle Production MXN	Sep	--	--	--

PERU

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Oct-01	11:00 Lima CPI y/y	Sep	--	--	--
Oct-01	11:00 Lima CPI m/m	Sep	--	--	--

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

Scotiabank Economics Latam Coverage

Local Market Coverage

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